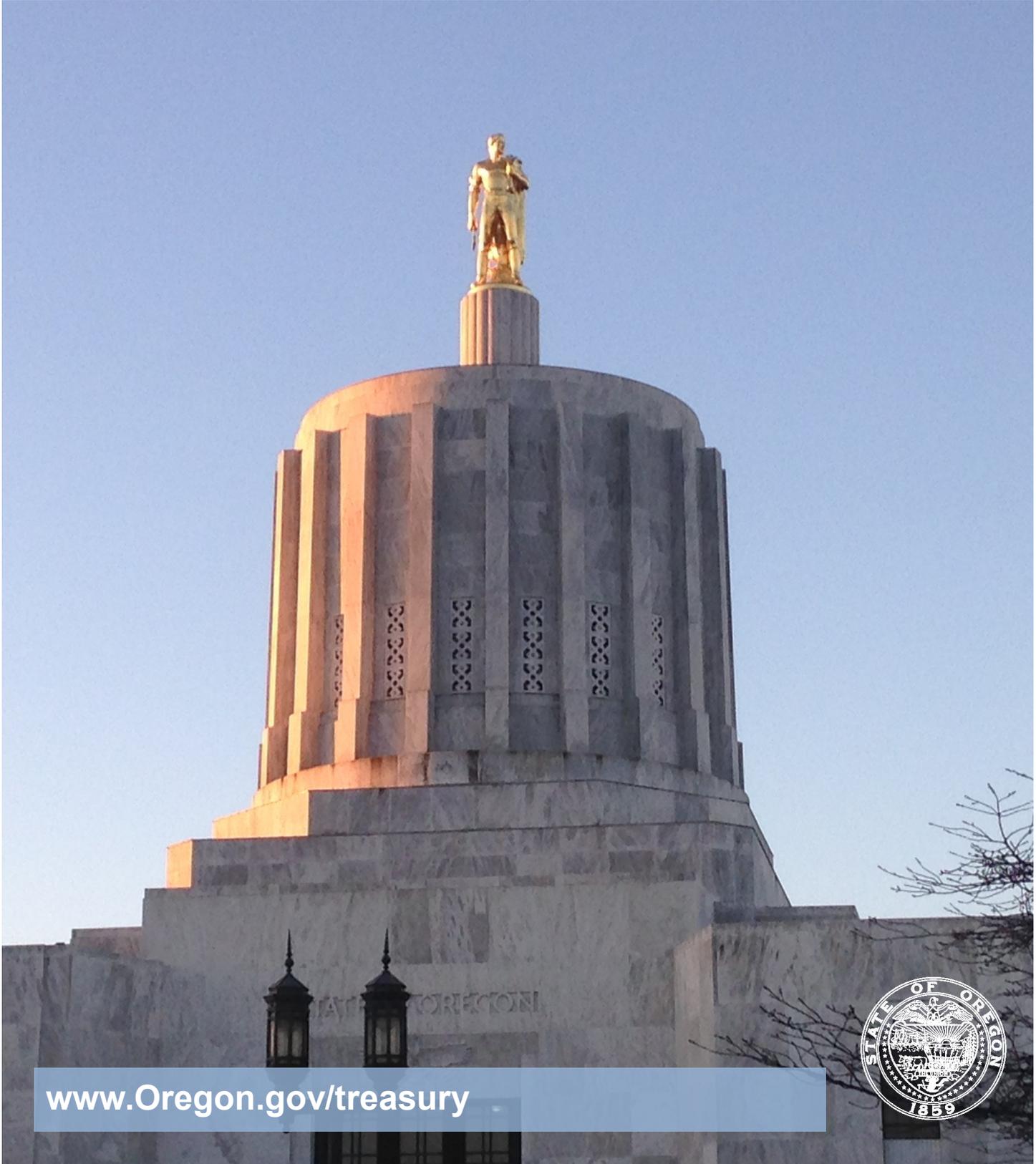


2015

Oregon State Treasury State Treasurer Ted Wheeler



www.Oregon.gov/treasury



Contact the Oregon State Treasury

WEB

www.oregon.gov/treasury

EMAIL

Oregon.treasurer@ost.state.or.us

PHONE

Main: 503-378-4000

Investments / investor relations: 503-431-7900

Capitol: 503-378-4329

Treasurer media inquiries and scheduling: 503-378-4329

ADDRESSES

Main office

Labor & Industries Building

350 Winter Street NE, Suite 100 Salem, Oregon 97301

State Capitol

900 Court Street NE, Room 159, Salem, Oregon 97301

Investment Division

16290 SW Upper Boones Ferry Road, Tigard, OR 97224

OREGON 529 SAVINGS & OREGON ABLE 529 PLAN

<http://www.oregon.gov/treasury/Oregon529Network>

college.savings@ost.state.or.us

Oregon.ABLE@ost.state.or.us

503-373-1903

RETIREMENT SAVINGS PLAN

Launches mid-2017

www.oregon.gov/RETIRE

RetirementSavings@ost.state.or.us

503-378-4329

The Oregon State Treasury does not collect taxes or administer the Oregon Public Employees Retirement System. Inquiries about taxation should be directed to the Oregon Department of Revenue at 503-378-4988 or 800-356-4222, or to www.oregon.gov/DOR. Inquiries about benefits or other PERS issues should be directed to the PERS agency at 888-320-7377 or www.oregon.gov/pers.

The following statutes require annual reports to the Governor and/or members of the legislature on the following issues.

◦ State Investments, ORS 293.771 Reports by council to Governor and legislature. The Oregon Investment Council shall report to the Governor and Legislative Assembly on the investment funds investment program at each regular session of the Legislative Assembly and at other times as the council considers in the public interest.

◦ Venture capital investments in Oregon, ORS 293.734. Report on venture capital investments. The Oregon Investment Council shall submit an annual report to the Speaker of the House of Representatives and the President of the Senate detailing the investments and commitments made by the council in accordance with ORS 293.733.



Contents

MESSAGE FROM TREASURER WHEELER	4
About the Treasurer / Oregon Treasurers / Key initiatives 2010-2016 / Past Treasurers	
TREASURY SNAPSHOT	8
Funds under management / Credit ratings / Treasury leadership / Diversity / Boards and Commissions	
INVESTING FOR OREGON	12
Oregon Investment Council / Performance / Compliance	
RISK MANAGEMENT, SUSTAINABILITY AND RETURNS	16
Compliance/ Operations / Corporate governance / proxy voting / securities litigation / ESG	
BUILDING FOR TODAY AND TOMORROW	18
Debt Management Division / Oregon Facilities Authority	
KEEPING PUBLIC FUNDS SAFE	20
Finance Division / Short Term Fund Information Technology and cybersecurity	
HELPING OREGONIANS SAVE AND THRIVE	23
Oregon 529 Network / Oregon ABLE 529 Oregon Retirement Savings Plan / Oregon Retirement Savings Board	



Dear Oregonians:

Philosopher Lao Tzu famously said that a “journey of a thousand miles begins with one step.” The same logic applied 160 years ago to the pioneers who ventured westward on the Oregon Trail. And today, it applies to families who are trying to improve their financial footings.

Economic security is directly connected to your quality of life – at every stage of life, from education to retirement. Becoming more stable and successful begins with a single, often intimidating step: Getting started.

I am pleased to offer the 2015 annual report from your State Treasury. This report highlights the multifaceted work performed by Treasury to strengthen the financial standing and security of our great state, local governments and the individuals and families who call this home.

In 2015, the Oregon Legislature followed the recommendation of a Treasury task force and authorized the creation of the Oregon Retirement Savings Plan. The statistics are daunting when it comes to America’s retirement savings crisis, with the gap of trillions of dollars. The new Savings Plan will launch in 2017, and will help potentially 1 million Oregonians who lack access to a retirement savings option at work.

