

Unfunded Actuarial Liability Resolution Program

Guide to Understanding Unfunded Actuarial Liability

The purpose of this guide is to explain unfunded actuarial liability (UAL), an important aspect of monitoring the financial solvency of a pension system. This guide explains what leads to UAL, why it affects employer rates, the different UAL rates employers pay, and options for counteracting rate increases.

**OREGON
PERS**
PUBLIC EMPLOYEES RETIREMENT SYSTEM

Disclaimer

This guide is for employer educational purposes only and is not intended to provide legal or financial advice. If there is any conflict between this guide and federal law, Oregon law, or administrative rules, the laws and rules shall prevail.

In addition, as this guide intends to explain PERS employer rate information in the simplest terms possible, some actuarial information is simplified and may not apply to all situations or employers.

About this guide

Terms that are **cherry-red colored** are defined in the “Glossary” section at the end of this guide. Click a term to jump to the page that contains the definition.

Before you click, note what page you are on so you can return. You can also click “**Return to table of contents**” in the footer of any page to return to the beginning of the guide.

Links to pages on the PERS website are included throughout to enable you to dive deeper into certain topics.

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This guide is one of a series. To see the other guides, go to the [UAL Resolution Program webpage](#) on the PERS website.

Assistance

If you have questions about any of the information in this guide or about your agency’s particular situation, email Actuarial.Services@pers.oregon.gov.

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Introduction

The PERS system's unfunded actuarial liability (UAL) is a hot topic. You have probably read about it in the news and had questions from your agency board about it. Where does it come from? When will it go away? How did we get to this point?

This guide explains what an unfunded actuarial liability is and how it relates to PERS funded status and your employer contribution rate. The guide shows the current status of PERS UAL and how it compares to other pension systems, the different UALs employers pay, and the future of PERS UAL.

Unfunded actuarial liability (UAL) 101

What is UAL?

An unfunded actuarial liability (UAL) is created when the amount of money a retirement system currently has becomes less than the cost of the benefits it owes to all its retirees and current members (i.e., its future retirees).

The percentage of the current members' and retirees' benefits that the system can fund at this moment is how much the system is *funded*; this is called its funded status. The percentage the system is short shows how much is *unfunded*; this is its unfunded liability.

The PERS **actuaries*** do not measure the funded status so that PERS can pay all its members and retirees at once. They measure it to assess and monitor the financial solvency of the plan over the long term.

IMPORTANT

Maintaining a reasonable UAL is a normal part of a pension plan, and having a UAL does not necessarily mean that a plan is not financially healthy. **The PERS system is designed to be able to pay benefits without being 100% funded.**

A higher funded status ensures the plan is better able to weather market crashes, retirement booms, and other unforeseen circumstances that can significantly affect the long-term health of the system.

Therefore, when a UAL occurs, the PERS actuaries and board develop a plan to pay it down by increasing assets. Remember that **UAL cannot just be paid off**. That is because it is not debt — it is an imbalance between current funds and retirement benefits that have not been paid yet.

*Terms that are red and bold are defined in the glossary. You can click any glossary word and jump to its definition. Before doing so, note where you are in this guide so you can return.

What causes UAL?

PERS future funding is based on assumptions about what the future will most likely hold. UAL forms when something unexpected occurs.

The PERS funding equation

The actuary uses this equation to ensure the financial health of the plan.

$$\text{Member benefits} = \text{contributions} + \text{investment earnings}$$

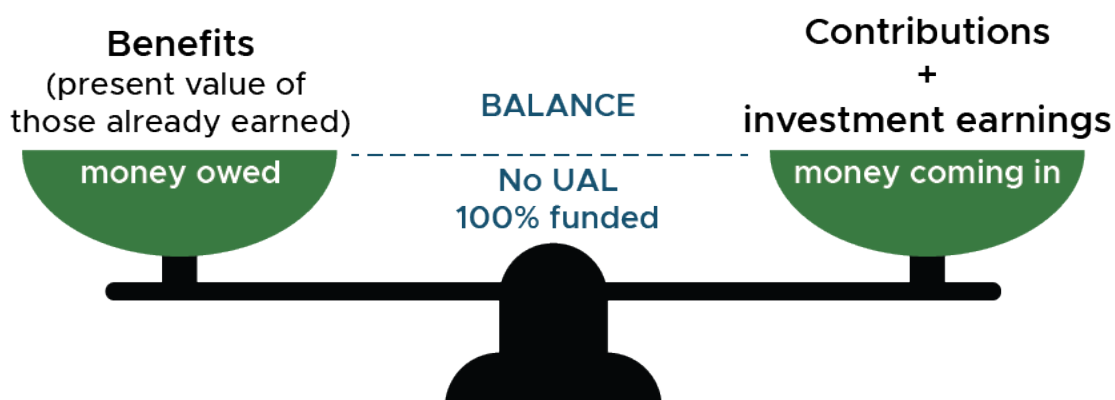


Figure 1. Fully funded plan (the goal)

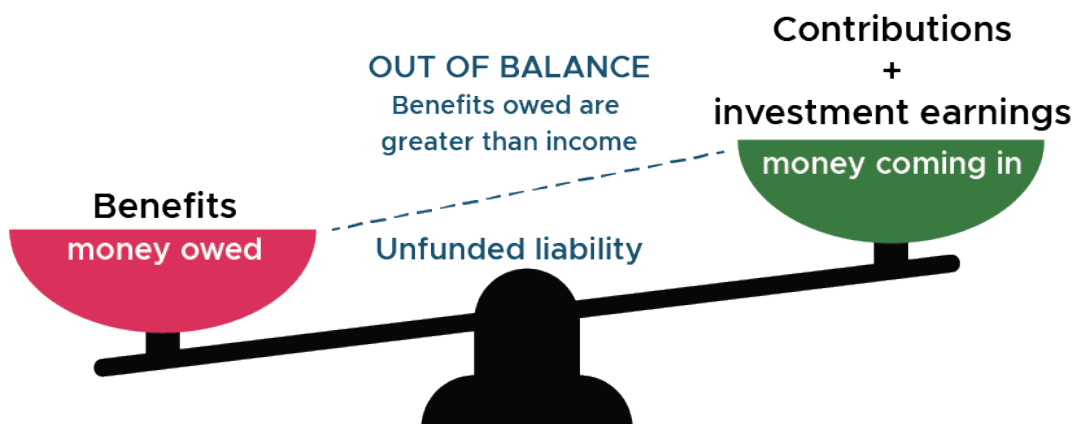


Figure 2. Less-than fully funded plan with a UAL (the reality)

How is UAL eliminated?

When an unfunded liability is created, the **PERS Board** has only one option for tipping the scale back into balance. This table explains why.

UAL elimination method	Explanation	Can PERS Board use this method?
Reduce liabilities (i.e., benefits)	The PERS Board cannot (and would not) change benefits that have already been promised. (PERS liabilities are defined in the “ PERS Liabilities ” section.)	NO
Increase assets (i.e., income)	<p>Because the board cannot reduce liabilities, it must increase assets. PERS has three sources of assets/income:</p> <ol style="list-style-type: none"> 1. Earnings on investments. The PERS Fund is managed by the Oregon Investment Council under the Oregon State Treasury. Earnings are dictated by investment returns. The PERS Board has no control over earnings rates. 2. Member contributions, a minor source of income. 3. Employer contributions paid on the wages and subject-salary payments of qualifying employees. <p>Employer contributions are the only one of these sources the PERS Board can control. That’s why employers are responsible for paying down UAL.</p>	YES

Your UAL rate

Every employer’s total pension rate includes several UAL rates. This is because employers are always in the process of paying off UALs from prior years.

Why you pay for multiple UALs

Every year, the PERS actuary values the performance of the PERS system. This valuation alternates between:

A rate-setting valuation done every odd year — used to assess the health of the system that year and to set new employer rates in the next biennium.	An advisory valuation done every even year — used to assess the health of the system and show what rates would be if they were set based on the even year.
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In every valuation, the actuary determines if the cost of future benefits to be paid by the fund is equal to the contributions and earnings coming into the fund. The actuary does this for:

The PERS system as a whole.	Each individual employer.*
Each employer pool.*	Each system-wide pool.*

An imbalance in any of the above four valuation types creates a new UAL. The actuary calculates the increase in assets necessary to balance the higher liabilities, amortizes it over 20 years, and divides it equally among employers as a percentage. **This is your UAL rate** for that particular UAL.

*This pool or employer group is covered in “[How Employer-Pool Membership Affects UAL](#)” in this guide.

The UAL rate is added to your **normal cost rates**, which you can see on the Your Current Contribution Rates table at the bottom of your remittance statement in EDX. (This table is in the “[Locating UAL on Your Employer Statement](#)” section in this guide and shown below.)

Normal costs are different for Tier One and Tier Two (called PERS), OPSRP General Service, and OPSRP Police and Fire employees.

Your organization’s combined UAL rate percentage is the sum of all your UAL rates. The total of each normal cost rate + your combined UAL rate make up your net pension rates.

YOUR CURRENT CONTRIBUTION RATES			
Rate Category	Normal Cost Rate Percentage	Combined UAL Rate Percentage	Net Rate Percentage
PERS General Service	13.01%	0.12%	13.13%
PERS Police & Fire	13.01%		13.13%
OPSRP General Service	7.94%		8.06%
OPSRP Police & Fire	12.30%		12.42%

Figure 3. Your combined UAL rate percentage

Seven UAL myths and misunderstandings

Is each statement about PERS UAL **true** or **false**?

1	UAL means PERS is in debt.	F
2	UAL means the PERS Fund has lost money.	F
3	You cannot pay off a UAL.	T
4	PERS is making some retirees millionaires, and that’s putting the system into debt.	F
5	The risk of UAL is a normal part of a pension system.	T
6	Future retirees might not get their pensions.	F
7	The PERS Board cannot cut benefits to save money.	T

PERS funding, the details

How PERS, the system, is funded

Funding PERS benefits is a team effort, as illustrated below.

