OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
BOARD MEETING

Friday, November 19, 2010 1:00 P.M.	PERS 11410 SW 68th Parkway Tigard, OR

	ITEM	PRESENTER
A. Administration – 1:00 P.M.		
1.	September 24, 2010 Board Meeting Minutes	CLEARY
2.	Director's Report	
	a. Forward-Looking Calendar	
	b. OIC Investment Report	SCHMITZ
	c. Budget Report	
	d. Employer Reporting Update	
	e. Quarterly Report of Member Transactions	
	f. 2010 Customer Service Survey Results	
	g. 2010 Purchasing Power Study	
	h. Executive Director Financial Transactions	
B. Notice of Rulemaking		
1.	Notice of Employer Reporting and Remittance Rules	RODEMAN
C. Final Rule Adoption		
1.	Adoption of Verification of Retirement Data Rule	RODEMAN
2.	Adoption of Confidentiality of Member Records Rule	
D. Action and Discussion Items		
1.	2011 Session Legislative Concepts Approval	RODEMAN
2.	System Accountability and Transparency Initiatives	RODEMAN
	a. Key System Cost Drivers	MERCER
	b. Actuarial Audit Results	ORR/THOMPSON (GRS)
	c. Analysis of System Cost, Benefit and Financing Concepts	RODEMAN
	d. Public Records Resolution	RODEMAN
E. Executive Session Pursuant to ORS 192.660(2)(f), (h), and/or ORS 40.225		
1.	Litigation Update	LEGAL COUNSEL

Audit Committee meeting immediately following the regular Board meeting.

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OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Item A.1.

PERS Board Meeting
September 24, 2010
Tigard, Oregon
MINUTES

Board Members:	Staff:		
James Dalton, Chair	Donna Allen	Jon DuFrene	Dale Orr
Tom Grimsley, Vice-Chair	Gay Lynn Bath	Joe DeLillo	Brenda Pearson
Eva Kripalani	Lisa Bianchi	Yvette Elledge	Steve Rodeman
Laurie Warner	Paul Cleary	Brian Harrington	Jason Stanley
	David Crosley	Zue Matchett	Stephanie Vaughn

Others:

Bruce Adams	Pat Dooris	Keith Kutler	Bill Robertson
Michaelyn Baron	Paul Downey	Matt Larrabee	Richard Sears
Cathy Bloom	Linda Ely	Steve Manton	Todd Stucky
Tom Breitbarth	Ursula Euler	Elizabeth McCann	Jacob Szeto
Nancy Brewer	Richard Gilbert	Susan McSperitt	Deborah Tremblay
Linda Burgin	Bruce Griswold	Matt Michel	Pat West
Lindsey Capps	Jeff Gudman	Victor Nolan	Brendalee Wilson
Lance Colley	Kathleen Hinman	Bob Oleson	David Winman
Sue Cutsogeorge	Trish Igaak	Megan Phelan	John Wish
Myrnie Daut	Nathan Klinkhamm	Scott Preppernau	Peter Wong

Chair James Dalton called the meeting to order at 1:00 P.M. Board member Mike Pittman was excused.

ADMINISTRATION

A.1. BOARD MEETING MINUTES OF JULY 23, 2010

The Board unanimously approved the minutes from the July 23, 2010 Board meeting.

A.2. DIRECTOR'S REPORT

Director Paul Cleary presented the Board's forward-looking calendar noting the final Board meeting for 2010 will be held on November 19, 2010. Agenda items will include approval of 2011 Legislative Concepts for pre-session filing and Actuarial Audit results. The meeting will be followed by an Audit Committee Meeting.

Cleary presented a tentative schedule of 2011 Board meeting dates.

Cleary presented the 2009-11 operating budget report noting a positive variance of approximately $3.8 million. The variance represents 4.6 percent of the total operating budget.

The August 2010 Oregon Investment Council (OIC) report was provided as part of the walk-in packet. Cleary noted through August the regular fund account is up 1.6% and the variable down 4.5%.

Cleary reported that the Oregon Savings Growth Plan (OSGP) submitted a request for proposal (RFP) for a third-party administrator. There were four responses. The current provider, ING, rated the highest and PERS will reward ING with a six-year contract.

Cleary provided an update on the benefit estimate requests backlog. Cleary reported that approximately 64 percent of the estimate requests backlog has been closed. Cleary described different member communication plans in place to provide notification of the backlog and prioritization process.

Cleary reported that administration of SB 897 data verification is progressing. PERS will begin processing verification request on July 1, 2011 with the earliest retirement date of August 1, 2011.

Cleary presented the Annual Board Best Practices Key Performance Measure Review survey results.

Chair James Dalton noted with the onset of SB 897 verifications and limited approval of additional staff, the workload challenges will increase. Dalton requested staff provide an accurate assessment of agency capabilities and challenges in 2011-13 budget and legislative presentations.

NOTICE OF RULEMAKING

B.1. NOTICE OF CONFIDENTIALITY OF MEMBER RECORDS RULE

Deputy Director Steve Rodeman provided notice of rulemaking for the Confidentially of Member Records Rule. Rodeman described the purpose and timeline of the rule. No Board action was required.

B.2. UPDATE ON RECOVERY OF ADMINSTRATIVE COST RULE

Rodeman provided an update on the Recovery of Administrative Cost Rule which staff has recommended be postponed to allow further development and review of administrative costs, the current estimate request process, and on-line member functionality. The notice of rulemaking will be presented to the Board in March 2011.

Rodeman confirmed for Board member Laurie Warner that on-line member services should be available by the end of the second quarter of 2011.

FINAL RULE ADOPTION

C.1. ADOPTION OF HEALTH INSURANCE PROGRAM RULES

Rodeman presented and described two sets of Health Insurance Program rules for adoption by the Board to expand the eligibility provisions to OPSRP members as provided under SB 897.

The set of rules described in C.1.b. include expanding domestic partnership provisions. PERS has submitted its tax qualification determination request to the IRS and is waiting for their decision.

Rodeman recommended the Board pass a motion to adopt both sets of Health Insurance Program Rules. PERS will file C.1.a. to be effective immediately and the rules described in C.1.b. will be held for future filing if the IRS approves the PERS' determination request.

It was moved by Eva Kripalani and seconded by Tom Grimsley to adopt both sets of permanent Health Insurance Rules as recommended. The motion passed unanimously.

C.2. ADOPTION OF VERIFICATION OF RETIREMENT DATA RULE

Rodeman presented the adoption of the Verification of Retirement Data Rule. The rule addresses three policy issues that need to be determined prior to implementing the data verification provisions of SB 897. Rodeman discussed the policy issues and stakeholder comments. Rodeman noted the 60-day timeline for employers to confirm or modify records continues to be controversial with employers.

Brenda Wilson, speaking on behalf of the League of Oregon Cities, the Association of Oregon Counties, the Special Districts Association of Oregon, and School Board Association of Oregon asked the Board to consider a temporary 90-day timeline provision. Wilson noted employers could be overwhelmed with the number of requests and July 1 falls after many schools are closed and staffing is low.

Grimsley recommended a provision giving the Director flexibility to allow employers under special circumstances to petition for a 30-day extension.

Cleary noted PERS will be working with employers throughout the verification process and the agency has had experience with extension processes with employer reporting. Cleary noted everyone is unsure of the volume of verification requests that may be received so it may be necessary to extend the employer review timeline if employers become overwhelmed.

Kripalani said she would support a review extension process for just cause if workable.

Rodeman noted that retirement data verification is not a new process for employers, but it currently occurs at a member's retirement. The SB 897 implementation process requires this to be done earlier in a member's career and the verification requests volume is unknown.

Warner suggested a communication plan to let members know how to review data on-line and the best time to request data verification to prevent the agency from being overwhelmed with requests.

Rodeman will bring additional information to the Board at the November meeting when the rules will be presented for adoption.

C.3. ADOPTION OF RETIRE FROM ONE, RETIRE FROM ALL RULE

Rodeman presented the Retire from One, Retire from All Rule for adoption. Rodeman described the purpose of the rule and staff recommended the Board pass a motion to adopt the rule as presented.

It was moved by Grimsley and seconded by Warner to adopt the rule as recommended. The motion passed unanimously.

ACTION AND DISCUSSION ITEMS

D.1. 2011-13 INDIVIDUAL EMPLOYER RATE ADOPTION

Dalton described the extensive Mercer presentations and Board reviews leading up to the approval of the 2011-13 employer rates and the availability of all the prior presentations on the PERS website.

Cleary noted employer contribution rates are based on odd year valuations. Cleary described the agency interaction and communication over the last two years with employers, the Legislature, the Governor's office, and other stakeholders regarding the affect the 2008 market downturn would have on the 2011-13 employer rates.

Actuaries Matt Larrabee and Scott Preppernau of Mercer presented the individual employer rates to be effective for the 2011-13 biennium. A listing of the individual employer rates was provided as part of the walk-in packet.

Dale Orr, PERS Actuarial Services Manager provided a handout of historical employer rates and contributions data.

Orr noted that once rates are adopted, PERS will issue the individual reports to employers.

It was moved by Kripalani and seconded by Grimsley to adopt the Individual Employer 2011-13 Contribution Rates as presented by Mercer. The motion passed unanimously.

D.2. ETOB TESTING RESULTS

Cleary explained the staff summary and administrative rule was included in the Board packet for reference. Larrabee described the background, history, principles, and purpose for Equal to or Better Than (ETOB) testing. Larrabee presented the ETOB testing results.

Based on the testing results conducted by Mercer, PERS staff recommended that the Board adopt a motion granting ETOB exemptions to the employers that were found to satisfy the statutory requirements under ORS237.620 and the related statutes.

Larrabee noted that the two employers who did not satisfy ETOB requirements will have the opportunity to either amend their plans to become eligible for an exemption or to comply with the requirement of ORS 237.620(3) to "provide that class of employees with retirement benefits adequate to meet the [ETOB] requirements."

Rodeman described the next steps for the employers who did not satisfy the ETOB requirements.

It was moved by Kripalani and seconded by Grimsley to approve the staff recommendations. The motion passed unanimously.

<u>BOARD MEMBER RECOGNITION AND TRANSITION</u>

Director Cleary introduced new PERS Board member Pat West who was confirmed by the Oregon State Senate. West will occupy the member/retiree position effective October 1, 2010 that will be vacated by Tom Grimsley.

Each Board member recognized Grimsley for his outstanding service on the PERS Board. Lindsey Capp, representing the Oregon Education Association, recognized Board member Grimsley for his service.

Chair Dalton thanked the audience for their attendance and participation, and adjourned the meeting at 2:30 PM.

Respectfully submitted,

Paul R. Cleary
Executive Director

PERS

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PERS Board Meeting
Forward-Looking Calendar

January 28, 2011

Notice of Trustee-to-Trustee Transfer Rules
Adoption of Employer Reporting and Remittance Rules
2010 Preliminary Earnings Crediting
Final ETOB Orders

March 28, 2011 **(Monday)**

Adoption of Trustee-to-Trustee Transfer Rules
2010 Final Earnings Crediting

May 26, 2011 **(Thursday)**

Retiree Health Insurance Rates 2010 Plan Renewals and Rates

July 22, 2011

2010 Experience Study

September 23, 2011

2010 Valuation Results
2010 Actuarial Equivalency Factors

November 18, 2011

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Returns for periods ending 9/30/10 **Oregon Public Employees Retirement Fund**

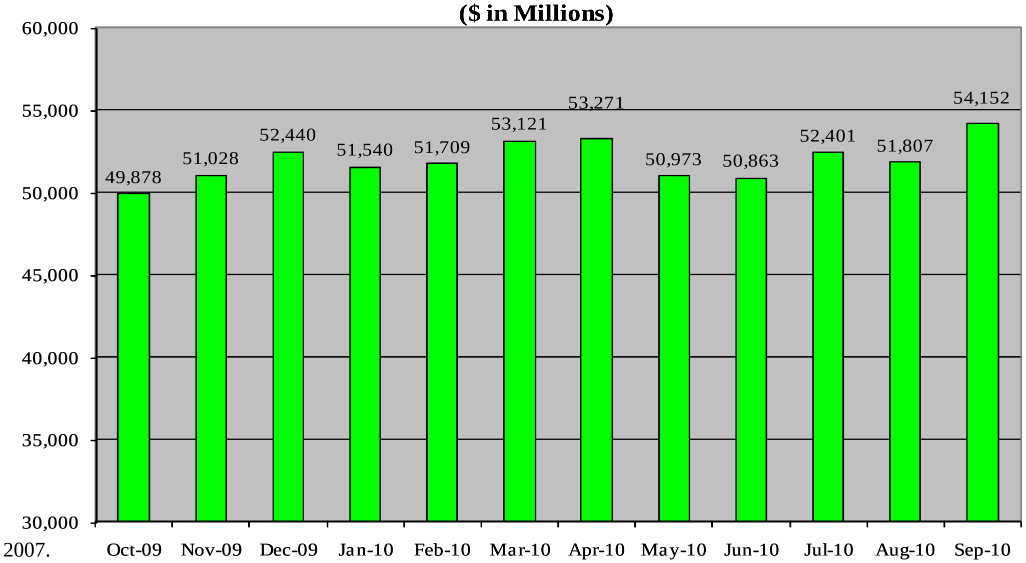
A.2.b.
OIC
Report
Sept '10

OPERF	Policy[1]	Target[1]	$ Thousands[2]	Actual	Year-To-Date[3]	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS
	Regular Account				Historical Performance (Annual Percentage)					
Public Equity	41-51%	46%	$ 22,205,139	41.7%	**5.38**	**10.17**	**5.52**	**(6.81)**	**(0.55)**	**2.10**
Private Equity	12-20%	16%	11,299,697	21.2%	**10.57**	**21.28**	**(1.43)**	**(0.50)**	**5.49**	**9.07**
Total Equity	**57-67%**	**62%**	**33,504,836**	**62.9%**						
Opportunity Portfolio			998,004	1.9%	**5.05**	**14.99**	**4.57**	**1.73**	**2.83**	
Total Fixed	**22-32%**	**27%**	**13,641,754**	**25.6%**	**10.03**	**13.03**	**14.37**	**8.19**	**7.41**	**6.88**
Real Estate	**8-14%**	**11%**	**5,071,637**	**9.5%**	**(5.51)**	**(2.79)**	**(13.27)**	**(9.95)**	**(3.73)**	**2.42**
Cash	**0-3%**	**0%**	**10,708**	**0.0%**	**0.73**	**0.94**	**2.57**	**1.88**	**2.76**	**3.14**
TOTAL OPERF Regular Account		**100%**	**$ 53,226,939**	**100.0%**	**6.52**	**11.75**	**4.05**	**(2.66)**	**1.87**	**4.01**
OPERF Policy Benchmark					**4.92**	**9.80**	**3.98**	**(2.29)**	**2.22**	**3.98**
Value Added					**1.60**	**1.95**	**0.07**	**(0.37)**	**(0.35)**	**0.03**
TOTAL OPERF Variable Account			**$ 924,813**		**4.77**	**9.51**	**4.98**	**(7.55)**	**(2.78)**	**(0.24)**

Asset Class Benchmarks:

Russell 3000 Index	4.78	10.96	1.90	(6.59)	(1.29)	0.92
MSCI ACWI Ex US IMI Net	4.64	8.47	7.91	(6.76)	1.52	4.86
MSCI ACWI IMI Net	4.57	9.32	5.02	(6.94)	(0.03)	2.72
Russell 3000 Index + 300 bps--Quarter Lagged	1.73	18.91	(3.48)	(5.47)	0.99	3.22
BC Universal--Custom FI Benchmark	7.92	8.50	9.55	7.16	6.65	6.11
NCREIF Property Index--Quarter Lagged	1.90	(1.48)	(10.98)	(4.71)	0.36	3.78
91 Day T-Bill	0.08	0.13	0.26	1.13	2.14	2.61

TOTAL OPERF NAV
(includes variable fund assets)
One year ending September 2010
($ in Millions)



[1]OIC Policy 4.01.18, as revised September 2007.

[2]Includes impact of cash overlay management.

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

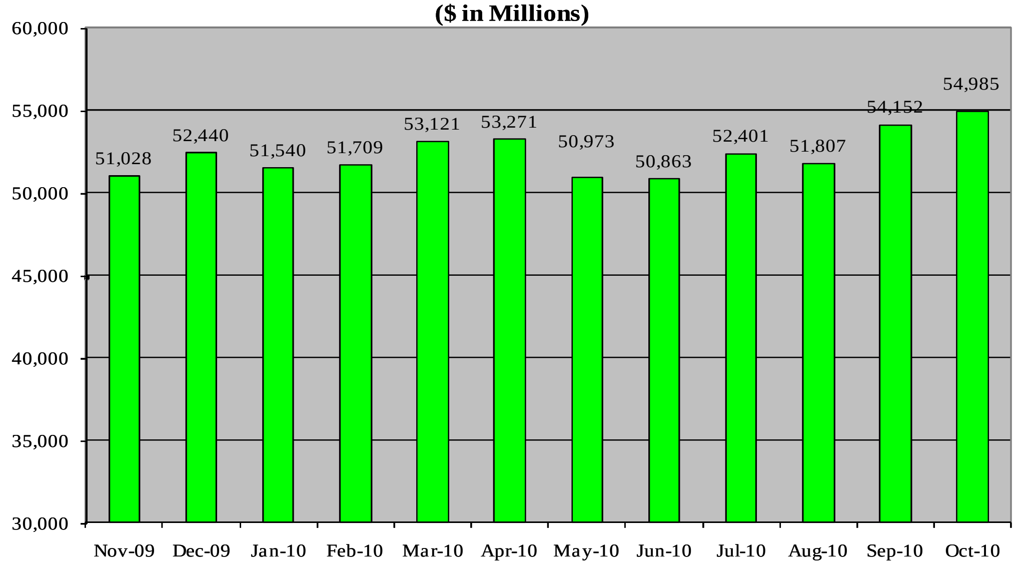
Returns for periods ending 10/31/10 **Oregon Public Employees Retirement Fund**

OPERF	Policy[1]	Target[1]	$ Thousands[2]	Actual	Year-To-Date[3]	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS
	Regular Account				Historical Performance (Annual Percentage)					
Public Equity	41-51%	46%	$ 22,070,693	40.8%	9.42	16.70	20.62	(6.70)	(0.49)	3.44
Private Equity	12-20%	16%	11,349,917	21.0%	10.57	21.28	(1.43)	(0.50)	5.49	9.07
Total Equity	**57-67%**	**62%**	**33,420,610**	**61.9%**						
Opportunity Portfolio			1,022,479	1.9%	8.12	15.40	6.15	3.25	3.57	
Total Fixed	**22-32%**	**27%**	**14,188,527**	**26.3%**	11.05	12.82	18.67	8.26	7.44	7.23
Real Estate	**8-14%**	**11%**	**5,196,959**	**9.6%**	(4.71)	(1.61)	(10.74)	(9.84)	(3.89)	2.70
Cash	**0-3%**	**0%**	**205,313**	**0.4%**	0.83	0.95	2.17	1.75	2.68	3.10
TOTAL OPERF Regular Account		**100%**	**$ 54,033,888**	**100.0%**	8.58	14.51	11.40	(2.67)	1.78	4.79
OPERF Policy Benchmark					6.78	12.39	10.55	(2.35)	2.10	4.68
Value Added					1.80	2.12	0.85	(0.32)	(0.32)	0.11
TOTAL OPERF Variable Account			**$ 951,005**		8.62	15.59	19.50	(6.95)	(2.70)	0.90

Asset Class Benchmarks:

Russell 3000 Index	8.88	18.34	14.53	(5.96)	(1.21)	2.08
MSCI ACWI Ex US IMI Net	8.29	13.64	24.62	(7.38)	1.38	6.37
MSCI ACWI IMI Net	8.40	15.37	19.72	(7.03)	(0.07)	4.03
Russell 3000 Index + 300 bps--Quarter Lagged	1.73	18.91	(3.48)	(5.47)	0.99	3.22
BC Universal--Custom FI Benchmark	8.35	8.39	11.54	6.99	6.57	6.36
NCREIF Property Index--Quarter Lagged	1.90	(1.48)	(10.98)	(4.71)	0.36	3.78
91 Day T-Bill	0.10	0.12	0.21	1.04	2.04	2.55

TOTAL OPERF NAV
(includes variable fund assets)
One year ending October 2010
($ in Millions)



[1]OIC Policy 4.01.18, as revised September 2007.

[2]Includes impact of cash overlay management.

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

Oregon

Theodore R. Kulongoski, Governor

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November 19, 2010

TO: Members of the PERS Board

FROM: Kyle J. Knoll, Business Operations Manager

SUBJECT: November 2010 Budget Report

2009-11 BUDGET UPDATE

Operating expenditures for the month of September 2010 were $2,569,437, and preliminary October 2010 expenditures are $2,879,959. Final October expenditures close in the Statewide Financial Management System (SFMS) November 12, 2010, and will be included in the January 2011 Board Report.

- To-date, through the first sixteen months (66.67%) of the 2009-11 biennium, the Agency has expended a total of $46,905,093 or 56.33% of PERS' 2009-11 operating budget.

- PERS currently maintains a projected positive budget variance of $4,058,734, or approximately 4.9% of the 2009-11 operating budget of $83,261,952. $302,354 of that projected positive variance is in the RIMS Conversion Project (RCP) budget.

STATEWIDE BUDGET UPDATE

PERS is participating in statewide bi-monthly meetings facilitated by the Department of Administrative Services (DAS) / Office of Budget & Management (BAM). The primary goals of these meetings are to ensure Agencies are kept apprised of statewide 2009-11 budget issues and concerns, and to share updates on the 2011-13 budget development and approval process.

Issues discussed at the first meeting held October 20, 2010 included:
- An initial request for General Fund (GF) and Lottery Fund (LF) Agencies to include 25% cost reduction plans in their 2011-13 budget requests.
- 2011-13 cost reduction options anticipated to be considered during the 2011 Legislative Session include employees picking up a portion of benefit costs, eliminating position vacancies, and carrying forward furlough days.
- A reminder that the incumbent Governor's 2011-13 Budget submitted by December 1, 2010 does not have to be balanced; it is viewed as a budget plan that includes identifying challenges, priorities, and recommendations.
- The 2011-13 Governor's Recommended Budget (GRB) from the current Governor Elect will be submitted to the Legislature by February 1, 2011.
- The next statewide economic / revenue forecast will be issued November 19, 2010.

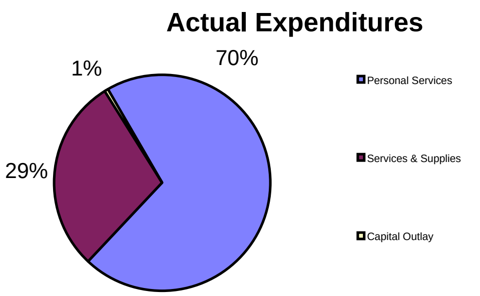
A.2.c.

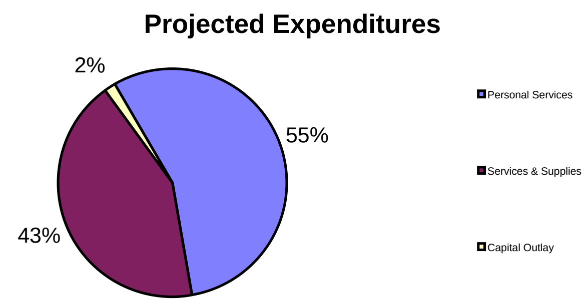
2009-11 Agency-wide Operations - Budget Execution
Summary Budget Analysis
For the Month of: October 2010 (preliminary)

Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2009-11 LAB	Variance
Personal Services	32,937,812	17,941,592	50,879,404	52,751,494	**1,872,090**
Services & Supplies	13,706,641	13,792,633	27,499,274	29,916,870	**2,417,596**
Capital Outlay	260,640	563,900	824,540	593,588	**(230,952)**
Special Payments					
Total	**46,905,093**	**32,298,125**	**79,203,218**	**83,261,952**	**4,058,734**

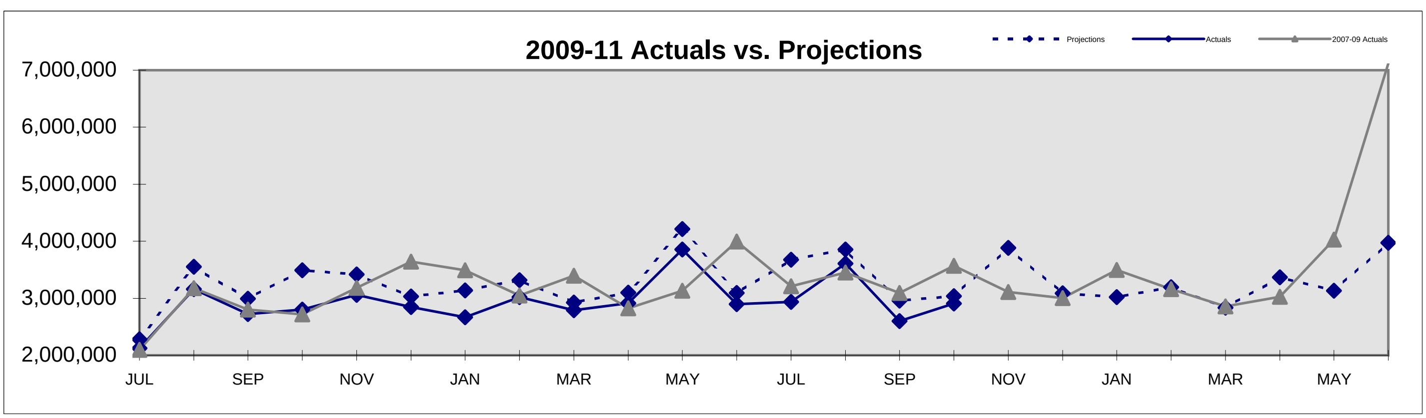
Targeted Reserve Variance	**2,754,000**
RCP Reserved	**302,354**
Net Budget Available	**1,002,380**





Monthly Summary

Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Projected Expenditures
Personal Services	2,111,527	2,233,460	121,934	2,058,613	2,242,699
Services & Supplies	759,923	789,004	29,081	856,665	1,724,079
Capital Outlay	36,409	16,000	(20,409)	16,290	70,488
Special Payments					
Total	**2,907,859**	**3,038,464**	**130,606**	**2,931,568**	**4,037,266**



2007-09 Biennium Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2007-09 LAB	Variance
Personal Services	49,613,038		49,613,038	53,288,261	**3,675,223**
Services & Supplies	27,421,160		27,421,160	26,553,000	**(868,160)**
Capital Outlay	350,966		350,966	947,701	**596,735**
Special Payments					
Total	**77,385,163**		**77,385,163**	**80,788,962**	**3,403,799**

Item A.2.d.

Oregon

Theodore R. Kulongoski, Governor

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November 19, 2010

TO: Members of the PERS Board

FROM: Yvette Elledge, Customer Services Administrator

SUBJECT: Employer Reporting Update

PERS is currently working with 901 employer-reporting units to process all outstanding employer reports and suspended records. In addition, PERS continues to monitor all employer accounts receivables and conduct its Employer Outreach Program.

EMPLOYER REPORTING

The table below shows the status as of October 31, 2010 of employer reports and member records for calendar years 2008, 2009, and 2010.

	CY 2008	**CY 2009**	**CY 2010**
Reports due:			
▪ Number expected	13,093	13,255	10,282
▪ Number received	13,093	13,238	10,149
▪ Percent received	100%	99.9%	98.7%
▪ Goal	99.0%	99.0%	
Reports fully posted at 100%:			
▪ Number	12,913	12,666	8,961
▪ Percent fully posted at 100%	98.6%	95.6%	87.2%
▪ Goal	95.0%	95.0%	
Records due (estimated)	3,704,096	3,544,350	2,702,159
Records not posted:			
▪ Number	2,307	10,716	40,203
▪ Percent not posted	≤ .1%	.3%	1.5%
▪ Goal	≤ .2%	≤ .2%	
Contributions posted	$ 483,414,223	$ 504,553,026	$ 404,249,099
Contributions not posted	$ 17,607	$ 478,424	$ 1,984,808

As of October 31, 2010 employers have submitted 98.7% of the reports due for 2010. Of the total reports expected, 87.2% are 100% posted.

There are 133 missing reports distributed across 41 employers so far in 2010. For previous full calendar years, there are 17 missing reports across three employers for 2009 and no missing reports for 2008.

MEMBER AND CONTRIBUTION RECONCILIATION

In October 2009, Member and Contribution Reconciliation (MACR) replaced the past practice of annual reconciliation of employer reporting. The improved functionality of our system of record now enables employers to reconcile their member demographics and contributions on a monthly basis through the Employer Data Exchange (EDX).

The MACR is implemented in two phases. Phase 1 takes place between October 1, 2010-December 31, 2010. In Phase 1, employers are asked to devote their efforts to resolving suspended records for posting and to turn in missing reports. To date, 83% of 2010 reports are in and 82% of 2010 records are posted.

We are seeing other great improvements in Phase 1 for MACR 2010:

- Employers are demonstrating a higher comfort level with EDX. We've noted that 98% of the data received to date is error free. This is a 21% improvement over this time last year.
- The first "2010 MACR" benchmark for **reports received** was 10,000. By October 18, we exceeded the benchmark with 10,075 reports received.
    - The second "2010 MACR" benchmark for reports received is 11,100 reports by November 22, 2010. Employers are only 869 reports away from reaching the second benchmark.
- The first "2010 MACR" benchmark for **records posted** was 2,550,000. By October 18 we exceeded our goal with 2,644,511 records posted.
    - The second "2010 MACR" benchmark for records posted is 2,750,000 by December 5, 2010. Employers, are currently 105,489 records away and on pace to meet the second benchmark for posted records.
- In 2010, MACR tips were incorporated into the monthly employer communications to support employer education.

Phase 2 of MACR takes place from January 1 through March 4, 2011, and requires the employers to focus on eligibility issues. The split of the processes into phases has created efficiency and better organization of the reconciliation processes.

Additionally, PERS has completed its negotiation of a contract with the Employment Department to provide wage records and hours for employers with missing data. By allowing us access to this data set, PERS will be able to provide estimated invoices to employers who are missing reports. This will help automate the audit process resulting in cost savings as well as a decreased turn around time for collecting missing data and contributions.

EMPLOYER OUTREACH PROGRAM

The PERS Employer Outreach, Communication & Education (OCE) Team conducted a series of fall employer outreach presentations for the first time since 2007. The fall 2010 outreach series was also the first presented entirely though the internet using iLinc, the PERS online presentation platform. The online presentation format for this series was adopted to encourage attendance by employers confronted with reduced travel and training funds.

Fall 2010 outreach presentation topics included a short review of SB 897, which provides for the verification of retirement data, and upcoming EDX Release 6.0 modifications to accommodate verification of retirement data mandated by SB 897. A review of the MACR process and the evolutionary progression of this process from a single fast-paced two-month period into a year-round lower intensity maintenance effort, PERS efforts to detect possible fraudulent Social Security number usage, basics of the PERS disability process, and progress of the Employer Compliance Review program rounded out the topics for the fall 2010 outreach presentation.