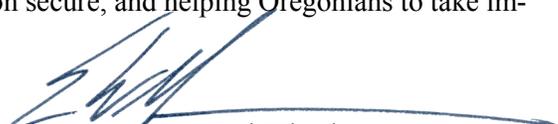
The State Treasury is committed every day to improving the financial security of our state and of every Oregonian. We accomplish those goals through a robust roster of financial programs, and by placing a premium on education and outreach to help Oregonians make better decisions.

Oregon’s wise management of public funds continued to buttress the state’s financial health, which is reflected in our strong credit ratings. Treasury decisions placed the performance of the Oregon Public Employees Retirement Fund at the top, among its peers. We were able to continue our successful campaign of refinancing public debt to save millions. And local governments benefited from our efficient banking operation and solid performance of the Oregon Short Term Fund and the Local Government Investment Pool.

Other highlights for 2015 include:

- Proceeding with the multifaceted Cash Management Improvement and Renewal Program, to prepare for the challenges of banking for governments in the 21st century, including the acceptance of funds related to legalized marijuana in Oregon;
- Protecting Oregon’s healthy credit rating, which saves all of us money;
- Making low-cost financing available to community nonprofits;
- Taking a strong stance as a responsible investor by interfacing with public companies and proxy votes, and calling for better diversity on corporate boards of directors;
- Securing clearance to expand investment staff capacity to better manage risk through the creation of a compliance office, and adding critical technology capacity to improve operations with the new Aladdin platform.
- Achieving new records for the Oregon 529 Savings Plan, and helping to earn legislative clearance for an ABLE-529 option to assist families of Oregonians with disabilities.

It is a privilege to serve as your State Treasurer and I am pleased to offer this annual report to outline how your Treasury is making notable strides to help keep Oregon secure, and helping Oregonians to take important steps to improve their own financial lives.



Ted Wheeler

About Treasurer 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 and 2012, 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 Savings Network with lower costs and more options for families, and to add new options to assist Oregonians with disabilities.

Wheeler also assumed a leadership role in economic development and better planning for infrastructure development. He convened business leaders and spearheaded the creation of the Oregon Investment Act, and was a founding partner of the West Coast Infrastructure Exchange.

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, reduced and balanced the budget, and cut the county's debt.

Wheeler brought 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 was a founder of Walk for the Wildwood Trail, a fundraiser to help maintain a Forest Park landmark. 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.



Key Initiatives 2010-2015

2010



State Treasurer Ted Wheeler has focused on sensible strategies that improved the financial health of the state and Oregon families, enhanced the capacity of the state investment operation, enhanced avenues for economic development, facilitated investments in infrastructure, and saved Oregonians millions. At the same time, he oversaw management decisions at the State Treasury to make it a more nimble, transparent and effective agency on behalf of Oregon taxpayers, public fund beneficiaries and businesses.

2011



Responding to mismanagement by a private sector firm of a bond fund offered through the Oregon 529 College Savings Plan, the Treasurer led reforms in 2010 to **increase oversight, to create more savings options for families including a guaranteed option, and to reduce fees.**

The global markets were still reeling from the global economic crisis when he took office. He took a conservative view of public indebtedness and called for a temporary “time out” on state bond issuance in 2010 to remain below Oregon’s historical debt limit. That stance helped Oregon **win an upgrade** of its credit ratings at a time when many states were experiencing downgrades, and the long-term value of that upgrade adds to tens of millions of dollars. He also worked to win passage of Measure 72, which allowed the state to **reduce rates** on public bonds, and saved millions more.

2012



He led an effort at Treasury to improve transparency and oversight regarding investment-related travel, which is a critical part of overseeing the state’s public portfolio.

In 2011, he led the effort **to renegotiate and eliminate almost every fee** from state-issued bank cards that are provided to those who don’t receive public benefits via direct deposit. His leadership on the conversation of creating a state central banking function led to passage of the Oregon Investment Act in 2012, which **enhanced how state economic development resources are prioritized, allocated, and invested.** He helped create **the multistate West Coast Infrastructure Exchange** to spur development of critical projects in Pacific Coast States and British Columbia.

2013



Treasury in 2012 hired a new chief investment officer from the private sector, to help lead an effort to build a more resilient portfolio and modernize investment operations.

In 2013, based on independent studies, the Treasurer and Oregon Investment Council asked legislators to approve staff and governance changes to improve investment risk management and capacity. Based on the historic low rates for public debt and the rising cost of higher education, he also asked lawmakers to approve a dedicated trust fund to augment student financial aid. The 2013 Legislature passed the Oregon Opportunity Initiative, but voters did not embrace the notion of additional public debt.

2014



Starting on 2013, Treasury opened the way for credit unions to become public depositories, while also **keeping public funds safe** through posted collateral.

In 2014, Wheeler led a financial feasibility analysis of the proposed Columbia River Crossing, which provided lawmakers with financial modeling for the envisioned Interstate 5 project. He also **was tapped as the National Elected Figure of the Year** by the National Council of Public Employee Retirement Systems for his efforts to highlight the troubling retirement savings gap and suggest potential solutions.

Leading as responsible investor, Treasury in 2014 engaged with public companies to **seek more transparency** of political giving and to evaluate executive salaries. With his support, the Investment Council added Environmental, Social and Governance risk-weighting criteria to its investment beliefs.

2015



In 2015, the Legislature approved Treasury sought-expertise that had been identified as a deficiency in 2013. The assembly in 2015 also approved creation of the Treasurer’s proposed Oregon Retirement Savings Plan, to **offer a savings option to more than 1 million Oregonians** who lack one at work. He also helped convince lawmakers to create the ABLE-529A program **to support Oregonians with disabilities.**

Revamping and modernizing the portfolio paid off, as **Oregon led all peers for investment performance** in the five-year span ended in 2015.

Looking forward: Key initiatives 2016

RETIREMENT SAVINGS



The launch of the **Oregon Retirement Savings Plan** is in mid-2017, and a succession of workgroups will begin meeting to piece together the components of the landmark program, which will allow hundreds of thousands of Oregonians to start saving via payroll deductions at work, into personal retirement accounts. Treasury staff will work with partner agencies to craft partnerships for marketing efforts, facilitate statewide engagement, and craft the necessary administrative rules for the program.

The Finance Division implemented the **Cash Management Improvement and Renewal Program** (a continuous improvement effort) in 2012, to reform and modernize how Treasury handles and oversees millions of government banking transactions a year. In 2016, the program expects to evaluate our financial institution partnerships to ensure that we are best mitigating risks while continuing to deliver quality services at reasonable costs. Legalization of recreational marijuana at the state level, while still illegal federally, presents a novel area of consideration for our financial partners.

BANKING SERVICES



The Investment Division is in the midst of a Legislatively approved increase in staff and technology capacity to better manage the state's public trust fund portfolio, amid new risks and market volatility. Treasury **investment operations will be consolidated** under one roof in an expanded facility in Tigard, which will replace a smaller Tigard office and is expected to open for business in the first quarter of 2016. The new space will allow for organizational efficiencies in the investment operation, and will include meeting facilities and the new Treasury compliance office.

INVESTMENT OPERATIONS



The Debt Management Division will continue to monitor Oregon's credit rating and work with agencies on bonding efforts, such as a **new facilities matching program** at the Department of Education. The division also will highlight potential concern areas, such as the state's small-scale energy loan program. The office also plans bond refunding sales to take advantage of low interest rates and **save taxpayers millions**.

The Oregon 529 Savings Network will continue work toward the early 2017 launch of the Oregon-ABLE 529-A savings plan, which was authorized by the 2015 Legislature and will **help support Oregonians with disabilities**.

