

## Oregon Public Employee Retirement System

### Documenting the City of Grants Pass' participation in PERS



## Overview of the City's Participation in Oregon PERS

### Background

Approximately 57% of the City's current operating expenditures are personnel costs. This is followed by contractual services at over 22%. As Oregon PERS (Public Employees Retirement System) is a major component of overall personnel costs, it's important to explain the budgetary impact of changes to PERS rates. Like almost all public agencies in Oregon, the City's participation in the Oregon PERS is mandatory. PERS is largely a defined benefit retirement system, and the largest revenue source for the system by far is investment returns. When investment returns temporarily fall well below projected averages, such as happened in 2008, differences between assets in the system and the actuarial liabilities of the system need to be made up over time in part through higher employer contributions. It's important to make sure the system is properly funded and continues to provide investment returns to keep up with the retirement system's legal obligations.

Public employees that participated in the PERS system prior to system changes made in 2003 receive slightly different benefits than those that started after 2003. PERS charges the City different rates for the different classes of employees and different rates for sworn personnel versus general service personnel. The City uses its insurance/benefits fund to charge slightly different rates to departments as compared to the rates paid into the PERS system to limit the drastic budgetary impact of the State's PERS rates changing every two years. There is currently a PERS reserve in the insurance fund that will be used in the future to offset the impact of rates that are set to increase every two years until the State system is fully funded again.

### Budget Considerations & PERS Reserve

For the City of Grants Pass, the impact of every 3% increase to PERS rates equates to approximately \$400,000 per year in additional benefit costs for the City. Absent additional legislation to change the benefit structure of the system, PERS rates are expected to increase at least 3% every two years again starting in FY'18 until the State PERS system is fully funded. Rates the City pays also increased modestly starting in FY'16 and the amount of the increase was slightly less than previous expectations. PERS rates billed out to City departments have been slightly different than rates paid into the system, with the difference accounted for in the Benefits Administration fund (the PERS reserve established in that fund). A City PERS reserve has been created over many past budget years by a slight difference between department charges and actual payments into the PERS system. This reserve will be drawn down starting a few years from now when actual PERS rates are expected to be even higher than they were in FY'15. As the City's participation in PERS is mandatory, this is one of the few ways to manage the effects of large changes to PERS rates every two years.

Due to legislative changes made at the state level in 2013-2014, the City will be able to hold internally billed PERS rates the same through at least FY'18 by using the PERS reserve. The following are the actual and projected PERS reserve balances assuming the next rate changes are close to expectations:

<u>DATE</u>	<u>PERS RESERVE BALANCE PROJECTION:</u>
End of FY'14	\$2.3 million
End of FY'15	\$2.8 million
End of FY'16	\$3.1 million
End of FY'17	\$3.5 million
End of FY'18	\$3.4 million

The PERS reserve can be found in the Support Services section of the budget and more specifically the Benefits Administration Fund. The next rate change will occur at the beginning of FY'16, followed by another rate change at the beginning of FY'18. Because the FY'16 rate increase came in less than previous expectations, FY'16 and FY'17 will continue to build on the reserve. The plan at this point is the City would begin drawing on the reserve starting in FY'18 and it's possible the City could extend well past FY'18 without having to adjust internally billed PERS rates. If rates are kept the same and financial markets don't perform well even more severe drawdowns of the reserve would likely begin in FY'20. Short-term financial market fluctuations play a big role in the rate setting cycle every two years and internal and external rates will continue to be evaluated on at least an annual basis.

#### Current Rates & Expectations

Like other Oregon public agencies, the City of Grants Pass experienced an increase in rates paid to PERS effective July 1, 2011 and another large rate increase was originally set to occur July 1, 2013. However, during the 2013 session, the legislature made some changes to the cost side of the system and made some changes to the rate increase cycle that essentially deferred the next potential rate increase for two more years to July 1, 2015. The City of Grants Pass assesses PERS rates to departments slightly different than the rate actually paid into the system to manage the large rate changes that can occur every two years. The change made by the legislature in 2013 will allow the City's internally billed PERS rates to stay the same between Fiscal 2014 and at least Fiscal 2018 without having a large effect on the PERS reserves that have been established over the last ten years. Therefore, while large potential increases in PERS rates are still pending in the future, the City's PERS reserves will allow internally billed rates that are accounted for in the operating budgets to stay the same for at least the next three to four years. In addition, there were some legal challenges pending for the PERS changes made by the state legislature in 2013-2014. In the end, a large portion of the cost savings measures implemented by the legislature were overturned by the Supreme Court, meaning the increases in PERS rates in the next two rate setting cycles will be even higher than they would have been otherwise (and actuarial PERS liabilities will be higher).