Eight presentation sessions were planned to cover all of our geographic areas and one for OHSU, DAS, OUS (Oregon University System), community college and semi-independent state agency employers. To date, seven of the eight presentations have been accomplished, with 387 total registrants projected for the entire series, making this the third best attended presentation series since outreach presentations were reinitiated in fall 2006. Ninety-two percent of employer attendees have expressed a positive response to the strictly online presentation format, making future use of the online format very attractive. iLinc use is being contemplated for employer training of Online Member Services (OMS) and other features of EDX Release 6.0 prior to second quarter 2011 installation of Release 6.0.

Use of iLinc was also extended to employer EDX training in the second half of 2010. Employer EDX training is designed to acquaint employer personnel assigned PERS reporting duties with the basic concepts and function of EDX. The training consists of three distinct parts: EDX Basics, a hands-on practice session, and EDX Reporting Topics. Training has been offered monthly at PERS headquarters in Tigard, and, starting with the August 2010 training date, EDX training is now offered simultaneously here at the Tigard headquarter’s computer lab and over the internet through iLinc. The hands-on practice session is accomplished through a secure EDX training environment made available to employers through the PERS employer website. The November and December training dates remain in 2010, and thus far employers have embraced EDX internet training with distance attendees outnumbering Tigard attendees (through October 2010, eight attendees at Tigard and 10 through iLinc) and a total of 82 trainees through all modes to date.

ACCOUNTS RECEIVABLE PLAN

Besides assisting employers with overdue reports and electronic payments, PERS' Accounts Receivable section proactively collects receivable balances that are more than 30 days overdue. As of November 1, 2010, we had 357 outstanding invoices (105 total employers) that were more than 30 days overdue, with an aggregate balance of $956,086. Our goal is to collect all outstanding invoices that exceed 30 days by following up with these employers by phone and letters each month.

The current total of invoices that are over 90 days delinquent is $746,865**.** The majority of these past due invoices is the balance of 13 charter schools invoiced for $515,203. PERS continues to review the outstanding balances and discuss payment collection strategies with the representatives from the charter schools as well as a group of the charter schools formerly reported by TPA EdChoices, which consists of nine of the charter schools.

Canby Fire District #62 is our next largest group of outstanding invoices. The employer is working diligently with PERS on repayments of overdue invoices totaling $152,455.

Oregon

Theodore R. Kulongoski, Governor

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November 19, 2010

TO: Members of the PERS Board

FROM: Dale S. Orr, Actuarial Services Manager

SUBJECT: Quarterly Report of Member Transactions

Attached is the PERS Quarterly Report of Member Transactions with the results from the third calendar quarter of 2010.

This report reflects production volume and pending information for five key agency activities. This information is being provided to assist the Board in understanding the general workload demands and performance of PERS' operations. The report provides a breakout of activity on both a quarterly and a cumulative, calendar year-to-date basis.

In addition, the 'Retirements', 'Withdrawals', and 'Estimates' activities reflect the combined statistics of Tier One, Tier Two and OPSRP pension. Pending counts do not necessarily reflect a backlog of work, but rather the normal end-of-quarter carry-over of items in the processing pipeline.

Supplemental information to assist in understanding the report are as follows:

1. **'Estimates' Backlog.** As of the end of the third quarter Tier One and Tier Two estimates continued to be in backlog status, although the year-to-date trends show that progress is being made. A backlog occurs when the number of pending estimates exceeds twice the normal amount of work-in-process. The current backlog reflects continued recovery from a slow-down in estimate production in 2009 due to the RCP conversion of pre-retirement functions and related learning curve associated with the new system. During the third quarter, staff completed nearly 800 more estimates than were received. Although PERS continues to focus on those estimate requests that indicate a nearer retirement date, resources are now being allocated to later retirement date requests as well. Currently, members requesting an estimate with a retirement date within 90 days or less are receiving an estimate. With the backlog reduction, some of the requests that have retirement dates beyond the 90 day window are also now being processed.

2. **Pending Retirements.** The number of pending 'Retirements' (Tier One, Two and OPSRP) and 'IAP Retirements' decreased significantly in the third quarter. This was expected as the seasonal spike in July 1 retirement applications are processed over the following three months. In September alone, over 650 more Retirements and IAP Retirements were completed than new applications received. Typically, 25% to 30% of all annual retirements occur July 1 effective date.

3. **Derived Pending Numbers.** As previously reported to the Board, some of the pending totals are adjusted periodically as a result of manual certification. Such a count was conducted for Withdrawals and IAP Withdrawals. These pending totals are manually certified every six months. As a result of these counts, incoming for the 'Withdrawal' activity was revised upward by 51 and IAP Withdrawal incoming was adjusted upward by 168. With these adjustments, the third quarter pending is accurately stated for these two activities.

The next Quarterly Board Report, reflecting the results from the fourth calendar quarter of 2010, is scheduled to be presented at the March 2011 Board meeting.

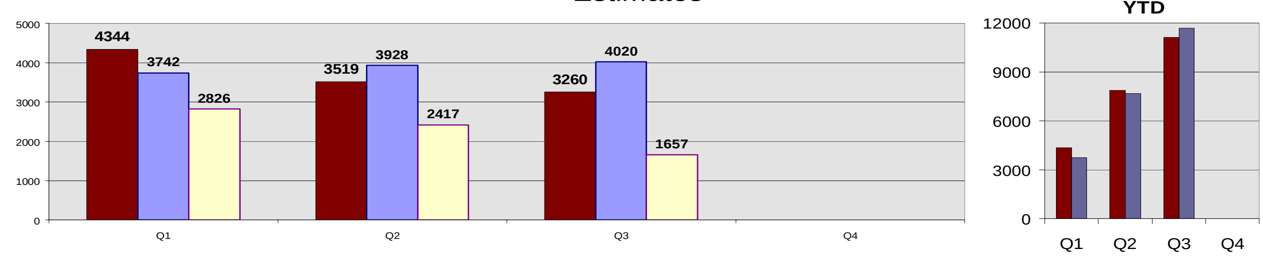
Attachment:

Quarterly Report of Member Transactions (Through Third Quarter, 2010)

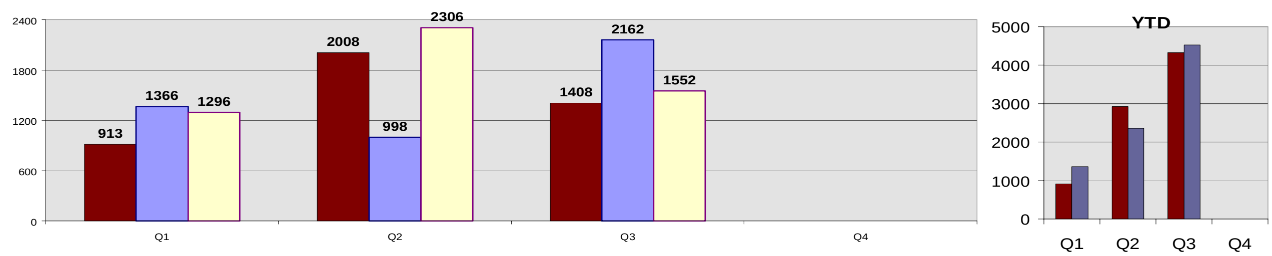
Quarterly Report of Member Transactions

Thru Quarter Q3 2010 Run Date: 11/4/2010

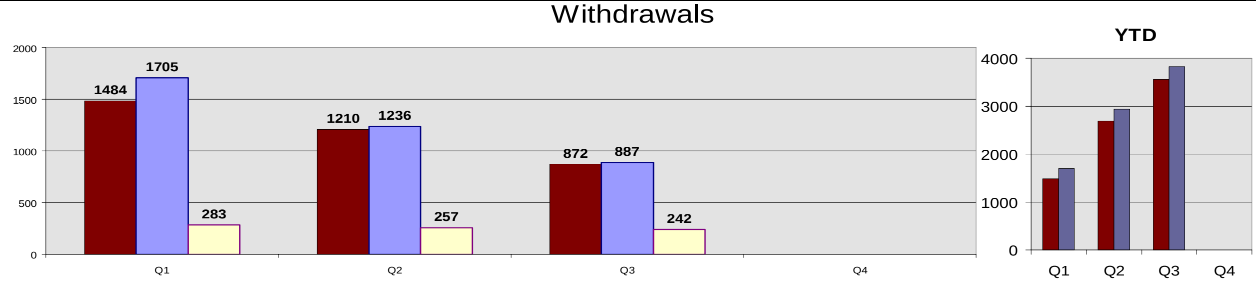
Estimates



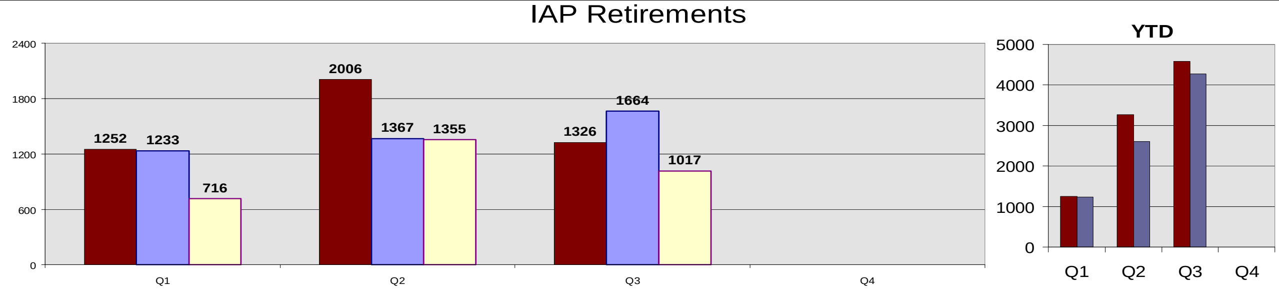
Retirements



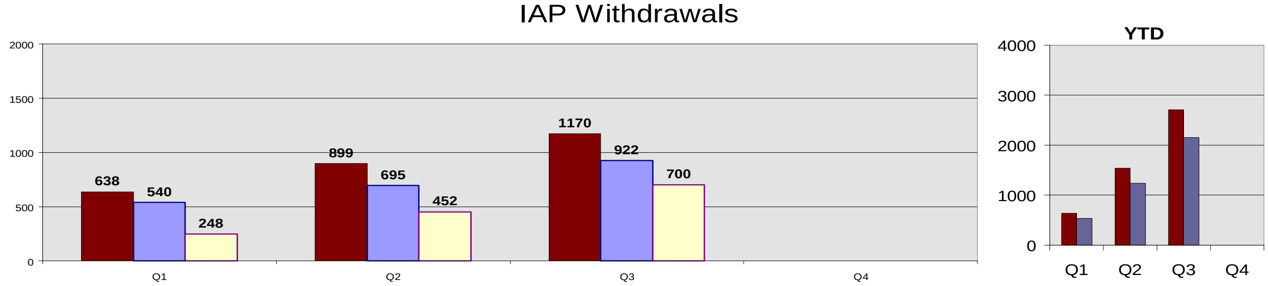
Withdrawals



IAP Retirements



IAP Withdrawals



Incoming Completed Pending

PERS

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November 19, 2010

TO: Members of the PERS Board

FROM: David Crosley, Communications Officer

SUBJECT: 2010 Customer Service Survey Results

PERS conducted customer satisfaction surveys for members (including retirees) and employers in August 2010. This was the fifth year of our survey program.

The 2005 Legislature adopted standardized customer service performance measures and survey questions for all agencies in all branches of state government. The measures require agencies to survey customers and report results in their budget presentations.

Our 2010 surveys continue to show good overall ratings from both members and employers. We will continue to conduct annual surveys to measure and trend improvement in our customer service.

MEMBER CUSTOMER SATISFACTION SURVEY

BACKGROUND

PERS posted a customer service survey on its website in the member and retiree sections during August 2010. We also placed a hard copy of the survey in the August 1 retiree newsletter, *Perspectives*, that retirees could complete and mail to PERS. Retirees also had the option of completing the survey online. The August 1 *Perspectives* newsletter for active members noted that the survey was available online. In total, we received 1,921 responses, a number of which included individual comments.

We identified two key issues and suggestions from the comments received as detailed below. We also describe our strategies to address those items and the methodologies used in the survey.

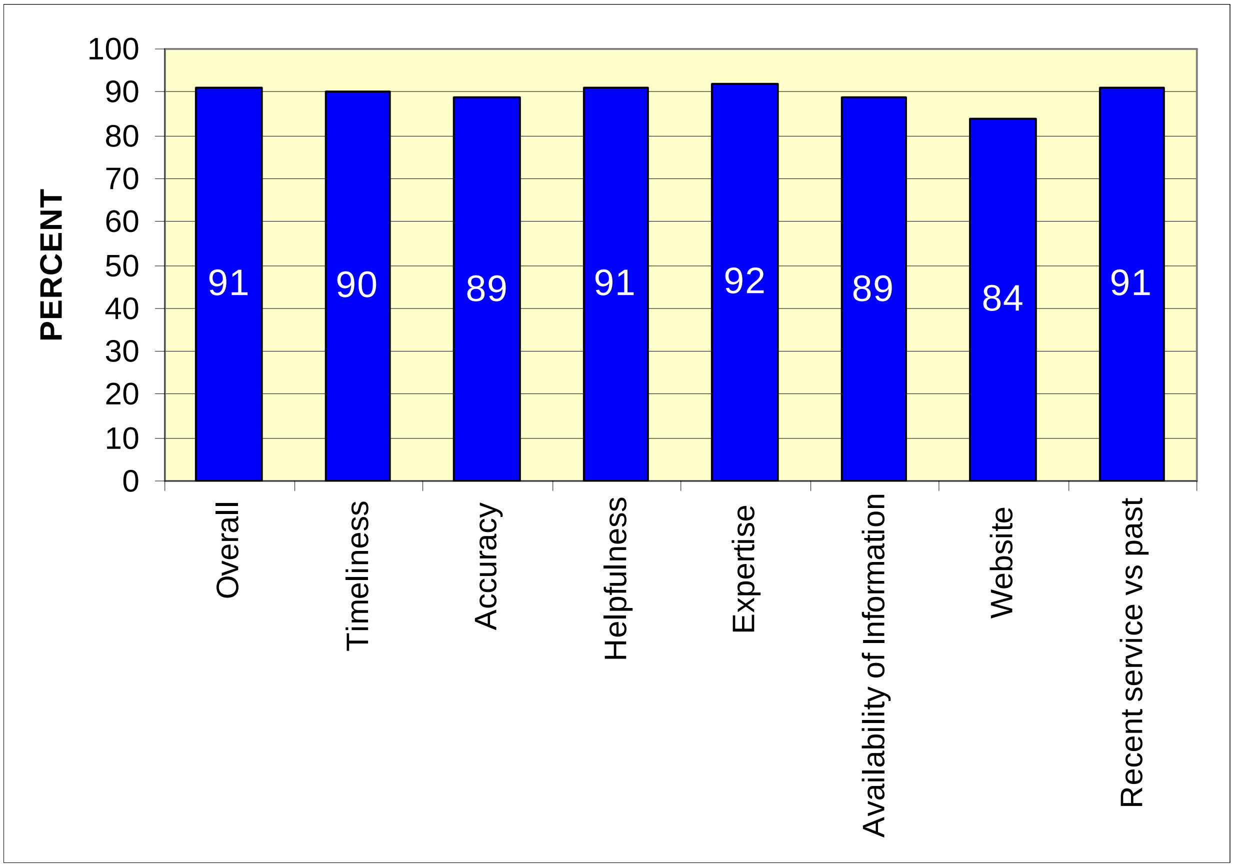
The following graphs and charts display the survey results and provide a comparison of responses for all survey years.

In addition to the six core questions and a question on overall year-over-year service trends, we also asked for input regarding the PERS website:

- Was the PERS website easy to navigate?
- Did you find the information you wanted?
- Are there any changes you would make to the PERS website?

More than 83 percent of respondents said the website was easy to navigate and more than 80 percent found the information they were seeking. In many cases where information was not found, members were looking for account balances or other information that will be available in mid-2011 as part of Online Member Services.

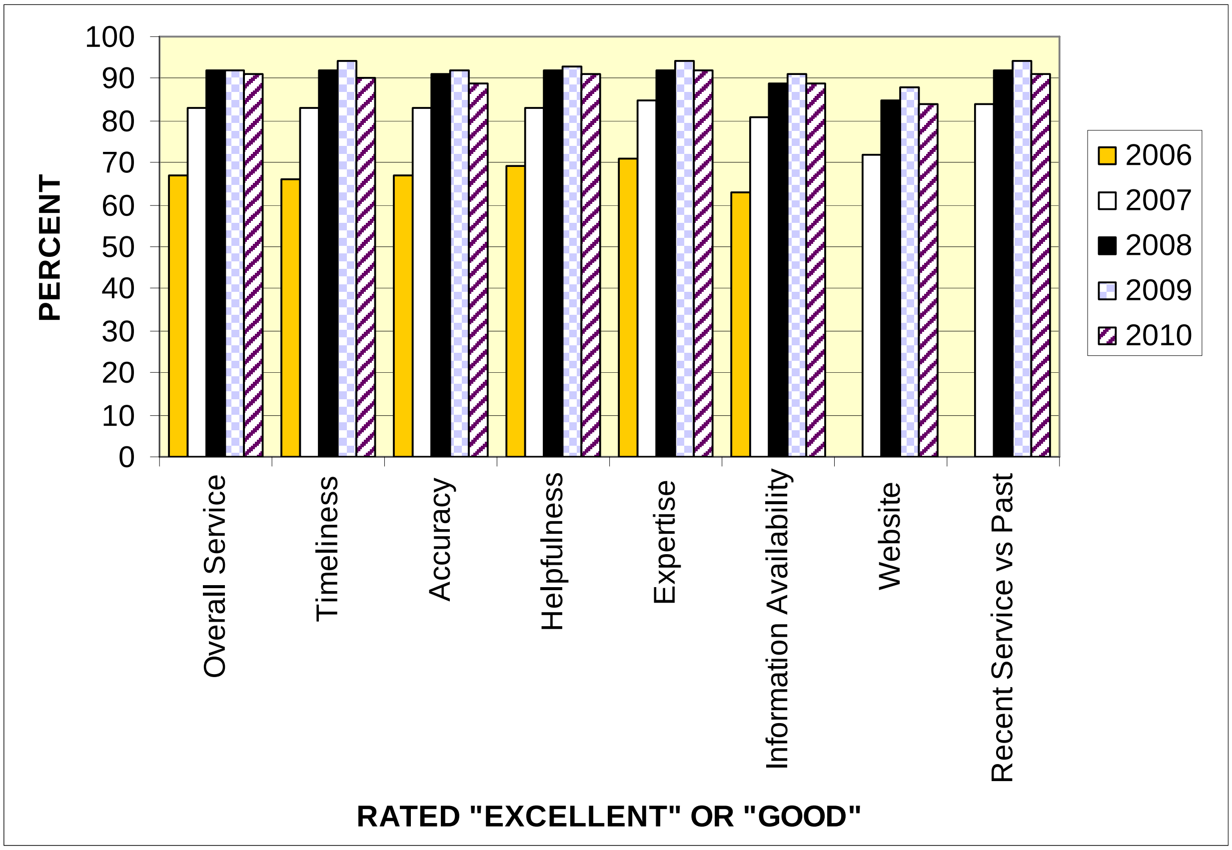
Percent of respondents rating "excellent" or "good" (the state's Key Performance Measures do not include the "Don't Know" responses; the numbers in the graph have been rebaselined to exclude those responses)



Numerical results (numbers rounded)

How do you rate…	**Percent**				
	Excellent	**Good**	**Fair**	**Poor**	**Don't Know**
The overall quality of service?	58	28	9	4	5
The timeliness of services PERS provides?	58	27	4	6	5
PERS' ability to provide services accurately the first time?	61	26	3	4	6
PERS' helpfulness?	60	25	5	3	7
The knowledge and expertise of PERS employees?	54	29	4	3	10
The availability of information at PERS?	54	29	6	4	7
The PERS website?	22	23	6	2	47
Our service in the past year compared to previous years?	43	24	4	3	26

Comparison of 2006-2010 Member Results



KEY ISSUES AND SUGGESTIONS (in order of number of responses)

1. Members would like to receive benefit estimates in less time.

Members feel that it can take too long to receive a written benefit estimate from PERS.

Resolution

PERS staff have been learning a new benefit estimate tool that impacted our ability to provide benefit estimates quickly. We are now processing most estimates within 30 days. Online Member Services in mid- 2011 will allow members to generate a benefit estimate in a secure environment online using current information stored in the PERS database.

2. Members would like access to their PERS information online.

Members would like to view their account balances and other personal information on the PERS website.

Resolution

PERS is in the final stages of converting our legacy computer system to an upgraded system that will allow on-line access and member self-service transactions. The project will be completed mid-2011, at which time these services will be available.

SURVEY METHODOLOGIES

To maximize member response, PERS created this survey online and posted it in a prominent spot on our home page. We also published the location of the survey in our member and retiree newsletters, inviting members and retirees to participate. The online survey ran throughout August 2010.

Further, we placed a hard copy of the survey in the newsletter that goes to retired members and they had several weeks to complete and mail the survey to PERS.

We used surveymonkey.com to create the survey, using the six core questions the state requires all state agencies to use for the Customer Satisfaction Performance Measure survey. As we did in 2007, 2008, and 2009, we included two additional questions:

1. “How do you rate the PERS website?”

2. “How do your rate our service in the past year compared to our service in previous years?”

The survey included a comments section. The most common comments are summarized and addressed in the respective Key Issues and Suggestions section of this report.

The survey report combines the online and hard copy responses, even though only retired members received hard copies.

EMPLOYER CUSTOMER SATISFACTION SURVEY

BACKGROUND

PERS surveyed employers online for the fifth consecutive year. The 2010 results are discussed below.

The employer satisfaction survey was posted online throughout August 2010. Employers received an e-mail inviting them to take the survey; 256 responses were received, a number of which included individual comments.

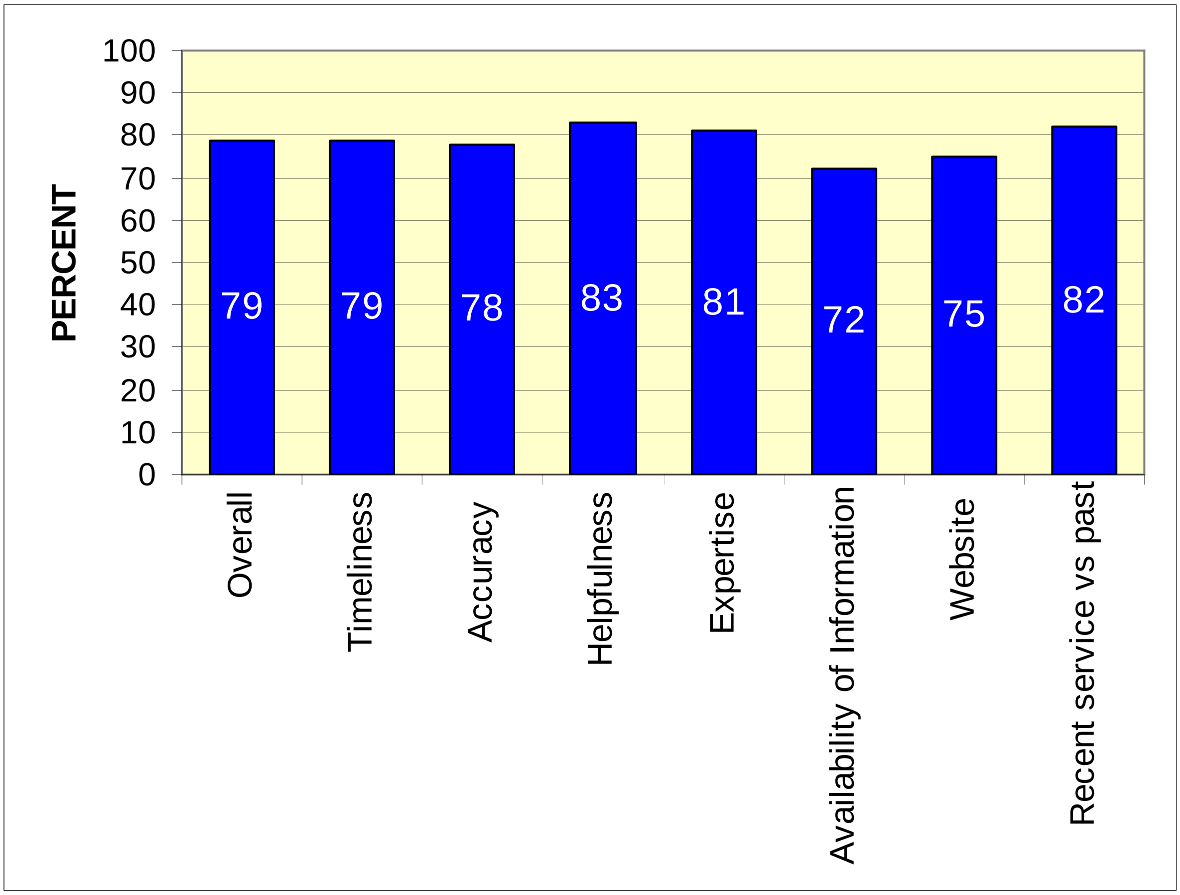
We identified two key issues and suggestions from the comments received as detailed below. We also describe our strategies to address those items and the methodologies used in the survey.

The following graphs and charts display the survey results and provide a comparison of responses for all survey years.

We added three supplemental questions regarding the PERS employer website this year:
- Was the PERS employer website easy to navigate?
- Did you find the information you wanted?
- Are there any changes you would make to the PERS website?

More than 87 percent of employers responded that the employer website is easy or somewhat easy to navigate and 82 percent of employers responded that information they were seeking was easy or somewhat easy to find.

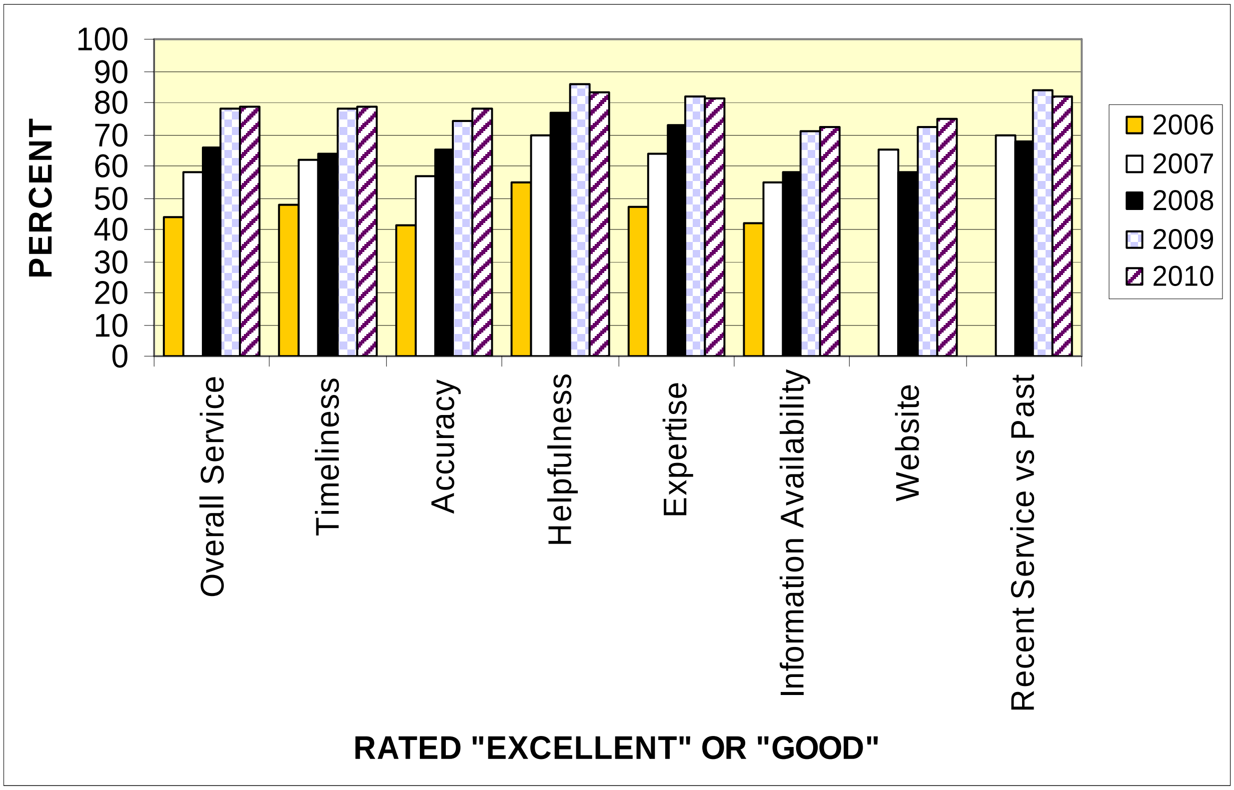
Percent of respondents rating "excellent" or "good" (the state's Key Performance Measures do not include the "Don't Know" responses; the numbers in the graph have been rebaselined to exclude those responses)



Numerical results (numbers rounded)

How do you rate…	**Percent**				
	Excellent	**Good**	**Fair**	**Poor**	**Don't Know**
The overall quality of service?	24	51	15	6	4
The timeliness of services PERS provides?	28	48	15	5	4
PERS' ability to provide services accurately the first time?	28	45	16	5	6
PERS' helpfulness?	33	47	10	7	3
The knowledge and expertise of PERS employees?	31	46	14	4	5
The availability of information at PERS?	20	50	22	6	2
The PERS employer website?	13	54	18	5	10
Our service in the past year compared to previous years?	25	47	10	6	12

Comparison of 2006-2010 Employer Results



KEY ISSUES AND SUGGESTIONS (in order of number of responses)

1. Employers sometimes receive conflicting information from different Employer Service Center representatives.

Employers want consistent information regarding PERS and employer reporting issues.

Resolution

We will continue to offer staff training on employer issues and use of the Employer Data Exchange (EDX) system.

We will also review and update the information in the online Employer Quick Information Help File, an A-Z listing of information relevant to employers.

2. Employers requested that old or outdated information be removed from the PERS Employer website to avoid confusion.

Having the most recent information available will help avoid reporting errors and enhance communication.

Resolution

We will review the Employer website and archive or remove outdated information.

SURVEY METHODOLOGIES

To maximize employer response, we created this survey online and sent an email to all employers inviting them to participate. The survey ran throughout August 2010. We set the survey so more than one employee per employer could respond since we often interact with more than one employer contact.

We used surveymonkey.com to create the survey, using the six core questions the state requires all state agencies to use for the Customer Satisfaction Performance Measure survey. As we did in 2007, 2008, and 2009, we included two additional questions:

1. “How do you rate the PERS website?”
2. “How do your rate our service in the past year compared to our service in previous years?”

The survey included a comments section. The most common comments are summarized and addressed in the respective Key Issues and Suggestions section of this report.

PERS Oregon Public Employees Retirement System

Oregon

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November 19, 2010

TO: Members of the PERS Board

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

SUBJECT: 2010 Purchasing Power Study

Attached is the 2010 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 (CPI) for Portland which is then used to determine how well the purchasing power of PERS benefits has been maintained based on the year of a member's retirement.