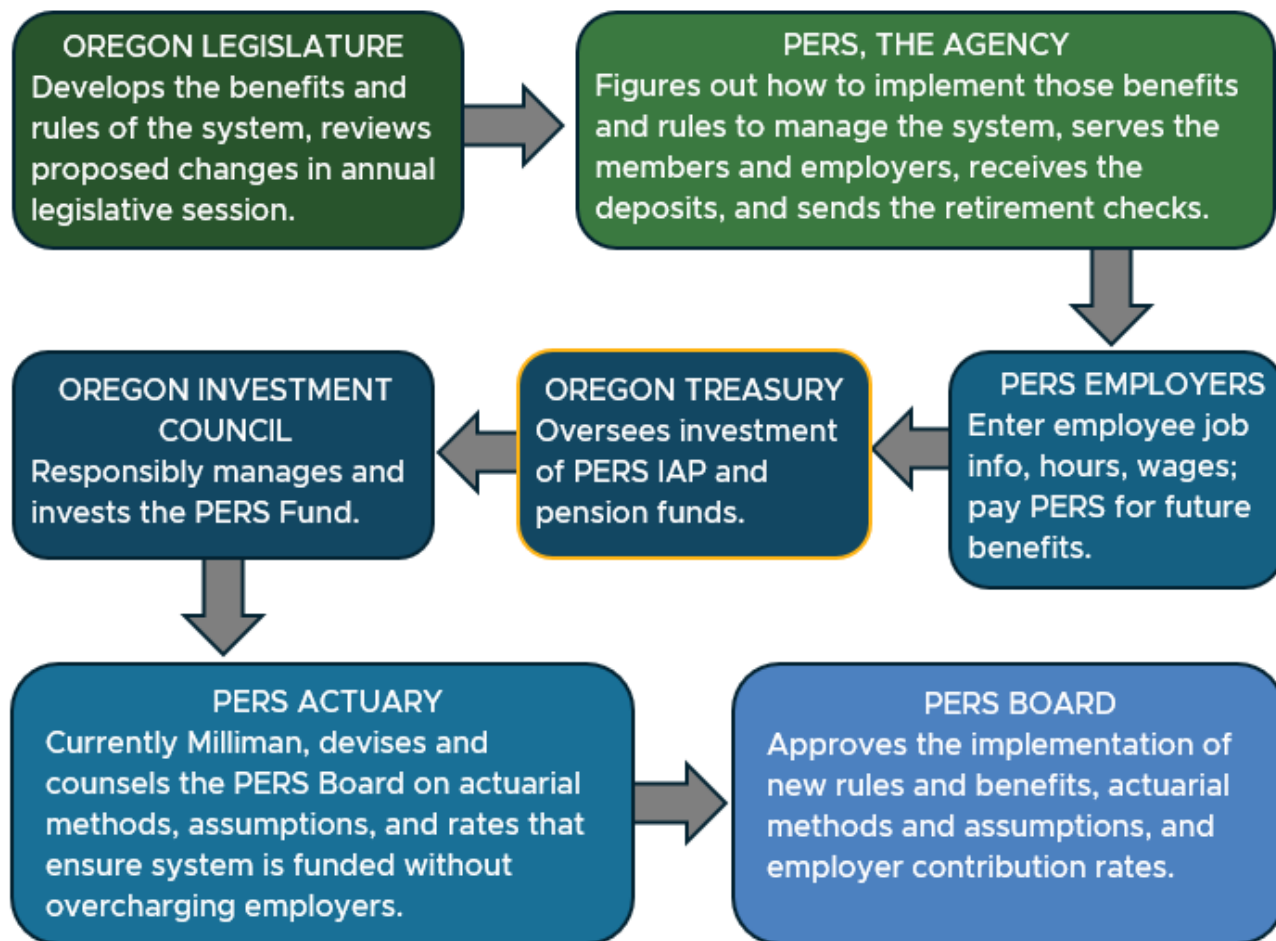


Figure 4. Funding PERS is a team effort

PERS liabilities

The PERS Fund's largest **liability** is the cost of paying pensions to nearly 170,000 retirees.

Figure 1 shows that the largest portion of PERS liabilities is the cost of current retiree benefits being paid. These include **service retirees**, Tier One and Tier Two **disability retirees**, OPSRP **disability-benefit recipients**, **beneficiaries**, and **alternate payees**.

The remaining portions are future retirement benefits that current members have already earned but that are not being paid yet.

Most of the current retired members are Tier One and Tier Two retirees. Of the three programs, Tier One members have the most generous retirement benefits.

Active members are those who are working for a PERS-participating employer. Most of the current active members are members of the OPSRP program.

Inactive members are those who have earned benefits but are not currently working for a PERS-participating employer and have not retired nor withdrawn from the system.

Over time, as more members are in the OPSRP program and fewer in Tier One and Tier Two, PERS liabilities will decrease, UAL will decrease, and employer rates will decrease.

PERS liabilities by member category

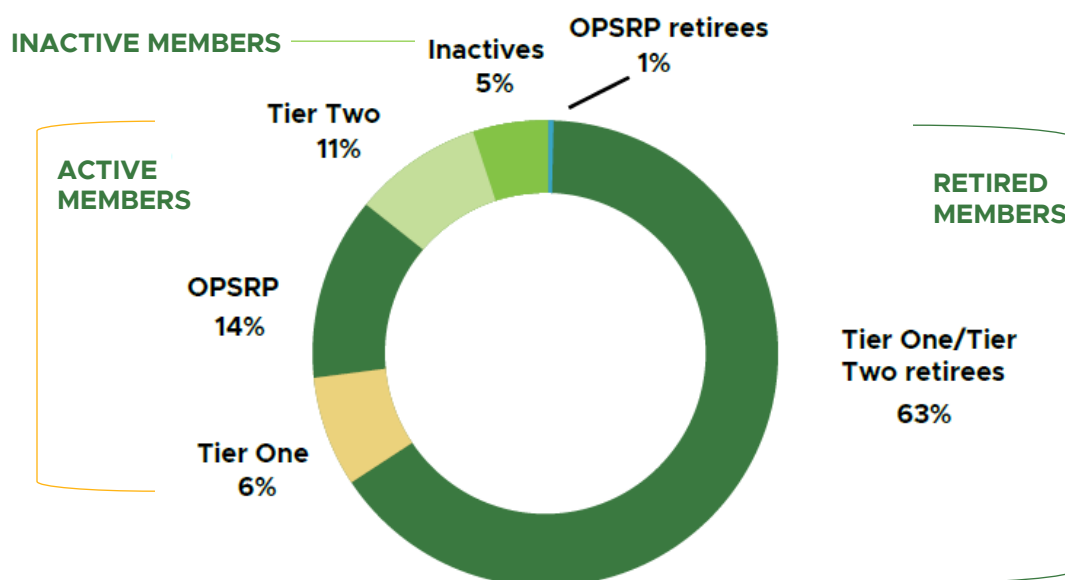


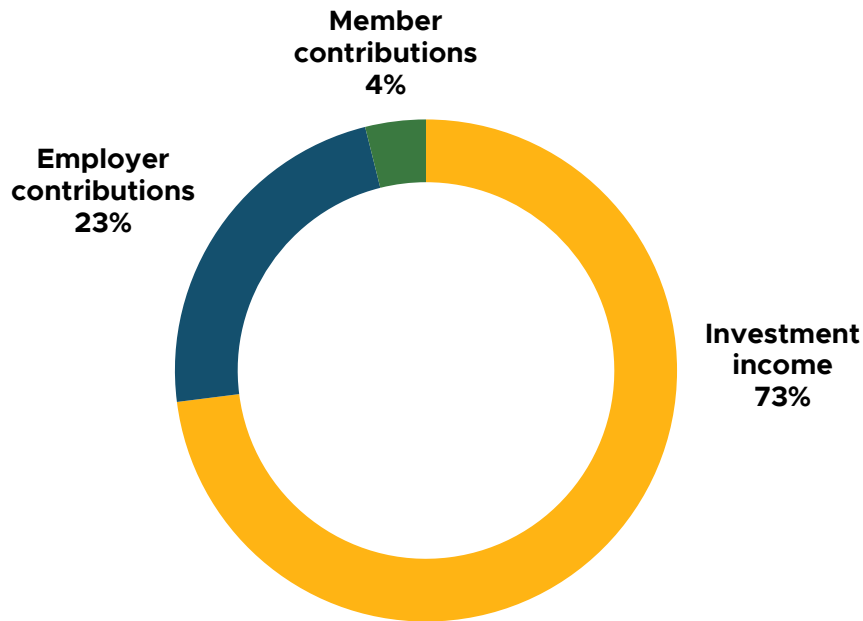
Figure 5. Actuarial accrued liabilities (as of December 31, 2023)

PERS assets

PERS is funded by, in order of proportion:

PERS Fund investment earnings.	For details on how the money is invested, read the investment philosophy of the Oregon Investment Council in section III of the Investment Policy Statement for Oregon Public Employees Retirement Fund (PDF) .
Payments from PERS-participating employers.	Each employer pays a contribution rate that is calculated by the PERS consulting actuary to cover the cost of its employees' future benefits. This rate is multiplied by the salary of each employee who qualifies for PERS benefits. The total is billed to the employer twice a month.
Contributions from PERS members.	PERS members who earn over a certain salary threshold each month automatically contribute a portion of their 6% IAP contribution to their Employee Pension Stability Account (EPSA) . The funds in the account will be applied to their pension at retirement. The contribution, called member redirect, will stop when PERS is 90% funded.

PERS funding sources 1970–2023



How PERS funded status and UAL are calculated

Every year, the PERS consulting **actuary** uses specific methods and assumptions to:

- Develop employer **contribution rates** that are sufficient to fund PERS benefits without overcharging employers. Rates are subject to change every odd year.
- Disclose employer **liabilities**, as required by government standards.
- Analyze the fiscal impact of changes to the PERS plan that were proposed by the Oregon Legislature. In general, changes that increase benefits raise employer rates.

The methods and assumptions are summarized below and explained in detail in the actuary's **annual experience study**, which is published on the [PERS Actuarial Presentations and Reports webpage](#) under its year of publication (based on data from the previous year).

