

PERS: By The Numbers

July 2008

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<http://oregon.gov/PERS>

1. System Demographics (from December 31, 2007 System Valuation)

PERS employers: 870, including all state agencies, universities, and community colleges; all school districts; and almost all cities, counties, and other local government units.

PERS members: approximately 95% of all public employees in Oregon.

Membership by category

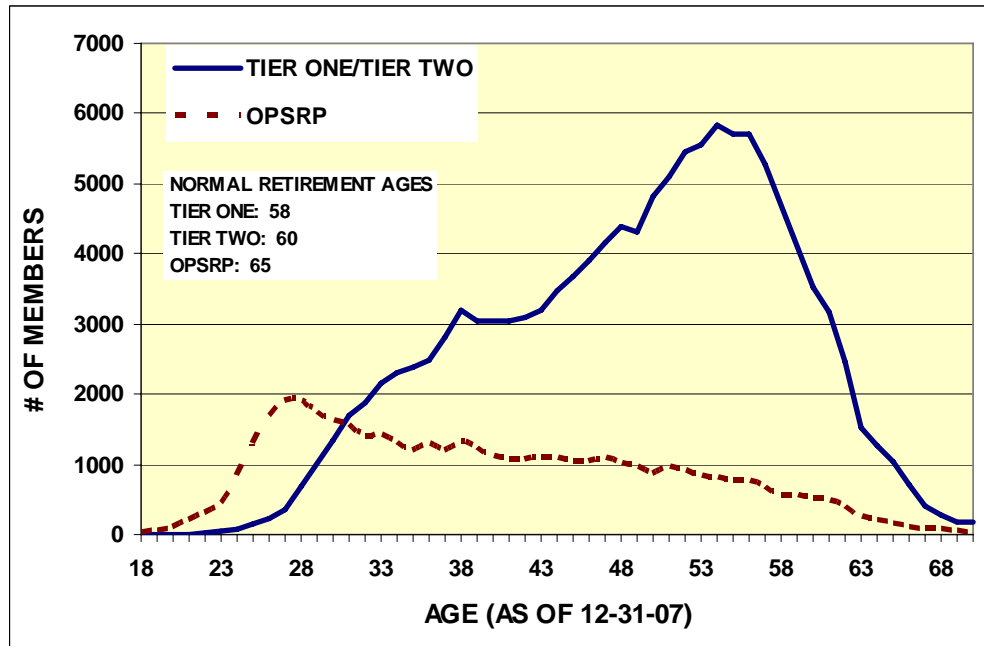
		State Agencies	Local Govt.	School Districts	Total
Tier One	Active	17,192	20,967	26,405	64,564
	Inactive	10,265	7,546	9,307	27,118
Tier Two	Active	14,948	20,347	23,583	58,878
	Inactive	5,608	8,054	7,474	21,136
OPSRP	Active	10,684	14,239	18,658	43,581
	Inactive	44	61	61	166
Sub-total	Active	42,824	55,553	68,646	167,023
	Inactive	15,917	15,661	16,842	48,420
Retirees*					105,336
TOTAL					320,779

* Includes beneficiaries but not members who received lump-sum retirement or account withdrawal payouts.

Retirements by calendar year

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
3,695	3,602	4,273	6,651	6,843	3,286	4,881	6,809	12,488	5,960	4,559	5,067	5,967

PERS/OPSRP active member age distribution



2. System Benefits

Summary of findings from PERS' May 2008 Replacement Ratio Study

The Replacement Ratio Study population of 59,818 retirements was drawn from 84,193 retirements from January 1990 through December 2007 and covers retired members who selected comparable monthly benefit options. The techniques used in the 2007 PERS Replacement Ratio Study are consistent with the techniques used in previous studies.

The calculations do not include any federal Social Security benefits that a retiree may be eligible for based on the retiree's work history, nor do they include any Individual Account Program (IAP) distributions. The calculations also do not include the effects of the ongoing *Strunk/Eugene* benefit adjustments, which will generally impact retirements occurring in 2000-2004 and reduce the reported replacement ratios for those periods by several percentage points.

Average age at retirement: 59 years old

Average years of service at retirement: 21 years of service

Average monthly retirement benefit

- For all retirees from 1990-2007, the average monthly retirement benefit at time of retirement was \$2,065 per month, or about \$24,774 annually
- For those who retired in the most recent year (2007), the average monthly retirement benefit was \$2,459 per month, or about \$29,510 annually

Average public employee salaries at retirement

- For all retirees from 1990-2007, the final average salary at retirement was \$42,228 annually
- For 2007 retirees, the final average salary at retirement was \$55,838 annually

Average salary replacement ratio (see chart on following page)

- For all retirees from 1990-2007, the average annual retirement benefit equaled 55% of final average salary at the time of retirement
- For 2007 retirees, the average annual retirement benefit equaled 51% of final average salary
- For all retirees from 1990-2007, there were 8.2% who received annual benefits more than 100% of final average salary. The average years of service for this group was 31 years
- For 2007 retirees, there were 4.9% who received annual benefits more than 100% of final average salary. The average years of service for this group was 31 years

For members who retire with 30 years of service (see chart on following page)

- From 1990-2007, the average retirement benefit for 30-year members equaled 80% of final average salary and the average monthly benefit was \$3,350 per month
- The average retirement benefit for 30-year members peaked at 100% of final average salary in 2000 and their average monthly benefit was \$4,200 per month
- For 2007 only, the average retirement benefit for 30-year members equaled 84% of final average salary and the average monthly benefit was \$4,067 per month
- 11.55% of retirees from 1990-2007 had 30 years of service
- 11.53% of retirees in 2007 had 30 years of service

2. System Benefits

Summary of findings from PERS' May 2008 Replacement Ratio Study (continued)

