

# PERSPECTIVES

Active  
Member  
Edition

## Annual Financial Report Edition

### Annual Financial Report

Every year PERS prepares the 2005 Comprehensive Annual Financial Report (CAFR) showing the status of all funds administered by the PERS Board. The CAFR for the fiscal year ending June 30, 2005, was recently published.

The Secretary of State's office audits the financial statements contained in the CAFR prior to publication.

PERS' funds are used to provide retirement, death, and disability benefits to members; administer retiree health insurance programs; and oversee the state-sponsored deferred compensation program. PERS' funds are invested by the Oregon Investment Council (OIC).

This issue of *Perspectives* contains key CAFR information. The full report is on the PERS website (<http://oregon.gov/PERS>).

The CAFR has been awarded the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for 14 consecutive years.

### Online Benefit Estimator

PERS mailed 2004 Tier One and Tier Two member annual statements to members in January 2006. The account balance on your annual statement has been updated to include the effects of the *Strunk* and *Eugene* cases.

You can use your 2004 account balance to get an online retirement benefit estimate from the PERS website at <http://oregon.gov/PERS>.

The online benefit estimate calculator provides an estimated account balance at retirement and an estimated monthly benefit amount for the retirement options under the PERS plan.

The calculator uses the most recent actuarial tables, which became effective July 1, 2003.

The calculator provides non-binding benefit estimates only and your actual retirement benefit may differ.

You can use as many retirement dates as you want to generate online retirement estimates.

### 2004 Annual Statements mailed

PERS mailed Tier One and Tier Two 2004 member annual statements to members in January 2006. Two Oregon Supreme Court cases, *Strunk* and *Eugene*, delayed preparation of the statements.

Your 2004 annual statement includes earnings added to your retirement account for the year ending December 31, 2004. No contributions were added to your Tier One or Tier Two account in 2004; as of January 1, 2004, all contributions have been placed in your Individual Account Program (IAP) account.

Earnings crediting for Tier One regular accounts for 2004 is 8.0 percent; Tier Two regular account crediting is 13.27 percent.

If you participate in the variable, that portion of your account was credited with 13.00 percent for 2004.

#### *In This Issue*

■ Expenses by Type . . . . .	2
■ PERS group counseling schedules . . . . .	3
■ Statement of Fiduciary Net Assets . . . . .	4
■ Statement of Changes in Fiduciary Net Assets. . . . .	5
■ Investment Summary . . . . .	6
■ Largest Stock Holdings . . . . .	6
■ Annualized Investment Results . . . . .	6
■ Retirement System Membership . . . . .	6
■ Actuarial and Unfunded Actuarial Liabilities. . . . .	7
■ <i>Strunk/Eugene</i> FAQs . . . . .	8

## OSGP: less stress and more money

Are you tired of managing several different retirement accounts or having to remember that PIN to the 401(k) you had six years ago? The Oregon Savings Growth Plan (OSGP) has a solution for you!

You can consolidate your retirement savings in one place by transferring or rolling your existing 457 or IRA or by rolling a 401(a), 401(k), 457, or 403(b) account from a previous employer into OSGP.

Another benefit of consolidating your investments with OSGP is the exceptionally low fees.

For more information or to request a transfer/rollover packet, please call Justin Naegle at 503-378-3730 ext. 223.

*Perspectives* is published quarterly by the Oregon Public Employees Retirement System for the benefit of PERS/OPSRP members and employers. Address all correspondence to PERS, P.O. Box 23700, Tigard, OR 97281-3700. PERS headquarters office is at 11410 SW 68th Parkway, Tigard, Oregon. Phone 503-598-PERS or toll-free 888-320-7377; TTY: 503-603-7766. Telephone hours are 8:30 a.m. to 5 p.m., Monday through Friday, except holidays. PERS' Internet address is <http://oregon.gov/PERS>.

