

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING

**Friday
May 29, 2009
1:00 P.M.**

**PERS
11410 SW 68th Parkway
Tigard, OR**

ITEM	PRESENTER
A. Administration – 1:00 P.M.	
1. March 31, 2009 Board Meeting Minutes	CLEARY
2. Director's Report	
a. Forward-Looking Calendar	
b. OIC Investment Report	
c. Budget Report	
d. Customer Service Satisfaction Survey	
e. 2009 Purchasing Power Study	
f. Annual Review of Executive Director Financial Transactions	KRIPALANI
B. Consent Items	
1. Notice of Reemployment of Retirees for OPSRP and IAP Rules	RODEMAN
2. Notice of Recovery of Administrative Costs Rule	
3. Notice of Vesting in OPSRP Pension and IAP Employer Account Rules	
4. Notice of Actuarial Equivalency Factors Rule	
5. Adoption of Termination of Membership Rules	
6. OSGP Advisory Committee Appointments	BATH
C. Action and Discussion Items	
1. Approval of Retiree Health Insurance 2010 Plan Renewals and Rates	MATCHETT
2. Financial Model-Economic Projections	MERCER
3. Experience Study Methods and Assumptions	
4. Legislative Update	RISWICK
D. Executive Session Pursuant to ORS 192.660(2)(f), (h), and/or ORS 40.225	
1. Litigation Update	LEGAL COUNSEL

There will be an Audit Committee meeting immediately following the regular meeting.

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Note: If you have a disability that requires any special materials, services or assistance, call (503) 603-7575 at least 48 hours before the meeting.

James Dalton, Chair * Thomas Grimsley, Vice-Chair * Eva Kripalani * Mike Pittman * Brenda Rocklin
Paul R. Cleary, Executive Director

PERS Board Meeting Forward-Looking Calendar

June 2009

No meeting scheduled

July 16, 2009 (Note revised meeting date)

Employer Reporting
Adoption of Reemployment of Retirees for OPSRP and IAP Rules
Adoption of Recovery of Administrative Costs Rule
Adoption of Vesting in IAP Employer Account Rule
Adoption of Actuarial Equivalency Factors Rule
Close of Biennium Budget Report
Project Status Reports (SEAS, Young Case, RCP)
2008 Experience Study Demographic and Economic Assumptions
Legislative Update

August 2009

No meeting scheduled

September 25, 2009

Adoption of Combined Service Rules
2008 Valuation Report
Legislative Implementation Plan
Audit Committee Meeting

October 2009

No meeting scheduled

November 20, 2009

Employer Reporting
Actuarial Equivalency Factors
Equal to or Better Than Determination

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Item A.1.a.

PERS Board Meeting
March 31, 2009
Tigard, Oregon
MINUTES

Board Members:

James Dalton, Chair
Tom Grimsley, Vice-Chair
Eva Kripalani
Mike Pittman
Phone: Brenda Rocklin

Staff:

Donna Allen	Rick Howitt	Susan Riswick
Helen Bamford	Kyle Knoll	Steve Rodeman
Paul Cleary	Jeff Marecic	Susan Sjoldal
David Crosley	David Nowacki	Jason Stanley
Yvette Elledge	Dale Orr	Dave Tyler
Brian Harrington	Beth Porter	Stephanie Vaughn

Others:

Karen Artiaco	Bill Hallmark	Victor Nolan	Denise Yunker
Linda J. Burgin	Keith Kutler	Sue Perry	Pat West
Linda Ely	E. Marie Laird	Bill Robertson	David Wimmer
Marc Feldesman	Steve Manton	Ron Schmitz	

Chair James Dalton called the meeting to order at 1:00 P.M.
Brenda Rocklin attended the meeting by phone.

ADMINISTRATION

A.1. BOARD MEETING MINUTES OF FEBRUARY 6, 2009 AND MARCH 5, 2009

The Board unanimously approved the February 6, 2009 Board meeting and March 5, 2009 teleconference meeting minutes.

A.2. DIRECTOR'S REPORT

Director Cleary presented the Board's forward-looking calendar, and the yearly calendar for the remainder of 2009, noting that Board meetings will be held bimonthly beginning with the May 29, 2009 meeting. Cleary noted that the May meeting will include an initial presentation of the 2008 experience study from the Board's actuary, Mercer, and an Audit Committee meeting. Cleary reported the 07-09 budget report shows a positive variance of about \$2.3 million, and that the 09-11 budget request goes to the full Ways & Means Committee for approval on Friday, April 3, 2009. Cleary reviewed the preliminary results of a pilot website use survey for those contacting the call center. Cleary said there are plans to expand that survey to determine the effectiveness of the PERS website and develop information to help plan the move to on-line member self-service.

Ron Schmitz presented an update on Oregon Investment Council (OIC) activities and a report on investment returns for 2008 and 2009 through February. Schmitz noted that PERS public equity fund returns represented a 17% decline in January and February, and then focused on historical investment environments and present market conditions. Schmitz provided handouts with chronological charts of past market downturns, and typical recovery scenarios. Schmitz said that consumer spending has historically been an important key to an economic turnaround.

CONSENT ACTION AND INFORMATION ITEMS

B.1. TERMINATION OF MEMBERSHIP

Deputy Director Steve Rodeman presented an overview of the membership termination for Susan Lenzi and reported that Lenzi indicated that this was her preferred resolution to addressing her failure to comply with the restrictions on returning to work after retirement. Rodeman said that terminating the membership corrects this plan qualification compliance situation.

It was moved by Kripalani and seconded by Rocklin to terminate Lenzi's PERS membership, effective as of her return to employment. The motion passed unanimously.

B.2. EARNINGS CREDITING RULES

Rodeman presented three earnings crediting rules in response to an internal audit report. These rules address earnings crediting for the OPSRP and IAP programs and various housekeeping and conforming amendments in other earnings crediting rules. Rodeman reported that no public comments were received at the two public hearings held February 24, 2009 and March 4, 2009.

It was moved by Kripalani and seconded by Pittman to adopt the new rules and rule modifications to the Earnings Crediting Rules. The motion passed unanimously.

B.3. FINAL 2008 EARNINGS CREDITING AND RESERVING

Dale Orr, Actuarial Services Manager, reviewed the earnings and losses for calendar year 2008 and earnings crediting to the PERS Fund's accounts and reserves. Orr presented the recommended earnings crediting factors for the calendar year 2008, including the following:

Tier One member regular accounts:	8.00%
Tier Two member regular accounts:	-27.18%
Individual Account Program:	-26.75%
Variable accounts:	-43.71%

It was moved by Kripalani and seconded by Grimsley to adopt the staff's recommended reserving decisions and crediting of earnings and allocation of losses for calendar year 2008. The motion passed unanimously.

B.4. 2009 LEGISLATIVE UPDATE

Susan Riswick, Interim Policy, Planning, and Legislative Analysis Division Administrator, presented the legislative update report. Riswick noted that as of March 16, 2009, 16 bills had been introduced that directly impact PERS or the Oregon Savings Growth Plan. Riswick reviewed proposed legislation for adding exceptions to the 1039-hour limit for return-to-work retirees and expanding the definition of "Police Officer" or "Firefighter." Riswick reported that the Legislative Advisory Committee (LAC) recommends a complete evaluation of the retire and return-to-work issue and the various 1039-hour statutory exceptions prior to the next legislative session.

Steve Manton, City of Portland, recommended that staff make the Legislature fully aware of the fiscal impact of the proposed bills. Manton said ongoing and constant minor changes add incremental costs which add up over time.

It was moved by Grimsley and seconded by Kripalani to communicate the staff analyses of proposed legislation for the 1039-hour exception bills and that a comprehensive evaluation should be conducted before the next legislative session. The motion passed unanimously.

Riswick reviewed HB 3029 which would allow OPSRP Pension Program retirees to purchase health insurance through PERS retiree health insurance plans that are currently available only to Tier One and Tier Two retirees.

It was moved by Grimsley and seconded by Kripalani to adopt the staff's recommended policy position that providing retired OPSRP members the option to purchase health insurance under the PERS plans would enhance the long-term financial viability and affordability of those plans. The motion passed unanimously.

Riswick reviewed several updated legislative policy memos and supporting documentation for legislative proposals on the following bills:

HB 3304 – Ad Hoc COLA Increases for Certain Retired Members

Provides for ad hoc increase in retirement allowance of certain retired members of Public Employees Retirement System. Specifies that increase be based on years of service and determinations by Public Employees Retirement Board relating to funding of liabilities of system. Allows payment of increased allowances from reserve account in Public Employees Retirement Fund.

It was moved by Kripalani and seconded by Rocklin that legislation should not establish an ad hoc COLA increase and consequently increase the system's liabilities unless the increase is a one-time event (13th check) based on a system funding surplus or is suspended or revoked when the system's funded status declines. The motion passed unanimously.

HB 3401 – Use of Excess Amounts in Side Accounts

Allows public employer participating in the Public Employees Retirement System (PERS) to request that excess amounts held in side accounts be refunded to the employer or applied to offset contributions to the Individual Account Program if the PERS Board determines that the amounts exceed what is necessary to fund the employer's actuarial liabilities.

Lori Sattenspiel, Oregon School Board's Association representative, recommended that PERS contact the IRS for assurance that the proposed side account use would not impact the plan's tax qualification. Sattenspiel asked that the Board support this bill to allow employers more flexibility in how excess funds in their lump-sum accounts could be applied, including using them to pay employee contributions and voluntary employer contributions into the Individual Account Program.

It was moved by Kripalani and seconded by Rocklin that legislation should not establish plan structures that are not clearly permissible for a tax-qualified retirement plan under IRS requirements and that elements of HB 3401 that contradict established IRS requirements should be deleted, and implementation of any other components should be made contingent upon receiving a favorable determination from the IRS. The motion passed unanimously.

SB 897 – PERS Coalition Omnibus Bill

Increases membership of Public Employees Retirement Board from five to seven members. Provides that one new member must be public employee who is in appropriate bargaining unit or retired member of Public Employees Retirement System who retired from position in appropriate bargaining unit. Provides that one new member must have experience in business management, pension management or investing and may not be member of system, beneficiary of member of system, or have any interest in benefits provided by system.

Policy Issue – SB 897, PERS Board Membership

Manton said that the present PERS Board is extremely effective and he would like to see the Board retain the present five-member status. Retiree Marc Feldesman said he would support a retiree representative on the Board and that the present Board structure provides no open line of communication for retirees and the PERS Board.

It was moved by Kripalani and seconded by Pittman to explore expanding PERS Board membership qualification criteria beyond the established categories to allow a retiree to serve as the “member” representative rather than increase the absolute number of Board members.

Tom Grimsley voted no. The motion passed.

Policy Issue – SB 897, Retroactive Salary and Retirement Credit

Rodeman reviewed a second tenet of SB 897 that would expand the circumstances under which a retroactive award of “salary” could trigger retirement credit for that period. Rodeman said the Board adopted rule modifications in March 2008 that allowed for creditable service during the period of absence under specified circumstances which only provided retirement credit to members who returned to active PERS-covered employment after the dispute was resolved.

Rodeman said that during the rulemaking process, it was determined that if the member obtains other non-PERS employment or retires or withdraws from the system, they could not be awarded retirement credit. This provision would allow members to receive the appropriate retirement credit without necessarily having to return to active employment and would clarify the types of dispute resolutions in which these remedies are available.

It was moved by Kripalani and seconded by Grimsley to support statutory provisions that allow the discretion to include retirement credit as an element of a “make whole” remedy that resolves an employment dispute. The motion passed unanimously.

Policy Issue – SB 897, Data Verification

Rodeman reviewed the staff policy position for another element of Senate Bill 897. Sections 6 and 7 of the bill would establish a process for members to verify certain data that then becomes the basis for their retirement calculation.

Staff recommended that legislation establishing a data verification process should reflect three core principles:

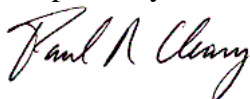
- (1) Agency data must be valid, accurate, and complete, and the agency should have supporting structures, including reports, reviews, and penalties, that secure that result.
- (2) The agency is obligated to provide data that is clear, consistent, and in a transparent manner, but data that is not valid, accurate, or complete should not create an entitlement to a benefit beyond that earned by a member's actual employment history.
- (3) All of the retirement system's stakeholders are individually responsible to ensure that data is valid, accurate, and complete, and the agency needs to have adequate resources to provide systems and processes that facilitate fulfilling of that responsibility.

It was moved by Grimsley and seconded by Kripalani to communicate the above core principles to legislators in relation to the data verification concept in SB 897. The motion passed unanimously.

Member Bill Robertson requested that the PERS website provide information on the actuarial assumed rate study; who performs the study, how it is determined, the parameters of the study, and circumstances under which the rate can be reduced and the process of that reduction. Cleary said that links to all actuarial valuations and experience studies including the 2007 Experience Study are posted on the website. Cleary said additional information, including Mercer's 2008 Experience Study presentations and related financial modeling will be posted on PERS website at <http://www.oregon.gov/PERS/> in May and July 2009.

Chair Dalton adjourned the meeting at 2:50 P.M.

Respectfully submitted,



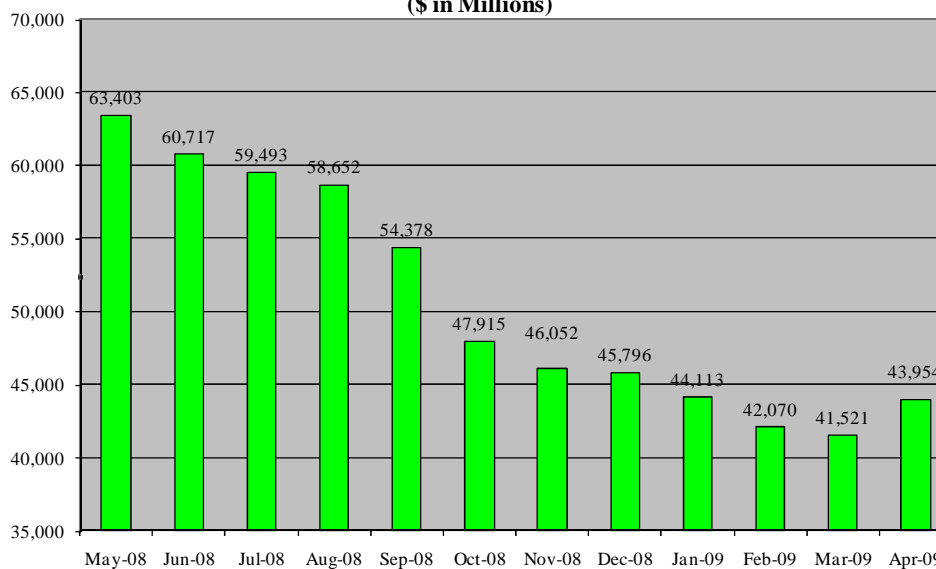
Paul R. Cleary
Executive Director

OPERF	Regular Account				Historical Performance (Annual Percentage)					
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS
Public Equity	41-51%	46%	\$ 17,695,317	41.0%	0.79	(39.51)	(23.06)	(12.11)	(3.27)	(0.74)
Private Equity	12-20%	16%	8,760,181	20.3%	(15.72)	(24.09)	(6.37)	3.05	8.56	13.08
Total Equity	57-67%	62%	26,455,498	61.3%						
Opportunity Portfolio			758,316	1.8%	(0.37)	(24.26)	(13.99)			
Total Fixed	22-32%	27%	11,456,144	26.5%	6.67	(4.38)	(0.74)	2.18	2.36	3.23
Real Estate	8-14%	11%	4,490,348	10.4%	(16.52)	(29.95)	(15.02)	(3.30)	5.71	9.60
Cash	0-3%	0%	2,150	0.0%	0.89	0.87	2.87	3.70	3.72	3.36
TOTAL OPERF Regular Account		100%	\$ 43,162,456	100.0%	(3.47)	(28.34)	(14.58)	(5.81)	0.37	2.56
OPERF Policy Benchmark					(3.33)	(24.31)	(11.64)	(3.71)	0.98	2.79
Value Added					(0.14)	(4.03)	(2.94)	(2.10)	(0.61)	(0.23)
TOTAL OPERF Variable Account			\$ 791,298		0.17	(39.10)	(24.83)	(14.02)	(6.46)	(3.80)

Asset Class Benchmarks:

Russell 3000 Index	(1.42)	(34.95)	(21.45)	(10.94)	(4.44)	(2.25)
MSCI ACWI Ex US IMI Net	2.24	(42.52)	(22.66)	(10.54)	(0.28)	2.95
Russell 3000 Index + 300 bps--Quarter Lagged	(20.34)	(33.09)	(14.87)	(4.88)	(1.47)	1.99
BC Universal--Custom FI Benchmark	1.30	2.54	4.22	5.33	4.38	4.65
NCREIF Property Index--Quarter Lagged	(8.29)	(6.46)	4.09	8.10	10.98	11.67
91 Day T-Bill	0.07	1.13	2.69	3.51	3.55	3.20

TOTAL OPERF NAV
 (includes variable fund assets)
 One year ending April 2009
 (\$ in Millions)



¹OIC Policy 4.01.18, as revised September 2007.

