



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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January 29, 2016

The Honorable Senator Richard Devlin, Co-Chair  
The Honorable Representative Peter Buckley, Co-Chair  
Joint Committee on Ways and Means  
900 Court Street NE  
H-178 State Capitol  
Salem, OR 97301-4048

Dear Co-Chairpersons:

### **Nature of the Request**

The Public Employees Retirement System (PERS) requests acknowledgement of receipt of this report on the PERS Board's preliminary crediting of 2015 earnings received through investment of the Oregon Public Employees Retirement Fund (OPERF) Regular Account. This report is provided in accordance with ORS 238.670(5), which requires PERS to submit a preliminary earnings crediting report to the appropriate legislative committee at least 30 days prior to the final allocation of earnings to member and employer accounts and other reserves.

### **Agency Action**

On January 29, 2016, the PERS Board preliminarily approved the allocation of approximately \$1.25 billion in OPERF Regular Account 2015 earnings to member and employer accounts and other reserves.

In this preliminary action, the Board allocated earnings (net of expenses and other adjustments) at a rate of 1.88% to the Benefits-In-Force Reserve, 1.88% to Employer Reserves, 1.88% to Tier Two member regular accounts, 1.87% to Individual Account Program accounts, and 1.82% to the OPSRP Pension Reserve. When earnings exceed the assumed rate, the PERS Board may make an allocation to the Contingency Reserve. 2015 earnings did not exceed the assumed earnings rate of 7.75%, so the Board could not make an allocation.

The Board also preliminarily approved crediting earnings at the assumed rate of 7.75% to Tier One member regular accounts. The Tier One Rate Guarantee Reserve, established under ORS 238.255(1), is used to fund crediting of the assumed rate to Tier One member regular accounts when earnings are less than the assumed rate. A transfer of \$280.8 million from the existing reserve will be credited to Tier One member regular accounts for 2015 earnings crediting, resulting in a remaining balance of \$167.9 million.

A summary of the Board's preliminary decisions is reflected in the attached exhibit.

Joint Committee on Ways and Means

1/29/16

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PERS staff is available to report to the Legislature and answer questions regarding the Board's preliminary decisions at your discretion.

**Action Requested**

PERS requests the Committee acknowledge receipt of the report.

**Legislation Affected**

No legislation is affected by this request.

Sincerely,

Steven Patrick Rodeman, Executive Director

**Attachment**

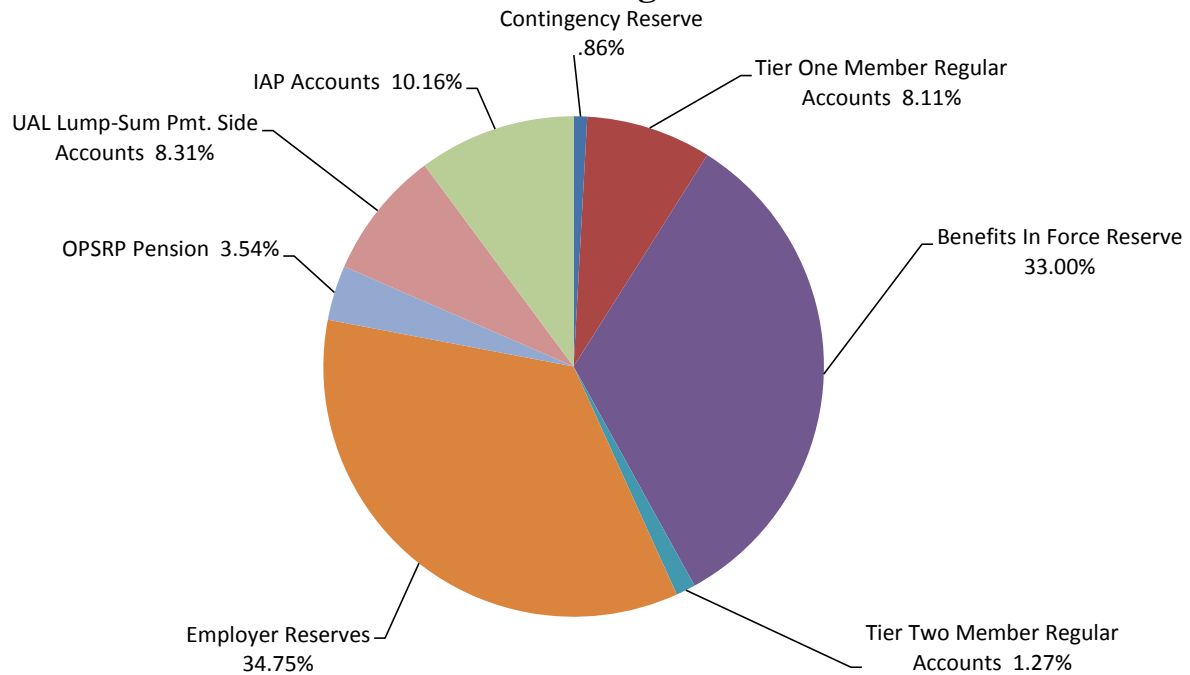
Preliminary 2015 Crediting and Reserving

## Oregon Public Employees Retirement System Preliminary 2015 Crediting and Reserving

(All dollar amounts in millions)

|                                  | Reserves<br>Before<br>Crediting | 2015<br>Crediting | Reserves<br>After<br>Crediting | 2015<br>Rates |
|----------------------------------|---------------------------------|-------------------|--------------------------------|---------------|
| Contingency Reserve              | \$588.6                         |                   | \$588.6                        | N/A           |
| Tier One Member Regular Accounts | 4,932.6                         | 382.3             | 5,314.9                        | 7.75%         |
| Tier One Rate Guarantee Reserve  | 448.8                           | (280.8)           | 168.0                          | N/A           |
| Benefits In Force Reserve        | 21,914.8                        | 413.1             | 22,327.9                       | 1.88%         |
| Tier Two Member Regular Accounts | 839.6                           | 15.8              | 855.4                          | 1.88%         |
| Employer Reserves                | 23,082.8                        | 434.8             | 23,517.6                       | 1.88%         |
| OPSRP Pension                    | 2,355.8                         | 43.1              | 2,398.9                        | 1.82%         |
| *UAL Lump-Sum Pmt. Side Accounts | 5,499.3                         | 122.0             | 5,621.3                        | Various       |
| *IAP Accounts                    | 6,745.9                         | 122.7             | 6,868.6                        | 1.87%         |
| <b>Total</b>                     | <b>\$66,408.2</b>               | <b>\$1,253.0</b>  | <b>\$67,661.2</b>              |               |

### 2015 Reserve Balances After 2015 Crediting



\*Informational only. Not affected by Board reserving or crediting decisions.  
IAP accounts receiving installments have already received 2015 earnings.