### BOARD

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## Expenses by Type for the Defined Benefit Pension Plan, Oregon Public Service Retirement Plan Pension Program, and the Oregon Public Service Retirement Plan Individual Account Program for the Years Ended June 30

### Defined Benefit Pension Plan

Fiscal	Administrative			
1996	\$ 760,759,150	\$ 11,867,713	\$ 51,914,136	\$ 824,540,999
1997	882,187,884	13,227,283	52,542,067	947,957,234
1998	1,574,494,076	15,183,982	56,893,468	1,646,571,526
1999	1,343,217,654	15,666,811	50,530,792	1,409,415,257
2000	1,442,314,231	18,568,579	51,726,463	1,512,609,273
2001	1,578,497,193	25,374,819	46,243,701	1,650,115,713
2002	1,688,072,888	17,456,752	46,086,912	1,751,616,552
2003	2,000,324,195	16,784,817	42,640,295	2,059,749,307
2004	2,518,986,074	24,874,201	42,193,518	2,586,053,793
2005	2,364,400,988	27,744,201	60,241,863	2,452,387,052

### Oregon Public Service Retirement Plan\* Pension Program

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
2004	\$ N/A	\$ 1,444,056	\$ N/A	\$ 1,444,056
2005	N/A	6,939,098	N/A	6,939,098

### Oregon Public Service Retirement Plan\* Individual Account Program

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
2004	\$ N/A	\$ 1,400,300	\$ N/A	
2005	1,234,891	5,243,347	N/A	6,478,238

\*The Oregon Public Service Retirement Plan became fully operational in January 2004, and information prior to 2004 is not available.

## PERS' education partner offers seminars

PERS has partnered with American General Financial Advisors (AGFA) to provide a series of educational workshops for PERS members.

The workshops teach financial concepts to help members plan and prepare for retirement and to be better informed when making important retirement decisions.

AGFA's Retirement Strategies seminar, for PERS members within one year of retirement, includes:

- ♦ Social Security,
- ♦ Medicare and retiree health insurance,

- ♦ income and distribution planning,
- ♦ coordinating PERS benefit with other sources of income,
- ♦ planning for changing income and expense needs,
- ♦ investment strategies for retirement, and
- ♦ estate planning.

We have posted the schedule of upcoming AGFA seminars on the PERS website at: <http://oregon.gov/PERS> in the Counseling Sessions section. It is also shown on the following page.

## PERS Group Counseling February - May 2006

For members within *five* years of retirement. Registration is required.

Note the time of the session when you register through the Web.

Albany	Mar. 1
Ashland/Med.	Mar. 8
Astoria	Mar. 2
Bend	Mar. 14; May 9
Corvallis	Feb. 23
Eugene/	Mar. 15
Springfield	
Gresham	Apr. 4
Hillsboro	Mar. 14
Hood River	Apr. 17
Klamath Falls	Apr. 12
La Grande	Apr. 19
Ontario	Apr. 20; May 17
Oregon City	Mar. 21
Pendleton	Apr. 18
Portland/	May 1
Tigard	
Redmond	Apr. 11
Salem	Feb. 25; Apr. 12

Sessions are limited to members within five years of retirement.

Content for all sessions includes:

- ♦ review of regular, variable, and IAP accounts and a discussion of pre-retirement benefits;
- ♦ explanation of benefit estimates; and
- ♦ information on retiring with PERS, taxes, and work after retirement.

**All PERS group counseling sessions are free to members. Space is limited and registration is required. You can register online for any of the sessions at <http://oregon.gov/PERS/>.**

**Note: the PERS Presentation Team  
conducts sessions at employer sites.**

Call 503-603-7797 to arrange a presentation at your work site.

## PERS One-Year Sessions February - May 2006

For members within *one* year of retirement. Registration is required.

Note the time of the session when you register through the Web.

Ashland/Med.	Mar. 8, 9
Astoria	Mar. 9
Bend	Mar. 15; May 9, 10
Coos Bay	Mar. 6
Corvallis	Mar. 1
Eugene/	Feb. 15; Mar. 15
Springfield	Apr. 19; May 17
Gresham	Feb. 7; Mar. 7; May 2
Hillsboro	Feb. 14; Apr. 11
Hood River	May 8
Klamath Falls	Apr. 12
La Grande	May 16
Ontario	May 17
Oregon City	Mar. 23
Pendleton	May 15
Portland/	<u>Feb. 6, 20, 27</u> ; Mar. 13, <b>20, 27</b> ; Apr. 3, 17, <b>24</b> ; <u>May 8, 15, 22</u>
Tigard	
Redmond	Mar. 13
Roseburg	Mar. 7
Salem	Feb. 25; Mar. 8, 22; Apr. 26; May 10, 24
The Dalles	Apr. 10

Note the time when you register through the Web.

