ANALYSIS

Public Employees Retirement System

2025 Preliminary Earnings Crediting

Analyst: John Borden

Request: Acknowledge receipt of a report on 2025 preliminary earnings crediting.

Analysis: ORS 238.670(5) requires the Public Employees Retirement System (PERS) Board to submit a report to the Legislature on the board's preliminary plan to credit calendar year earnings of the Oregon Public Employees Retirement Fund (OPERF) to member and employer accounts and other reserves. Under the statute, the board must provide the report at least 30 days before the board makes its final earnings crediting decision. During the 2020 second special session, the Legislature enacted HB 4304, which expanded PERS reporting to the Legislature on annual preliminary earnings crediting to include all the agency's funds and added reporting requirements for investment and administrative expenses.

The board is scheduled to make its final 2025 earnings crediting decision on April 3, 2026. Statute gives the PERS Board broad authority to make earnings crediting decisions, and according to the agency, allocations have generally been on a proportional basis for member and employer accounts, as set out in applicable Oregon Statute or Administrative Rule.

Preliminary Earnings Crediting

On January 30, 2026, the PERS Board approved preliminary net earnings for calendar year 2025 of $9.2 billion. The associated gross earnings were a gain of $10.4 billion before investment and administrative expenses. Allocating the 2025 net earnings will increase reserves subject to crediting from $97.1 billion to $106.2 billion for a 9.47% return. This is estimated to be $2.5 billion more than the $6.7 billion in expected gross earnings based on the assumed earnings rate of 6.9%. Addendum-A provides earning history and the assumed rate for the last 28 years. Addendum-B provides earning history by PERS account for the last 12 years.

For perspective, the following table provides statistics for the past 15 years of preliminary earnings crediting reports to the Legislature.

2011-2025 Statistics	Preliminary Earnings (in billions)	Preliminary Return
Average	$5,877.30	8.21%
High (2021)	$16,289.20	19.62%
Median	$5,271.70	7.19%
Low (2018)	($2,170.30)	-2.24%
Standard Deviation	$4,567.25	6.17%

Of note is the actual market returns for private equity investments, which comprise over 26% of OPERF assets, are reported on a three-month lag because additional time is needed to value these non-public assets and returns. Therefore, the preliminary 2025 earnings crediting rate of

return is based on private equity returns through September 30, 2025, rather than December 31, 2025. Private equity returns for the fourth quarter 2025 returns will be reflected in the following year as part of 2026 earnings crediting.

Also, this report does not include the following: 1) earnings crediting above the reported amount due to the crediting associated with member account payouts during the year and earnings required to be credited to employer accounts during the year; and 2) by statute, earnings crediting for anything other than the OPERF, which excludes earnings crediting for various retiree health insurance accounts.

Estimated Impact to Unfunded Accrued Liability

The system-wide UAL for calendar year 2024 was $24.8 billion after taking into consideration $4.4 billion in pre-paid employer side accounts with a funded status of 77%. An actuarial estimate of the impact of the 2025 preliminary earnings and other PERS Board changes on the UAL shows that the UAL may decrease to $22.3 billion, or by $2.5 billion, and that the funded status of the system, with side accounts, will increase to 80%, according to PERS. The ending balance of pre-paid employer side accounts decreased to $3.8 billion. The 2025 actuarial valuation published in fall 2026 will reflect the actual impact on the system.

Employer Reserve Accounts and Oregon Public Service Retirement Program

The preliminary earnings for the employer reserve account are $4.5 billion, for a balance of $53.8 billion and a return of 9.21%. The preliminary earnings for the employer Oregon Public Service Retirement Program (OPSRP) pension account are $1.5 billion for a balance of $17.9 billion and a return of 9.31%.

Employee Pension Stability Accounts

This is the sixth annual report to include information related to the redirection (starting July 1, 2020) of a portion of employee contributions from an employee's defined contribution plan, the Individual Account Program (IAP), to partially fund prospectively an employee's defined benefit or pension plan ("Employee Pension Stability Account"), if the PERS funded status is less than 90% funded and if an employee's earnings are more than $3,890 per month for 2026. The redirect for each benefit plan, which began on July 1, 2020, are as follows:

(a) Tier One: 2.5% of eligible salary and wages
(b) Tier Two: 2.5% of eligible salary and wages
(c) Oregon Public Service Retirement Plan: 0.75% of eligible salary and wages

The preliminary earnings of the Tier 1/Tier2 Employee Pension Stability Account (EPSA) are $36.2 million, for a balance of $427.7 million and earnings of 9.21% (Tier One and Tier Two EPSA accounts are credited, by administrative rule, with the Tier Two member rate of return). The preliminary earnings for the OPSRP EPSA are $41.1 million, for a balance of $490 million and earnings of 9.31% (OPSRP EPSA accounts are credited, by administrative rule, the OPSRP rate of return). When combined, the two EPSA accounts have a balance of $917.7 million,

which means that the member redirect is continuing to meet the SB 1049 (2019) objective of defraying a portion of employees' pension cost.

Side Accounts

Employers have the option to make voluntary lump-sum payments to PERS that are in addition to the employer's required contribution. With few exceptions (i.e., payment of transition liability), lump-sum payments are deposited into "side accounts" and are used to offset a portion of the contributing employer's future PERS contribution rate according to an amortization schedule. The preliminary earnings of various lump-sum employer contributions, or "side accounts," is $362.8 million, for a balance of $3.8 billion, with earnings averaging 10.58%.

Retiree Benefits

Upon an individual's retirement, funds are transferred into a Benefits-in-Force Reserve account, which is used to fund retiree benefit payments. The preliminary earnings for this account are $859.3 million, for a balance of $10.2 billion and earnings of 9.21%.

