

# OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING

**Thursday,  
May 26, 2011  
1:00 P.M.**

**PERS  
11410 SW 68<sup>th</sup> Parkway  
Tigard, OR**

	ITEM	PRESENTER
<b>A. Administration – 1:00 P.M.</b>		
1. 2.	March 28, 2011 Board Meeting Minutes Director's Report a. Forward-Looking Calendar b. OIC Investment Report c. Operating Budget Report d. Quarterly Report of Member Transactions e. 2011 Retirement Trend Update f. Employer Reporting Update g. Restated Balances after 2010 Earnings Crediting	CLEARY
<b>B. Administrative Rulemaking</b>		
1. 2. 3. 4. 5.	Notice of Combined and Concurrent Service Rules Notice of Self-Directed Brokerage Account Rule Notice of Social Security Rules Adoption of Trustee-to-Trustee Transfer Rules Adoption of Recovery of Administrative Costs Rule	RODEMAN
<b>C. Action and Discussion Items</b>		
1. 2. 3. 4. 5. 6. 7.	Retiree Health Insurance 2012 Plan Renewals and Rates Appoint Advisory Committee Members for Oregon Savings Growth Plan RIMS Conversion Project (RCP) Deployment Update ETOB Reports; City of The Dalles and Union County 2010 Experience Study Presentation 2011 Legislative Session Update Petition for Reconsideration – Murray Contested Case	MATCHETT BATH RODEMAN MERCER/ORR MERCER O'LEARY KUTLER
<b>D. Executive Session Pursuant to ORS 192.660(2)(f), (h), and/or ORS 40.225</b>		
1.	Litigation Update	LEGAL COUNSEL

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

James Dalton, Chair \* Eva Kripalani \* Mike Pittman \* Laurie Warner \* Pat West  
Paul R. Cleary, Executive Director  
Level 1 - Public



# OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Item A.1.

March 28, 2011 PERS Board Meeting  
Tigard, Oregon

## MINUTES

### Board Members:

James Dalton, Chair  
Mike Pittman  
Laurie Warner  
Pat West

### Staff:

Helen Bamford  
Paul Cleary  
David Crosley  
Jon DuFrene  
Joe DeLillo  
Yvette Elledge  
Brian Harrington  
Rick Howitt  
Kyle Knoll  
Jennie Little  
Jeff Marecic  
Joe O'Leary  
Dale Orr  
Steve Rodeman  
Jason Stanley  
Stephanie Vaughn

### Others:

Bruce Adams  
Marc Feldesman  
Frank Goulard  
Bruce Griswold  
Jeff Gudman  
Blake Johnson  
Keith Kutler  
Donna Lantz  
Matt Larrabee  
Steve Manton  
Aruna Masih  
Elizabeth McCann  
Victor Nolan  
Scott Peppernau  
Bill Robertson  
Carol Samuels  
Dennis Thompson  
Deborah Tremblay  
John Wish  
Denise Yunker

Chair James Dalton called the meeting to order at 1:00 P.M.; Board member Eva Kripalani was excused.

## ADMINISTRATION

### A.1. BOARD MEETING MINUTES OF JANUARY 28, 2011

The Board unanimously approved the minutes from the January 28, 2011 Board meeting.

### A.2. DIRECTOR'S REPORT

Mike Mueller, Deputy Chief Investment Officer for the Oregon State Treasury, presented the February 2011 Oregon Investment Council Report (OIC) detailing the Fund's asset allocation and related investment returns. Mueller presented the OIC Investment Cost and Performance Benchmarking report prepared by CEM Benchmarking, an independent provider of peer group benchmarking information. Mueller noted the report compares PERS cost and return performance for the five-year period ending December 2009. Mueller said the report compared Oregon to a peer group of 10 public and 8 private funds of approximately the same fund size and determined that Oregon was a relatively low-cost, high-performance fund. Mueller noted that Oregon's fund management costs were lower for a multitude of reasons including long-term favorable external management relationships and fees.

Executive Director Paul Cleary presented the Board's forward-looking calendar noting that the next Board meeting, on Thursday, May 26, will include retiree health insurance 2011 plan renewals and rates, and a Mercer review of actuarial methods and assumptions as part of the 2010 experience study.

Cleary presented a revised March 2011 operating budget report noting a positive variance of approximately \$3.4 million (4% of the operating budget). Cleary noted some of the accumulated variance had been re-programmed for IT system infrastructure upgrades, a back-up generator and completion of the RIMS Conversion Project (RCP).

Cleary reviewed the upcoming Cost-of Living Adjustment (COLA) for PERS retirees and beneficiaries. Cleary said that Tier One and Tier Two members and beneficiaries with effective retirement dates between August 1, 2008 and July 1, 2011, will receive a 1.25 percent COLA. Cleary reported that Tier One and Tier Two members with effective retirement dates on or before July 1, 2008, will receive a 2 percent COLA. Cleary explained that OPSRP retirees with effective retirement dates on or before July 1, 2010, will receive a 1.25 percent COLA, and those who retired after that date will receive a pro-rate of that amount.

Providing a detailed workload report of member transactions, Cleary said there has been a dramatic increase in estimate requests due to uncertainty in budgets and employer retirement incentives. Cleary said PERS goal is to provide members an estimate within 90 days of the designated retirement date however there is currently a backlog of requests.

#### NOTICE OF RULEMAKING

##### B.1. SECOND NOTICE OF RULEMAKING FOR RECOVERY OF ADMINISTRATIVE COSTS RULE

Deputy Director Steve Rodeman provided second notice of rulemaking for the recovery of administrative costs rule that would clarify eligibility and establish a \$100 fee for members requesting additional verifications of retirement data under the provisions of SB 897 (2010). No Board action was required.

#### FIRST READING

##### C.1. FIRST READING OF TRUSTEE-TO-TRUSTEE TRANSFER RULES AND NOTICE OF RULEMAKING FOR NEW PURCHASES RULES

Rodeman presented the first reading of Trustee-to-Trustee Transfer and New Purchase Rules that will allow members to restore forfeited creditable service or to make retirement credit purchases via a trustee-to-trustee transfer from certain other retirement plans. Rodeman said the proposed rules have been revised and will be presented at the May Board meeting for adoption. No Board action was required.

#### ACTION AND DISCUSSION ITEMS

##### D.1. 2010 FINAL EARNINGS CREDITING

Rodeman described the 2010 final earnings crediting from the PERS Fund which differed slightly from preliminary estimates due to routine final year-end adjustments and postings. Rodeman provided a recommended final allocation chart based on the Board's preliminary

decision to evenly credit earnings to the Contingency Reserve and increase the reserve balance by \$81.3 million to \$734.4 million.

Mike Pittman moved and Pat West seconded the motion to adopt the final crediting of earnings for calendar year 2010 as recommended. The motion passed unanimously.

#### D.2. UPDATED FINANCIAL MODELING RESULTS

Matt Larrabee and Scott Peppernau, Mercer actuaries, provided updated system financial modeling results based on asset levels and estimated liabilities for 2010. The financial modeling report is produced to enhance system transparency for PERS members, employers, and other interested parties, and improve public understanding of PERS. Larrabee said that financial modeling results are not guaranteed and projected employer rates will vary with actual long-term investment results. Larrabee also described the impact that early year investment returns can have on the long-term economics of pension obligation bonds and related employer side accounts.

Chair Dalton noted that there were no major changes to the contribution projections for the near-term and that employers should prepare for additional rate increases over the next several biennia despite the recent positive investment climate.

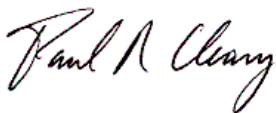
#### D.3. 2011 LEGISLATIVE SESSION UPDATE

Joe O'Leary, PPLAD Administrator, provided a summary of legislative bills introduced in the 2011 session that may make significant changes to PERS. O'Leary noted these were 42 PERS-related bills being tracked including the newly introduced Senate Bill 950 that would allow the Oregon Savings Growth Plan (OSGP) to offer a Roth 457.

Steve Manton, City of Portland, asked if there was any consideration of allowing members to redirect their IAP accounts into less risky investments as they approached retirement age. Cleary noted that the IAP monies are currently invested as part of the overall regular account, and it would require both statutory and operational changes to accommodate any member self-direction of IAP investments. Cleary said staff will evaluate that option as part of an examination of longer-term IAP operations.

Chair Dalton adjourned the meeting at 2:50 PM.

Respectfully submitted,



Paul R. Cleary  
Executive Director



## **PERS Board Meeting Forward-Looking Calendar**

### **July 29, 2011**

Adoption of OSGP Self-Directed Brokerage Option Rule  
Adoption of Combined and Concurrent Service Rules  
Adoption of Disability Rules  
Adoption of Social Security Rules  
2010 Experience Study  
2011 Legislative Results

Audit Committee Meeting

### **September 23, 2011**

2010 Valuation Results  
2010 Actuarial Equivalency Factors

### **November 18, 2011**

Employer Reporting

Audit Committee Meeting



Returns for periods ending 4/30/11

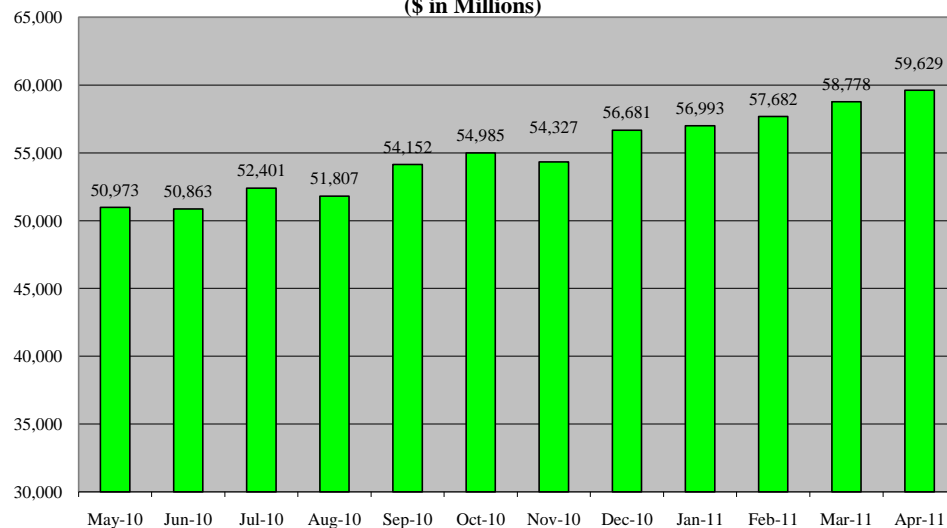
Oregon Public Employees Retirement Fund

OPERF	Regular Account				Historical Performance (Annual Percentage)					
	Policy <sup>1</sup>	Target <sup>1</sup>	\$ Thousands <sup>2</sup>	Actual	Year-To-Date <sup>3</sup>	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS
Public Equity	38-48%	43%	\$ 23,526,525	40.1%	9.01	20.45	30.89	1.20	0.35	3.07
Private Equity	12-20%	16%	12,574,557	21.4%	6.41	17.53	18.58	2.19	5.37	9.00
<b>Total Equity</b>	<b>54-64%</b>	<b>59%</b>	<b>36,101,082</b>	<b>61.6%</b>						
Opportunity Portfolio			1,121,858	1.9%	8.74	19.17	29.85	8.49	5.68	
<b>Total Fixed</b>	<b>20-30%</b>	<b>25%</b>	<b>15,530,042</b>	<b>26.5%</b>	3.27	8.37	16.12	8.84	7.36	7.54
Real Estate	8-14%	11%	5,860,127	10.0%	9.70	18.18	8.08	(6.46)	(4.16)	1.10
Alternative Investments	0-8%	5%	-	0.0%						
Cash	0-3%	0%	21,504	0.0%	0.43	0.91	1.39	1.22	2.13	2.77
<b>TOTAL OPERF Regular Account</b>		<b>100%</b>	<b>\$ 58,634,613</b>	<b>100.0%</b>	7.01	16.31	22.10	2.23	2.13	4.49
<b>OPERF Policy Benchmark</b>					7.06	15.46	19.34	2.54	2.69	4.92
Value Added					(0.05)	0.85	2.76	(0.31)	(0.56)	(0.43)
<b>TOTAL OPERF Variable Account</b>			<b>\$ 993,979</b>		8.84	19.56	29.90	0.91	(1.19)	1.41

Asset Class Benchmarks:

Russell 3000 Index	9.55	18.35	29.14	2.75	0.71	3.33
MSCI ACWI Ex US IMI Net	8.25	20.28	30.93	(0.49)	0.63	4.18
MSCI ACWI IMI Net	8.76	19.27	29.89	0.74	0.34	3.46
Russell 3000 Index + 300 bps--Quarter Lagged	12.39	20.40	26.40	2.25	3.73	6.58
Oregon Custom FI Benchmark	1.87	5.55	7.63	5.91	5.91	6.25
NCREIF Property Index--Quarter Lagged	4.62	13.11	(3.02)	(4.18)	0.47	3.51
91 Day T-Bill	0.07	0.17	0.16	0.49	1.42	2.16

**TOTAL OPERF NAV**  
(includes variable fund assets)  
One year ending April 2011  
(\$ in Millions)



<sup>1</sup>OIC Policy 4.01.18, as revised April 2011.

<sup>2</sup>Includes impact of cash overlay management.

<sup>3</sup>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 3/31/11

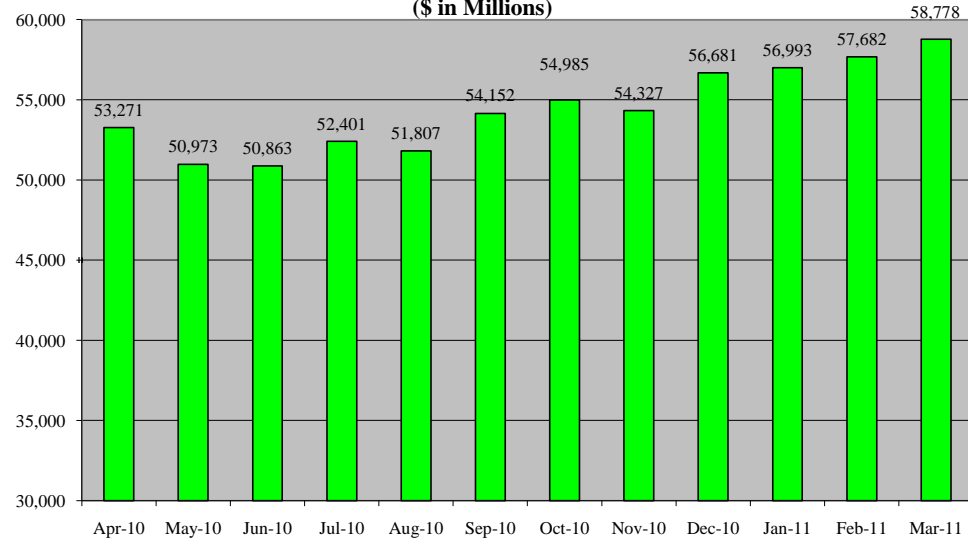
Oregon Public Employees Retirement Fund

OPERF	Regular Account				Historical Performance (Annual Percentage)					
	Policy <sup>1</sup>	Target <sup>1</sup>	\$ Thousands <sup>2</sup>	Actual	Year-To-Date <sup>3</sup>	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS
Public Equity	41-51%	46%	\$ 22,899,331	39.6%	4.48	16.36	35.59	1.75	0.29	2.75
Private Equity	12-20%	16%	12,576,379	21.8%	6.41	17.53	18.58	2.19	5.37	9.00
<b>Total Equity</b>	<b>57-67%</b>	<b>62%</b>	<b>35,475,710</b>	<b>61.4%</b>						
Opportunity Portfolio			1,110,655	1.9%	8.06	20.44	29.53	8.12	5.45	
<b>Total Fixed</b>	<b>22-32%</b>	<b>27%</b>	<b>15,396,333</b>	<b>26.7%</b>	<b>2.00</b>	<b>9.01</b>	<b>17.91</b>	<b>8.70</b>	<b>7.21</b>	<b>7.28</b>
Real Estate	8-14%	11%	5,771,460	10.0%	8.51	18.60	8.94	(6.48)	(4.35)	0.74
Cash	0-3%	0%	11,032	0.0%	0.31	0.80	1.52	1.28	2.21	2.82
<b>TOTAL OPERF Regular Account</b>		<b>100%</b>	<b>\$ 57,765,190</b>	<b>100.0%</b>	<b>4.71</b>	<b>14.93</b>	<b>24.46</b>	<b>2.55</b>	<b>2.20</b>	<b>4.34</b>
<b>OPERF Policy Benchmark</b>					<b>4.75</b>	<b>13.36</b>	<b>21.35</b>	<b>2.78</b>	<b>2.76</b>	<b>4.75</b>
Value Added					<b>(0.04)</b>	<b>1.57</b>	<b>3.11</b>	<b>(0.23)</b>	<b>(0.56)</b>	<b>(0.41)</b>
<b>TOTAL OPERF Variable Account</b>			<b>\$ 1,012,949</b>		<b>4.58</b>	<b>15.65</b>	<b>34.62</b>	<b>1.41</b>	<b>(1.25)</b>	<b>0.88</b>

Asset Class Benchmarks:

Russell 3000 Index	6.38	17.41	33.78	3.42	0.96	2.95
MSCI ACWI Ex US IMI Net	3.22	14.07	36.48	(0.09)	0.57	4.23
MSCI ACWI IMI Net	4.52	15.32	34.99	1.19	0.41	3.28
Russell 3000 Index + 300 bps--Quarter Lagged	12.39	20.40	26.40	2.25	3.73	6.58
Oregon Custom FI Benchmark	0.67	5.35	7.49	5.49	5.75	5.96
NCREIF Property Index--Quarter Lagged	4.62	13.11	(3.02)	(4.18)	0.47	3.51
91 Day T-Bill	0.05	0.16	0.17	0.51	1.53	2.23

**TOTAL OPERF NAV**  
(includes variable fund assets)  
One year ending March 2011  
(\$ in Millions)



<sup>1</sup>OIC Policy 4.01.18, as revised September 2007.

<sup>2</sup>Includes impact of cash overlay management.

<sup>3</sup>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

Item A.2.c.

## Public Employees Retirement System

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

May 26, 2011

TO: Members of the PERS Board  
FROM: Kyle J. Knoll, Business Operations Manager  
SUBJECT: May 2011 Budget Report

### 2009-11 BUDGET UPDATE

Operating expenditures for March 2011 were \$3,025,314, and preliminary expenditures for April 2011 are \$3,021,597. Final April 2011 expenditures close in the Statewide Financial Management System (SFMS) May 13, 2011, and will be included in the July 2011 Board Report.

- To date, through the first twenty-two months (91.67%) of the 2009-11 biennium, the Agency has expended a total of \$65,404,154, or 78.55% of PERS' 2009-11 operating budget.
- PERS currently maintains a projected positive budget variance of \$3,657,480, or approximately 4.3% of the 2009-11 operating budget of \$83,261,952. Of that amount, \$275,868 is the projected positive variance in the RIMS Conversion Project (RCP) budget.

### 2011-13 BUDGET UPDATE

As previously reported, Director Paul Cleary presented PERS 2011-13 Governor's Balanced Budget (GBB) to the Ways & Means General Government Subcommittee on February 14 and 15, 2011, along with the 2010 Preliminary Earnings Crediting Report.

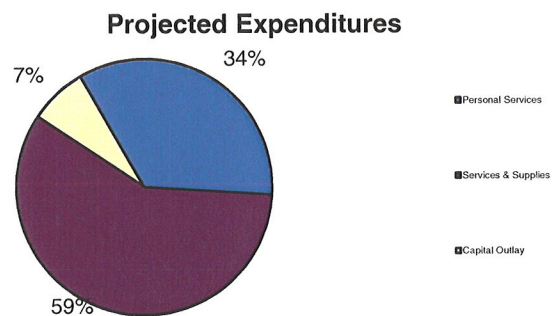
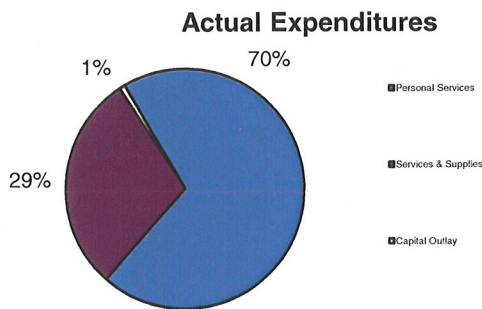
PERS' related 2011-13 GBB work session with the General Government Subcommittee is anticipated to be scheduled sometime in May. Details on that work session will be included in the July 2011 Board Report.

**2009-11 Agency-wide Operations - Budget Execution  
Summary Budget Analysis  
For the Month of: April 2011 (preliminary)**

**Biennial Summary**

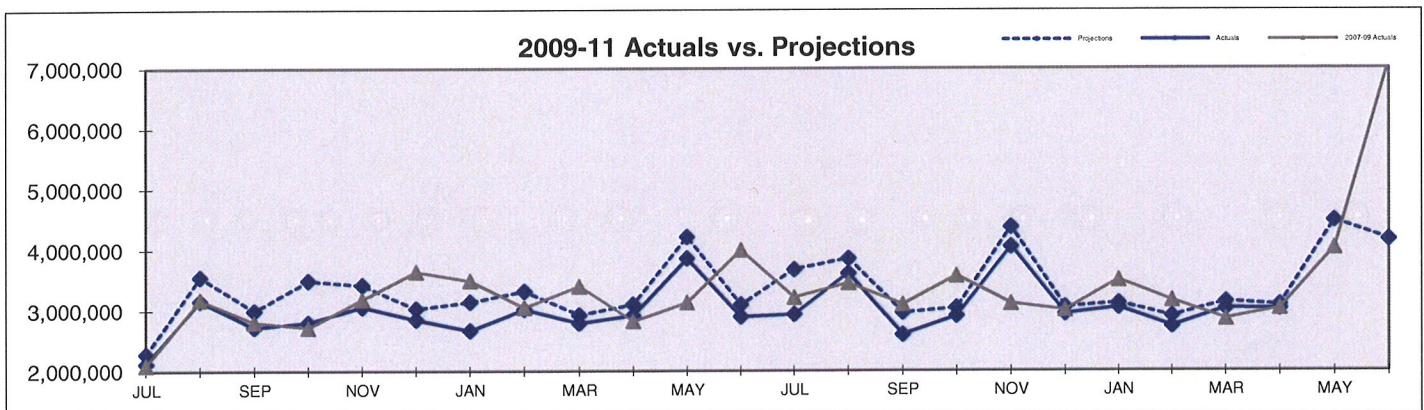
Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2009-11 LAB	Variance
Personal Services	45,666,145	4,869,677	50,535,822	52,751,494	2,215,672
Services & Supplies	19,211,456	8,290,641	27,502,097	29,916,870	2,414,773
Capital Outlay	526,552	1,040,000	1,566,552	593,588	(972,964)
Special Payments					
<b>Total</b>	<b>65,404,154</b>	<b>14,200,318</b>	<b>79,604,472</b>	<b>83,261,952</b>	<b>3,657,480</b>

<b>Targeted Reserve Variance</b>	<b>2,754,000</b>
<b>RCP Reserved</b>	<b>275,868</b>
<b>Net Budget Available</b>	<b>627,612</b>



**Monthly Summary**

Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Projected Expenditures
Personal Services	2,259,388	2,310,140	50,752	2,075,734	2,434,839
Services & Supplies	751,604	764,983	13,379	873,248	4,145,320
Capital Outlay	10,605	12,856	2,251	23,934	520,000
Special Payments					
<b>Total</b>	<b>3,021,597</b>	<b>3,087,979</b>	<b>66,381</b>	<b>2,972,916</b>	<b>7,100,159</b>



**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					
<b>Total</b>	<b>77,385,163</b>		<b>77,385,163</b>	<b>80,788,962</b>	<b>3,403,799</b>



# Oregon

John A. Kitzhaber, M.D., Governor

## Public Employees Retirement System

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

May 26, 2011

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 updated results for the four quarters through March 31, 2011.

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. The report shows the activity from the last four quarters and the year-to-date charts shows cumulative totals for the first quarter of calendar year 2010 compared to the 2011 cumulative first quarter results.

