



## Information for PERS Employers



PERS has provided secure retirement benefits since 1945



# What is the PERS funding equation?

$$B = C + E$$

**BENEFITS = CONTRIBUTIONS + EARNINGS**

Present value of  
earned benefits

Employer funds to  
pay those benefits

Future returns on  
invested funds

Set by:  
Oregon Legislature

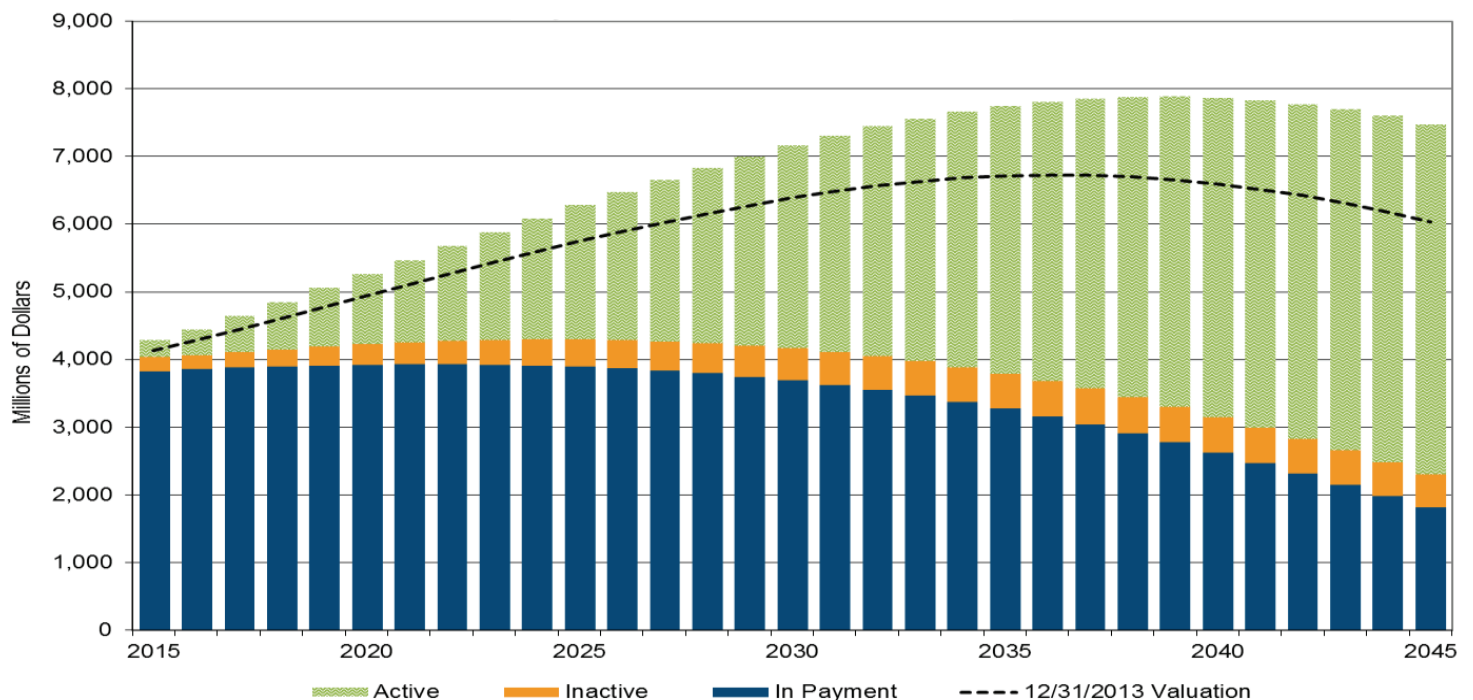
Set by:  
PERS Board

Managed by:  
Oregon Investment Council

## Where does the money to pay for benefits come from? (1970-2014)



## What are PERS' projected estimated benefit payments?



## What are the projected\* 2017-19 system wide employer payroll and contribution rate increases?

(\$ millions)	Projected 2015-17 Payroll*	(A) Projected 2015-17 Contribution	Projected 2017-19 Payroll**	(B) Projected 2017-19 Contribution	(B) - (A) Projected Contribution Increase
State Agencies	\$5,580	\$575	\$5,980	\$800	<b>\$225</b>
School Districts	\$5,950	\$560	\$6,370	\$850	<b>\$290</b>
All Others	<u>\$7,350</u>	<u>\$870</u>	<u>\$7,870</u>	<u>\$1,155</u>	<b><u>\$285</u></b>
<b>Total</b>	<b>\$18,880</b>	<b>\$2,005</b>	<b>\$20,220</b>	<b>\$2,805</b>	<b>\$800</b>

\* Projections do not reflect effects of actual 2015 investment returns.