²Includes impact of cash overlay management.

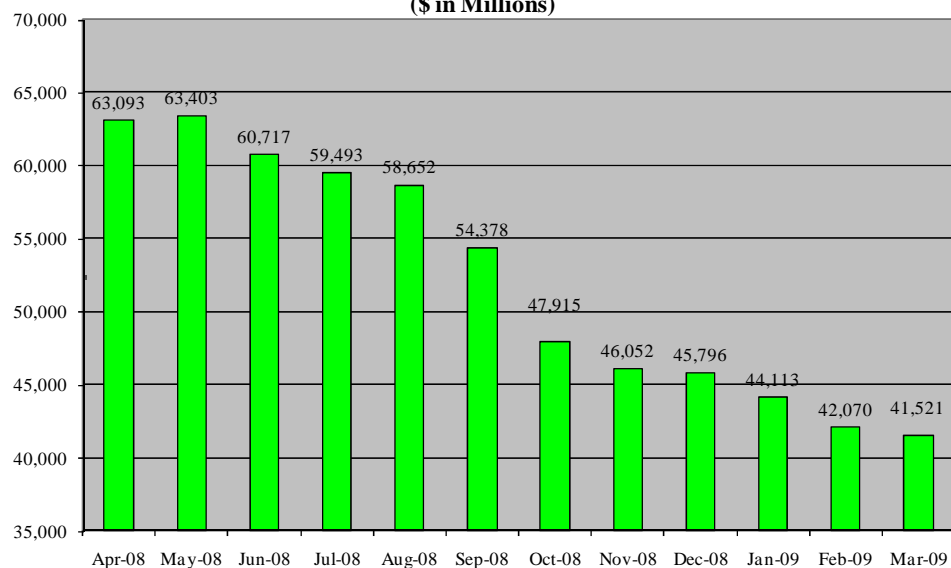
³For mandates beginning after January 1 (or with lagged performance), YTD numbers are "N/A". Performance is reflected in Total OPERF.

OPERF	Regular Account				Historical Performance (Annual Percentage)					
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS
Public Equity	41-51%	46%	\$ 15,846,473	38.8%	(9.99)	(42.70)	(25.81)	(14.59)	(6.62)	(3.48)
Private Equity	12-20%	16%	8,697,518	21.3%	(15.72)	(24.09)	(6.37)	3.05	8.56	13.08
Total Equity	57-67%	62%	24,543,991	60.1%						
Opportunity Portfolio			721,733	1.8%	(0.51)	(24.67)	(14.16)			
Total Fixed	22-32%	27%	11,134,489	27.3%	2.19	(7.62)	(2.52)	0.73	1.55	1.85
Real Estate	8-14%	11%	4,372,724	10.7%	(18.73)	(31.08)	(16.03)	(4.38)	5.46	8.15
Cash	0-3%	0%	37,337	0.1%	0.52	0.80	2.90	3.70	3.69	3.28
TOTAL OPERF Regular Account		100%	\$ 40,810,274	100.0%	(9.10)	(30.37)	(16.08)	(7.23)	(1.43)	0.85
OPERF Policy Benchmark					(8.52)	(26.27)	(12.99)	(5.04)	(0.64)	1.26
Value Added					(0.58)	(4.10)	(3.09)	(2.19)	(0.79)	(0.41)
TOTAL OPERF Variable Account			\$ 710,395		(10.38)	(42.45)	(27.56)	(16.77)	(9.55)	(6.34)

Asset Class Benchmarks:

Russell 3000 Index	(10.80)	(38.20)	(23.81)	(13.55)	(7.31)	(4.59)
MSCI ACWI Ex US IMI Net	(10.29)	(46.46)	(25.89)	(12.91)	(4.08)	(0.34)
Russell 3000 Index + 300 bps--Quarter Lagged	(20.34)	(33.09)	(14.87)	(4.88)	(1.47)	1.99
BC Universal--Custom FI Benchmark	0.36	1.58	4.03	4.95	4.46	3.95
NCREIF Property Index--Quarter Lagged	(8.29)	(6.46)	4.09	8.10	10.98	11.67
91 Day T-Bill	0.05	1.21	2.90	3.63	3.60	3.21

TOTAL OPERF NAV
(includes variable fund assets)
One year ending March 2009
(\$ in Millions)



¹OIC Policy 4.01.18, as revised September 2007.

²Includes impact of cash overlay management.

³For mandates beginning after January 1 (or with lagged performance), YTD numbers are "N/A". Performance is reflected in Total OPERF.

RONALD D. SCHMITZ
CHIEF INVESTMENT OFFICER
INVESTMENT DIVISION



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STATE OF OREGON
OFFICE OF THE STATE TREASURER
350 WINTER STREET NE, SUITE 100
SALEM, OREGON 97301-3896

OREGON INVESTMENT COUNCIL
APRIL 29, 2009
MEETING SUMMARY

Members Present: Ben Westlund, Paul Cleary, Harry Demorest, Katy Durant, Keith Larson, Dick Solomon

Staff Present: Andrea Belz, Darren Bond, Brad Child, Stacey Dycus, Sam Green, Norma Harvey, John Hershey, Brooks Hogle, Julie Jackson, Perrin Lim, Tom Lofton, Ben Mahon, Mike Mueller, Kevin Nordhill, Jen Peet, Ron Schmitz, James Sinks, Michael Viteri

Consultants Present: Allan Emkin, Mike Moy, Neil Rue, Nori Lietz, John Meier, Mike Beasley, David Fann,

Legal Counsel Present: D. Kevin Carlson, Oregon Department of Justice
Ted Falk, Oregon Department of Justice
Fred Boss, Oregon Department of Justice

The OIC meeting was called to order at 9:01 am by Katy Durant, Chair.

<u>Time</u>	<u>Agenda Item</u>	
9:01 am	1	REVIEW AND APPROVAL OF MINUTES: The February 25, 2009 minutes were unanimously approved by a vote of 5/0.
9:02 am	2	LITIGATION UPDATE – EXECUTIVE SESSION: Mr. Carlson read ORS 192.660(2)(h). The executive session, held pursuant to stated ORS, began at 9:02 am.
The meeting returned to public session at 9:15 am		
9:15 am	3	ECONOMIC SCENARIO ANALYSIS: Mike Beasley and John Meier with SIS presented background on the current economic investment climate and simulated historical market impacts on OPERF.
9:56 am	4	PRIVATE EQUITY AND REAL ESTATE CAPITAL BUDGETING: Brad Child, Senior Investment Officer presented an update on Real Estate Capital Budgeting. Sam Green, Investment Officer presented an update on Private Equity Capital Budgeting.
10:45 am	5	OIC POLICY UPDATES: Mike Mueller, Deputy CIO gave an update on OIC Policy changes. Mr. Demorest moved approval of all policy changes. Treasurer Westlund seconded the motion. The motion passed by a vote of 5/0.

A.2.b. OIC Mtg. Summary

- 10:51 am 6 PRIVATE MARKETS STATEMENT OF PRINCIPLES:
Ron Schmitz, Chief Investment Officer presented a draft version of the Private Partnership Investment Principles. Mr. Larson moved approval subject to technical corrections to be sent to Mr. Schmitz to be ratified by the Council within a month. Mr. Solomon seconded the motion. The motion passed by a vote of 5/0.
- 11:47 am 7 HIGHER EDUCATION GEAR UP SCHOLARSHIP FUNDS:
Mike Mueller and John Meier (SIS) presented on Higher Ed "Gear Up" Scholarship Funds. Staff and SIS recommend that the OIC approve the investment allocation of the Oregon Student Assistance Commission as it relates to current and upcoming cash flows. Further, OST Staff will work with the Department of Justice to draft an interagency agreement of understanding among the various entities. Mr. Solomon moved approval of staff recommendation. Mr. Demorest seconded the motion. The motion passed by a vote of 5/0.
- 11:50 am 8 ASSET ALLOCATIONS AND NAV UPDATES:
Mr. Schmitz reviewed the Asset Allocations and NAVs for the period ended March 31, 2009.
- 11:51 am 9 CALENDAR – FUTURE AGENDA ITEMS:
Mr. Schmitz highlighted future agenda topics.
- 11:52 am 10 OTHER BUSINESS:
There was no other business discussed.
- 11:52 am PUBLIC COMMENTS:
Linda Burgin, President of the Service Employees International Union (SEIU) Local 503 read a letter with comments commending the OIC for "stepping up" and being an active owner and making positive changes regarding corporate governance and transparency.

The meeting adjourned at 11:57 am.



Oregon

Theodore R. Kulongoski, Governor

Item A.2.c.

Public Employees Retirement System

Headquarters:
11410 S.W. 68th Parkway, Tigard, OR
Mailing Address:
P.O. Box 23700
Tigard, OR 97281-3700
(503) 598-7377
TTY (503) 603-7766
www.oregon.gov/pers

May 29, 2009

TO: Members of the PERS Board
FROM: Kyle J. Knoll, Business Operations Manager
SUBJECT: May 2009 Budget Report

2007-09 BUDGET UPDATE

Operating expenditures for the months of March and April 2009 were \$2,627,794 and \$2,620,021 respectively.

- To-date, through the first 22 months (91.67 %) of the biennium, the Agency has expended a total of \$66,967,867, or 82.89% of PERS' 2007-09 operating budget.
- The positive budget variance for the biennium is currently projected at \$2,586,264.

2009-11 BUDGET UPDATE

PERS has now met significant approval milestones for the Agency's 2009-11 Budget, Senate Bill (SB) 5539:

- Approved by the Senate April 1, 2009.
- Approved by the House of Representatives April 16, 2009.
- And signed by the Governor April 28, 2009.

SB 5539 includes:

- Total Funds – Nonlimited and Limited of \$6,560,582,384.
- Other Funds Limitations of \$82,273,645 for Operating Budget, and \$1,423,075 for Debt Service. Overall, this is a decrease of \$3.3 million from the 2007-09 Operating Budget and Debt Service limitations.
- A total of 362 positions, 66 of which are a primarily a continuation of 2007-09 Limited Duration positions with a few new 2009-11 positions. Of those 66 positions, 31 are authorized as Permanent and 35 as Limited Duration. Overall, this is a decrease of 39 positions or 9.7% from the 401 positions in PERS 2007-09 Legislatively Approved Budget (LAB).
- And legislative approval of PERS' eight existing Key Performance Measures, without any changes.

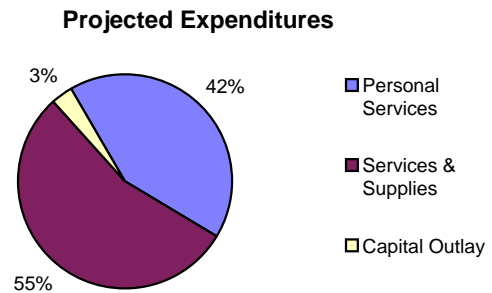
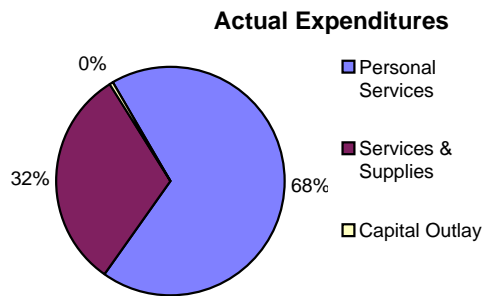
**2007-09 Agency-wide less RCP - Budget Execution
Summary Budget Analysis
For the Month of: April 2009**

Biennial Agency-wide Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2007-09 LAB	Variance
Personal Services	45,569,124	4,725,543	50,294,667	53,288,261	2,993,594
Services & Supplies	21,095,105	6,122,740	27,217,845	26,553,000	(664,845)
Capital Outlay	303,638	386,548	690,186	947,701	257,515
Special Payments					
Total	66,967,867	11,234,831	78,202,698	80,788,962	2,586,264

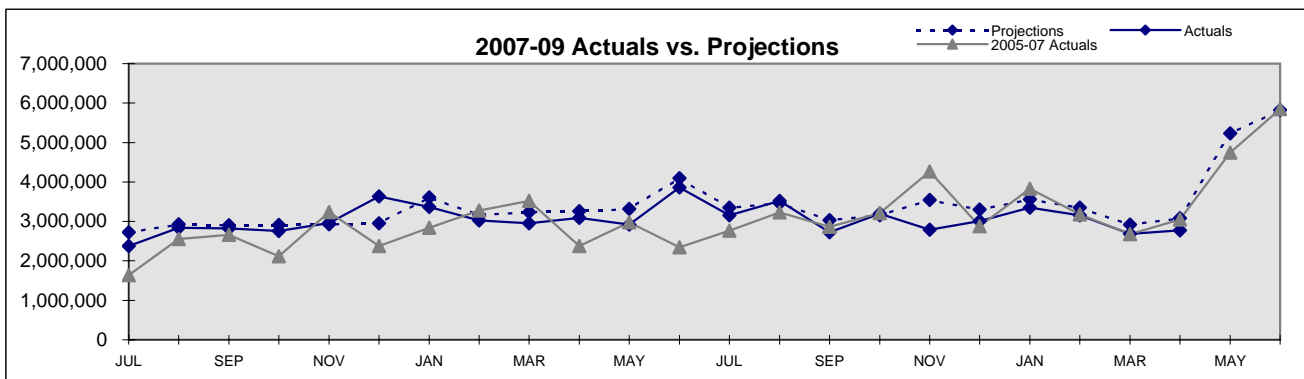
Less RCP projected variance: **429,030**

Net projected Agency-wide variance less RCP: 2,157,234



Monthly Summary less RCP

Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Projected Expenditures
Personal Services	2,102,303	2,308,494	206,190	2,033,772	2,323,133
Services & Supplies	523,217	621,135	97,918	604,840	985,280
Capital Outlay	(5,500)	35,642	41,142	3,734	172,453
Special Payments					
Total	2,620,021	2,965,271	345,250	2,642,346	3,480,866



2005-07 Biennium Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2005-07 LAB	Variance
Personal Services	42,804,552		42,804,552	46,875,869	4,071,317
Services & Supplies	31,107,541		31,107,541	27,460,026	(3,647,515)
Capital Outlay	534,468		534,468	679,533	145,065
Special Payments					
Total	74,446,561		74,446,561	75,015,428	568,867



Oregon

Theodore R. Kulongoski, Governor

Public Employees Retirement System

Headquarters:

11410 S.W. 68th Parkway, Tigard, OR

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

(503) 598-7377

TTY (503) 603-7766

www.oregon.gov/pers

May 29, 2009

TO: Members of the PERS Board

FROM: Yvette Elledge, Customer Service Division Administrator
David Crosley, Communications Officer

SUBJECT: Website Survey and 2009 Customer Satisfaction Survey

In reviewing the 2008 Customer Satisfaction Survey at the November 21, 2008 Board meeting, the Board asked if members who contact the Member Call Center have already visited the PERS website to resolve the issue or get specific information. The Board also asked to be included in designing the 2009 Customer Satisfaction Survey.

