



**OREGON
STATE
TREASURY**

UNDERSTANDING IAP TARGET-DATE FUNDS AND MEMBER CHOICE

WHAT'S INSIDE:

- What's Member Choice?
- What are target-date funds (the default investment for the IAP)? In which one is my IAP account currently invested?
- How do target-date funds work, and how does the investment mix differ for each IAP Target-Date Fund?
- Understanding the different investment groups: stocks, bonds and diversifiers
- Understanding YOUR risk tolerance
- Next steps

WHAT'S MEMBER CHOICE?

PERS members are able to choose the IAP Target-Date Fund (TDF) in which they would like their Individual Account Program (IAP) account to be invested (as a provision of Senate Bill 1049). Since 2018, each PERS member has been invested in the default, age-based IAP Target-Date Fund that most closely aligns with the year the member was born, to better match the risk/return profile of each individual participant. This investment strategy recognizes that risk levels generally should become more conservative, to help protect against market fluctuations as members approach retirement.

Each September, members who have not retired from their Individual Account Program (IAP) can use [Online Member Services \(OMS\)](#) to make [Member Choice elections](#), which allow them to pick a target-date fund (TDF) that better reflects their retirement savings goals or personal risk tolerance.

PERS members do not need to change their TDF unless they want to.

For those who wish to, [follow the directions](#) in PERS's step-by-step guide for online TDF elections.

Members can change their TDF only once per calendar year. The choice will remain in effect unless the member makes a new election during a subsequent year's election window. Find full information about Member Choice on [PERS's IAP target-date funds webpage](#).

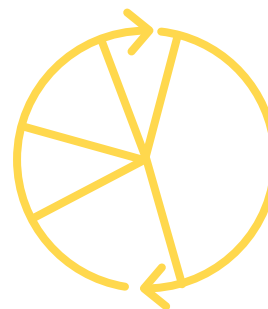
WHAT ARE TARGET-DATE FUNDS?

A target-date fund typically has a year in its name; that year is near the year when you turn 65, which is generally when you may expect to retire and begin withdrawing from your account. A target-date fund adjusts its investments over time. If you're in your early working years, the emphasis of the fund is on growth in order to build savings. As you move toward retirement, the investments of the fund gradually evolve, becoming more conservative to help protect against market fluctuations—and this all happens automatically.

TARGET-DATE FUNDS PROVIDE AN INVESTMENT STRATEGY THAT LASTS A LIFETIME

1 CHOOSE THE DATE YOU EXPECT TO RETIRE

2035



2 THE FUND WILL INVEST IN A MIX OF INVESTMENTS, INCLUDING BONDS (FIXED INCOME), STOCKS (EQUITIES) AND DIVERSIFIERS, AND AUTOMATICALLY ADJUST THEM OVER TIME

3 YOU HAVE REACHED RETIREMENT

2035 — \$ —>

Investing in target-date funds does not guarantee sufficient income at retirement.

IN WHICH IAP TARGET-DATE FUND IS MY IAP ACCOUNT CURRENTLY INVESTED?

The chart below identifies the target-date fund that best corresponds to each birth year and expected retirement date. To determine the IAP Target-Date Fund in which your IAP account is currently invested, you can look at the chart below, log on to PERS Online Member Services, available from the PERS website at www.oregon.gov/PERS, refer to your annual statement sent each spring, or call PERS Member Services at 888-320-7377.

Birth Year	IAP TDF	Expected Retirement Date Range*
In 1962 or earlier	Retirement Allocation Fund	2027 or earlier
Between 1963 and 1967	IAP 2030 Target-Date Fund	2028–2032
Between 1968 and 1972	IAP 2035 Target-Date Fund	2033–2037
Between 1973 and 1977	IAP 2040 Target-Date Fund	2038–2042
Between 1978 and 1982	IAP 2045 Target-Date Fund	2043–2047
Between 1983 and 1987	IAP 2050 Target-Date Fund	2048–2052
Between 1988 and 1992	IAP 2055 Target-Date Fund	2053–2057
Between 1993 and 1997	IAP 2060 Target-Date Fund	2058–2062
Between 1998 and 2002	IAP 2065 Target-Date Fund	2063–2067
In 2003 or later	IAP 2070 Target-Date Fund**	2068 or later

*These “target dates” do not dictate when you have to or will be eligible to retire.

**New fund being added January 1, 2025

HOW DO TARGET-DATE FUNDS WORK?

Target-date funds with a longer time horizon invest primarily in stocks, emphasizing the opportunity to build wealth over the long term. Further, investors in these funds have more time for their investments to recover from market fluctuations.