Dates in **bold** emphasize issues unique to education staff; dates underlined are especially for police officers and firefighters.

Content for all sessions includes:

- ♦ understanding your estimate,
- ♦ completing retirement forms, and
- ♦ responses to your questions.

## Early Career Sessions February - May 2006

Sessions are limited to PERS/OPSRP members hired on or after January 1, 1996. Registration is required.

Note the time of the session when you register through the Web.

Bend	Mar. 14
Eugene	Apr. 19
Portland/	Feb. 13; Apr. 10
Tigard	
Salem	Feb. 8

Sessions include information on:

- ♦ Tier Two membership details and benefits,
- ♦ The Oregon Public Service Retirement Plan (OPSRP), and
- ♦ The Individual Account Program (IAP).

## American General Financial Advisors

**Registration: 1-888-752-6422**

**Retirement Strategies:** for PERS members within one year of retirement. **8:30 a.m. - 3:00 p.m.** Topics include coordinating your PERS pension with other sources of retirement income, Social Security, Medicare, retiree health insurance, planning for changing income and expense needs, etc.

Ashland/Med.	May 25
Bend	Feb. 28; Apr. 25
Corvallis	May 18
Eugene	Feb. 2
Oregon City	Feb. 16
Salem	Feb. 17; Apr. 20
Tigard	Feb. 18; May 13

**Planning for Retirement:** for PERS members within five years of retirement. **8:30 a.m. - 2:00 p.m.** Topics include investment strategies, tax planning, calculating the cost of retirement, understanding Social Security and Medicare, etc.

Ashland/Med.	Mar. 23
Bend	Mar. 16; May 11
Corvallis	Mar. 21
Eugene	Apr. 5
Gresham	Apr. 20
Oregon City	Mar. 2
Salem	Mar. 16
Tigard	Mar. 25; Apr. 15

**Statements of Fiduciary Net Assets for the Defined Benefit Pension Plan, Oregon Public Service Retirement Plan Pension Program, and the Oregon Public Service Retirement Plan Individual Account Program at June 30, 2005**

	Defined Benefit Pension Plan*	Oregon Public Service Retirement Plan Pension Program	Oregon Public Service Retirement Plan Individual Account Program
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 2,846,197,441	\$ 5,919,414	\$ 62,998,528
Receivables:			
Employer	14,202,211	1,917,603	—
Plan Member	—	—	14,221,429
Interest and Dividends	149,369,691	62,832	1,742,827
Investment Sales and Other Receivables	1,054,518,878	441,639	12,250,219
Total Receivables	<u>1,218,090,780</u>	<u>2,422,074</u>	<u>28,214,475</u>
Due from Other Funds	1,899,837	—	—
Investments:			
Debt Securities	13,833,890,215	5,811,428	161,197,669
Equity	26,853,520,680	10,967,676	304,221,947
Real Estate	2,862,481,160	1,219,400	33,823,790
Alternative Equity	4,240,232,672	1,814,021	50,317,398
Restricted Investment Contracts	—	3,991,699	498,962
Total Investments	<u>47,790,124,727</u>	<u>23,804,224</u>	<u>550,059,766</u>
Securities Lending Cash Collateral	5,506,029,627	3,156,467	69,684,258
Prepaid Expenses and Deferred Charges	1,611,097	82,244	10,280
Equipment and Fixtures, Cost Net of Accumulated Depreciation at 2005: \$2,820,352; at 2004: \$2,406,511	1,287,378	6,214,035	768,027
Buildings, Cost Net of Accumulated Depreciation at 2005: \$1,467,249; at 2004: \$1,280,236	5,968,832	—	—
Land and Land Improvements	944,463	—	—
Office Supplies Inventory, Cost	5,411	—	—
<b>Total Assets</b>	<b><u>57,372,159,593</u></b>	<b><u>41,598,458</u></b>	<b><u>711,735,334</u></b>
<b>Liabilities:</b>			
Investment Purchases and Accrued Expenses	2,632,112,886	5,897,730	30,109,336
Deposits and Other Liabilities	121,006,813	—	—
Due to Other Funds	60,949	523,817	1,152,273
Bonds/COPs Payable	49,527,776	7,130,654	891,332
Securities Lending Collateral Due Borrowers	5,506,209,627	3,156,467	69,684,258
<b>Total Liabilities</b>	<b><u>8,308,738,051</u></b>	<b><u>16,708,668</u></b>	<b><u>101,837,199</u></b>
<b>Net Assets held in trust for benefits</b>	<b><u>\$ 49,063,421,542</u></b>	<b><u>\$ 24,889,790</u></b>	<b><u>\$ 609,898,135</u></b>