Our March 2009 pilot survey asked callers: "Did you check the PERS website for this information before you called us?" This question was asked only to the callers that asked general questions and did not want specific information related to their account, which they could not access through the website. Of those surveyed, 17.25% indicated they had visited the PERS website before contacting the Call Center.

We then conducted a more in-depth written survey with members who contacted our Call Center from April 20 - May 15, 2009. The data included here is through May 13. We mailed 2,924 surveys and received 828 responses through May 13.

Forty percent of respondents visited the PERS website to locate the information before calling PERS. Of those, 38 percent stated they found the information they wanted but called Customer Service for clarification or assistance. Thirty-eight percent could not find the information they wanted. Information on the website prompted 13 percent of respondents to call PERS and 11 percent found the information they wanted but it did not answer their question(s).

Of the 60 percent who did not visit the PERS website before calling Customer Service, 64 percent said they prefer to talk directly with PERS and 14 percent do not have a computer.

One question asked: "Please let us know what information you tried to find (on the PERS website)." Many respondents were looking for member-specific information (that will be part of member self-service in 2010), including Tier One/Tier Two account balances, status of a retirement application or withdrawal, and retirement benefit amounts.

We also asked for comments regarding the PERS website. Approximately 80 percent of the comments were positive. Comments included:

- “It's pretty self-explanatory and easy to find the information needed.”
- “The website is clear and organized. The forms I needed were easily copied and filled out.”
- “The website itself is "clunky" and worthless.”
- “The website is good, but it can't answer every question.”
- “I find the website very useful and use it often. It's nice to have a choice between calling and the internet.”
- “Good website. But I really appreciate being able to get questions answered and have an opportunity for clarification that a machine cannot provide.”
- “Website was hard for me to follow.”
- “Your website is easy to access and navigate.”

We incorporated questions regarding the PERS website into drafts of the 2009 Customer Satisfaction Surveys for members and employers. We will conduct the surveys through the month of August, 2009. This is the same timeframe used for past annual surveys.

A draft of the 2009 member Customer Satisfaction Survey is shown below.

2009 Member Customer Service Survey Draft

1. Please check the appropriate box to indicate your membership status.

Retired	
Active	
Inactive (no longer working for a PERS-covered employer but not retired)	

2. When was the last interaction you initiated with PERS?

Within the last 30 days	
Within the last 60 days	
Within the last 6 months	
Within the last year	
More than a year	

3. Please answer the following questions about the services PERS provides to its members.

	Excellent	Good	Fair	Poor	Don't Know
How do you rate the timeliness of the services PERS provides?					
How do you rate PERS' ability to provide services correctly the first time?					
How do you rate PERS' helpfulness?					
How do you rate the knowledge and helpfulness of PERS employees?					
How do you rate the availability of information at PERS?					
How do you rate the overall quality of service PERS provides?					
How do you rate our service in the past year compared to previous years?					
How do you rate the PERS website?					

4. If you would like to elaborate on any of your answers to questions 1-3, please comment here.

5. If you have used the PERS website, please answer the following questions:

	Yes	Somewhat Easy	Somewhat Difficult	No
a. Was the PERS website easy to navigate?				
b. Did you find the information you wanted?				

c. If you did not find the information you were seeking, please let us know what information you could not find

d. Are there any changes you would make to the PERS website?

PERS is looking at ways to increase the usage and ease-of-use of our website. Results from the 2009 Customer Satisfaction Survey, coupled with an outside review of the website, could then be used to reengineer the website.

One of the future enhancements to the PERS website will be member self-service that will allow members to access their personal PERS data online. Comments from the April 20 - May 15, 2009 survey and past annual member Customer Service Satisfaction surveys show that members want online self-service, which is being developed under the RIMS Conversion Project currently scheduled for completion in July, 2010.



Oregon

Theodore R. Kulongoski, Governor

Item A.2.e.

Public Employees Retirement System

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Tigard, OR 97281-3700

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www.oregon.gov/pers

May 29, 2009

TO: Members of the PERS Board

FROM: Dale S. Orr, Manager, Actuarial Analysis Section

SUBJECT: 2009 Purchasing Power Study

Attached is the 2009 Purchasing Power Study. This report, prepared by Mercer, analyzes the impact of inflation on retiree benefits. The study's measure of inflation is the Consumer Price Index for Portland which is then used to determine the erosion in purchasing power of PERS benefits based on the year of a member's retirement.

This report is informational only and does not require any Board action.

MERCER

 MARSH MERCER KROLL
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 brenda.majdic@mercer.com
 www.mercer.com

April 29, 2009

 Mr. Dale S. Orr
 Actuarial Services Manager
 Oregon PERS
 P.O. Box 23700
 Tigard, OR 97281-3700

Via E-Mail

 Subject: Request Number: 2009-003
 2009 Purchasing Power Study

Dear Dale:

As requested, we updated the annual purchasing power study for 2009 to compare how well monthly benefits paid to retirees and beneficiaries have kept up with inflation since retirement. Since the last study, the Consumer Price Index for Portland increased 3.28 percent in 2008. With all retirees receiving a 2.0 percent annual cost-of-living adjustment, retirees experienced a decrease in purchasing power over the year.

Purchasing power in this report is defined as the cumulative post-retirement benefit increases in Tier 1/Tier 2 benefits compared to the cumulative CPI increases since the year of retirement. The chart below shows the change in purchasing power from 2008 to 2009 by year of retirement.

Year Retired	Purchasing Power		Year Retired	Purchasing Power	
	2008	2009		2008	2009
1980 & prior	76.1%	75.2%	1988	79.0%	78.0%
1981	78.8%	77.8%	1989	80.1%	79.1%
1982	80.8%	79.8%	1990	82.5%	81.4%
1983	80.9%	79.9%	1991	85.5%	84.5%
1984	78.7%	77.7%	1992	88.1%	87.0%
1985	77.7%	76.8%	1993	90.2%	89.1%
1986	78.6%	77.6%	1994	91.5%	90.4%
1987	78.6%	77.6%	1995	92.4%	91.2%

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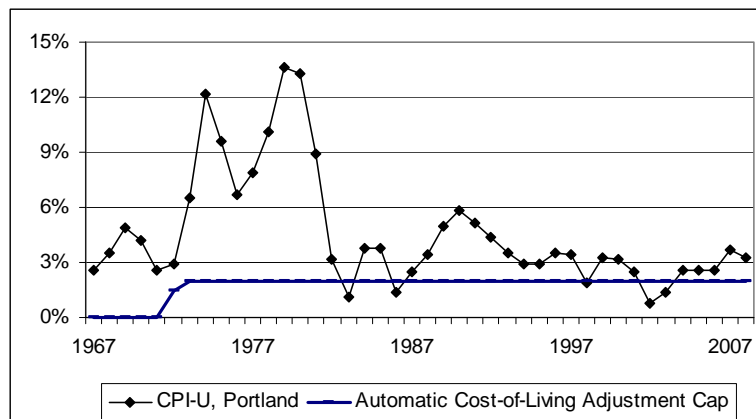
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 Mr. Dale S. Orr
 Oregon PERS

Year Retired	Purchasing Power		Year Retired	Purchasing Power	
	2008	2009		2008	2009
1996	93.2%	92.0%	2003	96.7%	95.5%
1997	94.6%	93.4%	2004	96.7%	95.5%
1998	95.8%	94.6%	2005	97.2%	96.0%
1999	95.8%	94.6%	2006	97.8%	96.6%
2000	96.7%	95.5%	2007	98.4%	97.1%
2001	96.7%	95.5%	2008	100.0%	98.8%
2002	96.7%	95.5%	2009		100.0%

Inflation

Cost-of-living adjustments (COLAs) are automatically granted each year to retirees and beneficiaries up to a maximum of 2 percent based on the Consumer Price Index for Portland (defined by All Items, All Urban Consumers, Portland-Salem, OR-WA, Annual Average) as released by the Department of Labor. If the Consumer Price Index for Portland (CPI – Portland) exceeds 2 percent, then the retiree receives a 2 percent COLA and the remaining percentage is carried forward in a “bank” to be used in future years when the CPI-Portland is less than 2 percent. Retirees who have recently retired, and do not have a “bank” balance, receive a COLA equal to the CPI-Portland amount if less than 2 percent, otherwise they receive 2 percent.

The graph below page shows the CPI-Portland compared to the automatic cost-of-living adjustment cap that is currently 2.0 percent.



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Oregon PERS

The automatic COLA was established in 1972, and there have only been five years (1983, 1986, 1998, 2002 and 2003) when inflation has been below the COLA cap. Consequently, retiree benefits have tended to lose their purchasing power. Attachment A shows the history of increases in CPI-Portland from 1962 through 2008.

The historical COLA amounts granted to retirees and beneficiaries are shown below:

Date	COLA	Exceptions
July 1972	1.5%	
July 1973 – present	2.0% (maximum COLA)	1.08% in 1984 if retired on or after August 1983 1.41% in 1987 if retired on or after August 1986 1.89% in 1999 if retired on or after August 1998 1.24% in 2003 if retired on or after August 2001 and prior to August 2002 0.77% in 2003 if retired on or after August 2002 1.36% in 2004 if retired on or after August 2001 and prior to August 2004 1.73% in 2004 if retired on or after August 2000 and prior to August 2001

Benefit Increases

From April 1964 through December 1971 there were some one-time additional payments granted to retirees. These payments are not included in this analysis as they did not affect the ongoing benefit paid to the retiree. A summary of the one-time payments follows:

Effective Date	One Time Payment Amount
April 1964	Monthly Benefit
April 1965	1.5 × Monthly Benefit
April 1966, April 1967	2 × Monthly Benefit
April 1968, April 1969, April 1970, April 1971	3 × Monthly Benefit
December 1971	3.5 × Monthly Benefit

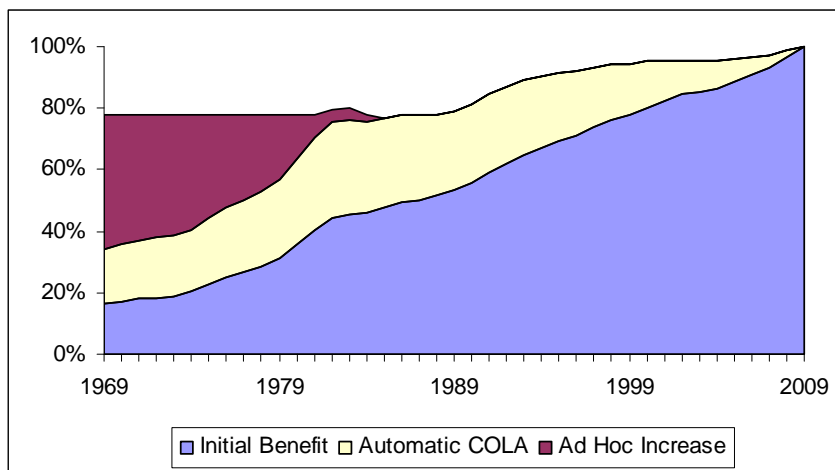
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Mr. Dale S. Orr
Oregon PERS

In addition, retirees and beneficiaries have been granted ad hoc benefit increases that resulted in increased monthly benefits going forward. A summary of the ad hoc increases granted by legislation is shown below, with the graded increases shown on Attachment B.

Effective Date	Ad Hoc Increase Granted by Legislation
January 1972	25% if retired prior to January 1968 12% if retired after December 1967 and prior to January 1972
January 1974	25% if retired prior to January 1968 20% if retired after December 1967 and prior to January 1972 12% if retired after December 1971 and prior to January 1974
October 1977	25% on first \$50 of monthly benefit 15% on next \$100 10% on next \$100 5% on next \$100 and 1% on monthly benefit over \$350
July 1979	2% for all retirees
July 1980	2% for all retirees
August 1981	Graded table by year of retirement to 11.40%
July 1982	Graded table by year of retirement to 11.40%
July 1985	Graded table by year of retirement to 7.28%
July 1986	Graded table by year of retirement to 7.28%
July 1989	Graded table by year of retirement to produce a 95% replacement of original purchasing power

Current Purchasing Power

The current purchasing power of retirees depends on both the automatic COLA increases and the ad hoc increases granted, compared to the growth in the CPI over the same time period. The graph below shows the cumulative effects of increases granted as a percentage of a benefit adjusted by CPI by year of retirement.



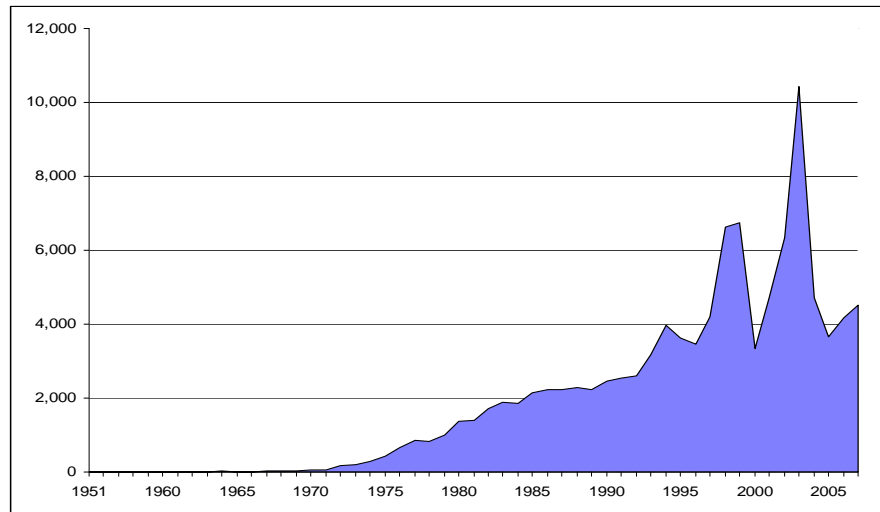
As shown in the graph above, for long-time retired members, the majority of the increases in their benefits since retirement have come from ad hoc increases. Retirees who retired within the past 24 years have not received any ad hoc increases. However, inflation has been significantly lower than in the late 1970's, and the automatic COLA increases have tracked changes in CPI more closely. Purchasing power for retirees since 1994 has remained within 90 percent of their original purchasing power.