\*\* Assumes payroll growth at 3.5% annually based on December 31, 2014 active member census, reflecting proportional payroll composition (Tier One/Tier Two vs. OPSRP) as of December 31, 2014.

## Funded status and unfunded actuarial liability (UAL)

(\$ billions)	System wide		As of 12/31/14	
	12/31/13	12/31/14	SLGRP*	School Districts
Actuarial liability	\$62.6	\$73.5	\$37.2	\$27.1
Assets (excluding side accounts)	<u>\$54.1</u>	<u>\$55.5</u>	<u>\$28.5</u>	<u>\$20.3</u>
UAL (excluding side accounts)	\$8.5	\$18.0	\$8.7	\$6.8
Funded status (excluding side accounts)	86%	76%	77%	75%
Side account assets	<u>\$5.9</u>	<u>\$5.9</u>	<u>\$2.7</u>	<u>\$3.1</u>
UAL (including side accounts)	\$2.6	\$12.1	\$6.0	\$3.7
Funded status (including side accounts)	96%	84%	84%	86%

\* State and Local Government Rate Pool

Sources of 2014 UAL increase	UAL Increase (\$ billions)
Expected UAL increase/(decrease) during 2014	\$0.2
2014 investment performance below assumption	\$0.2
<i>Moro</i> adjustment to projected benefits	\$5.1
Decrease in assumed rate of return to 7.5%	\$1.7
Update to mortality assumption	\$1.8
All other assumption changes and actual experience	\$0.5
<b>Total</b>	<b>\$9.5</b>

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## What is the employer contribution rate setting cycle?

Actuarial valuations are conducted annually, but alternate between “advisory” and “rate setting” valuations: e.g., the December 31, 2014, valuation results project what employer rates might become, and the December 31, 2015, valuation will be used to set actual rates. Once employer rates are adopted by the PERS Board (in the fall of the even-numbered year), they become effective the following July 1 of the odd-numbered year (18 months after the valuation date).

Valuation Date	Employer Contribution Rates
December 31, 2013	→ July 2015 - June 2017
December 31, 2015	→ July 2017 - June 2019
December 31, 2017	→ July 2019 - June 2021

## Problem: benefits (B) and contributions & earnings (C+E) don't align

Obligations (B)	Amount	Resources (C&E)	Amount
Retired members	\$46.4	Tier One/Two benefits in force reserve	\$23.8
Inactive members	\$4.9		
Tier One - active members	\$13.0	Tier One/Two member accounts	\$6.9
Tier Two - active members	\$6.4	Tier One/Two employer reserves	\$22.8
OPSRP - active members	\$2.8	OPSRP employer pool	\$2.0
		<b>Assets:</b>	<b>\$55.5</b>
Present value of future (PVOF) normal cost - actives	\$7.5	PVOF normal cost - actives	\$7.5
		PVOF unfunded actuarial liability contributions	\$18.0
<b>Total obligations:</b>	<b>\$81.0</b>	<b>Total resources:</b>	<b>\$81.0</b>

## Economic Benefit of PERS

Oregon PERS paid approximately \$3.3 billion\* in benefits to PERS retired members living in Oregon in 2014. Funding for these benefits came mostly from investment earnings on contributions previously paid by members and public employers.

- The \$3.3 billion in annual benefit payments multiply to \$3.9 billion in economic value to Oregon when the full financial impact of these dollars spent in local communities is considered.
- These benefit payments sustain an estimated 36,000 Oregon jobs, and add approximately \$1.1 billion\*\* in wages to Oregon's economy.
- Additionally, the state of Oregon collected an estimated \$171.7 million in income taxes on PERS retired member benefits during 2014.

\* Additional benefit payments from the Individual Account Program (IAP) were not used in this study.

\*\* The \$1.1 billion in wages is included as a component of the \$3.9 billion in economic activity.

### Public Employees Retirement System

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Contact your PERS representative directly or call the general employer line: 888-320-7377

Employer website: <http://www.oregon.gov/pers/EMP/pages/index.aspx>