Member Accounts

The preliminary earnings crediting for Tier One member regular accounts is $115.2 million, for a balance of $1.8 billion. Earnings crediting for this account, by statute, was at the current assumed earnings rate of 6.9%. The preliminary earnings for Tier Two regular member accounts were $86.9 million, for a balance of $1 billion and earnings of 9.21%. Member variable accounts, which are invested in equities for which a member may choose to participate, were credited at 22.81%.

Tier One Rate Guarantee Reserve

The Tier One Rate Guarantee Reserve makes up any shortfall between the assumed earnings rate and investment returns for Tier One regular accounts. Since Tier One regular account earnings were credited at the assumed earnings rate of 6.9%, the Tier One Rate Guarantee Reserve was credited with preliminary earnings of $107 million, which results in a balance of $848.1 million.

Individual Account Program

The preliminary earnings for the IAP was $1.5 billion, for a balance of $15.9 billion and average earnings of 10.52%. 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. Under the target-date funds model, IAP accounts are no longer invested exclusively in the OPERF Regular Fund but are partially invested in a series of funds structured to match risk profiles to the age of the IAP participant. Beginning in 2020, retired members' funds that are in distribution status are invested in the Oregon Short-Term Fund. The Retirement Allocation Fund for IAP was credited $137 million, with a balance of $1.4 billion, for a return of 10.50%. The target date funds, which may also include some investment in the

OPERF, were credited a combined $1.4 billion and have a combined balance of $14 billion with return varying between a low of 9.48% (2030 Fund) and a high of 11.79% (2045 Funds).

Health Insurance Accounts

Health insurance accounts are embedded within the OPERF and are credited with actual earnings or losses after payment of administrative expenses. The preliminary earnings for these accounts were $69.1 million for a balance of $953.2 million, with the State Retiree Health Insurance Fund invested in the Treasury Short-Term Fund having earnings of 1.78%, the Retiree Health Insurance Premium Account having earnings of 8.48%, and the Retirement Health Insurance Account having earnings of 7.91%.

Contingency Reserve

When earnings on OPERF equal or exceed the assumed earnings rate, the PERS Board may credit up to 7.5% of earnings to the Contingency Reserve, per OAR 459-007-005(8). Statutorily, contingency reserves are limited to pay for the following:

(a) A deficit in the payment of retirement benefits
(b) Employer insolvency
(c) Legal expenses

The overfunding of the Contingency Reserve had been an issue for the Legislature beginning with the 2012 earnings crediting report. Reserve funds are not accounted for in actuarial valuations, and the deployment of any amount of reserves to member regular accounts and employer accounts would reduce employer rates. In 2017, the Legislature enacted SB 1067, which statutorily limited the maximum balance of the Contingency Reserve to $50 million. The reported balance of the Contingency Reserve is $50 million after crediting $21,029.

Investment Expenses

The Oregon Investment Council (OIC) is a policymaking body that sets investment policy, including asset allocation targets and benchmark return targets, and provides investment oversight. The OIC receives advice from outside investment and management consultants but relies primarily upon the statutory Chief Investment Officer (i.e., State Treasurer) and the State Treasury Investment Program for staffing, including for investment analysis and recommendations. OIC is responsible for reviewing investment expenses as part of the investment selection process. Investment expenses are incurred for the following:

(a) Investment manager fees
(b) Commissions and other fees
(c) Investment consultants
(d) State Treasury expenses

The preliminary earnings crediting for calendar year 2024 are the net of expenses and, as such, are not subject to legislative budgetary control (i.e., expenditure limitation). These expenses totaled $950.6 million for calendar year 2025, based on the PERS report. The most current fiscal year investment expense data from the PERS Comprehensive Annual Financial Report for fiscal

year 2025 and shows that investment expenses increased by $101.6 million between fiscal years 2024 ($1.2 billion) and 2025 ($1.3 billion) and that assets under management increased by $5.3 billion (or 5.3%) during this period, with total assets under management for 2025 equaling $105.3 billion (see Addendum C). The data indicates that it costs 1.21% in investment expenses, as a percentage of Assets Under Management, to manage the PERS portfolio.

Retirement System Administrative Expenses

Administrative expenses total $112 million for PERS agency operational expenses. Expenses are funded with earnings when they are sufficient (i.e., positive) (ORS 238.601(1)). When earnings are insufficient (i.e., negative), administrative expenses are to be paid from employer contributions. Agency expenses have increased significantly due the implementation of SB 1049 (2019), which was completed in June 2025; HB 4045 (2024) implementation; and a modernization program. The PERS report reflects $135.9 million in other non-administrative technical adjustments costs that also reduced gross earnings crediting.

Future Employer Contribution Rates

Advisory employer contribution rates have been published by the PERS Board for the 2027-29 biennium, which are based on 2024 actual earnings crediting. Board-adopted employer contribution rates will be based on 2025 actual earnings. In short, holding all other PERS Board and actuarial variables constant, 2027-29 employer contribution rates may decline due to the investment returns for 2025 being above the assumed earnings rate and reducing the UAL.

Recommendation: The Legislative Fiscal Office recommends acknowledging receipt of the report.

Addendum A

The following addendum summarizes reported calendar year PERS account earnings history from 1997 to 2025.