Actuarial methods and assumptions

Some of the actuary's methods and assumptions are:

- The **assumed earnings rate**, which is the percentage the actuary expects the PERS Fund to earn each year based on actual earnings. It is currently set at 6.9%. This is also the rate that Tier One members are guaranteed to earn on their IAP accounts. This is the only tier that earns a guaranteed rate.
- **Mortality rates** estimate how long retirees will live. The longer someone is paid benefits, the higher the cost to the system.
- **Member retirement ages** (i.e., at what age or years of service members retire) and the retirement options they choose. Like mortality rates, it affects the cost of their benefits.
- The number of members who are approved for **disability retirement** or **disability benefits**. These programs provide income to PERS members who become too sick or injured to work. The expected expense of these benefits is factored into PERS liability, but an increase in the assumed number will increase liability.
- The percentage by which **employee salaries** will increase each year. The actuary currently assumes an annual increase of 3.4%, which includes inflation.

How assumptions affect employer rates

If the actual liabilities assumed above start to trend greater than assumed, the system's liabilities will increase. As a result, employer rates must go up to increase the fund's assets.

However, if actual *assets* start to trend greater than assumed, the actuary will not necessarily reduce employer rates. Employer rates cannot decrease until the PERS system's funded status reaches **87%** (not including side accounts). This is to ensure that the system has reached a high enough funding level before the actuary risks reducing rates and dropping the funding level.

Oregon PERS current funded status and UAL

Funded status and UAL, percentage

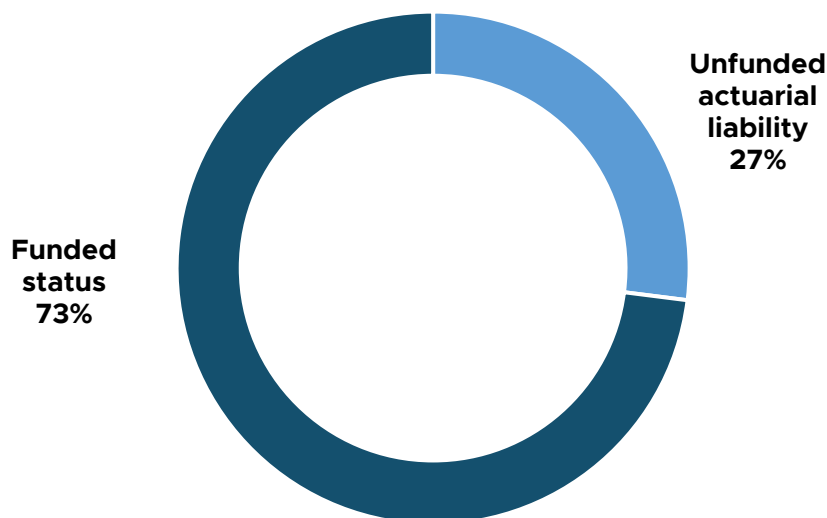


Figure 6. PERS funded status and UAL, as of 2023

To measure the funded status, the actuary uses the PERS funding equation:

$$\text{Member benefits} = \text{contributions} + \text{investment earnings}$$

Funded status and UAL, dollars

As of the 2023 year-end valuation, stated in dollars, the PERS Fund had \$77 billion not including employer side accounts and \$82.4 including side accounts. The system had \$106.3 billion in current and future liabilities (i.e., the value of the benefits owed to all current and future retirees).

This means that if every current PERS member and retiree had the same retirement date and PERS had to pay everyone at once, there would be about \$29.3 billion unfunded (without side accounts included) or \$23.9 billion (with side accounts included) considered unfunded.

Remember that the purpose of measuring funded status is not to see if PERS can pay all members at once. It is a standard actuarial method used to ensure the health of the system over the indefinite long term.

As stated in the section “[Seven UAL Myths and Misunderstandings](#),” no one’s pension is at risk. The next section, “How Oregon PERS Compares With Other Pension Systems,” shows that Oregon PERS is comparable with other pension systems in the US.

Pension planning takes a very long view. **The purpose of Oregon Treasury’s investment strategy and Milliman’s funding strategy is to ensure PERS is funded forever.**

How Oregon PERS compares with other pension systems

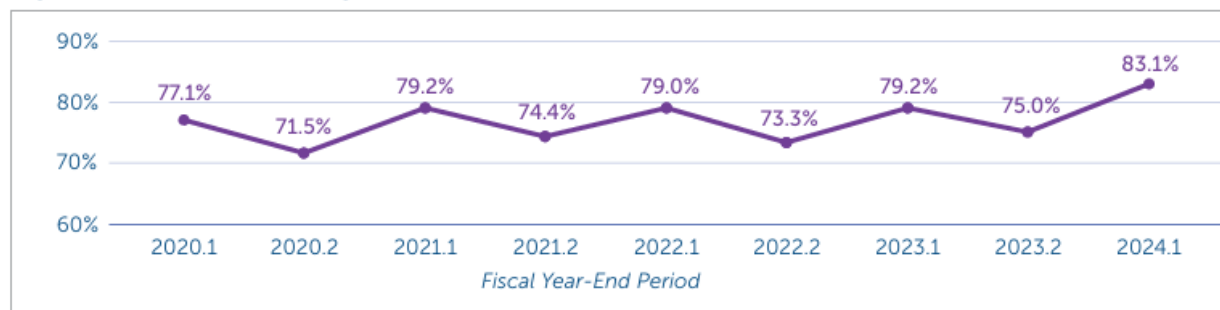
The chart on the next page, from the [National Conference on Public Employee Retirement Systems' 2025 Public Retirement Systems Study](#), shows recent trends in funded status of defined benefit (aka pension) plans in the United States. The plans were not all state plans, like PERS. They included local, city, county, public safety (e.g., police and fire only), and educational plans (e.g., school employees only) in a range of population sizes and budgets.

PERS 2023 funded status was 72%, placing PERS within 3% of the 2023 average. (PERS 2024 funded status is not yet available.)

Funded Ratio

System funded ratios had been averaging between 70-80% since the first half of 2020. Systems with fiscal year-end periods in the first half of 2024 reached a funded ratio of 83.1%, likely driven by favorable equity market performance. We anticipate systems with fiscal-year end dates in the second half of 2024 will report similar gains.

Figure 26 – Trend in Average Funded Ratio



Funded ratio (%) TOTAL=622 (see Appendix for sample size by fiscal year-end period)

Figure 6. NCPERS US pension plans' funded status

Employer contribution rates

These data from the 2025 NCPERS study show average employer contribution rates as a percentage of payroll. According to PERS Actuarial Activities Section, PERS average employer contribution rate for year-end 2023 was **23.8%**. The employee contribution rate was **6%** (for the Individual Account Program (IAP)). The total is **29.8%**.

Contributions

Contributions as a percent of payroll have been increasing in recent years, nearly entirely driven by increases in employer contributions. However, as noted in Figure 29, 16% of respondents indicated that their systems increased employee contributions in the past year. Based on the most recent survey data, systems with less than \$1 billion in assets or fewer than 2,000 members have the highest contributions as a percentage of payroll.

Figure 20 – Employee and Employer Contributions as a Percent of Payroll

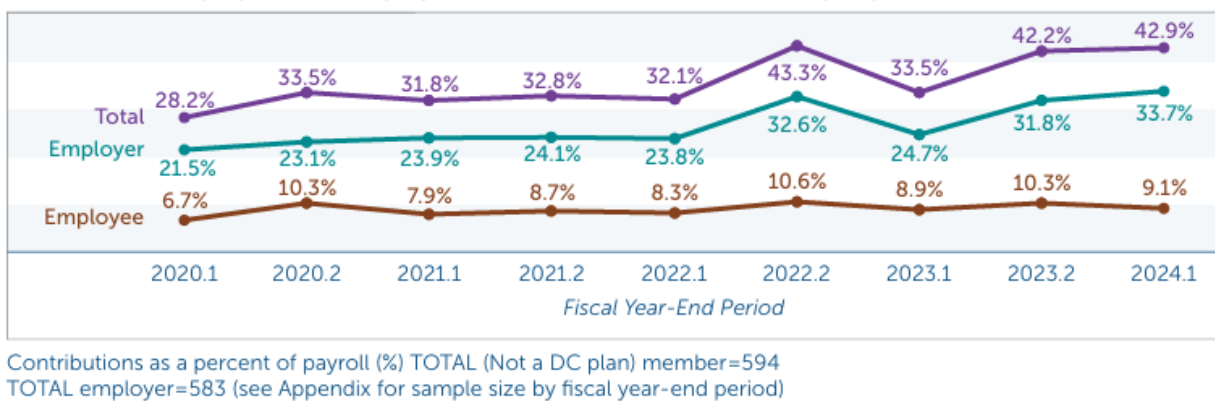


Figure 7. NCPERS US pension plans' employer contribution rates

Your organization's UAL rates

UAL rate breakdown

UAL rates are calculated separately for:

- Tier One/Tier Two pension.
- OPSRP pension.
- Retirement Health Insurance Account (RHIA).

Four things you need to know about these UAL rates:

1. All employers pay these UAL rates. They are combined into your employer pool's UAL rate (if your organization is in a pool) or into your individual organization's employer rate (if your organization is independent).
2. These are separate accounts. This is why **you cannot apply funds from one account to another account**. By law, the funds must be kept separate.
3. Everyone pays the Tier One/Tier Two UAL. Even if you only have OPSRP payroll, **you are still charged Tier One/Tier Two UAL**. Because the Tier One and Tier Two retirement plans are closed to new members, UAL rates are charged across all payroll to make sure there is sufficient payment toward the Tier One/Tier Two liabilities instead of relying on the Tier One/Tier Two member populations, which are shrinking as members retire.
4. RHIA is overfunded, so employers are not currently charged a RHIA UAL rate.

Amortization schedule for UAL rate elements

Each UAL is amortized — that is, paid off in payments over a prescribed period of time, usually 20 years. The actuary calculates the rate and the amortization period necessary to pay off the unfunded amount without placing too much financial burden on employers.