Total costs billed to departments and costs by major operating divisions are presented below and on the following pages. The total cost for PERS by the major categories is provided below to provide insight into the changes over time. Remember that "Budget" will appear to jump in comparison to "Actual" given that the City frequently has unfilled positions at different times throughout the year that result in temporary expenditure savings. PERS rates are assessed as a percentage of current gross salaries.

	<b>FY'13 Actual</b>	<b>FY'14 Actual</b>	<b>FY'15 Budget</b>	<b>FY'16 Recommend</b>	<b>FY'17 Projected</b>
PERS/OPSRP-Employee 6%	779,031	771,419	843,670	878,405	903,135
PERS/OPSRP-Employer	2,354,749	2,452,920	2,618,591	2,691,586	2,764,024

<b>Total PERS Expenditures by Program Area</b>					
	<b>FY'13 Actual</b>	<b>FY'14 Actual</b>	<b>FY'15 Budget</b>	<b>FY'16 Recommend</b>	<b>FY'17 Projected</b>
Policy & Legislation	19,640	-	-	-	-
Public Safety	2,038,681	2,131,211	2,215,435	2,312,946	2,378,085
Parks	65,305	71,044	75,066	77,992	79,357
Development	120,335	108,461	124,180	137,564	140,810
Transportation	62,601	174,163	209,757	193,458	197,809
Storm Water & Open Space	693	728	-	-	-
Water	153,870	153,603	180,822	188,639	193,479
Wastewater	165,908	159,812	170,245	172,673	177,840
Solid Waste	1,474	1,614	2,577	2,598	2,723
Administrative Services	252,483	260,074	290,798	285,783	294,240
Support Services	252,384	272,085	317,561	323,818	330,937
Lands & Buildings	-	4	-	-	-
<b>TOTAL</b>	<b>3,133,375</b>	<b>3,332,800</b>	<b>3,586,441</b>	<b>3,695,471</b>	<b>3,795,280</b>