The following graph shows the distribution of retirees and beneficiaries, from the December 31, 2007 actuarial valuation, by year of retirement. As shown in the graph below, a vast majority of retirees and beneficiaries have retired within the last 24 years and have not received any ad hoc increases. However, as their COLAs have tracked more closely with CPI, their purchasing power has remained higher than long-time retired members who have received ad hoc increases. For retirees/beneficiaries retired in the last 24 years, the average purchasing power is 89.9% compared to the average purchasing power of 75.7% for those retired more than 24 years ago.

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Attachment C compares the cumulative post-retirement benefit increases in Tier 1/Tier 2 benefits to the cumulative CPI increases for the last 40 years. The middle columns show the level an initial benefit of \$100 per month would have risen to based on CPI increases and increases granted through PERS. The columns on the right show the percentage of the original \$100 benefit and the PERS-adjusted benefit as a percentage of the CPI-adjusted benefit.

For example, a 1969 retiree with an original benefit of \$100 per month would need to be receiving \$609.30 per month now to have kept pace with inflation. Benefit increases granted through PERS increased the \$100 per month benefit to \$458.03 per month. The original benefit of \$100 per month is 16.4 percent of the CPI-adjusted benefit and the PERS-adjusted benefit of \$458.03 is 75.2 percent of the CPI-adjusted benefit.

Our analysis and conclusions are based on the data, methods and assumptions described above. Differences in the methods and assumptions may produce different results.

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MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

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Mr. Dale S. Orr
Oregon PERS

If you have any questions about the purchasing power report or need any additional information, please let us know

Sincerely,

[BJM]

Brenda J. Majdic, ASA, EA, MAAA

BJM/mrl:ksb
Enclosure

Copy:
Bill Hallmark, Matt Larrabee

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The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

Attachment A

History of Consumer Price Index — Portland

Year	CPI 1967 Basis	Annual Percentage Increase	Year	CPI 1967 Basis	CPI 1982-84 Basis	Annual Percentage Increase
1962	88.5		1985	312.4		3.79%
1963	90.2	1.92%	1986	316.8	108.2	1.41%
1964	92.2	2.22%	1987		110.9	2.50%
1965	94.6	2.60%	1988		114.7	3.43%
1966	97.5	3.07%	1989		120.4	4.97%
1967	100.0	2.56%	1990		127.4	5.81%
1968	103.5	3.50%	1991		133.9	5.10%
1969	108.6	4.93%	1992		139.8	4.41%
1970	113.2	4.24%	1993		144.7	3.51%
1971	116.1	2.56%	1994		148.9	2.90%
1972	119.5	2.93%	1995		153.2	2.89%
1973	127.3	6.53%	1996		158.6	3.52%
1974	142.8	12.18%	1997		164.0	3.40%
1975	156.5	9.59%	1998		167.1	1.89%
1976	167.0	6.71%	1999		172.6	3.29%
1977	180.2	7.90%	2000		178.0	3.13%
1978	198.4	10.10%	2001		182.4	2.47%
1979	225.4	13.61%	2002		183.8	0.77%
1980	255.4	13.31%	2003		186.3	1.36%
1981	278.2	8.93%	2004		191.1	2.58%
1982	287.0	3.16%	2005		196.0	2.56%
1983	290.1	1.08%	2006		201.1	2.60%
1984	301.0	3.76%	2007		208.6	3.71%
			2008		215.4	3.28%

Source: U.S. Department of Labor, Bureau of Labor Statistics
 Consumer Price Index, All Items, All Urban Consumers, Portland-Salem, OR-WA, Annual Average

Attachment B

Year Retired	Ad Hoc Adjustments by Effective Year				
	1981	1982	1985	1986	1989
1950	11.40	11.40	7.28	7.28	18.00
1951	10.64	10.64	7.28	7.28	19.00
1952	10.56	10.56	7.28	7.28	10.00
1953	10.16	10.16	7.28	7.28	8.00
1954	10.04	10.04	7.28	7.28	8.00
1955	10.00	10.00	7.25	7.25	7.00
1956	9.68	9.68	7.06	7.06	9.00
1957	9.28	9.28	6.82	6.82	9.00
1958	9.08	9.08	6.70	6.70	5.00
1959	8.96	8.96	6.62	6.62	3.00
1960	8.76	8.76	6.50	6.50	3.00
1961	8.64	8.64	6.42	6.42	2.00
1962	8.56	8.56	6.37	6.37	1.00
1963	8.32	8.32	6.22	6.22	1.00
1964	8.12	8.12	6.09	6.09	—
1965	7.88	7.88	5.94	5.94	—
1966	7.56	7.56	5.73	5.73	—
1967	7.36	7.36	5.60	5.60	—
1968	7.20	7.20	5.49	5.49	7.00
1969	6.88	6.88	5.28	5.28	4.00
1970	6.60	6.60	5.09	5.09	—
1971	6.36	6.36	4.93	4.93	—
1972	6.20	6.20	4.82	4.82	15.00
1973	5.92	5.92	4.63	4.63	14.00
1974	5.28	5.28	4.17	4.17	25.00
1975	4.92	4.92	3.92	3.92	15.00
1976	4.72	4.72	3.77	3.77	7.00
1977	4.44	4.44	3.57	3.57	3.00
1978	4.76	4.76	3.80	3.80	16.00
1979	4.32	4.32	3.48	3.48	11.00
1980	4.00	4.00	3.24	3.24	3.00
1981	—	4.00	3.09	3.09	—
1982	—	—	3.01	3.01	—
1983	—	—	3.00	3.00	—
1984	—	—	—	3.00	—
1985	—	—	—	—	—
1986	—	—	—	—	—
1987	—	—	—	—	—
1988	—	—	—	—	—
1989	—	—	—	—	—

Attachment C

Comparison of Tier 1/Tier 2 Benefits to CPI at August, 2009

Year Retired	Number of Years	Cumulative Increase		Purchasing Power	
		CPI	Tier 1/Tier 2	Initial	Tier 1/Tier 2
1969	40	609.30	458.03	16.4%	75.2%
1970	39	580.68	436.52	17.2%	75.2%
1971	38	557.09	418.78	18.0%	75.2%
1972	37	543.17	408.32	18.4%	75.2%
1973	36	527.72	396.71	18.9%	75.2%
1974	35	495.38	372.40	20.2%	75.2%
1975	34	441.61	331.98	22.6%	75.2%
1976	33	402.95	302.92	24.8%	75.2%
1977	32	377.62	283.87	26.5%	75.2%
1978	31	349.96	263.08	28.6%	75.2%
1979	30	317.85	238.94	31.5%	75.2%
1980	29	279.78	210.32	35.7%	75.2%
1981	28	246.92	192.06	40.5%	77.8%
1982	27	226.68	180.81	44.1%	79.8%
1983	26	219.73	175.61	45.5%	79.9%
1984	25	217.38	168.92	46.0%	77.7%
1985	24	209.51	160.81	47.7%	76.8%
1986	23	201.86	156.70	49.5%	77.6%
1987	22	199.07	154.53	50.2%	77.6%
1988	21	194.22	151.53	51.5%	78.0%
1989	20	187.78	148.59	53.3%	79.1%
1990	19	178.89	145.68	55.9%	81.4%
1991	18	169.07	142.82	59.1%	84.5%
1992	17	160.86	140.02	62.2%	87.0%
1993	16	154.07	137.28	64.9%	89.1%
1994	15	148.85	134.59	67.2%	90.4%
1995	14	144.65	131.95	69.1%	91.2%
1996	13	140.59	129.36	71.1%	92.0%
1997	12	135.81	126.82	73.6%	93.4%
1998	11	131.33	126.69	76.1%	94.6%
1999	10	128.90	121.90	77.6%	94.6%
2000	9	124.79	119.19	80.1%	95.5%
2001	8	121.01	115.56	82.6%	95.5%
2002	7	118.09	112.77	84.7%	95.5%
2003	6	117.19	111.91	85.3%	95.5%
2004	5	115.61	110.41	86.5%	95.5%
2005	4	112.71	108.24	88.7%	96.0%
2006	3	109.89	106.12	91.0%	86.6%
2007	2	107.11	104.04	93.4%	97.1%
2008	1	103.28	102.00	96.8%	98.8%
2009	0	100.00	100.00	100.00%	100.00%



Oregon

Theodore R. Kulongoski, Governor

Public Employees Retirement System

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www.oregon.gov/pers

May 29, 2009

TO: Members of the PERS Board

FROM: Eva Kripalani, Chair, PERS Audit Committee

SUBJECT: Review the Annual Report of Financial Transactions of the Executive Director for the Calendar Year Ended December 31, 2008.

REQUESTED ACTION

In accordance with PERS policy and procedure, the Chair of the Audit Committee has reviewed the summary of salary, benefits, personnel expenses, travel and other financial charges incurred by the PERS Executive Director for the calendar year ended December 31, 2008 in the aggregate amounts of \$230,516.42. The detailed financial records supporting this summary are maintained in the Fiscal Services Division.

BACKGROUND

Oregon Accounting Manual policy number 10.90.00.PO requires that agency heads reporting to a board or commission shall delegate review and approval authority for financial transactions to the person holding the position of second-in-command to the agency head or the Chief Financial Officer, and that the delegation be in writing. This is supported by PERS policy number 1.01.02.00.001.POL, which requires the Board to establish a formal structure to ensure the proper review and approval of the Executive Director's financial transactions.

That structure is contained within PERS' procedure number 1.01.02.00.001.PRO. The procedure requires that the Deputy Director or the Chief Financial Office review and approve all financial transactions of the Executive Director, including monthly timesheets, travel claims (both in-state and out-of-state), SPOTS card purchases, etc. The procedure also requires that the Chair of the Audit Committee report to the Audit Committee and the PERS Board annually that they have reviewed the Executive Director's financial transactions, and that this review and approval be documented in the Board meeting minutes.

The Chief Financial Officer has reviewed the detailed transactions (payroll time reports, travel expense reimbursement claims and Small Purchase Order Transaction System (SPOTS) card purchases) of the Executive Director of PERS for the calendar year ended December 31, 2008, and has determined that they were appropriately submitted and archived with

supporting documentation and contained the appropriate authorization and approval by either the Deputy Director or the Chief Financial Officer. Mr. Jason Stanley, Internal Audit Director, has also reviewed the detailed financial summaries and identified no exceptions or inappropriate financial transactions. During the 2008 calendar year, the Executive Director had no exceptional performance leave or vacation payouts to report.

Recommendation:

Acknowledge receipt and acceptance of the report of the Executive Director's financial transactions for the calendar year ended December 31, 2008 as submitted by the Chief Financial Officer, and document receipt and acceptance in the PERS Board minutes of May 29, 2009, in compliance with OAM 10.90.00 PO.



Oregon

Theodore R. Kulongoski, Governor

Item B.1.

Public Employees Retirement System

Headquarters:
11410 S.W. 68th Parkway, Tigard, OR
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May 29, 2009

TO: Members of the PERS Board
FROM: Steven Patrick Rodeman, Deputy Director
SUBJECT: Notice of Rulemaking for Reemployment of Retired Members of the OPSRP Pension Program and Receipt of Payments by a Reemployed Member of the IAP:
OAR 459-075-0300, *Reemployment of a Retired Member of the OPSRP Pension Program*
OAR 459-080-0300, *Receipt of Payments by a Reemployed Member of the IAP.*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: The new rules are needed to clarify limitations on the reemployment of OPSRP Pension Program retired members and receipt of payments by reemployed IAP members.
- Subject: Reemployment of OPSRP Pension Program retired members and IAP members.
- Policy Issue: Should the limitations on employment for retired members of the IAP parallel those imposed on them in the PERS Tier One/Tier Two Program and the OPSRP Pension Program?

BACKGROUND

Staff is proposing that two new rules be adopted to address the implications of a retired OPSRP pension member and an IAP member who is receiving benefits returning to employment with a PERS-covered employer.

OAR 459-075-0300

The reemployment limitations of the OPSRP Pension Program are considerably more restrictive than those of the PERS Tier One/Tier Two Program. ORS 238A.245 states that a member who retires and is then employed in a qualifying position must stop receiving pension payments and return to active membership. A retired member who is employed in a non-qualifying position may continue to receive payments. If that retired member starts in a non-qualifying position but then works 600 or more hours in a calendar year, by law that becomes a qualifying position and the rule spells out those consequences. Also, a retired member may receive a lump sum benefit in lieu a small pension (cash out). The new rule clarifies the application of the statutory provisions and provides additional guidance to ensure continued compliance with federal tax law.

OAR 459-080-0300

There are no specific statutory provisions in ORS Chapter 238A on reemployment of IAP members receiving benefit payments. Note that, upon retirement, an IAP member can elect to

receive their distribution in a lump sum or in installments. This rule explains the limitations on IAP members who retire and then return to PERS-covered employment. These limits are based on federal tax law standards on distributing benefits only after separation or a bona fide retirement.

POLICY ISSUE

Should the limitations on employment for retired members of the IAP parallel those imposed on them in the PERS Tier One/Tier Two Program and the OPSRP Pension Program?

Retired members of the PERS Tier One/Tier Two Program and the OPSRP Pension Program can also receive IAP benefit payments. ORS Chapter 238A contains no specific reemployment limitations for the IAP, but generally federal tax law limitations ensuring a bona fide retirement must be applied. As those standards are also reflected in the more defined limitations from the OPSRP Pension and Tier One/Tier Two Programs, applying those program's restrictions to the IAP (based on the member's parallel membership in one or the other) allows members to follow one set of standards for both their benefit programs. Establishing separate or inconsistent limitations for the IAP creates unnecessary administrative costs and complications, as well as making the return to work process more indecipherable for members. Instead, applying standards from the Tier One/Tier Two or OPSRP Pension Program respectively that are in compliance with federal standards to receipt of payments from the IAP will provide predictability, consistency, and clarity for members, employers, and staff.

Staff recommends and the proposed rule provides that receipt of payments from the IAP by retired members of the PERS Tier One/Tier Two Program and the OPSRP Pension Program is subject to the limitations on reemployment of retired members of the respective programs.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held on June 16, 2009 at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends on July 1, 2009 at 5:00 p.m.

LEGAL REVIEW

The attached draft rules were submitted to the Department of Justice for legal review and any comments or changes will be incorporated before the rules are presented for adoption.

IMPACT

Mandatory: No, the Board need not adopt the rules.

Impact: Members, employers, and staff will benefit from more comprehensive guidance and consistency in the administration of work after retirement limitations.

Cost: There are no discrete costs attributable to these rules.

RULEMAKING TIMELINE

April 15, 2009	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
May 1, 2009	<i>Oregon Bulletin</i> published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
May 29, 2009	PERS Board notified that staff began the rulemaking process.
June 16, 2009	Rulemaking hearing to be held at 2:00 p.m. in Tigard.
July 1, 2009	Public comment period ends at 5:00 p.m.
July 16, 2009	Staff will propose adopting the permanent rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

A public hearing will be held on June 16, 2009 at 2:00 p.m. The rules are scheduled to be brought before the PERS Board for adoption at the July 16, 2009 Board meeting.