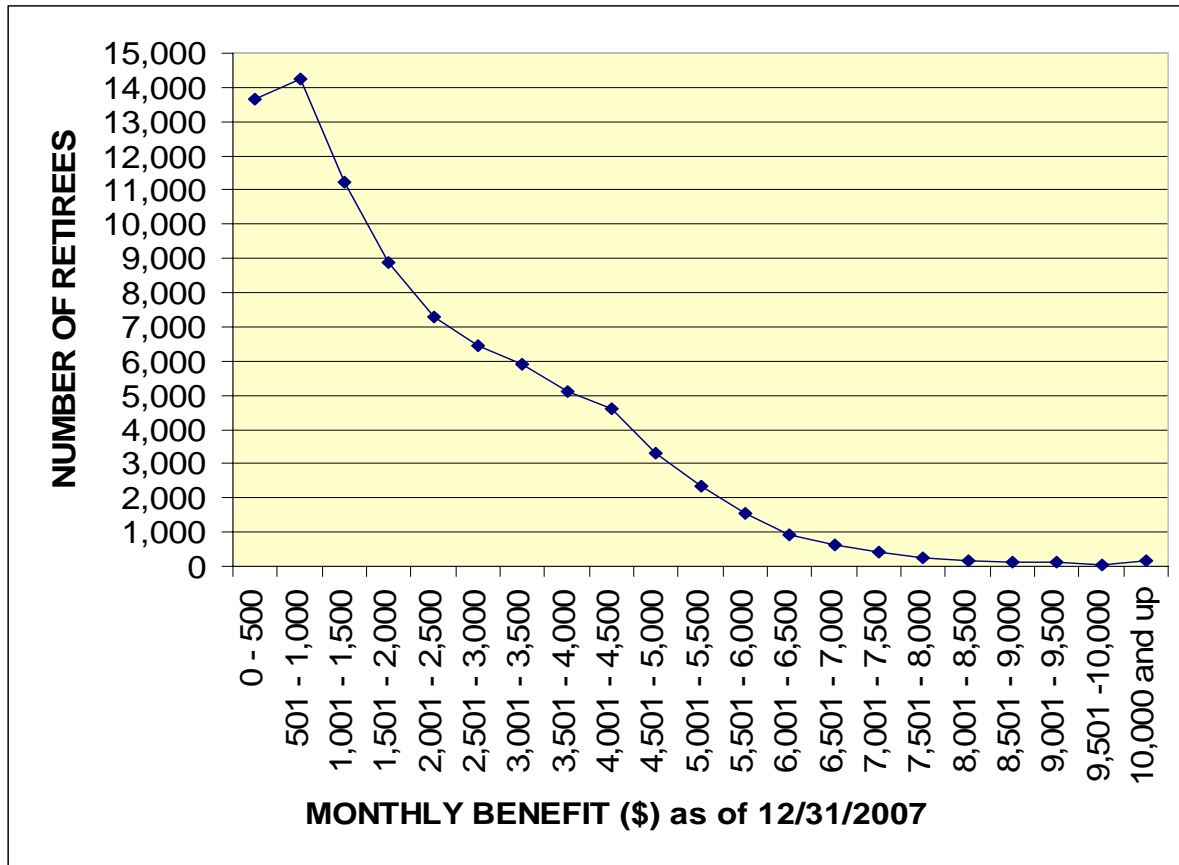
Average salary replacement ratio based on final average salary (FAS)

Calendar Year	Retirees with 30 Years of Service		All Retirees in Study		
	# of Retirees in Study	Average Replacement Ratio Based on FAS	# of Retirees in Study	Average Replacement Ratio Based on FAS	% of Retirees Receiving >100% of FAS
1990	146	61%	1,866	44%	.0%
1991	217	61%	2,377	45%	.1%
1992	205	67%	2,432	48%	.5%
1993	289	66%	2,744	48%	.5%
1994	302	67%	3,298	49%	.3%
1995	304	66%	2,827	47%	1.0%
1996	281	70%	2,477	49%	1.4%
1997	295	83%	3,107	57%	7.5%
1998	465	89%	4,567	65%	12.0%
1999	548	93%	4,644	65%	14.0%
2000	273	100%	2,112	63%	15.8%
2001	391	99%	3,146	66%	16.5%
2002	670	96%	4,605	68%	17.4%
2003	942	93%	7,631	66%	14.4%
2004	471	84%	3,259	55%	5.5%
2005	393	84%	2,548	51%	4.4%
2006	347	83%	2,952	50%	4.3%
2007	372	84%	3,226	51%	4.9%
Total/Avg	6,911	80%	59,818	55%	6.7%

2. System Benefits (continued)

Monthly benefit payment amounts as of December 31, 2007

Recipients: 87,490 retirees receiving monthly benefit payments (excludes lump-sum retirement options). The population used for this graph and chart includes all living retirees and beneficiaries receiving monthly payments. The Replacement Ratio Study population described earlier was based on 56,592 retirements initiated from 1990 through 2007.



Monthly Benefit (\$)	Number of Retirees	Monthly Benefit (\$)	Number of Retirees	Monthly Benefit (\$)	Number of Retirees
0 - 500	13,654	3,501 - 4,000	5,128	7,001 - 7,500	425
501 - 1,000	14,234	4,001 - 4,500	4,618	7,501 - 8,000	255
1,001 - 1,500	11,243	4,501 - 5,000	3,294	8,001 - 8,500	156
1,501 - 2,000	8,873	5,001 - 5,500	2,365	8,501 - 9,000	135
2,001 - 2,500	7,304	5,501 - 6,000	1,534	9,001 - 9,500	113
2,501 - 3,000	6,463	6,001 - 6,500	934	9,501 - 10,000	53
3,001 - 3,500	5,921	6,501 - 7,000	615	10,000 and up	173
Subtotal	67,692	Subtotal	18,488	Subtotal	1,310
Percent of total:	77.4%	Percent of total:	21.1%	Percent of total:	1.5%

- In 2006, the average annual pension benefit for all living PERS retirees was \$22,548, compared to an average of \$20,867 for public service retirees nationwide (U.S. Census Bureau data).

2. System Benefits (continued)

PERS Benefit Payments by County (2007 calendar year)*

County	Number of Recipients	Average Payment	Total Benefit Payments
Baker	739	\$17,879	\$ 13,212,450
Benton	3,454	\$27,369	\$94,531,640
Clackamas	10,119	\$24,465	\$247,557,686
Clatsop	1,184	\$21,723	\$25,720,441
Columbia	1,647	\$23,712	\$39,053,170
Coos Bay	2,222	\$20,630	\$45,839,817
Crook	694	\$22,026	\$15,285,732
Curry	544	\$17,867	\$9,719,753
Deschutes	4,118	\$23,275	\$95,846,628
Douglas	3,165	\$20,356	\$64,427,236
Gilliam	80	\$16,658	\$1,332,639
Grant	312	\$22,032	\$6,874,035
Harney	302	\$18,027	\$5,444,069
Hood River	528	\$22,543	\$11,902,766
Jackson	4,386	\$22,671	\$99,436,440
Jefferson	466	\$20,919	\$9,748,055
Josephine	1,762	\$19,246	\$33,911,439
Klamath	1,629	\$19,217	\$31,303,734
Lake	268	\$17,099	\$4,582,623
Lane	10,854	\$24,254	\$263,254,249
Lincoln	1,537	\$20,630	\$31,708,767
Linn	3,800	\$20,374	\$77,421,070
Malheur	833	\$20,307	\$16,916,133
Marion	15,177	\$23,576	\$357,806,402
Morrow	224	\$21,853	\$4,895,116
Multnomah	14,354	\$23,936	\$343,583,437
Polk	1,971	\$22,558	\$44,461,168
Sherman	65	\$15,444	\$1,003,838
Tillamook	954	\$24,056	\$22,949,074
Umatilla	2,130	\$20,857	\$44,425,808
Union	900	\$21,961	\$19,765,184
Wallowa	317	\$23,122	\$7,329,831
Wasco	833	\$20,239	\$16,858,910
Washington	9,435	\$24,085	\$227,242,181
Wheeler	71	\$17,274	\$1,226,440
Yamhill	2,234	\$21,740	\$48,567,718
TOTALS	103,308	\$23,088	\$2,385,145,681

*All PERS benefit payments (monthly retirement benefits, death benefits, lump-sum payments and withdrawals, but excluding IAP disbursements).

