

# PERSPECTIVES



April 2016

## For Tier One/Tier Two members

### Earnings crediting for 2015

The PERS Board determined final earnings crediting to member accounts for the 2015 calendar year at its March 28, 2016 meeting.

The PERS Fund had a total market value of approximately \$68.7 billion as of December 31, 2015.

The Fund is invested through State Treasury with oversight from the Oregon Investment Council.

The PERS Board allocates annual investment earnings to administrative expenses, member and employer accounts, and various reserves.

Tier One members, those hired prior to January 1, 1996, were credited with regular account earnings of 7.75 percent. By law, Tier One members receive the actuarial assumed rate of return annually.

Tier Two members, those hired on or after January 1, 1996, and before August 29, 2003, were credited with regular account earnings of 1.87 percent for 2015.

Tier One and Tier Two member variable accounts were credited with earnings of -1.61 percent.

Variable accounts are invested solely in global equities, while Tier One/Tier Two regular accounts are invested in a more diversified portfolio. As a result, variable account earnings frequently differ from regular account earnings.

All PERS members also participate in the Individual Account Program (IAP). The IAP was effective on January 1, 2004. Your 6% contribution, whether paid by you or your employer, is put into your IAP account each pay period. Your IAP is subject to investment earnings or losses.

Member IAP accounts were credited with earnings of 1.85 percent for calendar year 2015.

See page 2 for a table of 2015 earnings crediting to reserves and member accounts.

### 2015 annual statements

Member annual statements for 2015 are scheduled to be mailed by the end of May 2016.

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, 2015.

Tier One/Tier Two regular accounts, variable accounts, and IAP accounts will show the amount of earnings credited for 2015.

The financial information used for 2015 member annual statements is known after the PERS Board credits final earnings. This was done at the March 28, 2016 Board meeting.

If you are currently employed in a PERS-covered position, your annual statement will be mailed to your address that your employer provided to PERS.

Please provide your employer with your new mailing address whenever you move.

PERS will use the address on file as of March 15, 2016, to mail 2015 annual statements.

### PERS office closures in 2016

PERS offices in Tigard, Tualatin, and Salem will be closed on the dates below in 2016:

May 30: Memorial Day

July 4: Independence Day

September 5: Labor Day

November 11: Veteran's Day

November 24 and 25: Thanksgiving

December 26: Observance of Christmas

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# 2015 PERS Fund returns fall short of assumed earnings rate

The PERS Fund experienced positive investment results for the seventh consecutive year with a return of 2.1 percent in 2015. However, earnings fell short of the 7.75 percent assumed rate of return.

PERS collected approximately \$1 billion in employer contributions in 2015 and paid out approximately \$3.5 billion in retiree benefits in during the year. The PERS fund was valued at \$68.7 billion as of December 31, 2015, down from approximately \$70 billion at the end of 2014.

PERS' funded status, the amount of money in the Fund compared to benefit obligations, was estimated to be 71-72 percent as of December 31, 2015. This funded status does not include employer side accounts (pre-payments made to PERS).

At the end of 2015, PERS's unfunded actuarial liability (UAL) - the shortfall in assets available to pay benefits accrued to that date - was estimated to

be \$21-22 billion, not including employer side accounts. This is an increase of approximately \$13 billion since 2013.

The increase in UAL is due to:

- Lower earnings than expected in 2014 and 2015;
- The Oregon Supreme Court's decision in the *Moro* case (that restored a higher annual cost-of-living increase to benefit recipients);
- The decrease in the assumed rate of return on the PERS Fund;
- Updates to mortality assumptions;
- The normal, expected annual UAL increase; and
- All other assumption changes and actual experience.

From 1970-2014, investment earnings on the PERS Fund provided approximately 74 percent of total PERS revenue. Member contributions made up 6 percent and employer contributions 21 percent during that time period.