PERS Investment Earnings History (1997–2025)							
Years	Calendar Year	OPERF	Assumed Rate	Tier 1	Tier 2	Variable	IAP
1	1997	20.42%	8.00%	18.70%	20.42%	28.87%	--
2	1998	15.43%	8.00%	14.10%	13.63%	21.45%	--
3	1999	24.89%	8.00%	11.33%	21.97%	28.83%	--
4	2000	0.63%	8.00%	8.00%	0.54%	-3.24%	--
5	2001	-7.17%	8.00%	8.00%	-6.66%	-11.19%	--
6	2002	-8.93%	8.00%	8.00%	-8.93%	-21.51%	--
7	2003	23.79%	8.00%	8.00%	22.00%	34.68%	--
8	2004	13.80%	8.00%	8.00%	13.27%	13.00%	12.77%
9	2005	13.04%	8.00%	8.00%	18.31%	8.29%	12.80%
10	2006	15.57%	8.00%	8.00%	15.45%	15.61%	14.98%
11	2007	10.22%	8.00%	7.97%	9.47%	1.75%	9.46%
12	2008	-27.18%	8.00%	8.00%	-27.18%	-43.71%	-26.75%
13	2009	19.19%	8.00%	8.00%	19.12%	35.57%	18.47%
14	2010	12.44%	8.00%	8.00%	12.44%	15.17%	12.13%
15	2011	2.21%	8.00%	8.00%	2.21%	-7.80%	2.15%
16	2012	14.29%	8.00%	8.00%	14.68%	18.43%	14.09%
17	2013	15.76%	8.00%	8.00%	15.62%	25.74%	15.59%
18	2014	7.29%	7.75%	7.75%	7.24%	4.29%	7.05%
19	2015	2.21%	7.75%	7.75%	1.87%	-1.61%	1.85%
20	2016	7.10%	7.50%	7.50%	7.12%	8.77%	7.14%
21	2017	15.15%	7.50%	7.50%	15.12%	26.45%	14.45%
22	2018	0.11%	7.20%	7.20%	0.20%	-10.03%	-0.72%
23	2019	13.33%	7.20%	7.20%	13.29%	29.04%	13.20%
24	2020	7.66%	7.20%	7.20%	7.22%	11.71%	8.43%
25	2021	20.05%	6.90%	6.90%	20.22%	18.84%	16.26%
26	2022	-2.24%	6.90%	6.90%	-1.88%	-24.43%	-4.25%
27	2023	5.75%	6.90%	6.90%	5.53%	27.36%	6.72%
28	2024	5.54%	6.90%	6.90%	5.32%	14.51%	6.32%
29	2025	9.47%	6.90%	6.90%	9.22%	22.81%	10.52%
3-year	Average	6.92%	6.90%	6.90%	6.69%	21.56%	7.95%
5-year	Average	7.71%	6.90%	6.90%	7.68%	11.82%	7.17%
10-year	Average	8.19%	7.11%	7.11%	8.14%	12.50%	7.84%
15-year	Average	8.25%	7.37%	7.37%	8.20%	10.94%	7.94%
20-year	Average	7.70%	7.53%	7.53%	7.61%	9.42%	7.37%
25-year	Average	7.54%	7.62%	7.62%	7.61%	8.47%	7.86%

Addendum B

The following addendum summarizes the PERS preliminary earnings crediting, by account, for the last 12 calendar years.

Preliminary Earnings Crediting												
Calendar Year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Contingency Reserve	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Tier One Member Regular Accounts	7.75%	7.75%	7.50%	7.50%	7.20%	7.20%	7.20%	7.20%	6.91%	6.90%	6.90%	6.90%
Tier One Rate Guarantee Reserve	1.29%	0.00%	0.00%	0.00%	0.00%	0.00%	7.34%	85.59%	-22.74%	1.86%	1.55%	14.44%
Benefits-in-Force Reserve	7.25%	1.88%	7.12%	15.12%	0.20%	13.29%	7.22%	20.22%	-1.88%	5.54%	5.33%	9.22%
Tier Two Member Regular Accounts	7.25%	1.88%	7.12%	15.12%	0.20%	13.29%	7.22%	20.23%	-1.88%	5.52%	5.33%	9.22%
Employer Reserves	7.25%	1.88%	7.12%	15.12%	0.20%	13.29%	7.22%	20.22%	-1.98%	5.54%	5.33%	9.22%
Oregon Public Service Retirement Program Pension	7.10%	1.82%	7.06%	15.41%	0.22%	13.37%	7.26%	20.48%	-1.88%	5.58%	5.43%	9.32%
UAL Lump-Sum Pmt. Side Accounts	7.79%	2.22%	7.63%	16.48%	0.40%	13.94%	6.99%	18.94%	-1.83%	6.37%	6.73%	10.58%
Individual Account Program	7.09%	1.87%	7.14%	14.45%	-0.72%	13.20%	8.43%	16.26%	-4.25%	6.73%	6.33%	10.53%
Tier One/Tier Two Employee Pension Stability	-	-	-	-	-	-	-	29.76%	-2.19%	5.32%	5.09%	9.25%
Oregon Public Service Retirement Program Employee Pension Stability	-	-	-	-	-	-	-	14.23%	-1.79%	5.61%	5.49%	9.16%
Overall	7.19%	1.89%	7.10%	15.15%	0.11%	13.33%	7.36%	19.62%	-2.24%	5.75%	5.54%	9.47%

Addendum C

The following addendum summarizes reported fiscal year investment expenses from 2020 to 2025.