2. System Benefits (continued)

PERS Benefit Payments by State (2007 calendar year)*

State	Number of Recipients	Average Payment	Total Benefit Payments
Alabama	67	\$17,085	\$1,144,704
Alaska	227	\$13,490	\$3,062,194
Arizona	1,917	\$20,859	\$39,987,559
Arkansas	97	\$15,277	\$1,481,823
California	2,238	\$15,250	\$34,130,198
Colorado	378	\$17,433	\$6,589,759
Connecticut	36	\$19,950	\$718,191
Delaware	3	\$6,190	\$18,571
Dist of Columbia	42	\$22,302	\$936,705
Florida	512	\$17,938	\$9,184,062
Georgia	97	\$15,612	\$1,514,323
Hawaii	221	\$26,374	\$5,828,740
Idaho	1,319	\$17,389	\$22,936,698
Illinois	150	\$23,964	\$3,594,572
Indiana	76	\$14,057	\$1,068,325
Iowa	87	\$10,211	\$888,371
Kansas	79	\$14,670	\$1,158,911
Kentucky	43	\$19,217	\$826,337
Louisiana	47	\$19,590	\$920,718
Maine	24	\$10,857	\$260,576
Maryland	76	\$17,637	\$1,340,421
Massachusetts	73	\$19,320	\$1,410,345
Michigan	120	\$12,817	\$1,538,069
Minnesota	148	\$16,014	\$2,370,075
Mississippi	35	\$14,397	\$503,899
Missouri	155	\$14,357	\$2,225,319
Montana	369	\$15,576	\$5,747,572
Nebraska	63	\$15,532	\$978,532
Nevada	681	\$21,903	\$14,915,725
New Hampshire	24	\$17,464	\$419,132
New Jersey	41	\$16,021	\$656,869
New Mexico	212	\$16,793	\$3,560,114
New York	132	\$16,774	\$2,214,204
North Carolina	151	\$19,591	\$2,958,196
North Dakota	45	\$11,289	\$508,011
Ohio	122	\$17,172	\$2,094,972
Oklahoma	139	\$13,052	\$1,814,295
Oregon	103,312	\$23,087	\$2,385,180,485
Pennsylvania	121	\$12,579	\$1,522,006
Rhode Island	14	\$14,926	\$208,960
South Carolina	70	\$13,645	\$955,130
South Dakota	95	\$19,803	\$1,881,262
Tennessee	105	\$13,672	\$1,435,610
Texas	609	\$17,532	\$10,676,786
Utah	325	\$18,454	\$5,997,495
Vermont	27	\$12,846	\$346,843
Virginia	132	\$20,445	\$2,698,757
Washington	6,641	\$20,897	\$138,778,990
West Virginia	26	\$21,097	\$548,516
Wisconsin	103	\$15,564	\$1,603,130
Wyoming	94	\$18,730	\$1,760,577
TOTALS	121,920	\$22,434	\$2,735,101,634

*All PERS benefit payments (monthly retirement benefits, death benefits, lump-sum payments and withdrawals, but excluding IAP disbursements).

2. System Benefits (continued)

PERS benefit component comparisons

The primary components and differences among PERS Chapter 238 Tier One and Tier Two programs, the Chapter 238A Oregon Public Service Retirement Plan (OPSRP) Pension Program, and the Individual Account Program (IAP) are shown below. Tier One covers members employed before January 1, 1996; Tier Two covers members employed between January 1, 1996 and August 28, 2003; and OPSRP covers members employed on or after August 29, 2003. The IAP contains all member contributions (6% of covered salary) made on and after January 1, 2004.

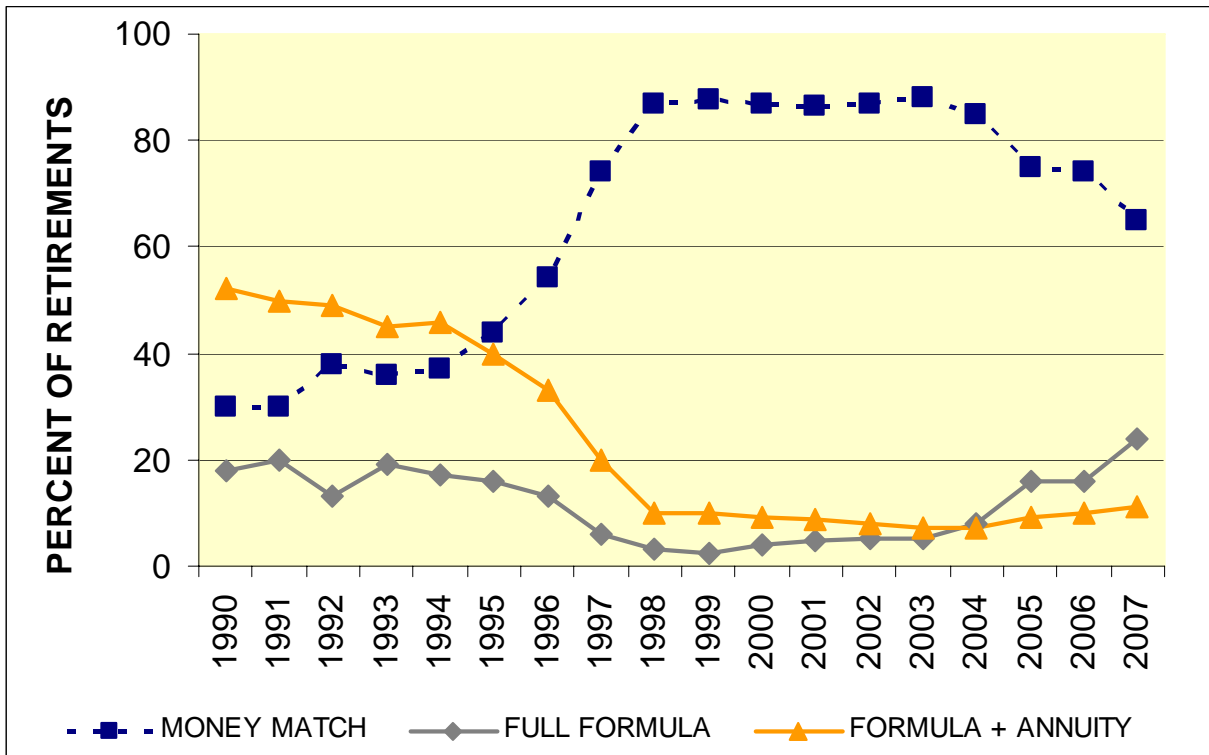
	Tier One	Tier Two	OPSRP Pension	IAP
Normal retirement age	58 (or 30 yrs); P&F = age 55 or 50 w/25 yrs service	60 (or 30 yrs); P&F = age 55 or 50 w/25 yrs service	65 (58 w/30 yrs); P&F = age 60 or 53 w/25 yrs service	55
Early retirement	55 (50 for P&F)	55 (50 for P&F)	55, if vested	55
Regular account earnings	Guaranteed assumed rate annually (currently 8%)	No guarantee; market returns	Not applicable; no member account	No guarantee; market returns
Variable account earnings	Market returns on 100% domestic equity portfolio	Market returns on 100% domestic equity portfolio	Not applicable; no member account	Not applicable
Retirement calculation methods	Money Match, Full Formula, or Formula + Annuity	Money Match or Full Formula	Full Formula	N/A
Full Formula benefit factor	1.67% general; 2.00% P&F	1.67% general; 2.00% P&F	1.50% general; 1.80% P&F	N/A
Formula + Annuity benefit factor	1.00% general; 1.35% P&F	N/A	N/A	N/A
Lump-sum vacation payout				
Included in covered salary (6%)	Yes	Yes	No	Yes for Tier One and Tier Two only
Included in FAS	Yes	No	No	N/A
Unused sick leave included in FAS	Yes	Yes	No	N/A
Vesting	Contributions in each of 5 yrs or active member at age 50	Contributions in each of 5 yrs or active member at age 50	5 yrs qualifying service or normal retirement age	Immediate
2% maximum annual cost-of-living adjustments after retirement	Can retire through July 1 and receive maximum COLA for the year	Can retire through July 1 and receive maximum COLA for the year	COLA prorated in year of retirement based on retirement date	N/A