Oregon Treasurers,

- | | | | |
|------------------------|--------------------------------|---------------------------|----------------------------|
| 1 John D Boon (D) | March 3-1859- Sept. 8, 1962 | 15 Walter E. Pearson (D) | Dec. 27, 1938-Jan. 6, 1941 |
| 2 Edwin N. Cooke (R) | Sept. 8, 1862 – Sept. 12, 1870 | 16 Leslie M. Scott (R) | Jan. 6, 1941-Jan. 3, 1949 |
| 3 L. Fleischner (D) | Sept. 12, 1870- Sept. 14, 1874 | 17 Walter J. Pearson (D) | Jan. 3, 1949-Jan. 5, 1953 |
| 4 A. H. Brown (D) | Sept. 14, 1874- Sept. 9, 1878 | 18 Sig Unander (R) | Jan. 5, 1953-Dec. 31, 1959 |
| 5 Edward Hirsch (R) | Sept. 9, 1878-Jan. 10, 1887 | 19 Howard C. Belton (R) | Jan. 4, 1960-Jan. 4, 1965 |
| 6 G. W. Webb (D) | Jan. 10, 1887-Jan. 12, 1891 | 20 Robert W. Straub (D) | Jan. 4, 1965-Jan. 1, 1973 |
| 7 Phil Metschan (R) | Jan. 12, 1891-Jan. 9, 1899 | 21 James A. Redden (D) | Jan. 1, 1973-Jan. 3, 1977 |
| 8 Charles S. Moore (R) | Jan. 9, 1899-Jan. 14, 1907 | 22 H. Clay Myers, Jr. (R) | Jan. 3, 1977-April 1, 1984 |
| 9 George A. Steel (R) | Jan. 15, 1907-Jan. 3, 1911 | 23 Bill Rutherford (R) | April 1, 1984-July 9, 1987 |
| 10 Thomas B. Kay (R) | Jan. 4, 1911-Jan. 6, 1919 | 24 Tony Meeker (R) | July 9, 1987-Jan. 4, 1993 |
| 11 O. P. Hoff (R) | Jan. 6, 1919- March 18, 1924 | 25 Jim Hill (D) | Jan. 4, 1993-Jan. 1, 2001 |
| 12 Jefferson Myers (D) | March 18, 1924-Jan. 4, 1925 | 26 Randall Edwards (D) | Jan. 1, 2001-Jan. 4, 2009 |
| 13 Thomas B. Kay (R) | Jan. 4, 1925-April 29, 1931 | 27 Ben Westlund (D) | Jan. 5, 2009-March 7, 2010 |
| 14 Rufus C. Holman (R) | May 1, 1931-Dec. 27, 1938 | 28 Ted Wheeler (D) | March 9, 2010–present |



Treasury at a glance

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.

VISION STATEMENT: Financial leadership today for Oregon's tomorrow.

MISSION STATEMENT: To provide prudent financial stewardship for Oregon.

Treasury 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 and policies 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 does not collect taxes (that is a function of the Oregon Department of Revenue), nor does it oversee the drafting of the state budget.

All of functions of the State Treasury are designed to serve clients and the public, and 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 Treasury 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 Savings Network.

Treasury serves individual Oregonians and families by helping them save for high-education and job training, and by promoting financial education.

AGENCY METRICS

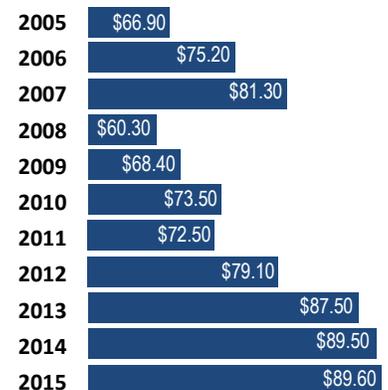
Positions	95
Biennial Budget (2013-15)	\$46.7 M
Short Term Fund Depositors	1,057
Total banking transactions	\$210 B
Total Oregon 529 assets	\$2.4 B

CREDIT RATINGS

General Obligation Debt
AA+/Aa1/AA+
 (S&P, Moody's, Fitch)

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

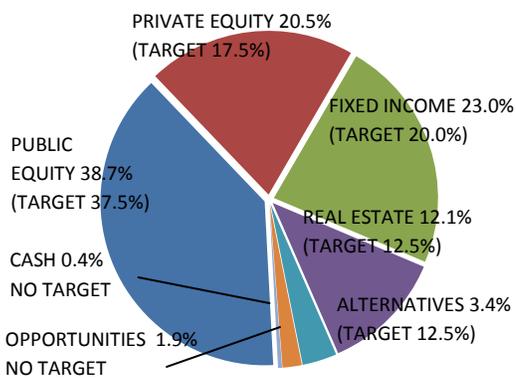
TOTAL FUNDS MANAGED



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



PUBLIC EMPLOYEES RETIREMENT FUND



REGULAR ACCOUNT	\$68.0 B
NET RETURN 2015	+ 2.11%
NET RETURN 10 - YEAR	+ 6.27%
VARIABLE ACCOUNT	\$655.6 M
TOTAL PERS	\$68.7 B

PROTECTING PUBLIC FUNDS

Public funds protected at depositories:
Collateralization pool: \$2.3 billion

Banks in collateral pool: 32
Credit unions in collateral pool: 12

Oregon Short Term Fund:
Balance as of Dec. 31, 2015: \$15.9 billion

In addition, the Oregon State Treasury benefits every Oregonian by managing assets to derive returns for state trust funds including the Common School Fund, and also by protecting bank accounts belonging to schools and other public institutions.

Treasury is the state's central bank for government, and all 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 receive banking services through the finance division and 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, both banks and credit unions. That program protects public deposits from the risk of institution failures.

The debt management division maintains the state bond calendar and facilitates bond sales by Oregon public entities, and also saves taxpayers money when possible by refinancing bonds to lower interest rates.

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 time CD program.

Executive division



Darren Bond
Deputy Treasurer



Tom Rinehart
Chief of Staff



Kristin Stewart
Human Resources
Director



Kristin Dennis
Policy Director



Scott Harra
Chief Administrative
Officer



Byron Williams
Chief Audit
Executive



The State Treasurer is the financial leader of the State and sets goals and strategies to help the State and individual Oregonians better manage and invest money, keep assets safe and build for a more prosperous future.

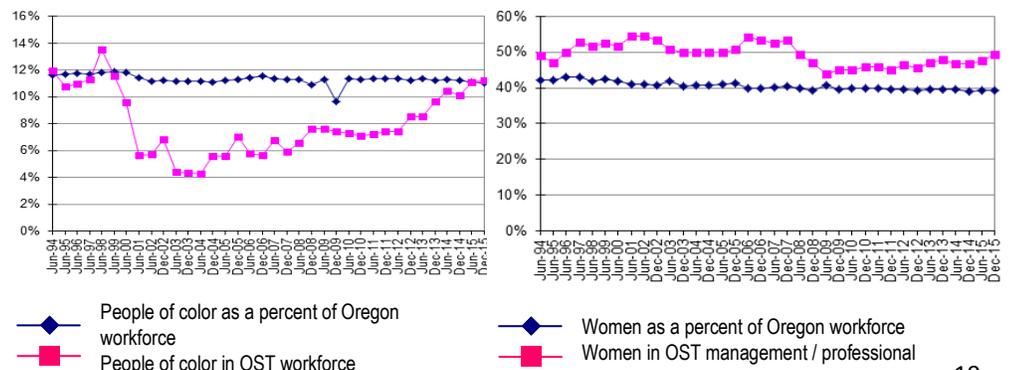
The Deputy Treasurer is responsible for day-to-day financial operations. The Treasurer's chief-of-staff directly oversees Treasury policy and outreach. The deputy and chief-of-staff are hired by and report to the State Treasurer. The chief administrative officer, who reports to the deputy, is responsible for overseeing human resources, financial compliance and internal accounting offices.