This year's study shows that, for most Tier One and Tier Two retirees, the purchasing power of PERS benefits improved over 2009. This is due to the 2010 CPI being 0.12% while most PERS retirees received a cost of living adjustment (COLA) of 2%. The 2010 COLA of 2% for most retirees was based on the accumulated carryover of "banked" inflation from previous years when the CPI exceeded the annual COLA cap of 2%.

The OPSRP retirement benefit COLA was limited to 0.12% for 2010 as inflation above the 2% COLA cap is not "banked" from prior years for OPSRP retirees like it is for Tier One and Tier Two retirees. OPSRP benefits receive only actual inflation or deflation COLA up to 2% annually.

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

Attachment: 2010 Purchasing Power Study

PERS
Oregon Public Employees Retirement System

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

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November 5, 2010

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

Via E-Mail

Subject: Request Number: 20010-014
2010 Purchasing Power Study

Dear Dale:

As requested, we updated the annual purchasing power study for 2010 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 0.12 percent in 2009. All participants who retired prior to August 2007 received a 2.00 percent annual cost-of-living adjustment, experiencing an increase in purchasing power over the year. Participants who retired on or after August 2007 and prior to August 2008 received a 1.40 percent annual cost-of-living adjustment, also experiencing an increase in purchasing power over the year. Participants who retired on or after August 2008 and prior to August 2010 received a 0.12 percent annual cost-of-living adjustment, maintaining their purchasing power.

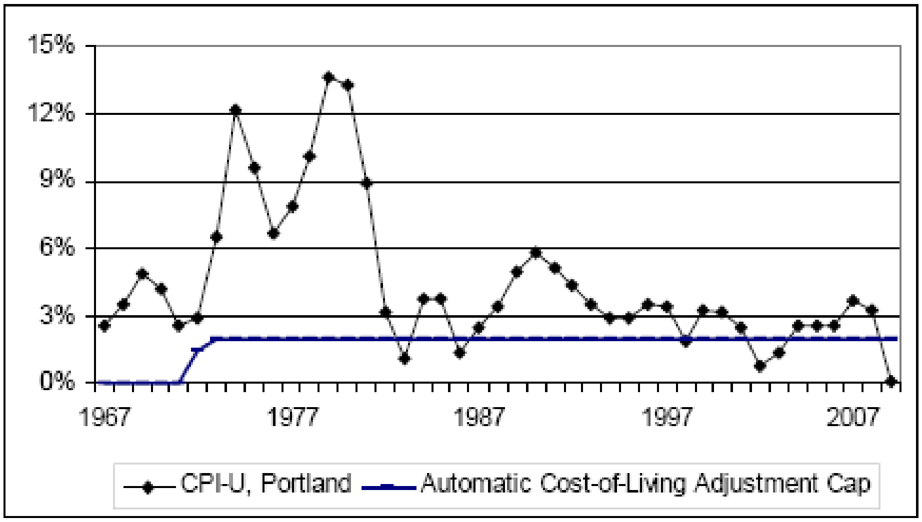
Purchasing power in this report is defined as the cumulative post-retirement benefit increases in Tier 1/Tier 2 benefits compared to the cumulative CPI increases since the year of retirement. The chart below shows the change in purchasing power from 2009 to 2010 by year of retirement.

Year Retired	Purchasing Power		Year Retired	Purchasing Power	
	2009	2010		2009	2010
1980 & prior	75.2%	76.6%	1995	91.2%	92.9%
1981	77.8%	79.2%	1996	92.0%	93.7%
1982	79.8%	81.3%	1997	93.4%	95.1%
1983	79.9%	81.4%	1998	94.6%	96.3%
1984	77.7%	79.2%	1999	94.6%	96.3%
1985	76.8%	78.2%	2000	95.5%	97.3%
1986	77.6%	79.1%	2001	95.5%	97.3%
1987	77.6%	79.1%	2002	95.5%	97.3%
1988	78.0%	79.5%	2003	95.5%	97.3%
1989	79.1%	80.6%	2004	95.5%	97.3%
1990	81.4%	83.0%	2005	96.0%	97.8%
1991	84.5%	86.1%	2006	96.6%	98.4%
1992	87.0%	88.7%	2007	97.1%	98.4%
1993	89.1%	90.8%	2008	98.8%	98.8%
1994	90.4%	92.1%	2009	100.0%	100.0%
			2010		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.



The automatic COLA was established in 1972, and there have only been six years (1983, 1986, 1998, 2002, 2003 and 2009) 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 2009.

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 1.40% in 2010 if retired on or after August 2007 and prior to August 2008 0.12% in 2010 if retired on or after August 2008 and prior to August 2010

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:

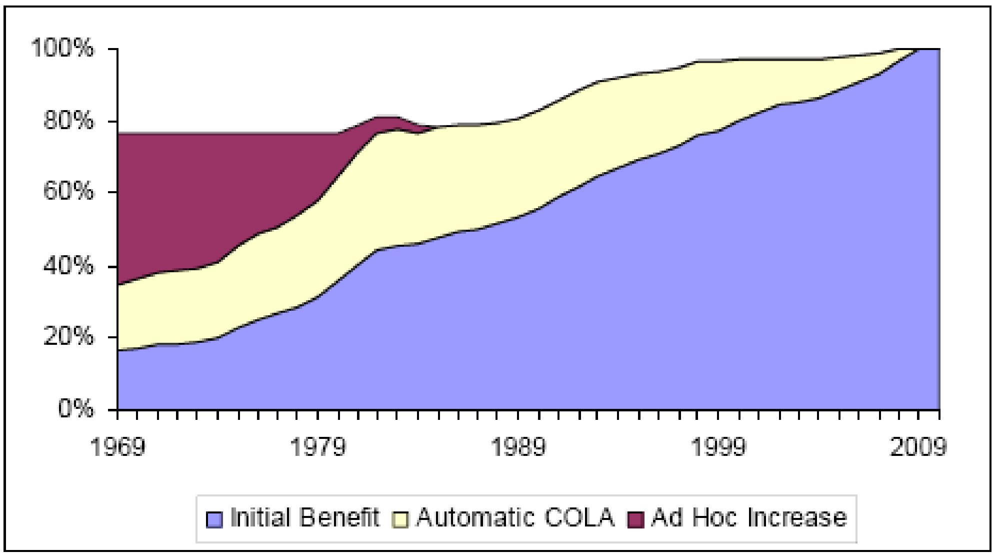
Effective Date	One Time Payment Amount
April 1964	Monthly Benefit
April 1965	1.5 × Monthly Benefit
April 1966, April 1967	2 × Monthly Benefit
April 1968, April 1969, April 1970, April 1971	3 × Monthly Benefit
December 1971	3.5 × Monthly Benefit

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

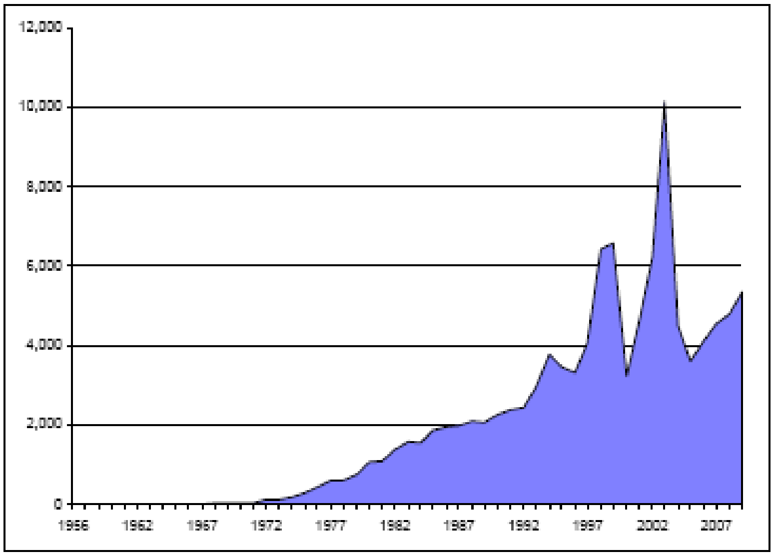
Current Purchasing Power

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 25 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 1993 has remained within 90 percent of their original purchasing power.

The following graph shows the distribution of retirees and beneficiaries, from the December 31, 2009 actuarial valuation, by year of retirement. As shown in the graph below, a vast majority of retirees and beneficiaries have retired within the last 25 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 25 years, the average purchasing power is 94.1% compared to the average purchasing power of 78.7% for those retired more than 25 years ago.



Attachment C compares the cumulative post-retirement benefit increases in Tier 1/Tier 2 benefits to the cumulative CPI increases for the last 41 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 $610.03 per month now to have kept pace with inflation. Benefit increases granted through PERS increased the $100 per month benefit to $467.19 per month. The original benefit of $100 per month is 16.4 percent of the CPI-adjusted benefit and the PERS-adjusted benefit of $467.19 is 76.6 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.

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

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

Sincerely,

Brenda J. Majdic

Brenda J. Majdic, ASA, EA, MAAA

CRJ/BJM/sdp/bjm:ksb

Enclosure

Copy:
Matt Larrabee, Scott Preppernau

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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.

PERS

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Attachment A

History of Consumer Price Index — Portland

Year	CPI 1967 Basis	Annual Percentage Increase
1962	88.5	
1963	90.2	1.92%
1964	92.2	2.22%
1965	94.6	2.60%
1966	97.5	3.07%
1967	100.0	2.56%
1968	103.5	3.50%
1969	108.6	4.93%
1970	113.2	4.24%
1971	116.1	2.56%
1972	119.5	2.93%
1973	127.3	6.53%
1974	142.8	12.18%
1975	156.5	9.59%
1976	167.0	6.71%
1977	180.2	7.90%
1978	198.4	10.10%
1979	225.4	13.61%
1980	255.4	13.31%
1981	278.2	8.93%
1982	287.0	3.16%
1983	290.1	1.08%
1984	301.0	3.76%
1985	312.4	3.79%

Year	CPI 1967 Basis	CPI 1982-84 Basis	Annual Percentage Increase
1986	316.8	108.2	1.41%
1987		110.9	2.50%
1988		114.7	3.43%
1989		120.4	4.97%
1990		127.4	5.81%
1991		133.9	5.10%
1992		139.8	4.41%
1993		144.7	3.51%
1994		148.9	2.90%
1995		153.2	2.89%
1996		158.6	3.52%
1997		164.0	3.40%
1998		167.1	1.89%
1999		172.6	3.29%
2000		178.0	3.13%
2001		182.4	2.47%
2002		183.8	0.77%
2003		186.3	1.36%
2004		191.1	2.58%
2005		196.0	2.56%
2006		201.1	2.60%
2007		208.6	3.71%
2008		215.4	3.28%
2009		215.6	0.12%

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

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

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	–
1981			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, 2010

Year Retired	Number of Years	Cumulative Increase		Purchasing Power	
		CPI	Tier 1/Tier 2	Initial	Tier 1/Tier 2
1969	41	610.03	467.19	16.4%	76.6%
1970	40	581.38	445.25	17.2%	76.6%
1971	39	557.76	427.16	17.9%	76.6%
1972	38	543.82	416.49	18.4%	76.6%
1973	37	528.35	404.64	18.9%	76.6%
1974	36	495.98	379.85	20.2%	76.6%
1975	35	442.14	338.62	22.6%	76.6%
1976	34	403.44	308.97	24.8%	76.6%
1977	33	378.07	289.55	26.5%	76.6%
1978	32	350.38	268.34	28.5%	76.6%
1979	31	318.24	243.72	31.4%	76.6%
1980	30	280.11	214.53	35.7%	76.6%
1981	29	247.21	195.91	40.5%	79.2%
1982	28	226.95	184.42	44.1%	81.3%
1983	27	219.99	179.12	45.5%	81.4%
1984	26	217.64	172.30	45.9%	79.2%
1985	25	209.76	164.03	47.7%	78.2%
1986	24	202.11	159.83	49.5%	79.1%
1987	23	199.30	157.62	50.2%	79.1%
1988	22	194.45	154.57	51.4%	79.5%
1989	21	188.01	151.57	53.2%	80.6%
1990	20	179.11	148.59	55.8%	83.0%
1991	19	169.27	145.68	59.1%	86.1%
1992	18	161.05	142.82	62.1%	88.7%
1993	17	154.25	140.02	64.8%	90.8%
1994	16	149.03	137.28	67.1%	92.1%
1995	15	144.83	134.59	69.0%	92.9%
1996	14	140.76	131.95	71.0%	93.7%
1997	13	135.97	129.36	73.5%	95.1%
1998	12	131.49	126.82	76.1%	96.3%
1999	11	129.05	124.34	77.5%	96.3%
2000	10	124.94	121.90	80.0%	97.3%
2001	9	121.15	119.51	82.5%	97.3%
2002	8	118.23	117.17	84.6%	97.3%
2003	7	117.33	114.87	85.2%	97.3%
2004	6	115.75	112.62	86.4%	97.3%
2005	5	112.85	110.41	88.6%	97.8%
2006	4	110.02	108.24	90.9%	98.4%
2007	3	107.23	106.12	93.3%	98.4%
2008	2	103.40	103.40	96.7%	98.8%
2009	1	100.12	100.12	99.9%	100.0%
2010	0	100.00	100.00	100.0%	100.0%

PERS Oregon Public Employees Retirement System

Oregon

Theodore R. Kulongoski, Governor

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November 19, 2010

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 Fiscal Year Ended June 30, 2010.

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 fiscal year ended June 30, 2010 in the aggregate amount of $210,606.10. 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 fiscal year ended June 30, 2010, 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. Jason Stanley, Internal Audit Director, has also reviewed the detailed financial summaries and identified no exceptions or inappropriate financial transactions. During the 2010 fiscal 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 fiscal year ended June 30, 2010 as submitted by the Chief Financial Officer, and document receipt and acceptance in the PERS Board minutes of November 19, 2010, in compliance with OAM 10.90.00 PO.

Oregon

Theodore R. Kulongoski, Governor

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November 19, 2010

TO: Members of the PERS Board

FROM: Steven Patrick Rodeman, Deputy Director

SUBJECT: Notice of Rulemaking for Employer Reporting and Remittance Rules
OAR 459-070-0100, *Employer Reporting*
OAR 459-070-0110, *Employer Remittance of Contributions*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: To stabilize employment data and enhance the accuracy of data provided to members and used in benefit administration.
- Policy Issue: Should PERS restrict employers' ability to modify employment data after the normal annual data reconciliation period has closed?

BACKGROUND

After the close of each calendar year, employers are notified by PERS that they have a period of time to successfully reconcile employment data reported for the previous calendar year. That reconciliation needs to be completed in early March so PERS can finalize the member account information before the PERS Board completes its annual earnings crediting and prepare the file extracts used to generate member annual statements.

Despite the reliance on this reconciliation, employers frequently submit new or amended reports affecting records for the prior calendar year after this period has closed. These late reports are one of the primary reasons that member accounts are adjusted after a member has already received an annual statement or a benefit, leading to questions and contests from members. These prior year adjustments also require PERS staff to reconcile and post the resulting account adjustments, retroactive payments, and benefit recalculations, often leading to invoices to benefit recipients, and inaccurate estimates. Employers also complain about the unexpected and unbudgeted obligations that result from other employers amending their reports, as those changes can result in invoices for prior year contributions and earnings that would have been credited to the contributions if timely reported and remitted.

During the evolution of the electronic reporting system (EDX), employers and PERS did have difficulties in using the system to submit all records in an accurate and timely manner. Proficiency has increased, as shown in the Employer Reporting and Outreach Program report presented in the Director's Report. However, reporting of data for closed calendar years persists and continues to impose significant administrative burdens on PERS and undermine member confidence in the system. The penalty provisions in the PERS statutes are also not an effective deterrent, since they are set too low and administration of them is problematic.

POLICY ISSUE

Should PERS restrict employers' ability to subsequently modify employment data for a given calendar year after annual data reconciliation?

Employer proficiency with EDX has reached the point that timely reporting and remittance of amounts due is a reasonable and justifiable expectation. For example, for calendar years 2008 and 2009, there are only 18 late reports outstanding and they are attributable to only 4 employers. However, those reports represent an undetermined amount of missing data for each of the employers. There are also approximately 13,000 unposted records for those years, attributable to multiple employers, with each record posing the possibility of adding to the employer's and PERS'administrative burdens and disrupting the affected members.

The proposed modifications to OAR 459-070-0100 establish that, beginning with calendar year 2011, when reconciliation of reports for a calendar year is completed in March of the following year, an employer may no longer submit or modify reports for the "closed" year. The trigger for closing a year is the date PERS issues the employer a statement of contributions due in March of the following year. For example, when PERS issues a statement of contributions to an employer in March, 2012, the employer would no longer be allowed to submit or modify reports for pay periods in calendar year 2011 unless directed to do so by PERS.

Staff recommends the proposed modifications. Restricting employer reporting for closed years will greatly reduce the administrative resources required to post adjustments to closed years; diminish overpayments, benefit recalculations, and member invoices for IAP, OPSRP Pension, and Tier One/Tier Two benefits; limit underpayments, benefit recalculations, and retroactive payments for all programs; and increase data integrity for the member data used in annual statements, estimates, notices of entitlement, and online.

SUMMARY OF PROPOSED RULE MODIFICATIONS

The proposed modifications also provide that any exceptions noted by PERS in a report submitted during the calendar year must be reconciled before the year is closed. Also, the rule updates the penalty provisions, permitting the Director or his designee to waive penalties for reports due in calendar year 2011, but requiring employers to petition for waiver for reports due in subsequent calendar years. Other edits are for clarity and consistency.

The proposed modifications to OAR 459-070-0110 update and clarify employer obligations to timely remit contributions and penalties, capture more comprehensively the allocation of amounts paid to PERS, and clarify penalty and waiver provision consistent with OAR 459-070-0100. It is expected the penalty provisions of both rules will be waived for 2011 to provide substantial notice to employers and permit them to refine procedures to accommodate the restriction of late reporting effective in March, 2012.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held on January 4, 2011 at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends on January 11, 2011 at 5:00 p.m.

LEGAL REVIEW

The attached draft rules will be 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 rule modifications.

Effect: Staff, members, and employers will benefit from greater data integrity and reduced administration of adjustments to closed years.

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

RULEMAKING TIMELINE

November 15, 2010	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
November 19, 2010	PERS Board notified that staff began the rulemaking process.
December 1, 2010	*Oregon Bulletin* publishes the Notice. Notice is mailed to employers, legislators, and interested parties. Public comment period begins.
January 4, 2011	Rulemaking hearing to be held at 2:00 p.m. in Tigard.
January 11, 2011	Public comment period ends at 5:00 p.m.
January 28, 2011	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 hearing will be held on January 11, 2011 at PERS Headquarters in Tigard. The rules are scheduled to be brought before the PERS Board for adoption at the January 28, 2011 Board meeting.

B.1. Attachment 1 – OAR 459-070-0100, *Employer Reporting*
B.1. Attachment 2 – OAR 459-070-0110, *Employer Remittance of Contributions*

PERS

Oregon Public Employees Retirement System

OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 070 – OREGON PUBLIC SERVICE RETIREMENT PLAN, GENERALLY

459-070-0100

Employer Reporting

(1) Definition. "Pay period" means the span of time covered by an employer's report to PERS.

(2) Unless otherwise agreed upon *[between]* **by** the PERS Executive Director and the employer, *[the]* **an** employer *[shall]* **must** transmit to PERS an itemized report of all information required by PERS.

(a) *[Reports shall]* **A report must** include wage, service, and demographic data *[related to that]* **for all employees for a** pay period.

(b) Unless otherwise directed by PERS, an employer may not submit or modify a report for a pay period within a calendar year on or after the first date in March of the subsequent calendar year on which PERS issues the employer a statement of contributions due. This subsection applies to pay periods beginning on or after January 1, 2011.

(3) The report required under section (2) of this rule *[shall]* **must** be acceptable to PERS and transmitted on forms furnished by the agency or in an equivalent format. The report *[shall]* **must** be transmitted electronically, faxed, or postmarked, as applicable, no later than three business days *[following]* **after** the end of *[each]* **the** pay period **assigned to the employer under** *[listed in]* section (4) **of this rule** *[below]*.

(4) PERS *[shall]* **will** assign *[the]* **an** employer *[to one of the following]* **a** pay period*[s]* which most closely matches the employer's pay cycle:

(a) Monthly: the pay period ends on the last day of the month;

(b) Semi-monthly: the pay period ends on the fifteenth of the month and the last day of the month;

(c) Weekly: the pay period ends the Friday of every week*[, commencing January 2, 2004]*; or

(d) Biweekly: the pay period ends every other Friday**.***[, commencing January 9, 2004.]*

(5) If *[the]* **a** report required under section (2) of this rule is accepted by PERS, PERS *[shall]* **will** notify the employer of any exceptions and the employer **must** *[will have 10 business days to]* reconcile its report. The corrected report must be transmitted *[electronically, faxed, or postmarked, as applicable,]* to PERS **before the employer is subject to the limitation of subsection (2)(b) of this rule for that report.** *[no later than 10 business days from the date of notification to avoid the penalty described under section (6) of this rule.]*

(6) *[Failure of a]***(a) A**n employer **that fails** to transmit *[the]* **a** report **as** required under section**s** (2) **and (3)** of this rule *[shall make the employer liable for]* **must pay** a penalty equal to one percent of the total amount of the prior year's annual contributions or $2000, whichever is less, for each month the employer is delinquent.

(b) If by operation of subsection (2)(b) of this rule an employer may not transmit a report, any penalty imposed under this section for that report will cease.

(7) The PERS Executive Director **or a person designated by the Director** *[will have the discretion to]* **may** waive the penalty described in section (6) of this rule for *[all]* reports due *[from]* **on or after** January 1, 20**11 and before January 1, 2012.***[04 through December 31, 2005.]* F**or reports due on or after January 1, 2012***[ollowing*

that period of time], penalties may be waived by the Director **or the Director's designee** only upon written petition from the employer.

[(8) The effective date of this rule is January 1, 2004.]

Stat. Auth.: ORS 238A.450

Stats. Implemented: ORS 238A.050 & 238.705

PERS Oregon Public Employees Retirement System

OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 070 – OREGON PUBLIC SERVICE RETIREMENT PLAN, GENERALLY

459-070-0110

Employer Remittance of Contributions

(1) Definition. "Statement date" means the date a statement of contributions or penalty due is generated by PERS.

(2) *[Once]* **When** PERS *[receives the report described in OAR 459-070-0100(2) and (5), it shall]* issue**s** a statement of contributions **due** and**, if applicable,** any penalty due, *[if applicable.]*

*[(3) U]***u**nless otherwise agreed upon by the PERS Executive Director and the employer, an employer *[shall]* **must pay to PERS the total amount of contributions and penalty due no later than five business days from the statement date. Payment must be made pursuant to OAR 459-005-0225.***[transmit the amount of employee contributions, employer paid employee contributions, and employer contributions for the Individual Account Program along with the corresponding contributions to fund the pension programs, for each pay period to the Board so that it shall be electronically transferred no later than five business days from the statement date, under the provisions of OAR 459-005-0225.]*

[(4)] **(3)** *[Failure of any]* **An** employer **that fails** to *[transmit contributions]* **pay the total amount due on a statement** within the time *[limit]* specified in section *[(3)]* **(2) of this rule** *[will make the employer liable for]* **must pay** a penalty equal to one percent of the total amount of contributions due **on that statement** *[for that pay period]* for each month the employer is delinquent.

[(5)] **(4)** If an employer transmits an amount less than the *[contributions]* **amount** required by section *[(3)]* **(2)** of this rule, PERS *[shall]* **will** allocate the *[contributions received]* **amount to receivables due,** in the following order:

(a) *[To t]***T**he Individual Account Program;

(b) *[To t]***T**he **OPSRP P**ension Program;

(c) *[To the PERS Fund.]* **The Retiree Health Insurance Account and the Retiree Health Insurance Premium Account;**

(d) Police Officer and Firefighter Unit Accounts;

(e) Judge member accounts;

(f) The PERS Chapter 238 Program;

(g) Prior year contributions;

(h) Penalties;

(i) Benefit Equalization Fund invoices;

(j) Social Security; and

(k) Other receivables due from the employer.

[(6)] **(5)** The PERS Executive Director **or a person designated by the Director***[will have the discretion to]* **may** waive the penalty described in section *[(4)]* **(3)** of this rule for *[all]* contributions due *[from]***on or after** January 1, 20**11***[04 through December 31,]* **and before January 1,** 20**12***[05]*. *[Following that period of time,]***For contributions due on or after January 1, 2012,** penalties may be waived by the Director **or the Director's designee** only upon written petition from the employer.

[(7) If PERS is required to invoice an employer for employee contributions and corresponding employer contributions on wages paid in previous reporting periods, an amount equal to the earnings that would have been credited to affected members and

employers for those years, if any, may be added to the applicable account and charged to the employer.]

[(8) The effective date of this rule is January 1, 2004.]

Stat. Auth.: ORS 238A.450

Stats. Implemented: ORS 238A.050 & 238.705

PERS
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November 19, 2010

TO: Members of the PERS Board

FROM: Steven Patrick Rodeman, Deputy Director

SUBJECT: Adoption of OAR 459-005-0040, *Verification of Retirement Data*

OVERVIEW

- Action: Adopt new OAR 459-005-0040, *Verification of Retirement Data*.
- Reason: Clarification and implementation of the data verification provisions of Senate Bill 897.
- Policy Issue: What constitutes a reasonable time for employers to confirm or modify employee records?

BACKGROUND

Senate Bill 897 (2010) requires PERS to verify certain retirement data upon an eligible member's request. Under the bill, PERS must notify the member's employers of the request and give those employers a reasonable time to confirm or modify the data previously reported to PERS. After this period has passed, the member's employer may not later modify that data. PERS will then produce a verification based on the reported data. With some exceptions, PERS is restricted from using anything less than the amounts in the verification to calculate the member's service retirement benefit. The proposed rule clarifies standards for implementation and administration of verifications and incorporates several policy decisions necessary for completing implementation.

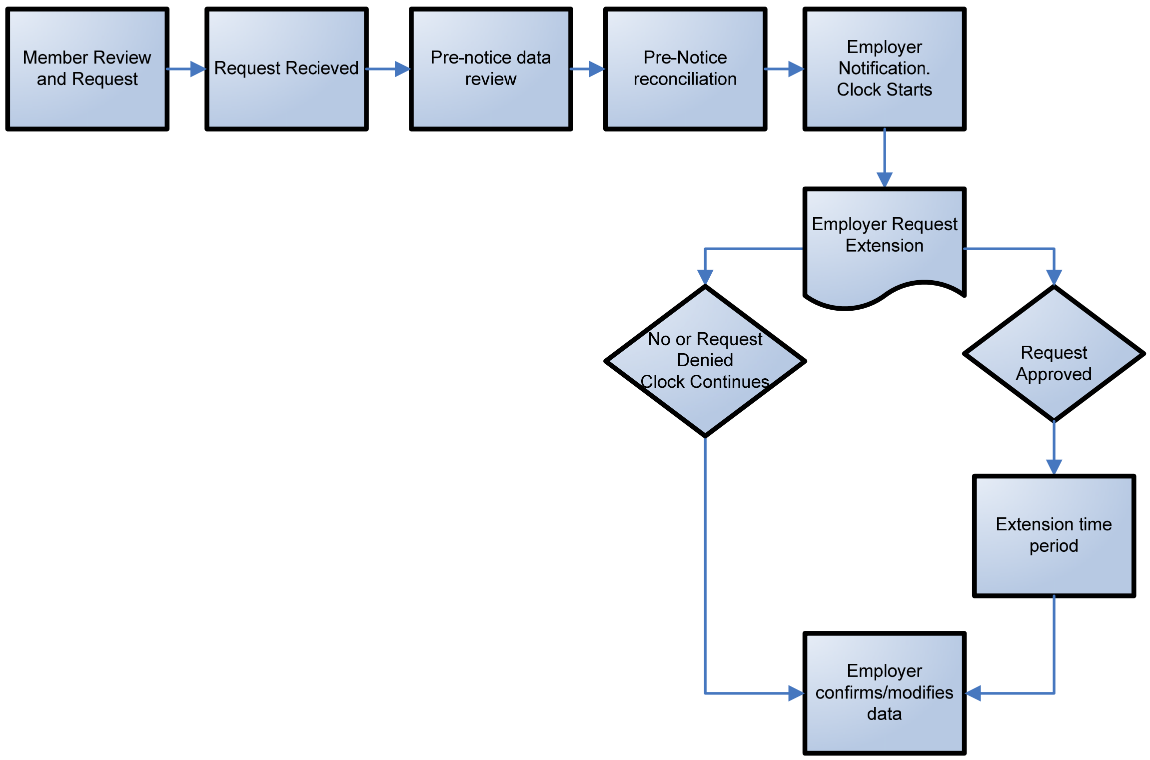
At the September 24, 2010 PERS Board meeting, staff presented the proposed rule for adoption. The policy issues, operational provisions, and public comment received before that meeting were comprehensively reviewed at that meeting. Ms. Brenda Wilson, representing multiple employers, commented at the meeting that the 60-day period established in the proposed rule as a "reasonable time" for employer confirmation or modification of records presented an administrative burden for employers and recommended a 90-day period. Ms. Wilson also requested some elaboration of the "knowledge" standard used to determine if a member "knew" information in a verification was incorrect. Board members suggested a 30-day extension process for employers and a communication plan for members. The Board directed staff to consider these comments and suggestions and return with recommendations.

POLICY ISSUE

1. *What constitutes a reasonable time for employers to confirm or modify employee records?*

In the September meeting memo, staff recommended adopting a 60-day period for employers to review member records as that time frame struck a balance between adequate time for an employer and timely production of a verification for a member. As presented, however, the rule did not provide any extension process to accommodate particularly complex or difficult records, nor to address the concerns about the volume of verification requests.

As to the volume of requests, a better understanding of the verification process may be helpful. As envisioned, the verification process is outlined below:



The 60-day "clock" in the proposed rule does not start until both PERS and the member have reviewed the data on record (as noted in the box at the top far right above). Members will review the data before they make a request, noting any information they believe to be incorrect. When PERS receives these member requests, staff will conduct a pre-notice review of the member's data to identify and, if possible, reconcile data issues, such as information noted as incorrect by the member, outstanding eligibility studies, and data migration errors. This reconciliation may or may not require communication with the employer but, if it does, such communication will not constitute notice. The first constraint on volume will be how many of these requests the PERS staff can process; if the volume of requests necessitates a triage, PERS will work on those requests with the closest retirement date first.

Only after PERS has completed the pre-notice review and reconciliation will staff then notify the employer of the member's request and any unresolved data issues. This notice will start the 60-day period. Given the member's review and PERS' prioritization and pre-notice data review and reconciliation, employers should experience a more measured workload that pre-identifies areas of concern or questions.

Given that the process as envisioned will moderate the flow and direct the review, PERS staff still believes a 60-day period is generally adequate. However, to allow for the eventualities that may augur for a reasonable delay, the rule presented for adoption includes a process to request an extension of the 60-day period with the addition of Section (2)(c). An extension may be granted by the Director or his designee upon an employer's petition showing good cause. The petition must be specific to an individual member, state the duration and end date of the requested extension, and be received by PERS no later than the 45th day after notice is issued to the employer. An employer may request only one extension for any eligible member.