Department	FY13 Actual	FY14 Actual	FY15 Adopted	FY15 Revised	FY16 Recommend	FY17 Projected
<b>Policy &amp; Legislation</b>						
GENERAL OPERATIONS	<u>19,640</u>	-	-	-	-	-
<b>Public Safety</b>						
PS-FIRE RESCUE DIVISION	-	703,418	704,797	704,797	728,976	743,342
PS-POLICE DIVISION	1,602,961	1,099,448	1,175,543	1,175,543	1,205,640	1,242,760
PS-SUPPORT DIVISION	435,720	328,345	335,095	335,095	378,330	391,983
	<u>2,038,681</u>	<u>2,131,211</u>	<u>2,215,435</u>	<u>2,215,435</u>	<u>2,312,946</u>	<u>2,378,085</u>
<b>Parks</b>						
PARKS MAINTENANCE SERVICE	60,693	65,409	68,388	68,388	71,159	72,406
RECREATION SERVICES	1,282	2,050	2,538	2,538	2,548	2,613
AQUATIC SERVICES	3,331	3,585	4,140	4,140	4,285	4,338
	<u>65,305</u>	<u>71,044</u>	<u>75,066</u>	<u>75,066</u>	<u>77,992</u>	<u>79,357</u>
<b>Development</b>						
BUILDING AND SAFETY	29,087	30,701	34,476	34,476	33,928	34,789
PLANNING	45,194	40,735	58,902	58,902	58,283	58,723
ECONOMIC DEVELOPMENT	13,421	480	12,336	12,336	12,084	12,689
TOURISM PROMOTION SERVICE	17,459	18,675	1,401	1,401	1,075	1,093
DOWNTOWN DEVELOPMENT	15,174	17,870	17,065	17,065	20,110	20,827
	<u>120,335</u>	<u>108,461</u>	<u>124,180</u>	<u>124,180</u>	<u>125,480</u>	<u>128,121</u>
<b>Transportation</b>						
STREET & DRAINAGE MAINT	59,832	61,821	81,305	81,305	75,762	78,073
TRANSPORTATION PROJECTS	2,769	3,881	4,272	4,272	4,300	4,304
	<u>62,601</u>	<u>174,163</u>	<u>209,757</u>	<u>209,757</u>	<u>205,542</u>	<u>210,498</u>
<b>Storm Water &amp; Open Space</b>						
STORM DRAIN SDCs	<u>693</u>	<u>728</u>	-	-	-	-
<b>Water</b>						
WATER TREATMENT	75,956	75,673	83,774	83,774	90,387	91,689
WATER DISTRIBUTION	72,730	72,441	92,902	92,902	94,078	97,612
WATER PROJECTS	5,184	5,489	4,146	4,146	4,174	4,178
	<u>153,870</u>	<u>153,603</u>	<u>180,822</u>	<u>180,822</u>	<u>188,639</u>	<u>193,479</u>
<b>Wastewater</b>						
WASTEWATER COLLECTION	52,634	58,590	61,892	61,892	64,928	67,186
WASTEWATER TREATMENT	79,803	84,645	104,207	104,207	103,571	106,476
JO GRO	31,006	14,218	-	-	-	-
WASTEWATER PROJECTS	2,464	2,360	4,146	4,146	4,174	4,178
	<u>165,908</u>	<u>159,812</u>	<u>170,245</u>	<u>170,245</u>	<u>172,673</u>	<u>177,840</u>
<b>Solid Waste</b>						
SOLID WASTE OPERATIONS	1,384	1,472	2,577	2,577	2,598	2,723
SOLID WASTE CONSTRUCTION	90	142	-	-	-	-
	<u>1,474</u>	<u>1,614</u>	<u>2,577</u>	<u>2,577</u>	<u>2,598</u>	<u>2,723</u>
<b>Administrative Services</b>						
HUMAN RESOURCES	40,847	46,558	49,443	49,443	42,044	44,731
MANAGEMENT SERVICES	80,833	75,242	77,833	77,833	78,147	79,588
LEGAL SERVICES	411	327	3,591	3,591	3,627	3,748
FINANCE	130,392	137,947	159,931	159,931	161,965	166,173
	<u>252,483</u>	<u>260,074</u>	<u>290,798</u>	<u>290,798</u>	<u>285,783</u>	<u>294,240</u>
<b>Support Services</b>						
GARAGE OPERATIONS	31,639	28,638	35,265	35,265	42,228	42,906
EQUIPMENT REPLACEMENT	7,284	7,695	9,105	9,105	-	-
INFORMATION TECHNOLOGY	43,082	60,487	74,152	74,152	77,371	79,934
PROPERTY MANAGEMENT	22,653	22,943	27,753	27,753	24,268	24,764
ENGINEERING	46,938	44,704	47,517	47,517	72,243	72,488
PARKS & CD MGMT SERVICES	94,683	100,222	114,435	114,435	98,025	100,568
WORKERS COMP INSURANCE	3,609	4,824	6,628	6,628	6,947	7,404
GENERAL INSURANCE	2,496	2,572	2,706	2,706	2,736	2,873
	<u>252,384</u>	<u>272,085</u>	<u>317,561</u>	<u>317,561</u>	<u>323,818</u>	<u>330,937</u>
<b>Lands &amp; Buildings</b>						
LANDS AND BLDGS PROJECTS	-	4	-	-	-	-
	<u>3,133,375</u>	<u>3,332,800</u>	<u>3,586,441</u>	<u>3,586,441</u>	<u>3,695,471</u>	<u>3,795,280</u>

### The 6% "Pick-Up"

PERS currently requires a payment of 6% of a public employee's gross wages into the system, paid either by the employee or by the employer. Most public employers, such as the City of Grants Pass, have elected to pay the 6% on behalf of the employee as part of the overall compensation package. This allows payroll taxes to be minimized (all things being equal in terms of the total compensation package). The costs shown above include both the main PERS rate and the 6% portion.

