

**SUBCOMMITTEE RECOMMENDATION**

**Public Employees Retirement System  
2018 Preliminary Earnings Crediting**

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On February 27th, the General Government Subcommittee recommended acknowledging receipt of a report from the Public Employees Retirement System on the preliminary crediting of 2018 investment earnings.

The PERS Board approved preliminary earnings crediting of \$83.5 million for 2018, which increases reserves from \$73.88 billion to \$73.96 billion. The overall return was 0.11%, which is below the assumed earnings rate of 7.2%.

Various employer and benefit account will be credited between 0.20% and 0.22%. Tier One regular accounts are to be credited at 7.2%, with reserves making up the difference between actual earnings of 0.11 % and the 7.2% assumed earnings rate. Tier Two regular accounts are to be credited at 0.20%.

The market return on employee variable accounts was a negative 10.03% and the Individual Account Program had a negative return of 0.72%. On September 20, 2017, an administrative decision by the Oregon Investment Council moved the IAP to a target-date or age-based fund solution beginning January 2, 2018. As a result, IAP earnings will deviate from those of the Oregon Public Employees Retirement Fund with IAP earnings possibly lagging Public Employees Retirement Fund earnings over time.

A preliminary estimate of the impact of the 2018 earnings on the Unfunded Accrued Liability show that the UAL may increase between \$4.9 and \$7.8 billion for a total of between \$21.6 and \$24.5 billion. The funded status of the system may decline to between 72% to 75% funded.

**OVER →**

Advisory employer contribution rates for the 2021-23 biennium will be based on final earnings crediting for calendar years 2018 and 2019 and published in the fall of 2019.

The General Government Subcommittee recommends approval.