The table below shows the schedule of the pension UALS, who pays them, and when they are scheduled to be paid off.

UAL	Who pays it	Estimated payoff date (if all assumptions are met)
Tier One/Tier Two UAL	All employers (rate varies by pool membership)	December 31, 2039
OPSRP UAL	All employers (all employers pay same rate)	December 31, 2035
RHIA UAL	All employers pay UAL rate (although there's no charge because it is fully funded)	Currently fully funded at 221.3% (2023 valuation) December 31, 2029
RHIPA UAL	State agencies and the state judiciary only	December 31, 2029
Multnomah County Fire District #10 UAL*	City of Portland: 22% All Tier One/Tier Two employers, including City of Portland: share remaining 78% Cities of Gresham, Fairview, Wood Village, and Troutdale: pay twice the combined valuation payroll rate of all Tier One/Tier Two employers	December 31, 2027
Pre-SLGRP Pool UAL	Employers who were members of the Local Government Rate Pool or the State Agencies and Community Colleges Pool	December 31, 2027
Transition liability** or surplus rate	Employers who join SLGRP	December 31, 2027, or 18 years after joining***

*In HB 2278, the Legislature allocated this inactive employer's UAL to all PERS reporting employers. This is not the normal process for dissolved or insolvent employers.

**An employer can pay off this liability. This is the only time an employer can, dollar-for-dollar, pay off a UAL.

***For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the SLGRP.

GUIDE TO UNDERSTANDING UAL

Figure 8, from PERS actuary Milliman, shows the UAL rates that are included in your net contribution rate. Figure 9 simplifies this by showing the breakdown for a fictional employer.

Collared Pension Contribution Rates (Excludes IAP)						
Payroll	Effective July 1, 2025			Effective July 1, 2023		
	Tier One/ Tier Two	OPSRP General Service	OPSRP Police & Fire	Tier One/ Tier Two	OPSRP General Service	OPSRP Police & Fire
Normal Cost Rate	16.21%	10.47%	15.74%	15.91%	9.89%	14.68%
Tier One/Tier Two UAL Rate ¹	13.21%	13.21%	13.21%	13.07%	13.07%	13.07%
OPSRP UAL Rate	2.69%	2.69%	2.69%	1.69%	1.69%	1.69%
Total Pension Rate	32.11%	26.37%	31.64%	30.67%	24.65%	29.44%
Average Adjustment ²	(4.42%)	(4.42%)	(4.42%)	(7.03%)	(7.03%)	(7.03%)
Member Redirect Offset ³	(2.40%)	(0.65%)	(0.65%)	(2.40%)	(0.65%)	(0.65%)
Net Employer Pension Rate	25.29%	21.30%	26.57%	21.24%	16.97%	21.76%

¹ Includes Multnomah Fire District #10.

² Adjustments shown are for side accounts and pre-SLGRP liabilities and are shown on system-wide average basis. For this purpose, adjustments are not assumed to be limited when an individual employer reaches a 0% contribution rate.

³ Redirected member contributions under Senate Bill 1049 (2.50% of payroll for Tier One/Tier Two and 0.75% of payroll for OPSRP) offset employer contribution rates. Redirect does not apply to members with monthly pay below a threshold. The values shown in the table incorporate an estimate of the effect of this limitation, taking into account the changes enacted in Senate Bill 111 (2021).

Figure 8. Example of pension contribution rates for a pooled employer

Source: [Milliman System-Wide 2023 Actuarial Valuation Report](#).

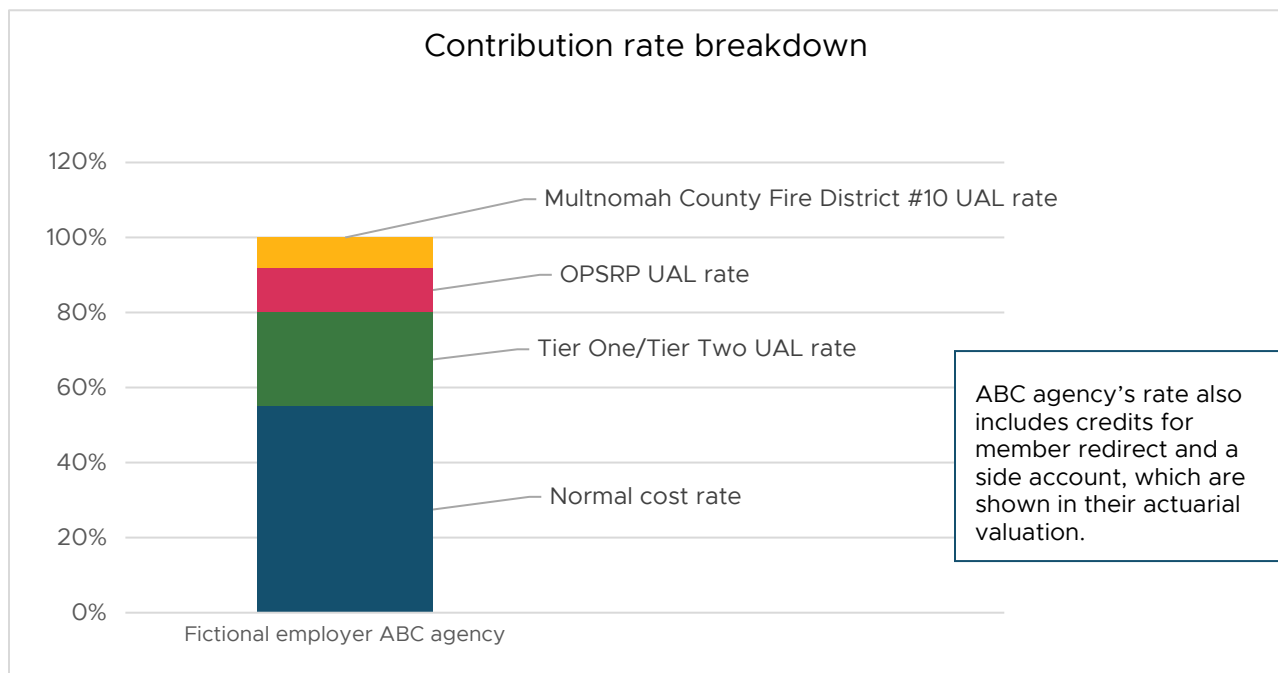


Figure 9. Contribution rate breakdown of fictional employer

How employer-pool membership affects UAL

How employer pooling works

An employer pool merges individual employers with other employers of the same type only for the purpose of determining pension costs and **contribution rates**. Pooling stabilizes employer rates by spreading the cost of financial and demographic changes, such as a drop in fund earnings or payroll reductions, across multiple employers rather than assigning the entire cost to a single employer.

Each employer's **UAL rate** is set based on the total **experience** of all members of the pool, not the single employer. Each pool member pays the same UAL rate regardless of the size of the employer. That rate is multiplied by each employer's combined valuation payroll.

The UAL amount allocated to you can change year by year based on the **payroll** you report and the total number of pool employers and the payroll they report.

This is why ensuring your contributions are **reported on time** is essential.

IMPORTANT

UAL is not an issue to be solved individually if you are part of a pool. You can establish a side account to offset the UAL rate, but until the pool as a whole has eliminated its UAL, you will have a UAL rate included in your rate.

PERS employer pools

There are three **employer pools**:

State and Local Government Rate Pool (SLGRP)

The state's largest employer pool consists of the following employers:

- The State of Oregon, excluding the state judiciary.
- All community colleges.
- Any participating employer (other than school districts) who elects to join the pool.

Membership is **optional** for new local governments.

What is pooled: Only the Tier One/Tier Two UAL is pooled. All members have the same Tier One/Tier Two UAL rate. Each pool member has an individual Tier One/Tier Two normal cost rate.

Pool funded status: 70%*

School Districts Pool

The state's second-largest Tier One/Tier Two pool consists of all K–12 school districts, education service districts, and charter schools.

Membership is **mandatory**.

What is pooled: All Tier One/Tier Two normal cost rates and UAL are pooled.

Pool funded status: 76%*

Independents

This is not a pool per se; it is what PERS calls employers who are not in a pool. Independent employers are local governments who choose not to join the SLGRP and are valued independently of all other jurisdictions.

What is pooled: Their Tier One/Tier Two UAL and normal rates are not pooled and are based on their individual experience.

As a group, their funded status: 66%*

*2023 year-end valuation

PERS system-wide pools

All employers (even independents) are members of one or both of these system-wide pools.

Oregon Public Service Retirement Plan (OPSRP) UAL	<p>All employers are assigned the same OPSRP General Service normal cost rates and Police and Fire normal cost rates. Employers are allocated a portion of the OPSRP UAL based on their total combined valuation payroll.</p> <p>OPSRP funded status: 76%*</p>
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Retiree Healthcare pool	<p>All employers also have a Retiree Healthcare normal cost and UAL rate. This rate applies to RHIA.</p> <p>Only state agencies and the state judiciary contribute to RHIPA. All state agencies and the state judiciary are allocated a portion of the UAL based on their combined valuation payroll.</p> <p>Neither RHIA nor RHIPA has a UAL — both are more than 100% funded.</p>
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How rate collar affects UAL

Rate collar is a contribution-rate-setting methodology that stabilizes employer rates by not allowing large changes from one biennium to the next. It is applied to all members of an employer pool. Independent employers have their own rate collar as well.

The collar does two things:

1. Limits how much the UAL rate can increase from one biennium to the next.
2. Prevents the Tier One/Tier Two UAL from decreasing as long as the UAL rate of the employer pool or independent employer is 87% funded or less. If it is funded 90% or more, the UAL rate can decrease but only by the size of the rate collar allowed for the pool.

Rate collar for each pool

SLGRP: 3%

School Districts: 3%

Independents: 4%

SLGRP transition liability/surplus and UAL

When a new employer joins the SLGRP, the actuary evaluates the employer's UAL* against the pool's UAL.