\*Tier One and Tier Two

**Changes in Plan Membership as of June 30, 2005**

	2005	2004	Percentage Change
Retirees and beneficiaries receiving benefits:			
General	93,235	91,973	1.4%
Police and Fire	6,889	6,713	2.6
Total	<u>100,124</u>	<u>98,686</u>	1.5
Current and terminated employees entitled to benefits but not yet receiving them:			
Vested:			
General	142,687	140,192	1.8
Police and Fire	11,818	11,567	2.2
Nonvested:			
General	41,185	54,371	(24.3)
Police and Fire	2,249	3,305	(3.2)
Total	<u>197,939</u>	<u>209,435</u>	(5.4)



# Statements of Changes in Fiduciary Net Assets for the Defined Benefit Pension Plan, Oregon Public Service Retirement Plan Pension Program, and the Oregon Public Service Retirement Plan Individual Account Program at June 30, 2005

	Defined Benefit Pension Plan	Oregon Public Service Retirement Plan Pension Program	Oregon Public Service Retirement Plan Individual Account Program
<b>Additions:</b>			
Contributions:			
Employer	\$ 785,753,821	\$ 30,054,164	\$ —
Plan Member	9,590,285	—	362,893,934
Other Sources	23,587,024	—	—
Total Contributions	<u>818,931,130</u>	<u>30,054,164</u>	<u>362,893,934</u>
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	4,465,890,598	880,621	36,187,806
Interest, Dividends, & Other Investment Income	1,422,708,894	441,020	11,942,060
Total Investment Income	5,888,599,492	1,321,641	48,129,866
Less Investment Expense	215,636,472	54,750	1,817,165
Net Investment Income	<u>5,672,963,020</u>	<u>1,226,891</u>	<u>46,312,701</u>
Securities Lending Income			
Securities Lending Income	106,939,820	25,521	876,121
Less Securities Lending Expense	94,740,835	22,584	775,301
Net Securities Lending Income	<u>12,198,985</u>	<u>2,937</u>	<u>100,820</u>
Other Income	327,544	—	5,556,285
<b>Total Additions</b>	<u>6,504,420,679</u>	<u>31,323,992</u>	<u>414,863,740</u>
<b>Deductions:</b>			
Benefits	2,353,828,583	—	1,234,891
Death Benefits	10,572,405	—	—
Refunds of Contributions	60,241,863	—	—
Administrative Expense	27,744,201	6,939,098	5,243,347
Healthcare Premium Subsidies	—	—	—
Retiree Healthcare Expense	—	—	—
<b>Total Deductions</b>	<u>2,452,387,052</u>	<u>6,939,098</u>	<u>6,478,238</u>
<b>Net Increase (Decrease)</b>	<u>4,052,033,627</u>	<u>24,384,894</u>	<u>408,385,502</u>
<b>Net Assets Held in Trust for Benefits</b>			
Beginning of Year	45,011,387,915	504,896	201,512,633
<b>End of Year</b>	<u>\$ 49,063,421,542</u>	<u>\$ 24,889,790</u>	<u>\$ 609,898,135</u>

## Comprehensive Annual Financial Report financial highlights

- PERS' assets exceeded its liabilities at the close of fiscal year 2005, with \$50,613.6 million held in trust for pension, post-employment healthcare, OPSRP defined benefit, OPSRP IAP, and deferred compensation benefits.
- Fiduciary net assets increased by \$4,581.9 million, or 10.0 percent, during the fiscal year, due primarily to a rise in equity markets at home and abroad. Additionally, several employers made significant payments to reduce their unfunded actuarial liabilities (UALs).
- PERS' funding objective is to meet long-term benefit obligations. As of December 31, 2003, the date of the latest actuarial valuation, the funded ratio of PERS was 96 percent. In general, this means that for every dollar of pension benefits due, PERS has approximately \$0.96 of net assets available for payment.
- Revenues (additions to fiduciary net assets) for fiscal year 2005 were \$7,204.5 million, which includes member and employer contributions of \$851.4 million, UAL payments of \$518.8 million, and net gains from investment activities totaling \$5,803.6 million.
- Expenses (deductions from fiduciary net assets) fell slightly to \$2,622.2 million, or 4.3 percent, during fiscal year 2005, from \$2,739.6 million during fiscal year 2004.