The Treasurer sets policy and direction through his executive office, which coordinates strategic planning, the creation and monitoring of legislative priorities, public information and the publication of financial reports.

The effectiveness of Treasury also relies on strong internal communications and executive services including human resources, risk management and internal auditing. The Executive Office of the State Treasurer interacts directly with the public, the Legislature and policymakers at both the state and federal level. It includes the Treasurer, Chief of Staff, and public policy and communications staff.

The public policy team develops legislation and interacts with other government entities about laws and policies that affect the State Treasury. In addition, it seeks statutory changes when needed to help government agencies save money, through tools such as electronic banking.

ACHIEVING GOALS FOR A DIVERSE WORKFORCE





Selected Boards and Commissions

OREGON 529 SAVINGS BOARD

Sets policy for 529 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

Sets policy for investment of Oregon State Treasury-managed trust funds, including the Oregon Public Employees Retirement Fund and the State Accident Insurance Fund. Katherine J. Durant, Chair; Rukaiyah Adams, Vice-Chair; Keith Larson; John Russell; Ted Wheeler, Oregon State Treasurer; and Paul Cleary, PERS Director. ORS 293.706.

OREGON RETIREMENT SAVINGS BOARD

Sets policy and guides development of the Oregon Retirement Savings Plan. Members: Ted Wheeler, Oregon State Treasurer, Chair; Kara Backus; Sen. Lee Beyer; Kevin Jensen; Rep. Tobias Read; Juanita Santana; Cory Streisinger. Meets monthly. ORS 178.200.

MUNICIPAL DEBT ADVISORY COMMISSION

Provides technical assistance to local governments and state agencies to improve the market for bond issues in Oregon. Members: 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 Langeler, 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.

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

Investment Division



John Skjervem
Chief Investment
Officer



Mike Mueller
Deputy Chief
Investment Officer



John Hershey
Director—Private
Markets



Perrin Lim
Director—Public
Markets

Highlights



VALUE - OREGON PUBLIC
EMPLOYEES RETIREMENT FUND

OTHER KEY FUNDS

STATE ACCIDENT INSURANCE FUND	\$4.48 B
COMMON SCHOOL FUND	\$1.42 B
SHORT TERM FUND	\$15.87 B
TOTAL MANAGED ASSETS	\$89.58 B

Source: Dec. 31, 2015 figures, State Street

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 an \$89.5 billion financial and real asset portfolio which includes the Oregon Public Employee Retirement Fund (OPERF). At December 31, 2015, OPERF's market value stood at \$68.7 billion.

Consistent with institutional investment standards and industry 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 historical results: average, annualized returns for the 3-, 5- and 10-year periods ended December 31, 2015 were 8.2, 8.2 and 6.3 percent, respectively. In 2015, overall OPERF investment performance advanced 2.1%, ahead of the 1.6% return to the fund's policy benchmark. While anemic in absolute terms and sub-par relative to historical results, OPERF's 2015 return ranked in the top decile of a nationally-recognized composite comprised of similar-sized, institutional investment funds.

OPERF assets are allocated among the following five, strategic investment 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 between staff and external consultants; moreover, return forecasts contemplate a 20-year investment horizon. Importantly, equity-oriented investments represent OPERF's largest capital allocation. While improving the likelihood of generating an adequate, long-term return, this equity-biased approach also produces higher levels of short-term portfolio volatility.

For example, in bull market conditions (e.g., 2013), OPERF's equity-oriented portfolio will likely generate robust 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 in an attempt to mitigate short-term portfolio volatility as well as protect it 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) made essentially no progress last year, recording a mere 0.5% advance over the 12-month period ended December 31, 2015. Unfortunately, OPERF's U.S. public equity performance trailed further still losing 0.9% due to the portfolio's emphasis on small capitalization stocks, a proxy for which (namely, the Russell 2000 index) retreated a full 4.4% in 2015. OPERF's overall results in U.S. stocks, while flat, compared favorably to its performance in foreign equities as most international and emerging market indices recorded a second consecutive year of negative returns in 2015. OPERF managers investing in these international and emerging markets produced a collective loss of 2.6% last year, disappointing but meaningfully better than the 4.6% decline in the MSCI ACWI Ex-US IMI Net index, OPERF's non-U.S. public equity benchmark.

With an estimated year-end value of \$14.0 billion and unfunded forward commitments of approximately \$7.8 billion, OPERF's private equity investments pro- 12

duced another year of strong results by posting a 7.8% return in 2015. Specifically, OPERF's private equity investments appreciated by \$1.1 billion last year, and represented 20.5% of total OPERF assets at year end. OPERF private equity cash flows in 2015 included distributions of \$3.9 billion and new investments of \$2.1 billion, and over the past ten years, OPERF's private equity investments generated a net, average annual return of 10.6% as of December 31, 2015.

In real estate, OPERF capital is allocated across the following four property or security types: core; value-add; opportunistic; and publicly-traded real estate investment trusts (i.e., REITs). In 2015, OPERF's real estate investments generated a 9.8% total return. While top among all OPERF asset classes, this result lagged the assigned NCREIF benchmark by over 3.5% last year. At year end, real estate holdings were valued at \$8.2 billion, and represented 11.9% of total OPERF assets. For the ten-year period ended December 31, 2015, OPERF's real estate investments delivered a 7.1% average annual return, trailing the 8.0% average annual return calculated for NCREIF during that same period.

In sharp contrast to 2014, bond markets struggled last year with most investors experiencing flat to modestly positive returns. Expectations of the Federal Reserve's long-awaited hike in short-term interest rates kept a lid on bond prices all year. When the hike was finally announced at the Fed's December meeting, investor sentiment regarding the immediate path of short-term rates again became uncertain as global economic activity had already begun to slow in last year's fourth quarter. Moreover, the commodities complex (e.g., energy, precious and industrial metals, livestock, grains and soft goods) was down nearly 25% by year-end corroborating investors' belief that any additional Fed action would be slow and deliberately constrained. OPERF's investments in fixed income securities contributed 0.5% in 2015, modestly ahead of the 0.2% return on the fund's custom fixed income benchmark.

Finally, OPERF investments in "alternative" assets contributed mixed results in 2015, an expected outcome given the highly heterogeneous nature of this particular category. As evidence of this category's "mixed bag" profile, OPERF's alternative asset allocation includes investments in minerals and mining, timber, agriculture and infrastructure. At December 31, 2015, these alternative asset investments comprised 3.3% of OPERF's total portfolio and produced a 4.3% loss due to broad exposure to the above-mentioned commodities complex. OPERF's alternative asset allocation also includes an assortment of "opportunistic" investments which represent another 1.9% of OPERF's total portfolio, and generated a positive 2.1% return in 2015. Importantly, the Investment Division plans to significantly expand OPERF's allocation to these alternative asset categories given their attractive, long-term return and diversification attributes.

Prominent among the Investment Division's responsibilities is its daily management of the \$15.9 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, division staff evaluate and monitor 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 \$4.5 billion State Accident Insurance Fund and the \$1.4 billion Common School Fund. With long-term investment horizons similar to OPERF, and often eligible for the same investment managers and strategies, these accounts have also recorded favorable average annual results.



