PERS Oregon Public Employees Retirement System

PERS Funding: Providing Secure Retirement Benefits for Oregon's Public Employees

Benefit Trust and Fund Investment

- PERS Fund assets are held in trust for the exclusive benefit of members and their beneficiaries.
- No entity can borrow against the PERS Fund, including the state, school districts, or local governments.
- The PERS Fund is invested on behalf of members and their beneficiaries with oversight by the Oregon Investment Council and support from the State Treasury Investment Division. The fund must be invested prudently, but be as productive as possible for PERS members and their beneficiaries.
- The PERS Board* has a fiduciary responsibility to PERS members to ensure appropriate system funding, crediting, and benefit payments as directed by law.
- The PERS Fund reached an all-time high net asset value of $67.9 billion as of December 31, 2013.

System Funding

- PERS employers are required to fund the benefits earned by their employees by paying contributions at rates set by the PERS Board. Those rates include the cost of benefits earned by employees for on-going service ("normal cost"), as well as the rate to recover any unfunded portion of the costs for benefits earned so far ("UAL rate"). The UAL rate is determined by using a 20-year period to recover those unfunded liabilities. The PERS Board sets employer contribution rates every two years.
- Annual investment returns are the major factor that drives employer contribution rates. If returns are above the system's assumed rate of return (currently 7.75%**), they reduce the unfunded liabilities and the resulting rates. If investment returns are lower than the assumed rate, employer rates must increase to recover the increase in unfunded liabilities.
- Since 1970, the share of PERS' funding from its only revenue sources has been: 73% from investment returns on the PERS Fund; 21% from employer contributions; and 6% from member contributions.

Funded Status

- At the end of 2013, PERS was 96% funded when including employer side accounts*** or 86% funded when excluding employer side accounts. The goal is to be 100% funded so PERS has $1.00 in assets for every $1.00 of benefits owed, based on the PERS plan structure at the time and related actuarial assumptions.
- Liability reductions from Senate Bills 822 and 861, approved in 2013, combined with positive fund earnings in 2012 and 2013, lowered PERS' unfunded liability from $16.3 billion at the end of 2011 to $8.5 billion at the end of 2013 (excluding employer side accounts).
- System wide, net employer contribution rates (when including employer side accounts) will not increase for the next two-year cycle, effective July 1, 2015. Individual employers may see an increase or a decrease in contribution rates.
- If the system consistently earns the assumed rate annually, employer contribution rates will gradually decline beginning with rates that will be effective July 1, 2017.
- Employer contribution rates will also begin to decrease because lower-cost OPSRP members are replacing retiring Tier One/Tier Two members.

* The PERS 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 assumed earnings rate is credited to Tier One member regular accounts annually; any excess Tier One member account earnings are deposited in the Tier One Rate Guarantee Reserve.

*** Side accounts are pre-paid contributions from employers that offset their required contributions over time.