## Investment Summary

Type of Investment	Fair Value at June 30, 2005	Percent of Total Fair Value
<b>Debt Securities</b>		
U.S. Government Securities	\$ 2,104,020,806	4.27%
U.S. Agency Securities	2,610,553,458	5.30
Domestic Debt Securities	2,913,660,926	5.91
Domestic Mutual Funds	2,008,189,404	4.08
International Debt Securities	1,543,708,546	3.13
Global Mutual Funds	904,817,949	1.84
Asset-Backed Securities and Insurance Contracts	2,240,534,251	4.55
<b>Total Debt Securities</b>	<b>14,325,485,340</b>	<b>29.08</b>
<b>Equity</b>		
Domestic Equity Securities	10,014,515,001	20.32
Domestic Mutual Funds	6,801,264,778	13.81
International Equity Securities	8,401,042,591	17.05
Global Mutual Funds	2,503,733,631	5.08
<b>Total Equity</b>	<b>27,720,556,001</b>	<b>56.26</b>
<b>Real Estate</b>		
Real Estate	2,111,696,014	4.29
Limited Partnerships	766,505,172	1.56
Private Placements	28,331,798	0.06
Real Estate Mortgages	734,855	0.00
<b>Total Real Estate</b>	<b>2,907,267,839</b>	<b>5.91</b>
<b>Alternative Equity</b>		
Limited Partnerships	3,009,819,818	6.11
Venture Capital	173,629	0.00
Leveraged Buy-Outs	1,296,865,385	2.63
<b>Total Alternative Equity</b>	<b>4,306,858,832</b>	<b>8.74</b>
<b>Restricted Investment Contracts</b>	<b>4,490,661</b>	<b>0.01</b>
<b>Total Fair Value</b>	<b>\$49,264,658,673</b>	<b>100.00%</b>

## Largest Stock Holdings (by Fair Value) at June 30, 2005

Shares	Description	Fair Value
6,682,373	General Electric Co.	\$ 231,544,224
3,407,719	Citigroup, Inc.	157,150,453
2,451,294	Exxon Mobil Corp.	140,875,866
1,990,901	Johnson & Johnson	129,408,565
2,821,771	Bank of America Corp.	128,700,976
583,512	Total South Africa	125,705,236
4,863,291	Microsoft Corp.	120,804,148
4,204,335	Pfizer, Inc.	115,955,559
1,892,436	ConocoPhillips	108,796,146
3,735,559	ING Groep NV	105,675,619
		<b>\$ 1,364,616,792</b>

## Annualized Investment Results for Periods Ending June 30, 2005

	Annualized		
	1-Year	3-Year	5-Year
Total Portfolio	13.7%	11.3%	3.5%
Total, Excluding Variable	13.9	11.4	3.8
Domestic Stocks	8.2	10.1	-0.7
Russell 3000 Index	8.1	9.5	-1.4
International Stocks	17.2	14.2	1.1
Custom Index	17.0	14.1	0.8
Fixed Income Segment	8.7	8.4	8.5
Custom Index	7.6	6.5	7.5
Real Estate	31.6	19.1	15.5
NCREIF	15.6	10.7	10.2
Private Equity <sup>4</sup>	38.8	14.1	-2.0
Russell 3000 +500 bps*	12.0	9.3	3.3

\*Benchmarks. Custom indexes are described in PERS' *Comprehensive Annual Financial Report*, available on the PERS Web site.

## Retirement System Membership at June 30

	2000	2001	2002	2003	2004	2005
State Agencies	42,188	43,212	43,947	42,263	41,818	39,588
School Districts	63,944	65,962	67,124	63,132	62,804	58,566
Political Subdivisions	52,852	54,749	55,991	54,374	56,186	51,768
Inactive Members	42,937	46,460	48,725	53,815	48,627	48,017
Total Non-Retired	201,921	210,383	215,787	213,584	209,435	197,939
Retired Members and Beneficiaries	81,116	83,223	86,082	91,526	98,686	100,124
Total Membership	283,037	293,606	301,869	305,110	308,121	298,063

Admin. Expense*	\$ 20,680,727	\$ 27,584,697	\$ 19,681,933	\$ 19,059,635	\$ 30,097,192	\$ 42,534,651
Pension Roll (one month)	\$ 109,290,162	\$ 126,469,160	\$ 135,201,238	\$ 189,744,852	\$ 207,501,846	\$ 184,518,138

\*The administrative expense amount includes Defined Benefit Pension Plan, Oregon Public Service Retirement Plan (Pension Program and Individual Account Program); and Post-employment Healthcare.