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 is as follows:

### 'ESTIMATES' BACKLOG

Tier One and Tier Two estimates continued to be in backlog status. A backlog occurs when the number of pending estimates exceeds twice the normal amount of work-in-process. Even though the backlog declined through most of 2010, it resumed its growth in the fourth quarter of 2010 due to loss of production from furlough days, staff turnover, and the reallocation of staff to focus on RCP testing. The backlog continued to increase through the first quarter of 2011 due to a 17% increase in estimate requests over the same period in 2010. PERS continues to give priority to those members with a retirement already scheduled, or those with a projected retirement date within 90 days. PERS is currently meeting the needs of this population. Any available resources are being allocated to the remaining estimates based on the estimate request receipt date.

### PENDING RETIREMENTS

The number of new 'Retirements' (Tier One, Two, and OPSRP) and 'IAP Retirements' continued to increase into the first quarter of 2011. While PERS has been able to allocate sufficient resources to keep the number of outstanding 'Retirements' from growing appreciably, the near-doubling of 'IAP Retirements' has resulted in a rapid increase in pending IAP

retirement requests. This significant increase in volume is resulting from the combined effects of the 'retire from one-retire from all' administrative rule that went into effect January 1, 2011 and the sheer increase in IAP retirement applications. Even with the rapid growth in pending IAP retirement applications, this activity is still not in 'backlog' status. Staff are working hard to ensure that IAP benefits are paid out in a timely manner.

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

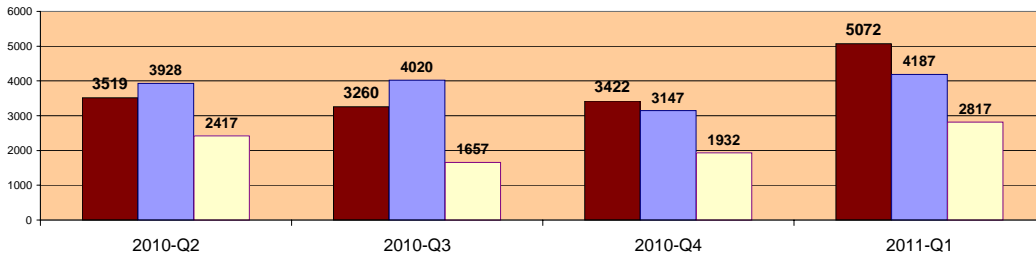
**Attachment:** Quarterly Report of Member Transactions (Through First Quarter 2011)

# Quarterly Report of Member Transactions

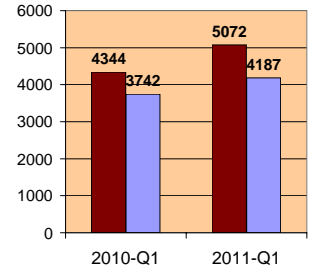
Thru Quarter Q1 2011

Run Date: 5/10/2011

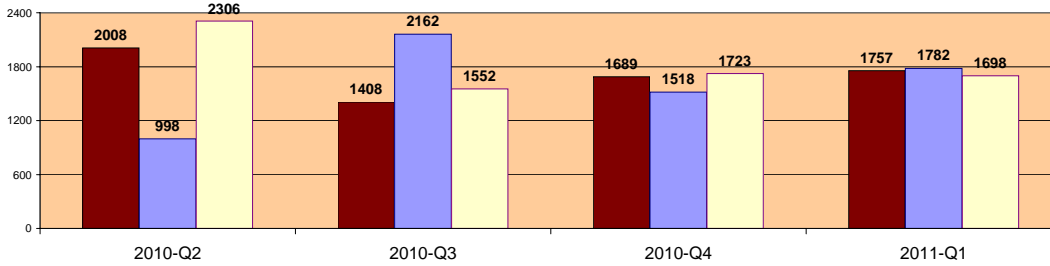
## Estimates



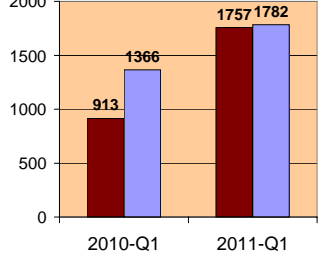
## YTD Comparison



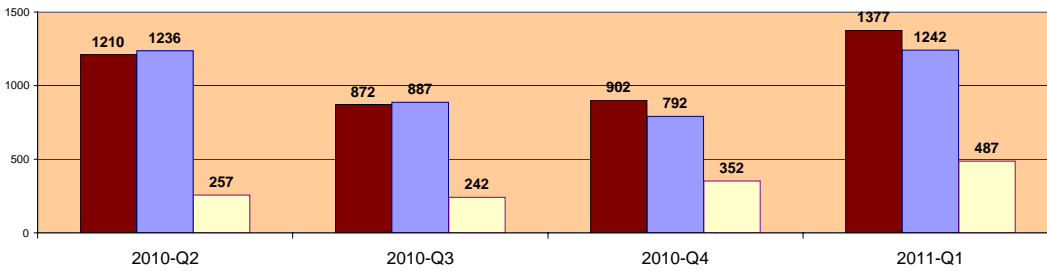
## Retirements



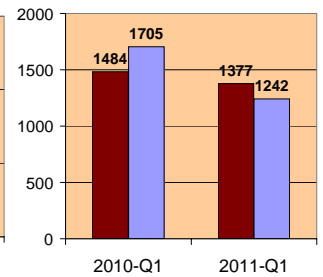
## YTD Comparison



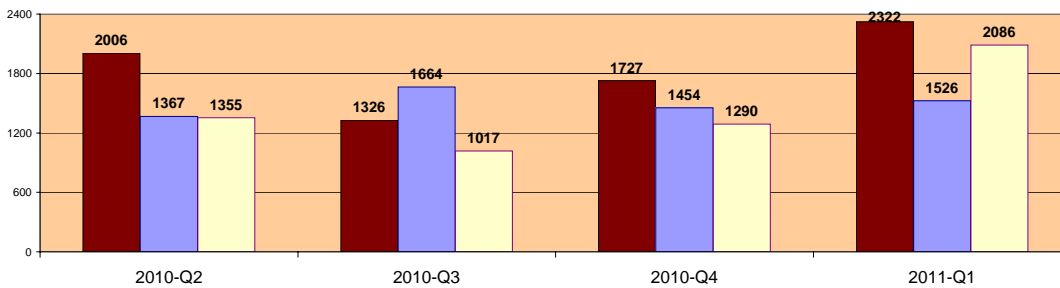
## Withdrawals



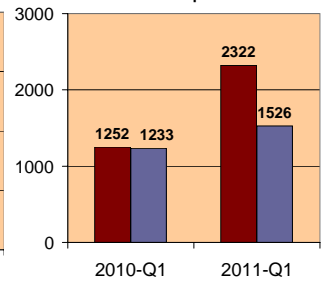
## YTD Comparison



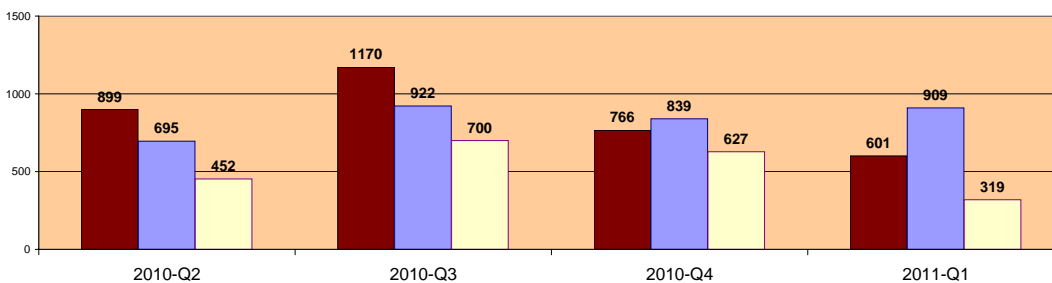
## IAP Retirements



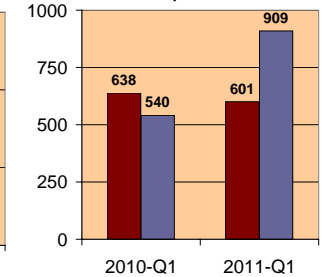
## YTD Comparison



## IAP Withdrawals



## YTD Comparison



■ Incoming

■ Completed

■ Pending





# Oregon

Theodore R. Kulongoski, Governor

## Public Employees Retirement System

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

May 26, 2011

TO: Members of the PERS Board  
FROM: Yvette Elledge, Customer Services Division Administrator  
Brian Harrington, Benefit Payments Division Administrator  
SUBJECT: 2011 Retirement Trend Update

PERS has seen increases in retirements, benefit estimate requests, telephone calls to Customer Service, and attendance at Retirement Application Assistance Sessions (RAAS) this year. We will have additional workload as of July 1, 2011, when members can request a written verification of certain PERS data that will be used to calculate a member's retirement benefit under the provisions of SB 897 (2010).

### RETIREMENTS

PERS received 2,656 retirement applications (Tier One, Tier Two) in the first five months of 2011 (January through May) compared to 1,455 in 2010. This is an increase of 82.5 percent. Based on retirement applications received to date, the annual July 1 retirement spike for 2011 will likely be significantly higher than in 2010.

PERS received 2,902 Individual Account Program (IAP) retirement applications in the first five months of 2011 (January through May) compared to 1,370 in 2010. This is an increase of 112 percent. There will likely also be a significant spike in July 1 IAP retirements. Most of the increase is a result of the recent "retire from one, retire from all" requirement combined with prior retirees finally deciding to request their IAP benefit.

Benefit Payments Division (BPD) is balancing the increased retirement workload and the RIMS Conversion Project (RCP) which includes testing, procedure writing, and staff training. Process improvement, cross training, work-out-of-class, overtime, temporary employees, and prudent use of estimated payments are all part of the balancing strategy.

### BENEFIT ESTIMATE REQUESTS

PERS received 6,267 benefit estimate requests between January 1 and April 30, 2011. This is 785 more than the same time period in 2010. Over the past two years we have seen a 25 percent increase in estimate requests during the first quarter. Additionally, we have seen an 80 percent increase in purchases this year compared to 2010. An increase in estimate requests is generally associated with an increase in retirements.

Although staff has completed 674 more estimate requests to date than in 2010, a pending workload exists.

To meet the increased demand for estimates and purchases, we have prioritized the requests based on retirement date and are currently working on estimate requests with an effective retirement date through July 2011. We have also evaluated and improved our tools, augmented our staff with temporary employees for data entry and intake processing, and are currently working on a plan to cross-train staff so personnel can be shifted when workload spikes occur.

#### CALLS TO CUSTOMER SERVICE CENTER

Through the end of April 2011, telephone calls to Customer Service had increased 21 percent compared to 2010. Customer Service received 56,521 calls in the first four months of the year. There is no single issue from callers, but the legislative session has caused some callers to ask how they would be affected by certain legislation. Also, the incentives offered by some employers to retire by a certain date have prompted telephone calls for benefit estimates, forms, and counseling sessions. Members call again to check on the status of estimates or retirements. Due to the complexity of PERS, the call center requires a significant knowledge base that is not conducive to the use of temporary staff. During significant increases in call volume we utilize staff from other departments for short periods of time to augment the call center.

#### RETIREMENT APPLICATION ASSISTANCE SESSIONS (RAAS)

RAAS began in July 2007 for members who are within 90 days of retirement and who have completed their retirement paperwork. Each RAAS is a one-hour individual appointment with a PERS counselor who reviews the retirement application for accuracy and answers any questions. The session provides an extensive review of forms and supporting documents, an overview of the benefit estimate and retirement options, and an explanation of the retirement process.

The program has reduced the number of retirement applications that are rejected due to errors or incomplete information. The rejection rate has been reduced from 11 percent overall to less than 1 percent for those members who attend a RAAS.

One Program Analyst and five Retirement Counselor 2 positions staff the program. This staff also conducts group counseling presentations throughout the state.

Individual RAAS are held throughout Oregon. Members can register via the PERS website or by calling PERS Customer Service. Historically, approximately 55 percent of the retiring population attends a RAAS. PERS conducted 2,079 RAAS in 2010 and has scheduled 3,686 for 2011.

In addition to this year's scheduled RAAS, we recently added 358 to meet the demand of members retiring in May, June, and July. We accomplished this by hiring a retired PERS Retirement Counselor 2 and augmenting the program with additional Customer Service staff.

We survey each attendee to determine if we are meeting their expectations and 94% rate the sessions “excellent.” The survey also solicits comments and feedback shows that the sessions help reduce the stress and anxiety of the retirement process.

### DATA VERIFICATIONS

Beginning July 1, 2011, Tier One, Tier Two, and OPSRP Pension Program active and inactive members who are within two years of their earliest retirement age can request a verification of certain retirement data. The verification will include the member’s accrued creditable service or retirement credit and the member’s “final average salary.” For Tier One or Tier Two members, the verification will also include the member’s regular and variable account balances and any accumulated unused sick leave, if applicable. Sick leave information will be available beginning July 1, 2012.

The verification will have information for the last calendar year for which annual earnings have been credited. The period for verification of data extends to the member’s original hire date with each of his/her PERS-participating employers, excluding forfeited or refunded time.

The Data Verification Unit (DVU) is currently staffed by:

- 1 - Principal Executive Manager B (permanent position)
- 1 - Operations and Policy Analyst 2 (permanent position)
- 2 - Retirement Counselor 2 (limited duration position)
- 2 - Retirement Counselor 1 (limited duration position)

Based on a recent member survey:

- 52.4 percent of respondents indicated they will request a data verification between July 1, 2011 and December 31, 2011. We currently have approximately 70,000 members eligible to retire so we estimate that some 36,000 could request a data verification this year based on that response.
- 39.7 percent indicated they would delay their request for a verification to one year before their anticipated retirement date.
- 7.8 percent indicated they would not request a data verification.

Currently, the five staff members are learning existing jClarety functionality, testing the new data verification functionality, writing policy and procedures, finalizing the paper forms, creating tools, and learning PERS Eligibility.

On July 1, 2011, staff will be ready to fully implement the processes to meet the legislative requirements. Like estimates, it is anticipated that data verification requests will have to be prioritized based on anticipated retirement date so as not to overwhelm both PERS staff and employers.





# Oregon

Theodore R. Kulongoski, Governor

Item A.2.f.

## Public Employees Retirement System

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

May 26, 2011

TO: Members of the PERS Board  
FROM: Yvette Elledge, Customer Services Division Administrator  
SUBJECT: Employer Reporting Update

PERS is currently working with 905 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 April 29, 2011 of employer reports and member records for calendar years 2009, 2010, and through April 29, 2011\*.

	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011*</u>
Reports due:			
▪ Number expected	13,266	13,332	3,628
▪ Number received	13,266	13,316	3,563
▪ Percent received	100.00%	99.88%	98.21%
▪ Goal	99.0%	99.0%	99.0%
Reports fully posted at 100%:			
▪ Number	12,865	12,564	3,057
▪ Percent fully posted at 100%	96.98%	94.24%	84.26%
▪ Goal	95.0%	95.0%	95.0%
Records due (estimated)	3,564,143	3,498,169	988,643
Records not posted:			
▪ Number	6,324	20,299	37,347
▪ Percent not posted	≤ .2%	0.58%	3.47%
▪ Goal	≤ .2%	≤ .2%	≤ .2%
Contributions posted	\$ 504,863,976	\$ 507,779,694	\$ 148,850,983
Contributions not posted	\$ 291,933	\$ 1,199,484	\$ 2,569,200

As of April 29, 2011 employers have submitted approximately 98.21% of the reports due for 2011. Of the total reports expected, approximately 84.26% are 100% posted.

There are 65 missing reports distributed across 34 employers so far in 2011.

Beginning in 2010, the Employer Service Center instituted a new program (titled “Membership and Contributions Reconciliation” or “MACR”) that encourages employers to focus on efforts to reconcile their member records on a year-round basis, rather than following year’s end (this former process was known as “annuals”). This new approach substantially reduced the number of unsubmitted reports and unposted records that remained when member accounts were credited with annual earnings.

The Employer Service Center continues to work with those employers who have unsubmitted reports and unposted records for 2010. While employers have begun focusing on their reconciliation efforts throughout the year, they have also made significant progress on submitting reports that were outstanding from prior years. Following is a comparison of reports that were outstanding one year ago to reports that are outstanding at this time:

<u>Outstanding Reports</u>	<u>End of April 2010</u>	<u>End of April 2011</u>
2010	N/A	16
2009	39	0
2008	28	0
2007	11	0
2006	7	0
2005	18	1

Of the remaining 20,299 records that remain unposted for 2010, most were submitted by state agencies through DAS HRSD with whom we are working closely. To their credit, DAS/HRSD and these state agencies have cleared more than 12,572 of their unposted records (42.15 %) during the first quarter of 2011, and they continue to make significant progress.

#### EMPLOYER OUTREACH PROGRAM

The Spring 2011 Employer Outreach presentation series began the last week of March 2011 and will be complete June 2, 2011.

We are now at the half-way mark for the spring 2011 presentation series, with a positive response from the employer community. To date we have a 90% attendance rate for all presentation venues, with 200 attendees out of 223 registered. Presentations are offered at sites throughout the state and through the internet. The internet offerings allow extension of communication and services to those employers whose remote location and reduced budgets may prevent travel for PERS education.

Topics covered in the spring 2011 outreach series include a recent modification of OAR 459-070-0100 concerning employer reporting, an in-depth review of the retirement data verification program slated to begin July 1, 2011, and review of membership eligibility rules and the process of reporting retirees who have returned to work for PERS employers as retirees. We round out the topics for this presentation series with information about the importance of prompt posting of employment terminations, along with points to consider before changing member account contribution methods.

Monthly employer EDX education sessions continue, offered concurrently at the Tigard computer lab and through the internet. The January-April 2011 sessions had 26 attendees through the internet and 8 at the Tigard headquarters computer lab. A total of 25 PERS employers were represented through the combined attendance of 34 employer representatives. Employer EDX training is designed to equip employer representatives with the basic skills necessary to accomplish reporting of member demographic information and the regular submission of reports detailing member wages, work hours, and account contributions.

#### ACCOUNTS RECEIVABLE PLAN

Besides assisting employers with overdue reports and electronic payments, PERS' Accounts Receivable department proactively collects receivable balances that are more than 30 days overdue. As of April 29, 2011 we had 323 outstanding invoices (106 total employers, 16 of which are charter schools) with an aggregate balance of \$ 1,015,161.51. Compared to our last report we see a decrease in the number of outstanding invoices and a \$59,075.39 dollar increase in the aggregate balance. Our goal is to collect all outstanding invoices that exceed 30 days by following up with these employers by phone and letters each month.

Since our report in November, we have made progress by reducing the number of invoices over 90 days delinquent by 22. The current total number of invoices that are over 90 days delinquent now stands at 260 for a total outstanding balance of \$836,798.82. However, the outstanding balance has increased \$89,933.84 from our November balance. The majority of these past due invoices is the balance of charter schools invoiced for \$683,971.17. PERS and representatives of a group of the charter schools formerly reported by TPA EdChoices, have been meeting to review the outstanding balances and discuss payment collection strategies for this particular group of nine charter schools. Other charter schools have made payment arrangements and are making progress on reducing their outstanding balances.

Canby Fire District #62, which has been previously been reported as having a large outstanding balance, has been working diligently with PERS on repayment of invoices older than 30 days by paying \$23,836.49 or 67% of the total due.





# Oregon

John A. Kitzhaber, M.D., Governor

## Public Employees Retirement System

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

May 26, 2011

TO: Members of the PERS Board  
FROM: Steven Patrick Rodeman, Deputy Director  
SUBJECT: Restated Balances after 2010 Earnings Crediting

The Financial Reporting Section recently discovered an error in posting earnings for 2010 that affects the balance in the Tier One Rate Guarantee Reserve. Attached to this memo is a restated 2010 earnings crediting allocation. The net changes resulted in \$12 million in additional earnings being credited to the reserve, meaning its actual balance is about -\$199 million, not the -\$211 million previously reported.

The error was due to coding discrepancies in the General Ledger transactions generated from the jClarety system; these discrepancies will be corrected with the Stage 2B deployment. These transactions relate to mid-year crediting of Tier One member's regular accounts at retirement. When a member retires, earnings for that calendar year are credited to their account before the account balance is transferred to the Benefits-in-Force Reserve to fund their benefit. FRS staff did not correctly assign these transactions, so the earnings were credited to the BIF Reserve when they should have been credited to the Tier One members' account. As earnings exceeded 8% for 2010, these earnings would have been credited to the Tier One Rate Guarantee Reserve but, instead, were credited to the BIF Reserve. The restated account balances reflect the corrected allocation of these transactions.

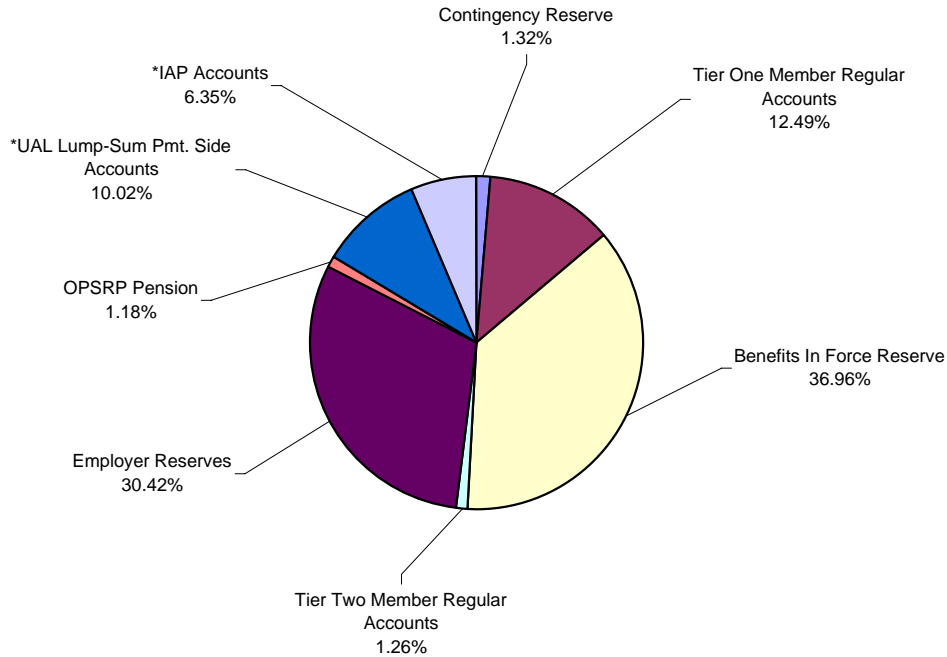
These discrepancies came to light when preparing the April 2011 monthly earnings factors. With a change in staff, new work papers were prepared that brought the situation to our attention. There was no effect to the 2010 or 2011 monthly factors that were used to calculate and pay benefits. FRS staff will make adjustments for the 2011 transactions recorded prior to the correction. They will also accrue the 2010 adjustment to December 31, 2010 and prepare revised financial statements for the actuaries.

A.2.g. Attachment – 2010 Earnings Crediting Revised Allocation

**Oregon Public Employees Retirement System**  
**2010 Earnings Crediting and Reserving**  
**Revised Allocation: Even Crediting to Contingency Reserve**  
 (All dollar amounts in millions)

Regular Account Reserve	Reserves Before Crediting	2010 Crediting	Reserves After Crediting	2010 Rates
Contingency Reserve	\$653.1	\$81.3	\$734.4	N/A
Tier One Member Regular Accounts	6,453.6	505.9	6,959.5	8.00%
Tier One Rate Guarantee Reserve	-441.8	242.6	-199.2	N/A
Benefits In Force Reserve	18,308.7	2,279.4	20,588.1	12.44%
Tier Two Member Regular Accounts	624.0	77.6	701.6	12.44%
Employer Reserves	15,068.6	1,876.0	16,944.6	12.44%
OPSRP Pension	587.3	67.3	654.6	11.46%
*UAL Lump-Sum Pmt. Side Accounts	4,931.5	647.7	5,579.2	Various
*IAP Accounts	3,154.3	382.7	3,537.0	12.13%
<b>Total</b>	<b>\$49,339.2</b>	<b>\$6,160.6</b>	<b>\$55,499.8</b>	

**2010 Regular Account Reserve Balances**  
**After 2010 Crediting**



\*Informational only. Not affected by Board reserving or crediting decisions.