Public Employees Retirement System – Investment Expenses (Source: PERS ACFR)						
Fiscal Year	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Assets Under Management						
Debt Securities Managers	$15,213,720,452	$16,577,911,142	$19,201,300,293	$19,782,459,269	$19,110,011,114	$20,055,875,505
Public Equity Managers	$26,478,003,098	$33,064,101,068	$23,715,061,151	$23,026,133,653	$23,005,262,683	$26,553,047,903
Real Estate Managers	$8,731,171,187	$10,151,288,539	$13,484,899,469	$13,481,577,315	$13,201,577,094	$13,934,158,825
Private Equity Managers	$18,480,372,903	$25,725,638,086	$24,588,062,306	$26,188,039,823	$26,872,169,941	$26,214,179,797
Real Assets Managers	-	-	$7,493,706,329	$8,980,367,543	$10,163,458,585	$10,767,603,966
Alternative Equity/Diversifying Strategies Managers	$8,209,320,304	$9,647,953,735	$5,192,616,827	$4,918,880,547	$4,962,844,694	$5,037,297,094
Opportunity Portfolio Managers	$1,652,118,971	$2,125,974,636	$2,248,492,239	$2,449,303,169	$2,711,547,564	$2,760,035,985
Total Assets Under Management	$78,764,706,915	$97,292,867,206	$95,924,138,614	$98,826,761,319	$100,026,871,675	$105,322,199,075
Dollar Change	$(2,078,320,895)	$18,528,160,291	$(1,368,728,592)	$2,902,622,705	$1,200,110,356	$5,295,327,400
Percentage Change	-2.6%	23.5%	-1.4%	3.0%	1.2%	5.3%
Investment Managers' Fees						
Debt Securities Managers	$20,468,792	$17,557,644	$17,714,283	$18,826,985	$19,981,785	$18,942,827
Public Equity Managers	$60,429,729	$72,963,272	$71,004,252	$50,860,940	$46,747,120	$47,506,758
Real Estate Managers	$66,969,188	$74,324,131	$90,653,217	$104,370,474	$102,009,923	$101,552,250
Private Equity Managers	$240,246,208	$240,298,187	$274,264,054	$289,707,631	$298,792,489	$290,337,317
Real Assets Managers	-	-	$94,747,844	$104,147,243	$116,888,006	$118,623,557
Alternative Equity Managers	$88,132,992	$109,486,893	$25,096,343	$50,398,037	$58,784,158	$62,160,223
Opportunity Portfolio Managers	$13,997,511	$15,802,353	$25,182,947	$28,633,134	$27,351,405	$28,566,683
Total Investment Managers' Fees	$490,244,420	$530,432,480	$598,662,940	$646,944,444	$670,554,886	$667,689,615

Public Employees Retirement System – Investment Expenses (Source: PERS ACFR)						
Fiscal Year	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Other Investment Service Fees						
Investment Consultants	$8,318,966	$8,824,986	$11,858,566	$12,762,315	$13,442,784	$12,393,773
Commissions and Other Fees	$347,530,492	$460,423,737	$831,889,374	$536,598,492	$489,726,867	$595,246,843
Total Other Investment Fees	$355,849,458	$469,248,723	$843,747,940	$549,360,807	$503,169,651	$607,640,616
Total Investment Fees	**$846,093,878**	**$999,681,203**	**$1,442,410,880**	**$1,196,305,251**	**$1,173,724,537**	**$1,275,330,231**
Dollar Change	$(65,714,774)	$153,587,325	$442,729,677	$(246,105,629)	$(22,580,714)	$101,605,694
Percentage Change	-7.2%	18.2%	44.3%	-17.1%	-1.9%	8.7%
Grand Total All Costs	$846,093,878	$999,681,203	$1,442,410,880	$1,196,305,251	$1,173,724,537	$1,275,330,231
Percentage of AUM	1.07%	1.03%	1.50%	1.21%	1.17%	1.21%

Public Employees Retirement System
DeYoung

Request: Report on the preliminary crediting of 2025 earnings received through investments of the Oregon Public Employees Retirement Fund by the Public Employees Retirement System.

Recommendation: Acknowledge receipt of the report.

Discussion: ORS 238.670(5) requires the Public Employees Retirement System (PERS) to submit a preliminary proposal to the legislature at least 30 days before making a decision on the final allocation of earnings received through investments of the Oregon Public Employees Retirement Fund (OPERF) regular account. The preliminary report estimates gains of $9.2 billion in the OPERF regular account for 2025. The PERS Board will meet on April 3, 2026, to decide whether to adopt the final earnings crediting rates.

Non-discretionary allocations**:**

- Tier One Member Regular Accounts Reserve and Judge Member Accounts: Credited the assumed earnings rate of 6.9 percent in effect, during 2025.
    - *Tier One Rate Guarantee Reserve:* Created under ORS 238.255(1) to ensure Tier One and Judge Member accounts earn at least the assumed rate of return. Because 2025 earnings were higher than the assumed rate, excess earnings will be credited to the reserve, bringing the ending balance after crediting to $848.1 million.
- Tier Two Member Regular Accounts: Credited a proportional share of available earnings, resulting in a preliminary rate of 9.21 percent.
- Benefits-in-Force and Employer Reserves: Credited with the remaining available earnings, resulting in a preliminary rate of 9.21 percent.
- Oregon Public Service Retirement Plan (OPSRP) Pension Plan Member Accounts: Credited a proportional share of available earnings, resulting in a preliminary rate of 9.31 percent.

Allocations directed by statute or rule:

- Individual Account Program (IAP): Credited with actual earnings or losses. Overall preliminary earnings for 2025 are 10.52 percent after deducting IAP expenses.
    - In accordance with Senate Bill 1049 (2019), all currently employed Tier One/Tier Two and OPSRP members whose gross pay exceeds the monthly salary threshold $3,777 in 2025 ($3,890 in 2026) will have a portion of their six percent monthly IAP contributions redirected to an Employee Pension Stability Account (EPSA), which will be used to pay for part of their future pension benefit.
    - Tier One/Tier Two member EPSA accounts will be credited with the same rate as Tier Two Regular Member accounts (9.21 percent), and OPSRP

member EPSA accounts will be credited with the same rate as OPSRP Pension Member Accounts (9.31 percent).