P&F = police and firefighters; FAS = final average salary; COLA = cost-of-living adjustment; N/A = not applicable

Note: PERS uses three methods to calculate Tier One and Tier Two retirement benefits: Full Formula, Formula + Annuity (for members who made contributions before August 21, 1981), and Money Match. PERS uses the method (for which a member is eligible) that produces the highest benefit amount. OPSRP pension benefits are calculated only with the Full Formula method. The Full Formula benefit (annual amount) equals the member's respective benefit factor times the number of years of creditable service times the final average salary.

2. System Benefits (continued)

Trend in retirement calculation methods



Retirement Benefit for a Full Career (30 years) Based on Replacement of Final Average Salary (FAS)				
	Money Match	Full Formula	OPSRP	IAP
Percent of FAS replaced	The average replacement ratio in 2007 was ~80% (replacement ratios have declined since 2003 PERS Reform and will continue to decline to the Full Formula level)	~ 50% (will become the predominate retirement method for almost all Tier Two members and a growing percentage of Tier One members)	45% (for new employees hired on or after August 29, 2003)	~ 15-20% (earns market rate; member assumes all investment risk)

NOTE: The vast majority of PERS members are eligible for Social Security if they worked at least 10 years in a Social Security-covered position. The average monthly Social Security benefit for all retired workers in the United States in January 2008 was approximately \$1,079 per month. Full retirement age for Social Security is currently 65 years and 10 months.

2. System Benefits (continued)

PERS Retiree Insurance Program information

The Oregon PERS Health Insurance Program makes optional health, dental and long-term care insurance plans available for eligible retirees, spouses, and dependents (Tier One/Tier Two members only). Active members and their dependents are not eligible for the PERS insurance program, nor are Oregon Public Service Retirement Plan (OPSRP) retirees. The PERS Health Insurance Program primarily serves Medicare-eligible (age 65 and over) public retirees and spouses.

ORS 243.303 requires Oregon public employers to make their active employee group insurance programs available to their retirees and dependents that are not yet Medicare eligible (the rate must be no more than the blended rate for the entire group). Public employers may charge retirees the entire monthly premium (as state government does) or may choose to subsidize the insurance premium for eligible retirees (as provided in varying degrees by individual school districts and local governments).

There are two statutory trust funds administered by PERS as part of the Health Insurance Program that provide premium subsidies for eligible retirees or surviving spouses. These trusts are known as the Retirement Health Insurance Account (RHIA), serving all qualifying PERS retirees, and the Retiree Health Insurance Premium Account (RHIPA), serving qualifying state government retirees. Both trusts are funded on an actuarial basis.

Program Enrollment (as of April 2008)

Medical Plans (four plans offered)	Totals	Medicare	Non-Medicare
Covered lives	50,528	48,696	1,832
Retirees (or surviving spouses)	40,747	39,648	1,099
Spouses/Dependents	9,781	9,048	733
Average age of enrolled retirees	76	75	59
Dental Plans total (two plans)	25,526		
Long Term Care Plan - total	1,819		

Statutory Health Insurance Premium Subsidies

Retirees receiving RHIA (trust fund held by PERS*)	37,952
Retirees receiving RHIPA (trust fund held by PERS**)	722
RHIA monthly payment total	\$2,277,120.00
RHIPA monthly payment total	\$ 159,982.77
Unfunded actuarial liability is \$264.3 million (as of December 31, 2007)	
Retirement healthcare employer rate: 0.32% of payroll beginning July 1, 2009	

* The RHIA subsidy is \$60 per month for Medicare-eligible retirees.

** The RHIPA subsidy is for State of Oregon pre-Medicare retirees only and varies depending on the employee's years of service from \$126.27 (8 years) to \$252.54 (30+ years) per month.

3. System Funding Level and Status

Funded status

As of the most recent system valuation (December 31, 2007), the PERS Tier One/Tier Two program was 112.1% funded (including advance deposits from employers held in side accounts, but excluding PERS Retiree Insurance Programs) and 97.6% funded if side accounts were not included. Side accounts are deposits of pension obligation bond proceeds and other advance lump sum payments. The OPSRP funded status was 135.5%.

As of December 31, 2007, there was no Tier One/Tier Two unfunded actuarial liability (UAL) when including side accounts. The Tier One/Tier Two pension program had a surplus of \$6.38 billion (including employer side accounts). The Unfunded Actuarial Liability (UAL) fluctuates based on various factors including investment returns, Board reserving policies, legislative changes, and litigation outcomes.