**Oregon Public Employees Retirement System**  
Reconciliation of Mid-Year Crediting Adjustment

**Tier One Member Accounts**

Original Pre-Crediting Balance	6,418.6
Mid-Year Crediting Adjustment	<u>35.0</u>
Adjusted Pre-Crediting Balance	6,453.6
2010 Earnings (\$513.0 Estimated)	
2010 Earnings (\$505.9 Actual)	<u>505.9</u>
Revised December 31, 2010 Balance	<u><u>6,959.5</u></u>

**Tier One Rate Guarantee Reserve**

Original Pre-Crediting Balance	(441.8)
2010 Earnings (\$230.6 Estimated)	
2010 Earnings (\$242.6 Actual)	<u>242.6</u>
	<u><u>(199.2)</u></u>

**Tier Two Member Accounts**

Original Pre-Crediting Balance	623.6
Mid-Year Crediting Adjustment	<u>0.4</u>
Adjusted Pre-Crediting Balance	624.0
2010 Earnings (\$77.6 Estimated)	
2010 Earnings (\$77.6 Actual)	<u>77.6</u>
Revised December 31, 2010 Balance	<u><u>701.6</u></u>

**Benefits-In-Force Reserve**

Original Pre-Crediting Balance	18,344.1
Mid-Year Crediting Adjustment	<u>(35.4)</u>
Adjusted Pre-Crediting Balance	18,308.7
2010 Earnings (\$2,283.8 Estimated)	
2010 Earnings (\$2,279.4 Actual)	<u>2,279.4</u>
Revised December 31, 2010 Balance	<u><u>20,588.1</u></u>





# Oregon

John A. Kitzhaber, M.D., Governor

## Public Employees Retirement System

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

May 26, 2011

TO: Members of the PERS Board  
FROM: Steven Patrick Rodeman, Deputy Director  
SUBJECT: Notice of Rulemaking for Combined and Concurrent Service Rules  
459-010-0019, *Retirement Eligibility*  
459-010-0165, *Transfer into a New Classification* (repeal)  
459-010-0170, *Employed in Two Classes of Service* (repeal)  
459-013-0050, *Combined Service*

### OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Create new rules to clarify retirement eligibility and benefit calculation for members with service as a police officer or firefighter and as other than a police officer or firefighter (combined service). Repeal obsolete rules.
- Policy Issue: No policy issues have been identified at this time.

### BACKGROUND

In both the Chapter 238 (Tier One/Tier Two) and OPSRP Pension programs, a member's retirement eligibility, benefit calculation, and other benefits may depend on the member's job classification. For example, a police officer or firefighter member may retire earlier; will have a higher statutory factor applied to calculate their retirement benefit; and may be eligible for a supplemental death benefit or alternative disability retirement benefit. Determining a benefit payment amount or eligibility can be contingent on the member's classification at a certain time.

For example, a member is employed as a police officer for twenty years from age 25 to 45, and then in a general service position for ten years to age 55. That member's retirement will be calculated using one statutory factor for the police officer time, and another for the general service period. Also, the member would not have been eligible for early retirement as a police officer upon reaching age 50 because he or she was in a general service position at the time.

This rulemaking proposes two new rules to capture and clarify the standards to be used in making retirement eligibility determinations and benefit calculations:

459-010-0019: Clarifies retirement eligibility of combined and concurrent job classes.

459-013-0050: Defines how statutory provisions will be applied to employment periods in different job classifications.

Two other rules are obsolete and are proposed to be repealed: OAR 459-010-165 and 459-010-0170.

### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held on June 28, 2011 at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends on July 1, 2011 at 5:00 p.m.

### LEGAL REVIEW

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

### IMPACT

Mandatory: No.

Impact: Members, beneficiaries, employers, stakeholders, and staff will benefit from clear and consistent rules that clarify the administration of benefit eligibility and benefit calculations.

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

### RULEMAKING TIMELINE

April 15, 2011	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
May 1, 2011	<i>Oregon Bulletin</i> published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
May 26, 2011	PERS Board notified that staff began the rulemaking process.
June 28, 2011	Rulemaking hearing to be held at 2:00 p.m. in Tigard.
July 1, 2011	Public comment period ends at 5:00 p.m.
July 29, 2011	Staff will propose adopting the new rules and 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 June 28, 2011 at PERS Headquarters in Tigard. The public comment period ends on July 1, 2011 at 5:00 p.m. The rules are scheduled to be brought before the PERS Board for adoption at the July 29, 2011 Board meeting.

B.1. Attachment 1 – 459-010-0019, *Retirement Eligibility*

B.1. Attachment 2 – 459-010-0165, *Transfer into a New Classification* (repeal)

B.1. Attachment 3 – 459-010-0170, *Employed in Two Classes of Service* (repeal)

B.1. Attachment 4 – 459-013-0050, *Combined Service*

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

1 **459-010-0019**

2 **Retirement Eligibility**

3 **(1) A member’s most recent qualifying position at the time of separation from**  
4 **service with all participating employers establishes the member’s classification for**  
5 **purposes of normal and early service retirement eligibility and disability retirement**  
6 **allowance calculations except:**

7 **(a) A member employed in a qualifying position as a police officer or firefighter**  
8 **who reaches earliest retirement age under ORS 238.280 retains retirement eligibility**  
9 **as a police officer or firefighter. A member described in this subsection who**  
10 **subsequently is employed in a qualifying position as other than a police officer or**  
11 **firefighter retains retirement eligibility as a police officer or firefighter.**

12 **(b) A member who separates from service in a qualifying position as a police**  
13 **officer or firefighter before reaching earliest retirement age under ORS 238.280**  
14 **retains classification as a police officer or firefighter provided the member does not**  
15 **return to a qualifying position as other than a police officer or firefighter before**  
16 **reaching earliest retirement age under ORS 238.280.**

17 **(c) A member employed in a qualifying position as other than a police officer or**  
18 **firefighter who reaches earliest retirement age under ORS 238.280 retains**  
19 **retirement eligibility as other than a police officer or firefighter.**

20 **(2) A member who is employed by one employer in qualifying positions as a**  
21 **police officer or firefighter and as other than a police officer or firefighter is a police**  
22 **officer or firefighter for purposes of this rule.**

1        (3) A member who is concurrently employed by two or more employers in  
2 qualifying positions as a police officer or firefighter and as other than a police  
3 officer or firefighter is a police officer or firefighter for purposes of this rule.

4        Stat. Auth.: ORS 238.650

5        Stats. Implemented: ORS 238.280, 238.300, 238.320

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

1 **[459-010-0165**

2 ***Transfer into a New Classification***

3 *(1) An employee who transfers from one classification of employment in the Public*  
4 *Employees Retirement System to another classification shall be considered, for the*  
5 *purpose of contribution rate, compulsory retirement, voluntary retirement, disability*  
6 *retirement or withdrawal, as are all others in the same classification in which the*  
7 *employee is employed at the time of his termination, except that an employee who at the*  
8 *time of his termination was temporarily employed in a classification other than his usual*  
9 *one during a time when he was not required to work in his regular employment, shall be*  
10 *considered as though in his usual classification.*

11 *(2) A policeman or fireman who works in the police or fire classification until age 55*  
12 *or over, then transferring to a miscellaneous classification, shall retain all rights and*  
13 *benefits earned as a policeman or fireman. He shall contribute at the miscellaneous rate*  
14 *applicable to the age at which he last established membership. Benefits earned thereafter*  
15 *as a miscellaneous employee shall be payable in addition to those earned as a policeman*  
16 *or fireman and shall be computed as are the benefits of any miscellaneous employee.*

17 *(3) A miscellaneous employee who works in a miscellaneous classification until age*  
18 *55 or over, then transferring to a policeman or fireman classification, shall retain all*  
19 *rights and benefits earned as a miscellaneous employee. He shall contribute at the*  
20 *policeman and fireman rate applicable to the age at which he last established*  
21 *membership. Benefits earned thereafter as a policeman or fireman shall be payable in*

1 *addition to those earned as a miscellaneous employee and shall be computed as are the*  
2 *benefits of any policeman or fireman.*

3 *Stat. Auth.: ORS 238.650*

4 *Stats. Implemented:]*

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

1 ***[OAR 459-010-0170***

2 ***Retirement Age and Contribution Rate of One Employed in Two Classes of Service***

3 *(1) A member of the system concurrently employed in two classes of service for one*  
4 *employer shall be deemed to have the voluntary retirement age and the contribution rate*  
5 *of the class in which the major fraction of his working time is required.*

6 *(2) A member of the system concurrently employed in two classes of service for more*  
7 *than one employer shall be deemed to have the voluntary retirement age and the*  
8 *contribution rate of each class as though that were his sole employment.*

9 *Stat. Auth.: ORS 237*

10 *Stats. Implemented:]*

OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 013 – RETIREMENT BENEFITS

1 459-013-0050

2 Combined Service

3 (1) For purposes of this rule, “combined service” means periods of active  
4 membership in two or more different classifications.

5 (2) A member who has combined service shall have their service or disability  
6 retirement allowance calculated as provided in ORS Chapter 238 and this rule. The  
7 calculation will include:

8 (a) Creditable service, account balance, and final average salary as of the  
9 effective retirement date;

10 (b) All calculation methods applicable to the member under ORS 238.300(2)  
11 and 238.320(1);

12 (c) The optional forms of retirement allowance selected by the member under  
13 ORS 238.305 and 238.325;

14 (d) For early and normal retirement eligibility, the rules as described in OAR  
15 459-010-0019;

16 (e) For formula calculations, the statutory factor applicable for the  
17 classification of the member during each period of active membership;

18 (f) A single early retirement factor, if applicable;

19 (g) The actuarial equivalency factor tables in effect on the effective retirement  
20 date; and

21 (h) A variable adjustment for those members who participated in the Variable  
22 Annuity Program on and after January 1, 1982.

1 [Stat. Auth.: ORS 238.650](#)

2 [Stats. Implemented: ORS 238.260, 238.280, 238.300, 238.320, 238.305, 238.325](#)





# Oregon

John A. Kitzhaber, M.D., Governor

## Public Employees Retirement System

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

May 26, 2011

TO: Members of the PERS Board

FROM: Steven Patrick Rodeman, Deputy Director

SUBJECT: Notice of Rulemaking for Self-Directed Brokerage Option  
459-050-0037, *Trading Restrictions*  
459-050-0077, *Loan Program*  
459-050-0120, *Self-Directed Brokerage Option*  
459-050-0150, *Unforeseeable Emergency Withdrawal*  
459-050-0300, *Required Minimum Distribution Requirements*

### OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: A new rule and revisions to four other rules are required to implement a self-directed brokerage option (SDBO) in the Oregon Savings Growth Plan (OSGP).
- Policy Issue: No policy issues have been identified at this time.

### BACKGROUND

At its February 23, 2011 meeting, the Oregon Investment Council (OIC) approved the addition of a self-directed brokerage option (SDBO) to the Oregon Savings Growth Plan. This investment option was strongly supported in a 2010 poll of OSGP participants regarding the addition of the SDBO to OSGP. Of the 4200 respondents, 84 percent indicated that they thought OSGP should add the SDBO, 49 percent said they would consider using the SDBO if it was made available, and 36 percent indicated they already had their own brokerage account. Most importantly, 42 percent of respondents indicated that having the SDBO would encourage them to keep their money in OSGP upon retirement. After research and interviews, the OSGP manager and the chairman of OSGP's Advisory Committee, working with consultants from Arnerich & Massena and an Investment Manager from Treasury, recommended Charles Schwab as the provider.

### PROPOSED RULES

A new rule, OAR 459-050-0120, was developed at Treasury's request to impose some restrictions on the use of the SDBO. The rule provides that a participant's account balance must be at least \$20,000 to begin participating in the SDBO and, at any time, the amount of the trade may not exceed 50% of the participant's OSGP account balance on the date of the trade. Also, subsequent trades cannot be made if the trade would cause the participant's balance in the SDBO to exceed 50% of the participant's OSGP account balance on the day of the trade.

In addition, Dwight Asset Management, which manages the Stable Value fund for OSGP, requires a restriction be placed on transfers from the SDBO in the same manner as it currently

applies to the Short Term Fixed and Intermediate Bond options. As such, the trading restrictions in 459-050-0037 are proposed to be modified to specify that no trade may move monies directly from the Stable Value Option to the SDBO.

A participant's funds in the SDBO are not available for loans, unforeseeable emergency withdrawals, or distributions, including Required Minimum Distributions. Therefore, proposed modifications to OAR 459-050-0077, 459-050-150 and 459-050-300 address this.

Unrelated to the SDBO option but while the rule is open for rulemaking, modifications are proposed to OAR 459-050-0150 to eliminate the requirement that the unforeseeable emergency occur within a defined period before or after application for the emergency withdrawal.

### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held on June 28, 2011 at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends on July 1, 2011 at 5:00 p.m.

### LEGAL REVIEW

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

### IMPACT

Mandatory: No.

Impact: The rules will allow participants to use the SDBO as approved by the OIC at its February 23, 2011 meeting

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

### RULEMAKING TIMELINE

April 15, 2011	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
May 1, 2011	<i>Oregon Bulletin</i> published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
May 26, 2011	PERS Board notified that staff began the rulemaking process.
June 28, 2011	Rulemaking hearing to be held at 2:00 p.m. in Tigard.
July 1, 2011	Public comment period ends at 5:00 p.m.
July 29, 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 June 28, 2011 at PERS Headquarters in Tigard. The public comment period ends on July 1, 2011 at 5:00 p.m. The rules are scheduled to be brought before the PERS Board for adoption at the July 29, 2011 Board meeting.

B.2. Attachment 1 – 459-050-0037, *Trading Restrictions*

B.2. Attachment 2 – 459-050-0077, *Loan Program*

B.2. Attachment 3 – 459-050-0120, *Self-Directed Brokerage Option*

B.2. Attachment 4 – 459-050-0150, *Unforeseeable Emergency Withdrawal*

B.2. Attachment 5 – 459-050-0300, *Required Minimum Distribution Requirements*



**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 050 – DEFERRED COMPENSATION**

1 **459-050-0037**

2 **Trading Restrictions**

3       The purpose of this rule is to establish criteria under which a participant may make  
4 trades in the Deferred Compensation Program. The Program is designed for long-term  
5 investment and periodic adjustment of asset allocation. Restrictions upon trades are  
6 necessary to protect participants and the Program from adverse financial impact  
7 attributable to frequent trading. Frequent trading by some participants can lower returns  
8 and increase transaction costs for all participants. Frequent trading can trigger the  
9 imposition of redemption fees and restrictions by mutual funds within the Program and  
10 may cause the Program to be eliminated as an allowable investor in an investment fund.

11       (1) Definitions. For the purposes of this rule:

12       (a) “Investment Option” means an investment alternative made available under ORS  
13 243.421.

14       (b) “Trade” means a purchase or redemption in an investment option for the purpose  
15 of moving monies between investment options.

16       (2) Restrictions. The following restrictions apply to all participants:

17       (a) A participant may not make a trade that exceeds \$100,000.

18       (b) A purchase that is attributable to a trade may not be redeemed from the  
19 International Stock Option for a period of 30 days following the date of the trade.

20       (c) No trade may move monies directly from the Stable Value Option to the Short-  
21 Term Fixed Income Option, *[or]* the Intermediate Bond Option, or the Self-Directed  
22 Brokerage Option.

1 (d) Trades to the Self-Directed Brokerage Option are also subject to the  
2 limitations established in OAR 459-050-0120.

3 (3) The Deferred Compensation Manager, if necessary to comply with trading  
4 restrictions imposed by a participating mutual fund or the Securities and Exchange  
5 Commission, may establish additional temporary trading restrictions.

6 (4) The Deferred Compensation Manager, in the event of extraordinary market  
7 conditions, may temporarily suspend any or all trading restrictions established by this  
8 rule.

9 (5) Any action taken by the Deferred Compensation Manager under sections (3) or  
10 (4) of this rule must be presented to the Board at its next scheduled meeting. The Board  
11 may take action as authorized by ORS 243.401 to 243.507. If the Board does not act, the  
12 action(s) taken by the Deferred Compensation Manager shall expire on the first business  
13 day following the date of the meeting.

14 (6) The provisions of this rule are not applicable to trades attributable to the  
15 operation of an automatic account rebalancing function offered by the Program.

16 (7) The trading restrictions provided in this rule are not exclusive. The Board may  
17 establish additional restrictions or sanctions as authorized by ORS 243.401 to 243.507.

18 *[(8) The effective date of this rule is December 5, 2008.]*

19 Stat. Auth.: ORS 243.470

20 Stats. Implemented: ORS 243.401 - 243.507

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 050 – DEFERRED COMPENSATION**

1 **459-050-0077**

2 **Loan Program**

3 (1) Definitions. For purposes of this rule:

4 (a) “Cure period” is that time from when a default occurs until the end of the quarter  
5 following the quarter in which the default occurred.

6 **(b) “Deferred compensation account” means the account described in OAR**  
7 **459-050-0001(9), but does not include any amount in the Self-Directed Brokerage**

8 **Option.**

9 ~~[(b)]~~ **(c)** “Loan balance” means the outstanding principal and accrued interest due on  
10 the loan.

11 ~~[(c)]~~ **(d)** “Participant Loan” means a loan that only affects the deferred  
12 compensation account of a participant.

13 ~~[(d)]~~ **(e)** “Promissory note” means the agreement of loan terms between the Program  
14 and a participant.

15 ~~[(e)]~~ **(f)** “Third Party Administrator (TPA)” means the entity providing record  
16 keeping and administrative services to the Program.

17 (2) Eligibility for loan. Participants who are currently employed by a Plan Sponsor  
18 that has agreed to participate in a Participant Loan program are eligible for a Participant  
19 Loan. Retired participants, participants separated from employment, designated  
20 beneficiaries, and alternate payees are not eligible.

21 (3) Application for loan: A participant must apply for a loan and meet the  
22 requirements set forth in this rule.

1 (a) Once a loan is approved, a participant must execute a promissory note in the form  
2 prescribed by the Program.

3 (b) If a participant is deceased [*prior to*] before the disbursement of the proceeds of  
4 a loan, the participant's loan application shall be void as of the date of death.

5 (4) Loan Types:

6 (a) General purpose loan -- a loan not taken for the purpose of acquiring a principal  
7 residence. General purpose loans must be repaid over a non-renewable repayment period  
8 of up to five years.

9 (b) Residential loan -- a loan made for the purpose of acquiring a principal residence,  
10 which is, or within a reasonable time shall be, the principal residence of the participant.

11 Residential loans must be repaid over a non-renewable repayment period of up to 15  
12 years. A refinancing does not qualify as a residential loan. However, a loan from the  
13 Program that will be used to repay a loan from a third party will qualify as a residential  
14 loan if the loan would qualify as a residential loan without regard to the loan from the  
15 third party.

16 (5) Interest Rate: The rate of interest for a loan shall be fixed at one percent (1%)  
17 above the prime interest rate as published by the Wall Street Journal on the last business  
18 day of the month [*prior to*] before the month in which the loan is requested.

19 (6) Loan Fees: A loan fee of \$50.00 shall be assessed when the loan is approved. The  
20 fee shall be deducted from a participant's deferred compensation account on a pro-rata  
21 basis from existing investments.

22 (7) Loan Limitations:

23 (a) The maximum loan amount is the lesser of:

1            (A) \$50,000; or  
2            (B) One-half of the value of the participant's deferred compensation account on the  
3 date the loan is made.

4            (b) The minimum loan amount is \$1000.

5            (c) A participant may only have one outstanding loan.

6            (d) A participant who has received a loan may not apply for another loan until 12  
7 months from the date the previous loan was paid in full.

8            (8) Source of Loan: The loan amount will be deducted from a participant's deferred  
9 compensation account.

10           (a) Loan amounts will be deducted pro-rata from existing investments in a  
11 participant's deferred compensation account.

12           (b) A participant may not transfer a loan to or from another retirement or deferred  
13 compensation plan.

14           (9) Repayment Terms: The loan amount will be amortized over the repayment period  
15 of the loan with interest compounded daily to calculate a level payment for the duration  
16 of the loan.

17           (a) Loan payments must be made by payroll deduction. To receive a loan from the  
18 Program a participant must enter into a payroll deduction agreement. For the purposes of  
19 this rule, a promissory note or other document that includes the payroll deduction amount  
20 and is signed by a participant as a requirement to obtain a loan may be a payroll  
21 deduction agreement. Except as provided in this rule, a participant may not submit a loan  
22 payment directly to the Program or the Third Party Administrator.

1            (b) A participant is responsible for loan repayment even if the employer fails to  
2 deduct or submit payments as directed under the payroll deduction agreement. To avoid  
3 defaulting on a loan by reason of the employer's failure to deduct or submit a payment a  
4 participant may submit a loan payment by sending a money order or certified check to the  
5 Third Party Administrator.

6            (c) A participant may repay the loan balance in a single payment at any time before  
7 the date the final loan payment is due.

8            (d) Partial payment of a scheduled payment and partial prepayment or advance  
9 payment of future payments shall not be permitted.

10           (e) Loan payments will be allocated in a participant's deferred compensation account  
11 in the same manner as the participant's current contribution allocation. If, for any reason,  
12 the allocation is not known, the payment will be allocated to the Short-Term Fixed  
13 Income Option.

14           (f) Any overpayment will be refunded to the participant.

15           (10) Leave of Absence. Terms of outstanding loans are not subject to revision except  
16 as provided in this section.

17           (a) Loan payments may be suspended up to one year during an authorized leave of  
18 absence if a participant's pay from the employer does not at least equal the payment  
19 amount.

20           (A) Interest on a loan continues to accrue during a leave of absence.

21           (B) A participant must immediately resume payments by payroll deduction upon  
22 return to work.

1            (C) The loan balance will be re-amortized upon the participant's return to work to be  
2 repaid within the remaining loan repayment period.

3            (D) Loan payments may be revised to extend the remaining loan repayment period to  
4 the maximum period allowed in the event the loan originally had a term shorter than the  
5 maximum period allowed under section (4) of this rule.

6            (E) If a participant is on a leave of absence that exceeds one year, the loan shall be in  
7 default unless repayment begins one year from the participant's last date worked or the  
8 date the final payment is due under the promissory note, whichever is earlier.

9            (b) Military Leave. Loan payments for participants on military leave may be  
10 suspended for the period of military service.

11           (A) A leave of absence for military service longer than one year will not cause a loan  
12 to be in default.

13           (B) Loan payments by payroll deduction must resume upon the participant's return to  
14 work.

15           (C) The original repayment period of a loan will be extended for the period of  
16 military service or to the maximum repayment period allowed for that type of loan,  
17 whichever is greater.

18           (D) Interest on a loan continues to accrue during a leave of absence for military  
19 service. If the interest rate on the loan is greater than 6%, then under the provisions of the  
20 Servicemembers Civil Relief Act of 2003, the rate shall be reduced to 6% during the  
21 period of military service.

1 (E) The loan balance will be re-amortized upon the participant's return to work to be  
2 repaid within the remaining loan repayment period as determined under paragraph (C) of  
3 this subsection.

4 (c) A participant on an authorized leave of absence or military leave may submit  
5 loan payments by sending a money order or certified check to the Third Party  
6 Administrator.

7 (11) Tax Reporting.

8 (a) The loan balance of a general purpose loan will be reported as a taxable  
9 distribution to the participant on the earlier of the last day of the loan repayment period,  
10 as adjusted under paragraphs (10)(a)(D) or (10)(b)(C) of this rule, if applicable, or if the  
11 loan is in default, the last day of the cure period.

12 (b) The loan balance of a residential loan will be reported as a taxable distribution to  
13 the participant on the earlier of the last day of the loan repayment period, as adjusted  
14 under paragraphs (10)(a)(D) or (10)(b)(C) of this rule, if applicable, or if the loan is in  
15 default, the last day of the cure period.

16 (c) If a participant dies *[prior to]* before the loan balance being repaid, and the  
17 participant's beneficiary does not repay the loan balance in a single payment within 90  
18 days of the participant's death, the loan balance will be reported as a taxable distribution  
19 to the estate of the participant.

20 (d) If a participant is eligible to receive a distribution under the Program, the  
21 reporting of a loan balance as a taxable distribution under this section will cancel the loan  
22 at the time the taxable distribution is reported. A canceled loan is a distribution and is no  
23 longer outstanding in a participant's account.

1 (e) If a participant is not eligible to receive a distribution under the Program, a loan  
2 balance reported as a taxable distribution under this section will be a deemed distribution  
3 for tax reporting purposes. A loan deemed distributed may not be canceled until the loan  
4 balance is repaid or the participant becomes eligible to receive a distribution. The loan  
5 balance will remain outstanding in the participant's account and will continue to accrue  
6 interest until repaid or canceled.

