

## OVERVIEW OF OREGON'S PUBLIC EMPLOYEE RETIREMENT SYSTEM

The Public Employee Retirement System (PERS) serves all Oregon public employees

### What you need to know about PERS:

- There are now three levels of benefits (Tiers).
- Over 50% of OEA members are in OPSRP, the lowest tier of benefits.
- We have one of the best funded public retirement systems in the country.
- We have an unfunded liability - 70% of the unfunded liability is payable to people no longer working (retirees and inactive members).
- The courts have determined that benefits already earned cannot be changed.

	Tier One Pension	Tier Two Pension	OPSRP Pension	Individual Account Program (IAP)
<b>Normal retirement age</b>	58 (or 30 yrs)	60 (or 30 yrs)	65 (58 w/ 30 yrs)	Members receive IAP account at the time of retirement - May select distribution options
<b>Early retirement</b>	55	55	55, if vested	
<b>Benefit calculation methods</b>	Money Match Full Formula Formula + Annuity	Money Match Full Formula	Full Formula	Six account distribution options
<b>Full formula benefit factor</b>	1.67% general	1.67% general	1.50% general	N/A
<b>Lump Sum Vacation Payout</b> ■ Included in covered salary for contributions (6%)? ■ Included in Final Average Salary	■ Yes  ■ Yes	■ Yes  ■ Yes	■ No  ■ No	■ N/A
<b>Unused sick leave included in Final Average Salary?</b>	Yes	Yes	No	N/A

OEA ACTIVE MEMBERS



TIER 1

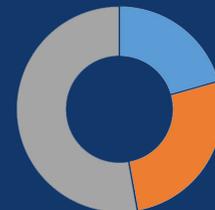
20.6%

TIER 2

26.6%

OPSRP

52.8%



### System Overview - Benefit Components\*

- Tier One: Members hired before January 1, 1996
- Tier Two: Members hired between January 1, 1996 and August 28, 2003
- OPSRP: Members hired after August 28, 2003\*\*
- IAP Account: All members with service after January 1, 2004\*\*\*

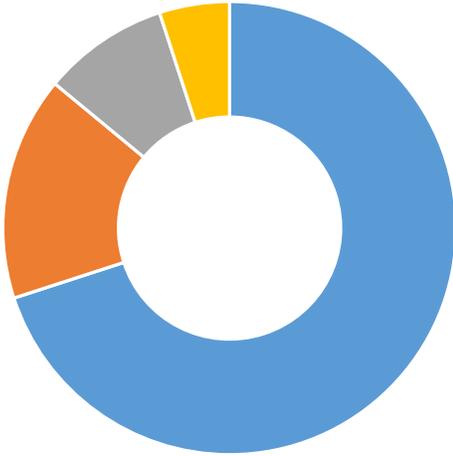
\* Police and Fire have a similar PERS benefit plan with slightly different options. They have been excluded from this table for space.

\*\* The Oregon Public Service Retirement Plan (OPSRP)

\*\*\* Individual Account Program (IAP) IAP is a defined contribution retirement program for all active Tier One/ Tier Two and OPSRP members.

# CHANGES TO PERS

There have been two major changes to PERS. These changes created Tier 2 and OPSRP, which resulted in a large reduction in overall benefits for PERS recipients. These changes have helped stabilize the system, but benefits are still closely tied to returns of the stock market. The economic collapse of 2008 was devastating to PERS accounts and created a precipitous growth in the unfunded liability of the system. The crash and the overturning of the 2013 PERS changes caused PERS to go from over 100% funded to less than 70% funded.



## The Majority of PERS Liability is for People Who Have Already Retired

**70%** is benefits being paid to retirees and inactive members

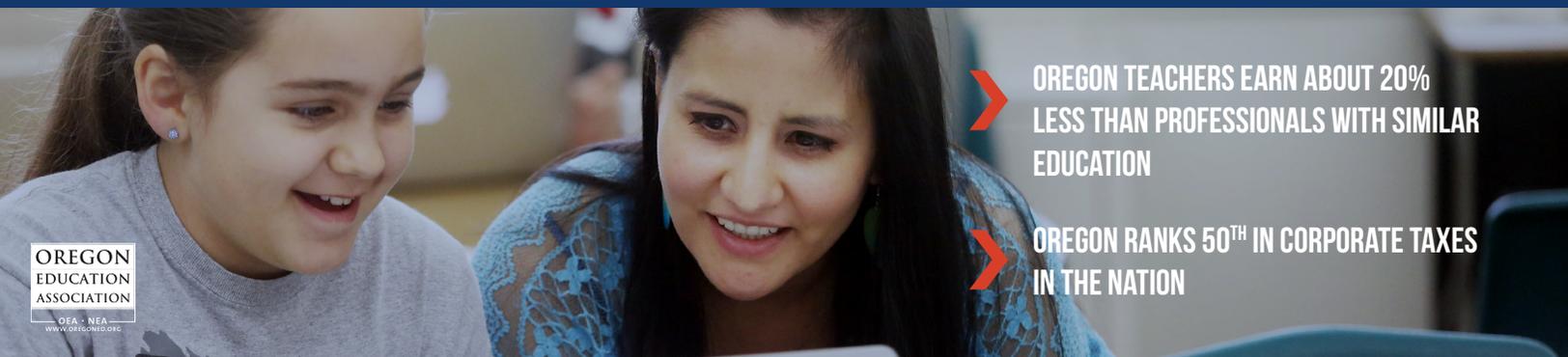
**16%** is for Tier One members who haven't retired yet

**9%** is for Tier Two members who haven't retired yet

**5%** is for OPSRP members who haven't retired yet

## PERS FACTS

- The Oregon Supreme Court has overturned many changes that have been implemented, which change benefits to those retired. Only future benefit levels can be altered.
- The growth of the unfunded liability has created pressure on the system, increasing the need for higher state and employer contributions to the system.
- PERS unfunded liability is projected to continue to grow for the next several years before finally stabilizing enough for employer rates to come down.
- This growth in the unfunded actuarial liability will be marked by a large increase in employer rates.
- The changes implemented by the legislature in 2013 that were overturned by the Supreme Court (Moro decision) have added to the unfunded liability.
- The member's contribution of 6% goes into the members IAP account for all three Tiers.
  - Some Locals have negotiated contracts where the District pays the 6% in lieu of salary or other benefits.
- PERS recipients contribute to Oregon's economy
  - The majority of PERS recipients live and do business in Oregon (\$3.3 of \$3.7 billion).
  - PERS benefit payments sustain approximately 36,000 jobs and add about \$1.7 Billion in wages.
  - Oregon collected \$171.7 million in income taxes from PERS benefits in 2014.
- The average PERS pension benefit (for all public employees) is \$27,922 (44% of final salary)



➤ OREGON TEACHERS EARN ABOUT 20% LESS THAN PROFESSIONALS WITH SIMILAR EDUCATION

➤ OREGON RANKS 50<sup>TH</sup> IN CORPORATE TAXES IN THE NATION