

PERSPECTIVES

Active
Member
Edition

Board credits 2008 losses to member accounts

The PERS Board determined final investment earnings crediting to accounts for the 2008 calendar year at its March 31, 2009 meeting.

The PERS Fund had a total market value of approximately \$45.8 billion as of December 31, 2008, which was down approximately \$19 billion from December 31, 2007.

The Fund is invested through the Oregon Investment Council with the returns, minus administrative expenses and reserves, allocated by the PERS Board.

Tier One members, those hired prior to January 1, 1996, were credited with regular account earnings of 8 percent. Based on statute, Tier One members receive the actuarial “assumed” rate of return annually, which is currently 8 percent.

The Tier One member regular account portion of the PERS Fund had losses of 27.18 percent, or \$2.3 billion in calendar year 2008. The PERS Board allocated approximately \$1.9 billion from the Tier One Rate Guarantee Reserve to help cover the losses and the 8 percent crediting to Tier One members. The Tier One Rate Guarantee Reserve was funded from past investment earnings on Tier One members’ accounts. It now will have a deficit of approximately \$1 billion.

Tier Two members, those hired on or after January 1, 1996, and before August 29, 2003, were credited with regular account losses of 27.18 percent for 2008.

Tier One and Tier Two member variable accounts were credited with losses of 43.71 percent. Variable accounts are invested solely in public equities, while Tier One/Tier Two regular accounts are invested in a diversified portfolio. As a result, variable account

earnings frequently differ from regular account earnings.

Members who participate in the variable account can elect to transfer out of the variable prior to retirement if certain requirements are met.

To make the transfer, statute requires that the member meet one of the following criteria before January 1 following the date on which the election is filed:

- attained age 45 if a police officer or firefighter,
- attained age 50 if other than a police officer or firefighter, or
- have 25 or more years of creditable service.

The Oregon Public Service Retirement Plan (OPSRP) Pension Program, for those who were hired on or after August 29, 2003, is a defined benefit formula-only plan that does not have regular or variable accounts. OPSRP Pension Program members retire under a formula based on years of accrued retirement credit, final average salary, and a factor set in statute.

All Tier One, Tier Two, and OPSRP Pension Program members also participate in the Individual Account Program (IAP). Member IAP accounts were credited with losses of 26.75 percent for calendar year 2008.

The Financials section of the PERS website (<http://oregon.gov/PERS>) has more information regarding 2008 crediting.

Please see page 2 for an article regarding 2008 member annual statements.

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2008 member annual statements slated for May

Member annual statements for 2008 are scheduled to be mailed by the end of May 2009. Active members should receive a 2008 annual statement by June 5.

Annual statements for active members are mailed to addresses provided to PERS by employers. Please provide your employer with your new address if you move.

For Tier One/Tier Two members, the statement will show your Tier One/Tier Two and Individual Account Program (IAP) account information for the year ending December 31, 2008.

For Oregon Public Service Retirement Plan (OPSRP) Pension Program members, the statement will show your accrued retirement credit and your IAP account information for the year ending December 31, 2008.

Tier Two regular accounts, variable accounts, and Individual Account Program (IAP) accounts will show investment losses for 2008 (see article on page 1 regarding 2008 crediting to member accounts).

Each annual statement will again have an individual PERS identification number instead of the last four digits of a member's Social Security number. Please use your PERS identification number when contacting PERS.

The PERS website has sample annual statements with pop-up boxes (see the "What's News" section). If you move your mouse to a field on the sample statement

(i.e., name, total 2008 account balance, classification, etc.), a pop-up box appears describing the field.

You can use your Tier One or Tier Two annual statement account balance for an on-line retirement

benefit estimate. Go to the PERS website (<http://oregon.gov/PERS>) and select "Benefit Estimate Calculator" on the homepage.

You can request a written benefit estimate from PERS if you are eligible to retire within two years.

Retirement application deadlines to change beginning January 1, 2010

Currently, a PERS member can apply for retirement any time during a month if the member separated from all PERS-covered employment prior to the first day of the month. The effective retirement date can be retroactive to the first day of that month.

Beginning January 1, 2010, retirement applications must be received by PERS before the effective retirement date. The change applies to Tier One, Tier Two, and OPSRP Pension Program retirements but does not apply to the Individual Account Program (IAP). The effective retirement date is always the first day of a month.

By statute, PERS has up to 92 days to issue the first benefit payment when a member retires. However, the Oregon Legislature established a key performance measure for PERS that calls for the agency to pay four out of five new benefits within 45 days of the member's effective retirement date.

Retiring within 90 days?

PERS is offering Retirement Application Assistance Sessions statewide for members retiring within 90 days. This is a one-hour meeting with a PERS Retirement Counselor and is for members who:

1. Have already attended a One-Year Group Counseling presentation,
2. Are within 90 days of retirement, and
3. Are prepared to submit their retirement application(s).

At the session, a Retirement Counselor will:

- Explain the retirement application process,
- Provide a comprehensive review of application(s), forms, and supporting documents for accuracy and completeness,
- Notarize forms (optional), and
- Answer your questions regarding the retirement process and forms.

To register, go to PERS website home page at <http://oregon.gov/PERS>.

Comprehensive Annual Financial Report available

PERS' 2008 Comprehensive Annual Financial Report (CAFR), for the period July 1, 2007 through June 30, 2008 is posted on the PERS website (<http://oregon.gov/PERS>) in the "Financials" section.

Highlights include:

- PERS' assets exceeded its liabilities at the close of fiscal year 2008, with \$61,409.7 million held in trust for various pension, Individual Account Program (IAP), other post-

employment benefits, other benefits, and deferred compensation benefits.

- During the fiscal year, financial markets as a whole declined significantly. PERS' investment portfolio also incurred significant losses.