### Rate Drivers & PERS Reserve Impact

PERS rate changes are largely and directly correlated to the broad performance of financial markets, and rate changes tend to lag the actual performance of financial markets by at least two years. The FY'10 and FY'11 rates billed by PERS were reduced because of financial market performance that was healthy prior to 2008. However, knowing that 2008 was one of the worst financial market performances in many years, the City billed all departments at the same PERS rates as the previous two-year cycle and set aside additional reserves in the Benefits Administration program. Reserves have been set aside for many years by charging slightly different rates to operating departments as compared to the PERS system payment requirements, and at the peak of the PERS rate setting cycle these reserves will be used to lessen the impact of higher rates. Due to the PERS law change made by the State Legislature in the 2013 session, rates starting July 1<sup>st</sup>, 2013 have been similar to rates paid previously and the City's PERS reserve will allow the City to hold internally billed rates at the same level for a number of years after FY'15.

The State PERS Board made a policy decision to spread unfunded liabilities, largely the result of retirement benefits for Tier 1/Tier 2 employees, to all groups. As the current employee membership in Tier 1/Tier 2 has declined due to retirements, the financial impact of liabilities and financial market losses in 2008 produced staggering rate projections for these remaining Tier 1/2 employees. Government agencies have found these impacts more manageable by allocating a portion of the liabilities across all groups of employees, and so under the State's rate setting rules the liabilities are spread across all categories of PERS employees. It is also noteworthy that the State has addressed the issue of Tier1/Tier2 benefits in that since 2003 new public employees do not have the same defined benefits. However, the system remains to be partially a defined benefit plan that sets retirement benefits based on time of service rather than by how much is earned in an employee's individual retirement account and how well investments perform. This type of retirement plan is challenging to manage when retirement portfolio returns come in well under average long-term expectations, as was the case in 2008.

Due to the historic losses in financial markets in 2008 and limited recovery of those losses in recent years, it is currently expected that at least 3% increases will be implemented by the state PERS program every two years starting again on July 1, 2017 until the losses are recovered and the retirement assets equal the actuarial liabilities. Over the next two years, the City will bill all departments at rates slightly higher than what is paid into the system. The PERS reserve will grow slightly and be used to offset future rate increases. The financial plan at this time is to stop growing the reserve after FY'17 and use the reserve to help offset future increases starting in FY'18.

Actuarial liabilities compared to growth in assets for the State operated PERS system will have to be monitored to predict the impact of future rate setting cycles. Ultimately the move to create PERS reserves will lessen the future impact of PERS rate hikes towards the end of the rate increase cycle and will help smooth the potential volatility of City personnel and related benefit costs. While the City cannot

control these rates and must follow the rules of the State's system, the City has taken steps to prepare for future PERS cost increases. In addition, the rate increases that the City will experience starting July 1, 2015, were less than previous expectations. This is due in part to the City now being part of the State & Local Government Rate Pool for its Tier 1 and Tier 2 liabilities for the first time. Grants Pass is no longer an independent employer for the calculated liabilities for the PERS Tiers previous to OPSRP (2003), and the difference between the funded status of Grants Pass and the pool at the point where Grants Pass joined the rate pool recently, is set to be amortized over many years into the future. PERS rate changes every two years might be slightly less volatile in the future due to this change that was made in the last cycle.

Starting July 1, 2013, the rates paid in without the previously mentioned law changes would have increased by between 3.66% and 4.38% for the various classes of City of Grants Pass PERS employees (those rates are as a percentage of gross payroll, not the amount of change in the PERS rate itself). If the City was fully staffed for all funded positions in the adopted FY'14 budget, this increase would have amounted to increased costs of more than \$500,000 per year starting with the Fiscal 2014 budget year. In contrast, the City's PERS reserve will only approach approximately \$2.8 million at the end of FY'15, and those reserves can only be used once before they would need to be built up again. This speaks to the continued need to build the reserve to prepare for future rate increases that are nearly certain unless other law changes are made. City Staff will continue to plan for additional rate increases in the future and discuss with Council the limited options we have at the local level on dealing with PERS rate changes every two years. Changes made to PERS by the legislature in the last two years have also been appealed to the Oregon Supreme Court.