Staff feels the extension provision provides sufficient flexibility for an employer to address more complex records, especially when considered with other aspects of the implementation plan that are designed to avoid PERS and employers receiving disproportionate numbers of requests. Staff recommends adopting the rule as presented.

SUMMARY OF MODIFICATIONS TO RULE SINCE SEPTEMBER BOARD MEETING

The first sentence of section (2)(a) was deleted to avoid any implication that notice to an employer would be immediate upon PERS' receipt of a request for a verification. The remainder of the subsection was edited to accommodate the addition of the extension provisions of section (2)(c). By operation with section (2)(c), section (2)(a) establishes that an employer may not modify an eligible member's records after the earlier of the date the employer confirms the records, the date the 60-day period after notice ends, or (if an extension is granted) the end date of an extension.

Subsection (2)(c) was added to establish the extension provisions described earlier.

PUBLIC COMMENT AND HEARING TESTIMONY

The public comment period ended on September 3, 2010. All public comment and hearing testimony received was presented to the Board at the September Board meeting.

As noted, Ms. Brenda Wilson commented at the September meeting. Staff's recommendation for extension of the 60-day period is presented above. The request for further elaboration of the "knowledge" standard is not something staff sees a way to accommodate. The statute establishes the standard of the member knowing the information in the verification was incorrect; that determination must necessarily be made on a case by case basis and may vary with the facts of the specific case; no suggested modifications to the rule to further this purpose were presented. We would note, however, that the member will be directed to review their employment records before submitting a request and to acknowledge that the records are correct (or specify any that are incorrect) before requesting a verification.

LEGAL REVIEW

The attached draft rule was submitted to the Department of Justice for legal review and any comments or changes are incorporated in the rule as presented for adoption.

IMPACT

Mandatory: Yes, the statute provides for implementation of employer confirmation of employment data "[i]n a manner specified by the rules of the board…." Other aspects of the rule are not mandatory but necessary to implement the statute and clarify its administration.

Impact: Members, employers, and staff will benefit from clarification of the administration of verifications.

Cost: There are no discrete costs attributable to the rule.

RULEMAKING TIMELINE

June 15, 2010	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
July 1, 2010	*Oregon Bulletin* published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
July 23, 2010	PERS Board notified that staff began the rulemaking process.
August 24, 2010	Rulemaking hearing held at 1:00 p.m. in Tigard.
September 3, 2010	Public comment period ended at 5:00 p.m.
September 24, 2010	Board directed staff to consider changes to the rule due to employer concerns.
November 19, 2010	Board may adopt the permanent rule.

BOARD OPTIONS

The Board may:

1. Pass a motion to “adopt OAR 459-005-0040, *Verification of Retirement Data*, 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: Implementation and clarification of the data verification provisions of Senate Bill 897 are necessary to comply with statute and to effectively administer the verification process.

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.

C.1. Attachment 1 – 459-005-0040, *Verification of Retirement Data*

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

459-005-0040

Verification of Retirement Data

(1) For purposes of this rule:

(a) "Eligible member" means an active or inactive member of the system who is within two years of attaining earliest service retirement age or has attained earliest service retirement age. "Eligible member" does not include a retired member of the system, an alternate payee, or a beneficiary.

(b) "Verification" means a document provided to an eligible member by PERS pursuant to section 3, chapter 1, Oregon Laws 2010.

(2)(a) PERS will determine an eligible member's creditable service, retirement credit, final average salary, member account balance, and accumulated unused sick leave for a verification based on employment data reported to PERS by the member's employers, as reflected in PERS' records. Except as provided in this section, an employer may not modify an eligible member's records after the earlier of the 60th day after PERS notifies the eligible member's employer that a request for a verification has been submitted or the date the employer confirms the records in a manner determined by PERS.

(b) PERS may direct an employer to modify records if PERS determines modification is necessary, such as:

(A) To reconcile the member's records before the verification is issued;

(B) To implement the resolution of a dispute under section 3(2), chapter 1, Oregon Laws 2010; or

(C) To reissue a verification under subsection (4)(e) of this rule.

(c) An employer may petition PERS for an extension of the 60-day period described in subsection (a) of this section.

(A) The petition must:

(i) Be specific to an eligible member;

(ii) Specify the duration and end date of the extension requested;

(iii) Be received by PERS no later than the 45th day after notice is issued; and

(iv) Establish good cause why the extension should be granted.

(B) The PERS Executive Director or a person designated by the Director may grant or deny the request.

(C) An employer may not request more than one extension for an eligible member.

(3) For any verification provided by PERS:

(a) All data in a verification will be as of December 31 of the last calendar year before the date the verification is produced for which the Board has adopted annual earnings crediting.

(b) If an eligible member requests an additional verification, an employer may not confirm or modify, nor may a member dispute, by reason of the additional verification, data for periods before the date specified in the most recent verification.

(4) When a member who has received a verification retires for service, PERS may not use amounts less than the amounts verified to calculate the member's retirement allowance or pension, except as permitted in section 3(3), chapter 1, Oregon Laws 2010, and this section.

(a) Amounts in a verification may be adjusted if a Tier Two member restores forfeited creditable service and establishes Tier One membership in the manner described in ORS 238.430(2)(b).

(b) Amounts in a verification may be adjusted to comply with USERRA.

(c) Amounts in a verification may be adjusted to implement a judgment, administrative order, arbitration award, conciliation agreement, or settlement agreement.

(d) If, subsequent to the date specified in a verification, a member's account is divided pursuant to ORS 238.465, the member and alternate payee accounts will be used to determine compliance with section 3(3), chapter 1, Oregon Laws 2010 and this section.

(e) If the amounts in a verification are adjusted under section 3(3), chapter 1, Oregon Laws 2010 or this section, the verification will be reissued by PERS as of the date specified in the original verification.

(5) Erroneous payments or overpayments not recoverable under section 3(6), chapter 1, Oregon Laws 2010 will be allocated annually by the Board.

Stat. Auth.: ORS 238.650, 238A.450

Stats. Impl.: Sections 2-4, chapter 1, Oregon Laws 2010 (Enrolled Senate Bill 897)

PERS

Oregon Public Employees Retirement System

Oregon

Theodore R. Kulongoski, Governor

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November 19, 2010

TO: Members of the PERS Board

FROM: Steven Patrick Rodeman, Deputy Director

SUBJECT: Adoption of Confidentiality of Member Records Rule
OAR 459-060-0020, *Confidentiality of Member Records*

OVERVIEW

- Action: Adopt permanent rule modifications to OAR 459-060-0020, *Confidentiality of Member Records*.
- Reason: A minor modification is needed to accommodate employer compliance with the reporting requirements of OAR 459-070-0100.
- Policy Issue: Should PERS inform an employer of an employee's membership status to enable the employer to comply with PERS' electronic reporting requirements?

BACKGROUND

OAR 459-070-0100 requires employers to transmit employment information to PERS in the manner and format required by PERS; we require employers to use the electronic reporting system (EDX). When reporting new employees through EDX, employers must assign a hire code and wage code. Those codes are different depending on the employee's status with PERS: active, inactive, or retired member or not currently a member of PERS. If the wrong code is used when reporting a new employee, the employment record suspends, an error report issues, and the employer and Employer Service Center staff must reconcile the error. Typically, the only resolution is for PERS to inform the employer of the member's current status so the correct codes can be assigned in the employer's report and the records can be posted. PERS staff proposes amending OAR 459-060-0020 with a minor modification to accommodate PERS' sharing of limited membership status information with the employer.

POLICY ISSUE

Should PERS inform an employer of an employee's membership status to enable the employer to comply with PERS' electronic reporting requirements?

OAR 459-060-0020 provides generally that PERS will not disclose member records except to the member, or to an authorized representative of the member or member's estate. It provides limited scenarios in which PERS may provide otherwise exempt information to an employer. The proposed modification is consistent with that policy, as it would enable employers to comply with the reporting requirements established by OAR 459-070-0100 but limit the information to be shared to one of four membership statuses: active member, inactive member, retired member, or non-member. Providing this information to an employer will enable accurate reporting and reduce staff time for reconciliations. Members will also receive more prompt information should their re-employment affect their current status, e.g. new members will receive a “Welcome to PERS” packet, re-employed retired members will receive a letter describing return-to-work limitations, etc. Staff recommends the proposed modifications to allow disclosure of limited membership status information to an employer for reporting purposes.

Other minor rule modifications are for clarity and consistency.

SUMMARY OF MODIFICATIONS TO RULE SINCE NOTICE

Minor edit in section (4) to clarify that PERS may disclose an employee’s membership status.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held on September 28, 2010 at 1:00 p.m. at PERS headquarters in Tigard. No members of the public attended to comment on the rule. The public comment period ended on October 26, 2010 at 5:00 p.m. No public comment was received.

LEGAL REVIEW

The attached draft rule was submitted to the Department of Justice for legal review and any comments or changes are incorporated in the rule as presented for adoption.

IMPACT

Mandatory: No. The Board need not adopt the rule modifications.

Impact: Reporting errors and suspended records will be reduced. Administration of employer reporting will be more efficient for employers and PERS staff.

Cost: There are no discrete costs attributable to the rule.

RULEMAKING TIMELINE

August 13, 2010	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
September 1, 2010	*Oregon Bulletin* published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
September 24, 2010	PERS Board notified that staff began the rulemaking process.
September 28, 2010	Rulemaking hearing held at 1:00 p.m. in Tigard.
October 26, 2010	Public comment period ended at 5:00 p.m.
November 19, 2010	Board may adopt the permanent rule modifications.

BOARD OPTIONS

The Board may:

1. Pass a motion to "adopt modifications to the Confidentiality of Member Records 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 minor modification is needed to accommodate employer compliance with the reporting requirements of OAR 459-070-0100.

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.

C.2. Attachment 1 – 459-060-0020, *Confidentiality of Member Records*

PERS

Oregon
Public
Employees
Retirement
System

OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 060 – PUBLIC RECORDS ADMINISTRATION

459-060-0020

Confidentiality of Member*['s]* Records

(1) ORS 192.502(12) unconditionally exempts from public disclosure a member's nonfinancial membership records and an active or inactive member's financial records maintained by PERS. PERS shall not release such records to anyone other than the *[affected]* member**,** *[or]* an authorized representative of the member**,** or the member's estate except:

(a) Upon the written authorization of the member, or an individual that is legally authorized to act on behalf of the member or the member's estate as to PERS matters; or

(b) As otherwise provided in OAR 459-060-0030.

(2) ORS 192.502(2) conditionally exempts from public disclosure a retired member's financial information maintained by PERS. PERS shall not release such records to anyone other than the *[retired]* member**, an authorized representative of the member,** or the *[retired]* member's estate unless:

(a) To do so would not constitute an unreasonable invasion of privacy and *[if]* there is clear and convincing evidence that disclosure is in the public's interest;

(b) PERS receives written authorization from the *[retired]* member, or an individual that is legally authorized to act on behalf of the *[retired]* member or the *[retired]* member's estate as to PERS matters; or

(c) Release is provided for under OAR 459-060-0030.

(3)(a) Subject to subsection (b) of this section, PERS may provide a member's current or former employer with information from the member's records that is otherwise *[protected]* **exempt** from public disclosure to the extent necessary to enable the employer:

(A) To determine whether a **non-PERS** retirement plan maintained by the employer *[(other than PERS)]* complies with any benefit or contribution limitations or nondiscrimination requirement imposed by applicable federal or state law;

(B) To apply any coordination of benefits requirement contained in any non-PERS benefit plan maintained by the employer;

(C) To perform any necessary account reconciliation following an integration of the employer’s retirement plan into PERS; or

(D) To reconcile an actuarial valuation by providing the employer with the following member information:

(i) Salary information;

(ii) Employment history; or

(iii) Contribution history.

(b) PERS will not provide the information described in subsection (a) of this section unless the employer demonstrates to the satisfaction of PERS that the information is necessary to accomplish one of the purposes described in paragraphs (A), (B), (C) and (D) of **sub**section **(a)***[(3) of this rule]* and the employer certifies in writing that it will not disclose the information to any third party except to the extent permitted under *[OAR 459,]* **this** division *[060]* and ORS 192.502(10).

(4) To enable an employer to comply with OAR 459-070-0100, PERS may disclose to the employer an employee’s status as an active, inactive, or retired member, or a non-member.

[(4)] **(5)** PERS *[shall]* **will** not provide a mailing list of its members or their dependents to any individual or enterprise.

Stat. Auth.: ORS 192.**430,** *[502 & ORS]* 238.650**, & 238A.450**

Stats. Implemented: ORS 192.502 *[410-505, 237.410-520, 237.610-620, 237.950-980 & 238]*

PERS Oregon Public Employees Retirement System

Oregon

Theodore R. Kulongoski, Governor

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November 19, 2010

TO: Members of the PERS Board

FROM: Steven Patrick Rodeman, Deputy Director

SUBJECT: 2011 Session PERS Legislative Concepts

In preparation for the Oregon Legislature's 2011 regular session, PERS staff developed legislative concepts for possible introduction by the Governor's Office as agency-sponsored bills. Those concepts were submitted through the Department of Administrative Services to the Legislative Counsel's office for drafting. PERS has now received those concepts and they are presented to the PERS Board to approve submission of these concepts to the Governor's office for introduction in the 2011 legislative session.

LC 45900-001: PERS HOUSEKEEPING BILL

This concept would correct technical discrepancies and anomalies in existing statutes. Following is an explanation of each provision within this concept:

- **Legislator Retirement Plans**

  Amend current statutes to resolve statutory conflicts governing retirement plan choices for elected and appointed legislators and conform to federal tax law. This concept would apply retroactive to August 29, 2003, provides a remedy for invalid elections, and provides a default in lieu of a legislator's election.

- **Payment for Purchases by Trustee-to-Trustee Transfer**

  Amend current statutes to correct an omission in SB 399 (2009). That bill allows members to pay for purchases via a pre-tax transfer from certain other retirement plans. The bill omitted two types of purchases:

  - Credit for service as a public safety officer in another state.
  - Retirement credit for service while on loan to the federal government.

- **OPSRP Pension Program Vesting**

  The existing OPSRP Pension Program vesting standards provide that a member may vest in one of two ways:

  - Upon working 600 or more hours in each of five calendar years, or
  - Upon reaching normal retirement age (65) *as an active member on that date.*

  Currently, non-vested members who leave employment before reaching age 65, or who begin employment after that age, cannot vest in their OPSRP Pension benefits by reason of age. This concept would allow any member to vest in their pension benefit upon reaching normal retirement age or older, even if they are not an active member on the date they reach normal retirement age. This concept would apply retroactive to August 29, 2003.

- **Re-codify Invalid Statutory Sections**

  This concept would re-codify ORS 238.250 and 238.255 to remove statutory sections that were invalidated by the Oregon Supreme Court in the *Strunk* case.

LAC AND OTHER STAKEHOLDER COMMENTS

The PERS Board's Legislative Advisory Committee (LAC) discussed these topics at its meeting on March 10, 2010. This concept drew little comment and found general support.

FISCAL IMPACT

PERS submitted a fiscal impact statement with this concept that shows a projected expenditure of $475,600 for the 2011-13 biennium. That expenditure would be to re-program the jClarety system for the amended OPSRP vesting standards, should the concept be passed into law.

BOARD OPTIONS

The Board may:

1. Direct staff to submit this legislative concept to the Governor's office for introduction in the 2011 legislative session.
2. Direct staff not to submit this legislative concept.

STAFF RECOMMENDATION

Staff recommends the Board choose Option #1.

- Reason: This legislative concept clarifies and corrects the affected statutes and better conforms those statutes to stakeholder expectations, system functionality, and plan qualification requirements.

LC 45900-002: OPSRP PENSION WITHDRAWAL RESTRICTIONS

An OPSRP Pension member may withdraw only if the member is vested and the present value of the member's pension is $5,000 or less. That same member may, however, withdraw from the Individual Account Program (IAP) without any restriction. That dynamic sets up a potential inconsistency when that person subsequently returns to PERS-covered employment: the employee needs to serve another waiting time to establish membership in the IAP, so employee contributions cannot start until the end of that waiting time, but that same employee retains their OPSRP Pension membership, so employer contributions should start immediately. Having the same person be a member in one program and not the other presents administrative challenges our current computer system can't resolve and is inconsistent with the PERS Plan's "Withdraw from One, Withdraw from All" structure in the Tier One/Two program.

This concept would address this inconsistency and coordinate the contribution start dates for both the OPSRP Pension and IAP programs. As drafted, an IAP member can withdraw their IAP account but, if prohibited from withdrawing from OPSRP membership, would become an IAP member immediately upon returning to a qualifying position without having to serve another IAP waiting time.

LAC AND OTHER STAKEHOLDER COMMENTS

The PERS Board's Legislative Advisory Committee (LAC) discussed this concept at its meeting on March 10, 2010 and expressed a diversity of opinions on the possible resolution. There was support, as well as concern, for maintaining the limitations, eliminating the limitations, and providing for forfeiture of the pension benefit if the member withdrew from the IAP. On June 16, 2010, Susan Riswick distributed a memo to the Committee with further discussion and a staff recommendation of the concept to be drafted. We requested that any comments be made by June 25, 2010; no members of the Committee submitted comments. This concept is drafted in line with the staff's recommended solution.

FISCAL IMPACT

PERS submitted a fiscal impact statement with this concept that shows no projected expenditures should the concept be passed into law. Currently, the jClarety system is programmed to maintain the OPSRP member's contribution start date even if they withdraw their IAP account.

BOARD OPTIONS

The Board may:

1. Direct staff to submit this legislative concept to the Governor's office for introduction in the 2011 legislative session.
2. Direct staff not to submit this legislative concept.

STAFF RECOMMENDATION

Staff recommends the Board choose Option # 1.

- Reason: The persistent administrative dilemma presented by the withdrawal limitations requires resolution. This concept adopts the resolution recommended by PERS staff and which solicited no objection from members of the Legislative Advisory Committee.

LC 45900-003: DATA VERIFICATION GUARANTEE PROVISIONS

The PERS Board, at its March 29, 2010 meeting, requested that staff develop a legislative concept that would remove the "guarantee" provisions from the data verification process created in SB 897 (2010). If adopted, this concept would leave in place the process by which an eligible member could receive a data verification, but removes the restriction that the member's subsequent benefit be based on values no less than those provided in the verification.

LAC AND OTHER STAKEHOLDER COMMENTS

This concept has not been discussed with the PERS Board's Legislative Advisory Committee (LAC), nor has PERS staff sought or received any comments to date.

FISCAL IMPACT

PERS submitted a fiscal impact statement with this concept that shows a projected expenditure of $599,300 for the 2011-13 biennium. That expenditure would be to re-program the jClarety system to eliminate the data verification guarantee provisions and associated controls and functionality, should the concept be passed into law.

BOARD OPTIONS

The Board may:

1. Direct staff to submit this legislative concept to the Governor's office for introduction in the 2011 legislative session.
2. Direct staff not to submit this legislative concept.

STAFF RECOMMENDATION

Staff recommends the Board choose Option # 1.

Reason: To support the PERS Board's policy position that 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.

D.1. Attachment 1: LC 45900-001: PERS Housekeeping Bill
D.1. Attachment 2: LC 45900-002: OPSRP Pension Withdrawal Restrictions
D.1. Attachment 3: LC 45900-003: Data Verification Guarantee Provisions

LC 586
45900-001
9/2/10 (DH/ps)

DRAFT

SUMMARY

Modifies retirement plan options of persons elected or appointed as members of Legislative Assembly.

Authorizes use of trustee-to-trustee transfers to fund specified retirement credit purchases under Public Employees Retirement System.

Modifies vesting dates for pension program and individual account program of Oregon Public Service Retirement Plan.

Amends law relating to crediting of earnings on PERS member accounts for purpose of conforming law to Supreme Court decision.

Declares emergency, effective on passage.

A BILL FOR AN ACT

Relating to public employee retirement; creating new provisions; amending ORS 237.650, 237.655, 238.092, 238.222, 238.255, 238A.115, 238A.245 and 238A.320 and section 2, chapter 971, Oregon Laws 1999; repealing ORS 237.660 and 238.258 and section 46b, chapter 733, Oregon Laws 2003; and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

LEGISLATOR RETIREMENT

SECTION 1. ORS 237.650 is amended to read:

237.650. [*(1) A person appointed or elected as a member of the Legislative Assembly must elect within 30 days after taking office if the person will:*]

[*(a) Become a member of the Oregon Public Service Retirement Plan established under ORS chapter 238A;*]

[*(b) Become a legislator member of the state deferred compensation plan*

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

D.1. Att. 1

under ORS 237.655; or]

[*(c) Decline to become a member of the Oregon Public Service Retirement Plan, or to become a legislator member of the state deferred compensation plan, for service as a member of the Legislative Assembly.*]

[*(2) Written notice of a person's election under this section must be given to the Public Employees Retirement Board. If the board does not receive written notice within 30 days after the person takes office, the person shall be conclusively deemed to have elected to become a legislator member of the state deferred compensation plan under ORS 237.655.*]

[*(3) Any member of the Legislative Assembly who elects to become a member of the Oregon Public Service Retirement Plan may request that the Public Employees Retirement Board roll over the amount in the regular account maintained for the member under ORS 238.250 into the individual account maintained for the member under the individual account program.*]

[*(4) An election under this section does not affect the ability of a person appointed or elected as a member of the Legislative Assembly to participate in the state deferred compensation plan in the manner provided by ORS 243.401 to 243.507.*]

(1) Except as provided in this section, a person appointed or elected as a member of the Legislative Assembly may make a retirement plan election in the manner provided by this section. If a person appointed or elected as a member of the Legislative Assembly does not make a retirement plan election under subsection (2), (3) or (4) of this section, the person is deemed to have elected a retirement plan as provided in subsection (7) of this section.

(2) An active or inactive member of the Public Employees Retirement System who is appointed or elected as a member of the Legislative Assembly, and who established membership in the system before August 29, 2003, as described in ORS 238A.025, may:

(a) Elect to remain a member of the system under ORS chapter 238 for the purpose of service in the Legislative Assembly;

(b) Decline to remain a member of the system under ORS chapter 238 and elect to become a legislator member of the state deferred compensation plan under ORS 237.655 for the purpose of service in the Legislative Assembly; or

(c) Decline to remain a member of the system under ORS chapter 238 or to become a legislator member of the state deferred compensation plan under ORS 237.655 for the purpose of service in the Legislative Assembly.

(3) A retired member of the Public Employees Retirement System who is appointed or elected as a member of the Legislative Assembly, and who established membership in the system before August 29, 2003, as described in ORS 238A.025, may:

(a) Elect to become an active member of the system under ORS chapter 238 for the purpose of service in the Legislative Assembly;

(b) Decline to become an active member of the system under ORS chapter 238 and elect to become a legislator member of the state deferred compensation plan under ORS 237.655 for the purpose of service in the Legislative Assembly; or

(c) Decline to become an active member of the system under ORS chapter 238 or to become a legislator member of the state deferred compensation plan under ORS 237.655 for the purpose of service in the Legislative Assembly.

(4) A person who is appointed or elected as a member of the Legislative Assembly and who is not a member of the Public Employees Retirement System at the time the person takes office may:

(a) Elect to become a member of the Oregon Public Service Retirement Plan established under ORS chapter 238A for the purpose of service in the Legislative Assembly;

(b) Decline to become a member of the Oregon Public Service Retirement Plan and elect to become a legislator member of the state deferred compensation plan under ORS 237.655 for the purpose of ser-

D.1. Att. 1

vice in the Legislative Assembly; or

(c) Decline to become a member of the Oregon Public Service Retirement Plan or to become a legislator member of the state deferred compensation plan under ORS 237.655 for the purpose of service in the Legislative Assembly.

(5) An active or inactive member of the Public Employees Retirement System who is appointed or elected as a member of the Legislative Assembly, and who established membership in the system on or after August 29, 2003, as described in ORS 238A.025, may not make an election under this section and is an active member of the system under ORS chapter 238A for the purpose of service in the Legislative Assembly.

(6) A retired member of the Public Employees Retirement System who is appointed or elected as a member of the Legislative Assembly, and who established membership in the system on or after August 29, 2003, as described in ORS 238A.025, may not make an election under this section and remains a retired member of the system under ORS chapter 238A during the person's service in the Legislative Assembly.

(7) Written notice of an election under subsection (2), (3) or (4) of this section must be given to the Public Employees Retirement Board not more than 30 days after the person takes office. If the board does not receive written notice of the election within 30 days after the person takes office:

(a) A person described in subsection (2) of this section is deemed to have elected to remain a member of the Public Employees Retirement System under ORS chapter 238 for the purpose of service in the Legislative Assembly.

(b) A person described in subsection (3) of this section is deemed to have declined to become an active member of the system under ORS chapter 238, or to become a legislator member of the state deferred compensation plan under ORS 237.655, and remains a retired member

of the system under ORS chapter 238 for the purpose of service in the Legislative Assembly.

(c) A person described in subsection (4) of this section is deemed to have elected to become a member of the system under ORS chapter 238A for the purpose of service in the Legislative Assembly.

(8) An election under subsection (3)(b) or (c) of this section does not affect the status of a person as a retired member of the system and a recipient of retirement benefits under ORS chapter 238.

(9) An election under this section does not affect the ability of a person appointed or elected as a member of the Legislative Assembly to participate in the state deferred compensation plan in the manner provided by ORS 243.401 to 243.507 as other than a legislator member under ORS 237.655.

SECTION 2. ORS 237.655 is amended to read:

237.655. (1) If a person appointed or elected as a member of the Legislative Assembly elects under ORS 237.650 to [*participate in*] **become a legislator member of** the state deferred compensation plan [*as a legislator member*] **for the purpose of service in the Legislative Assembly**, the Legislative Assembly shall make employer contributions to the plan in an amount that is equal to six percent of the member's salary. [*A legislator member may make contributions to the plan in any amount that does not exceed the maximum allowed by federal law governing the plan's tax qualification.*]

[*(2) Any member of the Legislative Assembly who elects to become a legislator member of the state deferred compensation plan may request that the Public Employees Retirement Board roll over the amount in the regular account maintained for the member under ORS 238.250 into the state deferred compensation plan.*]

(2) If a person appointed or elected as a member of the Legislative Assembly elects under ORS 237.650 to become a legislator member of the state deferred compensation plan for the purpose of service in the Legislative Assembly, and the person also participates in the state

deferred compensation plan in the manner provided by ORS 243.401 to 243.507 as other than a legislator member, the total contributions made to the plan by the person and by the employer under subsection (1) of this section may not exceed the maximum allowed by federal law governing the plan's tax qualification.

(3) Except for the contributions required by subsection (1) of this section, the Legislative Assembly may not "pick-up," assume or pay any contributions on behalf of a legislator member of the state deferred compensation plan.

SECTION 3. ORS 238.092 is amended to read:

238.092. (1) Notwithstanding any other provision of this chapter:

(a) A retired member of the **Public Employees Retirement** System who has retired as other than a member of the Legislative Assembly and who [*thereafter becomes*] **is thereafter appointed or elected as** a member of the Legislative Assembly [*and elects to become an active member of the system as a member of the Legislative Assembly may also*] **may** elect, by giving the **Public Employees Retirement** Board written notice [*of desire to do so*], to receive the pension and annuity provided by this chapter for service as other than a member of the Legislative Assembly, and be an active member of the system as a member of the Legislative Assembly for the [*period the member holds office as a member of*] **purpose of service in** the Legislative Assembly. [*The notice provided for in this paragraph shall be given within 30 days after the retired member takes office as a member of the Legislative Assembly.*] **A person may make an election under this paragraph only if the person becomes an active member of the system under ORS chapter 238 for the purpose of service in the Legislative Assembly as provided in ORS 237.650 (3). Notice of an election under this paragraph must be given by the person not more than 30 days after the person takes office.**

(b) A member of the Legislative Assembly who is a member of the system as a member of the Legislative Assembly and who becomes eligible to retire by reason of service as other than a member of the Legislative Assembly, without regard to when that service was performed, may elect, by giving the board written notice [*of desire to do so*], to retire and receive the pension and annuity provided by this chapter for service as other than a member of the Legislative Assembly, and to continue, for the [*period the member holds office as a member of*] **purpose of service in** the Legislative Assembly, as an active member of the system as a member of the Legislative Assembly.

(c) Upon receipt of the notice provided for in paragraphs (a) and (b) of this subsection, the board shall determine that portion of the accumulated contributions, if any, of the member and interest thereon attributable to service as other than a member of the Legislative Assembly, which shall be used in determining the amount of the annuity the member shall receive for that service. The portion of the accumulated contributions, if any, of the member and interest thereon attributable to service as a member of the Legislative Assembly shall remain in the member account of the member and, together with any subsequent contributions and interest thereon, be used in determining the amount of the additional annuity the member shall receive for that service upon [*ceasing to hold office as a member of the Legislative Assembly*] **subsequent retirement.** If the member does not have a member account, the board shall determine the member's retirement allowance for nonlegislative service based on the number of years of nonlegislative service, and shall determine any additional benefit to be received after the member [*ceases to hold office as a member of the Legislative Assembly*] **subsequently retires** based on the number of years of service in the Legislative Assembly.

(2) If a retired member of the system is employed by the Legislative Assembly, or by the Oregon State Police, for the purpose of service during a regular or special session of the Legislative Assembly, the hours worked during the session shall not be counted for the purpose of the limitations on employment imposed by ORS 238.082 (2) and (3).

SECTION 4. ORS 238A.245 is amended to read:

238A.245. (1) Except as provided in subsection (3) of this section, the Public Employees Retirement Board shall cease making pension payments to a retired member of the pension program who is reemployed by a partic-

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ipating public employer in a qualifying position. A retired member of the pension program who is employed in a qualifying position becomes an active member of the pension program without serving the probationary period provided for in ORS 238A.100.

(2) If a retired member of the pension program is reemployed under the provisions of this section, any option chosen by the member under ORS 238A.190 is canceled, and upon retiring thereafter the member may elect any option provided for in ORS 238A.180 and 238A.190. The board shall recalculate the pension of the member upon subsequent retirement.

(3) A retired member of the pension program who becomes a member of the Legislative Assembly shall continue to receive the pension elected by the member. A retired member of the pension program who becomes a member of the Legislative Assembly may not [*elect*] **make an election** under ORS 237.650 [*to become an active member of the Oregon Public Service Retirement Plan or a legislator member of the state deferred compensation plan*].

SECTION 5. (1) ORS 237.660 is repealed.

(2) Section 46b, chapter 733, Oregon Laws 2003, as amended by section 4, chapter 769, Oregon Laws 2007, is repealed.

SECTION 6. (1) The amendments to ORS 237.650, 237.655, 238.092 and 238A.245 by sections 1 to 4 of this 2011 Act and the repeal of ORS 237.660 and section 46b, chapter 733, Oregon Laws 2003, by section 5 of this 2011 Act apply to persons appointed or elected as members of the Legislative Assembly who take office on or after August 29, 2003.

(2) An election made under ORS 237.650 on or after August 29, 2003, and before the effective date of this 2011 Act that is inconsistent with the provisions of ORS 237.650 as amended by section 1 of this 2011 Act is void.