**Summary of Actuarial and Unfunded Actuarial Liabilities\***  
(dollar amounts in millions)

Valuation Date	Aggregate Actuarial Liabilities	Valuation Assets	Assets as a % of Actuarial Liabilities	Unfunded Accrued Liabilities (UAL)	Annual Active Member Payroll	UAL as a % of Annual Active Member Payroll
12/31/1993	\$ 19,001.3	\$ 17,552.0	92%	\$ 1,449.3	\$ 4,466.8	32%
12/31/1995	23,248.6	20,957.6	90	2,291.0	4,848.1	47
12/31/1997	31,664.9	29,108.2	92	2,556.7	5,161.6	50
12/31/1999	40,907.9	39,964.8	98	943.1	5,676.6	17
12/31/2000	43,350.5	41,804.6	96	1,545.9	6,195.9	25
12/31/2001	45,947.7	39,852.2	87	6,095.5	6,254.0	97
12/31/2001	37,821.6	39,852.2	105	(2,030.6)	6,254.0	(32)
12/31/2002 <sup>3</sup>	39,520.5	36,316.8	92	3,203.7	6,383.5	50
12/31/2003 <sup>3</sup>	44,625.6	42,874.4	96	1,751.2	6,248.5	28

<sup>1</sup> An extensive revision of the actuarial valuation assumptions occurs at each valuation; therefore, the figures are not directly comparable.

<sup>2</sup> Includes value of UAL Lump-Sum Accounts beginning in 2002.

<sup>3</sup> The 2001 valuation was revised to include the impact of PERS Reform Legislation enacted in 2003.

**Revenues by Source for the Years Ended June 30**

**Defined Benefit Pension Plan**

Fiscal Year	Member Contributions	Employer Contributions		Contributions From Other Sources	Net Investment and Other Income	Total
		Dollars <sup>1</sup>	Percent of Annual Covered Payroll			
1996	\$ 289,734,738	\$ 415,704,528	8.40%	\$ 16,754,883	\$ 3,970,105,115	\$ 4,692,299,264
1997	303,723,333	433,289,222	8.83	17,111,261	4,827,330,145	5,581,453,961
1998	322,378,126	455,531,987	8.86	17,957,112	4,861,851,105	5,657,718,330
1999	338,859,319	473,096,323	8.97	17,502,513	3,491,728,315	4,321,186,470
2000	348,244,045	1,022,650,598	17.53	19,121,874	6,680,242,927	8,070,259,444
2001	370,165,609	639,010,754	10.80	20,278,204	(3,465,913,890)	(2,436,459,323)
2002	391,542,211	989,078,917	15.56	20,939,073	(2,422,055,208)	(1,020,495,007)
2003	400,988,567	2,578,989,169	39.91	21,436,993	1,465,990,471	4,467,405,200
2004	185,693,017	3,164,219,088	63.39	23,763,183	7,182,524,205	10,556,199,493
2005	9,590,285	785,753,821	14.77	23,587,024	5,685,489,549	6,504,420,679

**Oregon Public Service Retirement Plan<sup>2</sup>  
Pension Program**

Fiscal Year	Member Contributions	Employer Contributions		Contributions From Other Sources	Net Investment and Other Income	Total
		Dollars	Percent of Annual Covered Payroll			
2004	\$ N/A	\$ 1,933,985	N/A%	\$ N/A	\$ 14,966	\$ 1,948,951
2005	N/A	30,054,164	2.97	N/A	1,269,828	31,323,992

**Oregon Public Service Retirement Plan<sup>2</sup>  
Individual Account Program**

Fiscal Year	Member Contributions	Employer Contributions		Contributions From Other Sources	Net Investment and Other Income	Total
		Dollars	Percent of Annual Covered Payroll			
2004	\$ 201,306,142	\$ N/A	N/A%	\$ N/A	\$ 1,606,791	\$202,912,933
2005	362,893,934	N/A	N/A	N/A	51,969,806	414,863,740

<sup>1</sup> Employer contributions for fiscal years 2000 and thereafter include employer prepayments of unfunded liabilities.