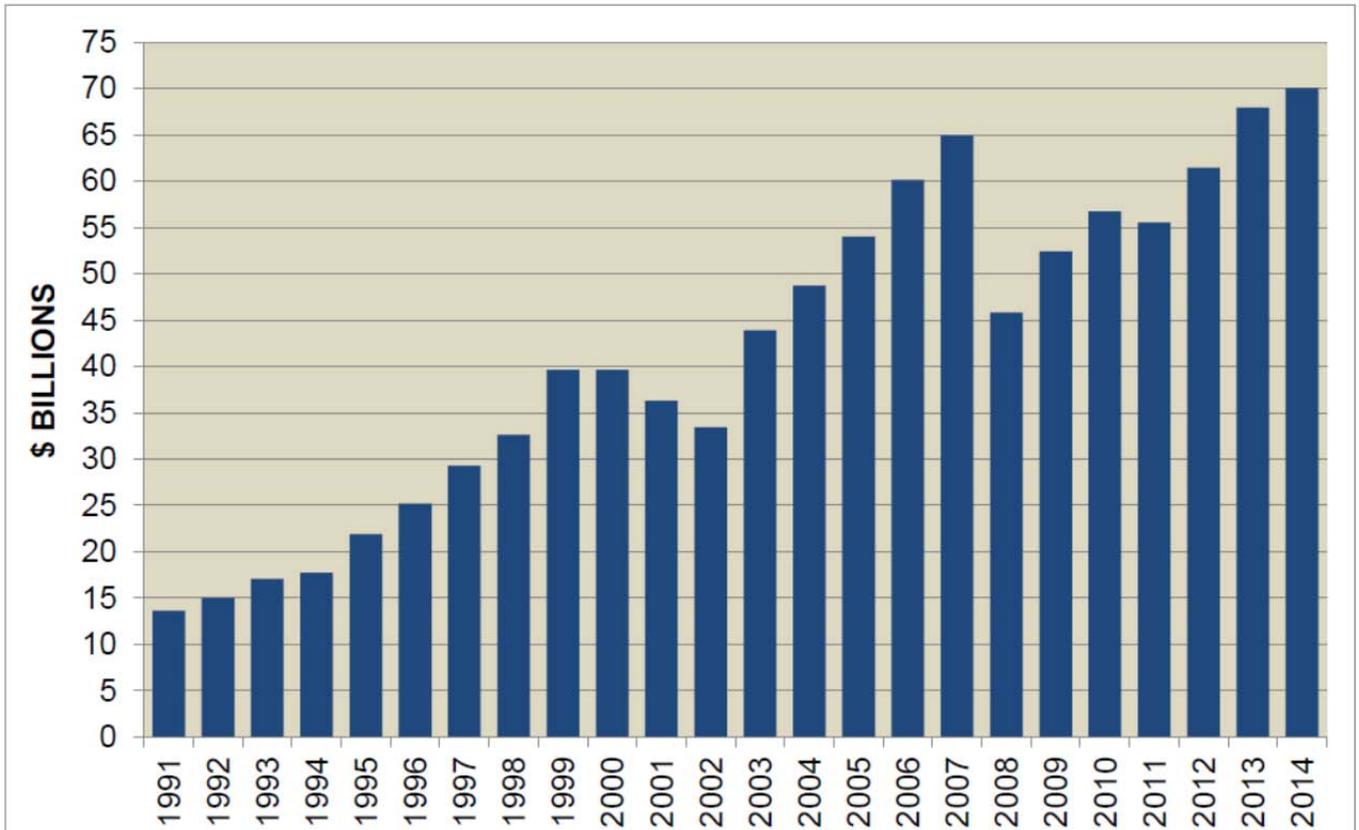
Absent above average investment returns, the City of Grants Pass and almost all other public agencies in Oregon currently have an actuarial unfunded liability related to participation in PERS. Each year, PERS engages an actuary to determine the proper measure of actuarial assets, actuarial liabilities, the system's funded status, and each employer's share of assets and liabilities. Below is one of the disclosures from the City of Grants Pass PERS annual report as of the end of calendar 2012 (Grants Pass' share of the system only):

### *Schedule of Funding Progress*

The Schedule of Funding Progress is required for the Tier 1/Tier 2 pension liabilities. The table below shows the schedule for the last several valuations. For employers with side accounts, the actuarial value of assets in this Schedule includes the value of the employer's side accounts.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b - a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) ÷ c)
12/31/2007	\$52,711,473	\$54,238,486	\$1,527,013	97%	\$11,433,157	13%
12/31/2008	39,663,782	56,472,774	16,808,992	70%	12,515,625	134%
12/31/2009	45,516,785	58,455,182	12,938,397	78%	11,981,543	108%
12/31/2010	49,311,239	61,438,085	12,126,846	80%	12,714,676	95%
12/31/2011	48,845,349	63,743,090	14,897,741	77%	13,468,530	111%
12/31/2012	54,287,992	65,439,529	11,151,537	83%	13,265,839	84%