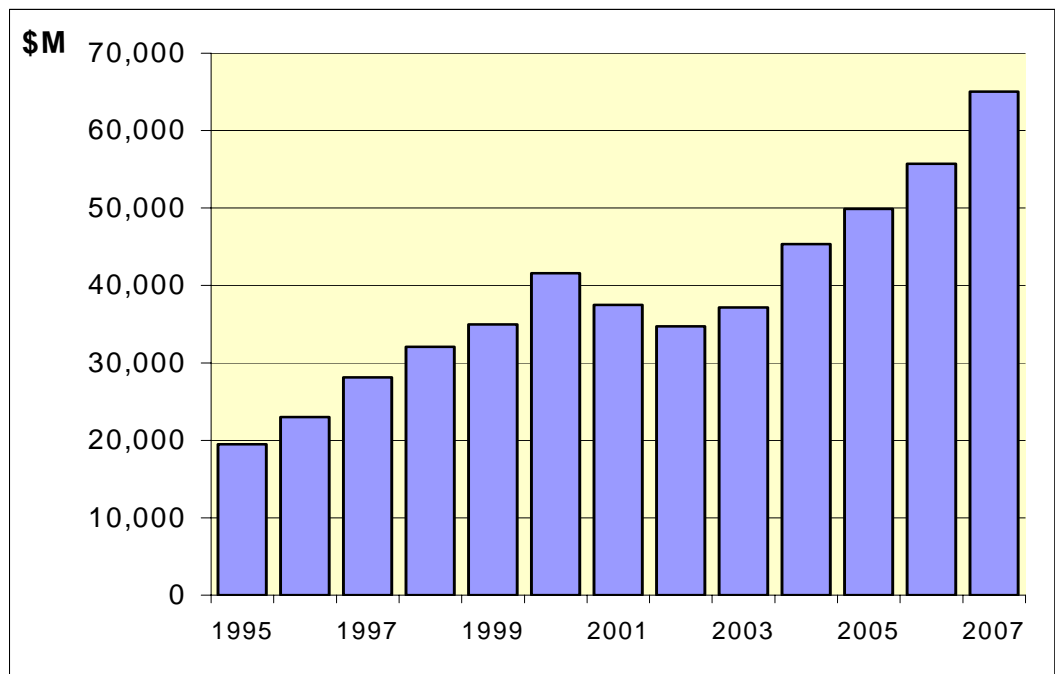
OPSRP had a surplus of \$72 million as of December 31, 2007, so there was no OPSRP UAL.

Fund performance

The PERS Fund is the 13th largest public pension fund in the United States* and is invested with the oversight and direction of the Oregon Investment Council. For the past one, three, five, and seven years, the PERS Fund investment returns have ranked in the top quartile of public funds with more than \$10 billion. For the past three and five years, the PERS fund investment returns have been top ranked for public funds with assets greater than \$10 billion.

Net plan assets held in trust (Fiscal Year ending June 30; in million dollars)

2007: \$65,031
2006: \$55,723
2005: \$49,870
2004: \$45,359**
2003: \$37,158
2002: \$34,749
2001: \$37,508
2000: \$41,574
1999: \$34,994
1998: \$32,108
1997: \$28,131
1996: \$23,015
1995: \$19,503



* National Association of State Retirement Administrators' 2007 Public Fund Survey.

** 2004 and beyond includes OPSRP, IAP, and post-retirement health care.

4. System Revenue

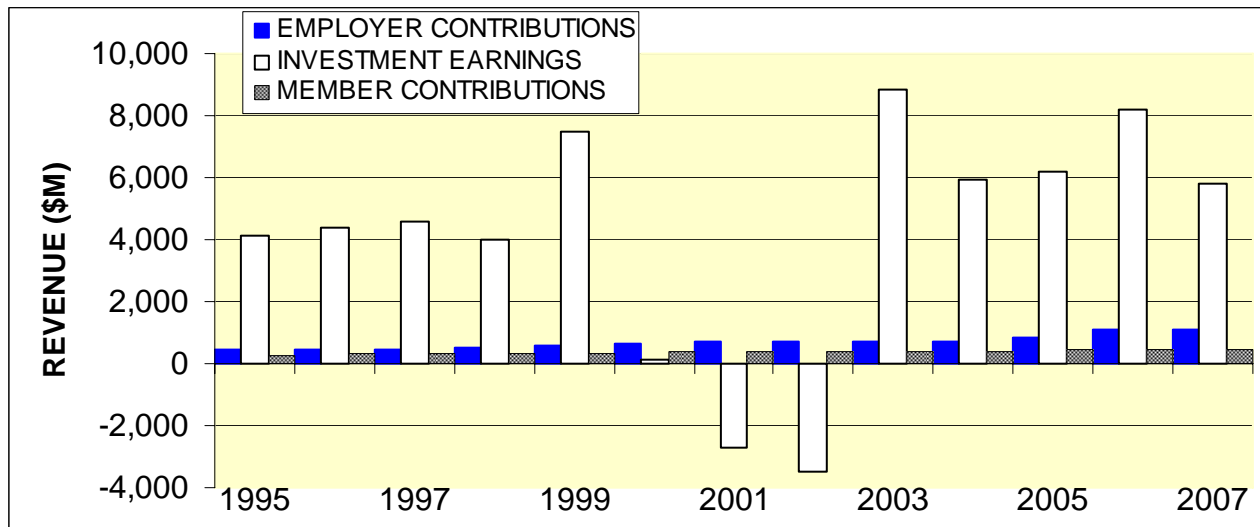
Member and employer contributions and investment income for calendar years:

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

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

** Beginning with 2004, member contributions are placed in the Individual Account Program, not Tier One/Tier Two accounts.

- Member contributions equal 6% of covered salary.
- 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 annual contributions for the employers that make such payments.
- Employer contribution amounts are from the calendar year-end records. Data for calendar year 2004 and beyond includes employer contributions for OPSRP Pension, 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 and variable accounts

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

* The PERS Board originally credited these accounts at 20%. That allocation was 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.