- Employer Lump Sum Payment Accounts: Credited with actual earnings or losses, less administrative expenses. For 2025, the preliminary crediting rate for side accounts established before January 1, 2025, is 9.5 percent. For new lump sum payment accounts, the crediting rate will vary depending on the time of the payments.
- Health Insurance Accounts: Created as part of the PERS Fund and credited with actual earnings or losses, less administrative expenses. 2025 rates for these three accounts are as follows:
    - Retirement Health Insurance Account: 8.48 percent;
    - Retiree Health Insurance Premium Account: 7.91 percent; and
    - Standard Retiree Health Insurance Account: 1.78 percent *(this account is invested in the Treasury Short-Term Fund)*.
- Variable Annuity Account: Credited with earnings and losses on its distinct asset allocation of the PERS Fund. The account is only invested in equities and therefore its earnings are discrete from those of the more diversified PERS Fund Regular Account. For 2025, the earnings crediting rate is 22.81 percent.

PERS administrative expenses are funded by earnings when they are sufficient, as they were in 2024.

Contingency Reserve: ORS 238.670(1) states that PERS may not add funds to its contingency reserve if the amount in the reserve exceeds $50 million. Because the current balance falls below this threshold ($49.9 million with $2.5 million earmarked for resolving employer insolvencies), the reserve will be increased to its $50 million limit to replenish the fund for corrections made to member accounts during calendar year 2023.

Oregon
Tina Kotek, Governor

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January 30, 2026

The Honorable Senator Kate Lieber, Co-Chair
The Honorable Representative Tawna Sanchez, Co-Chair
Joint Interim Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Senator Lieber and Representative Sanchez:

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 2025 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. Final earnings crediting is currently scheduled for the April 3, 2026 PERS Board meeting.

Agency Action
On January 30, 2026, the PERS Board preliminarily approved the allocation of gains of approximately $9.2 billion in OPERF Regular Account 2025 earnings to member and employer accounts and reserves.

In this preliminary action, the Board allocated gains (net of expenses and other adjustments) at a rate of 9.21% to the Benefits in Force Reserve, 9.21% to Employer Reserves, 9.21% to Tier Two member regular accounts, 10.52% to Individual Account Program accounts as a whole, and 9.31% to the OPSRP member accounts. The Board also preliminarily approved credited earnings at the 2025 assumed rate of 6.90% to Tier One member regular accounts, as required by ORS 238.255. The contingency reserve will be increased back to its limit of $50 million with a $21,028.92 transfer for corrections made to member accounts as a result of a wage cleanup project.

Action Requested
PERS requests the Committee acknowledge receipt of the report.

Legislation Affected
No legislation is affected by this request.

Sincerely,

Kevin Olineck, Director

Attachment: PERS Board Report Item: Preliminary Earnings Crediting and Reserving January 30, 2026

Oregon
Tina Kotek, Governor

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January 30, 2026

TO: Members of the PERS Board

FROM: Richard Horsford, Chief Financial Officer
Matt Graves, Financial Reporting Manager

SUBJECT: 2025 Preliminary Earnings Crediting and Reserving

OVERVIEW

- Action: Allocate 2025 preliminary earnings crediting.
- Reason: ORS 238.670(5) requires PERS to submit a preliminary proposal to the appropriate legislative committee at least 30 days before making a final decision on earnings crediting.
- Subject: Crediting earnings for calendar year 2025 to the PERS Fund's accounts and reserves.
- Policy Issue: Is the Contingency Reserve adequately funded?

The PERS Board is charged with crediting the earnings from the PERS Fund each calendar year. Some of those allocations are directed by statute or rule; allocation of the balance, if any, is at the PERS Board's discretion.

2025 PRELIMINARY ALLOCATIONS

The PERS Board's Annual Earnings Crediting rule (see OAR 459-007-0005) directs the crediting to the Judge and Tier Two member regular accounts, as well as the OPSRP Pension Program, Benefits-in-Force, and Employer Reserves. Staff recommends the following allocations be adopted preliminarily by the PERS Board:

NON-DISCRETIONARY ALLOCATIONS

1. **Tier One Member Regular Accounts Reserve and Judge Member Accounts**

   Credit Tier One Member Regular Accounts and Judge Member Accounts with the assumed earnings rate of 6.90% in effect during 2025.

Tier One Rate Guarantee Reserve: This reserve, established under ORS 238.255(1), is used to fund crediting of the assumed rate to Tier One member regular accounts and Judge member accounts when earnings are less than the assumed rate. Because earnings on Tier One member regular accounts for 2025 exceed the assumed rate, those excess earnings will be credited to Tier One Rate Guarantee Reserve, bringing the ending reserves after crediting to $848.1 million.

2. Tier Two Member Regular Accounts

Credit Tier Two Member Regular Accounts with a proportional share of available PERS Fund Regular Account earnings, which will result in a preliminary rate of 9.21%.

3. Benefits-in-Force and Employer Reserves

Credit the Benefits-in-Force and Employer Reserves evenly with the remaining available PERS Fund Regular Account earnings, which will result in a preliminary rate of 9.21%.

4. OPSRP Pension Plan Member Accounts

OPSRP member accounts are credited with a proportional share of available PERS Fund Regular Account earnings or losses, which will result in a preliminary rate of 9.31%.