7 (12) Default.

8 (a) A loan is in default if a payment is not paid as scheduled or under any of the  
9 provisions set forth in this rule, the promissory note, or any related loan agreement.

10 (b) A loan is in default if the participant separates from employment with the plan  
11 sponsor that administers the loan payment payroll deductions.

12 (c) If a participant with a loan in default resumes loan payments by payroll deduction  
13 before the end of the cure period, the default will be cured. The participant must pay any  
14 missed payments and accrued interest before the end of the loan repayment period.

15 (d) Except as provided in subsection (c) of this section, if the participant does not  
16 cure a default by repaying the loan balance before the end of the cure period, the loan  
17 balance will be reported as a taxable distribution to the participant as provided in section  
18 (11) of this rule.

19 *[(13) The effective date of this rule is May 1, 2007.]*

20 Stat. Auth.: ORS 243.470

21 Stats. Implemented: ORS 243.401 - 243.507

OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 050 – DEFERRED COMPENSATION

1 459-050-0120

2 Self-Directed Brokerage Option

3 (1) For purposes of this rule:

4 (a) “Core Investment Option” means an investment alternative made available  
5 under ORS 243.421, but does not include the Self-Directed Brokerage Option.

6 (b) “Self-Directed Brokerage Option” means an investment alternative made  
7 available under ORS 243.421 that permits a participant to establish a brokerage  
8 account and participate in investment products other than core investment options.

9 (c) “Trade” has the same meaning as in OAR 459-050-0037.

10 (2) A participant may initiate participation in the Self-Directed Brokerage  
11 Option only by a trade from core investment options.

12 (a) The participant’s deferred compensation account balance must be at least  
13 \$20,000 on the date of the trade.

14 (b) The amount of the trade may not exceed 50 percent of the participant’s  
15 deferred compensation account balance on the date of the trade.

16 (3) A participant in the Self-Directed Brokerage Option may not:

17 (a) Contribute to the Self-Directed Brokerage Option by any means other than  
18 a trade from a core investment option.

19 (b) Make a trade to the Self-Directed Brokerage Option if:

20 (A) The participant’s balance in the Self-Directed Brokerage Option exceeds 50  
21 percent of the balance in the participant’s deferred compensation account on the  
22 date of the trade; or

1        (B) The trade would cause the participant’s balance in the Self-Directed  
2 Brokerage Option to exceed 50 percent of the balance in the participant’s deferred  
3 compensation account on the date of the trade.

4        (4) The Self-Directed Brokerage Option may not be included in any automatic  
5 account rebalancing function offered by the Program.

6        (5) Notwithstanding OAR 459-050-0080, funds in the Self-Directed Brokerage  
7 Option are not available for distribution.

8        (a) Funds in the Self-Directed Brokerage Option must be traded to a core  
9 investment option to be available for distribution under OAR 459-050-0080.

10       (b) A participant, beneficiary, or alternate payee subject to Required Minimum  
11 Distributions, as described in OAR 459-050-0300, must maintain a balance in the  
12 core investment options that will accommodate the timely distribution of the  
13 required amount.

14       (c) A participant, beneficiary, or alternate payee who fails to comply with  
15 subsection (b) of this section is solely responsible for any tax, penalty, or cost  
16 imposed by reason of a delayed or partial required minimum distribution.

17       (6) The Deferred Compensation Manager, if necessary to comply with  
18 restrictions imposed by a participating mutual fund, a contracted broker, or the  
19 Securities and Exchange Commission, may establish additional temporary  
20 restrictions for the Self-Directed Brokerage Option.

21       (7) Any action taken by the Deferred Compensation Manager under section (6)  
22 of this rule must be presented to the Board at its next scheduled meeting. The Board  
23 may take action as authorized by ORS 243.401 to 243.507. If the Board does not act,

1 the action(s) taken by the Deferred Compensation Manager shall expire on the first  
2 business day following the date of the meeting.

3 (8) The restrictions provided in this rule are not exclusive. The Board may  
4 establish additional restrictions or sanctions as authorized by ORS 243.401 to  
5 243.507.

6 Stat. Auth.: ORS 243.470

7 Stats. Implemented: ORS 243.401 - 243.507

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 050 – DEFERRED COMPENSATION**

1 **459-050-0150**

2 **Unforeseeable Emergency Withdrawal**

3 The purpose of this rule is to establish the criteria and process for a participant to  
4 obtain a distribution of deferred compensation funds *[prior to]* **before** separation from  
5 employment due to an unforeseeable emergency.

6 (1) Definitions. **For purposes of this rule:**

7 **(a) “Deferred compensation account” means the account described in OAR 459-**  
8 **050-0001 (9), but does not include any amount in the Self-Directed Brokerage**  
9 **Option.**

10 **(b) “Emergency withdrawal” means a payment to the participant from the**  
11 **participant’s deferred compensation account in an amount directly related to and**  
12 **reasonably necessary to satisfy a financial obligation attributable to an**  
13 **unforeseeable emergency.**

14 *[(a)](c)* “Unforeseeable emergency” or “Unforeseen emergency” means a severe  
15 financial hardship to a participant resulting from a sudden and unexpected illness or  
16 accident of the participant or of a dependent of the participant as defined in 26 CFR  
17 1.152-1, a loss of the participant’s property due to casualty or other similar extraordinary  
18 and unforeseeable circumstance beyond the control of the participant.

19 *[(b) “Immediate need” means a financial obligation attributable to an unforeseeable*  
20 *emergency that accrues within the 180-day period preceding and the 90-day period*  
21 *following receipt of an application for emergency withdrawal.]*

1        *[(c) “Emergency withdrawal” means a payment to the participant from the*  
2 *participant’s deferred compensation account in an amount directly related to and*  
3 *reasonably necessary to satisfy an immediate need of an unforeseeable emergency, but in*  
4 *no case shall the amount exceed the balance of a participant’s deferred compensation*  
5 *account.]*

6        (2) Eligibility for emergency withdrawals. Only a participant who established a  
7 deferred compensation account as an eligible employee and has not terminated from  
8 employment with their plan sponsor may apply to receive an unforeseeable emergency  
9 withdrawal. An alternate payee of a participant shall not be eligible to receive an  
10 emergency withdrawal.

11        (3) A participant must, if eligible, apply for a loan under the provisions of OAR 459-  
12 050-0077 *[prior to]* before application for an unforeseen emergency withdrawal unless,  
13 as determined by the Deferred Compensation Manager, the participant would suffer  
14 additional financial hardship by complying with the loan application requirement.

15        (4) Circumstances that do not constitute an unforeseeable emergency. An emergency  
16 withdrawal shall not be approved for any reason other than an unforeseeable emergency.  
17 Circumstances that do not constitute an unforeseeable emergency include, but are not  
18 limited to:

19        (a) Participant or dependent school expenses;

20        (b) The purchase of a home or costs associated with a voluntary relocation of  
21 housing;

22        (c) The reduction of personal credit liabilities not associated with an unforeseeable  
23 emergency;

1            (d) Expenses associated with a legal separation or the dissolution of a marriage;

2            (e) Expenses associated with medical procedures that are elective or not medically  
3 required;

4            (f) Expenses associated with establishing or managing a personal business;

5            (g) Recreational expenses;

6            (h) Travel expenses not associated with an unforeseeable emergency; and

7            (i) Usual and customary tax obligations.

8            (5) Limitations on amount of emergency withdrawal. The amount of an emergency

9 withdrawal may not exceed the balance of the participant's deferred compensation

10 account. The maximum amount that may be approved as an emergency withdrawal shall

11 be limited to what is reasonably needed to satisfy the immediate financial obligation

12 related to the unforeseeable emergency, including taxes anticipated on the distribution.

13 The amount of the emergency withdrawal shall be limited to the extent that the financial

14 obligation can or may be satisfied by:

15            (a) Reimbursement or compensation by insurance or otherwise;

16            (b) Liquidation of the participant's assets, to the extent the liquidation of such assets  
17 would not itself cause severe unforeseeable emergency; or

18            (c) Cessation of participant contributions to the Deferred Compensation Program.

19            (6) Application for an emergency withdrawal. A participant must submit a

20 completed emergency withdrawal application and financial information and related

21 documentation sufficient to satisfy the provisions of this rule. The emergency withdrawal

22 application may be returned if incomplete or if insufficient financial information or

23 related documentation is submitted.

1 (a) The application form may be obtained from the Deferred Compensation Program  
2 or the third party administrator (TPA) retained to administer a portion of the Deferred  
3 Compensation Program.

4 (b) The completed application, financial information, and related documentation  
5 shall be submitted by use of the United State Postal Service or by private carrier as  
6 defined in ORS 293.660(2) for initial review.

7 (7) Cancellation of future contributions. Contributions by a participant to the  
8 Deferred Compensation Program shall immediately be cancelled upon receipt of an  
9 application for an emergency withdrawal from the participant.

10 (a) A participant who receives approval for an emergency withdrawal shall be  
11 prohibited from making elective deferrals and contributions to the Deferred  
12 Compensation Program for a period of six consecutive months from the date of  
13 distribution.

14 (b) A participant who receives a denial for an emergency withdrawal may enroll to  
15 make elective deferrals and contributions to the Deferred Compensation Program at any  
16 time.

17 (8) Approval or denial notification. The Deferred Compensation Manager or an  
18 authorized designee shall approve or deny a request for an emergency withdrawal within  
19 three working days after receipt of an accepted application. The participant will be  
20 notified by mail within ten days after a decision is made.

21 (9) Release of payment upon approval of an emergency withdrawal. The Deferred  
22 Compensation Manager or an authorized designee shall determine the method of

1 payment[, *based on the immediate need*]. The Deferred Compensation Program shall  
2 immediately notify the TPA to release the requested funds.

3 (10) A participant may appeal a denial of an emergency withdrawal to the  
4 Unforeseeable Emergency Withdrawal Appeals Committee as provided in OAR 459-050-  
5 0040. The appeal shall be in writing and must include:

6 (a) A request for review by the Unforeseeable Emergency Withdrawal Appeals  
7 Committee;

8 (b) A short statement of the facts that are the basis of the appeal; and

9 (c) Any additional information or documentation to support the request for an  
10 emergency withdrawal.

11 (11) Number of emergency withdrawal requests. The number of times a participant  
12 may apply for an emergency withdrawal is unlimited and is unaffected by previous  
13 applications.

14 Stat. Auth: ORS 243.470

15 Stats. Implemented: ORS 243.401 - 243.507

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 050 – DEFERRED COMPENSATION**

1 **459-050-0300**

2 **Required Minimum Distribution Requirements**

3 (1) Definitions. The following definitions apply for the purposes of this rule:

4 *[(a) “Required Beginning Date” means April 1 of the calendar year following the*  
5 *later of:]*

6 *[(A) The calendar year in which the participant reaches 70-1/2 years of age; or]*

7 *[(B) The calendar year in which the participant retires.]*

8 *[(b) “Required Commencement Date” means the date that the deferred*  
9 *compensation plan must begin to distribute all or part of an account to a surviving*  
10 *beneficiary.]*

11 *[(c)]*(a) “Designated Beneficiary” means:

12 (A) A natural person designated as a beneficiary by the participant, alternate payee,  
13 or surviving beneficiary as provided in OAR 459-050-0060; or

14 (B) If a trust is designated as a beneficiary, the individual beneficiaries of the trust  
15 will be treated as designated beneficiaries if the trust satisfies the requirements in section  
16 (2) of this rule and applicable Treasury Regulations, including but not limited to  
17 Proposed Treasury Regulation Section 1.401(a)(9)-1, Q&A-D-5.

18 (C) If the beneficiary is not a person or a trust satisfying these requirements, the  
19 participant, alternate payee, or surviving beneficiary will be deemed to have no  
20 designated beneficiary only for purposes of required minimum distributions under IRC  
21 409(a)(9) and distribution shall be made in accordance with section (11) of this rule.

1 ~~[(d)]~~**(b)** “Life Expectancy” means the length of time a person of a given age is  
2 expected to live as set forth in Treasury Regulation Section 1.72-9. Required minimum  
3 distributions shall be calculated so as to satisfy the requirements of Section 401(a)(9)  
4 using the life expectancy tables provided in Treasury regulations. Life expectancies shall  
5 not be recalculated after the initial determination, except as otherwise required under  
6 Oregon or federal law.

7 **(c) “Required Beginning Date” means April 1 of the calendar year following the**  
8 **later of:**

9 **(A) The calendar year in which the participant reaches 70-1/2 years of age; or**

10 **(B) The calendar year in which the participant retires.**

11 **(d) “Required Commencement Date” means the date that the deferred**  
12 **compensation plan must begin to distribute all or part of an account to a surviving**  
13 **beneficiary.**

14 (2) A trust as beneficiary. If a trust is designated as a beneficiary, the individual  
15 beneficiaries of the trust will be treated as designated beneficiaries as defined in  
16 paragraph (1)(c)(B) if by December 31 of the calendar year following the death of a  
17 person who designated a trust as beneficiary, the trust satisfies the following conditions:

18 (a) The trust must be irrevocable, or become irrevocable by its terms at the time of  
19 the person’s death;

20 (b) The trust’s beneficiaries must be natural persons who are identifiable from the  
21 trust instrument; and

22 (c) One of the following must be provided to the Deferred Compensation Program:

1 (A) A list of all beneficiaries of the trust, including contingent beneficiaries, along  
2 with a description of the portion to which they are entitled and any conditions on their  
3 entitlement, all corrected certifications of trust amendments, and a copy of the trust  
4 instrument if requested by the Deferred Compensation Program; or

5 (B) A copy of the trust instrument and copies of any amendments after they are  
6 adopted.

7 (3) Applicable law. Distributions under the Deferred Compensation Program shall be  
8 made in accordance with Internal Revenue Code (IRC) Section 401(a)(9), Treasury  
9 regulations, Internal Revenue Service rulings and other interpretations issued, including  
10 Proposed Treasury Regulation Section 1.401(a)(9)-2. IRC Section 401(a)(9) overrides the  
11 provisions of this rule and any other statute or rule pertaining to the required minimum  
12 distribution requirements and any manners of distributions, if they are found to be  
13 inconsistent with IRC Section 401(a)(9).

14 (a) If a participant, alternate payee, or surviving beneficiary has not begun  
15 distribution or elected a minimum distribution by the beginning date or commencement  
16 date required in this rule and IRC Section 401(a)(9), the Deferred Compensation Program  
17 shall begin distribution of the minimum amount required as provided under OAR 459-  
18 050-0080(2)(e) or, if required, the entire account. Distribution under this subsection is  
19 subject to the provisions of OAR 459-050-0120(4). *[There is no exception for those*  
20 *who fail to apply for or to elect a distribution of the minimum amount required in IRC*  
21 *Section 401(a)(9).]*

22 (b) The required minimum distribution amount may never exceed the entire account  
23 balance on the date of distribution.

1 (4) Minimum distribution requirements for participants. Distributions must begin no  
2 later than the participant’s required beginning date.

3 (a) The participant’s entire account balance shall be distributed over the participant’s  
4 life expectancy or over a period not extending beyond the participant’s life expectancy  
5 without regard to the designated beneficiary’s age unless the designated beneficiary is a  
6 spouse who is more than 10 years younger than the participant.

7 (b) If the designated beneficiary is a spouse and is more than 10 years younger than  
8 the participant, the entire account balance shall be distributed over the joint lives of the  
9 participant and the designated beneficiary.

10 (5) Minimum distribution requirements for alternate payees. The minimum  
11 distribution requirements applicable to an alternate payee are determined by whether a  
12 Qualified Domestic Relations Order (QDRO) allocates a separate account to the alternate  
13 payee or provides that a portion of a participant's benefit is to be paid to the alternate  
14 payee.

15 (a) If a separate account is established in the name of the alternate payee under OAR  
16 459-050-0210, required minimum distributions to the alternate payee must begin no later  
17 than the participant’s required beginning date. The alternate payee’s entire account  
18 balance shall be distributed over the alternate payee’s life expectancy or over a period not  
19 extending beyond the alternate payee’s life expectancy.

20 (b) If no separate account is established in the name of the alternate payee and the  
21 alternate payee is paid a portion of a participant’s benefit, the alternate payee’s portion of  
22 the benefit shall be aggregated with the amount distributed to the participant and will be

1 treated, for purposes of meeting the minimum distribution requirement, as if it had been  
2 distributed to the participant.

3 (6) Manners of distribution available to surviving designated beneficiaries. A  
4 surviving designated beneficiary may choose a manner of distribution and apply for a  
5 distribution as provided for in OAR 459-050-0080. If the distribution to a participant or  
6 alternate payee has begun in accordance with section 401(a)(9)(A)(ii) and the participant  
7 dies before the entire account has been distributed or after distributions are required to  
8 begin under section (4) of this rule, distributions to the surviving designated beneficiary  
9 must be made at least as rapidly as under the manner of distribution used before the  
10 participant's or alternate payee's death.

11 (7)(a) Distributions treated as having begun. Distributions from an individual  
12 account are not treated as having begun to a participant in accordance with section  
13 401(a)(9)(A)(ii) until the participant's required minimum distribution beginning date,  
14 without regard to whether distributions from an individual account have been made  
15 before the required beginning date.

16 (b) If distribution has been made before the required beginning date in the form of an  
17 irrevocable annuity, the distributions are treated as having begun if a participant dies after  
18 the annuity starting date but before the required beginning date. The annuity starting date  
19 will be deemed the required minimum distribution beginning date.

20 (8) Required commencement date for a surviving designated beneficiary. If a  
21 participant dies before distributions are required to begin or are treated as having begun,  
22 the entire account balance must be distributed by December 31 of the calendar year  
23 containing the fifth anniversary of the participant's death, unless the beneficiary makes

1 the following distribution election in the manner prescribed by the Deferred  
2 Compensation Plan:

3 (a) Distributions must begin no later than December 31 of the calendar year  
4 following the year of the participant's or alternate payee's death; and

5 (b) Distribution of payments over the designated beneficiary's lifetime or over a  
6 period not exceeding the designated beneficiary's life expectancy.

7 (A) The beneficiary's life expectancy is calculated using the age of the beneficiary in  
8 the year following the year of the participant's death, reduced by one for each subsequent  
9 year.

10 (B) If the participant has more than one designated beneficiary as of December 31 of  
11 the calendar year following the year of the participant's death and the account has not  
12 been divided into separate accounts for each beneficiary, the beneficiary with the shortest  
13 life expectancy is treated as the designated beneficiary.

14 (9) Required commencement date for a spousal beneficiary. If distributions have not  
15 begun before the participant's death and if the sole designated beneficiary is the  
16 participant's surviving spouse, distributions to the surviving spouse must commence on  
17 or before the later of the dates set forth in subsections (a) and (b) below:

18 (a) December 31 of the calendar year immediately following the calendar year in  
19 which the participant died; or

20 (b) December 31 of the calendar year in which the participant would have attained  
21 70-1/2 years of age.

22 (c) The distribution period during the surviving spouse's life is the spouse's single  
23 life expectancy.

1 (10)(a) Required commencement date for a surviving spouse’s beneficiary. If the  
2 surviving spouse dies after the participant’s death but before distributions to the spouse  
3 have begun, any death benefits payable to the surviving spouse’s beneficiary will be  
4 applied as if the surviving spouse were the participant. The date of death of the surviving  
5 spouse will be substituted for the date of death of the participant.

6 (b) A death benefit payable to the surviving spouse of the deceased participant’s  
7 surviving spouse shall be distributed as provided in section (8) of this rule. The  
8 provisions of section (9) of this rule do not apply to a death benefit payable to a surviving  
9 spouse of the deceased participant’s surviving spouse.

10 (11)(a) Required commencement date if no designated beneficiary: If a participant  
11 dies before the required beginning date with no designated beneficiary as defined in  
12 paragraph (1)(c)(C) of this rule, the total account balance must be distributed as provided  
13 for in OAR 459-050-0060, by December 31 of the calendar year containing the fifth  
14 anniversary of the participant’s or alternate payee’s death.

15 (b) If a participant dies after the required beginning date with no designated  
16 beneficiary as defined in paragraph (1)(c)(C) of this rule, the applicable distribution  
17 period must not be longer than the participant’s life expectancy.

18 (12) Determining the designated beneficiary. The designated beneficiary will be  
19 determined based on the beneficiary(s) designated as of December 31 of the calendar  
20 year following the calendar year of the participant’s, alternate payee’s, or surviving  
21 beneficiary’s death.

22 (a) A participant may change beneficiaries after his or her required beginning date.

1           (b) A beneficiary may be changed after a participant's death, such as by one or more  
2 beneficiaries disclaiming benefits.

3           Stat. Auth: ORS 243.470

4           Stats. Implemented: ORS 243.401 - ORS 243.507





# Oregon

John A. Kitzhaber, M.D., Governor

## Public Employees Retirement System

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

May 26, 2011

TO: Members of the PERS Board

FROM: Steven Patrick Rodeman, Deputy Director

SUBJECT: Notice of Rulemaking for Social Security Rules  
 459-020-0005, *Remitting of Employer and Employee Contributions* (repeal)  
 459-020-0010, *Annual Report of Earnings* (repeal)  
 459-020-0012, *Quarterly Reconciliation of Social Security Reporting* (repeal)  
 459-020-0015, *Collection of Pro Rata Share of Administrative Expenses*  
 459-020-0020, *Due Date for Administrative Expenses* (repeal)  
 459-020-0025, *Penalty* (repeal)  
 459-020-0030, *Information and Records from Employer*  
 459-020-0035, *Employer's Records Shall Be Available to Board* (repeal)  
 459-020-0040, *Determination of Employee Status* (repeal)  
 459-020-0045, *Extras Valued for Salary Contributions* (repeal)  
 459-020-0050, *Application for Inclusion*  
 459-020-0055, *All Prior Rules Superseded* (repeal)

### OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Align Social Security rules with current practice; repeal obsolete rules.
- Policy Issue: No policy issues have been identified at this time.

### BACKGROUND

ORS 237.410 to 237.515 govern the extension of Social Security benefits to employees of state and certain political subdivisions. Under these statutes, the Public Employees Retirement Board administers the state of Oregon's responsibilities under the Social Security coverage agreement. As such, the PERS Board has promulgated rules detailing its administration of the program; those rules have not been reviewed or modified in quite awhile, but are now being updated through this rulemaking process.

### PROPOSED RULE MODIFICATIONS

First, several rules are being repealed or modified to conform to a change in the program's scope of responsibilities. Previously, the State Social Security Administration collected Social Security contributions for all covered state and local government employees. Federal law changed to transfer responsibility for collecting those contributions to the IRS. Staff proposes repealing those rules that are now obsolete after that change: OARs 459-020-0010, -0020, -0025, -0035, -0040, -0045, and -0055.

Also, staff proposes to modify OAR 459-020-0015 to reflect the current process under which the program's administrative fees are collected. OAR 459-020-0030 would be updated to clarify the information and records PERS may request from employers and to replace outdated terms. OAR 459-020-0050 was rewritten to clarify guidelines for inclusion of public agencies in the Board's coverage agreement.

#### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held on June 28, 2011 at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends on July 1, 2011 at 5:00 p.m.

#### LEGAL REVIEW

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

#### IMPACT

Mandatory: No.

Impact: The updated rule language and repeal of obsolete provisions will provide needed clarification of the program's current administration for employers and staff.

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

#### RULEMAKING TIMELINE

April 15, 2011	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
May 1, 2011	<i>Oregon Bulletin</i> published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
May 26, 2011	PERS Board notified that staff began the rulemaking process.
June 28, 2011	Rulemaking hearing to be held at 2:00 p.m. in Tigard.
July 1, 2011	Public comment period ends at 5:00 p.m.
July 29, 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 June 28, 2011 at PERS Headquarters in Tigard. The public comment period ends on July 1, 2011 at 5:00 p.m. The rules are scheduled to be brought before the PERS Board for adoption at the July 29, 2011 Board meeting.