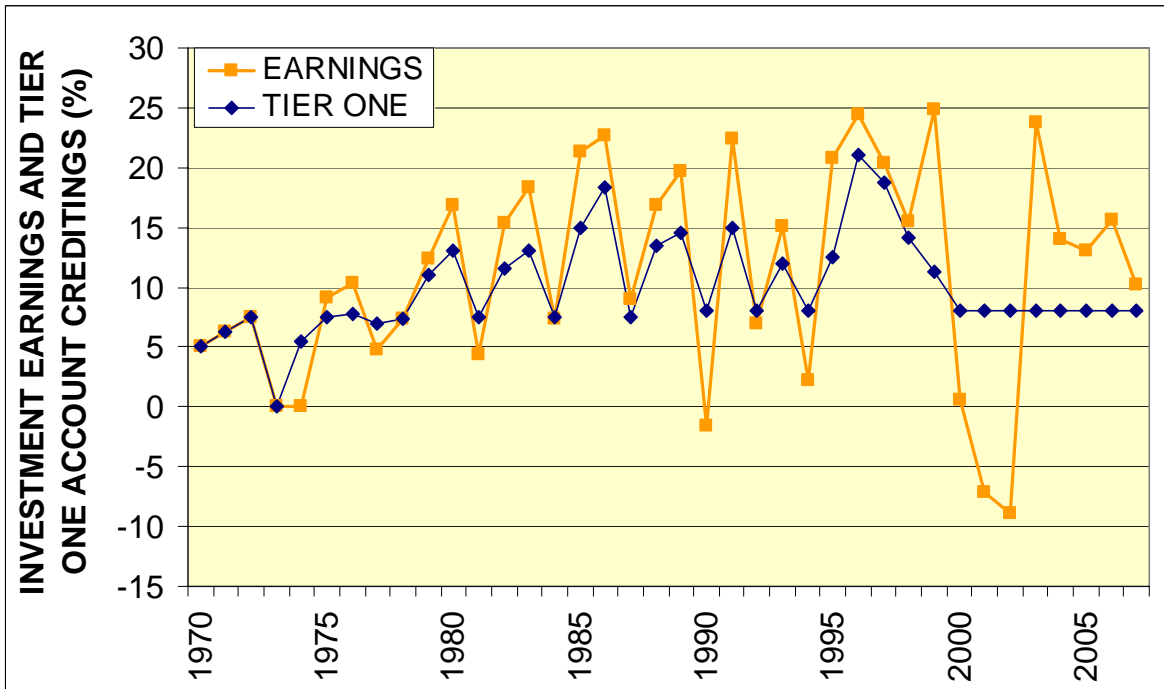
*** After crediting Tier One accounts with the assumed rate of 8%, member attorney fees in the *Strunk* case were deducted by order of the Oregon Supreme Court resulting in an effective crediting rate of 7.97%.

Note: Tier Two was created by statute in 1995 and covers employees hired between January 1, 1996 and August 28, 2003.

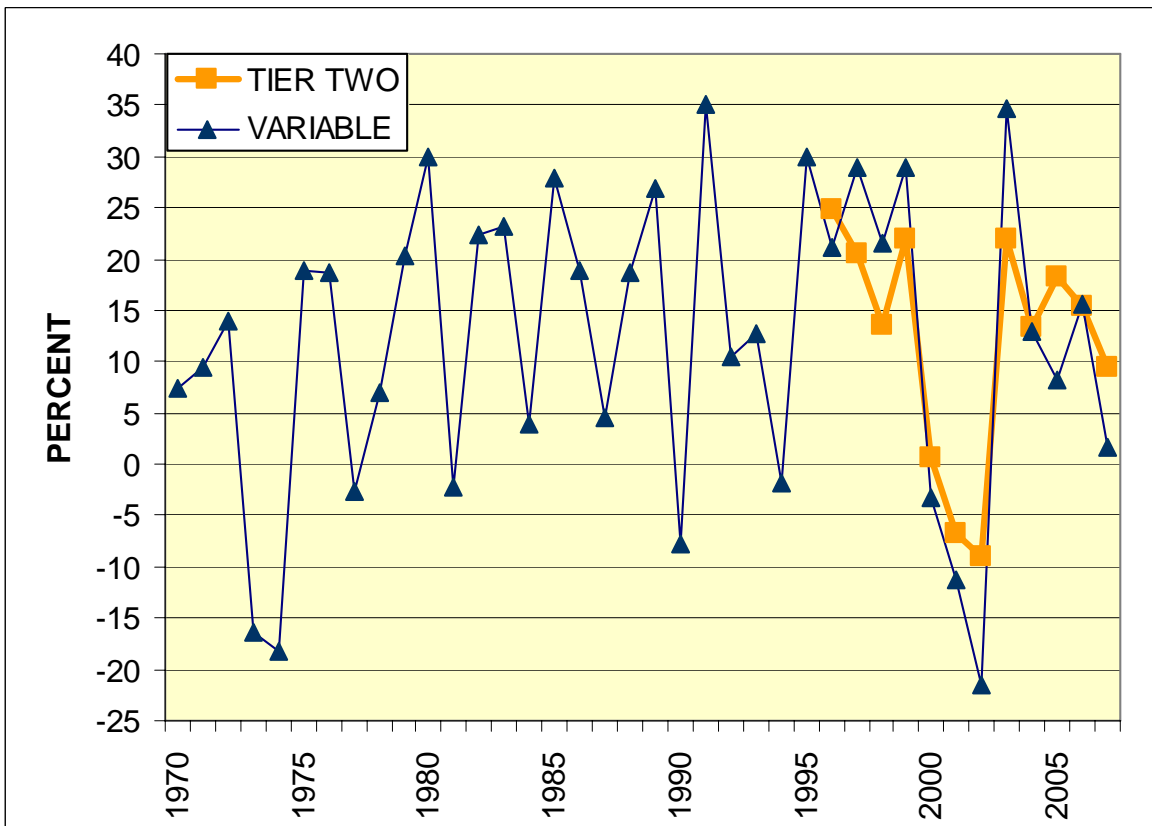
- The 38-year average regular account earnings available for crediting equaled 11.23%.
- The 38-year average earnings credited to Tier One regular accounts equaled 9.96%.
- In determining plan costs, the actuary must project future earnings of the PERS Fund. This is called the “assumed earnings rate.” Historical assumed earnings rates are shown below:
 - 5.0% for 1971 - 1974
 - 7.0% for 1975 - 1978
 - 7.5% for 1979 – 1988
 - 8.0% for 1989 – current.

4. System Revenue (continued)

Regular account earnings available for crediting and actual distributions to Tier One member regular accounts



Actual distributions to Tier Two member regular accounts and to Tier One and Tier Two member variable accounts (market returns from an all equity portfolio)



