

PERSPECTIVES

Retired
Member
Edition

COLA increase

The 2014 cost-of-living adjustment (COLA) for PERS retirees and beneficiaries receiving a monthly benefit is effective July 1, 2014, and payable with the August 1, 2014 benefit payment.

Legislation passed in 2013 modified the COLA formula for PERS benefit recipients. Those who retire on or before July 1, 2014, will receive a 1.25 percent COLA on the first \$60,000 of a yearly benefit payment and 0.15 percent on portions above \$60,000.

Additionally, legislation passed in 2013 provides an annual supplementary payment of 0.25 percent of a yearly benefit to all benefit recipients, not to exceed \$150. Those who have a PERS benefit of \$20,000 or less per year will receive an additional supplementary payment of 0.25 percent of their yearly benefit.

These annual supplementary payments will not be compounded into the benefit recipient’s yearly benefit and will be in effect for six years (first payable after July 1, 2014, and ending after July 1, 2019).

Supplementary payments will be paid from the PERS Contingency Reserve, and are currently anticipated to be included with the December 1 benefit payments for the applicable years.

Annual events

December 1: For tax planning purposes, PERS mails a check stub to all retirees showing the total benefit payments received for the calendar year.

February 1: Retirees who stayed in the Variable Annuity Program at retirement will see a change in their benefit amount. Also, federal and state tax tables are normally updated so a retiree’s check amount net of taxes may change.

August 1: Yearly cost-of-living adjustment (COLA) begins with the August 1 benefit payment.

PERS: positive earnings and benefit modifications cut underfunding in half

The PERS Fund experienced positive investment results for the fifth consecutive year with a return of nearly 16 percent for 2013.

After taking in employer and member contributions of approximately \$2 billion and paying out approximately \$3.5 billion in retiree benefits in 2013, the fund was valued at \$67.9 billion as of December 31, 2013, up from \$61.4 billion at the end of 2012.

PERS’ funded status, the amount of money in the Fund compared to benefit obligations, was 65 percent in early 2003. That means PERS had 65 cents on hand for every dollar needed to pay its benefit obligations. The funded status grew to 112 percent in 2007 due to good investment returns and 2003 PERS Reform, and declined to about 80 percent following the 2008 market downturn, when including employer side accounts (pre-payments made to PERS).

Positive investment returns and legislative changes have lowered PERS unfunded actuarial liability (UAL). PERS UAL was estimated at \$8.1 billion as of December 31, 2013, excluding employer side accounts. The UAL as of December 31, 2011 was estimated at \$16.3 billion when side accounts are excluded.

From 1970-2012, investment earnings on the PERS Fund provided approximately 73 percent of total PERS revenue. Member contributions made up 6 percent and employer contributions 21 percent.

The PERS Fund is invested in a diversified portfolio that includes stocks, bonds, and real estate.

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Purchasing Power Study shows status of buying power

PERS' actuary, Milliman, prepares an annual Purchasing Power Study that compares how well monthly benefits paid to retirees and beneficiaries have kept up with inflation since retirement.

The study defines "purchasing power" as the cumulative post-retirement benefit increase in Tier One/Tier Two benefits compared to the cumulative Consumer Price Index (CPI) increases (for the Portland area) since the year of retirement.

The table to the right shows the change in purchasing power from 2012 to 2013 based on the year of retirement. Purchasing power for those who retired after 1993 has remained within 90 percent of their original purchasing power, due, in part, to the persistently low inflation rate over that period.

Benefit recipients received a 1.5 percent annual cost-of-living adjustment (COLA) increase in August 2013, based on 2013 legislation that modified the COLA formula.

Before 2013, the annual COLA was set at a maximum of 2 percent based on the CPI.

If the CPI for the Portland area exceeded 2 percent, the benefit recipient received a 2 percent COLA and the remaining percentage was carried forward in a "bank" to be used in future years when the CPI was less than 2 percent.

With the passage of Senate Bills 822 and 861 in the 2013 legislative sessions, the COLA "bank" methodology is no longer applicable since the annual COLA is now set under a formula that no longer varies with the CPI.