(3) As soon as possible after the effective date of this 2011 Act, the Public Employees Retirement Board shall provide notice of the provisions of subsection (4) of this section to any person who made an election under ORS 237.650 that is void under subsection (2) of this

section.

(4) Any person who made an election under ORS 237.650 that is void under subsection (2) of this section may make any election allowed under ORS 237.650 as amended by section 1 of this 2011 Act. An election under this subsection must be received by the board not more than 90 days after the date notice is provided under subsection (3) of this section. If the person is eligible to make an election under this subsection, but fails to make the election within the time allowed, the person is deemed to have elected a retirement plan as provided in ORS 237.650 (7), as amended by section 1 of this 2011 Act, for the purpose of the service by the person in the Legislative Assembly for which the first election was made.

RETIREMENT CREDIT PURCHASES

SECTION 7. ORS 238.222 is amended to read:

238.222. (1) Notwithstanding ORS 238.220, a member of the Public Employees Retirement System who is eligible to obtain restoration of forfeited creditable service under ORS 238.115, or to purchase retirement credit under ORS 238.125, 238.135, 238.145, **238.148,** 238.156, 238.157, **238.160,** 238.162, 238.165, 238.175 or 526.052, and who participates in an eligible retirement plan described in subsection (3) of this section, may use moneys transferred by way of a trustee-to-trustee transfer from the eligible retirement plan to the Public Employees Retirement Board for the purpose of obtaining restoration of the forfeited creditable service or to purchase the retirement credit. The board may not make any amount transferred under this section available to the member, and may use the amount only for the purposes described in this section. The amount transferred under this section may not exceed the amount needed to obtain restoration of the forfeited creditable service or to purchase the retirement credit.

(2) If amounts transferred under this section are not sufficient to pay the

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full amount necessary to obtain restoration of the forfeited creditable service or to purchase the retirement credit, the member must pay the remaining amount that is needed to obtain restoration of the forfeited creditable service or to purchase the retirement credit.

(3) The following are eligible retirement plans for the purposes of this section:

(a) A governmental deferred compensation plan described in section 457 of the Internal Revenue Code; and

(b) A tax sheltered annuity described in section 403(b) of the Internal Revenue Code.

(4) The board shall adopt rules and establish procedures for determining whether a member is allowed to obtain restoration of the forfeited creditable service or to purchase the retirement credit by means of a trustee-to-trustee transfer under this section. The rules and procedures must ensure that transfers under this section do not adversely affect the status of the system and the Public Employees Retirement Fund as a qualified governmental plan and trust under federal income tax law.

SECTION 8. Section 2, chapter 971, Oregon Laws 1999, is amended to read:

Sec. 2. (1) The amendments to ORS 238.005 by section 1, **chapter 971, Oregon Laws 1999,** [*of this 1999 Act*] apply only to persons specified in ORS 238.005 [*(16)(b)*] **(9)(b)** who are employed by the State Forestry Department on [*the effective date of this 1999 Act*] **October 23, 1999,** or who become employed by the State Forestry Department after [*the effective date of this 1999 Act*] **October 23, 1999.**

(2) Except as provided in subsection (3) of this section, the amendments to ORS 238.005 by section 1, **chapter 971, Oregon Laws 1999,** [*of this 1999 Act*] apply only to service rendered to a participating public employer on or after [*the effective date of this 1999 Act*] **October 23, 1999.**

(3) Any employee who is employed by the State Forestry Department in a position described in ORS 238.005 [*(16)(b) on the effective date of this 1999*

Act] **(9)(b) on October 23, 1999,** may acquire creditable service in the Public Employees Retirement System as a firefighter for service performed by the employee in a position described in ORS 238.005 [*(16)(b) before the effective date of this 1999 Act*] **(9)(b) before October 23, 1999,** by paying to the Public Employees Retirement Board an amount determined by the board to represent the full cost to the system of providing credit as a firefighter to the member. The member may acquire credit as a firefighter for all or part of the service in a position described in ORS 238.005 [*(16)(b) performed before the effective date of this 1999 Act*] **(9)(b) performed before October 23, 1999.** All amounts required for acquisition of credit as a firefighter under this subsection must be paid at least 90 days before a member's effective date of retirement. The board may by rule allow members to pay amounts required under this subsection in installments in lieu of requiring a single lump sum payment. **Amounts required under this subsection may be paid using moneys transferred by way of a trustee-to-trustee transfer as described in ORS 238.222.**

SECTION 9. The amendments to section 2, chapter 971, Oregon Laws 1999, by section 8 of this 2011 Act become operative September 1, 2011.

OPSRP VESTING

SECTION 10. ORS 238A.115 is amended to read:

238A.115. (1) **Except as provided in subsection (2) of this section,** a member of the pension program becomes vested in the pension program on the earliest of the following dates:

(a) The date on which the member completes at least 600 hours of service in each of five calendar years. The five calendar years need not be consecutive, but are subject to the provisions of subsection [*(2)*] **(3)** of this section.

(b) The date on which an active member reaches the normal retirement age for the member under ORS 238A.160.

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(c) If the pension program is terminated, the date on which termination becomes effective, but only to the extent the pension program is then funded.

(2) If on the date that a person becomes an active member the person has already reached the normal retirement age for the person under ORS 238A.160, the person is vested in the pension program on that date.

[*(2)*] **(3)** If a member of the pension program who is not vested in the pension program performs fewer than 600 hours of service in each of five consecutive calendar years, hours of service performed before the first calendar year of the period of five consecutive calendar years shall be disregarded for purposes of determining whether the member is vested under subsection (1)(a) of this section.

[*(3)*] **(4)** Solely for purposes of determining whether a member is vested under this section, hours of service include creditable service, as defined in ORS 238.005, performed by the person before the person became an eligible employee, as long as the membership of the person under ORS chapter 238 has not been terminated under the provisions of ORS 238.095 on the date the person becomes an eligible employee.

SECTION 11. ORS 238A.320 is amended to read:

238A.320. (1) A member of the individual account program becomes vested in the employee account established for the member under ORS 238A.350 (2) on the date the employee account is established.

(2) A member who makes rollover contributions becomes vested in the rollover account established for the member under ORS 238A.350 (4) on the date the rollover account is established.

(3) **Except as provided in subsection (4) of this section,** if an employer makes employer contributions for a member under ORS 238A.340[*,*] the member becomes vested in the employer account established under ORS 238A.350 (3) on the earliest of the following dates:

(a) The date on which the member completes at least 600 hours of service in each of five calendar years[*;*]. **The five calendar years need not be**

consecutive, but are subject to the provisions of subsection (5) of this section.

(b) The date on which an active member reaches the normal retirement age for the member under ORS 238A.160[;]**.**

(c) If the individual account program is terminated, the date on which termination becomes effective, but only to the extent the account is then funded[;]**.**

(d) The date on which an active member becomes disabled, as described in ORS 238A.155 [*(4); or*] **(5).**

(e) The date on which an active member dies.

(4) If on the date that a person becomes an active member the person has already reached the normal retirement age for the person under ORS 238A.160, and the employer makes employer contributions for the member under ORS 238A.340, the person is vested in the employer account established under ORS 238A.350 (3) on that date.

[*(4)*] **(5)** If a member of the individual account program who is not vested in the employer account performs fewer than 600 hours of service in each of five consecutive calendar years, hours of service performed before the first calendar year of the period of five consecutive calendar years shall be disregarded for purposes of determining whether the member is vested under subsection (3)(a) of this section.

[*(5)*] **(6)** Solely for purposes of determining whether a member is vested under subsection (3)(a) of this section, hours of service include creditable service, as defined in ORS 238.005, performed by the person before the person became an eligible employee, as long as the membership of the person under ORS chapter 238 has not been terminated under the provisions of ORS 238.095 on the date the person becomes an eligible employee.

SECTION 12. **(1) The amendments to ORS 238A.115 by section 10 of this 2011 Act apply to all members of the pension program of the Oregon Public Service Retirement Plan, whether they become members before, on or after the effective date of this 2011 Act.**

(2) The amendments to ORS 238A.320 by section 11 of this 2011 Act apply to all members of the individual account program of the Oregon Public Service Retirement Plan, whether they become members before, on or after the effective date of this 2011 Act.

CREDITING OF TIER I ACCOUNTS

<u>**SECTION 13.**</u> ORS 238.255 is amended to read:

238.255. [*(1) The regular account for members who established membership in the system before January 1, 1996, as described in ORS 238.430, and for alternate payees of those members, shall be examined each year. If the regular account is credited with earnings for the previous year in an amount less than the earnings that would have been credited pursuant to the assumed interest rate for that year determined by the Public Employees Retirement Board, the amount of the difference shall be credited to the regular account and charged to a reserve account in the fund established for the purpose. In years following the year for which a charge is made to the reserve account, all earnings on the regular accounts of members who established membership in the system before January 1, 1996, as described in ORS 238.430, and of alternate payees of those members, shall first be applied to reduce or eliminate the amount of a deficit. Only earnings on the regular accounts of members who established membership in the system before January 1, 1996, as described in ORS 238.430, and of alternate payees of those members, may be used to reduce or eliminate the amount of a deficit.*]

[*(2) Notwithstanding subsection (1) of this section and except as provided in subsection (5) of this section, the board may not credit any earnings to the regular accounts of members who established membership in the system before January 1, 1996, as described in ORS 238.430, or of alternate payees of those members, in any year in which there is a deficit in the reserve account established under subsection (1) of this section, or credit any earnings to the regular accounts of those members, or alternate payees, that would result in a deficit* *in that reserve account. In any year in which the fund experiences a loss, the board shall charge the amount of the loss attributable to the regular accounts of members who established membership in the system before January 1, 1996, as described in ORS 238.430, against the reserve account.*]

[*(3) The regular account for members who established membership in the system before January 1, 1996, as described in ORS 238.430, and for alternate payees of those members, may not be credited with earnings in excess of the assumed interest rate until:*]

[*(a) The reserve account established under subsection (1) of this section is fully funded with amounts determined by the board, after consultation with the actuary employed by the board, to be necessary to ensure a zero balance in the account when all members who established membership in the system before January 1, 1996, as described in ORS 238.430, have retired; and*]

[*(b) The reserve account established under subsection (1) of this section has been fully funded as described in paragraph (a) of this subsection in each of the three immediately preceding calendar years.*]

[*(4) The board may divide the reserve account established under subsection (1) of this section into one or more subaccounts for the purpose of implementing the provisions of this section.*]

[*(5) Subsection (2) of this section does not apply to a person who is a judge member of the system on June 30, 2003.*]

(1) The regular account for an active or inactive member of the Public Employees Retirement System shall be examined each year. If the regular account is credited with earnings for the previous year in an amount less than the earnings that would have been credited pursuant to the assumed interest rate for that year determined by the Public Employees Retirement Board, the amount of the difference shall be credited to the regular account and charged to a reserve account in the Public Employees Retirement Fund established for the purpose. A reserve account so established may not be maintained on a deficit basis for a period of more than five years. Earnings in excess

of the assumed interest rate for years following the year for which a charge is made to the reserve account shall first be applied to reduce or eliminate the amount of a deficit.

(2) The regular account for an active or inactive member who established membership in the system before January 1, 1996, as described in ORS 238.430, may not be credited with earnings in excess of the assumed interest rate until:

(a) The reserve account established under subsection (1) of this section no longer has a deficit;

(b) The reserve account established under subsection (1) of this section is fully funded with amounts determined by the board, after consultation with the actuary employed by the board, to be necessary to ensure a zero balance in the account when all members who established membership in the system before January 1, 1996, as described in ORS 238.430, have retired; and

(c) The reserve account established under subsection (1) of this section has been fully funded as described in paragraph (b) of this subsection in each of the three immediately preceding calendar years.

SECTION 14. The amendments to ORS 238.255 by section 13 of this 2011 Act apply to all crediting of earnings for the calendar year 2003 and all subsequent calendar years.

SECTION 15. ORS 238.258 is repealed.

MISCELLANEOUS

SECTION 16. The unit captions used in this 2011 Act are provided only for the convenience of the reader and do not become part of the statutory law of this state or express any legislative intent in the enactment of this 2011 Act.

EMERGENCY CLAUSE

<u>SECTION 17.</u> This 2011 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2011 Act takes effect on its passage.

LC 587
45900-002
8/25/10 (DH/ps)

DRAFT

SUMMARY

Provides that inactive member of pension program of Oregon Public Service Retirement Plan who withdrew amounts in individual account program becomes member of individual account program immediately upon reemployment in qualifying position.

Declares emergency, effective on passage.

A BILL FOR AN ACT

Relating to membership in the individual account program of the Oregon Public Service Retirement Plan; creating new provisions; amending ORS 169.810 and 238A.300; and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

SECTION 1. ORS 238A.300 is amended to read:

238A.300. (1) Except as provided in ORS 238A.100 (2) **and subsection (2) of this section**, an eligible employee who is employed in a qualifying position on or after August 29, 2003, by a public employer that is participating in the individual account program and who will not receive benefits under ORS chapter 238 for service with the participating public employer pursuant to the provisions of ORS 238A.025 becomes a member of the individual account program on the first day of the month after the employee completes six full calendar months of employment. The six-month probationary period may not be interrupted by more than 30 consecutive working days.

(2) An inactive member of the pension program who terminated membership in the individual account program pursuant to ORS 238A.310 (2) becomes a member of the individual account program immediately upon reemployment in a qualifying position.

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

SECTION 2. ORS 169.810 is amended to read:

169.810. (1) Assumption by the regional correctional facility of those custodial duties formerly performed by a county or city jail constitutes an assumption of duties by a public employer subject to ORS 236.610 to 236.640.

(2) An employee who transfers from employment at a county or city jail to employment at a regional correctional facility operated by the county or city by which the employee has been employed shall be accorded the following rights:

(a) If a trial or probationary service period is required for employment at the county or city jail, the period of county or city employment of the employee shall apply to that requirement.

(b) An employee who transfers from employment at a county or city jail to employment at the regional correctional facility shall retain accumulated unused sick leave with pay and the accumulated unused vacation with pay to which the employee was entitled under county or city employment on the day before the transfer that are supported by written records of accumulation and use pursuant to a plan formally adopted and applicable to the employee under county or city employment.

(c) Notwithstanding any other provision of law applicable to a retirement system for county employees or city employees, an employee who transfers from employment at a county or city jail to employment at the regional correctional facility who was participating in a retirement system under county or city employment may elect, not later than the first day of the month following the month in which the employee transfers, to continue under the retirement system in which participating and not to become, if eligible, a member of another retirement system. The election shall be made in writing and shall be submitted to the regional correctional facility administrator, the Public Employees Retirement Board and the governing body of the counties and cities that operate the regional correctional facility.

(d) If an employee elects to continue under the retirement system in which participating under county or city employment, the employee shall continue to make required contributions to that system and the administration of the regional correctional facility shall make contributions on behalf of the employee required of an employer participating in that system.

(e) If an employee fails to elect to continue under the retirement system in which participating under county or city employment as provided in paragraph (c) of this subsection or was not participating in a retirement system under county or city employment, the employee shall become, if eligible, a member of the Public Employees Retirement System. If the employee is eligible to become a member of the Public Employees Retirement System, the period of continuous service of the employee under county or city employment immediately before the transfer of the employee shall apply to the six months' service requirement of ORS 238.015, 238A.100 or 238A.300 **(1)**.

(3) The county or city employment records, or a copy thereof, applicable to an employee transferred under subsection (2) of this section shall be provided by the person having custody of the records to the regional correctional facility administrator.

SECTION 3. The amendments to ORS 238A.300 by section 1 of this 2011 Act apply only to persons who are re-employed in qualifying positions on or after the effective date of this 2011 Act.

SECTION 4. This 2011 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2011 Act takes effect on its passage.

LC 588
45900-003
8/24/10 (DH/ps)

D R A F T

SUMMARY

Modifies law that allows member of Public Employees Retirement System to request verification of retirement data before retirement. Eliminates provision that prohibits Public Employees Retirement Board from using creditable service, retirement credit, final average salary, member account balances or accumulated unused sick leave that is less than amount specified in verification for purposes of determining retirement benefits.

Declares emergency, effective on passage.

A BILL FOR AN ACT

Relating to public employee retirement; amending section 3, chapter 1, Oregon Laws 2010; and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

SECTION 1. Section 3, chapter 1, Oregon Laws 2010, is amended to read:

Sec. 3. (1) Not earlier than two years before a member's earliest service retirement age, a member may request a verification of retirement data from the Public Employees Retirement Board. Upon receiving a request under this section, the board shall notify all of the member's participating public employers of the request. In a manner specified by rules of the board, the board shall allow those employers a reasonable time to confirm the records relating to the member that were provided to the board before the request was made. The board shall thereafter provide a verification to the member that includes the following data, as reflected in the records of the Public Employees Retirement System:

(a) The service information reported by the member's employers and the number of years and months of creditable service or retirement credit derived from that information, determined as of a date specified in the verification.

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

(b) The salary data reported by the member's employers for each calendar year, and the final average salary for the member derived from that data.

(c) If applicable, the member's regular account balance, and any variable account balance, as of the end of a calendar year specified in the verification.

(d) If applicable, the total amount of unused sick leave accumulated by the member as of a date specified in the verification.

(2) A member of the system may dispute the accuracy of the data provided in the verification by filing a written notice of dispute with the board not more than 60 days after the date on which the verification is provided to the member. Upon receiving a notice of dispute under this subsection, the board shall determine the accuracy of the disputed data and make a written decision based on its determination. The board shall provide to the member a copy of the decision and a written explanation of any applicable statutes and rules. A member may seek judicial review of the decision as provided in ORS 183.484 and rules of the board.

[*(3) Except as provided in this section, when a member who receives a verification under this section retires for service, the creditable service, retirement credit, final average salary, member account balances and accumulated unused sick leave used in calculating the member's retirement allowance or pension may not be less than the amounts provided in the verification, subject to adjustments for:*]

[*(a) Creditable service or retirement credit accrued by the member after the date specified in the verification.*]

[*(b) Salary attributable to periods of employment after the date specified in the verification.*]

[*(c) Earnings and losses credited to the member's accounts from the end of the calendar year specified in the verification to the member's effective retirement date, in accordance with rules adopted by the board.*]

[*(d) Sick leave used and accrued after the date specified in the verification.*]

[*(4) The board may use creditable service, retirement credit, final average salary, member account balances or accumulated unused sick leave in calculating a member's service retirement allowance that is less than the amounts provided in a verification received under this section if the member knew that the amounts were not accurate at the time the verification was provided and the member did not dispute the accuracy of the amounts as provided in subsection (2) of this section.*]

[*(5)*] **(3)** A participating public employer may not modify information provided to the board relating to a member's creditable service, retirement credit, final average salary, employee contributions or accumulated unused sick leave after the board provides the member with a verification under this section that is based on that information except in response to the board's request for the purpose of a determination under subsection (2) [*or (4)*] of this section.

[*(6)(a)*] **(4)(a)** Subject to paragraph (b) of this subsection, erroneous payments or overpayments paid to or on account of a member based on a verification provided under this section may not be recovered under ORS 238.715, but may be charged to the reserve account established under ORS 238.670 (1), or charged as an administrative expense under ORS 238.610.

(b) The board shall recover erroneous payments or overpayments paid to or on account of a member based on a verification provided under this section if the board determines that the recovery is required to maintain the status of the system and the Public Employees Retirement Fund as a qualified governmental retirement plan and trust under the Internal Revenue Code and under regulations adopted pursuant to the Internal Revenue Code.

[*(7)*] **(5)** A member may dispute the accuracy of data in a verification only as provided under this section. A member may not dispute the accuracy of data in a verification in the manner provided by ORS 238.450.

[*(8)*] **(6)** A member shall be provided with one verification under this section at no cost. The board may establish procedures for recovering administrative costs from members for services in providing additional verifications.

SECTION 2. This 2011 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2011 Act takes effect on its passage.

Oregon

Theodore R. Kulongoski, Governor

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November 19, 2010

TO: Members of the PERS Board

FROM: Steven Patrick Rodeman, Deputy Director

SUBJECT: System Accountability and Transparency Initiatives

Recent media accounts and editorials have questioned this agency's adherence to two of the Board's Guiding Principles: Transparency and Data Protection. The Transparency principle states: "Our work is transparent, direct, and open (recognizing timing around litigation and personnel issues)." For Data Protection, the Board has directed: "We maintain and improve the integrity of member data through our processes, business rules, decision making, and any quick fixes."

These principles obviously have to be balanced where individual member information is concerned. As a financial trust, PERS staff must weigh the risks and expectations of revealing personally identifiable data against the need for open, direct, and effective communication. The agency's decision to seek review in the Marion County Circuit Court of *The Oregonian's* request for names, employment history, and benefit information on all PERS retired members receiving annual benefits in excess of $100,000 is the process provided by Oregon law to define the tipping point in that balance.

Contrary to assertions, PERS has consistently and thoroughly made information available to members, stakeholders, employers, and the media regarding system costs and administration. Since 2003, the PERS Board and staff have applied the Transparency principle by:

- Creating "PERS by the Numbers," a web-based resource providing detailed information regarding system demographics, benefits, funding status, revenue, and the economic benefit of PERS. We also created and support "PERS at a Glance," a one-page summary of the most pertinent information. Both documents are posted prominently on the PERS website and updated regularly.

- Posting the agency's Comprehensive Annual Financial Report each year on the PERS website. This audited financial statement is the definitive resource for system costs, benefits, and expenses. The report is highlighted each year in our active and retiree newsletters to encourage public review and use of this resource.

- Fully engaging the PERS' actuary, Mercer, in studying and reporting on system status and dynamics. In addition to the System Valuation and Experience Study, both of which are posted on the PERS website, the Board has requested numerous financial modeling studies from Mercer to project system costs and other dynamics to inform policy decisions for itself and the system's stakeholders. All of these Mercer presentations are posted on the PERS website.

- Engaging Gabriel Roeder Smith & Co. to audit Mercer's 2009 System Valuation. The audit, presented to the PERS Board at today's meeting, will provide a further review of the actuarial practices and principles Mercer uses to evaluate the system.

- Providing all PERS Board meeting packets electronically on its web site so those not able to attend the open public meetings can still review the same information that is to be presented to the Board.

- Distributing summary reports of employer contribution rates on the PERS web site every two years as they are approved. At today's meeting, Mercer will conduct a presentation that summarizes the cost drivers and allocations for employer contribution rates in the upcoming 2011-2013 biennium.

- Compiling a report titled "Analysis of PERS Cost Allocation, Benefit Modification, and System Financing Concepts" describing concepts that have been in the public discussion of ways to mitigate or reduce PERS costs. That report, to be presented later in this agenda item, is intended to provide insight and clarification into the effects those concepts would have on PERS members, employers, and system administration. While PERS staff does not endorse or advocate for any of these concepts, including whether the concept is legally sufficient, the report demonstrates our dedication to fully informing discussions on system dynamics.

These transparency initiatives are weighed against the data protection principle that requires us to continually verify the accuracy of member data held by PERS and to protect that member data to the extent required by law. The PERS Board, as a fiduciary to its members, has a responsibility to ensure that member data is not compromised and that any request for data regarding individual members meets the criteria for release established by law.

Under current law, PERS cannot release confidential member data if "public disclosure would constitute an unreasonable invasion of privacy, unless the public interest by clear and convincing evidence requires disclosure in the particular instance." The requesting entity must demonstrate that release of the information is in the public interest and that public disclosure would not be considered an "unreasonable invasion of privacy."

For example, "PERS by the Numbers" provides a thorough overview of many crucial elements to evaluate the retirement system: detailed replacement ratios (amounts of final average salary replaced by retirement benefits); graphed and summarized monthly benefit amounts for retired members, including the number of retirees receiving a benefit in a particular monthly payment range (see below); and a history of PERS' unfunded actuarial liability and funded status, investment income, earnings crediting, and average employer contribution rates since 1975. This document is posted on the PERS website, openly available to members, stakeholders, employers, and the media. As this document demonstrates, it is not necessary to reveal individual member names or personally identifiable information to provide a comprehensive view of system costs, dynamics, and status.

Monthly benefit amounts as of December 31, 2009 (from "PERS by the Numbers")

Monthly Benefit ($)	Number of Retirees	Percent of Benefits Paid	Monthly Benefit ($)	Number of Retirees	Percent of Benefits Paid
0 - 500	12,837	1.70	3,001 - 3,500	6,339	9.43
501 - 1,000	14,466	4.92	3,501 - 4,000	5,783	9.91
1,001 - 1,500	11,876	6.75	4,001 - 4,500	5,128	9.97
1,501 - 2,000	9,431	7.52	4,501 - 5,000	3,920	8.50
2,001 - 2,500	7,893	8.11	5,001 - 5,500	2,831	6.78
2,501 - 3,000	6,969	8.77	5,501 - 6,000	1,938	5.09
Subtotal	**63,472**		**Subtotal**	**25,939**	
% of total	**68.16%**	**37.76%**	**% of total**	**27.86%**	**49.67%**

Monthly Benefit ($)	Number of Retirees	Percent of Benefits Paid	Monthly Benefit ($)	Number of Retirees	Percent of Benefits Paid
6,001 - 6,500	1,184	3.38	9,001 - 10,000	206	0.89
6,501 - 7,000	824	2.54	10,001 - 11,000	99	0.47
7,001 - 7,500	501	1.66	11,001 - 12,000	46	0.24
7,501 - 8,000	382	1.35	12,001 - 13,000	35	0.20
8,001 - 8,500	232	0.87	13,001 - 14,000	21	0.13
8,501 - 9,000	144	0.58	14,001 and up	34	0.26
Subtotal	**3,267**		**Subtotal**	**441**	
% of total	**3.51%**	**10.38%**	**% of total**	**0.47%**	**2.19%**

The Oregonian's request asserted that: "The public has an overriding interest in learning about pension benefits for government workers because managing those pension benefits is stacking up to be one of the most critical public finance issues of this decade. The public interest is extensive also because the entitlements are triggering bills to state and local governments for bigger pension contributions, forcing cuts to services. In the current economic climate, it's important that taxpayers know what kind of pensions public employees are receiving and what the budget implications will be."

PERS believes that specifically naming retired members is not germane to *The Oregonian's* stated purpose for this request. PERS has provided detailed information on system benefits and costs in a variety of documents that do not name individual retirees or expose their private financial information. Adding the names of specific retired members who have left public service has no bearing on the system's costs, benefits, or other dynamics. PERS has simply taken the avenue provided by Oregon law to have a court review the weighing test that the agency had consistently been directed to apply to all previous public records requests.

PERS Oregon Public Employees Retirement System

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Consulting. Outsourcing. Investments.

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

November 19, 2010

Transparency Initiatives and Key System Cost Drivers

Oregon Public Employees Retirement System

Matt Larrabee, FSA

Overview

- Today's presentation gives a summary of:
  - Efforts made in our actuarial work to enhance system transparency to members, PERS employers, and other interested parties
  - Key system cost drivers and a review of how those drivers have contributed to the contribution rate increases effective July 2011
  - Why rate increases are likely to occur in subsequent rate-setting periods

Transparency Initiatives
How Calculations Are Done

- To make the PERS actuarial calculations more understandable, we use measures that attempt to enhance system transparency
- For annual actuarial valuation calculations we have introduced:
  - Use of fair market asset values
    - Most other states use "smoothed" multi-year asset averages
    - We feel that fair value leads to more transparent and understandable funded status and shortfall reporting
  - An explicit percentage of pay "rate collar" formula to limit rate movements in the event of large changes in funded status
    - Analysis prior to implementation indicated the fair value/rate collar approach provided rates as stable as those from an asset smoothing approach
  - Cost allocations using the "projected unit credit" (PUC) allocation method
    - The value of projected retirement benefits are allocated to a Member's working years via a cost allocation method
    - PUC allocates all benefits from the Money Match formula to pre-2004 service, and recognizes that Money Match is not generating new liabilities

Transparency Initiatives
How Calculations Are Done

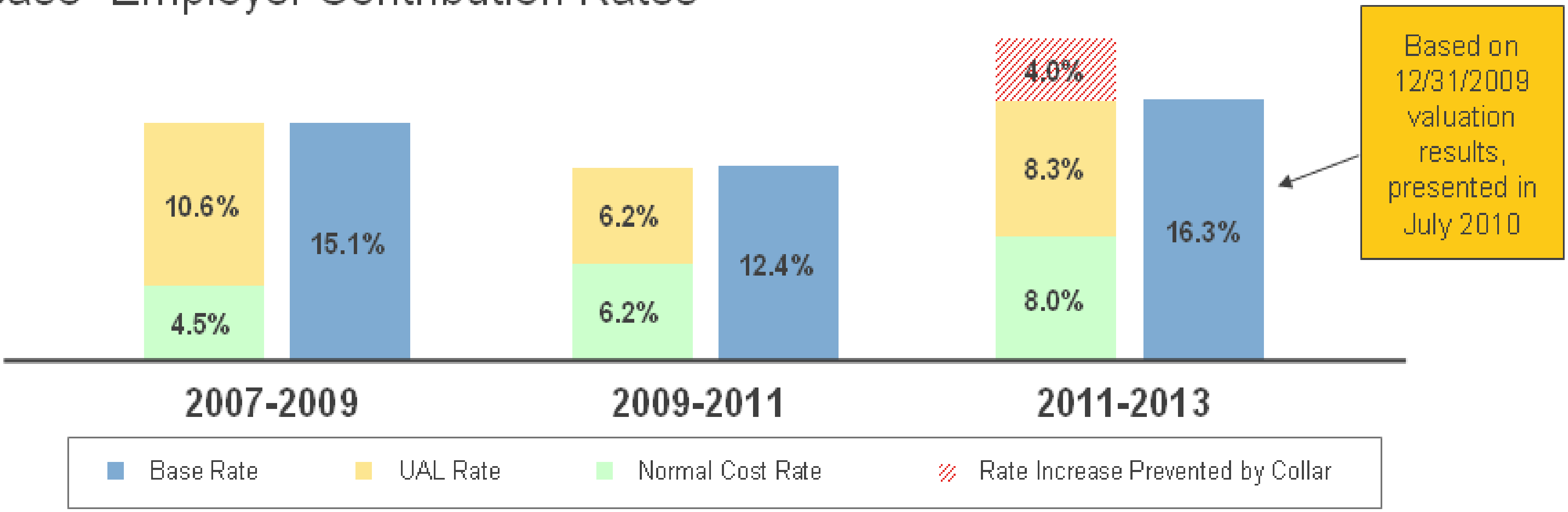
- To assist interested parties, we also conduct forward-looking financial modeling
  - Regular stochastic modeling shows a wide range of possible investment return scenarios with probability estimates attached to each scenario
    - This helps members, employers and policy makers understand the potential volatility of system costs if low likelihood “tail events” occur
  - More simplified employer contribution rate and system funded status modeling is also conducted regularly
    - This provides timely, understandable updates to the rate forecast under both the actuarial investment return assumption and under two or three alternative investment return scenarios

Transparency Initiatives
How Calculations Are Communicated

- At a system-wide level, results are communicated:
  - Via public presentations to the PERS Board
  - All Mercer presentations are gathered and available in one location on the PERS website
- The system is not a monolith, and both current contribution rate levels and biennium to biennium rate changes vary by employer
- As such, at an employer-specific level results are communicated via:
  - Detailed (15+ pages) annual employer-specific informational reports summarizing employer rate calculations
  - Extensive backup material provided to PERS employer relations staff

Key System Cost Drivers
"Base" Employer Contribution Rates

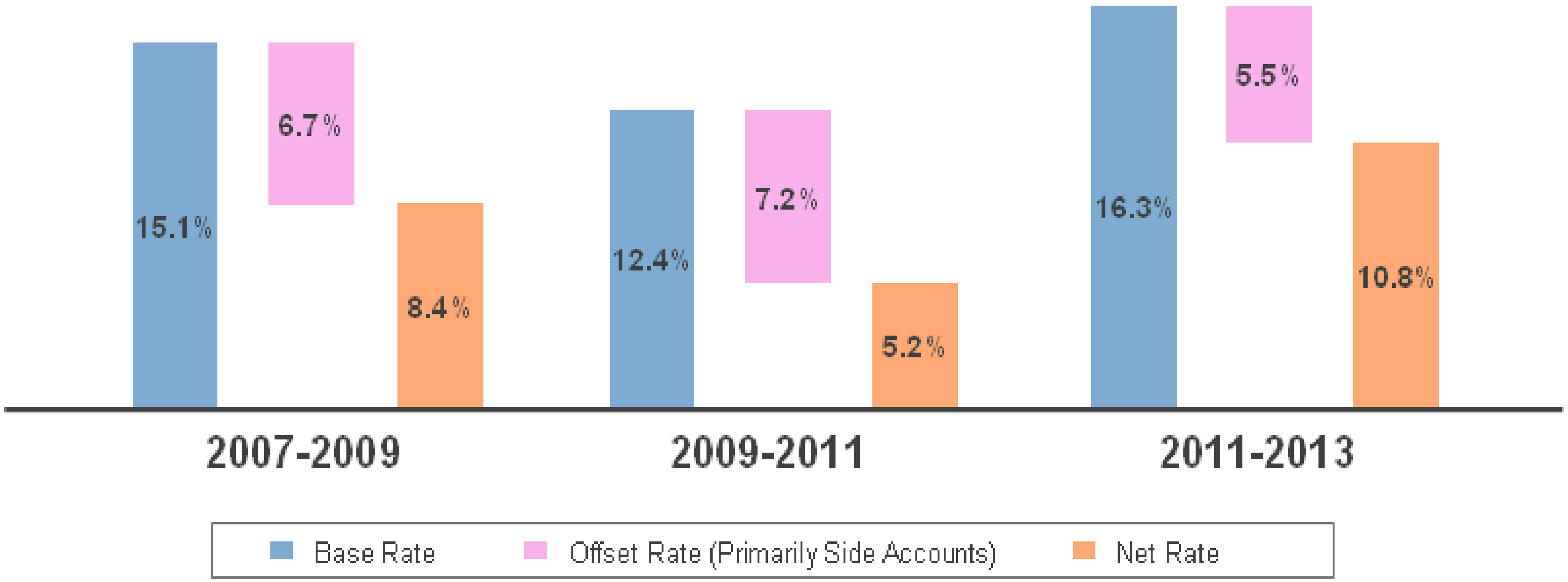
Rate-setting valuations are conducted biennially, with advisory valuations in off years



- The "base rate" has two parts:
  - Normal cost (the allocated economic value of benefits earned during the year)
  - UAL rate (shortfall amortization)
- Base rates are paid from employer contributions and side account transfers
- Normal cost is increasing as fewer and fewer active members remain that will retire under the frozen Money Match formula, which has zero normal cost
- Tier 1/Tier 2 shortfalls are amortized over 20 years as a percent of payroll
  - UAL rate varies with asset returns
- The rate collar limited the UAL rate change for the upcoming biennium

Key System Cost Drivers

"Net" Employer Contribution Rates



- The "net rate" is the base rate after reflecting rate offsets
- Net rates increased more than base rates due to the combined effect of:
  - The base rate increase discussed on the previous slide
  - A decrease in side account balances due to 2008 investment losses
- Side accounts leverage rate changes, with either good or bad leverage possible depending on asset returns

Key System Cost Drivers

Why Are Base Rate Increases Likely to Occur for 2013-2015 and Later?