Notice – Social Security Rules

05/26/11

Page 3 of 3

- B.3. Attachment 1 - 459-020-0005, *Remitting of Employer and Employee Contributions* (repeal)
- B.3. Attachment 2 - 459-020-0010, *Annual Report of Earnings* (repeal)
- B.3. Attachment 3 - 459-020-0012, *Quarterly Reconciliation of Social Security Reporting* (repeal)
- B.3. Attachment 4 - 459-020-0015, *Collection of Pro Rata Share of Administrative Expenses*
- B.3. Attachment 5 - 459-020-0020, *Due Date for Administrative Expenses* (repeal)
- B.3. Attachment 6 - 459-020-0025, *Penalty* (repeal)
- B.3. Attachment 7 - 459-020-0030, *Information and Records from Employer*
- B.3. Attachment 8 - 459-020-0035, *Employer's Records Shall Be Available to Board* (repeal)
- B.3. Attachment 9 - 459-020-0040, *Determination of Employee Status* (repeal)
- B.3. Attachment 10 - 459-020-0045, *Extras Valued for Salary Contributions* (repeal)
- B.3. Attachment 11 - 459-020-0050, *Application for Inclusion*
- B.3. Attachment 12 - 459-020-0055, *All Prior Rules Superseded* (repeal)



**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 020 – OLD-AGE AND SURVIVORS INSURANCE**

1 ***[459-020-0005***

2 ***Remitting of Employer and Employee Contributions***

3 *(1) Unless otherwise agreed upon between the Retirement Board and the employer,*  
4 *the employer shall transmit the amount of employee and employer social security*  
5 *contributions together with Remittance Advice to the Retirement Board as follows (date*  
6 *postmarked by U.S. Postal Service is deemed date received if sent through the U.S. Postal*  
7 *Service).*

8 *For Pay Dates -- Send so That Total Contributions will be Received Not Later Than:*  
9 *1st through 15th -- 22nd of that month;*  
10 *16th through month -- end 7th of following month.*

11 *(2) Should the due date occur on a legal Oregon holiday, a Saturday or Sunday, the*  
12 *due date will be the next business day.*

13 *(3) The provisions of this rule apply only to calendar years prior to 1987.*

14 *Stat. Auth.: ORS 237.460 & ORS 237.470*

15 *Stats. Implemented:]*

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 020 – OLD-AGE AND SURVIVORS INSURANCE**

1 ***[459-020-0010***

2 ***Annual Report of Earnings***

3 *(1) Unless agreed upon between the Retirement Board and the employer, the*  
4 *employer shall transmit to the Retirement Board in acceptable format, one copy of an*  
5 *annual wage report/listing and the designated copy Form W-3 S&L (furnished by the*  
6 *board), original and duplicate, so that they shall be received not later than 31 days*  
7 *following the end of the calendar year.*

8 *(2) Unless agreed upon between the retirement board and the employer, the*  
9 *employer shall file pursuant to Federal Regulations Form W-2 and W-3 S&L by*  
10 *February 28 following the end of each calendar year. Failure to meet this deadline shall*  
11 *cause the delinquent employer to be subject to penalties as otherwise provided in Oregon*  
12 *statutes and administrative rules.*

13 *(3) The provisions of this rule apply only to calendar years prior to 1987.*

14 *Stat. Auth.: ORS 237.470 & ORS 237.480*

15 *Stats. Implemented:]*

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 020 – OLD-AGE AND SURVIVORS INSURANCE**

1 ***[459-020-0012***

2 ***Quarterly Reconciliation of Social Security Reporting***

3 *(1) Unless otherwise agreed upon between the Retirement Board and the employer,*  
4 *the employer shall transmit on forms furnished by the Board (PERS 45910-13) the Social*  
5 *Security Quarterly Reconciliation, original and duplicate, so it shall be received not later*  
6 *than 25 days following the end of the calendar quarter.*

7 *(2) The provisions of this rule apply only to calendar years prior to 1987.*

8 *Stat. Auth.: ORS 237 .470 & ORS 237 .480*

9 *Stats. Implemented:]*

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 020 – OLD-AGE AND SURVIVORS INSURANCE**

1 **459-020-0015**

2 **Collection of Pro Rata Share of Administrative Expenses**

3 **(1) [The Board shall collect from e]Each [participating] public agency, as defined**  
4 **in ORS 237.410, must pay to the Board an amount determined by the Board to be**  
5 **the public agency’s obligation for administrative expenses incurred by the Board in**  
6 **the administration of ORS 237.410 to 237.515.**

7 **(2) The Board will determine administrative expenses for a period of 12**  
8 **calendar months beginning July 1 of each year and allocate the expenses to each**  
9 **public agency in proportion to the number of employees reported to the Board by**  
10 **the public agency. The Board will invoice each public agency for:**

11 **(a) A minimum amount of \$15.00; and**

12 **(b) The public agency’s pro rata share of administrative expenses, to the extent**  
13 **that amount exceeds \$15.00.** *[its respective pro rata share of expenses incurred in*  
14 *administering this Act (ORS 237.410 to 237.520, inclusive). For purposes of this recovery*  
15 *of expenses, the fiscal period shall be the calendar quarter and all expenses paid during*  
16 *a calendar quarter shall be prorated to each employer on the basis of the number of*  
17 *employees reported on the employer’s quarterly report form for the quarter. For this*  
18 *purpose, the scheduled payments for amortizing the amounts loaned to the department*  
19 *from the general fund of the State of Oregon and from the Public Employees Retirement*  
20 *System shall be considered to have been made during a quarter.]*

21 **(3) Administrative expenses charged to a public agency must be paid to the**  
22 **Board no later than 30 days after the date the invoice is issued.**

*DRAFT*

*DRAFT*

*DRAFT*

*DRAFT*

*DRAFT*

*DRAFT*

1 Stat. Auth.: ORS ~~[238.650]~~ 237.470

2 Stats. Implemented: ORS 237.500

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 020 – OLD-AGE AND SURVIVORS INSURANCE**

1 ***[459-020-0020***

2 ***Due Date for Administrative Expenses***

3 *Payment of the administrative expenses shall be due the Retirement Board no later*  
4 *than 75 days after the end of the calendar quarter for which the invoice is rendered and*  
5 *will be delinquent thereafter.*

6 *Stat. Auth.: ORS 237*

7 *Stats. Implemented:]*

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 020 – OLD-AGE AND SURVIVORS INSURANCE**

1 ***[459-020-0025***

2 ***Penalty***

3 *(1) Failure of any public agency to submit reports, remittances of contributions, or*  
4 *remittances of administrative expense, within the time limit specified, will make the*  
5 *agency liable for penalties at the rate of one percent for each month or fraction thereof*  
6 *during which the agency is delinquent. The total contributions due on a delinquent*  
7 *report, or the total amount of a delinquent remittance, whichever is the greater, shall be*  
8 *subject to such penalty.*

9 *(2) Such penalty may be waived by the Board upon the agency petition*  
10 *demonstrating unavoidable delay or unintentional error.*

11 *(3) Such penalty shall not be waived by the Board repeatedly for any agency except*  
12 *upon a showing of highly unusual circumstances evidencing no agency responsibility for*  
13 *the delay or error.*

14 *Stat. Auth.: ORS 237*

15 *Stats. Implemented:]*

OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 020 – OLD-AGE AND SURVIVORS INSURANCE

1 459-020-0030

2 ***[Board May Request]*** Information and Records from Employer

3 ***(1)*** *[As may be found necessary,]* Upon request from the Board, *[in writing or on*  
4 *printed form, may request from]* an employer must provide to the Board records and  
5 information, including: *[that may aid in determining OASI benefits,]*

6 ***(a)*** Personnel information*[amount of tax due,];*

7 ***(b)*** *[p]*Possible exclusions from coverage*[,];*

8 ***(c)*** *[correct]* Employer’s legal name and status*[,];*

9 ***(d)*** *[Social Security account]* Federal employer identification number*[,];*

10 ***(e)*** *[e]*Employee-employer relationship*[,];* or

11 ***(f)*** *[i]*Information requested by the *[Federal Bureau]* Commissioner of Social  
12 Security.

13 ***(2)*** *[After]* ***if*** 30 days have elapsed from the date of the *[first]* Board’s request *[for*  
14 *information]*, the *[Director of the]* Board may, without further notice, send a *[field*  
15 *examiner]* staff member to the *[headquarters of the]* employer’s premises to examine  
16 the employer’s records and obtain the necessary reports.*[secure the information, and]*

17 The employer shall make its records available to the Board’s staff during normal  
18 business hours. *[t]*The entire cost of such examination shall be paid by the employer.

19 *[(Public Law 96-88)]*

20 Stat. Auth.: ORS 237.470

21 Stats. Implemented: ORS 237.480

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 020 – OLD-AGE AND SURVIVORS INSURANCE**

1 ***[459-020-0035***

2 ***Employer's Records Shall Be Available to Board***

3 *When an employer fails to remit or report to the Retirement Board in the manner*  
4 *specified, the Board may without notice send an auditor to the office of the employer to*  
5 *examine the records and to obtain the necessary reports and remittances. The employer*  
6 *shall make its books and records available for such purpose during normal business*  
7 *hours. The entire cost of such examination shall be paid by the delinquent employer.*

8 *Stat. Auth.: ORS 237*

9 *Stats. Implemented:]*

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 020 – OLD-AGE AND SURVIVORS INSURANCE**

1 ***[459-020-0040***

2 ***Determination of Employee Status***

3 *In determining whether or not a person was or is an employee of a participating*  
4 *employer, the Retirement Board will consider the following factors:*

5 *(1) Who had or has the authority to select and engage the employee.*

6 *(2) Who had or has the power of dismissal.*

7 *(3) Who had or has the authority and responsibility for directing and supervising the*  
8 *employee's work and for controlling the employee's conduct at work.*

9 *(4) From whom did or does the employee receive his compensation.*

10 *Stat. Auth.: ORS 237*

11 *Stats. Implemented:]*

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 020 – OLD-AGE AND SURVIVORS INSURANCE**

1 *[459-020-0045*

2 *Extras Valued for Salary Contributions*

3 *(1) Living quarters, board, lodging, fuel, laundry, and other advantages furnished an*  
4 *employee in return for their services shall be taken into account and valued for salary*  
5 *contribution purposes only as determined by the Board and as certified to by the*  
6 *employer.*

7 *(2) In no case shall such account include items of traveling expense or other expense*  
8 *paid by an employee which is subject to reimbursement.*

9 *(3) The provisions of this rule apply only to calendar years prior to 1987.*

10 *Stat. Auth.: ORS 237 .460 & ORS 237 .470*

11 *Stats. Implemented:]*

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 020 – OLD-AGE AND SURVIVORS INSURANCE**

1 **459-020-0050**

2 *[Governmental Unit Contracting With Board Must Have Legal Status]*

3 **Application for Inclusion**

4 **A public agency, as defined in ORS 237.410, may apply to the Board for**

5 **inclusion in the agreement under ORS 237.440 by submitting to the Board:**

6 **(1) A resolution by the agency’s legislative or governing body requesting**

7 **inclusion in the agreement entered into by the Board under ORS 237.414; and**

8 **(2) A completed Social Security coverage Application and Agreement. [A**

9 *political subdivision, instrumentality, or agency, as to which an agreement with the*

10 *Department of Health and Human Services may be executed by the Public Employees*

11 *Retirement Board, is an entity that has legal being and exercises some of the*

12 *governmental powers or discharges some of the governmental functions of the State of*

13 *Oregon.]*

14 Stat. Auth.: ORS *[238.650]* **237.470**

15 Stats. Implemented: **ORS 237.440**

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 020 – OLD-AGE AND SURVIVORS INSURANCE**

1 *[459-020-0055*

2 *All Prior Rules Superseded*

3 *These rules supersede all rules of the Public Employees Retirement Board, relating*  
4 *to the Old-Age and Survivors Insurance Division, heretofore filed with the Secretary of*  
5 *State.*

6 *Stat. Auth.: ORS 238.650*

7 *Stats. Implemented:]*





# Oregon

John A. Kitzhaber, M.D., Governor

## Public Employees Retirement System

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

May 26, 2011

TO: Members of the PERS Board

FROM: Steven Patrick Rodeman, Deputy Director

SUBJECT: Adoption of Trustee-to-Trustee Transfer Rules and New Purchases Rule  
 OAR 459-005-0580, *Trustee-to-Trustee Transfers*  
 OAR 459-015-0055, *Selection of Benefit Option and Commencement of Allowance*  
 OAR 459-050-0075, *Distributions During Employment*  
 OAR 459-050-0090, *Direct Rollover and Trustee-to-Trustee Transfer*  
 OAR 459-011-0150, *General Purchases*

### OVERVIEW

- Action: Adopt modifications to the Trustee-to-Trustee Transfer rules and adopt a new General Purchases rule.
- Reason: Clarify member's ability to restore forfeited creditable service or to make retirement credit purchases via a trustee-to-trustee transfer from certain other retirement plans.
- Policy Issue: No policy issues have been identified at this time.

### BACKGROUND

Senate Bill 399 (2009), codified as ORS 238.222, allows eligible members to restore forfeited creditable service or purchase retirement credit with pre-tax dollars transferred from certain other retirement plans. The bill has an operative date of September 1, 2011.

Previously, staff noticed rulemaking to address the parameters for eligibility to fund a purchase with a trustee-to-trustee transfer, guidance on how PERS will treat excess dollars transferred to PERS, and the relevant timelines. Conforming modifications were proposed to other administrative rules to reflect this new purchase funding method.

As these rules were developed further, staff concluded that putting these transfers in a broader context made sense, as these new rules addressed aspects of service credit purchases that were of general application, but no general rule addressed purchases. Also, while the Oregon Savings Growth Plan (OSGP) is a possible source of these transfers, staff thought we should provide the opportunity for OSGP participants to use their funds to purchase service credit in other governmental plans, if those plans allow such purchases.

As a result, the rules originally noticed in January 2011 have been augmented with additional rules and revisions to address the issue of purchases more comprehensively.

SUMMARY OF MODIFICATIONS TO RULES SINCE FIRST READING

459-005-0580:

Section (2) was edited for clarity and consistency.

Provisions of section (3) that indicated PERS would return excess amounts to the member have been removed; statute requires PERS to use the funds only for the purpose intended (i.e. purchases) and prohibits PERS making the funds available to the member.

459-015-0055:

Sections (2) through (8) were edited for clarity and consistency.

459-050-0090:

Added Section (1)(c)(F) to the definition of “Distributee” to address a plan participant who requests a trustee-to-trustee transfer.

459-011-0150:

Section (2) was edited for clarity; sections (3) and (4) were edited to include a reference to OAR 459-005-0580 regarding returning excess funds.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held on February 22, 2011 at 2:00 p.m. at PERS headquarters in Tigard. No members of the public attended. A rulemaking hearing for the general purchases rule, OAR 459-011-0150, was held on May 3, 2011 at 1:00 p.m. at PERS headquarters in Tigard. No members of the public attended. The public comment period for all the rules ended on May 10, 2011 at 5:00 p.m. No public comment was received.

LEGAL REVIEW

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

IMPACT

Mandatory: Yes. These provisions are required by SB 399 (2009).

Impact: Members, employers, and staff will benefit from clarification of the administration of trustee-to-trustee transfers.

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

RULEMAKING TIMELINE

January 14, 2011	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
January 28, 2011	PERS Board notified that staff began the rulemaking process.

Adoption – Trustee-to-Trustee Transfer Rules

05/26/11

Page 3 of 3

February 1, 2011	<i>Oregon Bulletin</i> published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
February 22, 2011	Rulemaking hearing held at 2:00 p.m. in Tigard.
March 9, 2011	Public comment period ended at 5:00 p.m., but was extended.
March 28, 2011	Notice of Rulemaking for OAR 459-011-0150 and First Reading of the Trustee-to-Trustee Transfer rules.
April 1, 2011	Notice for OAR 459-011-0150 was mailed to employers, legislators, and interested parties. Public comment period began.
May 3, 2011	Rulemaking hearing for OAR 459-011-0150 held at 1:00 p.m. in Tigard.
May 10, 2011	Public comment period for all rules ended at 5:00 p.m.
May 26, 2011	Board may adopt the new rule and permanent rule modifications.

BOARD OPTIONS

The Board may:

1. Pass a motion to “adopt the modified Trustee-to-Trustee Transfer Rules, the new General Purchases rule, and the other amendments to existing 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: Clarify member’s ability to restore forfeited creditable service or to make retirement credit purchases via a trustee-to-trustee transfer from certain other retirement plans.

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 459-005-0580, *Trustee-to-Trustee Transfers*

B.4. Attachment 2 – OAR 459-011-0150, *General Purchases*

B.4. Attachment 3 – OAR 459-015-0055, *Selection of Benefit Option and Commencement of Allowance*

B.4. Attachment 4 – OAR 459-050-0075, *Distributions During Employment*

B.4. Attachment 5 – OAR 459-050-0090, *Direct Rollover and Trustee-to-Trustee Transfer*



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

1 459-005-0580

2 Trustee-to-Trustee Transfers

3 (1) For purposes of this rule, “trustee-to-trustee transfer” means a transfer of  
4 funds from an eligible retirement plan to PERS for the purpose of obtaining  
5 restoration of forfeited creditable service or purchasing retirement credit pursuant  
6 to ORS 238.222.

7 (2)(a) Except as provided in subsection (c) of this section, PERS must receive  
8 the trustee-to-trustee transfer within the time period established in the particular  
9 statute for restoration of creditable service or obtaining retirement credit included  
10 in ORS 238.222(1).

11 (b) A trustee-to-trustee transfer received by PERS outside the time period  
12 determined under subsection (a) of this section for the transfer will be returned to  
13 the eligible retirement plan from which the transfer was received.

14 (c) If the cost of restoration of creditable service or obtaining retirement credit  
15 is adjusted and PERS determines that the amount required is greater than the  
16 amount originally received, a trustee-to-trustee transfer may be made to remit the  
17 additional amount required.

18 (d) Nothing in ORS 238.222 or this rule shall be construed to provide an  
19 extension of time for restoration of forfeited creditable service or obtaining  
20 retirement credit outside the time permitted under the relevant statutes.

21 (3) If PERS receives a trustee-to-trustee transfer and determines that all or a  
22 portion of the transfer may not be accepted by PERS and must be returned, PERS

1 will transfer the amount back to the eligible retirement plan from which the  
2 transfer was received.

3 (4) The provisions of this rule are effective on September 1, 2011.

4 Stat. Auth.: ORS 238.222 & 238.650

5 Stats. Implemented: ORS 238.222 and section 2, Chapter 971, Oregon Laws  
6 1999.

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 011 – RETIREMENT CREDIT**

1 **459-011-0150**

2 **General Purchases**

3 **(1) For purposes of this rule, “purchase” means restoration of creditable service**  
4 **under ORS 238.115 or obtaining retirement credit under ORS 238.125, 238.135,**  
5 **238.145, 238.148, 238.156, 238.157, 238.160, 238.162, 238.165, 238.175, 526.052 or**  
6 **section 2, Chapter 971, Oregon Laws 1999.**

7 **(2) To make a purchase, a member must submit the application for restoration**  
8 **of creditable service or to obtain retirement credit and the full purchase cost,**  
9 **provided by PERS, within the time period established in the particular statute.**

10 **(3)(a) If the purchase cost is adjusted and requires an additional payment,**  
11 **PERS will notify the member of the balance due. To complete the purchase, the**  
12 **balance due must be received by PERS by the later of:**

13 **(A) The date set by PERS; or**

14 **(B) The member’s effective retirement date.**

15 **(b) If the balance due required in subsection (a) of this section is not received**  
16 **within the time period established in subsection (a) of this section, PERS will cancel**  
17 **the purchase and return the amount paid under section (2) of this rule to the**  
18 **member, subject to the provisions of OAR 459-005-0580.**

19 **(4) If the purchase cost is adjusted and is lower than the amount paid under**  
20 **section (2) of this rule, PERS will refund the excess amount to the member, subject**  
21 **to the provisions of OAR 459-005-0580.**

22 **Stat. Auth.: ORS 238.650**

- 1        [Stats. Implemented: ORS 238.115, 238.125, 238.135, 238.145, 238.148, 238.156,](#)
- 2        [238.157, 238.160, 238.162, 238.165, 238.175, 526.052 and section 2, Chapter 971,](#)
- 3        [Oregon Laws 1999](#)

**OREGON ADMINISTRATIVE RULE**  
**PUBLIC EMPLOYEES RETIREMENT BOARD**  
**CHAPTER 459**  
**DIVISION 015 – DISABILITY RETIREMENT ALLOWANCES**

1   **459-015-0055**

2   **Selection of Benefit Option and Commencement of Allowance**

3       (1) Upon filing an application for a disability retirement allowance, the member may  
4   make a preliminary designation of beneficiary and a preliminary selection of benefit option.

5       (a) A member may choose from retirement Options 1, 2, 2A, 3, 3A, 15 year certain or  
6   refund annuity as set forth in ORS 238.300 and 238.305, or an optional disability retirement  
7   allowance under ORS 238.325.

8       (b) A member may not choose a lump-sum option.

9       (2) Within 90 days following the Director's, or the Director's designee's, approval of the  
10   application for disability retirement allowance, the member must *[complete]* submit a *[final*  
11   *designation of beneficiary and selection of benefit option on forms]* disability benefit  
12   application provided by PERS. Receipt of the final forms will supersede any preliminary  
13   beneficiary designation or benefit option.

14       (a) The final option selected applies only to the corresponding time period the member is  
15   receiving a disability retirement allowance.

16       (b) The beneficiary designation or benefit option may be changed up to 60 days after the  
17   date of the first actual (not estimated) benefit payment as provided in ORS 238.325(2). The  
18   beneficiary or benefit option change will be retroactive to the effective disability retirement  
19   date.

20       (c) If a member's disability retirement allowance is canceled before the first benefit  
21   payment or is discontinued, the option selected for the purposes of that disability retirement

1 allowance is canceled and a new option may be selected upon a subsequent disability or  
2 service retirement.

3 (3) If the member does not *[complete]* submit a *[final selection of benefit option]*  
4 disability benefit application within 90 days following the Director's, or the Director's  
5 designee's, approval of the application for disability retirement allowance:

6 (a) The benefit will be the benefit as set forth under ORS 238.320(1) if the member is  
7 single, or the benefit as set forth under ORS 238.462 if the member is married; and

8 (b) For single members, t*[T]*he latest beneficiary designation on file for the PERS  
9 Chapter 238 Program will be used to determine the default beneficiary. If no designation  
10 exists, the beneficiary will be as provided for under ORS 238.390(2).

11 (c) The payment will commence within a reasonable period of time following the 90<sup>th</sup>  
12 day after approval.

13 (4) Purchases. If a member is eligible to make a purchase to restore *[additional]*  
14 creditable service or obtain retirement credit under ORS Chapter 238 or section 2, chapter  
15 971, Oregon Laws 1999, the member must submit payment for the purchase(s) *[at the time]*  
16 no later than the earlier of:

17 (a) 90 days following the date of the Director's, or the Director's designee's,  
18 approval of the application for disability retirement allowance; or

19 (b) The date the member submits the final disability benefit application *[selection of*  
20 *benefit option form]* required under section (2) of this rule.

21 (5) If the member elects to purchase all or a portion of creditable service or  
22 retirement credit through a trustee-to-trustee transfer as described in OAR 459-005-  
23 0580, the transfer must be received within the time line in section (4) of this rule.

1        ~~[(5)]~~ **(6)** The payment of a disability retirement allowance shall commence within 10  
 2 business days following receipt by PERS of all of the ~~[following]~~ items **in (a) and (b) of this**  
 3 **section**, or the date the first payment is due, as set forth in ~~[S]~~ section ~~[(6)]~~ **(7)** of this rule,  
 4 whichever is later:

5        (a) From the member:

6        (A) **Completed disability benefit application** *[Final designation of beneficiary and*  
 7 *selection of benefit option form]*;

8        (B) Proof of member's age;

9        (C) Proof of age for the designated beneficiary if a joint survivor option is elected; and

10       (D) *[Spousal consent]* **Certification of marital status** form.

11       (b) From the employer:

12       ~~[(A)]~~ Financial~~[:]~~ and

13       ~~[(B) D]~~ demographic information indicating the member has separated from PERS-  
 14 covered employment.

15       ~~[(6)]~~ **(7)** A disability **benefit accrues from the effective date of disability retirement.**

16       **Except as provided as in section (8) of this rule, the benefit accrued for a month of**

17 **disability retirement is payable on the first of the following month.** *[payment is first due on*

18 *the later of:*

19       (a) *The first of the calendar month in which the member files a complete application for*  
 20 *disability benefits with PERS; or*

21       (b) *The first of the month following the first full calendar month after final payment by the*  
 22 *employer of any wages or paid leave benefits to the member, excluding any cash payoff of*  
 23 *accrued vacation or compensatory time; or*

1       (c) *The first of the calendar month following the date that the disability application is*  
2 *approved by the Director.]*

3       ~~[(7)]~~ (8) Notwithstanding section ~~[(6)]~~(7) of this rule, no payment shall be made before  
4 the end of the period of 90 consecutive days beginning with the date of disability and shall be  
5 retroactive to the effective date of disability retirement.