- If the employer's UAL* is higher, the employer is assigned a transition *liability*.
- If the employer's UAL* is lower, the employer is assigned a transition *surplus*.
- If an employer joined the SLGRP prior to 12/31/2009, then their transition liability or surplus will fully amortize on 12/31/2027.
- If an employer joined after 12/31/2009, the amortization period ends 18 years after the employer joined the SLGRP.
- If an employer has a transition liability, they can pay it off.

*As a percentage of payroll.

Transition liability is the only time an employer can, dollar for dollar, pay off a UAL.

Learn more

To learn more about your valuation, read the [Guide to Understanding Your Valuation](#).

Find pension financial information on the [Actuarial and Financial Information webpage](#).

Find additional financial information in [PERS 2024 Annual Comprehensive Financial Report](#).

Changes that can increase your UAL rate

System payroll growth

One of the assumptions on which your rate is based is system payroll growth (i.e., raises, headcount, and inflation) of around 3.4% a year. If your organization significantly surpasses this growth rate one year, your PERS contribution rate may increase at the next biennium.

You can surpass the assumed growth rate by:

- Hiring a lot of staff.
- Paying a lot of overtime.
- Giving big bonuses or incentives (that are subject salary).

Increased benefits

Be aware that if a job class in which you have employees (e.g., Police and Fire) is granted new or better PERS benefits from the Legislature, your organization will pay a higher contribution rate for those employees. Examples are:

- Reducing the age at which OPSRP Police and Fire members can retire from 60 to 55 ([House Bill 4045 \(2024\)](#), effective January 1, 2025).
- Creating a new job class for qualifying OPSRP members called Hazardous Position ([House Bill 4045 \(2024\)](#), operative January 1, 2030).

Changes that can reduce your UAL rate

Open (or increase) a side account

To have the most impact on your UAL and contribution rate, create or add to a **side account**. The UAL is a balance of assets vs liabilities. When you pre-pay your pension obligations with a side account, you are reducing your liabilities, thus reducing your UAL.

Even if you are part of a pool, a side account is used to your organization's benefit.

If you already have a side account, you can make up to two additional payments a year; there are no minimum or maximum payment restrictions on these additional payments. For more information on creating a side account and side account earnings over time, check out [PERS side accounts webpage](#).

The only way to differentiate your net contribution rate is to establish a side account.

Consider joining the SLGRP, if applicable

If you are an independent employer looking for UAL rate stability, consider joining the State and Local Government Rate Pool (SLGRP). Your normal-cost calculation won't change, but the pool will stabilize fluctuations in **UAL rates** and reduce your organization's **rate collar**. A resolution to join the pool is time-sensitive, and your rates won't change immediately.

If you are interested, email [Actuarial Services](#) and ask them to explain the process and mock up rates based on your current information. To learn more, read [Guide to Understanding Pooling — SLGRP edition](#).

Pay your transition liability

If you are a member of the SLGRP, consider paying off your **transition liability**. Paying your transition liability is the only time you can dollar-for-dollar pay off your UAL. The transition liability is your own UAL, not the pool's. Once you pay off your transition liability, the rate associated with it is completely removed.

To decide if it makes sense for you, take a look at your most recent valuation (available on the [Actuarial Valuations webpage](#)). It will show how much liability and interest you paid over the last year. Determine whether it is worth it to keep up the monthly payments or if it makes more sense to pay it off in advance. (For instructions on finding this information, read [Guide to Understanding Your Valuation](#).)

Paying off your transition liability requires an actuarial calculation, which costs a fee. If you have questions or would like guidance with this process, email [Actuarial Services](#).

Hire a PERS retiree

SB 1049 (2019) included a provision that requires employers to pay **contributions** on wages of retirees working post-retirement as if they were active members. Payroll from retirees is not calculated into your **combined valuation payroll** or your **normal cost**. Retiree payroll is not included as an assumption in the calculation of payroll. Therefore, any contributions you pay on the salaries of working retirees are a “bonus” asset — a positive deviation from actuarial assumptions.

If these bonus contributions are substantial enough, they can alter the UAL calculations for pools, and they will certainly affect the Tier One/Tier Two calculations for independent employers.

Future of PERS UAL

PERS consulting actuary Milliman estimates that within the next 20 years, PERS UAL has the potential to decline to 0% and funded status to rise to 100%.

This would be caused by:

- More PERS members retiring in the OPSRP plan and fewer in Tier One and Tier Two. This 2003 PERS reform will have the greatest long-term effect on employer rates.
- Reforms to PERS instituted by the Legislature to reduce employer rates (e.g., Senate Bill 1049 (2019)).
- The lower assumed earnings rate, changed by the PERS Board in 2022.

However, if bills that increase benefits or add additional groups of people who qualify for benefits pass, this trend may take much longer.

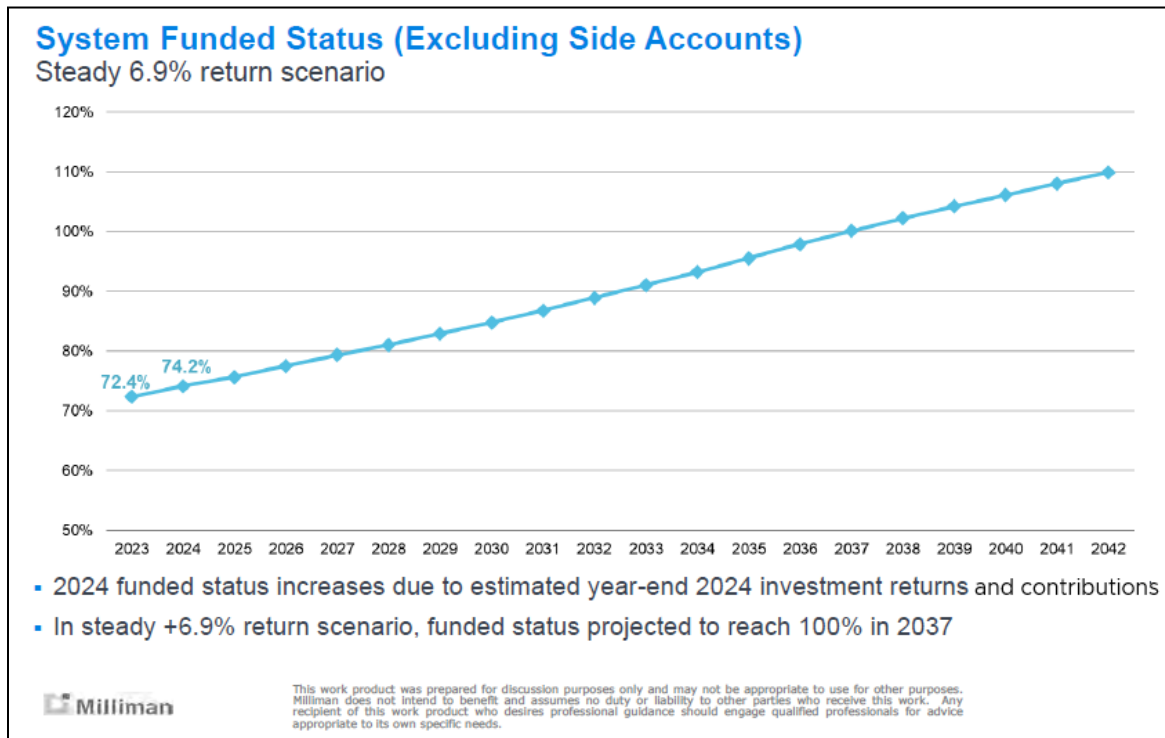


Figure 10. System funded status 20 years projected

As funded status goes up, UAL goes down.

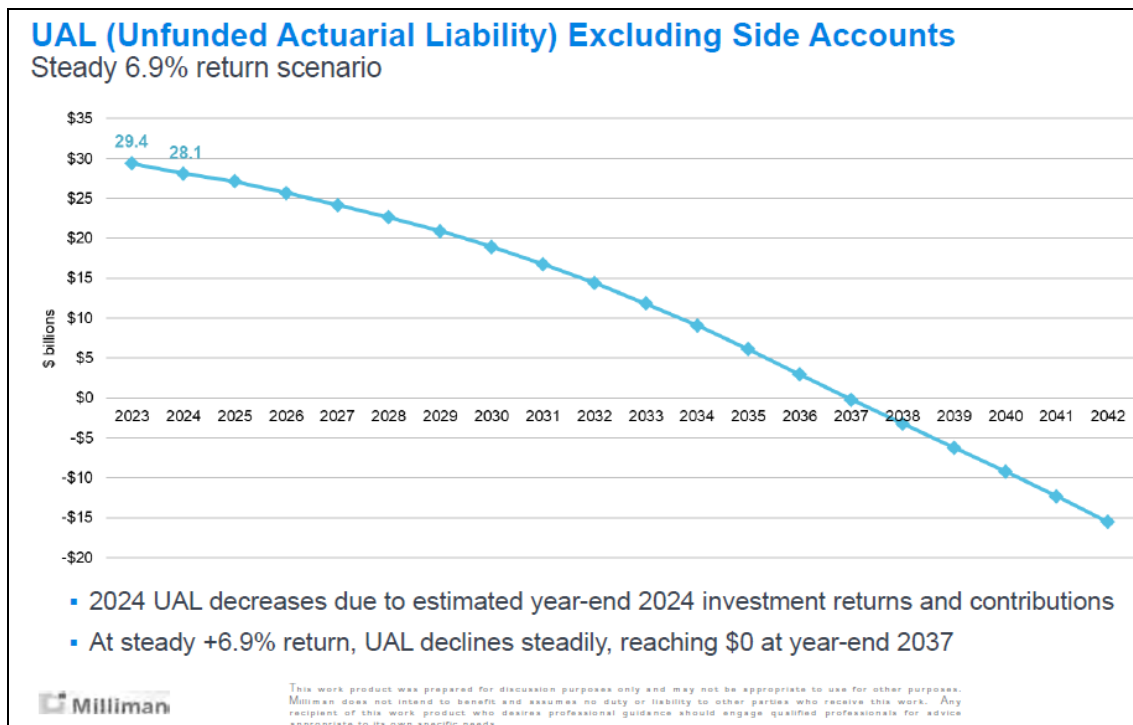


Figure 11. UAL 20 years projected

How the Oregon Public Service Retirement Plan (OPSRP) is helping reduce UAL

According to the [PERS by the Numbers report](#), OPSRP members now account for the majority of active PERS members. The [2023 System-Wide Valuation](#) states that they make up 71% of the system's normal cost compared to 14% of the actuarial accrued liability. For comparison, Tier Two members account for 20% of the system's normal cost compared to about 11% of the system's actuarial accrued liability.