- Rates are increasing in 2011, but the rate collar prevented an even greater increase
  - Under most investment return scenarios, the 4.0% of payroll base rate increase prevented by the collar will be reflected in 2013 and later years
- Why are subsequent base rate increases likely?
  - The rate structure <u>is</u> designed with a long-term view
    - Successive incremental rate adjustments are made with a goal of eliminating system shortfalls over twenty years if the investment return assumption (and other assumptions) are met
  - The structure <u>is not</u> designed to keep short-term funded status stable
    - At current contribution levels, if actual 2010 investment return is 8% then funded status excluding side accounts is forecast to decrease by 0.6% during 2010
      - We estimate an 8.8% return is needed to avoid a funded status decrease
  - In the rate structure, the initial rate increase is needed to get rates to a level where funded status is forecast to be level if the assumed investment return occurs
  - Subsequent rate increases are needed in a "meet the investment return assumption scenario" to allow for projected funded status improvement over twenty years

Closing Comments

- Rates shown in this presentation are system-wide rates, based on Mercer's three rate-setting actuarial valuations (as of December 31 of 2005, 2007, and 2009)
  - Those valuation reports should be referenced for a full explanation of the methods, data, assumptions and benefit provisions used in the rate calculations
    - Limitations on the use the system-wide rates are detailed in those reports, and those limitations are incorporated herein by reference
- Rates vary from employer to employer, and a given employer's rate can vary significantly from the system-wide rate
  - This is particularly true for employers with side accounts
- Rates shown here are payroll weighted, system-wide average Tier 1/Tier 2/OPSRP contribution rates
  - Rates include the retiree healthcare rate for the RHIA and RHIPA programs
  - Rates do not include contributions to the Individual Account Program (IAP) or debt service payments on pension obligation bonds associated with side accounts

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November 19, 2010

TO: Members of the PERS Board

FROM: Dale S. Orr, Actuarial Services Manager

SUBJECT: Actuarial Audit Results: Gabriel Roeder Smith, Inc.

In March 2010, PERS contracted with Gabriel Roeder Smith, Inc. (GRS) to conduct an audit of PERS' 2009 actuarial valuation. Actuarial audits provide assurance that actuarial valuations, including related methods and assumptions, are accurate, representative and conducted within actuarial standards.

Leslie Thompson, a senior consultant and actuary with GRS, will present the audit results on November 19.

In addition to the audit results, Ms. Thompson will also present a benchmark analysis showing how PERS compares with other "peer" pension systems in terms of selected assumptions and financial measures.

The GRS Board presentation will be sent to the Board prior to the meeting on November 19.

PERS Oregon Public Employees Retirement System

Oregon Public Employees Retirement System

Actuarial Review of Pension and Postemployment Healthcare Plans

Leslie L. Thompson, FSA, FCA, EA, MAAA

November 19, 2010

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries
www.gabrielroeder.com

Audit Issues and Scope

- Pension Assumptions
- Actuarial Valuation Methods
- Contribution Rate Determination
- Actuarial Valuation Report
- Test Lives
- Healthcare Cost Assumptions

GRS Audit Findings - Assumptions

Issue	Current treatment	Status x = more consideration y = concurrence	GRS Comments
Investment Return-Regular Accounts	8% investment return	x	Capital market analysis shows on high end of reasonable range. Recommend continued biennial review
Investment Return-Variable Accounts	8.5% investment return	x	Consistent with 8.0% assumption. Recommend continued biennial review
Price Inflation	2.75% per year	y	On low end of range, but reasonable
Real wage growth/payroll growth	3.75% per year	y	Reasonable
Member pay increase	Base salary plus allowance for merit	y	Reasonable
Demographic assumptions	Mortality, Retirement, Termination, Withdrawal and Disability Rates	y	Reasonable
Decrement Timing	Mercer assumes decrements occur beginning of year	x	Recommend mid-year timing.
Lump sum and return of contribution assumption for Tier 1/2	Two sets of assumptions are used and applied to all participants	x	Recommend comparing relative value of annuity benefit and lump sum option
Health Care Cost Assumptions	RHIA and RHIPA participation and medical trend rates	y	Reasonable

GRS

GRS Audit Findings - Methods

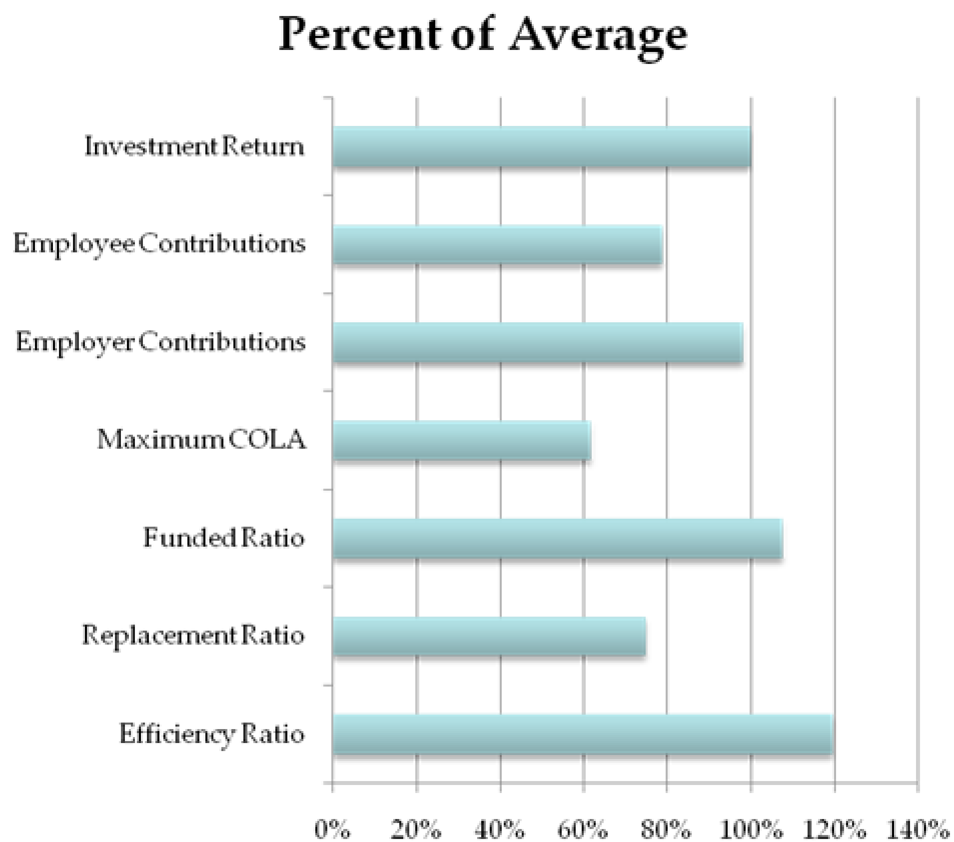
Issue	Current treatment	Status x = more consideration y = concurrence	GRS Comments
Experience Study	Sets demographic assumptions	x	Recommend giving more weight to historical trends
Projected Unit Credit Cost Method	One of six approved methods	y	Reasonable
Actuarial Value of Assets	Market value minus reserves	y	Reasonable, but monitor variance from market
Tier 1 Rate Guarantee Reserve	Not include in assets. Deficit of $441.8 M	x	Recommend estimating future rate impacts of restoring
Amortization Method	Closed bases of different periods	y	Reasonable
Sick Leave	Impact on final average pay included	y	Reasonable
Vacation pay	Lump sum assumption for impact on final average pay	x	No supporting data shown. Include in next experience study.
Data Process	Underlying data for valuation	y	Although we did not do full audit, reasonable
Contribution rates	Normal cost, amortization, side accounts and rate collar adjustments	y	Reasonable

GRS Test Lives Summary

	Present Value of Benefits		
	GRS	Mercer	% Difference
Pension Plan			
Actives			
Tier 2 Police and Fire	$117,221.93	$117,083.91	0.1%
Tier 1 General Service	$336,956.50	$336,840.33	0.0%
Tier 1 School District	$300,803.26	$300,405.36	0.1%
OPSRP Police and Fire	$125,305.01	$125,273.88	0.0%
Retirees			
50% Joint and Survivor, pop-up	$125,259.45	$125,259.45	0.0%
Reversionary Annuity	$4,889.83	$4,889.83	0.0%
Health Care Plan			
Actives			
Tier 1 School District	$1,164.96	$1,127.80	3.3%
Retirees			
RHIA Case 1	$5,911.63	$5,911.63	0.0%
RHIA Case 2	$7,691.69	$7,694.64	0.0%
RHIPA Case 3	$13,180.76	$13,179.36	0.0%
RHIPA Case 4	$29,045.27	$29,017.62	0.1%

GRS Benchmarking Summary

- Peer group
  - AZ, CO, ID, MO, NV, NM, UT, WA, WY
- 100% line on graph shows average of peer group results
- Oregon
  - Equals average for investment return
  - Above average for funded status and efficiency ratio
  - Below average for employee and employer contributions, COLAs and Full Formula Replacement Ratio



GRS

Questions?

- Circular 230 Notice: Pursuant to regulations issued by the IRS, to the extent this presentation concerns tax matters, it is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) marketing or recommending to another party any tax-related matter addressed within. Each taxpayer should seek advice based on the individual's circumstances from an independent tax advisor.

- This presentation shall not be construed to provide tax advice, legal advice or investment advice.

GRS

PERS

Oregon
Public
Employees
Retirement
System

Analysis of PERS Cost Allocation, Benefit Modification, and System Financing Concepts

November 19, 2010

Public Employees Retirement System
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This report analyzes concepts that have been in the public discussion of ways to mitigate or reduce PERS costs.

The intent of this analysis is to provide basic information on how these concepts would affect PERS members and employers, and the potential impact on system funding and administration.

The purpose of this analysis is informational only. It does not reflect any PERS endorsement or advocacy for any specific concept, including whether the concept is legally sufficient.

Contents

Category: Cost Allocation

Concept: Eliminate Employer "Pick-up"

Description: Remove the statutory option for employers to "pick-up" the member's 6% Individual Account Program (IAP) contribution.

Employer Rate and Liability Impact: The IAP is a member-funded individual account benefit that is separate from the defined pension benefit. Enacting this concept would reduce uncollared employer rates by approximately 0.67%, saving approximately $124 million per biennium, due to a reduction in the final average salary (FAS) for those Tier One/Tier Two members whose IAP contributions are employer paid or "picked up" and who retire under the Full Formula or Formula + Annuity benefit calculation methods. For 2009 retirements, 28% were Full Formula, 7% were Formula + Annuity, and 65% were Money Match.

Employer Impact: Would reduce costs for those employers that currently "pick-up" member IAP contributions. Employers pay IAP contributions for approximately 70% of active members. If these employers suspend these "picked-up" IAP contributions, those employers would save approximately $750 million in the 2011-13 biennium. Employers who do the "pick-up" will have to change their salary reporting to member-paid status on either a "pre-tax" or "post-tax" basis. The percentage of members whose employers "pick-up" and pay the IAP contribution is estimated as follows:

State and OUS: 100%
Community Colleges: 80%
School Districts: 55%
Local Governments: 85%
System-wide: 70%

Member Impact: Reduces take-home pay for the approximately 70% of members whose contributions are now "picked up" as the contribution will instead come out on either a pre-tax or post-tax basis. Would reduce FAS for Tier One/Tier Two members, whose contributions are "picked up" by up to 6%, reducing Full Formula and Formula + Annuity benefits for affected members.

PERS Administrative Impact: No impact on PERS; employers report whether contributions are "picked-up" at the individual member level and would have to amend their reports to correctly categorize the contribution.

Category: Cost Allocation

Concept: Allow Partial Employer "Pick-up"

Description: Amend statutes to allow employers to set the percentage of member Individual Account Program (IAP) contributions to be "picked-up" in increments of 1%, up to a maximum of 6%.

Employer Rate and Liability Impact: The IAP is a member-funded individual account benefit that is separate from the defined pension benefit. If the employer "pick-up" is limited to 3% of payroll, this would reduce uncollared employer rates by approximately 0.34%, saving approximately $63 million per biennium, due to a reduction in the final average salary (FAS) for those Tier One/Tier Two members whose contributions are employer paid or "picked up" and who retire under the Full Formula or Formula + Annuity benefit calculation method. A reduction in the employer "pick-up" to zero would reduce uncollared employer rates by 0.67**%,** and save $124 million per biennium.

Employer Impact: Would reduce costs for those employers that currently "pick-up" member IAP contributions, depending on the percentage selected. Employers fund IAP contributions for approximately 70% of active members. Based on current employer "pick-up," each across-the-board percentage point reduction would reduce employer cost by about $125 million per biennium systemwide. Employers will have to modify salary reporting to reflect the split contributions. The percentage of members whose employers "pick-up" and pay the IAP contribution is estimated as follows:

State and OUS: 100%
Community Colleges: 80%
School Districts: 55%
Local Governments: 85%
System-wide: 70%

Member Impact: Would be mixed depending on how many and at what rate employers set reduced "pick up" percentage. Affected members will see a take-home pay reduction if employers reduce the contribution "pick-up" percentage. Would reduce FAS for Tier One/Tier Two members whose contributions are "picked up" by up to 1% to 6%, reducing Full Formula and Formula + Annuity benefits for affected members.

PERS Administrative Impact: Would require significant system modifications to allow validations on an individual employer level of the split member/employer IAP contribution percentage. Ongoing administration would be required to input periodic changes and track the history of the varying percentages elected by the employer to be "picked up" when contributions are verified for a member's career.

Category: Benefit Modifications

Concept: Reduce or Eliminate 6% Member IAP Contributions

Description: Amend statutes to eliminate the member Individual Account Program (IAP) contribution or reduce the required contribution (currently 6% of covered salary).

Employer Rate and Liability Impact: The IAP is a member-funded individual account benefit that is separate from the defined pension benefit. Enacting this concept to eliminate the member IAP contribution would reduce uncollared employer rates by approximately 0.67%, saving approximately $124 million per biennium, due to a reduction in the final average salary (FAS) for those Tier One/Tier Two members whose IAP contributions are employer paid or "picked up" and who retire under the Full Formula or Formula + Annuity benefit calculation method.

Employer Impact: Would reduce total PERS costs for those employers that currently "pick-up" IAP contributions. Employers fund IAP contributions for approximately 70% of active members. Total elimination of the IAP contribution would translate into biennial savings for those employers of approximately $750 million. The percentage of members whose employers "pick-up" and pay the IAP contribution is estimated as follows:

State and OUS: 100%
Community Colleges: 80%
School Districts: 55%
Local Governments: 85%
System-wide: 70%

Member Impact: Would reduce future IAP benefits as contributions and compounded future earnings would not accrue. Would increase take-home pay for members who pay their own IAP contributions. Would not affect take-home pay for members whose IAP contributions are "picked up" by their employer. Would reduce FAS for Tier One/Tier Two members whose IAP contributions are "picked up" by up to 6%, reducing Full Formula and Formula + Annuity benefits for affected members.

PERS Administrative Impact: Would require increased coordination with the Oregon Investment Council as a total elimination of the IAP contribution would result in a decrease in cash flow to the PERS Fund of approximately $1 billion per biennium. Would require substantial system modifications to remove calculation, billing, tracking, allocation, and collection of member IAP contributions from current PERS and employer IT systems and reporting processes.

Category: Benefit Modification

Concept: Eliminate Tax Remedy Payments for Non-Oregon Residents

Description: Amend statutes to eliminate supplemental tax remedy benefits for PERS retirees that do not pay state income taxes in Oregon.

Employer Rate and Liability Impact: Uncollared employer contribution rates would decrease by about 0.4% of payroll, or save approximately $72 million per biennium. System liabilities would decrease by $450 million.

Employer Impact: No identifiable administrative impact.

Member Impact: Would reduce annual benefits of current out-of-state retirees by approximately 6%, on average. This would affect approximately 13% to 15% of current retirees, or about 14,000 to 16,000 retirees.

PERS Administrative Impact: Would require system modifications to coordinate withholding supplemental tax remedy benefits from those recipients who should no longer receive them. Oregon's Department of Revenue would also need to coordinate eligibility determinations and complications would arise as recipients change residency status.

Category: Benefit Modification

Concept: 10% Across-The-Board Benefit Reduction

Description: Amend statutes to reduce all PERS retirement benefit payments to existing and future retired members by 10%.

Employer Rate and Liability Impact: Uncollared employer contribution rates would decrease by about 5.6% of payroll, or save approximately $1 billion per biennium. Would reduce system liabilities by $5.4 billion.

Employer Impact: No identifiable administrative impact.

Member Impact: Would reduce all current and future retirement benefits by 10%, impacting long-term and more recent retirees, as well as all future retirees. In 2009, PERS pension benefit payments totaled about $2.9 billion, so a 10% reduction would equal $290 million per year in reduced benefits.

PERS Administrative Impact: Would require system modifications to reduce benefit payments.

Category: Benefit Modification

Concept: Maximum Benefit Cap

Description: Amend statutes to limit annual retirement benefits to no more than 65% of the member's Final Average Salary (FAS) for all members not yet retired.

Employer Rate and Liability Impact: Would reduce "full career" system liabilities by $2.4 billion. If the full career liability change was entirely attributed to past service, uncollared employer contribution rates would decrease by about 2.1% of payroll or save approximately $378 million per biennium. (See note below)

Employer Impact: No identifiable administrative impact.

Member Impact: Would reduce annual benefits for future retirees that would otherwise exceed the limitation. Excluding lump sum retirements, approximately 33% or 1,593 of members who retired in 2009 received annual benefits in excess of 65% of FAS.

PERS Administrative Impact: Would require system modifications to impose the limitation and re-allocate the member account and employer reserve transfers to fund the benefit.

Options: Excluding lump sum retirements, maximum annual benefit caps at the following payout levels would have the impacts as shown: (See note below)

80% FAS cap:	Full career liability reduction: ~ $1.3 billion Uncollared employer rate reduction: ~ 1.1% Biennial reduction in employer contributions: ~$200 million Percent and number of 2009 retirees affected: 20% (981 retirees)
90% FAS cap	Full career liability reduction: ~ $0.9 billion Uncollared employer rate reduction: ~ .78% Biennial reduction in employer contributions: ~$140 million Percent and number of 2009 retirees affected: 14% (652 retirees)
100% FAS cap	Full career liability reduction: ~ $0.6 billion Uncollared employer rate reduction: ~ 0.52% Biennial reduction in employer contributions: ~$94 million Percent and number of 2009 retirees affected: 9% (422 retirees)

Note: Full career liabilities are also known as the Present Value of Benefits and reflects not just liabilities attributable to past service (the Actuarial Accrued Liability), but also liabilities attributable to projected future service for current active members.

Actual allocation between past and future service and employer rate impact would depend on the specific implementation language of such a concept and the application of the actuarial cost allocation method.

Category: Benefit Modification

Concept: Reduced Money Match Annuity Rate

Description: Amend statutes to set the interest rate used when deriving the annuity to calculate future Money Match retirement benefits at 6% instead of using the system's assumed earnings rate (currently 8%).

Employer Rate and Liability Impact: No near-term change in net employer rates. Accrued liabilities would be reduced by $1.7 billion and the unfunded actuarial liability rate component would decline by 1.5% of payroll. However, this would be entirely offset in the near-term by a 1.5% of payroll increase in the normal cost employer rate component due to shifting future retirees to the Full Formula or Formula + Annuity methods, both of which have a normal cost for each additional year of service. Following the 2003 PERS reform, members who retire under Money Match no longer have a normal cost for additional years of service.

Employer Impact: No identifiable administrative impact.

Member Impact: Would significantly reduce subsequent retirement benefits based on the Money Match calculation method and cause more members to retire with a benefit calculated using the Full Formula or Formula + Annuity methods. Reducing the benefit annuitization interest rate by two percentage points would result in a 16% reduction in a 60-year old member's Money Match calculated benefit and a 55-year old member's benefit would be reduced 25%. Note that all members are provided the highest of three benefit calculation methods, so reducing Money Match benefits could move affected members to Full Formula or Formula + Annuity "floors" that may limit the retirement benefit reduction, and may also affect projected savings.

PERS Administrative Impact: Would require the creation of new actuarial factor tables to be used for Money Match calculations and to derive the actuarial equivalent for optional benefit forms.

Category: Benefit Modification

Concept: Final Average Salary Factors

Description: Amend statutes to eliminate lump sum vacation pay and unused sick leave as factors included in determining a member's final average salary (FAS) used in formula-based benefit calculations for all members not yet retired.

Employer Rate and Liability Impact: Uncollared employer contribution rates would decrease by about 1.35% of payroll or save approximately $240 million per biennium. Would reduce system liabilities by about $400 million.

Employer Impact: Change the salary reporting process to eliminate these factors.

Member Impact: Tier One FAS would be reduced by eliminating both factors (estimated average reduction of about 8%). Tier Two FAS would be reduced by eliminating the unused sick leave factor (lump sum vacation is already excluded), for an estimated average reduction of about 6%. Only impacts Full Formula and Formula + Annuity benefit calculations, not Money Match benefits. No effect on OPSRP; both factors are already excluded from FAS calculation for OPSRP benefits.

PERS Administrative Impact: Would require significant system changes to revise or remove reporting, validation, verification, and calculation processes that use these factors.

Category: Benefit Modification

Concept: 10-Year Service Requirement for Cost-of-Living Adjustment

Description: Amend statutes to impose a separate 10 years of creditable service period for future retirees to be eligible for a COLA.

Employer Rate and Liability Impact: Uncollared employer contribution rates would decrease by about 0.5% of payroll or save approximately $90 million per biennium. Would reduce system liabilities by approximately $450 million.

Employer Impact: No identifiable administrative impact.

Member Impact: Members retiring with less than 10 years of service time would see diminished purchasing power over time due to the impact of inflation, beyond that experienced by other retirees. Approximately 7% of PERS members retiring in 2009 had less than 10 years of creditable service.

PERS Administrative Impact: Would require significant system changes to not apply COLAs for non-eligible retirees.

Category: Benefit Modification

Concept: Eliminate Cost-Of-Living Adjustment (COLA) for One Biennium

Description: Amend statutes to eliminate COLA increases from July 1, 2011 to July 1, 2013.

Employer Rate and Liability Impact: Uncollared employer contribution rates would decrease by about 0.9% of payroll. This would save approximately $162 million the first biennium and reduce system liabilities by $1 billion. An additional 1% of payroll rate reduction would occur for each successive biennium in which the COLA is eliminated (e.g. a six-year COLA elimination would reduce employer rates by 3% of payroll).

Employer Impact: No identifiable administrative impact.

Member Impact: Current and future retiree benefits would diminish in purchasing power over time due to the impact of inflation.

PERS Administrative Impact: Would require some system changes to eliminate COLA and exclude both additional accumulation and application of any banked COLA during the period that the COLA is eliminated.

Category: Benefit Modification

Concept: Limit Cost-Of-Living Adjustment (COLA) Applicability

Description: Amend statutes to limit future COLAs to the first $24,000 of a retiree's annual benefits for all current and future retirees.

Employer Rate and Liability Impact: Uncollared employer contribution rates would decrease by about 3.2% of payroll or save approximately $576 million per biennium. Would reduce system liabilities by approximately $3 billion.

Employer Impact: No identifiable administrative impact.

Member Impact: The average PERS retiree benefit is about $24,000 per year. Approximately 58% of all current retired members receive a benefit of $24,000 per year or less and would not be impacted until their annual benefit after COLAs grew to greater than $24,000. Benefits above the specified level would diminish further in purchasing power over time due to the impact of inflation on the portion of the annual benefit that exceeds $24,000.

PERS Administrative Impact: Would require system modifications to limit application of COLA to the specified benefit level.

Category: Benefit Modification

Concept: Fourth Tier of Benefits

Description: Adopt a new statutory defined benefit tier of benefits that provides 2/3 of the OPSRP benefit level for new hires by applying a 1% rather than 1.5% retirement factor to multiply times years of service and final average salary in the annual benefit calculation.

Employer Rate and Liability Impact: Negligible initially; will reduce rates on new hires by about 1.9% to 2% of payroll after the new tier's effective date.

Employer Impact: Would substantially increase administrative complexity as another retirement tier would be mixed into the benefit package and eligibility determinations would need to be made.

Member Impact: Would substantially reduce the retirement benefits for new hires, (e.g., a 1/3 reduction in the current factor would lower the new tier of benefits from the current 45% of final average salary for a 30-year OPSRP general service employee to 30% of final average salary for a 30-year "Tier 4" employee).

PERS Administrative Impact: Would require significant system changes depending on the design of the new benefit plan. Increases system complexity due to the need to manage a fourth tier of benefits.

Category: Benefit Modification

Concept: Defined Contribution (DC) Plan

Description: Adopt a statutory DC plan for new hires that requires employers to contribute 6% of the member's salary to an account, to combine with member contributions and receive market earnings and losses.

Employer Rate and Liability Impact: Negligible for several decades. All Tier One, Tier Two, and OPSRP unfunded liabilities and normal costs would still have to be funded by employers. Future combined payroll rates may decline as new plan members become a greater percentage of the workforce. DC plan employer contributions would need to be less than the OPSRP normal cost rate. The OPSRP normal cost rate for the 2011-13 biennium will average 6.4% of payroll.

Employer Impact: Transfers all investment and longevity risk from the employer to the employee; establishes a determinable, consistent benefit plan cost structure.

Member Impact: The impact on the value of retirement benefits for new hires will depend on investment performance and expenses, amount of employee contributions, and individual life-span. Members could "out-live" benefits. Prior projections for the DC-like IAP component of the current PERS hybrid plan were that a 6% contribution with an estimated 8% annual return provides a benefit equal to 15% to 20% of final average salary for a 30-year member.

PERS Administrative Impact: Would require a new fund investment and benefit administration system, or contracting with a third party administrator, or outsourcing both plan investment and administration functions. Increases administrative complexity and costs by introducing a different benefit structure.

Category: System Financing

Concept: Increase UAL Amortization Period

Description: PERS Board adopts new actuarial methodology to increase the amortization period of the current Tier One/Tier Two unfunded actuarial liability (UAL) from a closed 20 years to a closed 30 years. Future UALs or surpluses would be amortized over a new 30-year period. Current side account amortization periods would remain the same.

Employer Rate and Liability Impact: Increasing the amortization period from 20 to 30 years would initially lower uncollared employer rates by approximately 4% of payroll systemwide, "saving" approximately $720 million per biennium by shifting costs to future years. This would allow negative amortization of the UAL for approximately the first five years, causing the UAL to increase and the system funded status to decline. This increased UAL would need to be financed through future contributions. In addition, the UAL contribution rate would have to be assessed for an additional 10 years should earnings grow only at the assumed rate.

Employer Impact: Currently contemplated changes in Governmental Accounting Standards Board (GASB) financial reporting requirements might require UALs to be amortized over the average remaining service time of active members, which could be as short as 15 years or less. Lengthening the PERS system amortization period could result in additional reporting requirements due to a mismatch between the 30-year amortization period and the shorter GASB required amortization period. Lengthening the amortization period will also result in greater generational inequity as the payoff of UALs attributed to current members and retirees will be deferred, in part, to future member payrolls and future taxpayers.