Financials

PORTFOLIO SIZE — FIVE YEAR TREND

(MARKET VALUE IN MILLIONS)

	12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
Public Employees Retirement Fund (OPERF)	\$68,704.4	\$70,025.1	\$67,913.3	\$61,055.5	\$55,487.2
<i>Regular account and variable</i>					
Oregon Short Term Fund (OSTF)	13,479.9	12,439.5	12,717.8	11,327.7	10,785.2
State Accident Insurance Fund (SAIF)	4,483.4	4,589.9	4,416.7	4,420.3	4,164.4
Common School Fund (CSF)	1,424.2	1,433.7	1,362.2	1,178.8	1,071.8
Oregon War Vet Bond Sinking Fund	89.9	99.1	94.2	81.2	85.6
DCBS Fund	220.3	205.2	183.5	180.0	187.6
DAS Funds	147.8	148.3	163.0	129.3	158.9
Higher Education Endowment Fund	-	45.1	75.8	66.8	61.0
Other Funds	1,027.6	552.3	568.5	605.7	538.5
TOTAL	\$89,577.5	\$89,538.2	\$87,495.0	\$79,045.3	\$72,540.2

INVESTMENTS BY TYPE

(AS OF JUNE 30, 2015)

	<u>Fair Market Value</u>
U.S. Treasury Obligations	\$ 1,609,276,508
U.S. Federal Agency Mortgage Securities	842,179,019
U.S. Federal Agency Mortgage TBAs	801,175,494
U.S. Federal Agency Debt	405,860,147
U.S. Federal Agency Strips	52,725,312
U.S. Treasury Obligations – Strips	59,384,897
U.S. Treasury Obligations – TIPS	119,129,345
International Debt Securities	2,284,452,419
Non-Government Debt Securities	209,701,468
Corporate Bonds	3,758,283,801
Bank Loans	2,325,763,907
Municipal Bonds	95,670,114
Collateralized Mortgage Obligations	1,251,627,850
Asset-Backed Securities	1,153,514,000
Guaranteed Investment Contracts	157,270,916
Mutual Funds – Domestic Fixed Income	515,942,594
Mutual Funds – International Fixed Income	67,595,997
Total Debt Securities	15,709,553,788
Derivatives in Asset Positions	4,468,834
Domestic Equity Securities	11,002,412,114
International Equity Securities	10,142,515,721
Mutual Funds – Domestic Equity	4,436,392,684
Mutual Funds – Global Equity	725,150,310
Mutual Funds – International Equity	3,515,390,105
Mutual Funds – Target Date	441,258,366
Oregon Savings Growth Plan - Self-Directed	5,619,769
Real Estate and Real Estate Investment Trusts	7,759,820,864
Private Equity	14,956,767,833
Alternative Equity	1,498,022,765
Opportunity Portfolio	1,073,948,950

Total PERS Investments

\$ 71,271,322,103

Source: PERS CAFR

VENTURE CAPITAL IN OREGON

ORS 293.734

In accordance with ORS 293.731-293.741, the Oregon Investment Council (OIC) sets investment policy and may contract with others to perform investment management functions. Each of the various asset classes is managed with the mission of generating the highest returns prudently possible for the Fund beneficiaries.

This section provides a snapshot of the fund's level of investment within the State of Oregon, in accordance with ORS 293.734, which calls for an annual report on in-state venture capital investments.

The Public Employees Retirement Fund has exposure to Oregon companies across the portfolio, including publicly traded stocks, fixed income instruments and privately held real estate.

The arena of venture capital is narrower, and for this report we considered the exposure to Oregon investments through the private equity portfolio. As of Dec. 31, 2015, approximately, \$669 million of the private equity portfolio represented "Oregon companies."

(Defined as companies headquartered in Oregon, or employing more than 100 employees in the state).

That sum represents roughly 4.8 percent of the overall private equity portfolio, which stood at \$14 billion on Dec. 31, 2015.

The information included in this report provides a reasonable, but not necessarily definitive, summary of Oregon investments. The OIC does not mandate Oregon-specific investments in its portfolio asset allocation.

Oregon Investment Council



Katherine J. Durant
Chair
Atlas Investments
Appointed 2005



Rukaiyah Adams
Vice Chair
Meyer Memorial Trust
Appointed 2013



Keith Larson
Intel Capital
Appointed 2007



John Russell
Russell Development Co.
Appointed 2015



**State Treasurer
Ted Wheeler**
Ex-officio



Steve Rodeman
Director, PERS
Ex-officio,
non-voting



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.

The Investment Council adopts a set of investment and management beliefs that guide policies and decisions at the State Treasury.

1. *The OIC is Ultimately Responsible for the Investment Program*
2. *Asset Allocation Drives Risk and Return*
3. *The Equity Risk Premium Will Be Rewarded*
4. *Private Market Investments Can Add Significant Value and Represent a Core OIC/OST Competency*
5. *Capital Markets Have Inefficiencies That Can Be Exploited*
6. *Costs Directly Impact Investment Returns and Should Be Monitored and Managed Carefully; and*
7. *Transparent Markets are Essential for Long-Term Investment Success*

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.

Investment Division - Risk, compliance and corporate governance



Dave Randall
Chief Operations Officer



Karl Hausafus
General Counsel and Chief Compliance Officer

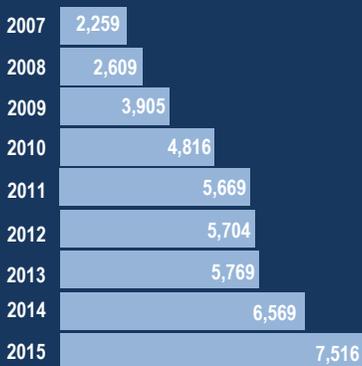


Karl Cheng
Investment Officer, Portfolio Risk and Research



Jennifer J. Peet
Corporate Governance Director and Deputy General Counsel

Highlights



ANNUAL MEETINGS WITH PROXY VOTES, U.S. AND INTERNATIONAL

Source: Glass Lewis & Co.

2015 PROXY VOTING BREAKDOWN

US ballots voted	3,852
Non US ballots voted	8,443
Total ballots	12,295

US annual meetings voted	2,054
Non US meetings voted	5,462
Total annual meetings	7,516

The state's investment performance consistently rates highly, but in 2011, independent consultants highlighted certain shortcomings in risk management, accounting and compliance capacity, compared to Oregon's similarly-sized public fund peers.

With support from the Oregon Legislature, the Oregon Treasury has embarked upon a dramatic program of reform to expand Treasury staff and technology capabilities, and to better manage the many risk factors impacting public assets.

Lawmakers approved additional staff to put Treasury on a more stable footing in terms of both its return-seeking and risk management activities. These reforms are bolstering risk management, accounting and compliance procedures, and facilitating a more effective and comprehensive approach to managing Oregon's public trust funds. Investment risks cover a gamut such as operational risk, compliance risk, currency-related risks, market risk, and may include environmental, social and board governance practices at companies.

Treasury has added a new investment position dedicated solely to risk management, as well as additional staff to support the professionals responsible for placing and monitoring investments.

Finally, the staffing reforms allowed for the creation of an investment operations unit and an expanded legal and compliance unit, which will be built out in 2016. Both of those units will buttress the expertise of the investment division. The operations section includes investment accounting, reconciling and reporting, data management, and analytics.

The legal and compliance section includes legal services, investment auditing and compliance. It also houses Treasury's corporate governance office, which leads efforts to interface with companies directly, to advocate via coalitions, and to coordinate proxy voting priorities to improve long-term sustainability and profitability at public companies.

Treasury also added a powerful new integrated investment management platform with electronic trading and monitoring capabilities for the investment division. Treasury's chief audit officer managed the process to successfully integrate and launch the new platform. This new platform, known as "Aladdin", is part of a new contract with New York-based Blackrock Inc., and enables staff to electronically manage the division's internal trading activities and portfolio positions in real time, mitigating many of the operational and investment risks previously identified by independent consultants and internal auditors.

The investment division intends to fold its externally managed positions and portfolios into Aladdin's reporting capabilities in the near future, as funding and personnel allow.