As you move closer to retirement—and eventually into retirement—the fund automatically adjusts to a more conservative investment mix. When your fund reaches its target date (assuming a retirement age of 65), the fund’s investment mix is approximately 66% defensively oriented strategies (defensive strategies aim for lower volatility) such as core bonds, Treasury Inflation-Protected Securities (TIPS) and short-duration bonds, and 34% growth-oriented strategies, such as public and private stock, real estate, and real assets.

Investments in target-date funds are not guaranteed against loss of principal; at any time, your account value can be more or less than the original amount you contributed—including at the time of the fund’s target date. Also, investing in target-date funds does not guarantee sufficient income in retirement.

IAP Target-Date Funds with a date furthest from today generally contain investments with more growth-oriented strategies (stocks), which means they also contain more risk.

HOW DOES THE INVESTMENT MIX DIFFER FOR EACH IAP TARGET-DATE FUND?

The investment mix in an IAP Target-Date Fund changes over time. The fund is monitored regularly, and its investment mix changes as the target date approaches. Each fund gradually shifts to an approach focused less on growth and more on wealth preservation.

The Oregon State Treasury (OST), under the direction of the Oregon Investment Council (OIC), has selected AllianceBernstein L.P. to help manage this custom series of IAP Target-Date Funds. The OIC determines the investment mix and the amount of the Oregon Public Employees Retirement Fund (OPERF) to be held within each IAP Target-Date Fund, after which AllianceBernstein designs the allocation to the remaining asset classes, which are listed below.

What are the investments inside the IAP Target-Date Funds?

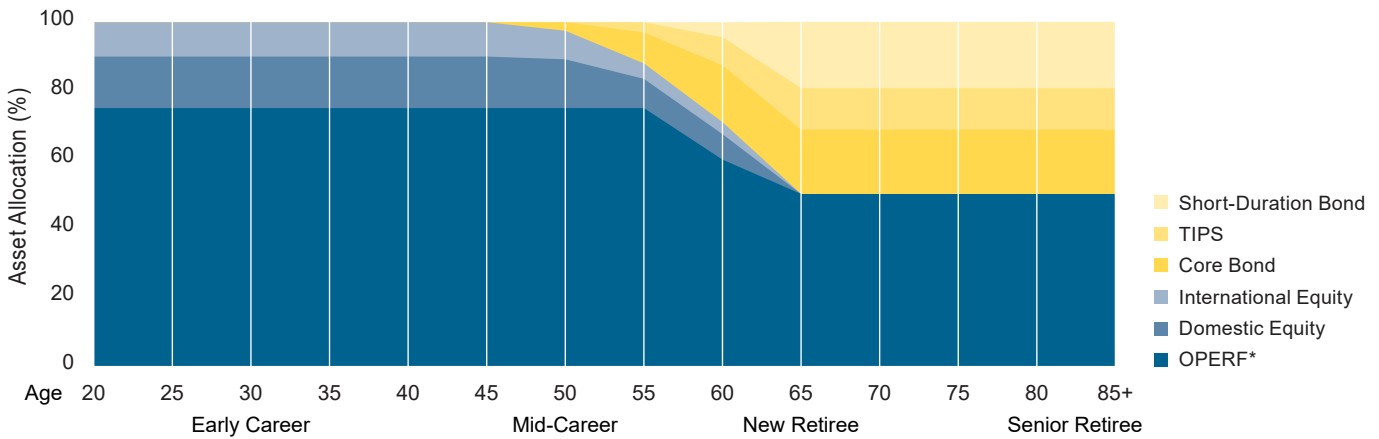
The investments inside each IAP TDF constitute a diversified mix of underlying investments, including stocks (international and domestic), bonds (core bonds, TIPS and short-duration bonds) and OPERF. The allocations by age and IAP TDF are listed in the chart on the next page. The following pages in this booklet further explain the role of each investment group in a portfolio.

What are the investments inside OPERF?

OST, under the direction of the OIC, manages OPERF, which is a fund that can comprise (but is not limited to) the following asset classes: public and private stock (equity), bonds, real estate, real assets and diversifying strategies.

Each IAP TDF is largely composed of OPERF. It’s important to understand OPERF’s composition when considering changing the IAP TDF in which your IAP account will be invested. Unlike that of the IAP TDFs, OPERF’s composition does not automatically change over time, and a generally steady investment mix is maintained through the use of ranges with the target allocations for each investment class. For the most up-to-date OPERF allocations, please refer to the OPERF investment section on the OST website.