Member Impact: No direct impact on member benefits.

PERS Administrative Impact: Could result in additional actuarial reporting requirements if GASB adopts amortization periods currently being considered.

Category: System Financing

Concept: Reduce Assumed Earnings Rate

Description: PERS Board, based on advice from OIC investment consultant and PERS actuary, reduces the assumed earnings rate assumption from the current 8% per year to 7.5% per year.

Employer Rate and Liability Impact: Lowering the assumed earnings rate assumption by 0.5% would increase uncollared employer Tier One/Tier Two rates by approximately 1% to 2% of payroll, increasing employer contributions by approximately $180 to $360 million per biennium. This change would result in a net increase in the UAL as accrued liabilities would increase due to the lowering of future earnings expectations. This increase would be offset, in part, by the lowering of expected costs related to future Money Match and Formula + Annuity calculated benefits.

Employer Impact: No identifiable administrative impact.

Member Impact: A reduction in the assumed earnings rate assumption would result in a reduction in the actuarial equivalency factors used to calculate Money Match and Formula + Annuity benefits. Money Match benefits would be reduced by approximately 4% to 8% depending on the current age of the affected member. Formula + Annuity benefits would be affected by approximately half as much as Money Match benefits. However, these reductions may be limited as the Full Formula calculated benefit would provide a floor, preventing some member's retirement benefits from declining by the full amount.

PERS Administrative Impact: Would require the creation of new actuarial factor tables to be used for Money Match calculations and to derive the actuarial equivalent for optional benefit forms.

Category: System Financing

Concept: Limit Net Employer Rate Increases to 3% of Payroll Per Biennium

Description: PERS Board adopts new rate collaring methodology to limit net rate increases to 3% of payroll from one biennium to the next. Rate increase would first apply to base, pooled rates. Employers with side accounts would be given the choice to either allow side account offsets to readjust or remain frozen for the next biennium.

Employer Rate and Liability Impact: Limiting the increase in net employer rates to 3% of payroll in the 2011-13 biennium would reduce the projected rate increases by 2% to 3% of payroll system-wide, “saving” approximately $360 million to $540 million per biennium by shifting costs to future years. System funded status would decline by about 1% of assets per biennium over the next four to five biennia, as employer contributions would not keep pace. Net rates will ultimately rise to a higher level in the future due to the effects of deferred collection of contributions. Also, if earnings do not meet projections, funded status deterioration and future rate impact would be more pronounced. Employer side accounts could also be exhausted before the debt on the associated pension obligation bonds is paid off.

Employer Impact: Could result in an accelerated depletion of side accounts, resulting in significantly higher long-term rates for affected employers. Could create substantial accounting, actuarial, and bond finance reporting concerns.

Member Impact: No direct impact on member benefits.

PERS Administrative Impact: Increases overall complexity of setting employer rates, but is manageable within current system design. Would create substantial financial and actuarial reporting concerns and workload.

Appendix

Demographic Information

Benefit Information

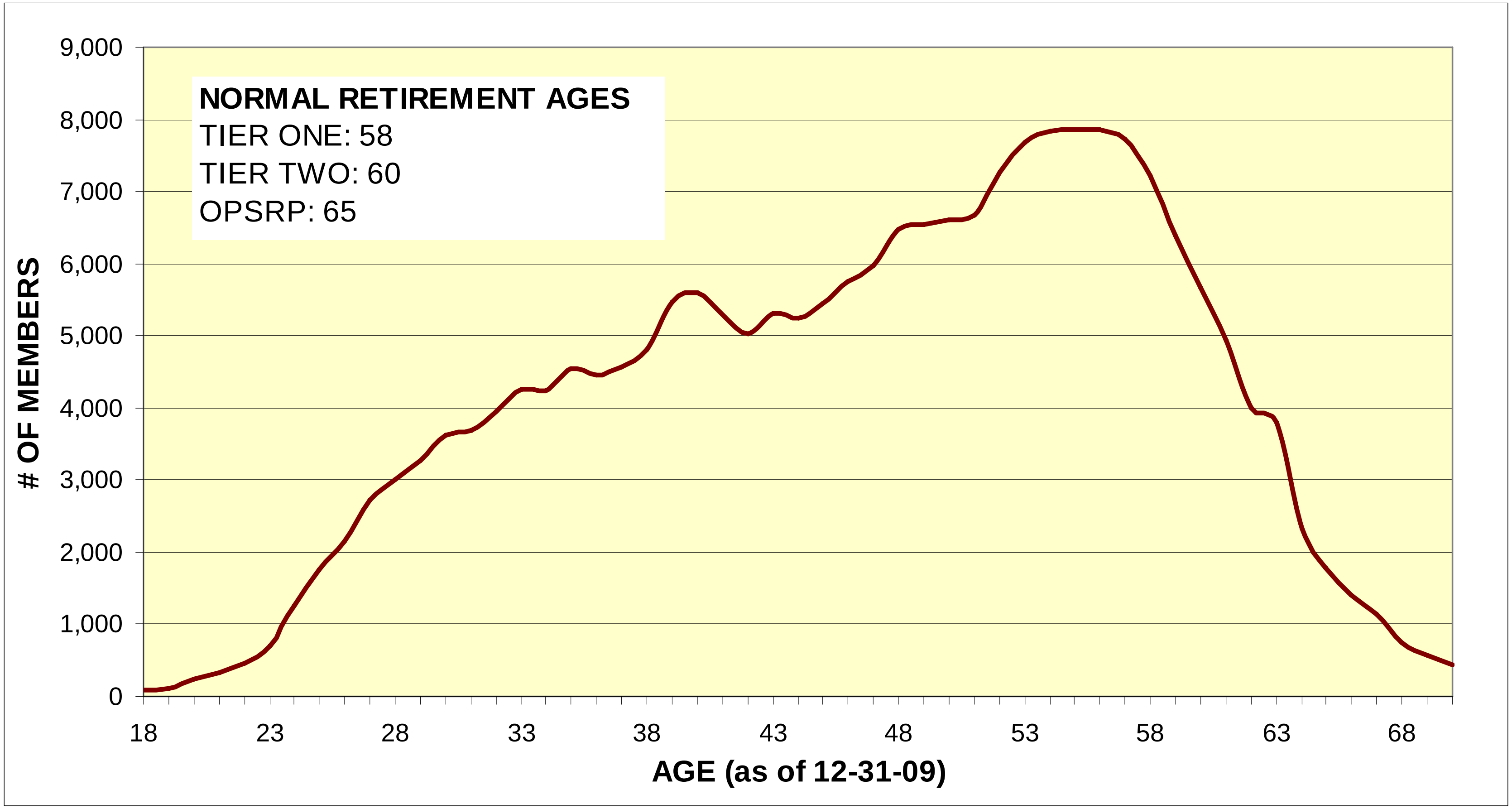
Employer Rate Information

Membership by Category (as of December 31, 2009)

		State Agencies	Local Govt.	School Districts	Total
Tier One	Active	15,290	18,522	23,122	56,934
	Inactive	5,842	7,495	8,408	21,745
Tier Two	Active	13,864	18,604	22,028	54,496
	Inactive	3,702	6,185	6,269	16,156
OPSRP	Active	16,689	21,709	28,778	67,176
	Inactive	385	481	550	1,416
Sub-total	Active	45,843	58,835	73,928	**178,606**
	Inactive	9,929	14,161	15,227	**39,317**
Retirees*		**26,949**	**28,281**	**55,494**	**110,724**
TOTAL					**328,647**

PERS Oregon Public Employees Retirement System

Active and Inactive Member Age Distribution



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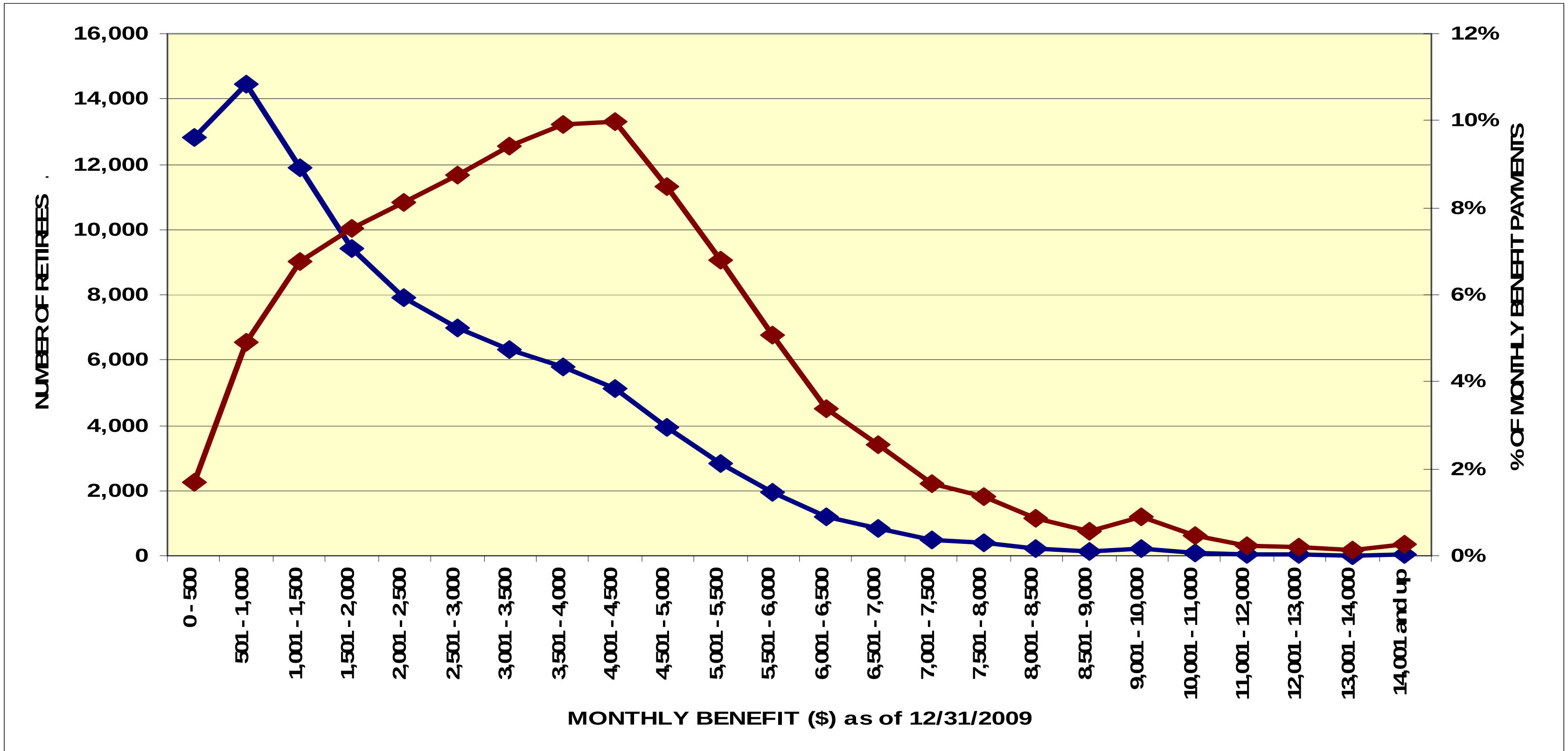
Monthly Benefits: All Retirees

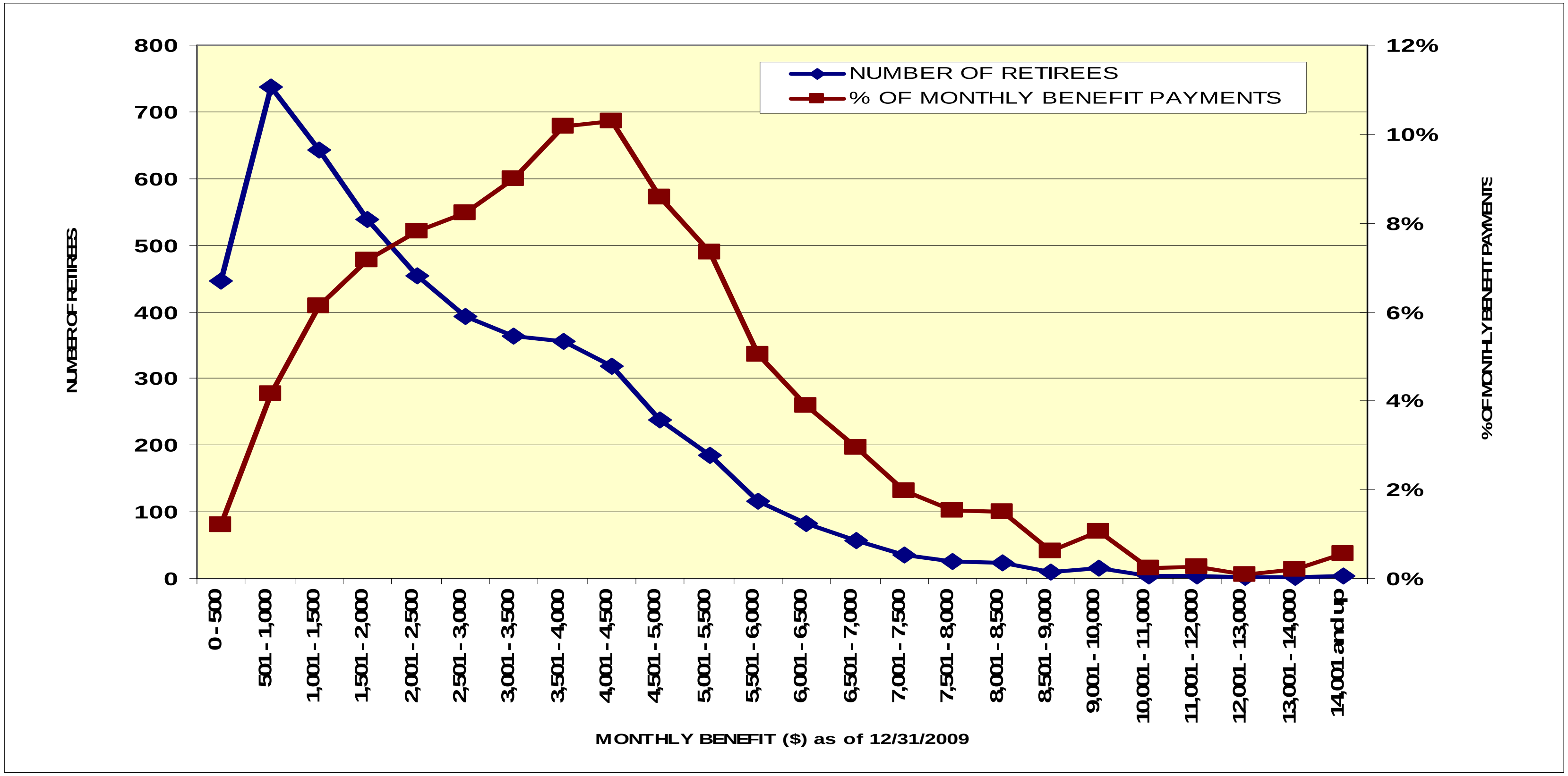


Monthly Benefit ($)	# of Retirees	% of Total $	Monthly Benefit ($)	# of Retirees	% of Total $	Monthly Benefit ($)	# of Retirees	% of Total $	Monthly Benefit ($)	# of Retirees	% of Total $
0-500	12,837	1.70	3,001-3,500	6,339	9.43	6,001-6,500	1,184	3.38	9,001-10,000	206	0.89
501-1,000	14,466	4.92	3,501-4,000	5,783	9.91	6,501-7,000	824	2.54	10,001-11,000	99	0.47
1,001-1,500	11,876	6.75	4,001-4,500	5,128	9.97	7,001-7,500	501	1.66	11,001-12,000	46	0.24
1,501-2,000	9,431	7.52	4,501-5,000	3,920	8.50	7,501-8,000	382	1.35	12,001-13,000	35	0.20
2,001-2,500	7,893	8.11	5,001-5,500	2,831	6.78	8,001-8,500	232	0.87	13,001-14,000	21	0.13
2,501-3,000	6,969	8.77	5,501-6,000	1,938	5.09	8,501-9,000	144	0.58	14,001 & up	34	0.26
Subtotal	63,472		**Subtotal**	25,939		**Subtotal**	3,267		**Subtotal**	441	
Percent of total	68.16%	37.76%	**Percent of total**	27.86%	49.67%	**Percent of total**	3.51%	10.38%	**Percent of total**	0.47%	2.19%

TOTAL RETIREES: 93,119
TOTAL DOLLARS: $218,503,059

PERS Oregon Public Employees Retirement System

Monthly Benefits: 2009 Retirees

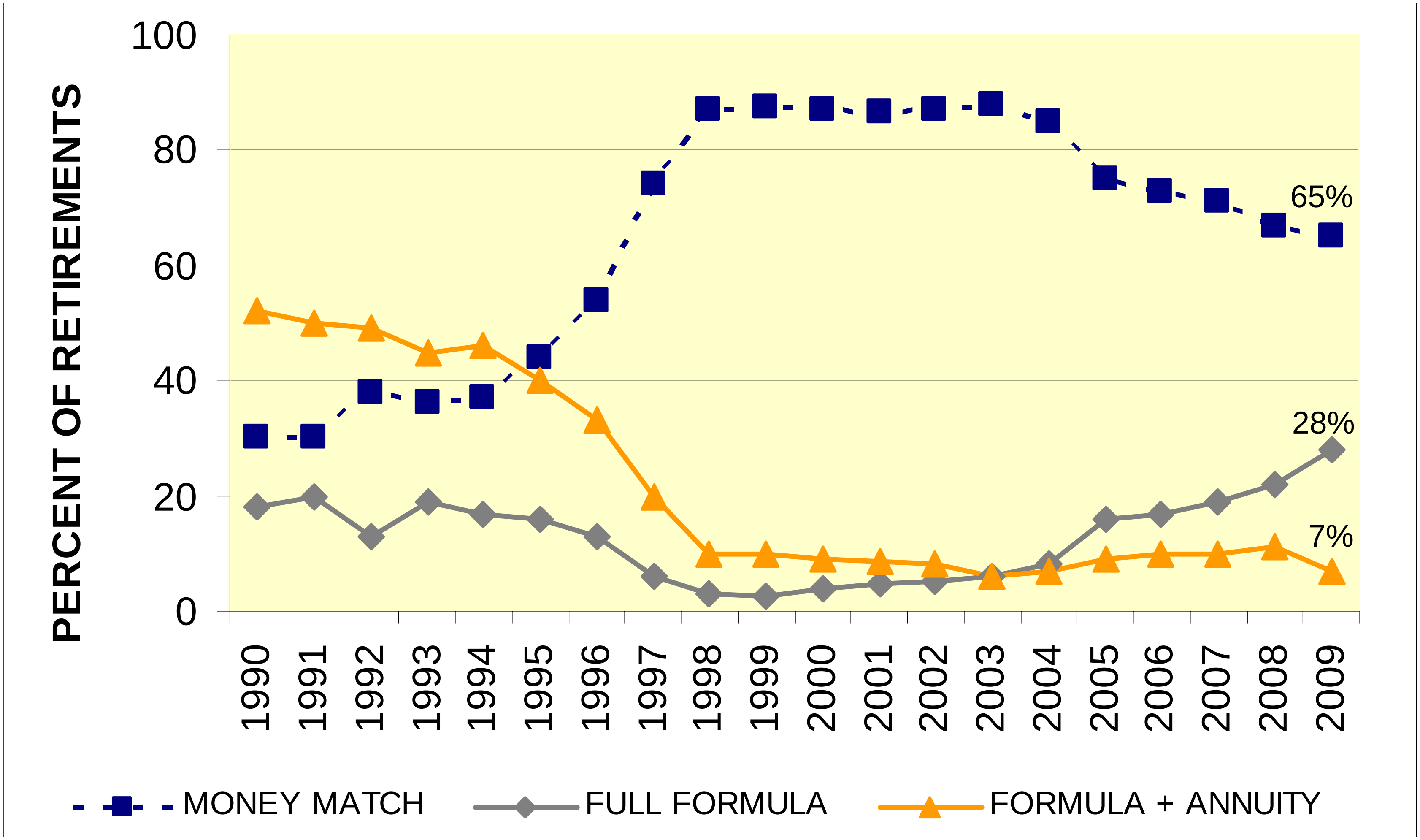


Monthly Benefit ($)	# of Retirees	% of Total $	Monthly Benefit ($)	# of Retirees	% of Total $	Monthly Benefit ($)	# of Retirees	% of Total $	Monthly Benefit ($)	# of Retirees	% of Total $
0-500	447	1.20	3,001-3,500	364	9.00	6,001-6,500	82	3.90	9,001-10,000	15	1.07
501-1,000	737	4.17	3,501-4,000	356	10.16	6,501-7,000	57	2.94	10,001-11,000	3	0.24
1,001-1,500	643	6.12	4,001-4,500	318	10.28	7,001-7,500	36	1.98	11,001-12,000	3	0.26
1,501-2,000	538	7.17	4,501-5,000	238	8.57	7,501-8,000	26	1.54	12,001-13,000	1	0.10
2,001-2,500	455	7.80	5,001-5,500	184	7.35	8,001-8,500	24	1.51	13,001-14,000	2	0.21
2,501-3,000	394	8.24	5,501-6,000	115	5.05	8,501-9,000	9	0.60	14,001 & up	4	0.55
Subtotal	3,214		**Subtotal**	1,575		**Subtotal**	234		**Subtotal**	28	
Percent of total	63.63%	34.70%	**Percent of total**	31.18%	50.41%	**Percent of total**	4.63%	12.47%	**Percent of total**	0.55%	2.42%

TOTAL RETIREES: 5,051
TOTAL DOLLARS: $13,124,634

PERS Oregon Public Employees Retirement System

Tier One/Tier Two Retirement Benefit Calculation Method Trends



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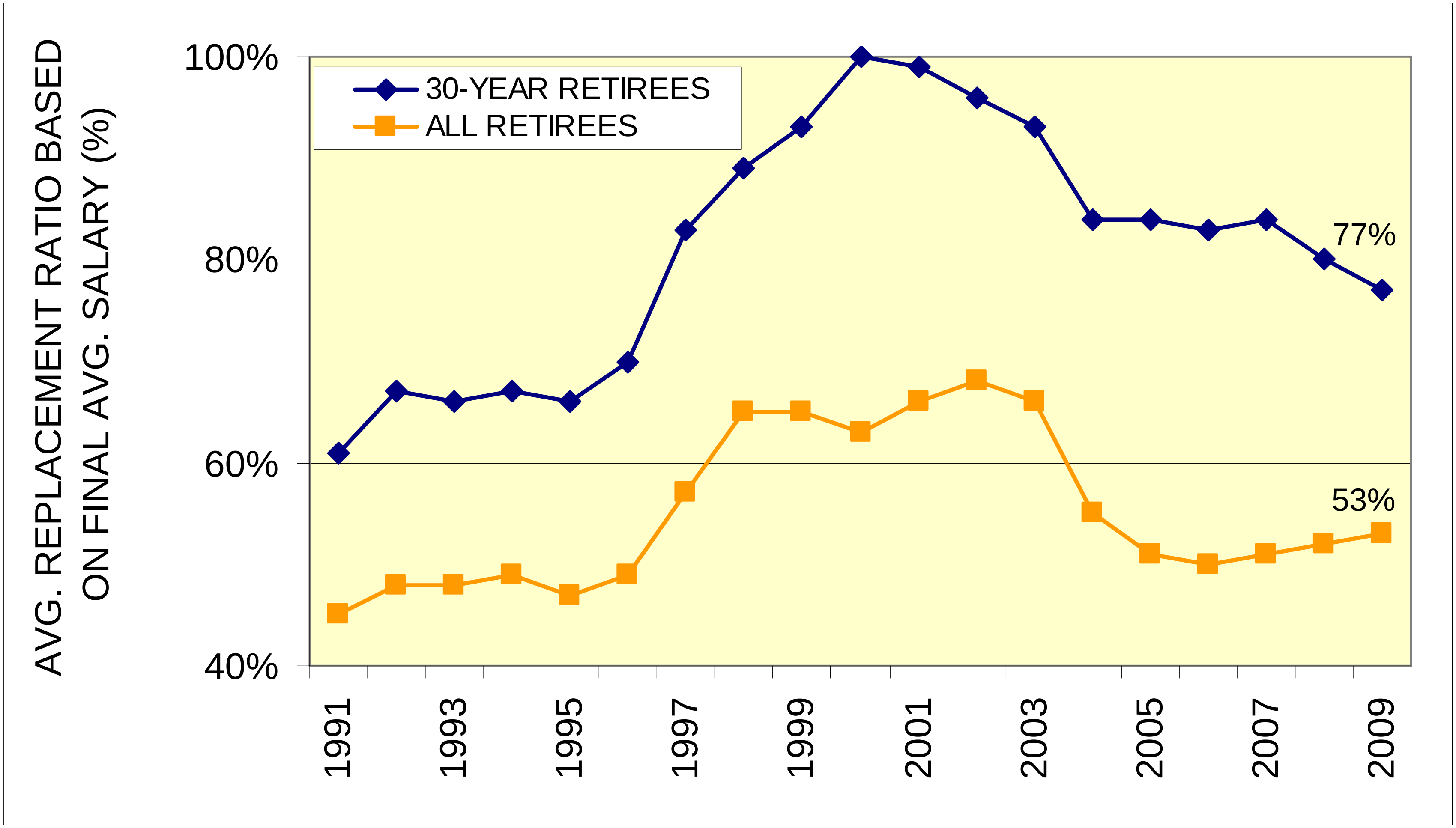
Replacement Ratio Trends



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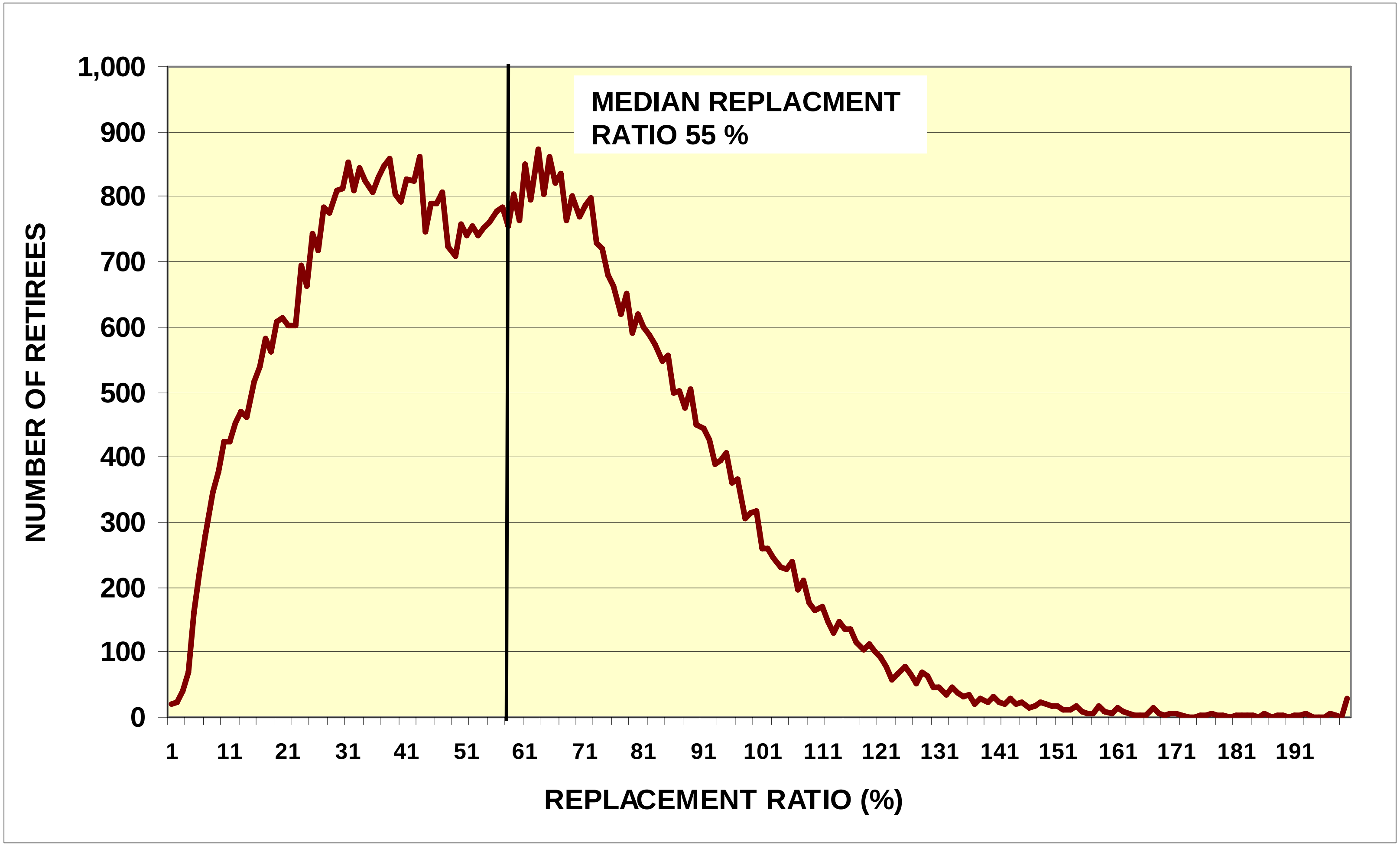
Replacement Ratios: 1990-2009 Retirees, All Years of Service