The Oregon Investment Council in 2014 incorporated evaluation of environmental, social and governance (ESG) risk factors to the decision making process involving trust fund investments. ESG criteria are recognized as legitimate investment risks and may be used to evaluate potential investment opportunities. "ESG" is a broad risk category and may include company performance on issues such as environmental stewardship, social consciousness and fair and accountable governance standards.

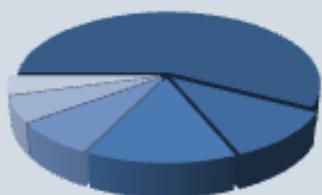
Corporate governance

As a responsible shareholder, Oregon can be influential in shaping how public corporations and their boards operate, with an eye toward improving the long-term profitability of those firms. That, in turn, can strengthen the value of public investments over time.

As a global institutional investor, Oregon can interact with firms collaboratively in ways that non-investors cannot. This strategy meshes with the core legal responsibility of Treasury and the Oregon Investment Council as fiduciaries of trust funds.

In addition, the Treasurer supports more accountable and transparent financial markets generally, and seeks better reporting of corporate political giving and how firms are situated for climate-related opportunities and threats. Improving access to data reduces the risks for all investors, because they know what is happening on – and also behind – corporate balance sheets.

Proxy ballots by topic



Board-related	58%
Compensation	11%
Audits & financials	14%
Capital management	7%
Governance & statutes	6%
Social / other	4%

Source: Glass Lewis & Co.

A legal opinion from the Oregon Attorney General warns against imposing political or geographic constraints on investments that could limit the performance of the Oregon Public Employee Retirement Fund or other trust accounts.

When actions by corporations damage the value of Oregon funds and undermine Oregonians who rely on the funds, the State Treasurer, as the custodian of public funds, can initiate legal action to both recoup losses and also influence future executive-level decision making.

The Treasurer filed securities litigation claims in more than 2,000 class action cases during the past five years, and recovered more than \$8 million. Oregon was lead plaintiff in two major cases in 2015 and settled both, against J.P. Morgan Chase and Bank of New York Mellon.

Public investments will benefit because of improved corporate responsibility, and because of better accountability and transparency of financial markets.

Better corporate management

Advocating for more shareholder input with regard to boards of directors, encouraging more transparency, diversity of membership and accountability, and demanding more say on CEO compensation.

Strengthening regulations

Engaging state and federal decisionmakers to strengthen regulations and improve the financial security of shareholders and the public.

Encouraging responsible practices

Seeking disclosure of climate related-risks, targeting offshore tax havens, and encouraging more utilization of clean energy.

Highlights

- On behalf of OPERF and the Common School Fund, the Treasurer and the Attorney General's office oversaw a settlement of \$180 million against the Bank of New York to recoup losses sustained due to alleged foreign exchange fraud. Oregon's share of that sum is still being determined.
- Oregon teamed up with peer funds in Arkansas and Ohio to lead a case against JP Morgan Chase to recover losses sustained in the London Whale scandal. That case settled for \$150 million, which will be shared by members of the class action including Oregon.
- Oregon continued to press for better disclosure of political campaign contributions with correspondence to the SEC signed by fellow state treasurers.
- Oregon joined a nationwide push for better access to the proxy at public companies, including votes in favor of reasonable "proxy access" at companies including Whole Foods, Duke Energy, Chevron, and Abercrombie & Fitch.
- Oregon's proxy voting at annual meetings is managed by Glass, Lewis & Co., which was hired by the OIC. In 2015, Oregon participated in 74,972 separate votes on 12,295 ballots. Of those votes, 73,923 were offered by management (Oregon supported 81.8% of them) and 1,049 were proposed by shareholders (Oregon supported 33.9%).
- Oregon is helping to press for appropriate levels of executive compensation through Say on Pay votes.
- Oregon helped to highlight the value of diversity on corporate boards of directors. Jennifer J. Peet, Corporate Governance Director and Deputy General Counsel, was named to the board of the 30 Percent Coalition, which is leading efforts to improve board diversity.

SECURITIES LITIGATION

Year	Damages received
2011	\$ 473,289.10
2012	\$ 452,843.52
2013	\$ 1,434,730.58
2014	\$ 2,408,359.50
2015	\$ 3,117,660.14

Debt Management Division

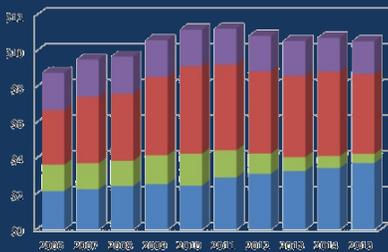


Laura Lockwood-McCall
Debt Management Director



Larry Groth
Deputy Debt Management Director

Highlights



OREGON BONDED INDEBTEDNESS, IN BILLIONS, 2005-2015



BOND RATINGS & FACTS

General Obligation Debt

AA+/Aa1/AA+

(S&P, Moody's, Fitch)

Lottery Debt

AAA/Aa2

(S&P, Moody's)

Net tax-supported debt

\$7.8 billion

General Obligation debt

\$2.83 billion

Lottery-backed debt

\$1.1 billion

Net tax-supported per capita

\$1,944

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, 2015, Oregon's outstanding net tax-supported debt was \$7.8 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 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.

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, chaired by the State Treasurer, advises the Legislature on prudent debt limits.

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 2015, it provided 262 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.

Treasury also facilitates bonding through the Oregon Facilities Authority to lower the financing costs for nonprofits to improve and acquire property, which helps them devote more resources to their missions. The authority makes tax exempt bonds available to eligible projects, and then those are repaid by the nonprofit — not taxpayers.

COMPARISON OF LONG-TERM DEBT OUTSTANDING—AS OF 6/30/2015

Type & Purpose	Article	General Fund Sup- ported Debt	Net Tax- Supported Debt	Total Gross Debt Out- standing
General Obligation				
<i>General Fund Supported</i>				
Community College Bonds	ARTICLE XI-G	\$ 173,240,000	\$ 173,240,000	\$ 173,240,000
Higher Ed Institutions & Activities	ARTICLE XI-G	457,278,934	457,278,934	457,278,934
Pollution Control Bonds	ARTICLE XI-H	16,722,300	16,722,300	16,722,300
Alternate Energy Bonds	ARTICLE XI-J	51,186,000	51,186,000	51,186,000
DAS Oregon Opportunity Bonds	ARTICLE XI-L	108,635,000	108,635,000	108,635,000
Seismic Rehab - Public Education	ARTICLE XI-M	30,370,000	30,370,000	30,370,000
Seismic Rehab - Emergency Service	ARTICLE XI-N	22,680,000	22,680,000	22,680,000
State General Purpose	ARTICLE XI-Q	945,085,250	945,085,250	945,085,250
DAS Pension Obligation Bonds (1)	ARTICLE XI-O	587,320,000	587,320,000	587,320,000
Total General Fund Supported		\$ 2,392,517,484	\$ 2,392,517,484	\$ 2,392,517,484
<i>Dedicated Fund Supported</i>				
Veterans' Welfare Bonds	ARTICLE XI-A	-	-	282,085,000
Higher Education Building Projects	ARTICLE XI-F(1)	-	-	1,219,566,481
Pollution Control Bonds	ARTICLE XI-H	-	-	23,092,700
Elderly & Disabled Housing Bonds	ARTICLE XI-I(2)	-	-	85,480,000
Alternate Energy Project Bonds	ARTICLE XI-J	-	-	162,089,000
State General Purpose	ARTICLE XI-Q	-	166,779,750	166,779,750
DAS Pension Obligation Bonds (1)	ARTICLE XI-O	-	1,248,055,000	1,248,055,000
Total Dedicated Fund Supported		\$ -	\$ 1,414,834,750	\$ 3,187,147,931
Total General Obligation		\$ 2,392,517,484	\$ 3,807,352,234	\$ 5,579,665,415
Revenue Bonds				
<i>Direct Revenue Bonds</i>				
Lottery Revenue Bond Program(s)	[ORS 286.563 - 585]	-	1,148,915,000	1,148,915,000
Highway User Tax Revenue Bonds	[ORS 367.620]	-	2,330,495,000	2,330,495,000
Single-Family & Multi-Family Housing	[ORS 456.661]	-	-	904,220,000
Economic Development - Bond Bank	[ORS Ch. 285B]	-	-	81,270,000
Total Direct Revenue Bonds		\$ -	\$ 3,479,410,000	\$ 4,464,900,000
Economic & Industrial Development	[ORS Ch. 285]	-	-	292,028,941
Oregon Facilities Authority	[ORS Ch. 289]	-	-	1,833,100,960
Multi-Family Housing Programs	[ORS Ch. 456.692]	-	-	297,531,624
Total Conduit or Pass Through Revenue Bonds		\$ -	\$ -	\$ 2,422,661,525
Total Revenue Bonds		\$ -	\$ 3,479,410,000	\$ 6,887,561,525
Appropriation Credits				
Certificates of Participation (COPs)	[ORS Ch 283&286]	440,325,500	518,030,000	518,030,000
Total Appropriation Credits		\$ 440,325,500	\$ 518,030,000	\$ 518,030,000
Total Gross Debt		2,832,842,984	7,804,792,234	\$ 12,985,256,940
Total Debt - Less Conduit Revenue Bonds		\$ 2,832,842,984	\$ 7,804,792,234	\$ 10,562,595,415