EARNINGS ALLOCATIONS DIRECTED BY STATUTE OR RULE

The following reserves and accounts are allocated earnings by applicable statute or rule. In compliance with these restrictions, the preliminary earnings allocation reflects the following:

5. Individual Account Program (IAP)

These member accounts are credited with actual earnings or losses of the PERS Fund Regular Account as required by ORS 238A.350 (1). The overall preliminary IAP earnings for 2025 are 10.52% after deducting IAP expenses. The table below illustrates the IAP earnings by target-date-fund.

Oregon Public Employees Retirement System Preliminary IAP TDF Earnings (All dollar amounts in thousands)				
TDF Fund	Reserves Before Crediting	2025 Crediting	Reserves After Crediting	2025 Rates
Retirement Allocation Fund	$ 1,305,532.0	$ 137,033.4	$ 1,442,565.4	10.49%
2030 Fund	2,005,757.9	190,151.9	2,195,909.8	9.48%
2035 Fund	2,877,032.6	290,263.3	3,167,295.9	10.08%
2040 Fund	2,838,548.1	323,468.8	3,162,016.9	11.39%
2045 Fund	2,320,119.2	273,496.0	2,593,615.2	11.78%
2050 Fund	1,416,604.7	165,463.9	1,582,068.6	11.68%
2055 Fund	716,747.8	80,083.7	796,831.5	11.17%
2060 Fund	308,251.3	31,722.8	339,974.1	10.29%
2065 Fund	105,206.4	10,321.0	115,527.4	9.81%
2070 Fund	13,800.6	1,378.9	15,179.5	9.99%
Total	$ 13,907,600.6	$ 1,503,383.7	$ 15,410,984.3	

In accordance with Senate Bill 1049 (2019), effective July 1, 2020, for all currently employed Tier One/Tier Two and OPSRP members whose gross pay exceeds the monthly salary threshold $3,777 in 2025 and $3,890 in 2026), a portion of their 6% monthly IAP contributions are redirected to an “Employee Pension Stability Account.” The Employee Pension Stability Account (EPSA) will be used to pay for part of the member’s future pension benefit.

For earnings crediting purposes, Tier One/Tier Two member EPSA accounts will be credited with the same rate as Tier Two Regular Member accounts, which will result in a preliminary rate of 9.21%.

For earnings crediting purposes, OPSRP member EPSA accounts will be credited with the same rate as OPSRP Pension Member Accounts, which will result in a preliminary rate of 9.31%.

6. Employer Lump Sum Payment Accounts

These accounts are credited with actual earnings or losses of the PERS Fund Regular Account less administrative expenses, as authorized by ORS 238.225. For 2025, the preliminary crediting rate for the side accounts established before January 1, 2025, is 9.50%. The preliminary crediting rate for new lump sum payment accounts varies depending on the time of payments.

7. Health Insurance Accounts

These accounts are created as part of the PERS Fund and directed by statute to be credited with actual earnings or losses, less the expense related to the administration of the programs (ORS 238.410(7); 238.415(4); 238.420(4)). For 2025, the preliminary crediting rate for these accounts are listed in the table below:

Oregon Public Employees Retirement System
Health Insurance Accounts Preliminary Rates

Health Insurance Fund	2025
RHIA	8.48%
RHIPA	7.91%
SRHIA *	1.78%

* Invested in the Treasury Short-Term Fund

8. Variable Annuity Account

This account is credited with earnings and losses on its distinct asset allocation of the PERS Fund. The Variable Annuity Account is only invested in equities and therefore its earnings are discrete from those of the more diversified PERS Fund Regular Account. For 2025, the preliminary Variable Annuity Account earnings crediting rate is 22.81%.

Administrative Expenses

PERS administrative costs are funded by earnings when they are sufficient, as they were in 2024 (ORS 238.610(1)).

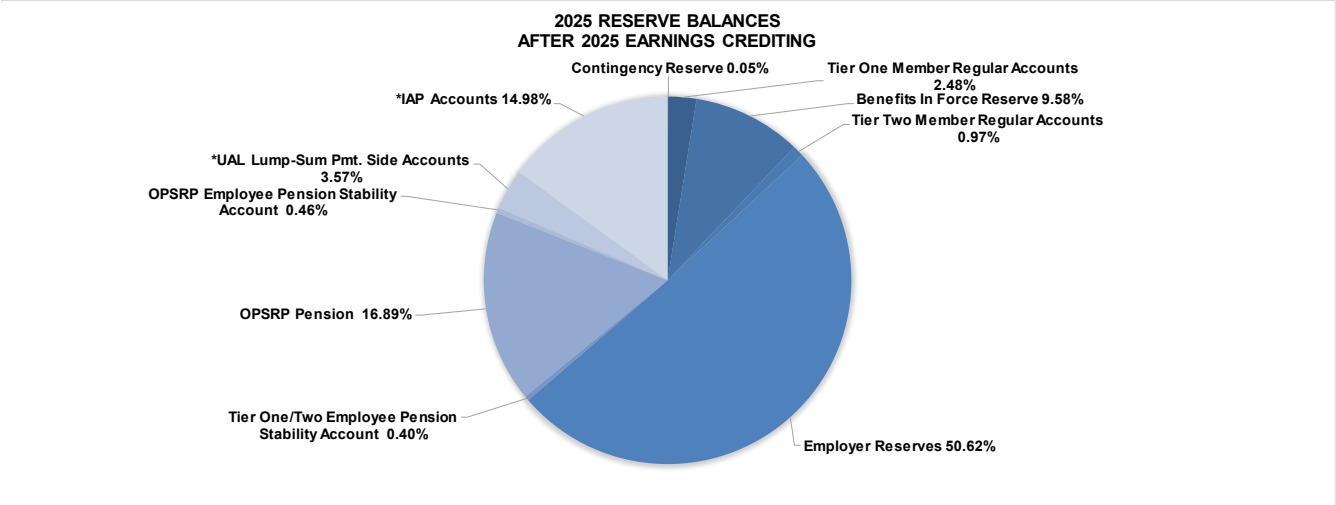
The following charts present preliminary earnings crediting and reserving for 2025:

Oregon Public Employees Retirement System
Calendar Year 2025
Preliminary 2025 Crediting and Reserving
Option 1: No Contingency Reserve Funding
(All dollar amounts in millions)

	Reserves Before Crediting	Gross Investment Income (a)	Investment Expense (b)	Administrative Expenses (c)	Other Adjustments[4] (d)	Net 2025 Crediting (a+b+c+d)	Reserves After Crediting	2025 Rates
Tier One Member Regular Accounts	$1,668.9	$256.8	($25.0)	($2.6)	($114.0)	$115.2	$1,784.1	6.90%
Tier One Rate Guarantee Reserve	741.1	0.0	0.0	0.0	107.0	107.0	848.1	N/A
Tier Two Member Regular Accounts	942.2	100.4	(9.8)	(1.0)	(2.7)	86.9	1,029.1	9.21%
Benefits In Force Reserve	9,319.6	993.1	(96.8)	(10.2)	(26.8)	859.3	10,178.9	9.21%
Employer Reserves	49,238.4	5,248.6	(511.5)	(54.1)	(141.8)	4,541.2	53,779.6	9.21%
Tier One/Two Employee Pension Stability Account[1]	391.5	39.2	(3.8)	(0.1)	0.9	36.2	427.7	9.21%
OPSRP Pension	16,414.7	1,626.1	(157.6)	(22.2)	83.3	1,529.6	17,944.3	9.31%
OPSRP Employee Pension Stability Account[2]	448.9	42.0	(4.1)	(0.1)	3.3	41.1	490.0	9.31%
IAP Accounts, as a whole[3]	14,403.6	1,685.5	(102.8)	(21.5)	(45.1)	1,516.1	15,919.7	10.52%
UAL Lump-Sum Pmt. Side Accounts[3]	3,430.2	402.2	(39.2)	(0.2)	0.0	362.8	3,793.0	Various[5]
Contingency Reserve[6]	50.0	0.0	0.0	0.0	0.0	0.0	50.0	N/A
Total	$97,049.1	$10,393.9	($950.6)	($112.0)	($135.9)	$9,195.4	$106,244.5	

[1] Per OAR 459-007-0005 (14)(a), Tier One/Two Employee Pension Stability Account will receive the Tier Two Member rate.
[2] Per OAR 459-007-0005 (14)(b), OPSRP Employee Pension Stability Account will receive the OPSRP Pension rate.
[3] Informational only. Not affected by Board reserving or crediting decisions.
[4] Primarily due to One Rate Guarantee Reserve transfer of the Tier One member regular account excess earnings, defined benefit commingled earnings transfer, and the earnings credited to mid-year retirements.
[5] The preliminary earnings rate for the pre-2025 Side Accounts is 9.50%.
[6] The contingency reserve balance is $49,978,971.08. This includes the Contingency Reserve Subaccount balance of $500,000, which was established under ORS 238.670(1).

Note: The actual market returns for private equity investments are reported on a three-month lag as additional time is needed to value these non-public assets and returns. Private equity returns for the fourth quarter will be reflected in the following year earnings crediting.



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IAP accounts receiving installments have already received 2025 earnings.

POLICY ISSUE

- *Is the Contingency Reserve adequately funded?*

ORS 238.670 (1) to limit the Board's crediting of funds to the Contingency Reserve; specifically, "…the board may not credit further amounts to the reserve account if the amounts in the reserve account exceed $50 million."

The current balance of the Contingency Reserve is $49,978,971.08, with $2.5 million earmarked for resolving employer insolvencies. The staff recommends an additional allocation at this time of $21,028.92 to replenish the fund for the corrections made to member accounts by the OPSRP IAP First Wage Cleanup Project during calendar year 2023. This is the first time since 2023 that earnings crediting rates exceed the assumed rate and therefore the first time the Board has had the option to replenish the fund since the outlays occurred during 2023.

Oregon Public Employees Retirement System
Calendar Year 2025
Preliminary 2025 Crediting and Reserving
Option 2: Contingency Reserve Funding
(All dollar amounts in millions)

	Reserves Before Crediting	Gross Investment Income (a)	Investment Expense (b)	Administrative Expenses (c)	Other Adjustments[4] (d)	Net 2025 Crediting (a+b+c+d)	Reserves After Crediting[7]	2025 Rates
Tier One Member Regular Accounts	$1,668.9	$256.8	($25.0)	($2.6)	($114.0)	$115.2	$1,784.1	6.90%
Tier One Rate Guarantee Reserve	741.1	0.0	0.0	0.0	107.0	107.0	848.1	N/A
Tier Two Member Regular Accounts	942.2	100.4	(9.8)	(1.0)	(2.7)	86.9	1,029.1	9.21%
Benefits In Force Reserve	9,319.6	993.1	(96.8)	(10.2)	(26.8)	859.3	10,178.9	9.21%
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Tier One/Two Employee Pension Stability Account[1]	391.5	39.2	(3.8)	(0.1)	0.9	36.2	427.7	9.21%
OPSRP Pension	16,414.7	1,626.1	(157.6)	(22.2)	83.3	1,529.6	17,944.3	9.31%
OPSRP Employee Pension Stability Account[2]	448.9	42.0	(4.1)	(0.1)	3.3	41.1	490.0	9.31%
IAP Accounts, as a whole[3]	14,403.6	1,685.5	(102.8)	(21.5)	(45.1)	1,516.1	15,919.7	10.52%
UAL Lump-Sum Pmt. Side Accounts[3]	3,430.2	402.2	(39.2)	(0.2)	0.0	362.8	3,793.0	Various[5]
Contingency Reserve[6,7]	50.0	0.0	0.0	0.0	0.0	0.0	50.0	N/A
Total	$97,049.1	$10,393.9	($950.6)	($112.0)	($135.9)	$9,195.4	$106,244.5	