6       ~~[(8)]~~ (9) If PERS cannot calculate the actual disability benefit payment, an estimated  
7 payment will be made until PERS receives all the necessary information needed to calculate  
8 the actual benefit payment. The payment will be made retroactive to the effective date of  
9 disability if the benefits become due before the 90 consecutive day period of incapacitation has  
10 elapsed.

11       (a) If the estimated payment results in an underpayment of \$10 or more a month, the  
12 member will receive interest based on the provisions set forth in OAR 459-007-0015.

13       (b) If the estimated payment results in an overpayment of any amount, the overpayments  
14 may be recovered by decreasing the monthly benefit amount until the difference between the  
15 amount the member received and the amount the member should have received is recovered.

16       ~~[(9)]~~ (10) Minimum disability benefit. A disability benefit will not be less than \$100 per  
17 month under the non-refund Option 1 benefit or the amount the member would have received  
18 for service retirement, if eligible, whichever is higher.

19       ~~[(10)]~~ (11) In the event a member applying for a disability retirement allowance dies  
20 before the Director’s approval of the application:

21       (a)(A) If the member has made a preliminary benefit option election, the preliminary  
22 election shall be effective upon the Director’s approval of the application for disability  
23 retirement.

1 (B) If the deceased member was eligible to purchase additional creditable service or  
2 retirement credit under ORS Chapter 238, the beneficiary, if any, designated in the preliminary  
3 election may make the purchase(s) by submitting the required forms and payment within 90  
4 days from the date the disability application is approved.

5 (b) If the member has not made a preliminary benefit option election, the member will be  
6 considered as having died before retirement.

7 (A) If the beneficiary designated under ORS 238.390(1) is the surviving spouse, the  
8 surviving spouse may, within 90 days from the date the disability application is approved,  
9 elect to have either Option 2 or 3 disability benefits or pre-retirement death benefits, as  
10 provided in ORS 238.390 or 238.395, if eligible.

11 (i) Regardless of the election made by the surviving spouse under paragraph (b)(A) of this  
12 section, all benefits will cease upon the surviving spouse's death.

13 (ii) If the deceased member was eligible to purchase additional creditable service or  
14 retirement credit under ORS Chapter 238, a surviving spouse who elects disability benefits  
15 under paragraph (b)(A) of this section, may make the purchase(s) by submitting the required  
16 forms and payment at the time of the election.

17 (B) If the beneficiary designated under ORS 238.390(1) is not the surviving spouse, the  
18 beneficiary will receive pre-retirement death benefits as provided in ORS 238.390 or 238.395,  
19 if eligible.

20 Stat. Auth.: ORS 238.650

21 Stats. Implemented: ORS 238.320, 238.325 & 238.330

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 050 – DEFERRED COMPENSATION**

1 **459-050-0075**

2 **[In-Service] Distributions During Employment**

3 The purpose of this rule is to describe the types of distributions available to a participant  
4 who has not had a severance of employment. Distributions made while a participant is still  
5 employed are **[“]in-service[”]** distributions.

6 (1) De minimis distribution. A de minimis distribution is an in-service distribution of the  
7 entire balance of a small account before the date a participant has a severance of employment.

8 A de minimis distribution may be made if all of the following conditions are satisfied:

9 (a) No prior de minimis distribution was made to the participant;

10 (b) The total balance of the participant's account does not exceed the limitations in the  
11 Internal Revenue Code Section (IRC) 457(e)(9)(A), which is \$5,000;

12 (c) Participant has not made any contributions to the Deferred Compensation Plan in the  
13 two-year period before the date of distribution; and

14 (d) Participant has submitted an application for a de minimis distribution on forms  
15 provided by, or other methods approved by the Deferred Compensation Program. No  
16 distribution will be paid unless a complete application is filed with, and approved by, the  
17 Deferred Compensation Program.

18 (2) Unforeseeable emergency withdrawal. An unforeseeable emergency withdrawal is an  
19 in-service distribution made to a participant due to an unforeseeable emergency. This  
20 withdrawal may be made before the date a participant has a severance of employment and as  
21 defined in OAR 459-050-0150. A participant must apply for an unforeseeable emergency

1 withdrawal using forms provided by, or other methods approved by, the Deferred  
2 Compensation Program as provided for in OAR 459-050-0150(4).

3 (3) Military distribution. A participant is treated as having been severed from  
4 employment during any period the participant is performing service in the uniformed services  
5 while on active duty for a period of more than 30 days for the purposes of the limitation on in-  
6 service distributions. For purposes of this rule, “uniformed services” has the same meaning as  
7 given in OAR 459-050-0072. This section applies to distributions made on or after January 1,  
8 2009.

9 **(4) Trustee-to-trustee transfers. A trustee-to-trustee transfer as defined in OAR**  
10 **459-050-0090(1)(h) may be made while a participant is still employed.**

11 **[4] (5)** Funds available for in-service distribution. Only funds contributed to a deferred  
12 compensation plan, as defined in IRC 457, and earnings on those contributions may be  
13 distributed in a de minimis distribution or unforeseeable emergency withdrawal. Any funds  
14 directly transferred or rolled over to the Deferred Compensation Program from any plan other  
15 than an IRC 457 deferred compensation plan shall not be distributed for a de minimis  
16 distribution or an unforeseeable emergency withdrawal.

17 **[(5)] (6)** Prohibitions on elective deferrals after an in-service distribution. A participant  
18 who receives a de minimis distribution, an unforeseeable emergency withdrawal, or a military  
19 distribution may not make elective deferrals and employee contributions to the Deferred  
20 Compensation Program for a period of 6 consecutive months from the date of distribution.

21 [Publications: Publications referenced are available from the agency.]

22 Stat. Auth: ORS 243.470

23 Stats. Implemented: ORS 243.401 - 243.507

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 050 – DEFERRED COMPENSATION**

1 **459-050-0090**

2 **Direct Rollover and Trustee-to-Trustee Transfer**

3 The purpose of this rule is to establish the criteria and processes for *[a]* direct  
4 rollovers *[(a transfer made from trustee to trustee) by]* between the Deferred  
5 Compensation Program *[to]* and an eligible retirement plan and trustee-to-trustee  
6 transfers between the Deferred Compensation Program and either a defined benefit  
7 governmental plan or a deferred compensation plan described in Code Section  
8 457(b) that is maintained by a state, political subdivision of a state, or any agency or  
9 instrumentality of a state or political subdivision of a state. *[and to establish the*  
10 *criteria and process for the Deferred Compensation Program to accept an eligible*  
11 *rollover distribution from another eligible retirement plan. This rule shall apply to any*  
12 *direct rollover distribution received by the Deferred Compensation Program on behalf of*  
13 *a participant and any request for distribution from a Deferred Compensation Program*  
14 *account processed on or after January 1, 2008.]*

15 (1) Definitions. The following definitions apply for the purpose of this rule:

16 (a) “Code” means the Internal Revenue Code of 1986, as amended.

17 (b) “Direct Rollover” means:

18 (A) The payment of an eligible rollover distribution by the Deferred Compensation  
19 Plan to an eligible retirement plan specified by the distributee; or

20 (B) The payment of an eligible rollover distribution by an eligible retirement plan to  
21 the Deferred Compensation Program.

1 (c) “Distributee” means an individual who has requested a distribution under one  
2 of the following criteria:

3 (A) A Deferred Compensation Plan participant who has a severance of employment;

4 (B) A Deferred Compensation Plan participant who is approved for a de minimis  
5 distribution under OAR 459-050-0075(1);

6 (C) The surviving spouse of a deceased participant;

7 (D) The spouse or former spouse who is the alternate payee under a domestic  
8 relations order that satisfies the requirements of ORS 243.507 and OAR 459-050-0200 to  
9 459-050-0250; or

10 (E) The non-spouse beneficiary of a deceased participant who is a designated  
11 beneficiary under Code Section 402(c)(11).

12 (F) A plan participant who has requested a trustee-to-trustee transfer for the  
13 purpose of purchasing permissive service credit as described in Code Section 415(n).

14 (d) “Distributing Plan” means an eligible retirement plan that is designated to  
15 distribute a direct rollover to another eligible plan (recipient plan).

16 (e) “Eligible Retirement Plan” means any one of the following that accepts the  
17 distributee’s eligible rollover distribution:

18 (A) An individual retirement account or annuity described in Code Section 408(a) or  
19 (b), including a Roth IRA as described in Code Section 408(A);

20 (B) An annuity plan described in Code Section 403(a);

21 (C) An annuity contract described in Code Section 403(b);

22 (D) A qualified trust described in Code Section 401(a);

1 (E) An eligible deferred compensation plan described in Code Section 457(b) that is  
2 maintained by a state, political subdivision of a state, or any agency or instrumentality of a  
3 state or political subdivision of a state; or

4 (F) A plan described in Code Section 401(k).

5 (f) “Eligible Rollover Distribution” means a distribution of all or a portion of a  
6 distributee’s Deferred Compensation account. An eligible rollover distribution shall not  
7 include:

8 (A) A distribution that is one of a series of substantially equal periodic payments  
9 made no less frequently than annually for the life (or life expectancy) of the distributee or  
10 the joint lives (or life expectancies) of the distributee and the distributee’s designated  
11 beneficiary, or for a specified period of ten years or more;

12 (B) A distribution that is a required or minimum distribution under Code Section  
13 401(a)(9);

14 (C) An amount that is distributed due to an unforeseen emergency under OAR 459-  
15 050-0075(2).

16 (g) “Recipient Plan” means an eligible retirement plan that is designated by a  
17 distributee to receive a direct rollover.

18 **(h) “Trustee-to-Trustee Transfer” means a transfer either:**

19 **(A) By the Deferred Compensation Program to:**

20 **(i) A governmental defined benefit plan (within the meaning of Code Section**  
21 **414(d)) for the purchase of permissive service credit as described in Code Section**  
22 **415(n); or**

1 (ii) A deferred compensation plan described in Code Section 457(b) that is  
2 maintained by a state, political subdivision of a state, or any agency or  
3 instrumentality of a state or political subdivision of a state.

4 (B) To the Deferred Compensation Program from a deferred compensation plan  
5 described in Code Section 457(b) that is maintained by a state, political subdivision  
6 of a state, or any agency or instrumentality of a state or political subdivision of a  
7 state.

8 (2) Direct rollover to an eligible retirement plan. The direct rollover of an eligible  
9 rollover distribution by the Deferred Compensation Program to an eligible retirement plan  
10 shall be interpreted and administered in accordance with Code Section 457(d)(1)(C) and  
11 all applicable regulations. A distributee may elect to have an eligible rollover distribution  
12 paid by the Deferred Compensation Program directly to an eligible retirement plan  
13 specified by the distributee.

14 (a) The Deferred Compensation Program staff shall provide each distributee with a  
15 written explanation of the direct rollover rules for an eligible distribution, as required by  
16 the Code.

17 (b) A distributee’s right to elect a direct rollover is subject to the following  
18 limitations:

19 (A) A distributee may elect to have an eligible rollover distribution paid as a direct  
20 rollover to only one eligible retirement plan.

21 (B) A distributee may elect to have part of an eligible rollover distribution be paid  
22 directly to the distributee, and to have part of the distribution paid as a direct rollover only  
23 if the distributee elects to have at least \$500 transferred to the eligible retirement plan.

1            (c) A direct rollover election shall be in writing and must be signed by the distributee  
2 or by his or her authorized representative pursuant to a valid power of attorney. The direct  
3 rollover election may be on forms furnished by the Deferred Compensation Program, or  
4 on forms submitted by recipient plan which must include:

- 5            (A) The distributee’s full name;
- 6            (B) The distributee’s social security number;
- 7            (C) The distributee’s account number with recipient plan, if available;
- 8            (D) The name and complete mailing address of recipient plan; and
- 9            (E) If the distributee is a non-spouse beneficiary of the member, the title of the  
10 recipient IRA account.

11            (d) The distributee is responsible for determining that the recipient plan’s  
12 administrator will accept the direct rollover for the benefit of the distributee. Any taxes or  
13 penalties that are the result of the distributee’s failure to ascertain that the recipient plan  
14 will accept the direct rollover shall be the sole liability of the distributee.

15            **(3) Trustee-to-trustee transfer to another deferred compensation plan or**  
16 **governmental defined benefit plan.**

17            **(a) A trustee-to-trustee transfer request shall be in writing and must be signed**  
18 **by the distributee or by his or her authorized representative pursuant to a valid**  
19 **power of attorney. The trustee-to-trustee transfer request may be on forms**  
20 **furnished by the Deferred Compensation Program, or on forms submitted by the**  
21 **recipient plan which must include:**

- 22            **(A) The distributee’s full name;**
- 23            **(B) The distributee’s social security number;**

1 (C) The distributee’s account number with the recipient plan, if available;

2 (D) The name and complete mailing address of the recipient plan; and

3 (E) If the transfer is for the purpose of purchasing service credit under a  
4 governmental defined benefit plan, the exact amount to be transferred.

5 (b) The distributee is responsible for determining that the recipient plan’s  
6 administrator will accept the trustee-to-trustee transfer for the benefit of the  
7 participant. Any taxes or penalties that are the result of the distributee’s failure to  
8 ascertain that the recipient plan will accept the trustee-to-trustee transfer shall be  
9 the sole liability of the distributee.

10 *[(3)] (4) Direct rollover from an eligible retirement plan. [On or after January 1,*  
11 *2002, t]The Deferred Compensation Program [shall only] may accept rollover*  
12 *contributions from participants and direct rollovers of distributions from an eligible*  
13 *retirement plan on behalf of a participant. [Section (3) of this rule] This section shall be*  
14 *interpreted and administered in accordance with Code Section 402(c) and all applicable*  
15 *regulations.*

16 (a) The Deferred Compensation Program shall only accept pre-tax assets. After-tax  
17 employee contributions are not eligible for rollover into the Deferred Compensation  
18 Program.

19 *[(A) The Deferred Compensation Program may require that a direct rollover from*  
20 *an eligible deferred compensation plan described in Code Section 457(b) plan include or*  
21 *be accompanied by a statement by the participant's previous employer or the plan*  
22 *administrator that the distribution is eligible for rollover treatment.]*

1        *[(B)] (b)* A direct rollover from an eligible retirement plan *[other than a Deferred*  
2 *Compensation Plan described in Code Section 457(b)]* must be an eligible rollover  
3 distribution. It is the participant's responsibility to determine that the assets qualify for  
4 rollover treatment. Any taxes or penalties that are the result of the participant's failure to  
5 ascertain that the distributing plan assets qualify for a direct rollover to a deferred  
6 compensation plan described in Code Section 457(b), shall be the sole liability of the  
7 *[distributee] participant*.

8        *[(b)] (c)* Subject to the requirements of subsections *[(3)](4)[(b)](c)*(A) and (B)  
9 below, eligible rollover distribution(s) shall be credited to the participant's Deferred  
10 Compensation account established pursuant to the Plan and Agreement on file with the  
11 Deferred Compensation Program and shall be subject to all the terms and provisions of  
12 the Plan and Agreement. Account assets received from the distributing plan will be  
13 invested by the Deferred Compensation Plan record keeper in accordance with the terms  
14 and conditions of the Deferred Compensation Program according to the asset allocation  
15 the participant has established for monthly contributions unless instructed otherwise in  
16 writing on forms provided by the Deferred Compensation Program.

17        *[(A) Assets from an eligible deferred compensation plan account described in Code*  
18 *Section 457(b) will be aggregated with the participant's accumulated Deferred*  
19 *Compensation Plan account.]*

20        *[(B)] (A)* Assets from an eligible retirement plan other than a Deferred Compensation  
21 Plan described in Code Section 457(b) will be segregated into a separate account  
22 established by the Deferred Compensation Program for tax purposes only, but not for  
23 investment purposes. For investment purposes, the participant's assets are treated as a

1 single account. If a participant changes the allocation of existing assets among investment  
2 options within the plan, the transfer or reallocation shall apply to and will occur in all  
3 accounts automatically.

4 ~~[(c)]~~ **(B)** Assets directly rolled over to the Deferred Compensation Program may be  
5 subject to the 10 percent penalty on early withdrawal to the extent that the funds directly  
6 rolled over are attributable to rollovers from a qualified plan, a 403(b) annuity, or an  
7 individual retirement account.

8 **(5) Trustee-to-trustee transfer from another deferred compensation plan. The**  
9 **Deferred Compensation Program may accept trustee-to-trustee transfers from other**  
10 **eligible deferred compensation plans described in Code Section 457(b). Assets**  
11 **transferred from an eligible deferred compensation plan will be aggregated with the**  
12 **participant’s accumulated Deferred Compensation Plan account.**

13 Stat. Auth: ORS 243.470

14 Stats. Implemented: ORS 243.401 - 243.507





# Oregon

John A. Kitzhaber, M.D., Governor

## Public Employees Retirement System

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

May 26, 2011

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

### OVERVIEW

- Action: Adopt modifications to Recovery of Administrative Costs rule.
- Reason: Clarify eligibility and costs to members for requesting additional verifications of retirement data.
- Policy Issue: No policy issues have been identified at this time.

### BACKGROUND

Senate Bill 897 (2010) allows members to request their first retirement data verification at no cost, but permits PERS to impose a fee to recover its costs for subsequent verifications. The proposed rule modifications establish procedures for recovering those costs and set the fee at \$100, based on the projected average cost of preparing a second verification. These cost projections are based only on the incremental expected costs in providing another verification, which would only cover the period of time between the effective date of the first verification and the second one.

### SUMMARY OF MODIFICATIONS TO RULE SINCE NOTICE

The rules have not changed since being presented at the PERS Board's March 28, 2011 meeting.

### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing on the original version of the rule was held on August 24, 2010 at 1:00 p.m. at PERS headquarters in Tigard. No members of the public presented comment on the rule. The original public comment period ended on September 3, 2010 at 5:00 p.m. PERS received an email on August 24, 2010, with public comment from Vicki Hunter, Payroll Manager for Klamath Falls City Schools. A copy of her email was attached to the Second Notice of Rulemaking memo in the March 28, 2011 Board packet. The limitations on requesting estimates upon which Ms. Hunter based her comments have since been removed, and staff notified Ms. Hunter of the changes in the rule modifications.

A rulemaking hearing for the current version of the rule was held on April 26, 2011 at 2:00 p.m. at PERS headquarters in Tigard. No members of the public attended. The public comment period ended on May 4, 2011 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, however SB 897 allows the Board to establish procedures for recovering administrative costs from members for providing additional verifications.

Impact: The rule modifications clarify the costs for requesting additional data verifications.

Cost: The proposed rule modifications establish a fee of \$100 for recovering the costs of processing subsequent verifications of retirement data to members.

### RULEMAKING TIMELINE

June 15, 2010	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
July 1, 2010	<i>Oregon Bulletin</i> published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
August 24, 2010	Rulemaking hearing held at 2:00 p.m. in Tigard.
September 3, 2010	First public comment period ended at 5:00 p.m.
September 24, 2010	Staff postponed the Notice of Rulemaking at the Board meeting in order to further develop the rule.
February 15, 2011	Staff re-opened rulemaking by filing a second Notice of Rulemaking with the Secretary of State.
March 1, 2011	<i>Oregon Bulletin</i> published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
March 28, 2011	PERS Board notified that staff began the rulemaking process.
April 26, 2011	Second rulemaking hearing held at 2:00 p.m. in Tigard.
May 4, 2011	Second public comment period ended at 5:00 p.m.
May 26, 2011	Board may adopt the permanent rule modifications.

### BOARD OPTIONS

The Board may:

1. Pass a motion to “adopt modifications to the Recovery of Administrative Costs rule 459-005-0250, 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: Clarify eligibility and costs to members for requesting additional verifications of retirement data.

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

B.5. Attachment 1 – 459-005-0250, *Recovery of Administrative Costs*



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

1 **459-005-0250**

2 **Recovery of Administrative Costs**

3 (1) Estimates.

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

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

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

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

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

15 (f) A disability estimate shall be provided to a member if a completed disability application  
16 is on file with PERS. A disability estimate is provided at no charge.

17 **(2) Verification of Retirement Data.**

18 **(a) Pursuant to section 3, chapter 1, Oregon Laws 2010 and OAR 459-005-0040, PERS**  
19 **shall provide one verification of retirement data at no cost.**

20 **(b) PERS shall charge a fee of \$100 for each verification of retirement data provided to**  
21 **a member who has already received at least one verification.**

1 (c) A verification of retirement data that is reissued pursuant to OAR 459-005-  
2 0040(4)(e) is not subject to the fee established by this section.

3 (d) A fee charged under subsection (b) of this section must be paid in full at the time  
4 the member submits a request for a verification of retirement data. Payment must be made  
5 by check or money order payable to the Public Employees Retirement System.

6 (e) This section is effective on July 1, 2011.

7 ~~[(2)]~~ (3) Full cost purchases. If a member purchases retirement credit under section 2,  
8 chapter 971, Oregon Laws 1999, ORS 238.148, 238.157, 238.162, or 238.175, a fee of \$145  
9 shall be added to the cost of the purchase to cover the administrative costs incurred by PERS in  
10 processing the request.

11 Stat. Auth: ORS 238.650 & 238.610

12 Stat. Implemented: ORS 238.610 & OL 2010, Ch. 1



# Oregon

Theodore R. Kulongoski, Governor

## Public Employees Retirement System

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

May 26, 2011

TO: Members of the PERS Board

FROM: Zue Matchett, Retiree Insurance Program Manager

SUBJECT: Retiree Health Insurance Program 2012 Plan Renewals and Rates

### BACKGROUND

Contrary to trends in the insurance marketplace, the 2012 PERS Health Insurance Program (PHIP) contract renewal includes minimal to no premium increases for participants enrolled in both the Medicare and non-Medicare programs. These results were achieved through collaborative efforts on the part of PHIP vendors as well as judicious use of available funding and plan reserves. The PHIP is fortunate to partner with insurers that have been able to maximize funding available from the Centers for Medicare and Medicaid Services (CMS) by accurately reporting data associated with their insured populations as well as meeting key targets in quality ratings. Also, as has historically been the case, the PHIP insurers continue to manage the highest-need participants to maximize benefits and care delivered while minimizing expenditures. Finally, the PHIP's adherence to the plan's mission to remain a stable program for PERS retirees continues to provide dividends in better-than-average contract renewals.

As is customary, the contract review process began in February. After carriers had an opportunity to present their renewals and following their preliminary offers, a meeting was held with PHIP staff, PERS Board Liaison Pat West, PERS Director Paul Cleary, PERS Chief Financial Officer Jon DuFrene, and PHIP retiree advisors and consultants. The end result in terms of premium rate changes varies by plan provider and type of coverage for both Medicare and non-Medicare enrollees.

The majority of changes the PHIP experienced resulted from healthcare reform in 2011. As a result, overall modifications to contracts are expected to be minimal. One of the hallmarks of the program has been its ability to minimize benefit disparities between plans and, in keeping with that model, modest changes to non-Medicare emergency room benefits are proposed for some plans. In addition, as has been discussed in previous years, maintaining a quality prescription drug program in light of escalating costs presents its challenges. Since 2006 and the inception of the Medicare Part D prescription program, the PHIP has maintained a very open, minimally managed formulary for the prescription drug plan. Addressing expected cost

pressures in years to come, the implementation of a slightly more controlled formulary is suggested.

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

**1) The ODS Companies**

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

**2) Providence Health Plans**

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

**3) Kaiser Permanente Health Plans**

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

**4) PacificSource Community Health Plans**

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

In addition, although not part of this discussion, the PHIP contracts with UNUM for Long Term Care coverage offered to PERS retirees under age 84 and qualified through the UNUM application process.

It is important to keep in mind that the PHIP is a voluntary insurance plan where eligible members pay most, if not all, of their own premiums for the plan of their choice. In addition to health plan premiums, PERS retirees also cover the cost of program administration, including the Long Term Care program.

The PHIP's unique vendor relationships, and the resulting programs that they participate in, continue to benefit PHIP participants and provide the stability that is the program's hallmark. Over the past several years, PHIP staff and consultants have required continually improving collaboration between the health plans. With each year, the level of collaboration and services to members has improved, as evidenced in the increased participation in wellness fairs.