PERS fund value (calendar years ending December 31)



**Unfunded actuarial liability history and funded ratio\***

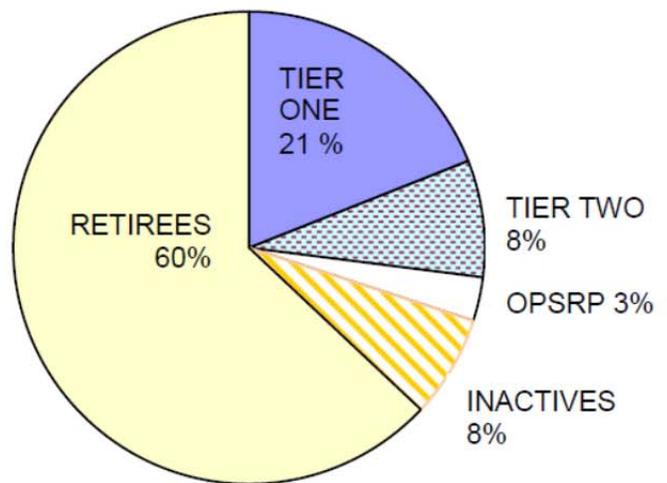
Valuation** Date	With Side Accounts*** (starting in 2002)		Without Side Accounts	
	UAL (\$M)	Funded Ratio (%)	UAL (\$M)	Funded Ratio (%)
2000	1,545	96.4	1,545	96.4
2001	-2,031	105.4	-2,031	105.4
2002	3,204	92.0	3,983	89.9
2003	1,751	96.1	6,227	86.0
2004	2,122	95.6	7,678	84.0
2005	-1,751	104.0	4,919	91.0
2006	-5,019	109.7	2,229	95.7
2007	-6,120	111.5	1,538	97.1
2008	10,998	80.0	16,133	70.4
2009	8,108	86.0	13,598	76.0
2010****	7,700	87.0	13,300	78.0
2011	11,030	82.0	16,255	73.0
2012*****	5,600	91.0	11,100	82.0
2013	2,600	96.0	8,500	86.0
2014 (estimated)	2,750	96.0	8,750	86.0

- \* Includes RHIA/RHIPA.
- \*\* 2000-2003 UALs were calculated using actuarial value of assets (AVA) based on year-to-year changes in asset values smoothed over four-year periods. All other UALs since 1997 were calculated using an AVA based on fair market value.
- \*\*\* The official PERS valuation UAL and funded ratio are based on accepted actuarial standards and methodologies. These methodologies are subject to review and revision every two years. A negative UAL amount represents a surplus.
- \*\*\*\* 2010 and after includes the OPSRP Pension Program, 2000-2009 reflects only Tier One/Tier Two.
- \*\*\*\*\* Includes liability reductions from Senate Bills 822 & 861 and new Board-adopted actuarial assumptions and methods from the 2012 Experience Study.

**Actuarial accrued liabilities**

Before PERS reform in 2003, PERS' liabilities were growing by about 12% annually. Reform reduced liability growth to an expected average of 3 to 4% annually over the long-term, which is close to the system's annual inflation rate assumption of 2.75%.

Approximately 70% of PERS' total accrued liability is for members who are no longer working in PERS-covered employment (retirees and inactives). As a result, more than 40% of an employer's total contribution rate is associated with these groups.



Tier One active members represent 21% of the accrued liabilities. More than 56% of Tier One active member liability is for members over age 55, and approximately 80% of the Tier One active member liability is for members over age 50. Because the average retirement age is currently 61, a large shift in liabilities between active and retired is anticipated in the near future.

#### 4. System Revenue

##### Member and employer contributions and investment income for calendar years

Year	Member Contributions (\$M)	Employer Contributions (\$M)	Amortization of Employer Side Accounts (\$M)*	Total Employer (\$M)	Net Investment & Other Income (\$M)
1995	287	427	N/A	427	4,110
1996	296	463	N/A	463	4,358
1997	291	473	N/A	473	4,582
1998	318	488	N/A	488	3,978
1999	347	577	N/A	577	7,463
2000	359	654	N/A	654	143
2001	385	689	N/A	689	-2,708
2002	398	725	8	733	-3,460
2003	405	582	97	679	8,866
2004	371**	408	278	686	5,933
2005	434	504	357	861	6,179
2006	456	637	474	1,111	8,163
2007	468	633	466	1,099	5,808
2008	484	669	541	1,210	-17,235
2009	515	561	540	1,101	8,053
2010	502	435	558	993	6,444
2011	510	627	509	1,136	1,935
2012	513	915	443	1,358	7,859
2013	561	942	448	1,390	9,458
2014	524	994	472	1,466	4,819

\* PERS' methodology to track amortization of side accounts began in 2002. Side accounts hold deposits of pension obligation bond proceeds and other lump-sum payments.