Purchasing power from 2012 to 2013 by year of retirement

| Year Retired | Purchasing Power | |
|------------------|------------------|----------|
| | 2012 (%) | 2013 (%) |
| 8/1/80-7/1/1981* | 76.5 | 75.9 |
| 8/1/81-7/1/1982 | 79.2 | 78.5 |
| 8/1/82-7/1/1983 | 81.2 | 80.5 |
| 8/1/83-7/1/1984 | 81.3 | 80.7 |
| 8/1/84-7/1/1985 | 79.1 | 78.5 |
| 8/1/85-7/1/1986 | 78.1 | 77.5 |
| 8/1/86-7/1/1987 | 79.0 | 78.4 |
| 8/1/87-7/1/1988 | 79.0 | 78.4 |
| 8/1/88-7/1/1989 | 79.4 | 78.8 |
| 8/1/89-7/1/1990 | 80.5 | 79.9 |
| 8/1/90-7/1/1991 | 82.9 | 82.2 |
| 8/1/91-7/1/1992 | 86.0 | 85.3 |
| 8/1/92-7/1/1993 | 88.6 | 87.9 |
| 8/1/93-7/1/1994 | 90.7 | 90.0 |
| 8/1/94-7/1/1995 | 92.0 | 91.3 |
| 8/1/95-7/1/1996 | 92.8 | 92.1 |
| 8/1/96-7/1/1997 | 93.6 | 92.9 |

| Year Retired | Purchasing Power | |
|-----------------|------------------|----------|
| | 2012 (%) | 2013 (%) |
| 8/1/97-7/1/1998 | 95.0 | 94.3 |
| 8/1/98-7/1/1999 | 96.2 | 95.5 |
| 8/1/99-7/1/2000 | 96.2 | 95.5 |
| 8/1/00-7/1/2001 | 97.2 | 96.4 |
| 8/1/01-7/1/2002 | 97.2 | 96.4 |
| 8/1/02-7/1/2003 | 97.2 | 96.4 |
| 8/1/03-7/1/2004 | 97.2 | 96.4 |
| 8/1/04-7/1/2005 | 97.2 | 96.4 |
| 8/1/05-7/1/2006 | 97.7 | 97.0 |
| 8/1/06-7/1/2007 | 98.3 | 97.5 |
| 8/1/07-7/1/2008 | 98.9 | 98.1 |
| 8/1/08-7/1/2009 | 99.2 | 98.4 |
| 8/1/09-7/1/2010 | 99.2 | 98.4 |
| 8/1/10-7/1/2011 | 99.2 | 98.4 |
| 8/1/11-7/1/2012 | 99.2 | 98.4 |
| 8/1/12-7/1/2013 | 100.0 | 99.2 |

Online Member Services: secure access to self-service transactions

Retired members can conduct self-service transactions on the PERS website (<http://oregon.gov/pers>) in a secure environment.

PERS retirees can see benefit payment information, change their address, and review/request a 1099-R.

If you are a recent retiree you will want to ensure your OMS account email address is not your old work email. Here are the steps to update your OMS email address.

- Click on the "Online Member Services" box on the PERS website.
- Click on "Log In" on the top right hand tool bar.
- Login, then click on "Retired..." under "Account Type", then click on "Update/View Personal Information" on the left-hand navigation tool bar.

If you have not set up your OMS account you can do so by following these steps.

- Click on the box marked "Online Member Services"
- Click on "Log In" on the top right hand tool bar
- Read the Password Rules before clicking on "Open a New Account."
- Once you have created your user ID and password, login, then click on "Retired..." under "Account Type."

OMS is normally available daily from 6 a.m. to 10 p.m. Pacific Time.

OMS may sometimes not be available until 10 a.m. Saturday and from 4 p.m. Saturday until 6 a.m. Monday to allow for necessary IT system maintenance.

Notify PERS of a death

Please remember that you must notify PERS of the death of a member, alternate payee, and/or beneficiary receiving PERS benefits. Failure to report a death in a timely manner may result in overpayments and invoicing. Send a copy of the death certificate to:

PERS
P.O. Box 23700
Tigard, OR 97281-3700

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 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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Long term care meetings continue. Pre-registration is not required.

Long term care is the type of care received when someone needs assistance with daily living activities, either at home or in a facility. This can be due to an accident, an illness, or advancing age. The need for long term care is not limited to the elderly. Anyone who cannot function independently may need the protection of long term care insurance. Accidents and unexpected illness can happen at any time and at any age. These meetings explain the options available to PERS retirees and do not require pre-registration. Additional information regarding the PERS Health Insurance Program is available on the PERS website in the Retiree section.

| Date | Location | Meeting Time |
|---------|--|--|
| Apr 16 | Medford Senior Center 510 E. Main St., Medford | 9:00 - 10:30 a.m. |
| Apr 16 | Holiday Inn Express 375 W. Harvard Blvd., Roseburg | 1:00 - 2:30 p.m. |
| May 15 | Rivershore Best Western 1900 Clackamette Dr., Oregon City | 9:30 - 11:00 a.m. |
| May 15 | Holiday Inn - Airport 8439 NE Columbia Blvd., Portland | 1:30 - 3:00 p.m. |
| June 11 | Pendleton Convention Center 1601 Westgate, Pendleton | 9:00 - 10:30 a.m. |
| June 11 | Columbia Portage Grill - Celilo Rm 3223 Bret Clodfelter Way, The Dalles | 2:00 - 3:30 p.m. |
| July 15 | Roth's - Santiam Rm 1130 Wallace Rd. NW, Salem | 10:30 a.m. - noon and 1:30 - 3:00 p.m. |