The State of Oregon Office of the Treasurer, acting on behalf of the Municipal Debt Advisory Commission (MDAC), maintains debt information to assist municipalities in debt related matters. The data is based on information obtained from sources believed to be reliable; however, its accuracy cannot be guaranteed. The Office of the State Treasurer does not independently verify the information received from reporting municipalities. The State of Oregon is not responsible for the accuracy, completeness or timeliness of the information obtained and the data presented and disclaims any liability for or obligation to bond owners or others concerning the accuracy, completeness or timeliness of the data and information presented.

Finance Division

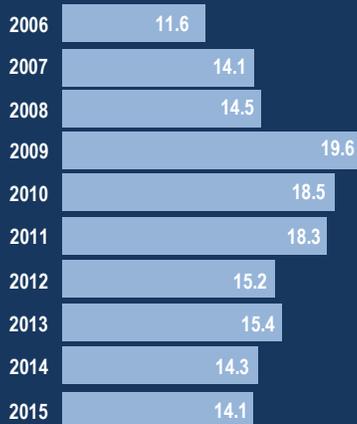


Cora Parker
Finance Director



Michael Auman
Deputy Finance Director

Highlights



MILLIONS OF TREASURY BANKING TRANSACTIONS

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

SHORT-TERM FUND

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.

	AGENCIES	LOCAL GOVT
2005	90	963
2006	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
2014	81	990
2015	79	991

The Treasurer is the sole banking and cash management officer for the State of Oregon. Pursuant to that role, Treasury's Finance Division provides banking and cash management services to all state agencies, as well as public universities and hundreds of Oregon local government entities, including cities, counties, schools, and special districts. Of note, through the division, Treasury:

- acts as the bank for all state agencies providing depository, check redemption, and electronic payment services (including foreign and domestic wire, Automated Clearing House ("ACH"), and a variety of other services) for state agencies.
- maintains and reports customer account information via an internally managed Demand Deposit Account ("DDA") structure and internally developed statement report tool.
- facilitates cash management transactions via secure technology infrastructure at Treasury (currently in transition to vendor-delivered models) and via vendor relationships depending on the transaction type.
- works with agencies, vendors, and appropriate legal representatives to protect public funds by helping to ensure compliance with regulatory and industry requirements, as well as Oregon public funds laws.
- works closely with the Oregon Department of Administrative Services with respect to coordination of accounting (and some budgetary) control aspects inherent to state government.
- administers the Oregon Short Term Fund (including the Local Government Investment Pool) as a short-term cash investment vehicle for state agencies (and roughly 1,000 local governments).

The division managed more than 14.1 million financial transactions in 2015 - including cash deposits, electronic fund transfers, and check issuances. Those transactions totaled nearly \$230 billion for the calendar year.

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, 2014, there were 32 banks and 12 credit unions holding public funds, and the collateral pledged to protect those funds was more than \$800 million.

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. The Oregon Short Term Fund includes 991 Local Government Investment Pool participants and 79 agencies as of December 31, 2015.

Public funds collateralization program

Uninsured Public Funds Deposits by Banks – Calendar quarter ended December 2015

Albina Community Bank	12,038,000.00
Baker Boyer Bank	1,527,307.00
Bank of America	94,479,223.02
Bank of Eastern Oregon	28,396,534.00
Bank of the Cascades	115,174,259.27
Bank of the Pacific	190,948.28
Bank of the West	14,429,394.00
Banner Bank	57,543,428.00
Citizens Bank	4,229,360.00
Clackamas County Bank	851,283.00
Clatsop Community Bank	4,765,514.00
Columbia State Bank	88,305,555.00
Community Bank	5,246,870.00
First Federal Savings and Loan	1,434,236.00
HomeStreet Bank	0.00
JPMorgan Chase Bank, N.A.	0.00
Keybank National Association	98,341,955.00
MBank	389,385.33
MUFG Union Bank, N.A.	1,887,907.00
Oregon Coast Bank	22,997,492.00
Oregon Pacific Bank	6,915,190.00
Pacific Continental Bank	40,040,217.67
Peoples Bank of Commerce	4,378,505.70
Premier Community Bank	1,406,565.00
Riverview Community Bank	0.00
U. S. Bank National Association	894,245,937.56
Umpqua Bank	529,580,819.00
Washington Federal	25,026,974.28
Washington Trust Bank	0.00
Wells Fargo Bank	227,529,474.20
Willamette Community Bank	12,620,238.00
ZB, N.A.	0.00

Aggregate Oregon Uninsured Public Funds Deposits: 2,293,972,572.31
Aggregate Oregon Public Funds Collateral Pledged: 750,937,355.05

Uninsured Public Funds Deposits by Credit Unions – Calendar quarter ended December 2015

Advantis Credit Union	10,093,905.00
Marion and Polk Schools Credit Union	0.00
Northwest Community Credit Union	8,318,147.00
Old West Federal Credit Union	0.00
OnPoint Community Credit Union	1,796,807.32
Oregon Community Credit Union	9,012,494.60
Oregon State Credit Union	5,037,270.00
Pacific Crest Federal Credit Union	1,085,685.00
Rogue Credit Union	35,649.13
St Helens Community Federal Credit Union	399,831.00
Unitus Community Credit Union	2,012,127.16
Wauna Federal Credit Union	649,569.03

Aggregate Oregon Uninsured Public Funds Deposits: 38,441,485.24
Aggregate Oregon Public Funds Collateral Pledged: 57,521,956.11

Information Services and Cybersecurity



Nancy O'Holloran
Information
Services Director

Highlights

- Implemented Aladdin, a powerful new integrated investment management platform with electronic trading and monitoring capabilities to support management of \$89.58 in assets.
- Built the new technology infrastructure needed to expand and consolidate investment operations in Tigar.
- Continued implementation of the Cash Management Improvement and Renewal Program to reform and modernize how Treasury handles millions of government banking transactions a year.
- Expanded Treasury's cybersecurity program and implemented new protections to reduce risks as related threats evolve.