4. System Revenue (continued)

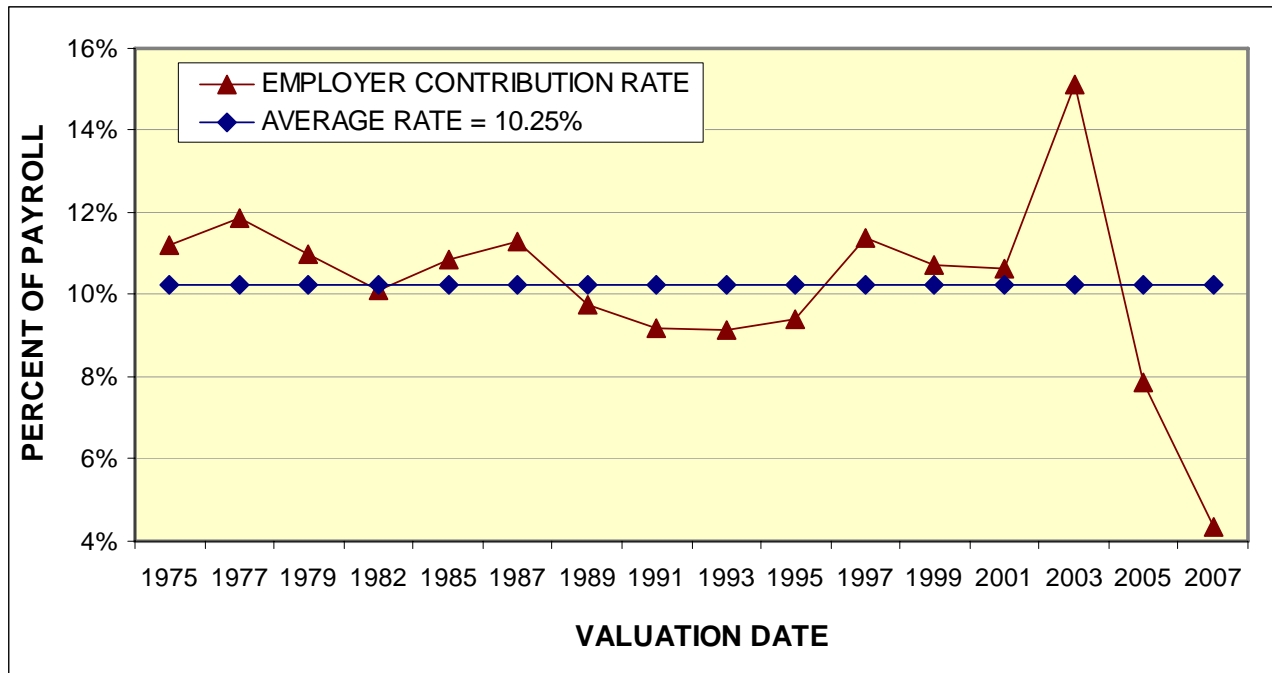
Systemwide average employer contribution rate history (by valuation date)

Valuation Year	Systemwide (%)	Annualized Salary (\$M)
1975	11.21	1,014.5
1977	11.87	1,226.8
1979	10.97	1,488.0
1982	10.13	2,062.1
1985	10.87	2,428.3
1987	11.30	2,764.7
1989	9.74	3,199.4
1991	9.19	3,887.5
1993	9.15	4,466.8
1995	9.42	4,848.1
1997	11.40	5,161.6
1999	10.74	5,676.6
2001	10.64	6,256.5
2003	15.10*	6,248.5
2005	7.89	6,782.0
2007	4.70**	7,721.8

* Phased rate as of 12-31-03 valuation.

** Effective average employer rate as of July 1, 2009, after adjusting for employer side account offsets.

Systemwide average employer contribution rates as a percent of covered salary as of valuation date (includes side account rate offsets in 2003, 2005, and 2007)



4. System Revenue (continued)

Unfunded actuarial liability history and funded ratio for Tier One/Tier Two*

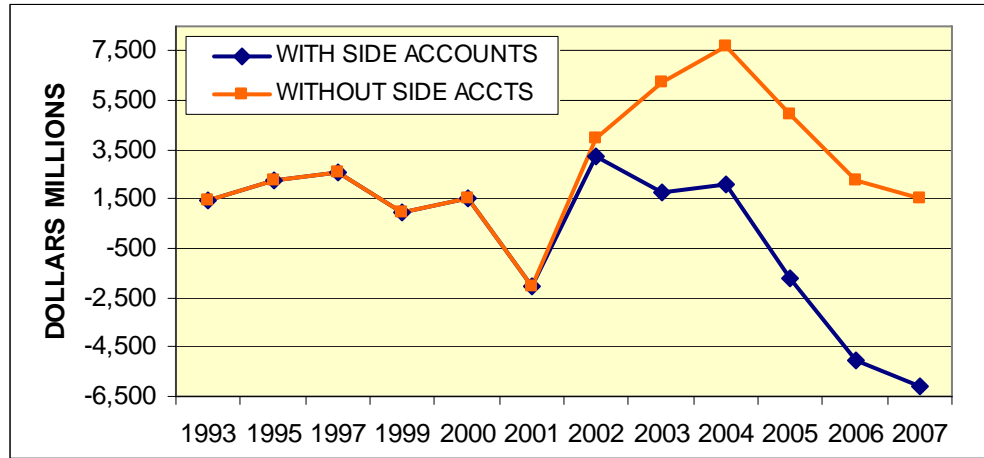
Valuation** Date	With Side Accounts*** (starting in 2002)		Without Side Accounts	
	UAL (\$M)	Funded Ratio (%)	UAL (\$M)	Funded Ratio (%)
1993	1,449	92.4	1,449	92.4
1995	2,291	90.2	2,291	90.2
1997	2,556	91.9	2,556	91.9
1999	943	97.7	943	97.7
2000	1,545	96.4	1,545	96.4
2001	-2,031	105.4	-2,031	105.4
2002	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

* Includes RHIA/RHIPA.

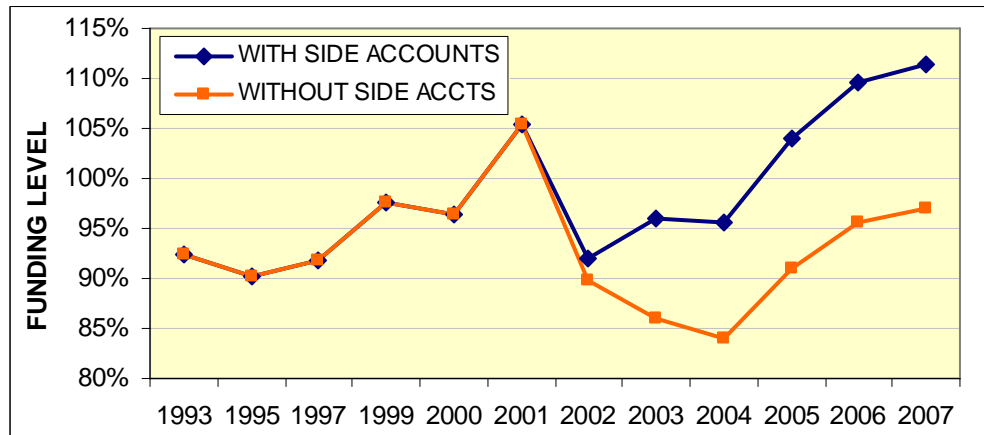
** 2000-2003 UALs were calculated using actuarial value of assets (AVA) based on year-to-year changes in asset values smoothed over four-year periods. All other UALs since 1997 were calculated using an AVA based on fair market value.