PHIP staff and consultants receive quarterly updates from each carrier regarding activities and results achieved from these programs in the previous quarter. Each vendor has taken responsibility for hosting one of the quarterly reviews. At these reviews, new initiatives are developed and taken to the PHIP workgroup for additional development. The PHIP workgroup consists of representatives from various disciplines within each vendor organization who can bring perspectives from their individual departments to the table with the goal to enhance PHIP participant experiences and health status.

The consolidation of Clear One Health Plans into the PacificSource family has been completed. The new name of the program offered to the PHIP is PacificSource Community Health Plans. The “official” name change is in the process of being announced to the public.

With almost 95% of the PHIP enrollment consisting of Medicare-eligible members, the long-term stability of the program has been critical. Members have options available in the commercial marketplace that, on occasion, may be less costly in premium but often the coverage is not as comprehensive in benefit nor as stable as the PHIP.

Stability has been possible as a result of the PERS Board’s approach, maintaining dependable health plan vendors, and the long-term relationships that have benefited PHIP enrollees. This is achieved through a thoughtful approach facilitating a balance between cost and benefit. PHIP staff and the program administrator, in conjunction with plan consultants, continually update the fall retiree plan change presentation clarify the overall plan value.

In 2008, aware of market positioning and recognizing a need, PHIP staff and the program administrator began providing a series of educational workshops each spring. The workshops target PERS-eligible members not yet retired, or retired and not enrolled in the PHIP that are within 18 months of turning age 65 (general Medicare eligibility). The educational sessions are well received as they address the “ins and outs” of Medicare, timelines to consider and the value of the PHIP versus benefit plans in the commercial market. Attendance and positive member feedback continue to be high.

Following are demographics and statistics for the Oregon PERS Retiree Insurance Program updated as of May 2011:

	<b>Plan Membership</b>	<b>% Change vs. 2010</b>	<b>Receiving Subsidy</b>	<b>Average Age</b>
Medical Plans	53,494	1.6%		75
Medicare	51,205	1.0%	40,090	76
Non-Medicare	2,289	17.0%	974	59
Dental Plans	29,985	5.4%		

Additional statistics can be found in Exhibit I.

### PROPOSED HEALTH PLAN CONTRACTS, CONDITIONS, AND CHANGES FOR 2012

The PHIP will continue to contract with Kaiser Permanente Health Plans, ODS Health Plans, Providence Health Plans, and PacificSource Community Health Plans (formerly Clear One Health Plans) for medical and prescription insurance coverage for PHIP Medicare and non-Medicare members.

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

The PHIP will continue to contract with ODS for a stand alone Prescription Drug Program (PDP) covering participants enrolled in ODS, Providence Health Plans, and the PacificSource Community Health Plans. In an effort to maintain the cost effectiveness of the PDP, effective January 1, 2012 the PHIP will only cover brand medications that do not have generic equivalents. PHIP participants currently using multi-source brand medications will be grandfathered and not asked to change the medications they are currently using.

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

The PHIP health plan premium rates will be implemented as shown on Exhibit II, along with associated rates that include spouses and/or dependents, statutory subsidies, and PHIP administrative expenses.

### PROPOSAL REVIEW AND RECOMMENDATIONS

Although cost pressures are generally resulting in significant increases in the insurance marketplace, particularly for retiree coverage, the PHIP is pleased to have negotiated reasonable renewal positions with vendor partners. As a result, the very best possible outcomes were achieved. In a population as large as the PHIP, however, a one percent differential can mean millions of dollars. PHIP staff and the consultants strive to keep that fact in the forefront when negotiating contract renewals.

As has been the case in years past, in an effort to minimize rate increases, some program subsidies are recommended from surplus reserves built overtime and federal funds available through healthcare reform. For Medicare members covered by the ODS administered prescription drug program a \$13.06 per member per month (PMPM) subsidy is suggested. The current CY 2011 rate already includes a subsidy \$9.08. Based on continued favorable program results, the current subsidy plus an additional \$3.98 is recommended. The ODS administered early retiree non-Medicare prescription drug program rates will be reduced by \$35.86 PMPM. It is anticipated that this subsidy will be drawn from funds released by Health and Human Services as part of the Federal Patient Protection and Affordable Care Act better known as PPACA. The program name is the Early Retiree Reinsurance Program (ERRP); it makes funds available to participants with high cost claims. These funds are required to be used to offset rates for early retirees. Through the same program a \$17.36 PMPM subsidy has been applied to the Kaiser non-Medicare early retiree rates.

PERS staff and consultants are pleased to present a stable package of plans allowing retirees to enjoy a variety of competitively priced benefit options and, for this year, many of whom will not see any change to their health insurance premiums through the PHIP. We are pleased to bring these proposals to you, and thereby conclude another year of hard work by our consultants, health plans, retiree advisors, and PHIP staff.

PHIP staff, the administrator's staff, and consultants have already started the process of updating the PHIP Member Handbook and Benefit Guide and plan change materials for finalization and distribution if the PERS Board approves the proposals presented here. In mid-September, PHIP staff and the administrator's staff will begin retiree plan change meetings throughout the state, and will most likely have the opportunity to meet with 5,000 or more PERS retirees and their dependents during the six weeks of meetings which are scheduled from mid-September through October.

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

#### STAFF RECOMMENDATIONS

Staff recommends the PERS Board approve the proposed PHIP contracts, conditions, and rate changes for 2012.

Exhibit I – PERS Retiree Health Insurance Program Statistics

Exhibit II – PERS Retiree Health Insurance Program Proposed 2011 Renewal Rates



**EXHIBIT I**

<b>Health Insurance Plans</b>			
Program Enrollment	Totals	Medicare	Non-Medicare
Covered Lives	53,494	51,205	2,289
Retirees (or Surviving Spouses)	43,237	41,831	1,406
Spouses / Dependents	10,257	9,374	883
Average Age of Enrolled Retirees	75	76	59

<b>Health Plan Membership Enrollment</b>			
PacificSource Community Health Plans (Central OR)	1,373	1,351	22
Kaiser Permanente (Portland to Salem)	9,364	8,744	620
Kaiser (California & Hawaii)	79	62	17
ODS Advantage (Oregon)	5,563	5,365	198
ODS Supplement (All 50 States)	24,828	24,150	678
Providence Medicare Extra (Portland to Eugene)	11,437	10,745	692
Providence Medicare Choice	850	788	62
ODS Dental Plan	26,155	25,139	1,016
Kaiser Dental Plan	3,830	3,592	238

<b>Statutory Health Insurance Premium Subsidies</b>	
Retirees Receiving RHIA	40,090
Retirees Receiving RHIPA	974
RHIA Monthly Payment – \$60 PM	\$2,405,400
RHIPA Monthly Payment – \$259(avg) PM	\$ 280,418
<b>Total Monthly Premium Paid to Health Plans:</b>	<b>\$14,726,106</b>

<b>PERS PROPOSED RENEWAL RATES</b> <b>2012 vs. 2011 All Carrier Rates</b> <i>Including All Carrier Administrative Fees</i> <i>Effective January 1, 2012</i>				
<b>SUMMARY</b> Includes non-Statutory subsidies / surcharges for 2011 only				
Medical and Prescription Rates to Members before Statutory Subsidies  (Includes Fixed Costs)	Enrollment as of May 2011	2011	2012	Percentage Change 2012 vs. 2011
<b>ODS MEDICAL / RX</b>				
Retiree w/Medicare - Supplement Plan	24,150	\$225.46	\$225.46	0.0%
Retiree w/Medicare - MA PPO Plan	5,365	\$233.01	\$237.85	2.1%
Retiree w/o Medicare - PPO Plan	876	\$810.27	\$823.55	1.6%
<b>PROVIDENCE HEALTH PLANS / RX</b>				
Retiree w/Medicare - MA HMO Plan	10,745	\$219.77	\$219.77	0.0%
Retiree w/Medicare - MA POS Plan	788	\$199.77	\$199.77	0.0%
Retiree w/o Medicare - PPO Plan	754	\$716.90	\$716.90	0.0%
<b>PACIFICSOURCE COMMUNITY HEALTH PLANS</b>				
Retiree w/Medicare - MA HMO Plan	1,351	\$238.74	\$219.74	-8.0%
Retiree w/o Medicare - POS Plan	22	\$842.73	\$915.49	8.6%
<b>KAISER OREGON HEALTH PLANS / RX*</b>				
Retiree w/Medicare - MA HMO Plan	8,744	\$211.46	\$211.46	0.0%
Retiree w/o Medicare - HMO Plan	620	\$674.71	\$674.71	0.0%
<b>DENTAL</b>				
Kaiser Dental	3,830	\$51.32	\$51.32	0.0%
ODS Dental	26,155	\$56.24	\$59.67	6.1%

\* Kaiser numbers do not include enrollment in California or Hawaii



# Oregon

John A. Kitzhaber, M.D., Governor

## Public Employees Retirement System

Headquarters:  
11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR

Mailing Address:  
P.O. Box 23700  
Tigard, OR 97281-3700  
(503) 598-7377  
TTY (503) 603-7766  
[www.oregon.gov/pers](http://www.oregon.gov/pers)

May 26, 2011

TO: Members of the PERS Board  
FROM: Gay Lynn Bath, Deferred Compensation Manager  
SUBJECT: Appoint Advisory Committee Members for Oregon Savings Growth Plan

### OVERVIEW

- Subject: The PERS Board needs to renew the appointment of a member to the Oregon Savings Growth Plan (“OSGP”) Advisory Committee.
- Action: Renew the appointment of one member to the OSGP Advisory Committee.
- Reason: The OSGP Advisory Committee consists of seven members appointed by the PERS Board for fixed terms, but each member serves at the pleasure of the PERS Board.

### BACKGROUND:

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

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

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

## Advisory Committee Appointments

5/26/2011

Page 2 of 2

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

Currently, the Advisory Committee is made up of the following members:

<b>Name</b>	<b>Employer/City</b>	<b>Term</b>	<b>Term Ends</b>
Peter Farrelly	OHA, Portland – Chair	Second	6/30/2013
John Lattimer	Marion County, Salem – Vice Chair	First	6/30/2012
Brian Burleigh	ODOT, Bend	Second	6/30/2013
Robert Swank	LCOG, Eugene	First	6/30/2012
Priyanka Shukla	Revenue, Salem	First	6/30/2012
Sharlyn Rayment	Retiree	First	6/30/2013
Keith Baldwin	Forestry, Molalla	First	6/30/2011

The criteria staff uses in selecting Advisory Committee members includes:

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

### RECOMMENDED APPOINTMENTS

The first 3-year term of Keith Baldwin will expire on June 30, 2011. OSGP staff recommends reappointing him for another 3-year term.

### BOARD OPTIONS

The Board may:

1. Accept the recommendation to appoint Keith Baldwin to a second 3-year term.

### STAFF RECOMMENDATION

Staff recommends the Board adopt Option 1 above.

Reason: Staff believes Keith Baldwin has served well during his first term and is an asset to the committee.

C.2. Attachment 1 – ORS 243.505

C.2. Attachment 2 – OAR 459-050-0025

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

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

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

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

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

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

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

(Payment of Deferred Compensation to Alternate Payee)

**459-050-0025**

**Deferred Compensation Advisory Committee**

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

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

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

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

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

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

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

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

(2) The Advisory Committee shall study and advise the Board on all aspects of the

Program, including but not limited to:

(a) The Program fee structure and procedures;

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

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

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

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

(f) The actuarial characteristics of eligible employees.

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

(a) Investment programs, including options and providers; and

(b) Information furnished by the OIC or the State Treasurer concerning the types of available investments, the respective balance of risk and return of each investment, and the administrative costs associated with each investment.

(4) The Advisory Committee shall meet at least four times during a calendar year.

(5) A majority of the Advisory Committee shall constitute a quorum for transacting business. However, the Advisory Committee may establish such other procedures for conducting business that it deems necessary.

(6) Pursuant to the Public Meetings Law, ORS 192.610 to 192.690, the Deferred Compensation Manager shall distribute to the Advisory Committee, and other interested parties, an agenda for a regular meeting a reasonable time prior to the meeting.

(7) Nominations of candidates for the Advisory Committee shall be made as follows:

(a) Notice of a position on the Advisory Committee expected to become vacant upon the expiration of a term of appointment shall be published not later than April 15 of each calendar year.

(b) Persons interested in serving on the Advisory Committee must apply in writing to the Manager not later than May 15 following the publication of a vacancy.

(c) The Manager shall review the written applications of interested persons for completeness, accuracy, and satisfaction of the minimum requirements of the vacant position on the Advisory Committee.

(d) A committee consisting of the Manager and four members of PERS executive or managerial staff designated by the PERS Executive Director shall review the acceptable applications and recommend to the Board candidates for appointment to the Advisory Committee that:

(A) Reflect a cross section of state agencies, participating local governments, and classification levels;

(B) Reflect a mixture of expertise, knowledge, and experience useful to the Advisory Committee;

(C) Appear to have a sincere interest in the Program; and

(D) Appear to be willing and able to work in a group setting to review and recommend policies governing the Program.

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

Stat. Auth: ORS 243.470

Stats. Implemented: ORS 243.505

Hist.: PERS 2-1993, f. & cert. ef. 9-23-93; PERS 2-1995, f. 10-13-95, cert. ef. 11-1-95; PERS 5-2000, f. & cert. ef. 8-11-00; PERS 3-2007, f. & cert. ef. 1-23-07



# Oregon

John A. Kitzhaber, M.D., Governor

## Public Employees Retirement System

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

May 26, 2011

TO: Members of the PERS Board  
FROM: Steven Patrick Rodeman, Deputy Director  
SUBJECT: RIMS Conversion Project (RCP) Deployment Update

The project to replace the agency's legacy computer system is coming to a close with a final stage deployment scheduled in June 2011. At the board meeting, members of the Business Process Owner (BPO) team will present a brief overview of the highlights of the new system's functionality that will be deployed with this final stage.



# RCP Final Stage Deployment

PERS Board presentation

May 26, 2011

# Business Process Owners

- Central Administration Division/Workflows: Debbie Martin
- Customer Service Division: Kirstin Carlson
- Benefit Payments Division: Heather Thiel
- Fiscal Services Division: Mary Dunn
- Information Services Division: Brenda Abbott

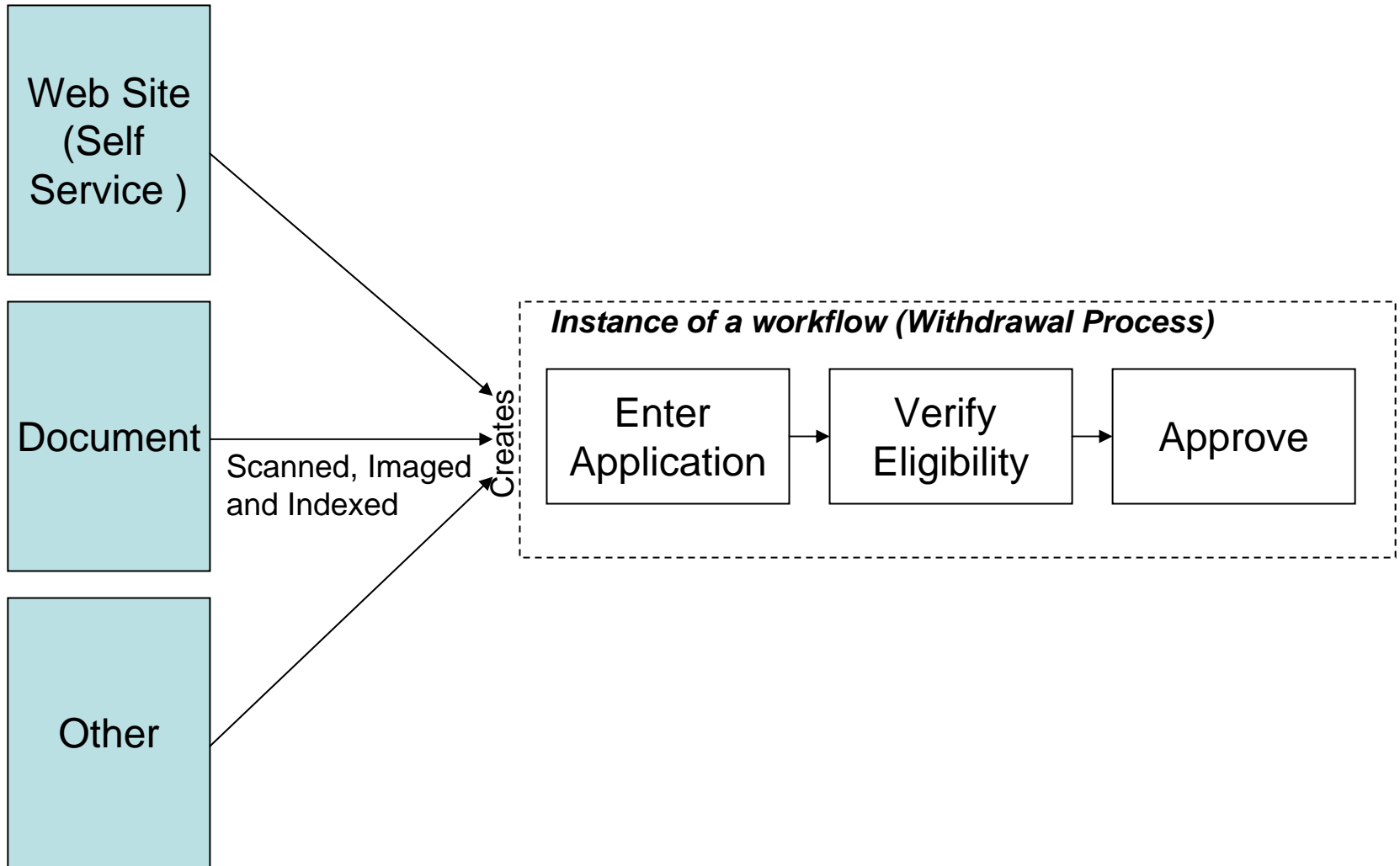
# What is Workflow?

- Workflow
  - Ability to move electronic documents
- Workflow designs are based on business processes

# Benefits of a Workflow

- Improves customer service by providing instant access to member's transaction status.
- Reduces time and cost by avoiding dead time between process steps.

# Example Workflow



# Outline of Data Verification Process

- Member requests a Data Verification (online or paper form)
- Employers confirm the data
- If the data is incorrect, PERS and Employer coordinate corrections.
- PERS reviews data elements (e.g., account balance(s), creditable service, FAS for the verification).
- PERS creates the Data Verification

# On Line Member Services-238

Account Summary - Windows Internet Explorer

D:\Shared\Benefits\Senate Bill Changes\Request Verification of Retirement Data via DMS\Account Summary.htm

File Edit View Favorites Tools Help

Account Summary

Site Navigation

- Account Home
- View Account Summary
  - Account Summary
- Employment Details
- View Service Credit Details
- View Salary Details
- View/Update Personal Information
- Request Information
- Benefit Estimate
- PERS Forms/Publications
- View Payment History
- View Tax Forms
- Request Withdrawal
- Request Data Verification

Name **JOHL DOE** PERS ID **273462**

## Account Summary

[Tell Me More about the Account Summary](#)

**Account** Public Employees Retirement System  
**Benefit Structure** Tier 1  
**Account Type** Member

### Personal Details

**First Name** JOHN  
**Middle Name** E  
**Last Name** DOE  
**Date of Birth** 05/12/1953  
**Phone number** No Phone currently on file.  
**Email** abcd@abc.com  
**Mailing Address** 200 Teal Blvd  
 LAKE OSWEGO, OR 97035-6732

[Update Personal Information](#)

### Elections

**Unit Elections** None  
**Current Variable Account Election** 0% on 01/01/2002

### Service Credit

**Regular Service Credit** 30 years 6 months  
**Total Service Credit** 30 years 6 months

### Account Balance Summary

	Balance as of 2008	Contributions	Earnings	2009 Total
Regular Balance	\$185,129.09	\$0.00	\$14,810.32	\$199,939.41
Variable Balance	\$13,313.64	\$0.00	\$5,001.93	\$18,315.57
<b>Total Balance</b>	<b>\$198,442.73</b>	<b>\$0.00</b>	<b>\$19,812.25</b>	<b>\$218,254.98</b>

**P&F Unit Balance** \$0.00 \$0.00 \$0.00 \$0.00

### Beneficiary Information

Standard Designation

## Tell Me More

From this page you are able to view summary information for the account you selected. There is also an "Update Personal Information" link if you would like to update any of your Personal Information.

- Tier** - If you have selected to view/update information for a PERS account in which the Account Type is 'Member', this will show the current Tier the account is in.

Done

Start Request Verification of R... Account Summary - ...

Internet 100%

# On Line Member Services--OPSRP

Account Summary - Windows Internet Explorer

http://bft3-edx.t.pers.state.or.us/SelfService/SSAChangeAccount.do?&dialog\_id=DState\_44&acty\_id=8907707&acct\_id=%7Bxor%7DaGZsam1m&event=R\_CHANGE&typeCd=%7Bxor%7DEH0N&jctReferer=%2FviewPage%3Fcomponent%3D%2Fjsp%2Fse

Welcome To **PERS** TEST SITE Online Member Services

Home Log Off Contact Us

**Site Navigation**

- Account Home
- View Account Summary
  - Account Summary
- Employment Details
- View Service Credit Details
- View Salary Details
- View/Update Personal Information
- Request Information
- Benefit Estimate
- PERS Forms/Publications
- View Payment History
- View Tax Forms
- Request Withdrawal
- Request Data Verification

Name John Doe PERS ID 725765

## Account Summary

[Tell Me More about the Account Summary](#)

Account OPSRP - Pension  
Account Type Member

**Personal Details**

First Name John  
Middle Name A  
Last Name Doe  
Date of Birth 05/30/1975  
Phone number No Phone currently on file.  
Email kirstin.a.carlson@state.or.us  
Mailing Address 2551 LIBERTY RD  
DALLAS, OR 97338-9403

[Update Personal Information](#)

**Service Credit**

Waiting Service Credit	6 months
Regular Service Credit	6 years 1 month
Total Service Credit	6 years 7 months

## Tell Me More

- From this page you are able to view summary information for the account you selected.
- There is also an "Update Personal Information" link if you would like to update any of your Personal Information.
- Tier - If you have selected to view/update information for a PERS account in which the Account Type is 'Member', this will show the current Tier the account is in.
- Personal Details Section - Lists your personal details currently on file with PERS

Local intranet 100%

start Novell GroupWise - M... F:\ Microsoft PowerPoint ... Maintain Web Accoun... Account Summary - ... 9:30 AM

# Benefit Calculation

- The calculation process will be within one system
- The new system has more checks and balances than the previous system provided.

