



# Oregon

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## Public Employees Retirement System

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MEETING DATE	<b>6/27/2008</b>
AGENDA ITEM	<b>A.2.d. Ratio Studies</b>

TO: Members of the PERS Board  
FROM: Dale S. Orr, Manager, Actuarial Analysis Section

SUBJECT: 2008 Replacement Ratio Study  
2008 Purchasing Power Study

Attached are two reports that provide different measures of the income replacement capabilities of PERS' retiree benefits. These reports are summarized as follows:

### **2008 Replacement Ratio Study**

This analysis, prepared by PERS staff, compares final salaries to PERS Tier 1 / Tier 2 benefit amounts at the time of retirement (excluding the IAP). It shows PERS benefit replacement ratios and related data since 1990 for both "career" members who retired with 30 years of service and all members who retired regardless of years of service.

### **2008 Purchasing Power Study**

This report, prepared by Mercer Human Resource Consulting, analyzes the impact of inflation on Tier 1 / Tier 2 retiree benefits (excluding the IAP). The study's measure of inflation is the Consumer Price Index (CPI) for Portland which is then used to determine the effect on purchasing power of PERS benefits based on the year of a member's retirement.

These reports are informational only and do not require any Board action.

A.2.d. Attachment 1 – 2008 Replacement Ratio Study

A.2.d. Attachment 2 – 2008 Purchasing Power Study



## **2008 Replacement Ratio Study (Based on 2007 Retirements)**

### **Summary of findings**

**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 retirees 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

**Summary of findings (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%
<b>Total/Avg</b>	<b>6,911</b>	<b>80%</b>	<b>59,818</b>	<b>55%</b>	<b>6.7%</b>