INVESTMENTS BECOME MORE CONSERVATIVE OVER TIME



ASSET ALLOCATION SHIFTS OVER TIME†

	Early Career						Mid-Career				New Retiree		Senior Retiree		
Age	20	25	30	35	40	45	50	55	60	65	70	75	80	85	
OPERF	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	60.00%	50.00%	50.00%	50.00%	50.00%	50.00%	
Domestic Equity	15.00	15.00	15.00	15.00	15.00	15.00	14.20	8.55	7.35	—	—	—	—	—	
International Equity	10.00	10.00	10.00	10.00	10.00	10.00	8.30	4.45	3.45	—	—	—	—	—	
Core Bond	—	—	—	—	—	—	2.50	9.00	16.55	18.65	18.65	18.65	18.65	18.65	
TIPS	—	—	—	—	—	—	—	3.00	8.30	12.05	12.05	12.05	12.05	12.05	
Short-Duration Bond	—	—	—	—	—	—	—	—	4.35	19.30	19.30	19.30	19.30	19.30	

*OPERF is managed by the OST under the direction of the OIC and contains a mix of the following asset classes: public and private equity, fixed income, real estate, real assets and diversifying strategies. For more information, please refer to the OST website.

†The above glidepath and investment mix table represent the goal allocations for each IAP TDF; for more detailed information, please refer to the IAP TDF quarterly fact sheets which can be found on the IAP investment section of the OST website.

UNDERSTANDING THE DIFFERENT INVESTMENT GROUPS

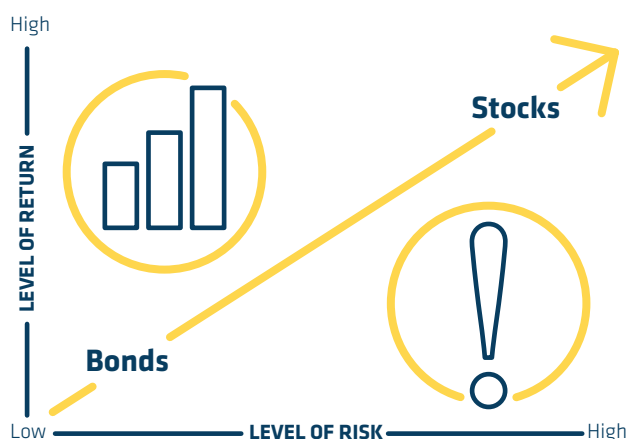
Stocks, Bonds and Diversifiers

MANAGE RISK BY DIVERSIFYING



As you're thinking about the different investments inside the IAP Target-Date Funds, or any portfolio, it helps to see how stocks and bonds have behaved throughout history. Stocks have provided better investment returns than bonds over long periods. On the other hand, stocks have historically produced higher highs and lower lows than bonds over shorter periods. Stocks generally offer higher growth potential, but they can also rise and fall often and by substantial amounts—this greater volatility means higher risk. Bonds are typically more stable and not as risky, but they generally don't have the high growth potential of stocks.

FINDING THE RIGHT BALANCE

Knowing the amount of risk you can handle is essential to achieving the right mix of stocks, bonds and other investments for your retirement account. An individual with a higher risk tolerance may accept greater market volatility in exchange for richer potential returns. An individual with a lower risk tolerance may be willing to give up some potential return in favor of investments that attempt to limit return fluctuations.



HERE'S A QUICK LOOK AT HOW THE TWO ASSET CLASSES HAVE PERFORMED DURING THE PAST 30 YEARS.¹

	BEST YEAR 1995	WORST YEAR 2008	30-YEAR AVERAGE 1/1/1994-12/31/2023
 STOCKS	38%	-37%	10%
 BONDS	18%	-13%	4%

¹Chart illustrates the period from January 1, 1994, through December 31, 2023.
Source: AB

WHAT ARE DIVERSIFIERS?

Diversifiers are nontraditional assets that provide exposure to different groups of investment opportunities. They are complementary assets that sometimes include real assets, real estate, currency, alternative stocks and alternative bonds. The benefit they bring is that they behave differently from traditional stocks and bonds, and these different return patterns can help further diversify a portfolio. Some diversifiers are particularly helpful when inflation is higher, because they tend to fare better than financial assets. For example, TIPS are specifically designed to provide inflation protection.

The IAP Target-Date Funds that have a larger allocation to diversifiers (which are embedded inside the OPERF investment sleeve) have a larger allocation to OPERF. For example, the IAP 2065 Target-Date Fund has a larger allocation to OPERF which means it has a larger allocation to diversifiers and a greater growth and risk profile, than, say, the Retirement Allocation Fund. Again, diversifiers tend to behave differently from traditional stocks and bonds and are especially important in times of market volatility to help smooth out returns over time.



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UNDERSTANDING YOUR RISK TOLERANCE

How comfortable are you with risk? How do you react to large ups and downs in the market? How much time do you have before you retire? And how long do you need your savings to last?