Fiduciary net assets decreased by \$4,599.6 million, or 7.0 percent, during the fiscal year due to declines in financial markets.

- PERS' funding objective is to meet long-term benefit obligations.

As of December 31, 2007, the date of the latest actuarial valuation, the funded ratio of the defined benefit pension plan was 112.2 percent. In general, for every dollar of pension benefits due, PERS had approximately \$1.12 of net assets as of December 31, 2007.

- Benefit payments and expenses (deductions from fiduciary net assets) increased to \$3,100.9 million, or 8.3 percent, during fiscal year 2008, from \$2,864.0 million during fiscal year 2007.

Perspectives is published by the Oregon Public Employees Retirement System for the benefit of PERS/OPSRP members and employers. Address all correspondence to **PERS, P.O. Box 23700, Tigard, OR 97281-3700**. PERS headquarters office is at **11410 SW 68th Parkway, Tigard, Oregon. Phone 503-598-PERS** or toll-free **888-320-7377; TTY: 503-603-7766**. Telephone hours are 8:30 a.m. to 5:00 p.m., Monday through Friday, except holidays. PERS' Internet address is <http://oregon.gov/PERS>.

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Economic study shows impact of PERS benefit payments to Oregon

PERS recently completed an economic study that shows how PERS benefits paid to Oregon retirees have a significant positive impact on Oregon's economy.

Oregon PERS paid nearly \$2.4 billion in benefits to PERS retirees living in Oregon in 2007. Funding of these benefits came from investment earnings on contributions previously paid by members and public employers.

These retirees spent a significant portion of this money on goods and services in Oregon which helped support local businesses. These businesses then purchased goods, in part, from other local vendors adding to the Oregon workforce and economy.

The \$2.4 billion in annual benefit payments multiply to \$3.2 billion in economic value to Oregon when the full financial impact of these

dollars spent in local communities is considered.

PERS benefit payments sustain an estimated 30,000 Oregon jobs, and add approximately \$885 million in wages to Oregon's economy.

Additionally, the state of Oregon collected an estimated \$105 million in income taxes on PERS retiree benefits during 2007.

From 1970 through 2007, investment income provided 73 percent of total PERS revenues. Contributions made by or for members equaled 7 percent, with employers providing 20 percent of revenues.

The study used economic multipliers provided by the U.S. Department of Commerce's Bureau of Economic Analysis (BEA).

The PERS website (<http://oregon.gov/PERS>) has the complete report.

PERS Presentations: April 2009 - August 2009

Registration is required. Register through the PERS website (<http://oregon.gov/PERS>) in the Education Sessions section. All presentations are free, including the financial planning sessions. Space is limited.

One-Year PERS Presentations

For members within *one* year of retirement

Ashland/Med.	Apr. 6,7; May 22*; June 1; Aug. 13
Astoria	Apr. 27
Baker City	May 20; Aug. 20
Bend	Apr. 22; May 19*; June 8
Burns	Apr. 14
Canyon City	Apr. 15
Coos Bay	May 7; Aug. 5
Corvallis	May 4
Eugene/Spfgld	Apr. 15; May 2*, 20; June 17; July 29*; Aug. 19
Gold Beach	June 4
Grants Pass	Aug. 10
Gresham	Apr. 7; May 23*; June 2; Aug. 4
Hillsboro	May 12; June 9, 23*
Hood River	July 23
Klamath Falls	June 10, 25*
La Grande	June 10
Ontario	Apr. 2
Oregon City	Apr. 9*; May 14; Aug. 18
Pendleton	Aug. 17
Portland/Tigard	Apr. 6, 11*, 13; May 4, 9*, 11, 18, 30*; June 1, 8, 13*, 15, 22; July 6, 11*, 20, 25*; Aug. 3, 8*, 10, 17, 24 (bold dates are for education staff)
Redmond	May 5
Roseburg	Apr. 30*; May 11; June 3*
Salem	Apr. 8, 17*, 25*; May 13, 14*; June 6*, 10; Aug. 12*, 26
The Dalles	Aug. 25

These sessions cover:

Individual Account Program (IAP) // Retirement eligibility and retirement benefit calculations // Benefit estimate review // Retirement options // Variable account after retirement // Work after retirement provisions // Health insurance // Cost-of-living adjustments // Taxes // Retirement application forms review.

Five-Year PERS Presentations

For members within *five* years of retirement

Albany	Aug. 13
Ashland/Med.	Apr. 10; July 9*, 27
Bend	Apr. 2*, 24; Aug. 6*
Coos Bay	Aug. 5
Corvallis	July 22
Eugene/Spfgld	Apr. 7*; May 20; June 18*; Aug. 11*, 19
Grants Pass	Aug. 19*
Gresham	May 5; July 17*
Hillsboro	Aug. 11
Hood River	July 23
Klamath Falls	Apr. 8*
La Grande	Aug. 19
Ontario	June 11
Oregon City	July 14*
Pendleton	June 8
Portland/Tigard	Apr. 20, 25*; June 27*, 29; July 27; Aug. 22*
Roseburg	May 14; Aug. 4
Salem	May 2*, 13; June 19*; July 16*, 22

Visit the PERS website (<http://oregon.gov/PERS>) for other counseling sessions...

Early Career: retirement benefit information for OPSRP members (hired August 29, 2003 or after).

Mid Career: retirement benefit information for Tier One/Tier Two members who are more than five years from retirement.

Retirement Application Assistance Session: a one-hour meeting with a PERS Retirement Counselor (see page 2).

Dates followed by an asterisk (*) add financial planning information presented by PERS' education partner, VALIC. Additional topics covered at these sessions include: Social Security and Medicare // Coordinating PERS benefits with other income sources // Planning for changing income and expense needs.