\*\* Since January 1, 2004, member contributions have been placed in the Individual Account Program (IAP), instead of the legacy Tier One/Tier Two member accounts.

- Member contributions equal 6% of covered salary and now go to the IAP. The member contribution is currently assumed and paid or “picked up” by 65% of all employers for more than 50% of their employees. This totals approximately 72% of all employees.
- PERS Reform legislation led to a reduction in employer rates beginning in 2003. Also, starting in 2002, employers were given the option to deposit lump-sum payments into side accounts, reducing subsequent “new dollar” annual contributions for the employers that make such deposits.
- Employer contribution amounts are from the calendar year-end records. Data for calendar year 2004 and beyond includes employer contributions for OPSRP Pension Program, Tier One/Tier Two, and post-retirement health care (RHIA, RHIPA).

4. System Revenue (continued)

Regular account earnings available for crediting and actual distributions to Tier One and Tier Two member regular, variable, and Individual Account Program (IAP) accounts

Year	Regular Account Earnings (%)	Distributions (%)			
		Tier One	Tier Two	Variable Account	IAP
1970	5.09	5.09		7.47	
1971	6.27	6.27		9.47	
1972	7.46	7.46		13.87	
1973	0.00	0.00		-16.39	
1974	0.00	5.50		-18.16	
1975	9.19	7.50		18.94	
1976	10.38	7.75		18.58	
1977	4.79	7.00		-2.62	
1978	7.37	7.00		7.03	
1979	12.32	11.09		20.40	
1980	16.92	13.00		29.94	
1981	4.37	7.50		-2.25	
1982	15.31	11.50		22.39	
1983	18.37	13.00		23.12	
1984	7.33	7.50		4.00	
1985	21.38	15.00		27.99	
1986	22.70	18.37		18.98	
1987	9.00	7.50		4.54	
1988	16.86	13.50		18.62	
1989	19.74	14.50		26.84	
1990	-1.53	8.00		-7.84	
1991	22.45	15.00		35.05	
1992	6.94	8.00		10.54	
1993	15.04	12.00		12.65	
1994	2.16	8.00		-1.76	
1995	20.78	12.50		29.92	
1996	24.42	21.00	24.42	21.06	
1997	20.42	18.70	20.42	28.87	
1998	15.43	14.10	13.63	21.45	
1999	24.89	11.33*	21.97	28.83	
2000	0.63	8.00	0.54	-3.24	
2001	-7.17	8.00	-6.66	-11.19	
2002	-8.93	8.00	-8.93	-21.51	
2003	23.79	8.00	22.00	34.68	
2004	13.80	8.00	13.27	13.00	12.77
2005	13.04	8.00	18.31*	8.29	12.80
2006	15.57	8.00	15.45	15.61	14.98
2007	10.22	7.97***	9.47	1.75	9.46
2008	-27.18	8.00	-27.18	-43.71	-26.75
2009	19.12	8.00	19.12	35.57	18.47
2010	12.44	8.00	12.44	15.17	12.13
2011	2.21	8.00	2.21	-7.80	2.15
2012	14.29	8.00	14.68	18.43	14.09
2013	15.76	8.00	15.62	25.74	15.59
2014	7.29	7.75	7.24	4.29	7.05

\* The PERS Board originally credited these accounts at 20%. That allocation was later reduced to 11.33% to comply with subsequent court decisions and legislative findings.

\*\* Tier Two regular account crediting, based solely on earnings, was 13.74%. However, the PERS Board deployed \$9 million from the Capital Preservation Reserve and \$17 million from the Contingency Reserve that was added to Tier Two earnings. As a result, Tier Two was credited with a total of 18.31%. The dollars allocated from the reserves were originally withheld from Tier Two regular account earnings.

