

PERSPECTIVES

Retired
Member
Edition

Annual Financial Report Edition

Retirees in variable will see monthly benefit increase

If you remained in the PERS Variable Annuity Plan at retirement, the variable annuity portion of your retirement benefit is adjusted annually February 1 based on the value of the variable investments on October 31 of the preceding year.

Variable fund investment returns through October 31 are used to determine the changes in a retiree's monthly benefit.

Variable fund investments for the period ending October 31, 2005, increased 12.16 percent, which means the variable por-

tion of your monthly benefit will increase.

The increase in the monthly benefit amount for retirees who remained in the Variable Annuity Plan will be reflected beginning in the February 1, 2006 retirement payment.

Members in the variable program who retired before January 1, 1978, will receive a 6.31 percent increase in monthly benefit payments for the variable portion of their benefits.

Members who retired on or between January 1, 1978, and

before June 1, 1992, will have a 4.82 percent increase in monthly benefit payments for the variable portion of their benefits.

Members who retired on or after June 1, 1992, but before November 1, 2004, will see the variable portion of their benefits increase by 3.85 percent.

Members who retired after November 1, 2004, will have a change in benefit based on the performance of the variable fund since their retirement dates.

Annual Financial Report

PERS prepares a Comprehensive Annual Financial Report (CAFR) that shows the status of all funds administered by the PERS Board.

The 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). Financial statements in the CAFR are audited by the Secretary of State's office prior to publication.

This issue of *Perspectives* contains 2005 CAFR information for the fiscal year ending June 30, 2005.

The full report is on the PERS website (<http://oregon.gov/PERS>).

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Address changes

Please keep PERS informed of your correct mailing address. Address changes must be submitted in a signed and dated letter, or you can use the Retiree's Name/Address Change/Duplicate 1099R form available on the PERS website in the Retiree section at <http://oregon.gov/PERS>. You can also contact Customer Service at 503-598-7377 or toll free 888-320-7377 to have the form mailed to you. Fax the completed form to 503-598-0561 or mail the form to the address shown below.

Notify PERS of a death

Please remember that PERS must be notified of the death of a member, alternate payee, and/or beneficiary receiving PERS benefits. Send a copy of the death certificate to PERS at: P.O. Box 23700 Tigard, OR 97281-3700

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>.

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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 Year	Benefits	Administrative Expenses	Refunds	Total
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

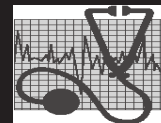
Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
2004	\$ N/A	\$ 1,444,056	\$ N/A	\$ 1,444,056
2005	N/A	6,939,098	N/A	6,939,098

Oregon Public Service Retirement Plan* Individual Account Program

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
2004	\$ N/A	\$ 1,400,300	\$ N/A	\$ 1,400,300
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.

HealthBeat



Tracking the pulse of

Long-term care meetings continue. Pre-registration is not required.

Date	Location	Meeting Times	Seats
Feb. 1	Roth's Hospitality Center 1130 Wallace Road NW, Salem	10:30 - 11:30 am	50
Mar. 20	Campbell Senior Center 155 High Street, Eugene	11:00 am - 12:00 pm	50
April 4	Rivershore Grill 1900 Clackamette Dr. Oregon City	10:30 - 11:30 am	50
May 2	Roth's Hospitality Center 1130 Wallace Road NW, Salem	10:30 - 11:30 am	50

Annual tax statements mailed: explanation of IRS Form 1099-R

PERS recently mailed an Internal Revenue Service Form 1099-R to each individual who received a benefit or an account balance refund payment from PERS in calendar year 2005. You will receive more than one 1099-R if you received your monthly benefits *and*

- ♦ police and fire unit benefits,
- ♦ beneficiary benefits,
- ♦ turned age 59 1/2 in 2005, or

♦ directly rolled over your benefit.

If you have not received your 1099-R by February 10, 2006, you may request a duplicate by writing or faxing your request to PERS. Signed Change of Address forms may be faxed to 503-598-0561.

For health insurance premiums paid during 2005, call the PERS Health Insurance Program at 503-224-7377 or toll-free at 800-768-7377 outside Portland.

Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

OMB No. 1545-

Form 1099-R 2005	Payer's Name, Address, and ZIP Code STATE OF OREGON Public Employees Retirement System P.O. Box 23700, Tigard OR 97281-3700		1. Gross Distribution	2a. Taxable Amount	2b. Taxable Amount Not Determined <input type="checkbox"/>
	CORRECTED <input type="checkbox"/>	Payer's Federal Identification Number 93-6001869	Payee Account Number	3. Capital Gain (included in box 2a)	4. Federal Income Tax Withheld
VOID <input type="checkbox"/>	Recipient's Name, Street Address, and ZIP Code		5. Employee Contributions or Insurance Premiums	7. Distribution Code	
			9a. Your Percentage of total Distribution	9b. Total Employee Contributions	
			10. State Income Tax Withheld	11. State/Payer's State Number OR / 0669077-0	
COPY C For Recipient's Records			12. State Distribution	Recipient's Identification Number	

This information is being furnished to the Internal Revenue Service.