B.1. Attachment 1 – OAR 459-075-0300, *Reemployment of a Retired Member of the OPSRP Pension Program*

B.1. Attachment 2 – OAR 459-080-0300, *Receipt of Payments by a Reemployed Member of the IAP*

OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 075 – OPSRP PENSION PROGRAM

1 459-075-0300

2 Reemployment of a Retired Member of the OPSRP Pension Program

3 (1) If a retired member of the OPSRP Pension Program who is receiving
4 monthly pension payments is employed by a participating public employer in a
5 qualifying position:

6 (a) The member’s retirement is canceled effective the first of the month in
7 which the member was employed;

8 (b) The last pension payment that the member is entitled to is the payment
9 payable the first of the month in which the member was employed; and

10 (c) The member reestablishes active membership effective the date the member
11 was employed.

12 (2) If a retired member of the OPSRP Pension Program who received a lump
13 sum benefit in lieu of a small pension under ORS 238A.195 is employed by a
14 participating public employer in a qualifying position, the member reestablishes
15 active membership effective the date of employment.

16 (a) If the member was employed after the date of the payment, the member is
17 not required nor permitted to repay the benefit amount.

18 (b) If the member was employed on or before the date of the payment, the
19 member must repay the gross benefit amount.

20 (3) A retired member of the OPSRP Pension Program who is employed by a
21 participating public employer in a non-qualifying position may receive pension

1 payments or a lump sum payment under ORS 238A.195 without affecting the
2 member's status as a retired member.

3 (a) If, by reason of hours of service performed by the retired member, the non-
4 qualifying position becomes qualifying in a calendar year, the position is qualifying
5 effective the later of the first day of the calendar year or the date the member was
6 employed.

7 (b) If a position becomes qualifying under subsection (a) of this section, the
8 retired member is subject to the provisions of sections (1) and (2) of this rule.

9 (4) A retired member who reestablishes active membership may, at subsequent
10 retirement, elect any option provided in ORS 238A.180 and 238A.190, subject to the
11 provisions of ORS 238A.195.

12 (a) The member's subsequent retirement benefit will be calculated based on the
13 member's periods of active membership before and after the member's initial
14 effective retirement date if at the initial retirement:

15 (A) The member received a monthly pension; or

16 (B) The member received a lump sum payment under ORS 238A.195 and repaid
17 the benefit amount under subsection (2)(b) of this rule.

18 (b) The member's subsequent retirement benefit will be calculated based on the
19 member's periods of active membership after the member's initial effective
20 retirement date if:

21 (A) At initial retirement, the member received a lump sum payment under ORS
22 238A.195 and was not required to repay the benefit amount under subsection (2)(b)
23 of this rule; or

1 (B) The member is required to repay the benefit amount under subsection (2)(b)
2 of this rule and, as of the effective retirement date of the member’s subsequent
3 retirement, the member has not repaid the benefit amount.

4 (c) The member’s subsequent retirement benefit will be calculated using the
5 actuarial equivalency factors in effect on the effective retirement date of the
6 subsequent retirement.

7 Stat. Auth.: ORS 238A.450

8 Stats. Implemented: ORS 238A.245

OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 080 – OPSRP INDIVIDUAL ACCOUNT PROGRAM

1 459-080-0300

2 Receipt of Payments by a Reemployed Member of the IAP

3 (1) A member who received a lump sum distribution under ORS 238A.400 or
4 OAR 459-080-0250 who is employed by a participating public employer in a
5 qualifying position becomes an active member as of the date of employment.

6 (a) If the member was employed after the date of the payment, the member is
7 not required nor permitted to repay the payment.

8 (b) If the member was employed on or before the date of the payment, the
9 member must repay the gross amount of the payment.

10 (2) A member receiving installment payments under 238A.400 and OAR 459-
11 080-0250 who is employed by a participating public employer in a qualifying
12 position becomes an active member as of the date of employment.

13 (a) The last installment payment to which the member is entitled is the last
14 installment payment paid before the date of employment.

15 (b) The member is not required nor permitted to repay installment payments
16 paid before the date of employment.

17 (3) A member who is employed by a participating public employer in a non-
18 qualifying position may receive a lump sum payment or installment payments.

19 (a) If, by reason of hours of service performed by the member, the non-
20 qualifying position becomes qualifying in a calendar year, the position is qualifying
21 effective the later of the first day of the calendar year or the date the member was
22 employed.

1 (b) If a position becomes qualifying under subsection (a) of this section, the
2 member is subject to the provisions of sections (1) and (2) of this rule.

3 (4) Notwithstanding Sections (1) to (3) of this rule, a member of the IAP who is a
4 retired member of the PERS Chapter 238 Program and is employed by a
5 participating public employer may receive payment(s) from the IAP subject to the
6 limitations on employment of retired members of the PERS Chapter 238 Program.

7 (5) A member of the IAP who reestablishes active membership may, at
8 subsequent retirement, elect any payment option provided in ORS 238A.400,
9 subject to the provisions of OAR 459-080-0250.

10 Stat. Auth.: 238A.450

11 Stats. Implemented: ORS chapters 238 & 238A



Oregon

Theodore R. Kulongoski, Governor

Item B.2.

Public Employees Retirement System

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May 29, 2009

TO: Members of the PERS Board
FROM: Steven Patrick Rodeman, Deputy Director
SUBJECT: Notice of Recovery of Administrative Costs Rule:
OAR 459-005-0250, *Recovery of Administrative Costs*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Address disability estimates in the recovery of administrative costs.
- Subject: Recovering administrative costs for disability estimates.
- Policy Issues: None at this time.

BACKGROUND

Currently, this OAR addresses recovering administrative costs for service retirement estimate requests. Generally, a member can receive two free estimates each calendar year, and must pay \$60 for each additional estimate. The proposed changes specifically address disability retirement estimates, waiving any fees for requesting those estimates but specifying that a disability application must be on file at PERS to request a disability estimate.

The proposed changes will clarify the rule's application to members who have submitted a disability retirement application and help streamline the workflow process between the Account Reconciliation Team and Disability Unit. These changes will also help to limit the number of disability retirement estimate requests to only those members who have applied for benefits and make others who are "forum shopping" take the initiative to apply for disability retirement.

Amendments also were made to cite all the statutes related to full-cost purchases.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held on June 16, 2009 at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends on July 1, 2009 at 5:00 p.m.

LEGAL REVIEW

The attached draft rule was submitted to the Department of Justice for legal review and any comments or changes will be incorporated before the rule is presented for adoption.

IMPACT

Mandatory: No, but the proposed changes will help members who have filed a disability application.

Impact: The rule modifications will reduce the number of disability estimate requests.

Cost: No cost.

RULEMAKING TIMELINE

April 15, 2009	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
May 1, 2009	<i>Oregon Bulletin</i> published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
May 29, 2009	PERS Board notified that staff began the rulemaking process.
June 16, 2009	Rulemaking hearing to be held at 2:00 p.m. in Tigard.
July 1, 2009	Public comment period ends at 5:00 p.m.
July 16, 2009	Staff will propose adopting the permanent rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

A public hearing will be held on June 16, 2009 at 2:00 p.m. The rule is scheduled to be brought before the PERS Board for adoption at the July 16, 2009 Board meeting.

B.2. Attachment 1 – OAR 459-005-0250, Recovery of Administrative Costs

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 005 – ADMINISTRATION**

1 **459-005-0250**

2 **Recovery of Administrative Costs**

3 (1) Estimates.

4 (a) Any active or inactive member within two years of eligibility for service
5 retirement may request from PERS an estimate of service retirement benefits
6 (*[“]estimate[”]*).

7 (b) Upon request, PERS *[shall]* **must** provide a member with a maximum of two
8 estimates in a calendar year at no cost.

9 (c) PERS shall charge a fee of \$60 for each estimate that exceeds the limit specified
10 in subsection (b) of this *[rule]* section.

11 (d) A fee charged under subsection (c) of this *[rule]* section *[shall]* **must** be paid in
12 full *[prior to]* before receipt of the requested estimate(s). Payment *[shall]* **must** be made
13 by check or money order payable to the Public Employees Retirement System.

14 (e) The provisions of *[this rule]* subsections (a) to (d) of this section do not apply
15 to current judge members during their term of office.

16 **(f) A disability estimate shall be provided to a member only upon PERS’ receipt**
17 **of the member’s completed disability application. A disability estimate is provided**
18 **at no charge.**

19 (2) Full cost purchases. If a member purchases retirement credit under section 2,
20 chapter 971, Oregon Laws 1999, ORS 238.148, 238.157, 238.162, or 238.175, a fee of
21 \$145 *[will]* **shall** be added to the cost of the purchase to cover the administrative costs
22 incurred by PERS in processing the request.

1 Stat. Auth: ORS 238.650, 238.610

2 Stats. Implemented: [OL 1999 Ch. 971](#), ORS 238.610, [238.148](#), 238.157, 238.162 &

3 238.175



Oregon

Theodore R. Kulongoski, Governor

Item B.3.

Public Employees Retirement System

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May 29, 2009

TO: Members of the PERS Board
FROM: Steven Patrick Rodeman, Deputy Director
SUBJECT: Notice of Rulemaking for Vesting in the OPSRP Pension Program and in an IAP Employer Account:
OAR 459-075-0060, *Vesting in the OPSRP Pension Program*
OAR 459-080-0060, *Vesting in an IAP Employer Account*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Clarification of hours of service that may be considered for vesting in the OPSRP Pension Program and IAP Employer account.
- Subject: Vesting in the OPSRP Pension Program and in an IAP Employer account.
- Policy Issue: What standards should be used to determine hours of service before January 1, 2004 for the purpose of vesting in the OPSRP Pension Program and IAP Employer account?

BACKGROUND

A member must be vested in the OPSRP Pension Program and in the account(s) of the Individual Account Program (IAP) to receive benefits under those programs. ORS 238A.115 and 238A.320 provide a common standard by which a member vests in those programs: by completing 600 hours of service in each of five calendar years. The proposed new rules clarify the application of this standard for each program.

OAR 459-075-0060, *Vesting in the OPSRP Pension Program*, clarifies that the determination of hours of service within a calendar year will include hours served during the member's waiting time and hours served by the member with all PERS employers during a calendar year. For calendar years 2004 and later, hours of service will be determined based on hours reported by employers (Once the electronic reporting system, EDX, was implemented, employers started reporting hours worked). The rule also incorporates statutory restrictions on hours that may be considered.

OAR 459-080-0060, *Vesting in an IAP Employer Account*, similarly clarifies the hours of service to be included in the vesting determination. It also clarifies that hours of service performed before an employer account is established are included in the determination. A member who has performed 600 hours in each of five calendar years before the employer account is established will vest in the employer account on the date it is established. ORS 238.320 does not limit hours of service to hours served after the establishment of an IAP Employer account.

POLICY ISSUE

What standards should be used to determine hours of service before January 1, 2004 for the purpose of vesting in the OPSRP Pension Program and IAP Employer account?

Employers did not regularly report hours of service before January 1, 2004. Therefore, PERS does not have records to determine whether an employee worked the requisite 600 hours in a calendar year to have that year count towards their vesting in the OPSRP Pension Program or IAP Employer Account. The statute does not provide a standard for converting creditable service to hours of service for the purpose of vesting. However, creditable service is accrued by an active member, who is a member employed in a position normally requiring 600 hours in a calendar year. The proposed rules address several specific situations, generally using that presumption about active members working at least 600 hours in a calendar year. This is the same standard we apply to eligibility determinations conducted for this earlier period. Similarly, the rules would allow for an exception to this presumption if records provided to PERS demonstrate that the member did not in fact work the requisite 600 hours in that calendar year.

For example, ORS 238A.320(5) provides for the inclusion of creditable service accrued in the PERS Tier One/Tier Two Program as hours of service for the purpose of vesting in an IAP employer account. Unlike the similar provision for vesting in the OPSRP Pension Program, this provision is relevant for all Tier One/Tier Two Program members who accrued creditable service before January 1, 2004. Accordingly, staff recommends and the proposed rule provides that an IAP member is presumed to have worked at least 600 hours in any calendar year before 2004 in which the member was an active member, absent some records provided to PERS which establish that the employee did not work at least 600 hours.

Similarly, ORS 238A.115(3) provides for the inclusion of creditable service accrued in the PERS Tier One/Tier Two Program as hours of service for the purpose of vesting in the OPSRP Pension Program. With the elimination of “Break in Service,” this provision became moot for most employees but is still relevant for a member of the Tier One/Tier Two Program who becomes a member of the Legislative Assembly and elects to participate in OPSRP. Staff recommends and the proposed rule provides that the legislative member is presumed to have worked at least 600 hours in any calendar year before 2004 in which the member was an active member, absent some records provided to PERS that establishes that the employee did not work at least 600 hours.

Conversely, employees hired on or after August 29, 2003 and before December 31, 2003 have hours of service during calendar year 2003 that may be relevant to a vesting determination. Unless an employee was hired during the first few days of this period and worked full-time for the entire period, it is very unlikely that the employee performed 600 hours of service in 2003. Staff recommends and the proposed rule provides that an employee hired during the period August 29, 2003 to December 31, 2003 is presumed to have worked less than 600 hours in calendar year 2003, but that the employee or the employer may provide records to PERS to establish that the employee worked at least 600 hours.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held on June 16, 2009 at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends on July 1, 2009 at 5:00 p.m.

LEGAL REVIEW

The attached draft rules were submitted to the Department of Justice for legal review and any comments or changes will be incorporated before the rules are presented for adoption.

IMPACT

Mandatory: No, the Board need not adopt the rules.

Impact: Members, employers, and staff will benefit from the clarification of vesting standards.

Cost: There are no discrete costs attributable to these rules.

RULEMAKING TIMELINE

April 15, 2009	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
May 1, 2009	<i>Oregon Bulletin</i> published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
May 29, 2009	PERS Board notified that staff began the rulemaking process.
June 16, 2009	Rulemaking hearing to be held at 2:00 p.m. in Tigard.
July 1, 2009	Public comment period ends at 5:00 p.m.
July 16, 2009	Staff will propose adopting the permanent rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

A public hearing will be held on June 16, 2009 at 2:00 p.m. The rules are scheduled to be brought before the PERS Board for adoption at the July 16, 2009 Board meeting.

B.3. Attachment 1 – OAR 459-075-0060, *Vesting in the OPSRP Pension Program*

B.3. Attachment 2 – OAR 459-080-0060, *Vesting in an IAP Employer Account*

OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 075 – OPSRP PENSION PROGRAM

1 459-075-0060

2 Vesting in the OPSRP Pension Program

3 (1) ORS 238A.115(1)(a) provides a member becomes vested in the OPSRP
4 Pension Program on the date the member completes at least 600 hours of service in
5 each of five calendar years. The five calendar years need not be consecutive, but are
6 subject to the provisions of ORS 238A.115(2).

7 (2) For the purpose of determining vesting under ORS 238A.115(1)(a):

8 (a) Hours of service performed for all participating public employers during a
9 calendar year are included.