The normal cost for OPSRP members has remained relatively stable on a biennium-to-biennium basis. This stability is evidence that the pension reforms initiated in 2003 are paying off over the long run, aligning with the original goals of the OPSRP tier as outlined in House Bill (HB) 2003 (2003):

“OPSRP was created as a cost saving measure, to prevent the previous increases in the unfunded actuarial liability, to increase the stability and funded status of the plan, and to ensure continued longevity of the PERS plan.”

History of PERS UAL

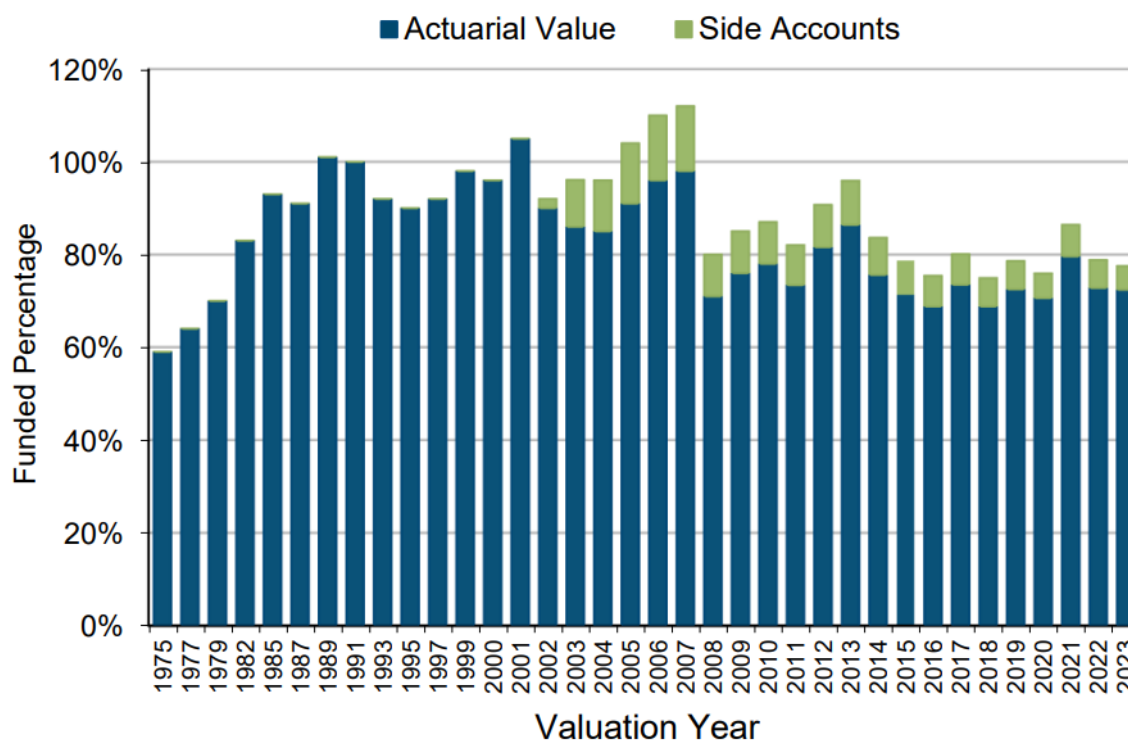


Figure 12. 2023 System-Wide Actuarial Valuation

PERS has not always had a significant UAL. As shown in figure 12, in the late 1980s and early 2000s, years when the funded percentage was near 100%, PERS had little or no UAL.

So what happened? There have been some significant changes over the last 15 or so years that have made a sizeable impact on the system's UAL and how benefits are administered to members. For example, the creation of OPSRP in 2003, the great recession in 2008, international market instability starting in 2015, and Senate Bill 1049 in 2019.

Refer to the timeline on the next three pages for reasons behind the drops and climbs in funded status and actions taken to improve it. For a shortened version, scroll down to "[Key Takeaways From UAL History](#)."

IMPORTANT

UAL occurs whenever something happens outside of the actuary's assumptions or forecast. There is not a wildcard factor to account for legislative changes or economic crises.

PERS UAL timeline 1980–2024

Year(s)	Action
1980s and 1990s	Investment markets are thriving, returns are well above expectation. Typically, this would boost the system's funded status , but a portion of earnings is credited to member retirement accounts, which increases the benefits owed to retirees and, thus, the system's liabilities.
1995 and 1996	Legislature establishes Tier Two for members hired from 1/1/1996–8/28/2003. Tier Two eliminates the guaranteed rate of return on regular accounts that caused the increase in liabilities from the 1980s and '90s. It also excludes lump-sum vacation payouts from final average salary and increases the retirement age from 58 to 60. The Legislature also eliminates tax remedy for anyone hired after 7/14/1995.
Early 2000s	<p>The “legacy liabilities” from the '80s and '90s (a term that still comes up today), along with the dot-com crash of 2000, begin to reduce the funded status and widen the UAL.</p> <ul style="list-style-type: none"> 1/1/2000: The Local Government Rate Pool (LGRP) is created to allow local governments to pool their assets and liabilities. 1/1/2002: LGRP ends, and the State and Local Government Rate Pool (SLGRP) is established on a voluntary basis. 2002: Side accounts are established.
2003	<p>Legislature creates the Oregon Public Service Retirement Plan (OPSRP) and the Individual Account Program (IAP) for new members joining on 8/28/2003 and after. The new OPSRP program has a number of differences from the Tier One and Tier Two programs that are intended to decrease or eliminate the unsustainably generous aspects of the programs:</p> <ul style="list-style-type: none"> Full Formula benefit pension factor decreased. Money Match benefit calculation eliminated. Cost of living adjustments (COLA) prorated the first year, carryover eliminated. Lump-sum vacation payouts from subject salary eliminated. Unused sick leave no longer included in final average salary. RHIPA retiree health insurance eliminated. Retirement age increased to 65 for General Service, 60 for Police and Fire. OPSRP vesting period increased from 5 years or age 50 to 5 years or age 65 (General Service) or 60 (Police and Fire).
2006	UAL rates are charged across plans for the first time. Previously, Tier One/Tier Two UAL rates only applied to Tier One/Tier Two payroll; now also applied to OPSRP. (At this point, only Tier One/Tier Two, RHIA, and RHIPa have UAL costs; OPSRP does not have a UAL rate until 2009.)
2008–2010	The “Great Recession” hits, deepening the already significant funding liability, or UAL. As a result, employer contribution rates, specifically the UAL rate, are increased to make up the difference.
2009	OPSRP's first UAL rate is applied to all payroll.

Continued

GUIDE TO UNDERSTANDING UAL

2011	The Legislature eliminates the tax remedy for prospective retirees who are not residents of Oregon or not subject to Oregon personal income tax who retire on or after January 1, 2012 (HB 2456).
2013	<p>The Legislature passes SB 822, which modifies COLA and directs the PERS Board to recalculate employer contribution rates for the 2013-15 biennium. In 2013, the COLA rate limitation drops from 2% to 1.5% for all retirees. Thereafter, the rate is based on a decreasing COLA based on the level of a retiree's benefit plus a fixed payment at various benefit levels above \$20,000. The Legislature requires PERS to recalculate employer contribution rates to account for these changes. The COLA reduction results in a \$5 billion decrease in UAL.</p> <p>The PERS Board adopts a 20-year closed-period amortization schedule for new Tier One/Tier Two UAL amounts. Each rate-setting valuation, a new 20-year closed period amortization period is established based on the total Tier One/Tier Two UAL as of that valuation date less the remaining unamortized balance of previously established Tier One/Tier Two UAL bases.</p>
2014	The assumed rate is reduced for the first time since 2007 from 8% to 7.75%.
2015	As a result of the Moro lawsuit , the annual COLA of 2% is restored for service time accrued before October 1, 2013. COLA after that date uses a lower rate. Service time accrued in both periods is blended.
2016	The PERS actuary recommends reducing the assumed earnings rate to bring it in line with actual earnings. The assumed rate is reduced to 7.50%. This change reduces the funded status from 86.4% to 71.3% (without side accounts) and increases the UAL from \$8,671.8M to \$9,544.1M.
2017	The assumed rate is reduced to 7.20%.
2018	The Legislature introduces Senate Bill 1566 to reduce employer contribution rates. Changes include reduced amortization options for side accounts and the creation of the School Districts Unfunded Liability Fund (SDULF) , the Employer Incentive Fund (EIF) , and the Unfunded Actuarial Liability Resolution Program (UALRP) .
2019	<p>The Legislature passes Senate Bill 1049 to stabilize employer contribution rates and enhance features in Senate Bill 1566. Changes include:</p> <ul style="list-style-type: none"> ▪ A lower final average salary (FAS) limit established. ▪ Unlimited work-after-retirement annual hours allowed (except for early retirees), employer contributions required on working retiree wages. ▪ More opportunities for access to and amortization of side accounts. ▪ A portion of a member's IAP contributions redirected to a new Employee Pension Stability Account (EPSA) if the member earns over a certain monthly threshold. The EPSA funds will be used to help fund the member's pension. ▪ Tier One/Tier Two UAL reamortized to 22 years instead of the standard 20 years. The reamortization of the Tier One/Tier Two UAL is the most significant change for employer rates. It keeps employer rates steady and lower; however, it adds at least six years to the lifetime of the UAL.
2021	PERS Board votes to reduce the assumed rate to 6.90%.