Dept. of the Treasury-Internal Revenue Service

Each box on the form has a corresponding number below with an explanation of the contents of the box.

1. Total payments paid to you by PERS during 2005.
- 2a. Taxable portion of your payments as calculated by PERS. If 2a is blank, there will be an "x" in Box 2b marking taxable amount not determined.
- 2b. If there is an "x" in this box, marking taxable amount not determined, you and/or your tax advisor need to determine what part of your gross payment is taxable. Because of IRS rules, PERS does not determine the 2005 taxable amount for payments commencing in 1992 or before (generally, for retirements prior to December 1, 1992).
3. Amount included in box 2a that qualifies for IRS Form 4972 capital gain.
4. Amount of federal tax, if any, withheld from your payments during the calendar year 2005.
5. Non-taxable contributions, if any, recovered tax-free during 2005. Does *not* include health insurance premiums (see note at top of page).
7. Distribution Code which represents what type of payment you received during 2005.*
- 9a. If a total distribution was made to more than one person, this is the percentage you received.
- 9b. Not used.
10. Amount of state income tax, if any, withheld from your payments during the calendar year 2005.

- PERS withholds state income tax only for Oregon.
11. PERS' Oregon business identification number.
 12. Total payments paid to you by PERS during 2005.
- *Distributions from qualified retirement plans such as PERS made to you before you reach age 59 1/2 may be subject to an additional tax of 10 percent. The Distribution Code in Box 7 identifies whether the distribution is subject to the additional tax or qualifies for an exception to the additional tax.
- 1- Early distribution, no known exception applies (used only if person has not reached age 59 1/2).
 - 2- Early distribution, exception applies (not subject to an additional tax).
 - 3- Disability.
 - 4- Death benefit.
 - 7- Normal distribution (age 59 1/2 or older).
 - A- May be eligible for 10-year tax option (see Form 4972).
 - G- Direct rollover to an IRA.
 - H- Direct rollover to a qualified retirement plan.
- For additional information, you can request the following publications from the IRS: Publication 575, *Pension and Annuity Income*, Publication 939, *General Rule for Pensions and Annuities*, or Publication 524, *Credit for the Elderly or the Disabled*. The toll-free number to request IRS forms is 800-829-3676.

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
Assets:			
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	—	—
Total Assets	<u>57,372,159,593</u>	<u>41,598,458</u>	<u>711,735,334</u>
Liabilities:			
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
Total Liabilities	<u>8,308,738,051</u>	<u>16,708,668</u>	<u>101,837,199</u>
Net Assets held in trust for benefits	<u>\$ 49,063,421,542</u>	<u>\$ 24,889,790</u>	<u>\$ 609,898,135</u>

*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
Additions:			
Contributions:			
Employer	\$ 785,753,821	\$ 30,054,164	\$ —
Plan Member	9,590,285	—	362,893,934
Other Sources	23,587,024	—	—
Total Contributions	818,931,130	30,054,164	362,893,934
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	5,672,963,020	1,226,891	46,312,701
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	12,198,985	2,937	100,820
Other Income	327,544	—	5,556,285
Total Additions	6,504,420,679	31,323,992	414,863,740
Deductions:			
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	—	—	—
Total Deductions	2,452,387,052	6,939,098	6,478,238
Net Increase (Decrease)	4,052,033,627	24,384,894	408,385,502
Net Assets Held in Trust for Benefits			
Beginning of Year	45,011,387,915	504,896	201,512,633
End of Year	\$ 49,063,421,542	\$ 24,889,790	\$ 609,898,135

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 ³	39,520.5	36,316.8	92	3,203.7	6,383.5	50
12/31/2003 ³	44,625.6	42,874.4	96	1,751.2	6,248.5	28

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

² Includes value of UAL Lump-Sum Accounts beginning in 2002.

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

Investment Summary

Type of Investment	Fair Value at June 30, 2005	Percent of Total Fair Value
Debt Securities		
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
Total Debt Securities	14,325,485,340	29.08
Equity		
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
Total Equity	27,720,556,001	56.26
Real Estate		
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
Total Real Estate	2,907,267,839	5.91
Alternative Equity		
Limited Partnerships	3,009,819,818	6.11
Venture Capital	173,629	0.00
Leveraged Buy-Outs	1,296,865,385	2.63
Total Alternative Equity	4,306,858,832	8.74
Restricted Investment Contracts	4,490,661	0.01
Total Fair Value	\$49,264,658,673	100.00%

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
		\$ 1,364,616,792

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	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 website.

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.

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 ¹	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 Plan² 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 Plan² 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

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

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

Strunk/Eugene implementation frequently asked questions

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

A. For Tier One members who retired from April 1, 2000, through March 1, 2004, the frozen cost-of-living adjustments (COLAs) will be restored as part of Strunk/Eugene implementation.