<sup>2</sup> The Oregon Public Service Retirement Plan became fully operational in January 2004, and information prior to 2004 is not available.

# Strunk/Eugene cases: frequently asked questions

**Q. What does the Strunk decision mean for Tier One members?**

**A.** For Tier One members, Strunk requires PERS to annually credit at least the assumed earnings rate (currently 8 percent) to member regular accounts. Account balance adjustments have been made for 2003 and 2004 to reflect the 8 percent earnings crediting that had not been previously credited due to PERS Reform legislation.

Strunk also upheld the use of regularly updated actuarial factors (effective July 1, 2003) and the redirection of Tier One and Tier Two member contributions from regular and variable accounts into the Individual Account Program (IAP), effective for contributions made on or after January 1, 2004.

**Q. What does the Eugene decision mean for Tier One members?**

**A.** Every Tier One member with a regular account that received earnings crediting for 1999 has had that account adjusted. The Eugene case requires PERS to reallocate 1999 regular account earnings crediting at 11.33 percent (20 percent was originally credited).

**Q. Are Tier Two member regular accounts affected by Strunk and/or Eugene?**

**A.** The PERS Board supported a staff recommendation that Tier Two regular account earnings not be affected by the 1999 Tier One regular account earnings reallocation required as a result of the Eugene case.

For current Tier Two members, the Strunk decision upheld the use of regularly updated actuarial factors and the redirection of member contributions from regular and variable accounts into the Individual Account Program (IAP), effective for contributions made on or af-

ter January 1, 2004.

**Q. Are members who had a variable account affected by Strunk and/or Eugene?**

**A.** Variable account earnings allocations are not affected by the Eugene decision. Members who had variable accounts in 1999 will see a smaller adjustment to their total member account (regular plus variable) from the Eugene case. The affect of the 1999 earnings crediting correction will depend on the relative size of the member's respective regular and variable accounts.

The change in calculating the variable match at retirement to match variable account contributions as if they had been in the regular account (required by the Eugene case) became effective for retirements on or after July 1, 2004.

The Strunk case upheld the redirection of member contributions from variable and regular accounts to the Individual Account Program (IAP), so no more contributions go into the variable account. Those members with variable accounts prior to January 1, 2004, continue to receive earnings or losses on their accounts.

**Q. How did the account adjustment work for a current (non-retired) Tier One member?**

**A.** PERS adjusted the 1999 earnings crediting from 20 percent to 11.33 percent. The adjusted regular account balance was then carried forward with applicable contributions and Tier One earnings crediting (8 percent) applied in each subsequent year.

Member annual statements for 2004 show the recalculated regular account balance (including all Strunk and Eugene factors) as the ending balance for December 31, 2003. The 2004 regular account

portion shows the 8 percent earnings crediting for that year and the total member account balance (year-end 2004) includes all these adjustments.

**Q. What are the financial impacts of the Strunk/Eugene decisions to PERS' unfunded actuarial liability?**

**A.** The PERS actuary estimates that the Strunk decision (requiring annual crediting to Tier One member regular accounts at the assumed earnings rate - currently 8 percent - and voiding the "COLA freeze" for some retirees) added approximately \$2.1 billion in unfunded actuarial liability as of December 31, 2003 (the date of the most recent system valuation).

The PERS actuary estimates that pursuant to the Eugene case, approximately \$1.6 billion in unfunded actuarial liability reductions will occur as of December 31, 2003, (the date of the most recent system valuation) by recovering reallocated 1999 earnings from active, inactive, and retired members.

**Q. Why didn't PERS wait until the White case was resolved before adjusting Tier One regular accounts for the 1999 over-crediting? (The White case challenges elements of the Settlement Agreement entered into by the PERS Board and the original plaintiffs in the Eugene case).**

**A.** The 2003 PERS Reform legislation and the Oregon Supreme Court decisions in the Strunk and Eugene defined the parameters within which PERS could implement the Eugene Settlement Agreement.

By its terms, PERS was required to implement the rest of its obligations under that agreement and to administer the law as it stands today.