Continued

2024	<p>House Bill 4045, also known as the “Public Safety Workforce Stabilization Act,” makes the following three changes to the PERS program:</p> <ol style="list-style-type: none">1. Gives Police and Firefighter benefits to elected district attorneys, as well as forensic scientists and evidence technicians at the Oregon State Police, effective for service performed on or after January 1, 2025.2. Lowers the normal retirement age for OPSRP Police and Fire members with less than 25 years of service credit from age 60 to age 55 for retirement dates on or after January 1, 2025.3. Creates a new member classification for OPSRP members called “Hazardous Position” that provides a lower retirement age and higher pension multiplier (1.8%) than General Service. Operative January 1, 2030. <p>Financial effects of this bill are not yet known. These extra benefits are expected increase UAL and, as a result, employer contribution rates.</p>
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Key takeaways from UAL history

- The current accrued **liability** was decades in the making and will be decades in fixing. Pension plans, by design, take multi-decade or even generational views. Fortunately, most of the corrections have begun and are beginning to work.
- The OPSRP plan is making a big difference in the UAL. As more members retire from the OPSRP plan and fewer from Tier One and Tier Two, PERS costs — and employer rates — will decline.
 - Active OPSRP members account for 71% of the system’s normal cost, the money coming in, and the projected future benefits. However, they account for only 14% of the system’s UAL (2023 data).
- Senate Bill 1049 is also making a big difference. Learn more about the programs initiated by SB 1049 on the [Employer Rate-Relief Programs webpage](#).

IMPORTANT

Just because there are limited options to address the UAL on a system-wide level doesn’t mean that there are limited ways to address employer rates. This is covered in the section, “How to (Potentially) Reduce Your Rate” in this guide.

Locating UAL on your employer statement

UAL rates

Your organization pays the same IAP rate* for all qualifying employees. Your organization would also pay the same UAL rate for RHIA and RHIPA (state employees only), if these had a UAL.

You pay different rates for each of these three groups of employees:

- Tier One and Tier Two General Service job class and Police and Fire job class members, called “PERS” on your statement.
- OPSRP General Service members.
- OPSRP Police and Fire members.

The table called Your Current Contribution Rates on the Employer Statement tab of your EDX remittance statement shows the three rates you are paying. The normal cost rate is for pension benefits only; the center column is the UAL rate for each tier combined; and the sum of these rates is in the right column.

YOUR CURRENT CONTRIBUTION RATES			
Rate Category	Normal Cost Rate Percentage	Combined UAL Rate Percentage	Net Rate Percentage
PERS General Service	13.01%	0.12%	13.13%
PERS Police & Fire	13.01%		13.13%
OPSRP General Service	7.94%		8.06%
OPSRP Police & Fire	12.30%		12.42%

Figure 13. Example of Your Current Contribution Rates table in EDX

UAL charges/credits per employee

On your remittance statement in EDX, as you dive into greater detail in the Pension section, you may see invoice items called UAL contributions and UAL credits, as shown in the example below.

PENSION				
			Pension Beginning Balance	\$157,697.78
DEPOSITS				
Date Posted	Deposit Date	Payment Method	Description	Amount
12/29/2022	12/28/2022	ACH Debit (Pull)	Employer Pension Remittances	(\$157,697.78)
			Deposit Total	(\$157,697.78)
INVOICES				
Date Posted	Invoice	Description	Amount	
12/21/2022	1551450	Employment History Change	(\$962.04)	
12/21/2022	1551451	UAL Contributions	\$1,259.18	
12/21/2022	1551452	UAL Contributions	(\$1,607.78)	
12/22/2022	1551973	Contributions Pension	\$775.38	
12/22/2022	1551974	UAL Credits	(\$821.94)	
12/22/2022	1551975	UAL Contributions	\$1,502.95	
12/23/2022	1552179	UAL Credits	(\$9,332.50)	

Figure 14. Excerpt from invoice showing UAL charges and credits

UAL Contributions

These are fractions of your contributions charged per employee that are applied to your agency's unfunded actuarial liability (UAL).

UAL Credits

These are credits per employee that are applied to your organization's UAL. These most often result from your organization's side account(s). Like UAL contributions, your statement breaks these charges down per employee.

For more information about these charges, go to [employer guide 26, Understanding Your Statement](#), "Tab 2: Employer Statement," "Pension Section," "Items in the Description Column."

Glossary of actuarial terms

Active members

Active members, also called nonretired members, are PERS members who are still working for a PERS-participating employer. PERS members who are no longer working for a PERS employer or who work fewer than 600 hours a year are *inactive* members. Members who have retired are called *retired* members.

Actuarial accrued liability

Accrued liabilities are the present value of a member's promised pension benefits minus their normal cost for the future year as of December 31 of the valuation year.

Actuarial valuation

An actuarial valuation is an appraisal of a pension fund's assets and liabilities. The consulting actuary calculates the valuation using information about past and present trends and assumptions about future economic and demographic conditions.

Actuarial value of assets

The actuarial value of assets is the equivalent of the market value of a plan's assets. However, this definition excludes the Contingency and Capital Preservation Reserves, and the Rate Guarantee Reserve when it has a surplus.

Actuary

An actuary uses math, statistics, and financial theory to study uncertain future events, especially those of concern to insurance and pension programs.

Advisory rate

In the fall of odd-numbered years, the PERS actuary produces advisory employer contribution rates for all employers for the upcoming biennium. These rates represent actual experience but do not affect your rate.

Alternate payee

A nonmember who is awarded a portion of a PERS members benefits per legal order, such as in a divorce.

Amortize/amortization

Amortization is an accounting technique used to spread costs over a set period of time.

Annuitization

The process of converting an annuity investment into a series of periodic payments.

Annuitization rate

The percentage by which an annuity grows each year.

Assets

Assets are the funds going into the system, such as employer contributions and earnings on investments. For valuation purposes, assets include employer contributions and investment returns minus benefit payments.

Assumed earnings rate

The assumed rate is the rate of investment return (including inflation) that the PERS Fund's regular account is expected to earn over the long term.

The PERS Board approves the assumed rate based on:

- The long-term projection of investment returns based on the asset allocations of the Oregon Investment Council and the related capital market expectations.
- PERS' actuary's independent analysis of the projected returns from that asset allocation over a long-term investment horizon.

The current assumed rate is 6.9%, which has been in effect since October 1, 2021. The assumed rate is reviewed, adopted, and incorporated into Oregon Administrative Rule by the PERS Board every two years as part of the system's Experience Study (found on the [Actuarial Reports webpage](#) under each odd year).

Base employer contribution rate

The percentage of payroll you pay to PERS to fund the pension benefits of your employees. The base rate includes your normal cost and UAL rate, minus a member redirect offset. [Learn more about the Member Redirect program.](#)

Beneficiary

A person or entity (e.g., a trust or charity) that will receive proceeds from a member's accounts if they die.

Benefits-in-force reserves

This reserve is used to pay retired members' 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.

Combined valuation payroll

Projected payroll as calculated by the PERS consulting actuary for the calendar year following the valuation date for Tier One, Tier Two, and OPSRP active members. This payroll is used to calculate UAL rates and is based on the actual payroll reported by the employer.

Contribution rate

An employer's contribution rate is the percentage of payroll you pay to PERS to fund the pension benefits of your employees. It does not include the 6% employee (member) Individual Account Program (IAP) contribution, even if you are paying it on your employees' behalf.

Disability retirement and disability benefits

PERS members who are unable to work because of a serious illness or injury can apply for a disability benefit from PERS. The benefit provides the employee with income until they recover, retire, or die.

Disability retirement: For Tier One and Tier Two members, the disability benefit is early retirement. The member receives their pension and Individual Account Program (IAP) account calculated as though they were able to work until retirement age.

Disability benefits: For OPSRP members, disability is not retirement; rather, it is a benefit that provides monthly pay of 45% of their last full month's salary. When they reach retirement age, the member must retire. To learn more, read [employer reporting guide 14, Disability Benefits](#).

Employee Pension Stability Account (EPSA)

The Member Redirect Program redirects a portion of an employee's IAP contribution into their EPSA, which will be used to help pay for their future retirement. Learn more on the [About the EPSA webpage](#) for employers.

Employer contributions

The payments employers make to PERS twice a month* to cover the cost of their qualifying employees' future retirement benefits. Employer contribution rates are shown on each employer's EDX Remittance Statement in the Your Current Contribution Rates table. For more about your employer statement, see [employer guide 26, Understanding Your Statement](#).

Employer Incentive Fund (EIF)

A program introduced by Senate Bill 1566 (2018) to ease employer contribution rates through increased side-account deposits. For approved employers who make an eligible lump-sum payment of at least \$25,000 into a new side account or existing side account, the EIF matches 25% of that lump-sum amount, not to exceed either 5% of an employer's unfunded actuarial liability (UAL) or \$300,000, whichever is greater. Learn more on the [EIF webpage](#).

Employer pool

An employer pool groups individual employers with other employers for the purpose of determining pension costs and contribution rates. Pooling stabilizes employer rates by spreading the cost of financial and demographic changes, such as a drop in fund earnings or payroll reductions, across multiple employers rather than assigning the entire cost to a single employer. For a full explanation of pooling, read the [Guide to Understanding Pooling](#) edition for your pool.

Experience

To project the cost and liabilities of the pension plan, assumptions are made about all future events that could affect the amount and timing of the benefits to be paid and the assets to be accumulated. Each year, actual experience is compared against the projected experience, and to the extent there are differences, the future contribution requirement is adjusted.

*These are your invoice payments due on the fifth and twentieth of every month (or next business day if date falls on a weekend or holiday). These are not the same as your [EDX Regular report dates](#) or your organization's employee pay periods.

Funded status

The actuarial value of assets expressed as a percentage of the accrued liability. In other words, how close an employer, employer pool, or the PERS system is to being able to pay all of the benefits it owes to past and current members. As of December 31, 2023, the system-wide PERS' funded status was 72.4% without side accounts and 77.5% including side accounts.