Tier One members who retired from April 1, 2004, through March 1, 2005, will receive 8 percent earnings crediting to their regular account for 2003 and 2004. Those members who retired in the first three months of 2005 received 8 percent for 2004.

Tier One members who began receiving retirement benefits after April 1, 2005, have had 8 percent earnings for 2003, 2004, and the portion of 2005 used in their retirement calculation.

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

A. Every retired Tier One member with a regular account that received earnings crediting for 1999 will have 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. In general, how are various retirement dates and/or classes of members affected by Strunk/Eugene?

A. The combined application of the Strunk/Eugene decisions will generally affect the following Tier One groups in the manner described based on the effective retirement dates:

1. April 1, 2000 through March 1, 2004 retirements: these retirees have received all payable earnings for 2003 and 2004 but will have their 1999 regular account earnings corrected using 11.33 percent instead of 20 percent. Many in this

(continued on page 8)

***Strunk/Eugene* frequently asked questions** (continued from page 5)

group were subject to the COLA freeze that was effective July 1, 2003.

2. April 1, 2004 through December 1, 2004 retirements: these retirees need to be credited with 8 percent earnings for 2003 and a prorate of 8 percent for 2004 to the date of retirement. These retirees were not subject to the COLA freeze but will have their 1999 regular account earnings corrected using 11.33 percent instead of 20 percent.

3. January 1, 2005 through March 1, 2005: these retirees received the mid-year earnings crediting which credited 8 percent for 2004 and a prorate of 8 percent for 2005 to the retirement date. These retirees will also be credited with 8 percent earnings for 2003 but will have their 1999 regular account earnings corrected using 11.33 percent instead of 20 percent. Most of these retirees are receiving estimated payments. The lookback calculation, which has not yet been applied, will be used to determine the correct benefit.

4. April 1, 2005 and after retirements: most of these retirements were calculated reflecting the *Strunk/Eugene* changes, so few of these retirements will require adjustment. These retirees are receiving estimated payments, and their retirement benefit will now be considered final. They will receive a Notice of Entitlement as part of the *Strunk/Eugene* implementation.

5. Variable account participants: There is no impact on variable account earnings crediting.

6. Miscellaneous recipients: Everyone with a Tier One regular account that received a 20 percent earnings allocation for 1999 (e.g., a member who retired prior to April 1, 2000, with a partial lump sum payable in installments beyond 1999, withdrawals occurring after April 1, 2000, etc.) will

have their benefit corrected to reflect the 11.33 percent earnings crediting for 1999.

Q. How will the benefit adjustment work for retired members?

A. The process for account adjustments for retirees receiving monthly benefits is:

1. PERS will add up the monthly benefits paid each recipient from the recipient's payment start date to the benefit adjustment date. These are the actual payments made.

2. PERS will then recalculate the account balance for 1999 with earnings at 11.33 percent (instead of 20 percent) and compound the account balance forward to the payment start date (include 8 percent earnings for 2003, 2004, and after, if applicable).

3. Based on the adjusted account balance, PERS will calculate a revised monthly benefit at the payment start date. This is the amount the member would have been entitled to receive at retirement if the member's regular account had only been credited at 11.33 percent for 1999.

4. PERS will then calculate all revised monthly benefit amounts from the payment start date to the benefit adjustment date, including COLA increases as applicable to each monthly benefit and sum up these revised monthly amounts.

The sum of the actual payments made will then be subtracted from the sum of the revised monthly amounts. If the result is positive, PERS owes money to the recipient. If the result is negative, the recipient owes money to PERS. If the recipient owes PERS, he/she can repay the overpayment in a lump sum or via an actuarial reduction to the revised monthly benefit. If the recipient chooses to pay the entire amount owed in a lump-sum payment, the recipient's monthly payments will be the revised monthly benefit as of the benefit adjustment date. Alternatively, the recipient

can choose to repay the overpayment via an actuarial reduction to the revised monthly benefit based on the length of time the benefit is expected to be paid. No interest or fees will be charged to the member under either repayment process.

Q. How can I determine how the recalculation will affect me?

A. The complexity of the retirement calculation and the limitations of the agency's existing information technology systems mean that the process to determine the impact on each individual member will take time. Many factors will affect the result of this recalculation (e.g., participation in the variable, effective retirement date, benefit option selected) so no general adjustment factor can reliably be applied across all accounts.

PERS expects to begin notifying individual members with information regarding their calculation in April 2006. The process is expected to take up to three years to complete.

Q. As an affected retiree, can I repay the overpaid amount in a lump sum, and will that lessen the monthly reduction to my benefit?

A. Yes, PERS will provide the option to repay the overpaid amount in a lump sum. If you chose this option, the monthly benefit payment will still be revised to reflect the reallocated 1999 earnings, though the impact will be less.

Q. Will the actuarial reduction end when the member has fully repaid the overpayment from the 1999 earnings allocation (calculated as of the benefit adjustment date)?

A. No, the actuarial reduction will continue as long as the affected member's benefit payment stream continues.