[1] Per OAR 459-007-0005 (14)(a), Tier One/Two Employee Pension Stability Account will receive the Tier Two Member rate.
[2] Per OAR 459-007-0005 (14)(b), OPSRP Employee Pension Stability Account will receive the OPSRP Pension rate.
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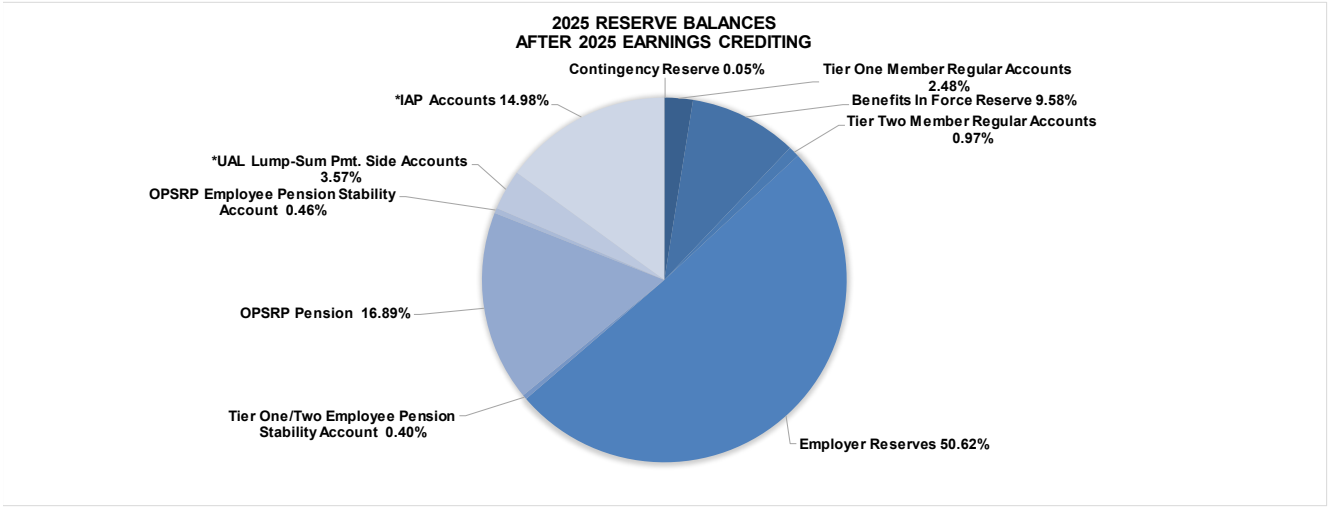
[4] Primarily due to One Rate Guarantee Reserve transfer of the Tier One member regular account excess earnings, defined benefit commingled earnings transfer, and the earnings credited to mid-year retirements.
[5] The preliminary earnings rate for the pre-2025 Side Accounts is 9.50%.
[6] The contingency reserve balance is $49,978,971.08. This includes the Contingency Reserve Subaccount balance of $500,000, which was established under ORS 238.670(1).
[7] **The after crediting balance includes transferring $21,028.92 to refund the Contingency Reserve.**

Note: The actual market returns for private equity investments are reported on a three-month lag as additional time is needed to value these non-public assets and returns. Private equity returns for the fourth quarter will be reflected in the following year earnings crediting.



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IAP accounts receiving installments have already received 2025 earnings.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to adopt the preliminary crediting of earnings as presented for calendar year 2025, subject to final adoption at the April 3, 2026 PERS Board meeting.
2. Pass a motion to: adopt the preliminary crediting of earnings for calendar year 2025, including an allocation of $21,028.92 to fully fund the contingency reserve, subject to final adoption at the April 3, 2026 PERS Board meeting.
3. Pass a motion preliminarily allocating 2025 earnings in an alternative proportion, subject to final adoption at the April 3, 2026 PERS Board meeting.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #2.

NEXT STEPS

Preliminary Earnings Crediting: Once the board makes its preliminary allocation, staff will prepare and present the required report to the Joint Legislative Committee on Ways and Means. Any comments received from the committee will be presented to the PERS Board prior to the final crediting decision at its meeting on April 3, 2026.

This preliminary action and the resulting report to the Legislature do not prohibit the PERS Board from changing its final decision, such as if new information becomes available. Staff will also be reporting the final earnings crediting to the legislature.

C.4. Attachment 1 – ORS 238.670 – *Reserve Accounts in Fund*

C.4. Attachment 2 – OAR 459-007-0005 – *Annual Earnings Crediting Rule*

C.4. Attachment 3 – ORS 238.610 – *Administrative Expenses of System, Rules*

C.4. Attachment 4 – ORS 238.671 – *Proposal to legislative review agency for crediting of interest or income*

C.4 Attachment 5 – ORS 238A.350 – *Individual Accounts Established*