The Oregon State Treasury requires a highly secure and functioning technology program to ensure the safety of Oregon assets, transactions and investment trade secrets. To help protect the integrity of public funds, Treasury maintains a separate and secure computer system.

When the Oregon Capitol opened in the 1930s, state funds and financial records were kept in a massive vault in the Treasurer's office. As a modern financial organization, Oregon State Treasury today relies heavily on automation to drive efficiencies and provide timely information for good decision-making.

The Information Technology Division (IT) helps fulfill Treasury's mission by providing the computing infrastructure and expertise needed to conduct business securely and reliably. The IT Division manages and maintains the technology functions of the agency in three office locations.

IT works closely with Investment, Finance, Debt Management, Oregon 529 College Savings Plan, Oregon Retirement Savings Plan, and other agency staff to design and manage solutions that meet their needs. Because of the key role technology plays in delivering Treasury services, the IT Division is involved in many agency initiatives.

IT staff manage a combination of cloud-based, purchased, and custom developed applications as well as infrastructure components to deliver them to Treasury staff and customers. Third-party service providers including financial institutions and cloud-based services are a vital part of the technology infrastructure that enable Treasury business operations.

Information technologies change rapidly. Providing secure, reliable, and cost-effective technologies that are also flexible enough to meet the demands of an evolving industry is crucial. As important as the technology is to the success of Treasury's mission, the people who deliver it are equally important. Treasury is dedicated to continuous learning to ensure up-to-date skills and awareness of emerging trends that may impact Treasury services. Strategic use of specialized outside experts is also an important tool to most effectively design and manage the critical information technologies on which Treasury relies.

Oregon 529 Savings Network



Michael Parker
Oregon 529
Director



David Bell
Oregon ABLE 529
Program leader

Highlights

Total assets:	\$2.4 B
Oregon assets:	\$1.6 B
Total accounts:	164,723
Total beneficiaries:	159,670
Saving for College rated:	4.5 caps

529 ASSETS OVER TIME



More families than ever are saving for higher education and job training through Oregon's tax-saving college investment plans, and the value of those assets has surpassed a record \$2.4 billion.

The Oregon 529 Network was created to increase the ability of Oregonians to save for future higher education expenses. In 2015, the Legislature passed Senate Bill 777, which will allow for savings on behalf of Oregonians with disabilities starting in 2017.

With its unique investment options and easy enrollment process, the Oregon 529 program 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.

The Oregon 529 Savings Board oversees the administration of the plan. Because of the growth of total investments, the Board has been able to reduce fees for all savers.

- The Oregon income tax deduction was of as much as \$4,600 for joint filers, and \$2,300 for single filers, for tax year 2015.
- All earnings and withdrawals are free from state and federal taxes if used for qualified college expenses.
- Control 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. Proposed federal law changes in 2015 would allow for the proceeds to be used for computers and technology.
- Investment options range from aggressive to principal protected.
- 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.
- The Oregon ABLE-529 Program is under development. The Board changed the name of the program and approved a new, inclusive logo to reflect the evolving population that will be able to participate and benefit from tax advantages. The ABLE-529 format was authorized under federal law in 2014.



Oregon 529 Saving Program - Education savings

Data for Calendar quarter ended Dec. 31, 2015

	Oregon College Savings Plan	MFS 529 Savings Plan	Network Total
Q4 Accounts	2,149	827	2,976
Q4 Contributions	\$43,629,045	\$32,849,882	\$76,478,927
Q4 Assets	\$51,301,105	\$34,845,638	\$86,146,743
Q4 Distributions	\$23,600,792	\$18,891,755	\$42,492,547
Total Accounts - Unique Owner/Beneficiary	86,846	77,877	164,723
Total Accounts In-State/ Out-of-state	79,351 / 7,495	38,119 / 38,931	117,470 / 46,426
Total Unique Beneficiaries	83,025	76,645	159,670
Total Unique Beneficiaries In-State/ Out-ofState	71,796 / 11,229	37,773 / 38,844	107,337 / 49,473
In-State Assets	\$1,117,553,239	\$437,821,949	\$1,555,375,188
Out-of-state Assets	\$117,971,820	\$711,984,535	\$829,956,355
Total Assets	\$1,235,525,059	\$1,149,806,483	\$2,385,331,542

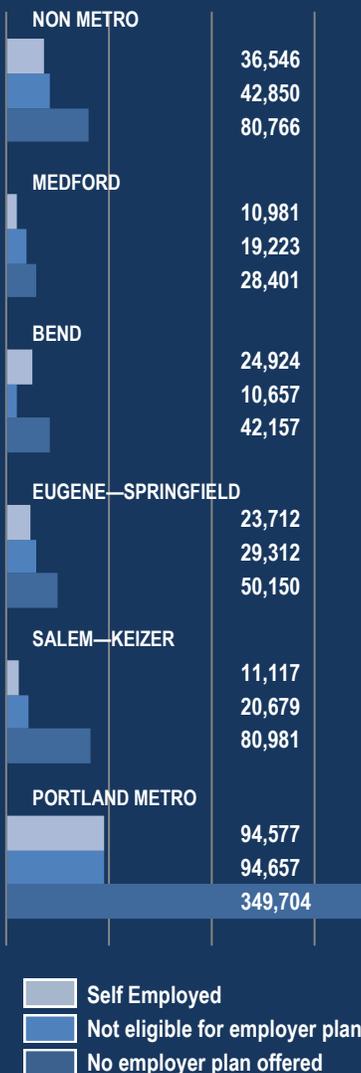
Oregon Retirement Savings Plan



Lisa Massena
Oregon Retirement Savings Director

Highlights

The plan will create a personal savings option for an estimated 1 million Oregonian workers who do not have access to a retirement savings option through his or her employer. Workers without coverage fall into three categories, according to Boston College research.



Oregon is facing a retirement savings crisis, and the lack of adequate savings will force families to make tough life choices including skimping on housing, medicine and food. At the same time, more than half of Oregon workers lack a retirement savings option at work. The cost to taxpayers is extreme when people lack sufficient savings, because it results in more pressure on already strained public services and healthcare.

The status quo has failed for hundreds of thousands of Oregonians. Nationally, the retirement savings gap is estimated to be between \$6.8 and \$14 trillion. And close to home, families are retiring with less than an average of \$3,000. That's not even enough to pay rent for one year.

The 2015 Legislature approved the creation of the Oregon Retirement Savings Plan to serve this population, and directed the State Treasury to create and administer it. The Oregon Retirement Savings Board was formed in 2015 to consider best options and research to help design the plan, which will launch in July 2017.

The plan will be simple and let workers save part of their own paychecks into professionally managed accounts. It will not be connected in any way to the Oregon Public Employee Retirement System, and nor will there be a guarantee. All investments carry risk.

The Savings Plan will provide employees with an opportunity to save some of their own income into a retirement savings account in their own name. The plan uses today's best practices, which include automatic enrollment with the ability to make adjustments. Employees will be able to opt out if they choose.

The plan will benefit small employers, who won't need to establish a company retirement program, but can help their workers and their families save for more secure futures. According to US News and World Report, many employers would like to start a plan but do not have the time or capacity.

There is no fiduciary risk or obligation for employers. Employers will deduct a small portion of paychecks, and will benefit as research shows that employees are more productive when they are not worried about financial stability. The Oregon plan will offer a simple, streamlined path for employers to provide a retirement savings option, without a mandate from the state to create a workplace-based plan.

The Retirement Savings Board will utilize low-cost outreach opportunities in conjunction with partner state agencies. Those include the Secretary of State Corporations Division, Department of Revenue, Employment Department, Bureau of Labor and Industries and Department of Consumer and Business Services.

The board is chaired by State Treasurer Ted Wheeler and staffed by the new Oregon Retirement Savings Plan director.