



Oregon

Theodore R. Kulongoski, Governor

Public Employees Retirement System

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July 16, 2009

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

OVERVIEW

- Action: Adopt modifications to Actuarial Equivalency Factors rules.
- Reason: Align the approval and implementation dates for actuarial equivalency factors with Board practice.
- Subject: Process for adopting actuarial equivalency factors.
- Policy Issues: None at this time.

BACKGROUND

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

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

SUMMARY OF MODIFICATIONS TO RULES SINCE NOTICE

The rules as presented have not been changed since the PERS Board's May 29, 2009 meeting.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held on June 16, 2009 at 2:00 p.m. at PERS headquarters in Tigard. Jeanine Keller, City of Portland, and Steve Keller attended. Mrs. Keller asked questions regarding possible changes to the assumed earnings rate, which did not pertain to the substance

of the proposed rule changes. Dale Orr explained that the proposed changes to OAR 459-005-0055 change the year in which actuarial equivalency factors are adopted by the Board, and that the Board is going to be adopting new factors in November of this year, effective January 1, 2010. No other public comments were received by the close of the public comment period on July 1, 2009 at 5:00 p.m.

LEGAL REVIEW

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

IMPACT

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

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

Cost: No cost.

RULEMAKING TIMELINE

April 15, 2009	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
May 1, 2009	<i>Oregon Bulletin</i> published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
May 29, 2009	PERS Board notified that staff began the rulemaking process.
June 16, 2009	Rulemaking hearing held at 2:00 p.m. in Tigard.
July 1, 2009	Public comment period ended at 5:00 p.m.
July 16, 2009	Board may adopt the permanent rule modifications.

BOARD OPTIONS

The Board may:

1. Pass a motion to “adopt modifications to the Actuarial Equivalency Factors rules, as presented.”
2. Direct staff to make other changes to the rules or explore other options.

STAFF RECOMMENDATION

Staff recommends the Board choose Option #1.

- Reason: The rule modifications are needed to align the approval and implementation dates for actuarial equivalency factors with Board practice.

Adoption – Actuarial Equivalency Factors rules

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

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

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

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