



# Oregon

Theodore R. Kulongoski, Governor

## Public Employees Retirement System

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**TO:** Members of the PERS Board

**FROM:** Yvette Elledge, Customer Service Division Administrator, and Elaine King, Customer Service Center Manager

**SUBJECT:** 2007 One-Time Variable Transfer Results

PERS Tier One and Tier Two members who participated in the variable account on or after January 1, 1982 can request a one-time variable transfer (OVT) to move their variable account balance into their regular account if they meet one of the following criteria (ORS 238.260(14)). The member must have:

1. Attained age 45 if a police officer or firefighter; **or**
2. Attained age 50 if other than a police officer or firefighter; **or**
3. Completed 25 or more years of creditable PERS service.

Statistics for members who requested an OVT during 2007 are shown below.

Members	Ineligible	Passed	Total Requests	Contributions (\$)	Earnings (\$)	Total \$ Transferred
Tier One	5	571	576	10,757,226	26,332,627	37,089,853
Tier Two	1	20	21	93,511	58,707	152,219
<b>TOTAL</b>	6	591	597	10,850,737	26,391,334	37,242,072

<b>Mean:</b>	\$ 63,021
<b>Median:</b>	\$ 46,878
<b>Minimum:</b>	\$ 136
<b>Maximum:</b>	\$ 449,559

The effective date for eligible OVTs received in 2007 was January 1, 2008. The transfer usually occurs in April after earnings are credited for the prior year, and is retroactive to January 1. Members were notified in April 2008 whether they met the eligibility criteria. The transfer will be reflected on their 2008 Annual Member Statement that will be mailed in spring 2009. Members who failed to meet the OVT eligibility criteria can submit a new request once they meet the criteria.

An analysis at retirement compares the earnings in the variable account to what the earnings would have been in the regular account as of the OVT effective date. The difference is multiplied by the appropriate actuarial equivalency factor, depending on the retirement calculation method, to arrive at the adjustment amount.

One-Time Variable Transfer

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**BACKGROUND**

Before January 1, 2004, all active PERS Tier One and Tier Two members could elect to participate in the variable account with 25, 50, or 75 percent of their member contributions to be invested in that account. Under PERS reform, the option to direct member contributions to the variable account was discontinued for all members except PERS judge members. Effective January 1, 2004, all member contributions (except judge members') go to the Individual Account Program (IAP).

To qualify for an OVT prior to January 1, 2004, the member had to meet one of the conditions shown above and his/her variable account balance had to pass the earnings "test." To pass the "test," accumulated earnings on contributions in the member's variable account had to exceed what would have been earned if the same amount of contributions were in the regular account.

More than 9,000 members failed the earnings "test" in 2002 keeping them from transferring their variable accounts at that time. The 2003 legislature passed HB 3020 in response to that concern.

HB 3020, effective for OVT elections made on or after January 1, 2004, removed the earnings "test" criteria for the transfer, leaving in place only the age or service eligibility requirement. An analysis of the member's variable account at retirement is still required. This analysis compares the earnings in the variable account to what the earnings would have been in the regular account as of the effective date of the OVT. The difference is multiplied by the appropriate actuarial equivalency factor, depending on the retirement calculation method, to arrive at the adjustment amount.

Approximately 55,000 members had variable accounts in 2006. In addition to the pre-retirement OVT process described above, members can transfer their variable account funds to their regular account at retirement. Alternatively, they can retain a variable account annuity at retirement and have their benefit payment adjusted annually based on the performance of the variable account compared to the assumed earnings rate in effect at their time of retirement (e.g. 8% since 1989). The vast majority of members who have variable accounts at retirement elect to transfer those funds to their regular account. The variable account assets were valued at a total of about \$1.43 billion as of March 31, 2008.