Understanding your risk tolerance depends on your personal circumstances. **These sample asset allocations are illustrations and should be used as examples only.** When thinking about applying a particular asset-allocation model to retirement investing, you should consider your other assets, income and investments (e.g., equity in a home, IRA investments, savings accounts, and participation in other qualified and nonqualified plans) in addition to any investment in this plan. There can be no assurance that any investment objectives will be achieved.

That said, you may have a personal circumstance where you may want to take more or less risk with your account.

Each IAP TDF contains different amounts of stocks, bonds and diversifiers that change over time. Each of these asset classes holds different risks. Members may have personal reasons for wishing to take more or less risk when saving for retirement. As a reminder, if you would like your account to be exposed to more growth and risk opportunities (which also means the IAP TDF that has a greater allocation to stocks and diversifiers), you would select an IAP TDF whose target date is further away from the present day, such as the IAP 2055 Target-Date Fund. Please refer to the table on page 5 for investment allocations.

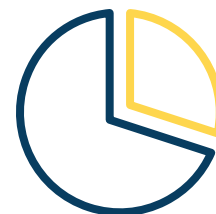
HIGHER RISK/RETURN



MEDIUM RISK/RETURN



LOWER RISK/RETURN



● Stocks ● Bonds

NEXT STEPS

THE BOTTOM LINE

The IAP Target-Date Funds that have a larger allocation to growth investments (stocks) are generally more risky than those that have a higher allocation to bonds. So, an IAP TDF whose target date is further away from the present day, such as the IAP 2070 Target-Date Fund, would have higher potential growth and risk because of its higher allocation to stocks versus the Retirement Allocation Fund, which has reached its most conservative investment mix.

IT'S YOUR CHOICE

STAY WHERE YOU ARE

The default IAP Target-Date Fund in which you are currently invested was set forth using industry best practices, and reflects an investment mix with portfolio risk based on your age bracket. If you agree with this approach and want to stay in your current IAP TDF, no action is required.

MAKE A CHANGE

If you decide to choose a different IAP TDF from the default IAP TDF in which your IAP account is currently invested, please read this material and weigh your decision carefully.

If you decide you want your IAP account to be invested in a different IAP Target-Date Fund from the default IAP TDF based on your year of birth, you will have to certify, as part of the PERS Member Choice application, that you read this document to learn about the Oregon Investment Council's IAP TDF investment strategy and considered the risk and return characteristics of your IAP TDF. You also agree that the State of Oregon, the State Treasurer, the Oregon Investment Council, the Public Employees Retirement Board, the Public Employees Retirement System, and their officers or employees, are not liable in a civil action or otherwise, for any losses suffered by you because of your election of an investment option.

Investments in the target-date funds are not guaranteed against loss of principal; at any time, your account value can be more or less than the original amount you contributed—including at the time of the fund's target date. Also, investing in target-date funds does not guarantee sufficient income in retirement.

IMPORTANT INFORMATION

The IAP Target-Date Funds are not offered for sale to the general public. Each IAP Target-Date Fund is a separate account that invests in a set of underlying collective investment trusts and the Oregon Public Employees Retirement Fund (OPERF). Separate accounts are not mutual funds, and interests in the IAP Target-Date Funds are not deposits of AB Trust Company, LLC or any AB affiliate and are not insured by the Federal Deposit Insurance Corporation (FDIC) or any other agency. The IAP Target-Date Funds are exempt from investment company registration under the Investment Company Act of 1940, and purchases and sales of interests in the IAP Target-Date Funds are not subject to registration under the Securities Act of 1933. Management of the Funds, however, is generally subject to the rules and regulations applicable to registered investment advisors, and to applicable state laws. AB provides asset-allocation advice for the IAP Target-Date Funds.

A Word About Risk—Each IAP Target-Date Fund allocates its investments among multiple asset classes, which will include US and foreign securities, as well as equities and fixed-income securities. Within each of these, the underlying investment options will invest in different types of securities, such as growth and value stocks, and corporate and US government bonds. The prices of small-cap stocks and mid-cap stocks are generally more volatile than are those of large-cap stocks. International investing involves risks not associated with US investments, including currency fluctuations and political and economic changes. The investment option systematically rebalances its allocations in these asset classes to maintain their target weightings. There can be no assurance that rebalancing will achieve its intended result, and the costs of rebalancing may be significant over time.

While diversification and shifting to a more conservative investment mix over time help to manage risk, they do not guarantee earnings growth. There is the potential to lose money in any investment program. You do not have the ability to actively manage the investments within a target-date fund. The fund managers control security selection and asset allocation.

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