10 (b) Hours of service performed during the six-month period required to
11 establish membership under ORS 238A.100 are included.

12 (c) For calendar years beginning on or after January 1, 2004, hours of service
13 will be determined based on hours reported to PERS by the member's employer(s)
14 pursuant to OAR 459-070-0100.

15 (d) An eligible employee first employed by a participating public employer on
16 or after August 29, 2003 and before January 1, 2004 is presumed to have performed
17 less than 600 hours of service in calendar year 2003 unless records are provided to
18 PERS that establish that the eligible employee performed at least 600 hours of
19 service in the calendar year.

20 (e) If a member of the PERS Chapter 238 Program is elected or appointed to
21 the Legislative Assembly and elects under ORS 237.650 to participate in the Oregon
22 Public Service Retirement Plan for the member's legislative service, for calendar

1 years beginning before January 1, 2004, the member is presumed to have performed
2 600 hours of service in any calendar year in which the member was an active
3 member of the system records are provided to PERS that establish that the eligible
4 employee did not perform at least 600 hours of service in the calendar year.

5 (f) Notwithstanding subsections (a) to (e) of this section, hours of service
6 attributable to periods of active membership before termination of membership
7 under ORS 238.095 and hours of service excluded under ORS 238A.120 and
8 238A.145 may not be included.

9 Stat. Auth.: ORS 238A.450

10 Stats. Implemented: ORS 238A.010, 238A.115

OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 080 – OPSRP INDIVIDUAL ACCOUNT PROGRAM

1 459-080-0060

2 Vesting in an IAP Employer Account

3 (1) ORS 238A.320(3)(a) provides a member becomes vested in an IAP Employer
4 account established under ORS 238A.350(3) on the date the member completes at
5 least 600 hours of service in each of five calendar years. The five calendar years
6 need not be consecutive, but are subject to the provisions of ORS 238A.320(4).

7 (2) For the purpose of determining vesting under ORS 238A.320(3)(a):

8 (a) Calendar years before the calendar year in which the IAP Employer account
9 is established are included.

10 (b) Hours of service performed for all participating public employers during a
11 calendar year are included.

12 (c) Hours of service performed during the six-month period required to
13 establish membership under ORS 238A.100 are included.

14 (d) For calendar years beginning on or after January 1, 2004, hours of service
15 will be determined based on hours reported to PERS by the member's employer(s)
16 pursuant to OAR 459-070-0100.

17 (e) For calendar years prior to January 1, 2004, a member is presumed to have
18 performed 600 hours of service in any calendar year in which the member was an
19 active member records are provided to PERS that establish that the eligible
20 employee did not perform at least 600 hours of service in the calendar year.

21 (f) Subsections (a) to (e) of this section notwithstanding, hours of service
22 attributable to periods of active membership before termination of membership

1 under ORS 238.095 and hours of service excluded under ORS 238A.320 and
2 238A.375 may not be included.

3 (3) If a member has completed at least 600 hours of service in each of five
4 calendar years pursuant to section (2) of this rule before the date the employer
5 account is established, the member becomes vested in the IAP Employer account on
6 the date the account is established.

7 Stat. Auth.: 238A.450

8 Stats. Implemented: ORS 238A.010, 238A.320



Oregon

Theodore R. Kulongoski, Governor

Item B.4.

Public Employees Retirement System

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May 29, 2009

TO: Members of the PERS Board
FROM: Steven Patrick Rodeman, Deputy Director
SUBJECT: Notice of Actuarial Equivalency Factors Rules:
OAR 459-005-0055, *Actuarial Equivalency Factors*
OAR 459-005-0058, *Adoption of New Actuarial Equivalency Factors*
OAR 459-005-0060, *Standards for the Adoption of New Actuarial Equivalency Factors*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Align the approval and implementation dates for actuarial equivalency factors with Board practice.
- Subject: Process for adopting actuarial equivalency factors.
- Policy Issues: None at this time.

BACKGROUND

The recommended rule changes to OAR 459-005-0055 align the approval and implementation dates for actuarial equivalency factors (AEFs) with PERS Board practice. Starting with the 2006 valuation, the PERS Board shifted the timing focus of the Experience Study, which is the basis for the new AEF tables, from odd numbered years to even numbered years so the odd-year valuations used to set rates can be conducted in a more timely manner. This allows PERS to provide new rates to employers several months earlier. Because the AEFs are based on the Experience Study, this rule needed to be changed to conform to the shift in the timing of the Experience Study. This rule change conforms to the actuary's new schedule by having future AEFs become effective as of January 1 of the subsequent even numbered year.

This rulemaking also repeals the obsolete rule 459-005-0058 and changes a citation in 459-005-0060 from 459-005-0055(4) to 459-005-0055(3).

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held on June 16, 2009 at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends on July 1, 2009 at 5:00 p.m.

LEGAL REVIEW

The attached draft rules were submitted to the Department of Justice for legal review and any comments or changes will be incorporated before the rules are presented for adoption.

IMPACT

Mandatory: No, but the changes will codify the Board's practice.

Impact: Allows PERS to provide new contribution rates to employers several months earlier so as to aid their budget setting needs

Cost: No cost.

RULEMAKING TIMELINE

April 15, 2009	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
May 1, 2009	<i>Oregon Bulletin</i> published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
May 29, 2009	PERS Board notified that staff began the rulemaking process.
June 16, 2009	Rulemaking hearing to be held at 2:00 p.m. in Tigard.
July 1, 2009	Public comment period ends at 5:00 p.m.
July 16, 2009	Staff will propose adopting the permanent rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

A public hearing will be held on June 16, 2009 at 2:00 p.m. The rules are scheduled to be brought before the PERS Board for adoption at the July 16, 2009 Board meeting.

B.4. Attachment 1 – OAR 459-005-0055, *Actuarial Equivalency Factors*

B.4. Attachment 2 – OAR 459-005-0058, *Adoption of New Actuarial Equivalency Factors*

B.4. Attachment 3 – OAR 459-005-0060, *Standards for the Adoption of New Actuarial Equivalency Factors*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 005 – ADMINISTRATION**

1 **459-005-0055**

2 **Actuarial Equivalency Factors**

3 (1) Experience Study. The Director shall take steps to assure that the Board's
4 consulting actuary shall present the Experience Study required by ORS 238.605 to the
5 Board by September 1 of each *[even]* **odd** numbered year.

6 (2) Actuarial Equivalency Study. The Director shall take steps to assure, pursuant to
7 ORS 238.630(3)(g), that the Board's consulting actuary shall present an Actuarial
8 Equivalency Study to the Board as soon as practicable, but no later than the December 15
9 next following the presentation of the Experience Study described in section (1) of this
10 rule. Such Actuarial Equivalency Study shall review the assumptions and the actuarial
11 factors used to:

- 12 (a) Convert account balances to monthly allowances;
 - 13 (b) Convert the standard form of benefit (ORS 238.300) to elective options with
14 various survivorship features (ORS 238.305); and
 - 15 (c) Reduce service retirement allowances for early retirement (ORS 238.280).
- 16 (3) Adoption of actuarial equivalency factors.

17 *[(a) In computing the retirement allowance of members and alternate payees with*
18 *retirement dates from July 1, 2003, to January 1, 2005, the Board shall use actuarial*
19 *equivalency factor tables that are based on the mortality assumptions of the actuary's*
20 *2001 experience study adopted by the Board on September 10, 2002.]*

21 *[(b) Beginning effective January 1, 2005, the Board shall adopt actuarial*
22 *equivalency factor tables to be effective for January 1 of each odd numbered year.]*

1 (a) The Board shall adopt actuarial equivalency factor tables to be effective
2 January 1 of each even numbered year.

3 (b) Actuarial equivalency factor tables adopted under this section shall comply with
4 the standards set forth in OAR 459-005-0060.

5 (4) Calculation of retirement allowance under the Chapter 238 Program.

6 (a) The provisions of this section apply to any member or alternate payee with an
7 effective date of retirement on or after July 1, 2003, except for a person who is a judge
8 member on June 30, 2003, and who makes an election under ORS 238.565(4).

9 (b) PERS shall establish years of service, an account balance and final average salary
10 as of June 30, 2003, for each person described in subsection (a) of this section. The years
11 of service, account balance and final average salary shall be determined as provided in
12 section 40 of chapter 67, Oregon Laws 2003 (Enrolled HB 2003).

13 (c) For each person described in subsection (a) of this section, the Board shall
14 perform the following two calculations:

15 (A) "Regular" calculation. The Board shall calculate the retirement allowance using:

16 (i) The years of service, account balance and final average salary as of the effective
17 date of retirement;

18 (ii) All calculations applicable to the member under ORS 238.300(2);

19 (iii) The optional form of retirement allowance selected by the member at retirement
20 under ORS 238.300, 238.305, 238.320 or 238.325; and

21 (iv) The actuarial equivalency factor tables in effect on the effective date of
22 retirement.

1 (B) “Look-back” calculation. The Board shall calculate the retirement allowance
2 using:

3 (i) The years of service, account balance and final average salary described in
4 subsection (b) of this section;

5 (ii) All calculations applicable to the member under ORS 238.300(2);

6 (iii) The optional form of retirement allowance selected by the member under ORS
7 238.300, 238.305, 238.320 or 238.325; and

8 (iv) The actuarial equivalency factor tables in effect on June 30, 2003.

9 (d) The retirement allowance shall be the higher of the amounts described in
10 paragraphs (c)(A) and (c)(B) of this section, payable as of the effective date of retirement.

11 (5) Death benefit payments. Any monthly payments to be made to a beneficiary
12 under ORS 238.390, 238.395 or 238.405 for a member who dies on or after May 9, 2003,
13 shall be calculated using the actuarial equivalency factor tables that are in effect on the
14 date that the first payment is due the beneficiary.

15 (6) Judge members. The actuarial equivalency factor tables in effect on June 30,
16 2003, shall be used to calculate the retirement allowance and surviving spouse pension of
17 a person who is a judge member on June 30, 2003, and who makes an election under
18 ORS 238.565(4), whether that election is made before, on or after June 30, 2003.

19 Stat. Auth: ORS 238.630 & 238.650

20 Stats. Implemented: ORS 238.605, 238.607 & 238.630~~[(3)(g)]~~

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 005 – ADMINISTRATION**

1 ***[459-005-0058***

2 ***Adoption of New Actuarial Equivalency Factors***

3 *Pursuant to OAR 459-005-0055, the Board adopts the factors as described in the*
4 *2001 Actuarial Equivalency Factors report to be effective on July 1, 2003.*

5 *Stat. Auth: ORS 238.630 & ORS 238.650*

6 *Stats. Implemented: ORS 238.630(3)(g)]*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 005 – ADMINISTRATION**

1 **459-005-0060**

2 **Standards for the Adoption of New Actuarial Equivalency Factors**

3 *[The Board shall adopt the actuarial equivalency factors used by PERS as described*
4 *in] **(1) When the Board adopts actuarial equivalency factors pursuant to** OAR 459-
5 005-0055~~[(4)]~~**(3)**, *[according to the following]***the Board must consider:***

6 *[(1)]***(a)** Changes in mortality to reflect the best actuarial information on mortality
7 available at the time that new actuarial tables are adopted; **and**

8 *[(2)]***(b)** Changes in the assumed rate adopted by the Board for the latest actuarial
9 valuation if they are determined by the Board, in consultation with the PERS actuary, to
10 be statistically significant. *[: and]*

11 *[(3)]***(2)** The mortality tables *[shall]* **must** be combined with respect to gender and
12 membership classification to derive unisex actuarial equivalency factors. The blending of
13 the mortality assumptions shall be performed by the Board's consulting actuary in
14 accordance with generally recognized and accepted actuarial principles and practices.

15 Stat. Auth: ORS 238.630 & ORS 238.650

16 Stats. Implemented: ORS **238.607 &** 238.630~~[(3)]~~*(g)*



Oregon

Theodore R. Kulongoski, Governor

Item B.5.

Public Employees Retirement System

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May 29, 2009

TO: Members of the PERS Board
FROM: Steven Patrick Rodeman, Deputy Director
SUBJECT: Adopt Termination of Membership Rule:
OAR 459-010-0300, *Involuntary Termination of Membership*

OVERVIEW

- Action: Adopt new Involuntary Termination of Membership rule.
- Reason: To establish consistent criteria for the termination process.
- Subject: Process to terminate PERS membership in limited circumstances.
- Policy Issue: Should the PERS Board delegate the authority to terminate PERS membership to the Executive Director under defined criteria?

BACKGROUND

ORS 238.618 allows the Board to terminate or deny membership to any employee whose participation in the system would jeopardize the plan's status as a qualified retirement plan. Under federal law, a plan qualification failure occurs when the plan is not administered (does not operate) in accordance with the plan document.

At its March 31, 2009 meeting, the PERS Board terminated the membership of a person who failed to comply with the return-to-work requirements of ORS 238.078(2). That statute requires a retired member, as a precondition to returning to public employment, to repay in a lump sum all of the retirement benefits received if the member returns to that employment within the six-month period following retirement and exceeds the allowable hourly limitations within that period. This was the first circumstance of the PERS Board exercising its authority under ORS 238.618, but staff reported at that time that there were additional members in the same circumstance.

POLICY ISSUE

Should the PERS Board delegate the authority to terminate PERS membership to the Executive Director under defined criteria?

To efficiently administer similar circumstances with other members who fail to meet these preconditions, staff indicated that rulemaking would be initiated to establish consistent criteria so that the Executive Director may exercise the Board's authority under those conditions. The delegation is very limited in the conditions precedent to its exercise, and delegating that authority would allow these members to resolve their situation more expeditiously. Lastly, the termination process is only one of the options given to members to resolve this situation, so the

Executive Director would be carrying out either the option chosen or the only resolution left to the member.

For these reasons, staff recommends that the PERS Board delegate the authority to terminate membership in limited circumstances to the Executive Director. The proposed rule would allow the Director to terminate membership only if the member chose a total lump sum option, exceeded the allowed hourly limitations within six months after returning to work, and refuses to re-retire in compliance with those limitations, which would otherwise remedy the plan breach.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held on May 26, 2009 at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends on May 29, 2009 at the conclusion of the PERS Board meeting.

LEGAL REVIEW

The attached draft rules were submitted to the Department of Justice for legal review and any comments or changes have been incorporated in the rules as presented for adoption.

IMPACT

Mandatory: No, but the proposed rule modifications would establish a more efficient process to terminate membership under the stated circumstances.

Impact: Improves the process to terminate membership in limited cases, leading to faster resolution of member disputes.

Cost: No cost.

RULEMAKING TIMELINE

April 15, 2009	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
May 1, 2009	<i>Oregon Bulletin</i> published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
May 26, 2009	Rulemaking hearing held at PERS headquarters in Tigard.
May 29, 2009	Public comment period ends at PERS Board meeting. Board may adopt the permanent rule modifications.

BOARD OPTIONS

The Board may:

1. Pass a motion to “adopt the Involuntary Termination of Membership Rule, as presented.”
2. Direct staff to make other changes to the rule or explore other options.

STAFF RECOMMENDATION

Staff recommends the Board choose Option #1.

- Reason: A new rule establishes an efficient process to terminate membership where warranted.

If the Board does not adopt: Staff would return with rule modifications that more closely fit the Board's policy direction if the Board determines that a change is warranted.