## 2015 earnings crediting

| Reserve/Account                 | Balance Before 2015 Crediting (\$ millions) | 2015 Crediting Amount (\$ millions) | Reserves After Crediting (\$ millions) | 2015 Rates |
|---------------------------------|---|-------------------------------------|--|------------|
| Contingency Reserve             | \$588.6                                     |                                     | \$588.6                                | N/A        |
| Tier One Member Regular Accts   | 4,931.8                                     | 382.2                               | 5,314.0                                | 7.75%      |
| Tier One Rate Guarantee Reserve | 448.8                                       | (281.4)                             | 167.4                                  | N/A        |
| Benefits-In-Force (BIF) Reserve | 21,917.8                                    | 410.8                               | 22,328.6                               | 1.87%      |
| Tier Two Member Regular Accts   | 836.6                                       | 15.7                                | 853.3                                  | 1.87%      |
| Employer Reserves               | 23,035.3                                    | 432.2                               | 23,507.5                               | 1.87%      |
| OPSRP Pension Program           | 2,344.9                                     | 42.8                                | 2,387.7                                | 1.82%      |
| UAL Lump-Sum Payment Side Accts | 5,510.3                                     | 122.5                               | 5,632.8                                | Various    |
| IAP Accounts                    | 6,749.6                                     | 122.8                               | 6,872.4                                | 1.85%      |
| <b>Total</b>                    | <b>\$66,404.7</b>                           | <b>\$1,247.7</b>                    | <b>\$67,652.4</b>                      |            |

**Contingency Reserve:** This reserve can be used for any purpose the PERS Board determines is appropriate so long as the use of the funds furthers the trust's purpose. It is funded in years that investment income exceeds the assumed rate (the assumed rate was 7.75 percent for 2015).

**Tier One Rate Guarantee Reserve:** This reserve is used to credit the assumed rate on Tier One member regular accounts in years when the fund earns below the assumed rate, and to hold excess earnings from the years when the fund earns more than the assumed rate (7.75% percent for 2015).

**Benefits-In-Force Reserve:** This reserve is used to pay retired member's benefits and annuities. It is funded by earnings and fund transfers from member accounts and employer reserves associated with retirements processed during a calendar year.

## Education Presentations

PERS offers education sessions for Tier One/Tier Two members who are planning to retire in less than three years (Retirement Readiness) and for those planning to retire in more than three years (Introduction to Retirement). Education sessions are held around the state.

### Retirement Readiness

This presentation is ideal for Tier One/Tier Two members who are less than three years from PERS retirement. Topics include a step-by-step review of a PERS estimate of retirement benefits, retirement options, and retirement timelines; guidelines on completing the retirement application; an explanation of working after retirement rules; detailed information regarding the Individual Account Program (IAP); and a list of available resources.

### Introduction To Retirement

This presentation is ideal for Tier One/Tier Two members more than three years from PERS retirement. Topics include a look at available resources, information about Online Member Services estimates, a review of retirement timelines, an explanation of working after retirement rules, detailed information regarding the Individual Account Program (IAP), and other information you may find useful as you move towards retirement.

Some education sessions add financial planning information that is supplied by our education partner, VALIC. Additional topics covered at these sessions include: Social Security and Medicare, coordinating PERS benefits with other income sources, and planning for changing income and expense needs.

Registration is required. Register through the PERS website in the [Education Sessions](#) section. All presentations are free, including the financial planning sessions. Space is limited and the schedule is subject to change. The PERS website has the most current information.

## Retirement Application Assistance Sessions (RAAS)

These are one-hour, one-on-one appointments with a PERS staff member to review PERS retirement application forms and are for members who have:

1. Decided on a PERS effective retirement date.
2. Have completed the service retirement application and are ready to have it reviewed. You can call and request a retirement application or you can [download the form\(s\)](#).

PERS will:

1. Conduct a comprehensive review of your retirement application, forms, and supporting documents for accuracy and completeness;
2. Notarize your retirement application at no cost; and
3. Explain the retirement application process.

Please note that RAAS are not counseling sessions to assist you in making a decision to retire.

As a courtesy to others, please do not schedule more than one RAAS session. One hour is sufficient time for a comprehensive review of your retirement forms.

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Address all correspondence to **PERS, P.O. Box 23700, Tigard, OR 97281-3700**. PERS headquarters is located at **11410 SW 68th Parkway, Tigard, Oregon**.

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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>.

**Email PERS Customer Service at:** customer-service.pers@state.or.us

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