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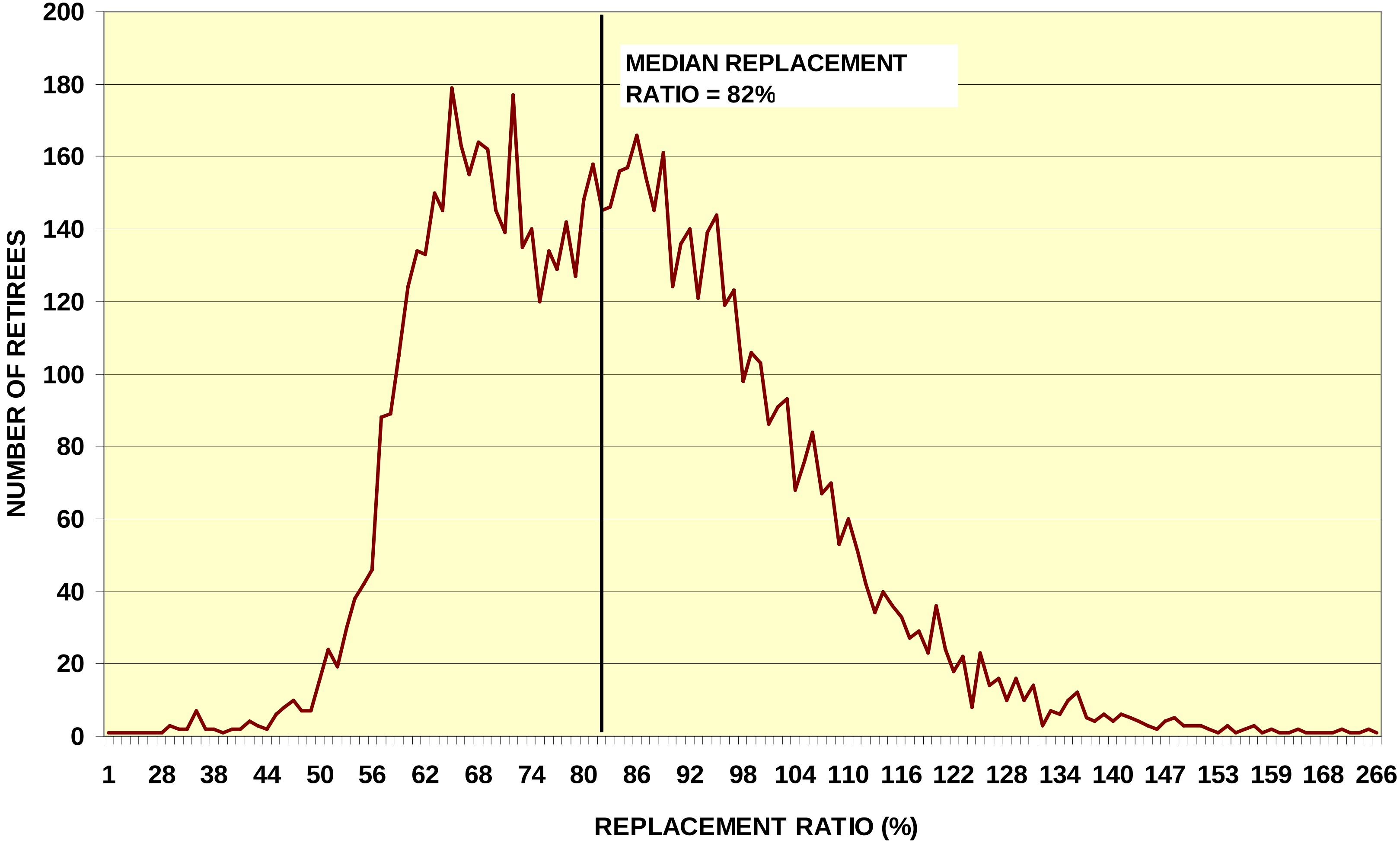
Replacement Ratios: 1990-2009 Retirees With 30 Years of Service



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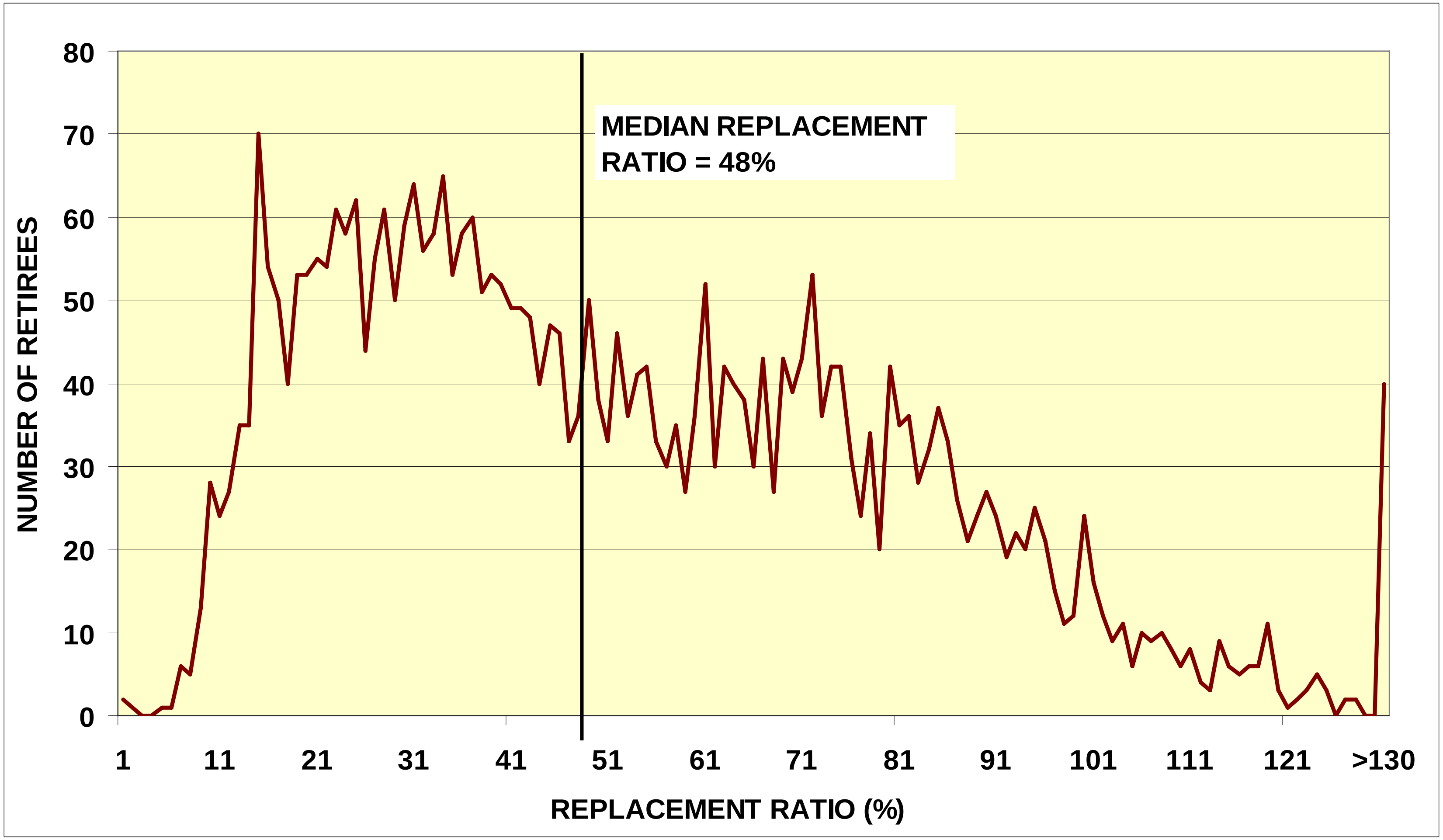
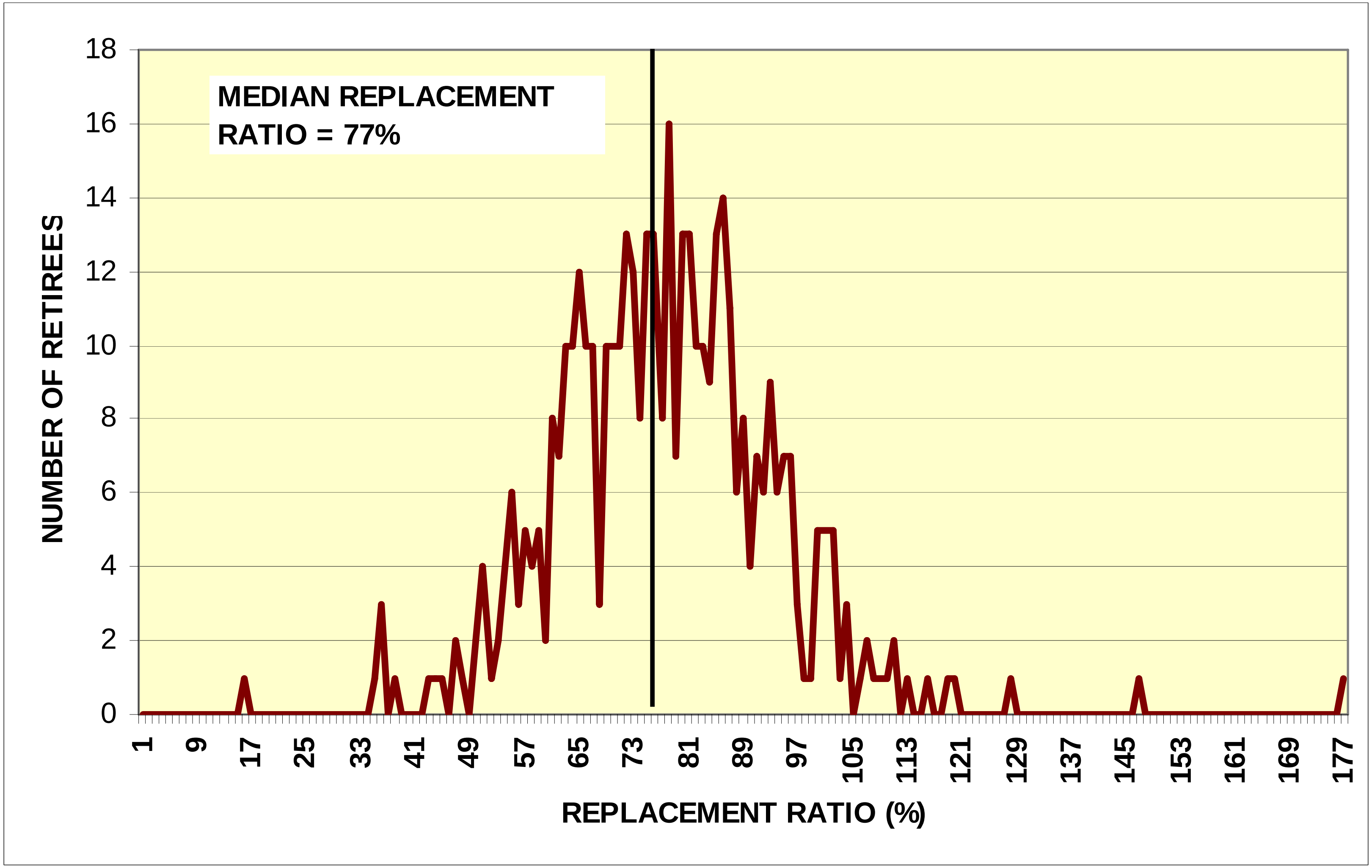
Replacement Ratios: 2009 Retirees
All Years of Service



Replacement Ratios: 2009 Retirees With 30 Years of Service



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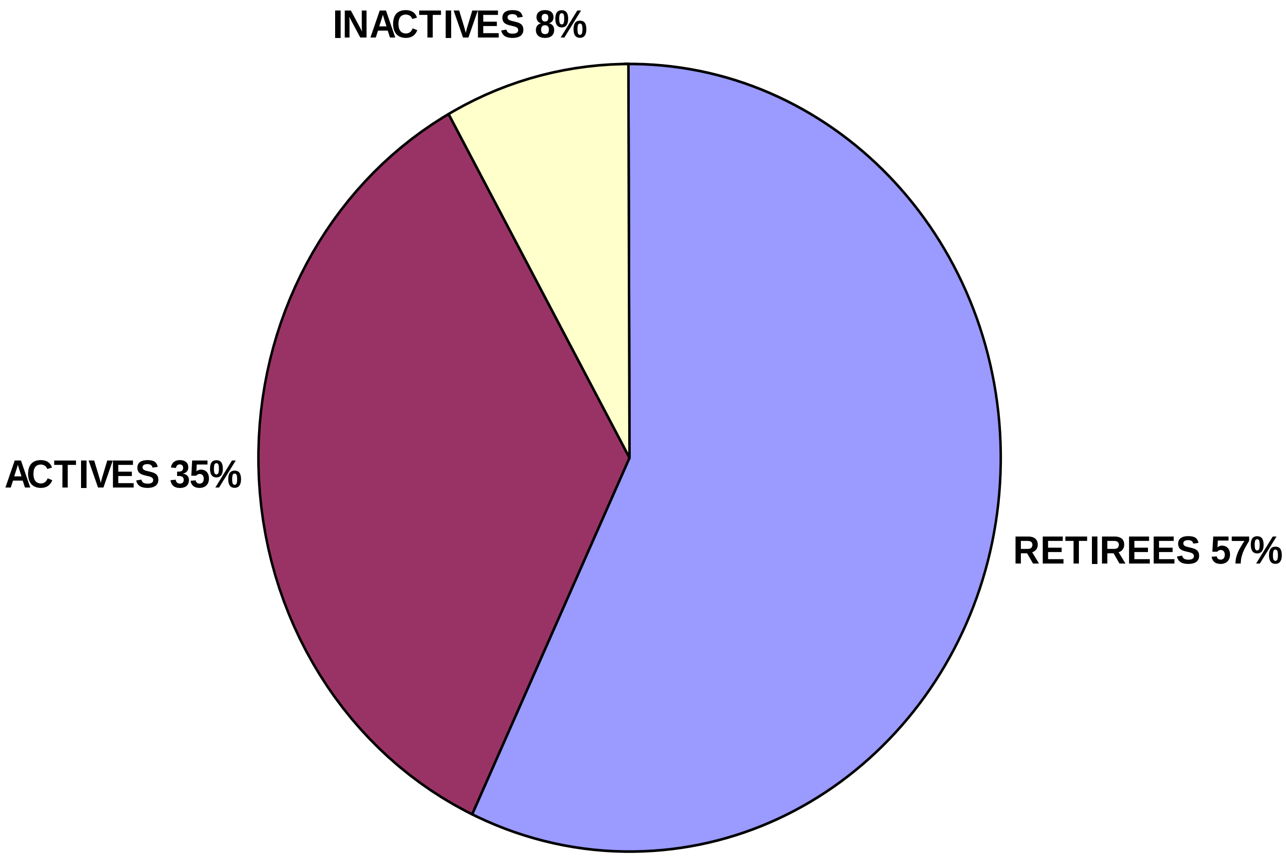
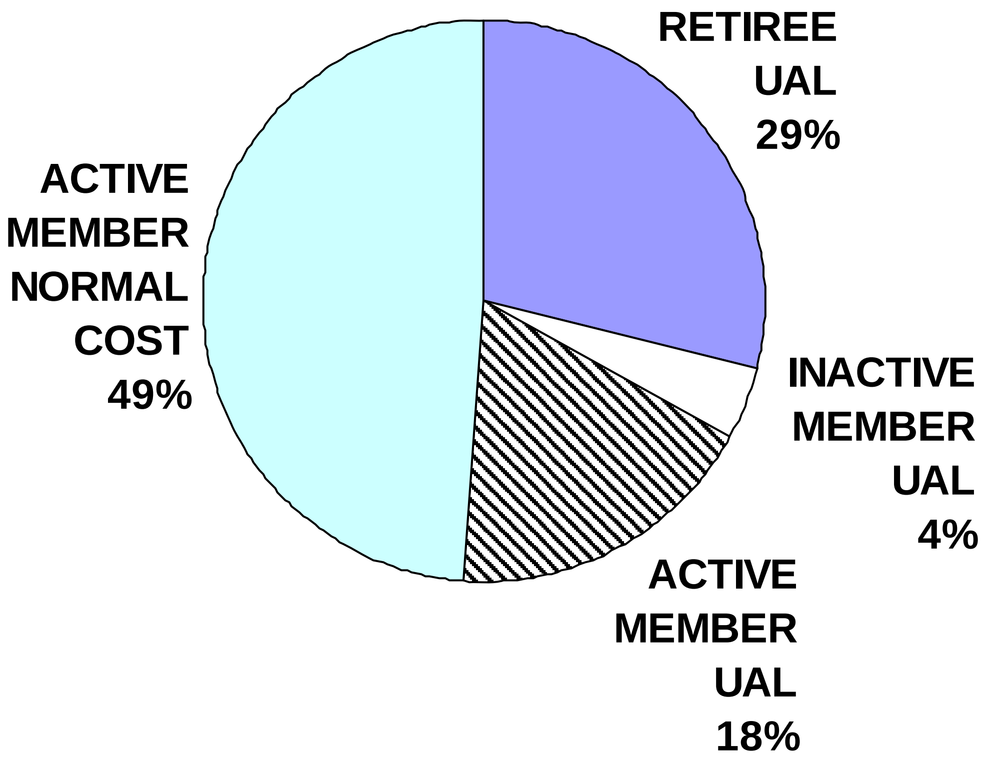
PERS Liabilities by Member Type



PERS 2011-13 Base Employer Rate Allocation

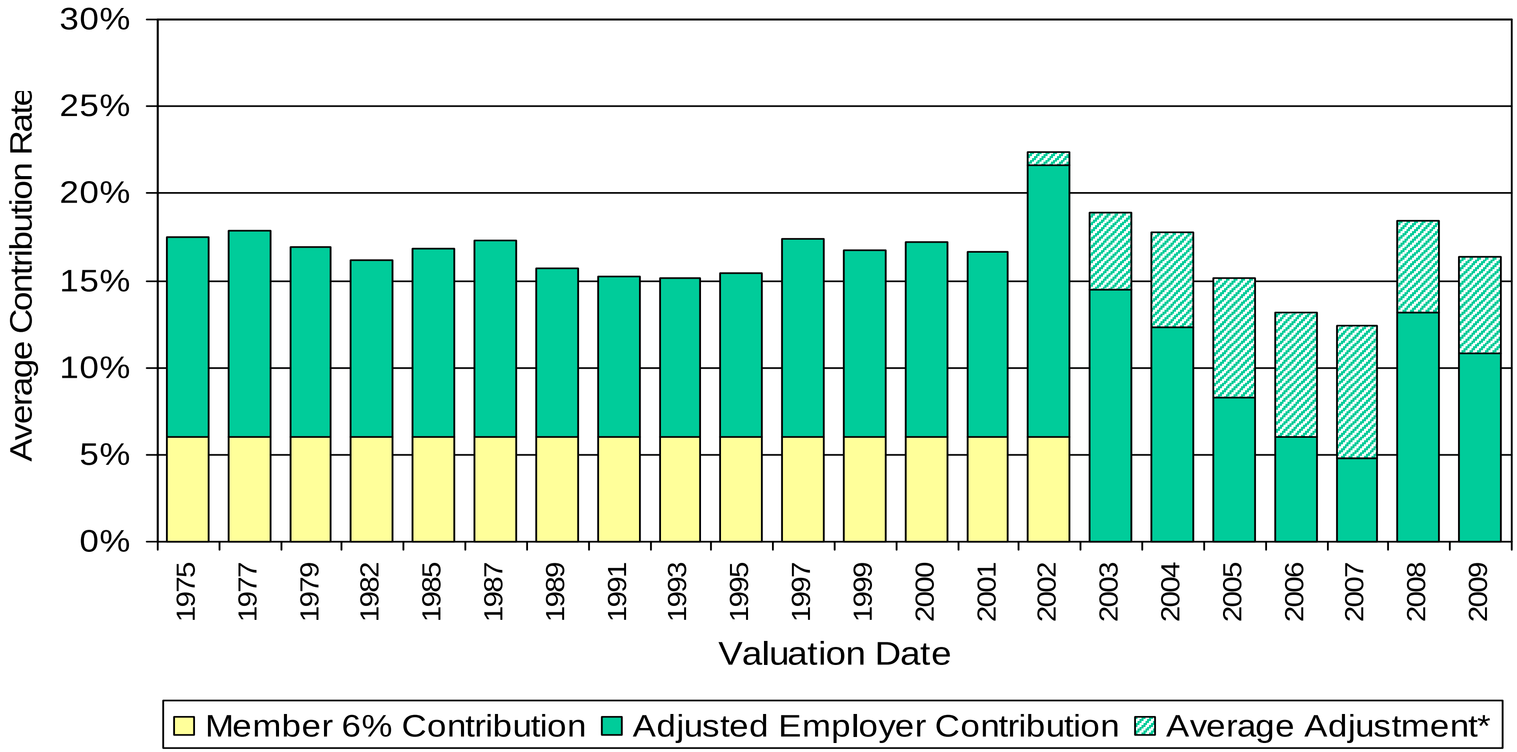


- Normal cost: Cost of benefits earned in the current period
- Unfunded actuarial liability (UAL): Amortized cost of accrued liabilities not covered by actuarial value of assets

Historical Perspective on Valuation Rates
(Excluding IAP)

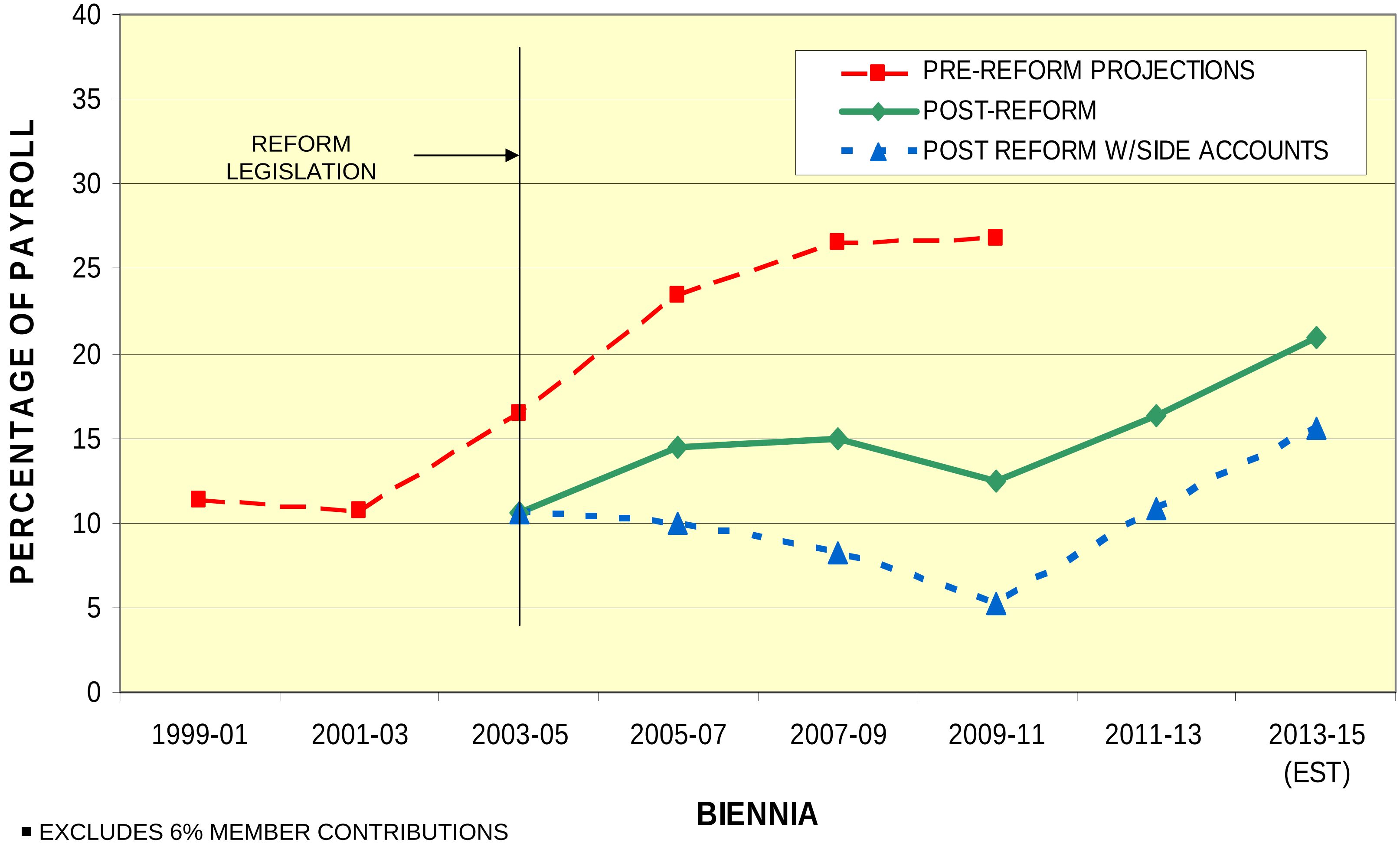
When comparing historical valuation rates, please note that there have been a number of changes including:

- Money Match benefits were not valued until 1997.
- A smoothed value of assets was used from 2000 through 2003.
- PERS reform was valued beginning in 2001.
- The entry age normal cost method was used until 2004 when projected unit credit (PUC) was adopted.



* Adjustments to individual employer contribution rates are made for side accounts and pre-SLGRP liabilities or surpluses

PERS Employer Rates:
Pre-Reform Projected vs. Post-Reform Actual



- EXCLUDES 6% MEMBER CONTRIBUTIONS
- INCLUDES TIER ONE/TIER TWO & OPSRP
- RATES FOR 2005-07 & BEFORE ARE AS OF VALUATION DATE
- PROJECTED 2013-15 RATES ARE DISPLAYED BASED ON CURRENT RATE-SETTING POLICIES & ASSUMPTIONS
- PRE-REFORM PROJECTIONS PREPARED APRIL 7, 2003 REFLECTING METHODS AND ASSUMPTION IN EFFECT AT THE TIME, INCLUDING AN ANNUAL 8% INVESTMENT RETURN

State of Oregon Total PERS Cost History
(Percent of Covered Salary)

Biennium	Base* Rate	Side Account Offset	Pension Obligation Bond Cost**	Member Contributions	Total PERS Cost
2001 - 2003	9.49%	-	-	6.00%	**15.49%**
2003 - 2005	11.31%	-6.60%	6.45%	6.00%	**17.16%**
2005 - 2007	16.12%	-8.06%	6.20%	6.00%	**20.26%**
2007 - 2009	16.18%	-9.47%	5.87%	6.00%	**18.58%**
2009 - 2011	13.00%	-9.83%	5.95%	6.00%	**15.12%**
2011 - 2013	16.05%	-6.45%	5.62%	6.00%	**21.22%**

* Source: Mercer blended PERS/OPSRP rate reports
**DAS pension obligation bond cost charges per PERS Budget section.

When comparing historical valuation rates, please note that there have been a number of changes including:

- Money Match benefits were not valued until 1997
- A smoothed value of assets was used from 2000 through 2003
- PERS Reform was valued beginning 2001
- The entry age normal cost method was used until 2004 when projected unit credit (PUC) was adopted
- Beginning January 1, 2004, member contributions were placed in the IAP

2011-13 Employer Rates and Contributions

	2009-11 Biennium	2011-13 Biennium	2011-13 Net Increases
State Agencies			
Net Employer Rate	3.3%	10.1%	+ 6.8%
Contributions ($M)	$153	$510	+ $357
Projected Payroll ($M)	$4,710	$5,070	
School Districts			
Net Employer Rate	5.4%	11.4%	+ 6.0%
Contributions ($M)	$308	$703	+ $395
Projected Payroll ($M)	$5,750	$6,190	
Independents/All Others			
Net Employer Rate	6.4%	10.9%	+ 4.5%
Contributions ($M)	$422	$770	+ $348
Projected Payroll ($M)	$6,570	$7,070	
All Employers			
Net Employer Rate	5.2%	10.8%	+ 5.6%
Contributions ($M)	$884	$1,984	+ $1,100
Projected Payroll ($M)	$17,030	$18,330	

"Net Employer Rate" includes side account offsets but not IAP contributions or the costs of debt service on Pension Obligation bonds. Contributions are total new dollars coming into the system, by biennium. Rates for 2011-13 would be effective July 1, 2011. Payroll amounts were projected based on the December 31, 2009 valuation payroll and assuming a 3.75% annual payroll growth.

PERS Oregon Public Employees Retirement System

Oregon

Theodore R. Kulongoski, Governor

Public Employees Retirement System
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November 19, 2010

TO: Members of the PERS Board

FROM: Steven Patrick Rodeman, Deputy Director

SUBJECT: Public Records Resolution

Attached is a draft letter by Pete Shepherd, the special counsel representing PERS in the Marion County Circuit Court action seeking review of *The Oregonian's* request for names, employment history, and benefit information on all retired members receiving annual benefits in excess of $100,000. The letter requests the court to assign the matter to a settlement judge, rather than proceeding to a decision by the court on motions for summary judgment or trial.

While *The Oregonian's* request is the subject of the current action, a petition has also been filed by the *Salem Statesman-Journal* for similar information for all retired members, not just those receiving over $100,000. Also, *The Oregonian* has filed an additional request for information about retired members who returned to PERS-covered employment over the past two years. These public records requests raise issues beyond just the correct legal standard to apply under the applicable law. Public records law currently provides no mechanism to mediate any disputes that arise in connection with these requests. Aside from the legal standard, questions on the scope, content, and format of these requested public records need a forum for discussion. PERS is hopeful that the settlement process allows those broader issues to be addressed constructively.

The legal process in the current law also only resolves one specific request at a time. Recent history shows that PERS records have and will continue to be the subject of multiple inquiries from the media and general public. Our goal through this settlement process will be to develop an administrative framework that will have general application to these and other requests that involve individual member information so the parameters of what will be disclosed along with a member's name are clearly delineated. The process would also allow interested parties to participate in these discussions or to bring their perspectives to bear through the administrative rulemaking process. That framework could also be a starting place should the legislature address public records in the upcoming session.

STAFF RECOMMENDATION

Staff recommends that the Board pass a motion to "adopt a resolution supporting the request to refer the pending Marion County Circuit Court public records action, and any related matters, to a settlement judge to develop among the parties an administrative framework of general application to PERS public records requests that involve members' personally identifiable data."

Oregon
Public
Employees
Retirement
System

PETER D. SHEPHERD
Admitted in Oregon
pete.shepherd@harrang.com

D.2.d. Attachment

SALEM OFFICE

November 19, 2010

Honorable Joseph Guimond
Marion County Courthouse
100 High Street NE
Salem OR 97301

Re: PERS v. Oregonian Publishing Company LLC
Marion County Circuit Court Case No. 10C21981

Dear Judge Guimond:

I represent the Oregon Public Employees Retirement System (PERS) in *PERS v. The Oregonian* (Marion Circuit Court Number 10C21981), a case assigned to you. PERS respectfully requests that you entrust this case to a settlement judge.

PERS denied a public records request to disclose to *The Oregonian* certain individually-attributed records about *all* former public servants within a class described in the request. After considering the public interests asserted by *The Oregonian* in support of its request, PERS concluded that full compliance with the request would unreasonably invade the privacy of retirees within the described class. The Attorney General ordered PERS to release the requested information, overturning PERS's previous understanding of the applicable rule of law. PERS had only two options: comply with the order (requiring disclosure of *all* the requested records as to *all* of the individuals within the class – even as to records concerning persons within the class who have heightened privacy concerns), or to seek within seven days of the Attorney General's order a judicial declaration of its obligations, including the possibility that law compels only disclosure of a more limited set of records about fewer than all members of the class described in the request.

Given those options, PERS chose to file its complaint. *The Oregonian*, represented by Mr. Hinkle, answered and filed a Motion for Summary Judgment.

PERS believes the important public interests here include establishing the standard for PERS members regarding the reasonable level of their personal privacy expectations, the duty of PERS to fulfill its fiduciary obligations to its members as well as protect against unnecessary costs of litigation and administration, and the duty to conduct the public's business openly within those parameters. A settlement process overseen by a judge of this court would help all of the interested parties explore ways in which all of the foregoing interests, and more, might be satisfied for pending as well as for reasonably foreseeable future requests for public disclosure of individually-identified records held by PERS.

Earlier today, the Public Employee Retirement Board directed PERS staff to seek the court's assistance in beginning a settlement process overseen by the judiciary. I contacted Mr. Hinkle immediately upon receiving that direction. I informed him of these instructions and invited him to make his client's views know to the court and to PERS at his earliest convenience. I also contacted David Leith, Chief Counsel, General Counsel Division, to invite the Oregon Department of Justice to participate in the settlement conference.

Thank you for your consideration of this request.

Sincerely,

Peter D. Shepherd

PDS:jl
cc: Charles Hinkle
David Leith
Client
S0019389.DOC;2