*** 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.

**Tier One/Tier Two
UAL history (negatives
are surplus)**



**Tier One/Tier Two
Funded ratio**



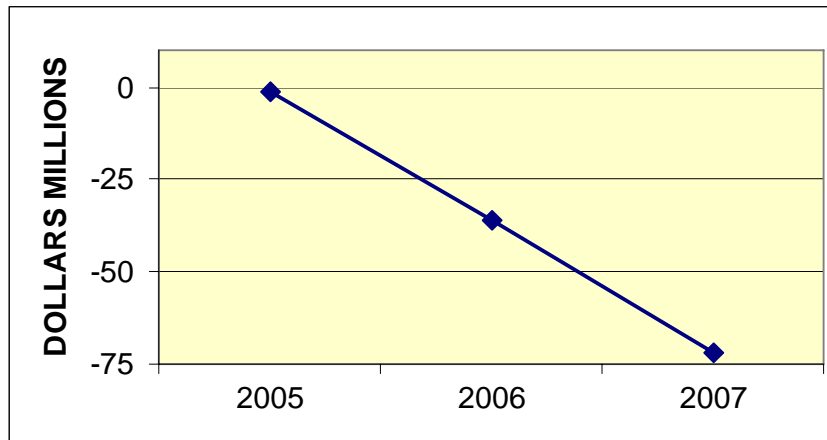
4. System Revenue (continued)

Unfunded actuarial liability history and funded ratio for the OPSRP Pension Program

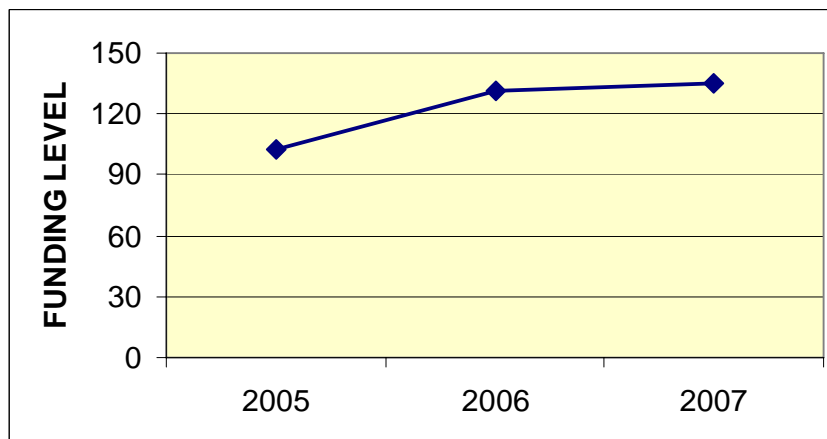
Valuation Date	UAL (\$M)	Funded Ratio (%)
2005	-1.2	102.3
2006	-36	131.3
2007	-72.1	135.5

* 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.

OPSRP UAL history (negatives are surplus)



OPSRP Funded ratio



5. System Reform

Differences between Pre- and Post-Reform conditions

Unfunded Actuarial Liability (UAL)

Prior to reform, the Board's actuary projected the system's UAL at approximately \$17 billion, effective April 2003. Currently, there is no UAL in the Tier One/Tier Two program when counting employer side accounts (totaling \$7.7 billion). The Tier One/Tier Two program has a surplus of \$6.4 billion when including side accounts.

System Funded Status

In early 2003, the system's funded level was calculated by the Board's actuary at about 65% on a fair market value basis. Currently, the system's funded level, on a fair market value basis, is 112% when counting side accounts. Excluding side accounts, the system's funding level is 98%. This compares to a national average funding level of 86% for all public pension systems. The net asset value of the PERS fund increased from a market downturn low of about \$31 billion in September 2002 to approximately \$65 billion in December 2007.

Employer Contribution Rates

In April 2003, average employer rates were projected by the Board's actuary to increase to more than 27% of covered salary by 2007 and stay at that level for a number of years. Post-reform, employer contribution rates (not counting side account offsets) averaged about 15% beginning July 1, 2007 and will average about 12% (not counting side accounts) beginning July 1, 2009. Every 1% of covered salary is over \$70 million in contributions, so the difference between a 27% rate and a 12% rate represents over \$1 billion per year for Oregon's state and local governments and schools.

Contribution rates for many employers are much less than the systemwide average due to the leveraging effect of their pension obligation bonds and advance deposits. After adjusting for employer side accounts, the systemwide net average employer rate will be less than 5% beginning July 1, 2009.

Post-reform, employer rates are comparable to those of other comprehensive statewide systems with similar funded status and requirements, particularly those systems covering police officers, firefighters, and teachers like PERS.

Member Contribution Rates

Member contribution rates are set by statute at 6% of covered salary. Effective January 1, 2004, member contributions are deposited in the Individual Account Program (IAP) and invested at market returns with no earnings rate guarantee. Member contributions are paid in one of three ways: employer-paid pre-tax, member-paid pre-tax, or member-paid after tax – with approximately 70% paid on an employer-paid pre-tax basis.

Reserves

Prior to reform, the PERS Board was facing a \$1.9 billion deficit in its Tier One rate guarantee reserve. In the five years since reform, the Board has eliminated that deficit and set aside about \$1.9 billion in the rate guarantee reserve and another \$653 million in its general contingency reserve.

5. System Reform (continued)

Differences between Pre- and Post-Reform conditions (continued)

Employer Side Accounts

Many employers have used proceeds from pension obligation bonds (POB's) and other supplemental payments to establish side accounts and offset their contribution rates. The State originally projected rate savings associated with its \$2 billion pension obligation bond to total some \$850 million over the 24 year bond repayment period. The POB associated rate relief for the State will be nearly 10% of payroll for its 2009-2011 rates, saving the state a net of approximately \$79 million per year after bond debt service costs.

Employer debt service schedules and costs associated with some \$6.2 billion outstanding principle on pension obligation bonds are maintained and reported separately by the issuing entities.

Benefit Levels

For 2006, the average annual pension benefit for all living PERS retirees was \$22,548, compared to an average of \$20,867 for public service retirees nationwide based on U.S. Census Bureau data. Members who retired in 2006 received an average monthly benefit of \$2,336 or about \$28,000 per year. The average salary replacement ratio for 30-year career employees was 84% in 2007, while the average replacement ratio for all 2007 retirees was 51%. These ratios will continue to drop as money match benefits are phased out and replaced by Full Formula benefits (which for 30-year career employees provide 50% of final average salary for Tier One/Tier Two and 45% for OPSRP). The member contribution funded Individual Account Program (IAP) will provide a supplemental retirement savings account for members.

Reform Litigation

The Oregon Supreme Court's *Strunk* ruling upheld the three key structural elements of PERS reform – updated mortality tables, redirection of member contributions to the separate Individual Account Program (IAP), and Tier One assumed rate earnings crediting restrictions and reserve requirements. In addition to reforming the Tier One and Tier Two programs, the reform legislation established a new lower-cost pension program – OPSRP – for public employees hired on or after August 29, 2003. Combined, these changes have both reduced and stabilized liabilities, reducing the long-term costs of the system, and improving long-term system sustainability for the members.

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