<h1 style="color:red; text-align:center">SUBCOMMITTEE RECOMMENDATION</h1>

Public Employees Retirement System
2022 Preliminary Earnings Crediting Report

To:	Ways and Means Full Committee
From:	General Government Subcommittee
Carrier:	Representative Gomberg

On February 22, the General Government Subcommittee recommended acknowledging receipt of a report from the Public Employees Retirement System on the 2022 preliminary earnings crediting report.

The PERS Board approved preliminary loss crediting of $2.2 billion for calendar year 2022, which reduces reserves from $96.9 billion to $94.7 billion and which represents a loss of 2.24%. Of the $2.2 billion in losses, $941.2 million is attributable to investment losses and $1.3 billion is attributable to investment expenses.

Of note is the actual market returns for private equity investments, which comprise over 26% of OPERF assets, are reported on a three-month lag as additional time is needed to value these non-public assets and returns. Therefore, the preliminary 2022 earnings crediting rate of return is based on private equity returns through September 30, 2022, rather than December 31, 2022. Private equity returns for the fourth quarter 2022 returns will be reflected in the following year as part of 2023 earnings crediting.

During the subcommittee meeting it was noted that losses reported for employee accounts differed materially from those reported for PERS employer accounts and that investment expenses increased from $999.7 billion in 2021 to $1.4 billion in 2022.

The preliminary losses and other PERS Board changes are expected to increase the Unfunded Actuarial Liability from $13.4 billion to $20 billion, or by $6.6 billion, and that the funded status of the system will decrease from 86% to 80%.

Employer contribution rates for the 2023-25 biennium and will remain unchanged. For the 2025-27 biennium, advisory employer contribution rates will be based on 2022 actual earnings crediting and final adopted rates will be based on 2023 actual earnings.

The General Government Subcommittee recommends approval.