Schedule to mail PERS benefit checks

| 2014 Paydate | Date checks mail from print shop in Salem |
|-----------------|---|
| April 1 | March 31 (Friday) |
| May 1 | April 30 (Wednesday) |
| June 1 | May 29 (Thursday) |
| July 1 | June 30 (Monday) |
| August 1 | July 31 (Thursday) |
| September 1 | August 28 (Thursday) |
| October 1 | September 30 (Tuesday) |
| November 1 | October 30 (Thursday) |
| December 1 | November 28 (Friday) |

PERS Fund value reaches new high *(by State Treasurer Ted Wheeler)*

The long-term investment strategy for the PERS Fund is yielding dividends, for PERS members and for all Oregonians.

At the end of 2013, the Fund reached a new high of \$67.9 billion. The Fund is invested on behalf of PERS members and helps to ensure Oregon can pay the retirement benefits for more than 330,000 current and former public employees.

The Oregon Investment Council (OIC), of which I am one of five voting members, sets the Fund's investment strategy. It is invested for long-term results and in an array of investment types, such as domestic and international stocks, bonds, real estate, private funds, and alternative investments such as infrastructure.

The previous high for the pension Fund was \$66.8 billion in October 2007. That was on the eve of the worldwide Great Recession.

From an investment standpoint, the period from October 2008 to April 2009 was like going over a cliff: the battered economic and real estate markets took a heavy toll and the PERS Fund lost an astonishing one-third of its value in just six months.

Was it unsettling? You bet.

But the OIC didn't panic. In other places, investors tried to unload investments - even taking deep losses. We didn't. In fact, Oregon Treasury investment officers saw an opportunity to scoop up some bargains, and those have paid off handsomely.

We know that markets will go up and down through economic cycles, and our philosophy is to invest for the long term. The Fund has surged back since.

The long-term health of the PERS Fund matters to every Oregonian. An estimated 70 percent of pension funding comes from investment gains, as opposed to employer and employee contributions.

Oregonians and PERS members can be proud of the long-term horizon and discipline that governs our investment strategy, and that has helped to put the PERS Fund among the nation's strongest.

For questions or for more information, contact Treasury Communications Director James Sinks at 503-378-4329 or email to james.sinks@state.or.us

Same-sex marriage: special PERS Health Insurance Program enrollment period

The PERS Health Insurance Program (PHIP) is offering an Open Enrollment Period to persons eligible to participate in PHIP and their same sex-spouses, as well as eligible dependents, *who had previously been unable to enroll due to federal tax law restrictions.*

Oregon's Department of Administrative Services has directed state agencies to recognize same-sex marriages validly performed in other jurisdictions.

The enrollment opportunity extends through April 30, 2014. You can download an Enrollment Request Form at: http://www.pershealth.com/PDF_files/Forms/EnrollmentRequestForm.pdf

Outside of this special enrollment period, standard enrollment opportunities apply.

Please note: PHIP cannot enroll registered domestic partners under Oregon's law as that program is not considered the same as a marriage.

For more information, please contact PHIP customer service at 800-768-7377.

PERS Board: unpaid volunteers

The PERS Board is composed of five trustees who administer retirement (service and disability), death, and retiree health insurance benefits. Board members are unpaid volunteers appointed by the Governor and confirmed by the Senate.

The Board manages and administers the system as set forth by law. The Board also monitors the plan for compliance with federal laws.

The Board is comprised of:

- three people with experience in business management, pension management, or investing who are not members of the PERS system;
- one person who is either an employee of the state in a management position or a person who holds an elective office in the governing body of a participating public employer other than the state; and
- one person representing public employees and retirees.

The three Board members representing business management, pension management, or investing are Krystal Gema, John Thomas (Board chair), and Rhoni Wiswall.

Pat West (vice-chair) was appointed to represent public employees and retirees; Michael Jordan was appointed to represent public employers.

The PERS Board meets bi-monthly at PERS headquarters in Tigard. Most meetings begin at 1:00 p.m. and are open to the public.

Materials for each Board meeting are posted on the PERS website before the meeting.

PERS Board meetings for the remainder of 2014 are as follows:
May 30
July 25
September 26
November 21

Office closures

PERS offices will be closed in Tigard and Salem, and no PERS staff will be available on the following days:

May 26: Memorial Day
July 4: Independence Day
September 1: Labor Day
November 11: Veterans Day
November 27: Thanksgiving Day
December 25: Christmas Day