B.5. Attachment 1 – OAR 459-010-0300, *Involuntary Termination of Membership*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 010 – MEMBERSHIP**

1 **459-010-0300**

2 **Involuntary Termination of Membership**

3 **(1) Under ORS 238.618, the Board may terminate a member’s membership**
4 **when the member’s participation in the system would cause the system or the Public**
5 **Employee’s Retirement Fund to lose its tax qualified status.**

6 **(2) In accordance with ORS 238.618, the Director is delegated the authority**
7 **provided under ORS 238.618 to terminate a member’s membership in the Public**
8 **Employee’s Retirement System under the following circumstances:**

9 **(a) The member retired and elected the total lump sum option under ORS**
10 **238.305(3);**

11 **(b) The member exceeded the return to work limitations in ORS 238.078(2) and**
12 **OAR 459-017-0060(5) in the six month period following the member’s effective**
13 **retirement date; and**

14 **(c) The member refuses to re-retire in compliance with those return to work**
15 **limitations.**

16 **Stat. Auth.: ORS 238.650**

17 **Stats. Implemented: ORS 238.618**



Oregon

Theodore R. Kulongoski, Governor

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May 29, 2009

TO: Members of the PERS Board

FROM: Gay Lynn Bath, Deferred Compensation Manager

SUBJECT: Appoint Advisory Committee Members for Oregon Savings Growth Plan (OSGP)

OVERVIEW

- Subject: The PERS Board needs to appoint three new members to the Oregon Savings Growth Plan (OSGP) Advisory Committee
- Action: Appoint three new members to the OSGP Advisory Committee
- Reasons: The OSGP Advisory Committee consists of seven members appointed by the PERS Board for fixed terms, but each member serves at the pleasure of the PERS Board.

BACKGROUND

ORS 243.505 provides for an OSGP Advisory Committee that consists of seven members with knowledge of deferred compensation plans. According to that statute and OAR 459-050-0025 (attached hereto), the Committee shall study and advise the PERS Board, upon request, on all aspects of the OSGP, including but not limited to:

- (a) The program's fee structure and procedures;
- (b) State and federal legislative issues relative to the administration of deferred compensation;
- (c) Administration of the catch-up and financial hardship provision in Section 457 of the Internal Revenue Code;
- (d) Ways and means to inform and educate eligible employees about the program;
- (e) The expressed desires of eligible employees as to the program.

Advisory Committee members must be OSGP participants and have knowledge of the current program. One member shall be retired from state service. Two members shall be participants with separate local government plan sponsors who offer OSGP. Four members shall be employees of separate state agencies. No member shall be an employee of PERS during the term of appointment. No two members shall be employed by the same state agency or local government plan sponsor.

Appointment is for three years except in the case of a vacancy during an unexpired term in which case the Board's appointment will become immediately effective for the unexpired term. A member is eligible for reappointment, but no person shall serve more than two consecutive full terms.

As of May 1, 2009, the Advisory Committee was made up of the following members:

Name	Employer/City	Term	Term Ends
Frank Goulard, Chair	Portland Community College	Second	6/30/2009
Jason Evers, Vice Chair	Oregon Liquor Control Commission, Bend	Second	6/30/2011
Judy Scales	High Desert ESD, Redmond	First	6/30/2009
Kathleen Beaufait	Retiree, Salem	Second	6/30/2010
Peter Farrelly	DHS, Portland	First	6/30/2010
Brian Burleigh	ODOT, Bend	First	6/30/2010
Jon DuFrene	DAS, Salem	First	6/30/2011

The criteria used by staff in selecting Advisory Committee members for Board consideration and appointment include:

1. Current participation in OSGP.
2. Meeting the qualifications for the position to be filled.
3. Possessing a mixture of expertise, knowledge and experience useful to the Advisory Committee and OSGP.
4. Sincere interest in OSGP
5. Willing and able to work in a group setting to review and recommend policies governing the program.

RECOMMENDED APPOINTMENTS

Jon DuFrene accepted a position with PERS in May 2009 which makes him ineligible to continue to serve on the committee. Therefore, staff recommends that Keith Baldwin, the Forest Resource Trust Manager at the Oregon Department of Forestry, Molalla, be appointed to fill his unexpired term. His term will become effective immediately.

The second three-year term of Frank Goulard and the first term of Judy Scales will expire on June 30, 2009. Judy has chosen not to seek a second term. Staff recommends that Robert Swank, the Associate Director at Lane Council of Government in Eugene and John Lattimer, Chief Administrative Officer for Marion County, fill the vacated local government positions. These positions will become effective July 1, 2009.

BOARD OPTIONS

The Board may:

1. Accept the recommendation to appoint Keith Baldwin as the new Advisory Committee member to complete the term of Jon DuFrene, effective immediately.
2. Accept the recommendation to appoint Robert Swank and John Lattimer as the new Advisory Committee members to fill the Local Government positions, effective July 1, 2009.
3. Direct staff to solicit and forward alternate nominees for appointment to any of the above positions.

STAFF RECOMMENDATION

Staff recommends the Board adopt Options 1 and 2 above.

Reason: Staff believes Keith Baldwin, Robert Swank, and John Lattimer meet the criteria and service needs of the OSGP Advisory Committee.

B.6. Attachment 1 – ORS 243-505, *Deferred Compensation Advisory Committee*

B.6. Attachment 2 – OAR 459-050-0025, *Deferred Compensation Advisory Committee*

243.505 Deferred Compensation Advisory Committee. (1) The Deferred Compensation Advisory Committee shall be appointed by the Public Employees Retirement Board, consisting of seven members with knowledge of deferred compensation plans.

(2) At the direction of the board, the committee shall advise the Public Employees Retirement Board on policies and procedures and such other matters as the board may request.

(3) The term of office of each member is three years, but a member serves at the pleasure of the board. Before the expiration of the term of a member, the board shall appoint a successor whose term begins on July 1 next following. A member is eligible for reappointment. If there is a vacancy for any cause, the board shall make an appointment to become immediately effective for the unexpired term.

(4) A member of the Deferred Compensation Advisory Committee is entitled to compensation and expenses as provided in ORS 292.495.

(5) The Deferred Compensation Advisory Committee shall select one of its members as chairperson and another as vice chairperson, for such terms and with duties and powers necessary for the performance of the functions of such offices as the committee determines.

(6) A majority of the members of the committee constitutes a quorum for the transaction of business.

(7) The Deferred Compensation Advisory Committee may meet at a place, day and hour determined by the committee. The committee also may meet at other times and places specified by the call of the chairperson or of a majority of the members of the committee. [1991 c.618 §10; 1997 c.179 §19; 1999 c.406 §1]

459-050-0025

Deferred Compensation Advisory Committee

(1) The seven members of the Deferred Compensation Advisory Committee provided for under ORS 243.505, shall be subject to the following qualifications and limitations:

(a) Each member shall be a participant in a deferred compensation plan established under ORS 243.401 to 243.507, and shall have knowledge of the Program.

(b) Four members shall be participants in the state deferred compensation plan.

(c) Two members shall be participants in a local government deferred compensation plan.

(d) One member shall be a retired deferred compensation plan participant.

(e) No two members may be employed by the same state agency or local government except that a member who transfers employment to the employer of another member may continue to serve on the Advisory Committee, but only for the balance of the term of appointment of the transferring member.

(f) No member may serve more than two consecutive full terms.

(g) No member may be an employee of PERS during the term of appointment.

(2) The Advisory Committee shall study and advise the Board on all aspects of the Program, including but not limited to:

(a) The Program fee structure and procedures;

(b) State and federal legislative issues relative to the administration of deferred compensation plans;

(c) The administration of the catch-up and the financial hardship provisions in Section 457 of the Internal Revenue Code;

(d) Ways and means to inform and educate eligible employees about the Program;

(e) The expressed desires of eligible employees as to the Program; and

(f) The actuarial characteristics of eligible employees.

(3) Upon the request of the OIC, the Advisory Committee shall study and advise the Board on the following:

- (a) Investment programs, including options and providers; and
- (b) Information furnished by the OIC or the State Treasurer concerning the types of available investments, the respective balance of risk and return of each investment, and the administrative costs associated with each investment.
- (4) The Advisory Committee shall meet at least four times during a calendar year.
- (5) A majority of the Advisory Committee shall constitute a quorum for transacting business. However, the Advisory Committee may establish such other procedures for conducting business that it deems necessary.
- (6) Pursuant to the Public Meetings Law, ORS 192.610 to 192.690, the Deferred Compensation Manager shall distribute to the Advisory Committee, and other interested parties, an agenda for a regular meeting a reasonable time prior to the meeting.
- (7) Nominations of candidates for the Advisory Committee shall be made as follows:
 - (a) Notice of a position on the Advisory Committee expected to become vacant upon the expiration of a term of appointment shall be published not later than April 15 of each calendar year.
 - (b) Persons interested in serving on the Advisory Committee must apply in writing to the Manager not later than May 15 following the publication of a vacancy.
 - (c) The Manager shall review the written applications of interested persons for completeness, accuracy, and satisfaction of the minimum requirements of the vacant position on the Advisory Committee.
 - (d) A committee consisting of the Manager and four members of PERS executive or managerial staff designated by the PERS Executive Director shall review the acceptable applications and recommend to the Board candidates for appointment to the Advisory Committee that:
 - (A) Reflect a cross section of state agencies, participating local governments, and classification levels;
 - (B) Reflect a mixture of expertise, knowledge, and experience useful to the Advisory Committee;
 - (C) Appear to have a sincere interest in the Program; and
 - (D) Appear to be willing and able to work in a group setting to review and recommend policies governing the Program.

(e) In the event of a vacancy for an unexpired term, the Manager may select applications from the most recent list of interested persons established under subsection (c) of this section and the applications of other persons as deemed appropriate for consideration. A committee consisting of the Manager and four members of PERS executive or managerial staff designated by the PERS Executive Director shall review the selected applications and recommend to the Board candidates for appointment to the Advisory Committee. The appointment shall be immediately effective for the remainder of the unexpired term. If no candidate is recommended or appointed, the vacancy must be filled under the provisions of subsections (a) through (d) of this section.

Stat. Auth: ORS 243.470

Stats. Implemented: ORS 243.505



Oregon

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May 29, 2009

TO: Members of the PERS Board

FROM: Zue Matchett, Retiree Insurance Program Manager

SUBJECT: Approval of Retiree Health insurance 2010 Plan Renewals and Rates

BACKGROUND

The 2010 PERS Health Insurance Program contract renewal will include higher costs for participants enrolled in most of the Medicare programs. The increases are, to a great extent, the result of cutbacks in Medicare Advantage plan funding by the Centers for Medicare and Medicaid Services (CMS). For the most part rate results are less onerous than the cutbacks would indicate due to the cautious approach that has historically been taken with regards to PERS Health Insurance Program rating. Non-Medicare rate adjustments will vary depending upon the plan selected. The contract review process began in March this year. After carriers had an opportunity to present their renewals and following some preliminary offers a meeting was held with PERS Health Insurance Program staff, PERS Board Liaison Thomas Grimsley, PERS Retiree Advisors and consultants. The end result in terms of premium rate changes varies by plan provider and type for both Medicare enrollees and non-Medicare enrollees.

As part of the 2010 contract review the marketplace was surveyed with a Request for Information (RFI) for retiree coverage. The RFI was sectioned into questions considered "critical elements", "important elements" and "other required information". Outside of current vendors, which were included, the RFI was sent to eighteen carriers. Three carriers responded; none had responses compelling enough to warrant a full Request for Proposal. One of the hallmarks of the PERS Health Insurance Program is the stability of the carriers and the benefits offered. Although in theory a change might have brought additional value to the plan, the RFI results indicated otherwise.

PERS currently contracts with four health plans for a variety of coverages for participants allowing the greatest possible choice while maintaining stability for the program. Contracts that are in place are as follows:

1) The ODS Companies

- a. Traditional Medicare Supplement
- b. Medicare Advantage PPO Plan
- c. Non-Medicare PPO Plan
- d. Stand alone Prescription Drug Plan (PDP) that covers
 - ODS Medicare and Non-Medicare participants
 - Providence Health Plan Medicare and Non-Medicare participants
 - Clear Choice Health Plan Medicare and Non-Medicare participants
- e. Dental Plan

2) Providence Health Plans

- a. Medicare Advantage Medicare Extra HMO Plan
- b. Medicare Advantage Medicare Choice POS Plan
- c. Non-Medicare PPO Plan

3) Kaiser Permanente Health Plans

- a. Medicare Advantage Senior Advantage HMO Plan with prescription drug coverage
- b. Non-Medicare HMO Plan and prescription drug coverage
- c. Dental Plan

4) Clear Choice Health Plans

- a. Medicare Advantage HMO Plan
- b. Non-Medicare PPO Plan

As is mentioned with each renewal, the Oregon PERS retiree health insurance program is a voluntary insurance group where eligible members pay the majority of their own premiums for the insurance plan of their choice. In addition to health plan premium, PERS retirees also cover the cost of administration of the program.

The PERS Health Insurance Program enjoys a unique partnership with its vendors. The level of cooperation, not only with the Program but also with each other, provides participants the stability that is the hallmark of the Plan. Over the past several years PERS staff and consultants have required continually improving cooperation between the health plans that began with the sharing of medical and prescription data. In 2008 that cooperation moved significantly along the continuum with the result that two specific items from the “to do” list have been implemented. They are:

- the development of a formal workgroup comprised of carrier representatives from various disciplines who meet to discuss processes and discern best practices in managing issues specific to the PERS population and,
- the inclusion of all carriers in the periodic health fairs that previously were produced by ODS alone.

Ninety-five percent of the enrolled members of the PERS plans are Medicare eligible and, as such, have many commercially marketed Medicare plans competing for their premium dollar. The key to PERS’ success has been the Board’s approach in maintaining a stable program with dependable health plan contractors, and an acceptable balance between the benefits and

premium cost over the years that meets member’s needs. PERS staff and the program administrator, in conjunction with plan consultants, have also started updating presentations that were developed a few years ago informing and educating public plan administrators and human resources staff about the PERS Health Insurance Program and the steps and timelines for enrollment.

Following are some demographics and statistics that describe the Oregon PERS Retiree Insurance Program as of April 2009:

	Enrollment	% Change vs. 2008	Receiving Subsidy	Average Age
Medical Plans	51,484	2.1%		75
Medicare	49,739	2.4%	38,705	75
Non-Medicare	1,745	-5.6%	695	58
Dental Plans	26,817	4.8%		

Additional statistics can be found in Exhibit I.

PROPOSED HEALTH PLAN CONTRACTS, CONDITIONS AND CHANGES FOR 2010

PERS will continue to contract with Kaiser Permanente Health Plans, ODS Health Plans, Providence Health Plans and Clear Choice Health Plans for medical insurance for PERS retired Medicare and non-Medicare members.

PERS will continue to contract with Kaiser Permanente Health Plans and ODS Health Plans for dental insurance for PERS retired Medicare and non-Medicare members.

PERS will continue to contract with ODS for a Stand Alone Prescription Drug Program (PDP) covering participants enrolled in ODS, Providence Health Plans and Clear Choice Health Plans.

Minor adjustments in the calendar year maximum out of pocket will be made to the PDP allowing PERS to remain actuarially equivalent to the Medicare Prescription Drug Program. Other minor benefit modifications will be implemented on a carrier by carrier basis. A particular effort was made to minimize any changes to avoid disruption to participants.

