

## For Tier One/Tier Two members

### Planning for retirement

Deciding you're ready to retire is a significant and personal choice. Having a good plan—including using PERS resources—can relieve anxiety and help you make a smooth transition from the workforce.

Here are important steps and resources PERS has available to help you plan for your retirement:

1. Make sure you are eligible to retire.  
[Tier One/Tier Two eligibility](#)
2. Get a benefit estimate. You can use [Online Member Services](#) or request a [written benefit estimate](#). A written estimate will include information regarding optional purchases.
3. Register for and attend a [Tier One/Tier Two Retirement Education presentation](#).
4. Read the [Tier One/Tier Two Pre-Retirement Guide](#).
5. Complete the [Tier One/Tier Two/IAP Retirement application](#). We also have a [video](#) that explains how to complete the application.
6. Schedule and attend a [Retirement Application Assistance Session](#). This one-hour, one-on-one appointment offers a comprehensive review of your retirement application and is for members who have:
  - decided on a retirement option and an effective retirement date,
  - are within three months of that retirement date, and
  - have completed the Tier One/Tier Two/IAP retirement application.

The retirement counselor will also explain the retirement process and notarize the application at no cost.

7. Notify your employer that you are retiring. Your employer will send a Notice of Separation to PERS.

### 2016 annual statements

Member annual statements for 2016 are scheduled to be mailed by the end of May 2017.

If you are currently employed in a PERS-covered position, your annual statement will be mailed to the address that your employer provided to PERS.

Your annual statement will show your Tier One/Tier Two and Individual Account Program (IAP) account information for the year ending December 31, 2016.

Tier One/Tier Two regular accounts, variable accounts, and IAP accounts will show the amount of earnings credited for 2016. The statements also include updated membership information, such as your service time, which will be used to calculate your pension benefit if you retire under the Full Formula method.

The financial information needed for 2016 member annual statements was adopted by the PERS Board when it credited 2016 final earnings at its April 3, 2017 meeting.

Member account balances will be updated in [Online Member Services](#) shortly after final earnings are credited.

### PERS office closures in 2017

PERS offices in Tigard, Tualatin, and Salem will be closed on the dates below in 2017:

May 29: Memorial Day

July 4: Independence Day

September 4: Labor Day

November 10: Veteran's Day

November 23 and 24: Thanksgiving

December 25: Christmas

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## The ‘three-legged stool’

When the legislature created PERS in 1945, its proponents considered a retirement benefit for service to Oregonians as part of a “three-legged stool.”

The other two legs were Social Security and personal savings.



Documents from the 1945 legislative session show lawmakers discussed a system that would provide 50 percent of final salary to a retired member.

The actual replacement ratio (the amount of salary replaced in retirement) for Tier One and Tier Two members who retired in 2015 averaged 44 percent, not including the Individual Account Program (IAP).

Those Tier One/Tier Two members who retired in 2015 with 30 years of service had an average replacement ratio of 57 percent.

With the changes to PERS in 2003, fewer members are retiring under Money Match (a doubling of the member’s account balance by the employer).

In fact, only 34 percent of Tier One/Tier Two members retired under Money Match in 2016 and about 64 percent retired under the Full Formula method (Tier One/Tier Two members are entitled to the retirement calculation method that provides the highest benefit).

The other 2 percent retired under Formula Plus Annuity in 2016.

### 2016 earnings crediting

Earnings on the PERS Fund show a gain of 6.9 percent for 2016.

Final earnings crediting was determined by the PERS Board at its April 3, 2017 meeting. Information regarding earnings crediting is available on the PERS website.

Tier One member accounts were credited with the assumed earnings rate in effect for 2016, 7.5 percent.

Tier Two accounts received 7.15 percent and IAP accounts received 7.13 percent.

## Have you saved enough to retire?

As a Tier One or Tier Two member, there are two parts to your PERS retirement benefit. First, your Tier One/Tier Two regular account is used to pay for a part of your defined benefit (pension). That means you or a beneficiary may receive a monthly benefit for life. Your Individual Account Program (IAP) is the second part of your retirement benefit.

You can use [PERS’ Online Member Services](#) to estimate your benefit at retirement. You can also estimate your IAP payments using the [IAP Disbursement Forecaster](#).

You can also estimate your [Social Security benefit](#) online.

When you add everything up, will you have enough money for a secure retirement?

Financial planners suggest that people need 80 percent of their working income when they retire.

A great way to supplement your retirement is with the [Oregon Savings Growth Plan](#) (OSGP), a “457(b)” deferred compensation plan available to all state employees, and to local government and school district employees whose employers have adopted the plan.

OSGP lets participants save for retirement on a pre-tax or after-tax basis through payroll deductions. Saving on a pre-tax basis helps you lower your taxable income now, while contributing on an after-tax basis allows you to take money at retirement tax free.

You can save up to \$18,000 per year in OSGP (\$24,000 if age 50 or over). And 457(b) plans are unique in that they offer a Three-Year Catch-Up provision that allows you save up to \$36,000 per year for the last three years of employment if you did not fully take advantage of the plan during your earlier working years.

Complete the Enrollment and Beneficiary Designation form on the [OSGP website](#), or have a hard copy mailed to you by calling 888-320-7377.

## Death benefits before retirement for Tier One/Tier Two members

Two important documents you should make sure are on file with PERS are the Tier One/Tier Two Pre-Retirement Designation of Beneficiary form and the Individual Account Program (IAP) Beneficiary Form. These forms can help ensure your benefits get paid quickly and directly to your intended beneficiaries.