Inactive member

When a PERS member goes five consecutive years without doing any PERS-covered work or having a wage report submitted for them, they become inactive. If they are vested, they retain their membership and will still receive benefits. If they are not vested, they lose their membership and the service credit they have earned. This is called loss of membership status. They will receive their IAP account and EPSA account (if applicable).

Investment return (aka investment earnings or performance)

The PERS Fund is invested by the Oregon Investment Council and overseen by the Oregon Treasury. The return or performance of an investment is the measure of the income it pays during a specific period, typically a year, divided by the investment's price. This is called an annualized percent return.

If the price of an investment drops during the period the PERS Fund is invested in it, and PERS has a loss instead of a profit, the return may be negative if income from the investment hasn't offset the loss in value.

Liabilities

For PERS' actuarial purposes, liabilities represent pension obligations such as normal cost, benefit payments, demographic experience changes, or plan changes.

Member redirect offset

For PERS members who earn over a certain monthly salary threshold, member redirect takes a percentage of their 6% IAP contribution and redirects it to the member's **EPSA**. The offset to the employer's contribution rates is slightly less than the EPSA contribution: 2.40% offset for Tier One/Tier Two members and 0.65% offset for OPSRP members. [Learn more about the Member Redirect program.](#)

Money Match

A retirement option for Tier One and Tier Two members. This calculation takes the member's account balance and a matching employer amount and converts it to an actuarially equivalent annuity.

Monte Carlo simulation

Monte Carlo simulation is a mathematical technique that uses repeated random sampling to obtain the likelihood of a range of results that could occur. The variable return model is a type of Monte Carlo simulation.

Mortality rates, mortality assumption

Mortality rates are used to project the length of time benefits will be paid to current and future retirees and beneficiaries. The selection of a mortality assumption affects plan liabilities because the estimated present value of retiree benefits depends on how long the benefit payments are expected to continue. There are statistically credible differences in the mortality rates among non-disabled retired members, disabled retired members, males, females, School District members, General Service members, and Police and Fire members.

Multnomah County Fire District #10 UAL rate

This rate is determined by amortizing Multnomah County Fire District #10's unfunded accrued liability over the period ending December 31, 2027, and expressing the result as a percentage of combined valuation payroll.

As part of 2003 legislation, the Multnomah Fire District #10 UAL was allocated to all Tier One/Tier Two employers. Multnomah Fire District #10 was allocated \$50,000 of the outstanding UAL, which was fully paid in November 2003. Of the remaining UAL, City of Portland is allocated 21.8743%, while all Tier One/Tier Two employers, including City of Portland, share in the remaining 78.1257%.

Four employers (City of Gresham, City of Fairview, City of Wood Village, and City of Troutdale) are required to pay twice the rate.

Net employer contribution rate

The percentage of payroll you pay to PERS to fund the pension benefits of your employees. The net rate includes the member redirect offset, any rate offset adjustments from side accounts, and any SLGRP charges or offsets (e.g., transition liability/surplus).

Normal cost

The normal cost is the value of benefits for an employer's current members for the next year of service. If all current actuarial assumptions were met, the normal cost would be the only rate an employer would pay.

Normal cost rate

Your normal cost divided by your applicable payroll is your normal cost rate.

Payroll

An organization's employees who are entitled to receive compensation and other work benefits.

PERS Board

The PERS Board is composed of five trustees who administer the system as defined by state law and in compliance with federal laws. As fiduciaries of the system, the board has a fundamental objective to ensure the system is adequately funded through current plan assets and future contributions and investment earnings in order to provide the benefits to the members when due.

[List of current PERS Board members.](#)
[PERS Funding Policy \(PDF\).](#)

PERS Fund

The PERS Fund is the account into which the earnings on investments and contributions paid by employers are deposited and out of which retirement, death, and disability benefits are paid. As of year-end 2023, the fund has about \$103 billion.

Pre-SLGRP pooled rate

Prior to the formation of the SLGRP, the State and Community Colleges were pooled together and some employers participated in the Local Government Rate Pool (LGRP). The Tier One/Tier Two UAL attributable to the State and Community Colleges and the LGRP at the time the SLGRP was formed is maintained separately from the Tier One/Tier Two UAL for the SLGRP. The balance of the pre-SLGRP pooled liability attributable to the State and Community Colleges or the LGRP on the valuation date is amortized over the period ending December 31, 2027, and expressed as a percentage of the pool's combined (Tier One/Tier Two plus OPSRP) valuation payroll.

Rate collar

A method of stabilizing employer contribution rates. The current methodology, which was implemented in 2021, limits the permissible change to UAL rates. The calculation of the collar will depend on the tier (Tier One, Tier Two, or OPSRP), rate pool (SLGRP, School District, or Independent), and system-wide funded status. The use of a rate collar allows interest rate increases to be more stable, which is a priority for the PERS Board in setting rates.

Rate-setting valuation

Actuarial valuations are conducted annually. They alternate between rate-setting years (odd years) and advisory years (even years). A rate-setting valuation results in new rates that begin the following July (of an odd year).

Reamortization

A UAL is amortized, meaning it is paid off in installments over a specified period of time. If that period of time is changed, then the debt is reamortized.

RHIA

Retirement Health Insurance Account. This program provides a \$60 per month subsidy to help offset the cost of insurance premiums in PERS-sponsored health insurance plans for Tier One and Tier Two eligible retirees enrolled in Medicare Parts A and B. All PERS employers fund this subsidy through contributions.

RHIPA

Retiree Health Insurance Premium Account. RHIPA provides eligible Tier One and Tier Two retirees (or their eligible surviving spouse, domestic partner, or dependent) a subsidy to offset the cost of PHIP pre-Medicare health insurance. This subsidy is only available to a Tier One or Tier Two retiree who is a state employee at the time of retirement and is not yet eligible for federal Medicare coverage. The subsidy, which is funded by the state of Oregon through its contribution rate, is based on the number of years the retired member was employed in state service.

School Districts Unfunded Liability Fund (SDULF)

The SDULF was established by Senate Bill 1566 (2018) as one of a handful of programs intended to ease employer contribution rates through increased side-account deposits. The SDULF was intended to be a pooled side account that would provide rate relief to all public-school districts, public charter schools, and education service districts. In 2025, Senate Bill 849 changed the way the fund could be spent, allowing PERS to apply the funds directly to school districts' liabilities.

Senate Bill (SB) 1049

A bill passed by the Oregon Senate in 2019 that directed several changes to the PERS plan aimed at reducing employers' rising contribution rates. Learn more on the [PERS employers SB 1049 webpage](#).

Service retirement

Retirement earned based on age or years of service, as opposed to a disability retirement.

Side account

When an employer makes a lump-sum payment to prepay all or part of its pension unfunded actuarial liability (UAL), the money is placed in a special account called a "side account." This account is attributed solely to the employer making the payment and is held separately from other employer reserves. The side account reduces the employer's pension obligation, which reduces its contribution rates over time.

Steady return model

A forecasting model that assumes investment returns will be consistent year to year.

Subject salary

Subject salary is an employee's pay and value-added benefits that are included when calculating retirement benefits and that are subject to PERS contributions.

Tax remedy

Tax remedy is an increase in benefits for certain Tier One members that compensates them for paying Oregon state income tax on their PERS benefits. To qualify, a Tier One member must have been hired before July 14, 1995; have either service time before October 1, 1991, or at least 10 years of creditable service; and be an Oregon resident who pays Oregon income tax. Tier Two and Oregon Public Service Retirement Plan (OPSRP) members are not eligible for tax remedy.

Transition liability or surplus rate

When an employer joins the State and Local Government Rate Pool (SLGRP), a transition liability or surplus is calculated to ensure that each employer enters the pool on a comparable basis.

The individual employer's funded status is compared to the funded status of the pool at the time of the employer's entry.

- If the employer is better funded than the pool, the employer will have a transition **surplus**. This protects the individual employer by ensuring that it does not lose assets to the pool.
The transition surplus for each employer is maintained separately from the SLGRP and is amortized over a fixed period via contribution rate offsets as a percentage of the employer's combined valuation payroll.
- If the employer is less well-funded than the pool, the employer will have a transition **liability**. This protects the other participants in the pool by ensuring the pool does not take on a newly pooled employer's excess liability.

The transition liability is amortized over a fixed period and is expressed as a percentage of the employer's combined (Tier One/Tier Two plus OPSRP) valuation payroll.

Unfunded actuarial liability (UAL)

In simple terms, an unfunded actuarial liability (UAL) exists when a pension plan's liabilities (i.e., money the system owes to current and future retirees) are greater than its assets (i.e., money coming into the plan). In other words, it is how much money a plan would be short if all benefits for members past and present had to be paid today.

An unfunded actuarial liability can occur any time something unexpected happens that measurably affects a plan's costs or earnings. Maintaining a reasonable UAL is a normal part of a pension plan, and having a UAL does not necessarily mean that a plan isn't financially healthy.

UAL rate

The UAL rate is determined by dividing next year's projected UAL payment by combined valuation payroll. For the State and Local Government Rate Pool, The School Districts Pool, and OPSRP, this is done at a pool level; for independent employers, the Tier One/Tier Two UAL rate is based on their individual results.

Unfunded Actuarial Liability Resolution Program (UALRP)

The UALRP provides resources and tools to educate employers about the different factors that affect their contribution rate, such as unfunded actuarial liability, actuarial valuation, and pooling. By understanding these factors, employers can create funding plans to manage their contribution rates. Learn more on the [UALRP webpage](#).

Variable return model

This model is used to demonstrate the likelihood of outcomes using a Monte Carlo simulation of 10,000 trials.

Additional resources

[System-wide Actuarial Valuation Report](#)

This annual report shows how UAL is calculated at a system-wide level and at a pool level.

It also provides an executive summary of the system status (as of the valuation date).

[Public Employees' Retirement Fund \(PERF\) Performance and Holdings](#)

This Oregon State Treasury report provides the current value of the fund.

Includes monthly and quarterly status of the fund.

Provides detailed information on how the fund is currently invested.

[PERS by the Numbers](#)

This annual report provides full system details including demographics, benefits, and revenue.

The “System Funding Level and Status” section provides historical information about UAL.