Kaiser Permanente will continue to insure and administer medical benefits and the prescription drug program to PERS members who are enrolled in Kaiser Permanente Health Plans that mirrors the ODS administered program, thereby providing uniformity, continuity, and stability for PERS members.

Health Plan premium rates will be implemented as shown on Exhibit II, along with associated rates that include spouses and/or dependents, statutory subsidies and PERS administrative expenses. At this time the Clear Choice Health Plan rates should be considered “not to exceed”

as they are still working on their rate submissions for CMS and the final Medicare plan rate may actually be lower than the one currently displayed in Exhibit II.

PROPOSAL REVIEW AND RECOMMENDATIONS

As mentioned previously, governmental reimbursements for Medicare Advantage plans have declined for the first time in many years resulting in challenges for this contract review that have not occurred in recent years. With the unique partnership enjoyed by the PERS Health Insurance Program and its health plan partners the very best possible outcomes were achieved. In a population as large as PERS, however, a one percent differential can mean millions of dollars. PERS staff and the consultants strive to keep that fact in the forefront when negotiating contract renewals. In spite of efforts to manage costs some participants will experience significant increases in premiums in 2010. PERS staff and consultants are pleased, however, to be able to present a stable package of plans allowing retirees to enjoy a variety of competitively priced benefit options.

We are pleased to bring these proposals to you, and thereby conclude another year of hard work by our consultants, health plans, retiree advisors, and PERS staff.

PERS staff, the Administrator's staff, and consultants have already started the process of updating the Program Booklet and Plan Change materials for finalization and distribution if the PERS Board approves the proposals presented here. In mid-September, PERS staff and the Administrator's staff will begin Retiree Meetings around the state, and will most likely have the opportunity to meet with 5,000 or more PERS retirees and their dependents during the six weeks of meetings planned from mid-September through October.

Please review the attachments and feel free to call if you have questions. I can be reached at 503-378-8906 or email at zue.matchett@state.or.us

STAFF RECOMMENDATIONS

Staff recommends the Board approve the proposed PERS Retiree Health Insurance Plan contracts, conditions and rate changes for 2010.

C.1. Exhibit I – PERS Retiree Health Insurance Program Statistics

C.1. Exhibit II – PERS Proposed 2010 Renewal Rates

EXHIBIT I

Health Insurance Plans			
Program Enrollment	Totals	Medicare	Non-Medicare
Covered Lives	51,484	49,739	1,745
Retirees (or Surviving Spouses)	41,546	40,507	1,039
Spouses / Dependents	9,938	9,232	706
Average Age of Enrolled Retirees	75	75	58

Health Plan Membership Enrollment			
Clear Choice Health Plans (Central OR)	1,405	1,377	28
Kaiser Permanente (Portland to Salem)	9,061	8,495	566
Kaiser (California & Hawaii)	73	53	20
ODS Advantage (Oregon)	4,040	3,925	115
ODS Supplement (All 50 States)	24,998	24,546	452
Providence Medicare Extra (Portland to Eugene)	11,568	11,013	547
Providence Medicare Choice	347	330	17
ODS Dental Plan	23,252	22,579	673
Kaiser Dental Plan	3,565	3,3389	227

Statutory Health Insurance Premium Subsidies	
Retirees Receiving RHIA	38,705
Retirees Receiving RHIPA	695
RHIA Monthly Payment – \$60 PM	\$ 2,322,300
RHIPA Monthly Payment – \$259(avg) PM	\$ 154,907
Total Monthly Premium Paid to Health Plans:	\$19,256,355

PERS PROPOSED RENEWAL RATES

2009 vs. 2010 All Carrier Rates

*Including All Carrier Administrative Fees
Effective January 1, 2010*

SUMMARY

Includes non-Statutory proposed subsidies / surcharges

Medical and Prescription Rates to Members before Statutory Subsidies (Includes Fixed Costs)	Enrollment as of April 2009	2009	2010	Percentage Change 2010 vs. 2009
ODS MEDICAL / RX				
<i>Retiree w/Medicare - Supplement Plan</i>	24,764	\$206.95	\$220.85	6.7%
<i>Retiree w/Medicare - MA PPO Plan</i>	3,925	\$175.19	\$233.01	33.0%
<i>Retiree w/o Medicare - PPO Plan</i>	567	\$761.74	\$742.06	-2.6%
PROVIDENCE HEALTH PLANS				
<i>Retiree w/Medicare - MA HMO Plan</i>	11,013	\$173.95	\$190.97	9.8%
<i>Retiree w/Medicare - MA POS Plan</i>	330	\$143.95	\$170.97	18.8%
<i>Retiree w/o Medicare - PPO Plan</i>	564	\$567.27	\$662.50	16.8%
CLEAR CHOICE HEALTH PLANS				
<i>Retiree w/Medicare - MA HMO Plan</i>	1,377	\$198.45	\$206.74	4.2%
<i>Retiree w/o Medicare - POS Plan</i>	28	\$707.01	\$769.05	8.8%
KAISER OREGON HEALTH PLANS				
<i>Retiree w/Medicare - MA HMO Plan</i>	8,495	\$200.42	\$200.42	0.0%
<i>Retiree w/o Medicare - HMO Plan</i>	566	\$568.91	\$580.07	2.0%
DENTAL				
<i>Kaiser Dental</i>	3,565	\$50.32	\$51.02	1.4%
<i>ODS Dental</i>	22,084	\$50.50	\$54.52	8.0%



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www.oregon.gov/pers

May 29, 2009

TO: Members of the PERS Board

FROM: Dale S. Orr, Manager, Actuarial Analysis Section

SUBJECT: Financial Model – Economic Projections

On May 29, 2009, Bill Hallmark and Matthew Larrabee of Mercer will present a financial modeling analysis of various economic assumptions. More specifically, their analysis will review the impacts of the 2008 and first quarter 2009 investment losses, and the potential impacts of capping employer rates, changing amortization schedules for unfunded actuarial liabilities, and modifying the assumed earnings rate.

This presentation is informational only and will not require Board action.



Oregon

Theodore R. Kulongoski, Governor

Public Employees Retirement System

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May 29, 2009

TO: Members of the PERS Board

FROM: Dale S. Orr, Manager, Actuarial Analysis Section

SUBJECT: 2008 Experience Study Methods and Assumptions

Every two years PERS' actuary conducts a study of the actuarial assumptions and methods of PERS defined benefit programs by reviewing the programs' economic and demographic experience. Based on this experience study, the actuary recommends to the Board whether to retain or change the methodologies and assumptions that will be used to cost the pension programs, calculate employer rates and determine actuarial equivalency factors.

Bill Hallmark and Matthew Larrabee, of Mercer, will present the 2008 study results and their recommendations in two parts, with the first part being covered on May 29, 2009, and the second part at the Board's July 16, 2009 meeting



Oregon

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Item C.4.

Public Employees Retirement System

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May 29, 2009

TO: Members of the PERS Board

FROM: Susan Riswick, Interim Administrator
Policy, Planning, and Legislative Analysis Division

SUBJECT: 2009 Legislative Update

With June 30th just around the corner, and potentially the close of the 2009 Legislative Session, bills that continue to remain alive are working their way through various committees with the hope of a “Do Pass” recommendation to the chamber floor. The following list summarizes bills that we continue to actively monitor, working with various stakeholders and legislative members. Additional information will be provided to the Board at the May 29, 2009 meeting should there be significant activity or changes on any of these bills.

Bill #	Summary	Latest Activity
HB 2593	Allows members or their beneficiaries to make voluntary monthly contributions to labor organizations.	Referred to House Rules on April 30 th .
HB 2704	Removes the offset for Workers' Compensation benefit in calculating disability retirement allowances payable to Tier 2 and OPSRP members.	Passed in the Senate Chamber on May 7 th and now waiting for signature by the Governor.
HB 3132	Classifies physicians and nurses employed by the Oregon State Hospital as “police officers” for the purposes of P&F benefits under PERS.	Referred to Ways and Means on April 30 th with a subsequent referral to the Subcommittee on General Government on May 4 th .

Bill #	Summary	Latest Activity
HB 3401	<p>Allows public employers participating in PERS to request that excess side account dollars be used to offset IAP contributions.</p> <p><u>-3 Amendments:</u> Requires the Public Employees Retirement Board (PERB) to seek ruling from the IRS on whether the use of side accounts in this manner would cause the PERS Plan to lose its tax status as a qualified governmental retirement plan. Requires that a school district that wants to request that excess funds in their side account be used in the manner stated in this 2009 act shall forward to PERS a resolution adopted by the Board of that school district indicating such request.</p>	<p>Public Hearing May 18th in the House Rules Committee, with adoption of -3 amendments to address PERS and stakeholder concerns.</p>
SB 112	<p>Allows members of PERS, who elected the total lump sum option at retirement, to return to work under the same provisions as those who elected a monthly benefit.</p> <p><u>-6 Amendments:</u> Provides that hours worked by a retired member in a position that is exempt from the 1,040-hour limitation of ORS 238.082 are not counted toward the limitation, regardless of whether the retired member is also employed in a non-exempt position in the same calendar year.</p>	<p>Public Hearing and Work Session held in the House Business and Labor Committee on May 15th, at which time the -6 amendments were adopted. SB 112-A was sent to the House floor with a “Do Pass” recommendation.</p>
SB 399A	<p>Allows PERS members who are eligible to make a purchase to pay for those purchases with pre-tax dollars transferred from certain other retirement or governmental deferred compensation plans.</p>	<p>Referred to Ways and Means on May 1st with a subsequent referral to the Subcommittee on General Government on May 4th.</p>
SB 897	<p>Increases members of the PERS Board from 5 to 7 members; allows members of PERS to request a verification of certain retirement data prior to retirement; provides that a retired member of OPSRP is eligible for coverage under health insurance plans contracted by PERS; and requires that members receive retirement credit for certain retroactive payments of salary.</p>	<p>After its introduction and first reading on March 9th, referred to the Senate Rules Committee on March 16th.</p>

ADDITIONAL ITEMS FOR PERS BOARD
May 29, 2009

1. Agenda Item B.5. Adoption of Termination of Membership Rules

May 29, 2009 Steve Rodeman Supplemental Memo on Termination of Membership

2. Agenda Item C.1. Approval of Retiree Health Insurance 2010 plan Renewals and Rates

May 26, 2009 Rate Summary Attachment 2 / Exhibit II Revised

3. Agenda Item C.4. Legislative Update

March 31, 2009 Susan Riswick Supplemental Memo on Legislative Update



Oregon

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May 29, 2009

TO: Members of the PERS Board
FROM: Steven Patrick Rodeman, Deputy Director
SUBJECT: Adoption of OAR 459-010-0300, *Involuntary Termination of Membership*

SUPPLEMENTAL MEMO ON TERMINATION OF MEMBERSHIP

In subsection (2), the phrase “In accordance with ORS 238.618” has been deleted. The deletion is on page 1, line 6 of the draft rule as provided in the board packet.

The phrase is being deleted as surplusage; the statutory reference was intended to refer to the power being delegated. As drafted, however, the phrase more implies that the delegation is being made in accordance with that statute, but that statute does not authorize the delegation. The delegation instead occurs in subsection (2) of the rule, so the phrase to be deleted is not needed.

Staff recommends that the PERS Board adopt OAR 459-010-0300 as presented in this supplementary memo, which would delete the phrase “In accordance with ORS 238.618” that was in the rule as previously distributed.

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 010 – MEMBERSHIP**

1 **459-010-0300**

2 **Involuntary Termination of Membership**

3 **(1) Under ORS 238.618, the Board may terminate a member’s membership**
4 **when the member’s participation in the system would cause the system or the Public**
5 **Employee’s Retirement Fund to lose its tax qualified status.**

6 **(2) The Director is delegated the authority provided under ORS 238.618 to**
7 **terminate a member’s membership in the Public Employee’s Retirement System**
8 **under the following circumstances:**

9 **(a) The member retired and elected the total lump sum option under ORS**
10 **238.305(3);**

11 **(b) The member exceeded the return to work limitations in ORS 238.078(2) and**
12 **OAR 459-017-0060(5) in the six month period following the member’s effective**
13 **retirement date; and**

14 **(c) The member refuses to re-retire in compliance with those return to work**
15 **limitations.**

16 **Stat. Auth.: ORS 238.650**

17 **Stats. Implemented: ORS 238.618**



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May 29, 2009

TO: Members of the PERS Board

FROM: Susan Riswick, Interim Administrator
Policy, Planning, and Legislative Analysis Division

SUBJECT: Supplemental Memo on Legislative Update

For the Board's review and consideration, the following Bill Activity Matrix has been updated to reflect recent legislative actions since the last report.

Bill #	Summary	Latest Activity
HB 2593	Allows members or their beneficiaries to make voluntary monthly contributions to labor organizations.	Referred to House Rules on April 30 th .
HB 2704	Removes the offset for Workers' Compensation benefit in calculating disability retirement allowances payable to Tier 2 and OPSRP members.	Signed by the Governor on May 21 st .
HB 3132	Classifies physicians and nurses employed by the Oregon State Hospital as "police officers" for the purposes of P&F benefits under PERS.	Referred to Ways and Means on April 30 th with a subsequent referral to the Subcommittee on General Government on May 4 th .

<p>HB 3401</p>	<p>Allows public employers participating in PERS to request that excess side account dollars be used to offset IAP contributions.</p> <p><u>-3 Amendments:</u> Requires the Public Employees Retirement Board (PERB) to seek ruling from the IRS on whether the use of side accounts in this manner would cause the PERS Plan to lose its tax status as a qualified governmental retirement plan. Requires that a school district that wants to request that excess funds in their side account be used in the manner stated in this 2009 act shall forward to PERS a resolution adopted by the Board of that school district indicating such request.</p>	<p>Work Session held on May 27th in the House Rules Committee. Passed out of Committee with a “Do Pass” recommendation with a subsequent referral to Ways and Means.</p>
<p>SB 112</p>	<p>Allows members of PERS, who elected the total lump sum option at retirement, to return to work under the same provisions as those who elected a monthly benefit.</p> <p><u>-6 Amendments:</u> Provides that hours worked by a retired member in a position that is exempt from the 1,040-hour limitation of ORS 238.082 are not counted toward the limitation, regardless of whether the retired member is also employed in a non-exempt position in the same calendar year.</p>	<p>Public Hearing and Work Session held in the House Business and Labor Committee on May 15th, at which time the -6 amendments were adopted. SB 112-A was sent to the House floor with a “Do Pass” recommendation.</p>
<p>SB 399A</p>	<p>Allows PERS members who are eligible to make a purchase to pay for those purchases with pre-tax dollars transferred from certain other retirement or governmental deferred compensation plans.</p>	<p>Referred to Ways and Means on May 1st with a subsequent referral to the Subcommittee on General Government on May 4th.</p>
<p>SB 897</p>	<p>Increases members of the PERS Board from 5 to 7 members; allows members of PERS to request a verification of certain retirement data prior to retirement; provides that a retired member of OPSRP is eligible for coverage under health insurance plans contracted by PERS; and requires that members receive retirement credit for certain retroactive payments of salary.</p>	<p>Public Hearing held on May 22nd in the Senate Rules Committee.</p>