### **Tier One/Tier Two Pre-Retirement Designation of Beneficiary Form**

If you die before retirement, PERS will pay the amount in your member account to your designated beneficiary. In certain circumstances, the amount paid to your beneficiary will include an amount from your employer equal to the amount in your Tier One or Tier Two member account.

Your beneficiary will choose one of the following payment options:

- **Total Distribution:** This option provides a one-time, lump-sum payment of your member account balance and a lump-sum amount from your employer if applicable to your beneficiary at the time of your death.
- **Straight Life Annuity (pension):** This option provides a lifetime monthly benefit, generated by your member account balance, based on your beneficiary's age at the time of your death. The monthly benefit may also include employer funds if applicable. Eligibility for monthly benefits requires a minimum monthly payment of \$200 per month or your beneficiary will receive a Total Distribution (see above). All monthly benefits stop upon your beneficiary's death.
- **Partial Distribution Plus Monthly Pension:** This option provides a one-time, lump-sum payment of your member account balance to your beneficiary at the time of your death. If you are eligible for the employer death benefit, your beneficiary will receive a lifetime monthly benefit based on the employer funds.

If you have not designated a beneficiary at the time of your death, PERS will pay to the personal representative appointed to handle your estate the amount of money, if any, in your member account at the time of your death.

The employer-matching death benefit is payable to your beneficiary if you die before retirement and you die:

- while actively employed by a PERS employer,
- while on an official leave without pay\* from a PERS employer,
- within 120 days after separation from service with a PERS employer, or
- at any time before receiving a retirement or disability benefit if you die as a result of a job-related injury received while in the service of a PERS employer.

### **IAP: Pre-Retirement Designation of Beneficiary: Married or Single Applicant Form**

Married members must use the IAP: Pre-Retirement Designation of Beneficiary: Married Applicant form. The "Spousal Designation" on the form directs your death benefits to your surviving spouse. In the event of your death, benefits must be paid to your spouse unless he or she consents to an alternate beneficiary.

If you are married and want to designate someone other than your spouse as your IAP beneficiary, you will need to complete the IAP: Revocation of Spousal Beneficiary Designation form. The consent must be signed by the person who is your spouse at the time of your death if you want to allow someone other than that spouse to receive your IAP account balance. In this context, *spouse* includes anyone who is constitutionally required to be treated in the same manner as a spouse.

If you are single, you must use the IAP: Pre-Retirement Designation of Beneficiary: Single Applicant form. Should you select the statutory designation, you automatically provide for changes that occur in your family situation such as marriage, birth, divorce, or death.

To the extent you are vested in your IAP account at the time of your death, your IAP account will be paid to your beneficiary(ies) in a lump-sum payment.

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\*Your employer must approve in writing an official leave without pay for the specified time period and submit it to PERS.

## Education Presentations

PERS offers education sessions for Tier One/Tier Two members who are planning to retire within three years (Retirement Readiness) and for those planning to retire in more than three years (Introduction to PERS Retirement). Education sessions are held around the state.

### Retirement Readiness

This presentation is ideal for Tier One/Tier Two members who are within three years of PERS retirement. Topics include a step-by-step review of a PERS estimate of retirement benefits, retirement options, and retirement timelines; guidelines on completing the retirement application; an explanation of working after retirement rules; detailed information regarding the Individual Account Program (IAP); and a list of available resources.

### Introduction To PERS Retirement

This presentation is ideal for Tier One/Tier Two members more than three years from PERS retirement. Topics include available resources, information about Online Member Services estimates, a review of retirement timelines, an explanation of working after retirement rules, detailed information regarding the Individual Account Program (IAP), and other information you may find useful as you move toward retirement.

Some education sessions add financial planning information that is supplied by our education partner, VALIC. Additional topics covered at these sessions include: Social Security and Medicare, coordinating PERS benefits with other income sources, and planning for changing income and expense needs.

Registration is required. Register through the PERS website in the [Education Sessions](#) section. All presentations are free, including the financial planning sessions. Space is limited and the schedule is subject to change. The PERS website has the most current information.

## Retirement Application Assistance Sessions (RAAS)

These are one-hour, one-on-one appointments with a PERS staff member to review PERS retirement application forms and are for members who have:

1. Decided on a PERS effective retirement date.
2. Have completed the service retirement application and are ready to have it reviewed. You can call and request a retirement application or you can [download the form\(s\)](#).

PERS will:

1. Conduct a comprehensive review of your retirement application, forms, and supporting documents for accuracy and completeness;
2. Notarize your retirement application at no cost; and
3. Explain the retirement application process.

Please note that RAAS are not counseling sessions to help you make retirement decisions.

As a courtesy to others, please do not schedule more than one RAAS session. One hour is sufficient time for a comprehensive review of your retirement forms.

*Perspectives* is published by the Oregon Public Employees Retirement System for the benefit of members and employers.

Address all correspondence to **PERS, P.O. Box 23700, Tigard, OR 97281-3700**. PERS headquarters is located at **11410 SW 68th Parkway, Tigard, Oregon**.

**Phone: 888-320-7377; TTY: 503-603-7766.**

Telephone hours are 8:30 a.m. to 5 p.m., Monday through Friday, except holidays. PERS' website address is <http://oregon.gov/PERS>.

**Email PERS Member Services at:**  
[customer-service.pers@state.or.us](mailto:customer-service.pers@state.or.us)

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