\*\*\* After crediting Tier One accounts with the assumed rate of 8%, member attorney fees in the *Strunk* case were deducted by order of the Oregon Supreme Court resulting in an effective crediting rate of 7.97%.

- In determining plan funding, the actuary must project future earnings of the PERS Fund. This is called the “assumed earnings rate.” Historical assumed earnings rates are:
  - 5.0% for 1971 - 1974
  - 7.0% for 1975 - 1978
  - 7.5% for 1979 - 1988
  - 8.0% for 1989 - 2013
  - 7.75% beginning January 1, 2014.

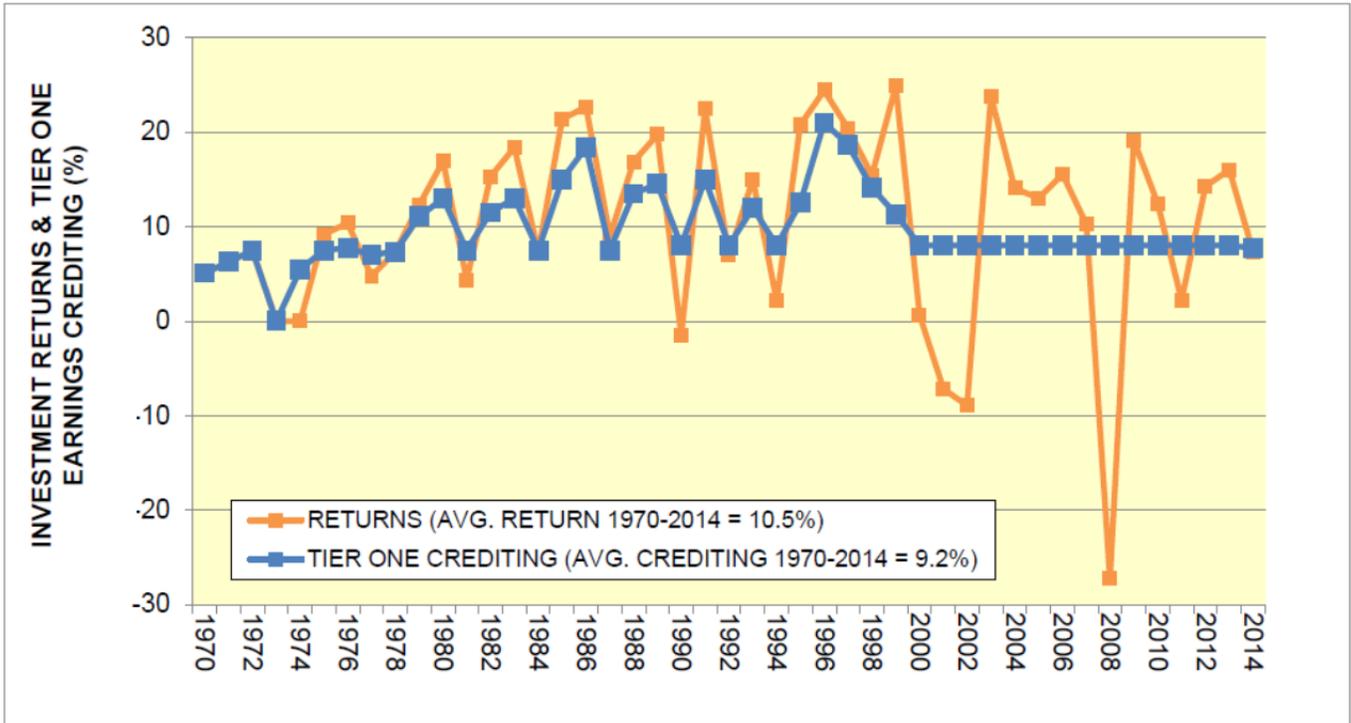
- Average earnings credited to IAP accounts from 2004 - 2014: 8.4%
- Average earnings credited to Tier Two accounts from 1996 - 2014: 8.9%

45-year averages (1970-2014)

- Regular account earnings available for crediting: 10.5%.
- Earnings credited to Tier One regular accounts: 9.2%.
- Earnings credited to variable accounts: 11.0%.

**4. System Revenue (continued)**

**Regular account earnings available for crediting and actual distributions to Tier One member regular accounts based on 2014 earnings**



Further information about Oregon PERS can be found on the State's website at the following address:

<http://www.oregon.gov/pers/Pages/index.aspx>