# Calculate Benefit

Calculate Benefit - Windows Internet Explorer  
 http://bft3.t.pers.state.or.us/Clarety/SABenefitParmWarn.do

File Edit View Favorites Tools Help

Calculate Benefit

**PERS** Oregon Public Employees Retirement System  
**TEST SITE**

home my clarety help logoff about

Search For:  Go

Username: BFT3001 Tue May 10 16:36:13 PDT 2011

Account Home Page Notes Contact Log Images Distribution Status Letters & Forms Activity Help

**Calculate Benefit » Calculate Benefit » Benefit Parameters**

**Person Summary**

Name: First Middle Last  
 PERS ID: 317608  
 SSN: 000-00-9450  
 Plan: PERS - Tier 1  
 Relation: OWNER  
 Status: Active  
 Employment: Inactive

**Review Employment**  
 Review Member Account  
 Review Application Details  
 Review Unused Sick Leave

**Calculate Benefit**

► **Benefit Parameters**

Alternate Payee  
 Data Details/Overrides  
 Benefit Calculation  
 Payment Validation

**Review Benefit Information**  
 Update Work Status

Retirement Type Service  
 Benefit Group(s) General Service / P&F  
 Retirement Date 03/01/2011  
 Last Day Service 02/28/2011  
 Termination Date 02/28/2011  
 Selected Option LSS Option 2  
 Date Of Birth 12/25/1935  
 Age at Retirement 75 yrs 2 mos  
 Eligibility Override

Reason For Eligibility Override

Estimated Payment

One Time Variable Transfer Year

Beneficiary Name Spouse M Last  
 Beneficiary Year of Birth 1959

Contract Details	Salary	Hours
	65456.23	1524.00
Unused Sick Leave	Hours	Hourly Rate
	0.000	42.95

Benefit Adjustment Effective Date   
 Reason

[Comments](#) [Warnings](#)

Summary		Retirement Eligibility	
<a href="#">Retirement Eligibility</a>	Eligible	<b>Benefit Structure</b>	Tier 1
<a href="#">Creditable Service</a>	31 yrs 11 mos	<b>Classification</b>	General Service
<a href="#">Prior Service</a>	0 yr 0 mos		
<a href="#">Regular Account Balance</a>	\$ 363,307.49		
<a href="#">Variable Account Balance</a>	\$ 0.00		
<a href="#">P&amp;F Unit Account Balance</a>	\$ 0.00		
<a href="#">Monthly Final Average Salary</a>	\$ 6,119.42		

Done

start Novell GroupWis... Internet Explorer Microsoft Word Microsoft Excel - rol... \\ppn018\Agency\Q... Microsoft PowerPol... 4:36 PM

# Calculation Details

Calculate Benefit - Windows Internet Explorer

http://bft3.t.pers.state.or.us/Clarety/SAContainer.do?&tab\_action=5ABenefitCalc&dialog\_id=44&acty\_id=8908145&tabEvent=R\_populate&event=tab\_click&jcltReferer=%2Fv

File Edit View Favorites Tools Help

Calculate Benefit

PERS ID: 317608  
 SSN: 000-00-9450  
 Plan: PERS - Tier 1  
 Relation: OWNER  
 Status: Active  
 Employment: Inactive

[Review Employment](#)  
[Review Member Account](#)  
[Review Application Details](#)  
[Review Unused Sick Leave](#)  
**Calculate Benefit**  
[Benefit Parameters](#)  
[Alternate Payee](#)  
[Data Details/Overrides](#)  
**Benefit Calculation**  
[Payment Validation](#)  
[Review Benefit Information](#)  
[Update Work Status](#)

Retirement Type Service Benefit Group(s) General Service / P&F Retirement Date 03/01/2011 Status Date 05/10/2011 Status Calculated Selected Option LSS Option 2

Parameters		Summary	
Benefit Structure	Tier 1	Retirement Eligibility	Eligible
Retirement Date	03/01/2011	Creditable Service	31 yrs 11 mos
Last Day Service	02/28/2011	Prior Service	0 yr 0 mos
Termination Date	02/28/2011	Regular Account Balance	\$ 363,307.49
Age at Retirement	75 yrs 2 mos	Variable Account Balance	\$ 0.00
Sick Leave Hours	0 Hrs	P&F Unit Account Balance	\$ 0.00
Estimated Payment	No	Monthly Final Average Salary	\$ 6,119.42
BEF Candidate	No		

Calculate Save Cancel Complete Invalidate [Comments](#) [Warnings](#)

Payment Options		Option 1 Benefit Details	
Gross Benefit Amount		Benefits	Monthly Benefit Amount
Option 1 - Base Benefit	\$ 8,417.46	Prior Service	\$ 0.00
Selected Option		Current Service	\$ 4,018.19
LSS Option 2	\$ 2,466.32	Regular Annuity	\$ 4,018.19
		Variable Annuity	\$ 0.00
		Sub Total	\$ 8,036.38
		COLA	\$ 0.00
		Tax Remedy	\$ 381.08
		Gross Monthly Benefit	\$ 8,417.46

Employer Reserves				
ER Reserve #	Job Class	Current Service	Tax Remedy	Total
2919	09	\$ 377.94	\$ 35.83	\$ 413.77
3000	09	\$ 362,930.38	\$ 34,419.57	\$ 397,349.95
			Grand Total	\$ 397,763.72

Employee Reserves				
ER Reserve #	Job Class	Regular	Variable	Total
2919	09	\$ 377.56	\$ 0.00	\$ 377.56
3000	09	\$ 362,929.93	\$ 0.00	\$ 362,929.93
			Grand Total	\$ 363,307.49

Local intranet 100%

start Novell GroupWis... Internet Explorer Microsoft Word Microsoft Excel - rol... \\ppn018\Agency\Q... Microsoft PowerPol... 4:38 PM

# Calculation Details Continued

Calculate Benefit - Windows Internet Explorer

http://bft3.t.pers.state.or.us/Clarety/SAContainer.do?&tab\_action=5ABenefitCalc&dialog\_id=44&acty\_id=8908145&tabEvent=R\_populate&event=tab\_click&jcItReferer=%2Fv Live Search

File Edit View Favorites Tools Help

Calculate Benefit

Override

Member Cost Basis	
Total Member Cost	\$ 1,035.95
Monthly Non-Taxable Amount	\$ 0.00
Lump Sum Member Cost	\$ 1,035.95
P&F Excess Member Cost	\$ 0.00

ARM	
ARM Effective Date	
ARM Factor	0.0000
Prior Service	\$ 0.00
Current Service	\$ 0.00
Regular Annuity	\$ 0.00
Variable Annuity	\$ 0.00
COLA	\$ 0.00
Tax Remedy	\$ 0.00
Invoice Total	\$ 0.00
<b>ARM Amount</b>	<b>\$ 0.00</b>

Factors	
Tax Remedy	0.047419
Early Retirement Reduction Factor	0.000000
Option 1 Factor	0.011060
Refund Annuity Factor	0.009900
Lump Sum Option 2 Factor	0.586000

RMD Beneficiary Percentage

CPI Carryover	0.000000
---------------	----------

[View Option 1 Details](#) [View Selected Option Details](#)

Calculate Save Cancel Complete Invalidate [Comments](#) [Warnings](#)

start Novell GroupWis... Internet Explorer Microsoft Word Microsoft Excel - rol... \\ppn018\Agency\Q... Microsoft PowerPol... Local intranet 100% 4:39 PM

# Fiscal Processes

- All pension-related financial transactions will be generated by jClarety.
- External reporting/processes data will be generated by jClarety.

# PERS Health Insurance TPA

The screenshot shows a web browser window titled "PERS Log In - Windows Internet Explorer". The address bar displays the URL: [https://qat2-edx.q.pers.state.or.us/SelfService/viewPage?component=/loginForm.jsp&dialog\\_id=D5state\\_44&mode=TPA](https://qat2-edx.q.pers.state.or.us/SelfService/viewPage?component=/loginForm.jsp&dialog_id=D5state_44&mode=TPA). The browser's menu bar includes "File", "Edit", "View", "Favorites", "Tools", and "Help". The page content includes a header with the PERS logo and the text "Welcome To PERS Your Online Retirement Resource TEST SITE". Navigation links for "Log In" and "Contact Us" are present. The main content area is titled "PERS Log In" and contains a login form with the following elements:

- Text: "Enter your User ID and Password below."
- Form field: "User ID" with an input box.
- Form field: "Password" with an input box.
- Button: "Log In" (highlighted in blue).

To the right of the login form, there are two informational sections:

- Not Sure?**  
If you have forgotten your password or have questions, [Contact Us](#). We will be happy to help you.
- Tell Me More**  
**User ID** - This is a unique name that grants you access to PERS Third Party Administrator Self Service. Your User ID is a user name that has been created by PERS that cannot be less than 6 characters in length.  
**Password** - The initial password is a temporary password created by PERS and used to verify your User ID. To view the rules for creating a password, please click on the [Password Rules](#) link.

The browser's status bar at the bottom shows "Done", "Local intranet", and "100%" zoom level.

# TPA Data

The screenshot shows a Windows Internet Explorer browser window displaying the 'Download Reports' page of the PERS (Public Employees Retirement System) website. The browser's address bar shows the URL: [https://qat2-edx.q.pers.state.or.us/SelfService/SSSAProcessHome.do?dialog\\_id=DState\\_44&event=IS\\_NON\\_WORKFLOW\\_PROCESS&acty\\_id=8901113&%7Bxor%7Dly0](https://qat2-edx.q.pers.state.or.us/SelfService/SSSAProcessHome.do?dialog_id=DState_44&event=IS_NON_WORKFLOW_PROCESS&acty_id=8901113&%7Bxor%7Dly0). The page header includes 'Welcome To PERS TEST SITE' and 'Your Online Retirement Resource'. The main content area is titled 'Download Reports' and features a link to 'Tell Me More about Downloading Reports'. Below this, there are two report categories: 'HC Deductions by Vendor Report' with links for report dates '05/10/2011' and '05/09/2011', and 'Exception Report' with a link for '05/06/2011'. A 'Tell Me More' section explains that two reports are available: 'HC Deductions by Vendor Report' (monthly) and 'Exception Report' (generated upon file upload). The browser's status bar at the bottom shows 'Local intranet' and '100%' zoom.

Download Reports - Windows Internet Explorer

https://qat2-edx.q.pers.state.or.us/SelfService/SSSAProcessHome.do?dialog\_id=DState\_44&event=IS\_NON\_WORKFLOW\_PROCESS&acty\_id=8901113&%7Bxor%7Dly0

Welcome To **PERS** TEST SITE Your Online Retirement Resource

Log Off Contact Us

**Site Navigation**

- [View/Manage Healthcare Deductions](#)
- [Benefit Applications Report](#)
- Download Reports**

**Download Reports**

[Tell Me More about Downloading Reports](#)

**HC Deductions by Vendor Report**

- [Report Date: 05/10/2011](#)
- [Report Date: 05/09/2011](#)

**Exception Report**

- [Report Date: 05/06/2011](#)

**Tell Me More**

From this page you are able to download two different reports.

**HC Deductions by Vendor Report** - This report is generated monthly - this report will list Healthcare deduction payments by vendor for the month in which the report was generated - listed are the last three generated reports

**Exception Report** - This report is generated at the time a file is received and uploaded from your organization - report will contain any exceptions that were created from the uploaded file - listed are the last three generated reports

Local intranet 100%

# Information Services Division (ISD)

Deliver and Support Information Technology

In a Secure Reliable Stable Environment

Ensuring Highest Levels of Service

# Information Services Division

- Data Center
- Software Development
- Business Processes

# RCP Transition Activities

- Data Center Upgrades
- Joint Development Efforts
- Operational Process Reviews

# Transition Outcomes

- Secure, Stable, Reliable Environment
- Highly Trained Development Team
- Business Process Improvements

# Closing

Thanks to the Board for the Opportunity

Questions?



# Oregon

John A. Kitzhaber, M.D., Governor

## Public Employees Retirement System

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

May 26, 2011

TO: Members of the PERS Board  
FROM: Dale S. Orr, Actuarial Services Manager  
SUBJECT: Equal to or Better Final Action

### EXECUTIVE SUMMARY

On September 24, 2010, actuaries Matt Larrabee and Scott Preppernau presented Mercer's 'Equal to or Better Than' (ETOB) test results of non-PERS employer public safety retirement plans. Mercer found that of the ten employers tested, eight met the testing standards as outlined in OAR 459-030-0025. For the eight employer plans, the PERS Board granted an exception from providing PERS benefits as required in ORS 237.620 (1). The Board delayed action on the remaining two employer plans that did not meet all of the ETOB testing thresholds to allow the employers time to amend their plans. Subsequently, both employers amended their plans and submitted the amendments to Mercer for review. Mercer has certified that both employer plans are now in compliance with the Board's ETOB standards. On May 26, staff will ask the Board to decide whether to grant the two remaining employers an exception to the ORS 237.620 (1) requirement.

### BACKGROUND

ORS 237.620 requires that all public employers provide PERS retirement benefits to their police officer or firefighter employees unless an exemption is granted by the PERS Board. This exemption is based on whether the non-PERS employer plans are equal to or better than PERS' benefits for the equivalent class of employees. Each plan is evaluated against this 'ETOB' threshold by the PERS actuary based on a set of comparative standards approved by the PERS Board.

In accordance with administrative rule (OAR 459-030-0030), for those employer plans that fail to meet the ETOB thresholds, the actuary's presentation of the test results begins a 90-day waiting period in which a public employer may amend its plan. An employer may also request that the Board grant an extension of the 90 day waiting period. If an employer submits an amended plan during the waiting period, the actuary will conduct a review of the new plan amendments and report the results to the Board.

After the expiration of the waiting period, the Board may grant an exemption if it finds that the non-PERS employer plans are equal to or better than the equivalent tier of PERS benefits. If the Board determines that an employer's plan does not meet this standard, the Board may issue an order denying the exemption.

On September 24, 2010, Mercer reported to the Board that two employer plans did not meet the ETOB standards established by the Board. These employers were Union County and The City of The Dalles. In both cases, the plans failed to meet ETOB standards at the Tier Two benefit level. Subsequently, both employers have amended their plans and Mercer has certified that the plans now meet all of the ETOB testing thresholds.

#### STAFF RECOMMENDATION

Staff recommends that the Board adopt an exemption from the PERS participation requirement stated in ORS 237.620 (1) for Union County and The City of The Dalles as their plans now meet or exceed the ETOB testing thresholds.

If an exception is granted, an ETOB study does not need to be conducted for another 12 years unless changes are made to either the employer or PERS plans (OAR 459-030-0011).



# Oregon

John A. Kitzhaber, M.D., Governor

## Public Employees Retirement System

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

May 26, 2011

TO: Members of the PERS Board

FROM: Dale S. Orr, Manager  
Actuarial Analysis Section

SUBJECT: 2010 Experience Study Presentation

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

On May 26, 2011, Matthew Larrabee and Scott Preppernau of Mercer will present recommendations covering actuarial methods and certain economic assumptions. At the July 29, 2011 Board meeting, Mercer will focus on demographic assumptions and provide the final recommendation on the investment return assumption.



May 26, 2011

## **Oregon Public Employees' Retirement System Experience Study for December 31, 2010 Actuarial Valuation, Actuarial Methods and Economic Assumptions**

Matt Larrabee and Scott Preppernau

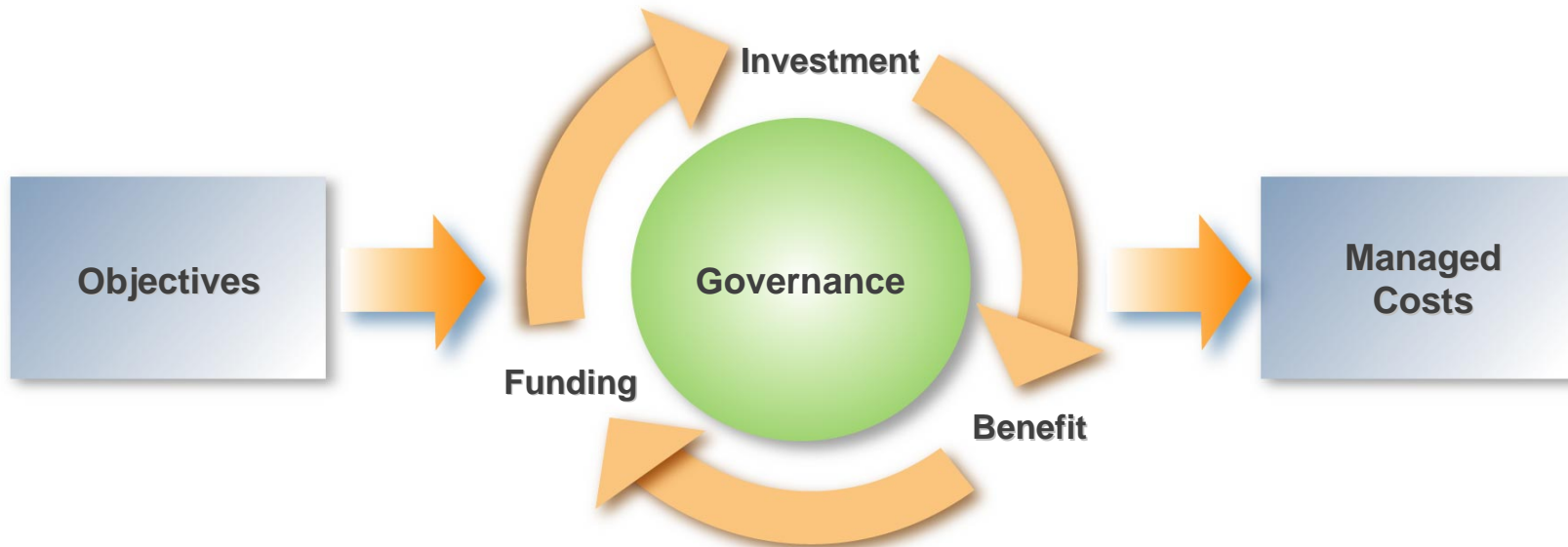
# Contents

- Introduction
- Actuarial Methods and Allocation Procedures
- Economic Assumptions
  - Investment Return/Discount Rate
- Decisions (Selection of Actuarial Methods and Assumptions)
- Next Steps

## Introduction

### Retirement Plan Financial Management Framework

$$\text{Total Contributions} = \text{Benefits Paid} - \text{Investment Earnings}$$



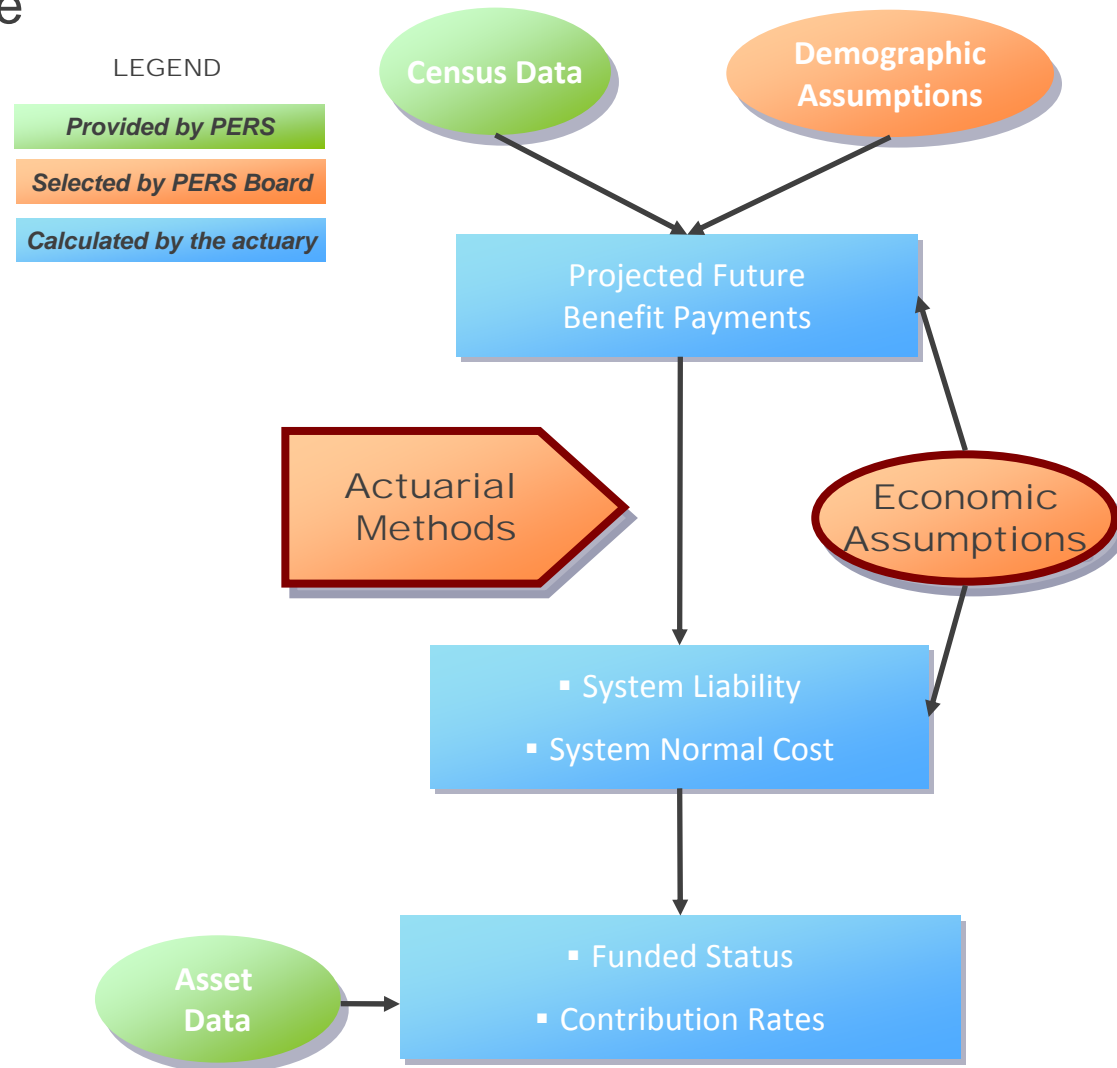
Actuarial methods/assumptions primarily affect the timing of contributions

# Introduction

## Valuation Process and Timeline

### PERS Board Actuarial Schedule

- **May: Actuarial methods and economic assumptions**
- July: Demographic assumptions and investment return
- Sept.: System-wide 12/31/2010 funding results and advisory contribution rates and 2012-2013 actuarial equivalence factors
- Nov.: Distribution of employer-specific advisory 2013-2015 contribution rates



## Introduction

### Objectives for Actuarial Methods and Assumptions

- Transparent
- Predictable and stable rates
- Protect funded status
- Equitable across generations
- Actuarially sound
- GASB compliant

## Introduction

### Summary of Recommendations

- Actuarial Methods and Allocation Procedures
  - Change amortization period for new side accounts and new transition liabilities/surpluses
  - Update allocation of liability for service segments
  - Consider treatment of Rate Guarantee (Deficit) Reserve
- Economic Assumptions
  - OPSRP administrative expense assumption
  - Health care inflation assumption
  - Board input on further analysis of investment return/discount rate assumption



# Actuarial Methods and Allocation Procedures

# Actuarial Methods

## Summary of Recommendations

	Current Methods	Recommended Changes
<b>Actuarial Cost Method</b>	Projected Unit Credit	None
<b>Amortization Method</b>	Level Percent of Combined Payroll	None
<b>Amortization Period</b>	<ul style="list-style-type: none"> <li>▪ UAL – Closed amortization from first rate-setting valuation in which experience is recognized               <ul style="list-style-type: none"> <li>– T1/T2 – 20 years</li> <li>– OPSRP – 16 years</li> <li>– RHIA/RHIPA – 10 years</li> </ul> </li> <li>▪ New side accounts – Period ending 12/31/2027</li> <li>▪ New transition liabilities – Period ending 12/31/2027</li> </ul>	<p>New side accounts – align with new T1/T2 base from most recent rate-setting valuation</p> <p>New transition liabilities – 18 years from date joining the SLGRP</p>
<b>Allocation Procedures</b>	Allocate liability for service segments based on blend of Money Match and Full Formula methodologies	No change to approach; update assumed money match percentage
<b>Asset Valuation Method</b>	Market Value	None
<b>Treatment of Reserves</b>	Contingency, Capital Preservation, and Rate Guarantee are excluded from assets. When negative, excluded Rate Guarantee Reserve is effectively treated as an asset.	Board to review negative Rate Guarantee Reserve treatment
<b>T1/T2 and OPSRP Rate Collar</b>	Greater of 20% of current rate or 3 percentage points. Rate collar doubles if funded status drops below 70% or increases above 130%, and increases on a graded scale if between 70% and 80% or between 120% and 130%.	None

## Actuarial Methods

### Side Account and Transition Liability Amortization Period

- All current side accounts and transition liabilities are being amortized over the period ending December 31, 2027.
  - Historically, this amortization exactly matched the amortization of the Tier 1/ Tier 2 UAL.
    - This is no longer true as the Tier 1/ Tier 2 UAL is now amortized in multiple pieces over a period of 20 years from the time the gain or loss is first recognized
- If new side accounts or transition liabilities established in the future amortize to the same fixed date, this will lead to a progressively shorter amortization period
  - All else equal, a shorter amortization period will mean:
    - The investment horizon for employers who create a side account backed by a POB is reduced
    - The rate adjustment for a given level of transition liability or surplus will be more significant, which will lead to a larger change in the net employer rates when the amortization period expires

## Actuarial Methods

### Side Account and Transition Liability Amortization Period (continued)

- We propose establishing amortization procedures not tied to a fixed date
- New side accounts would be amortized over the same period as the new Tier 1/Tier 2 UAL base from the most recent rate-setting valuation
  - For example, a side account created in July 2011 would be amortized to 12/31/2029
    - Aligns with Tier 1/Tier 2 UAL base created in 12/31/2009 valuation
  - Means side accounts will be amortized over 18 to 20 years from the date of deposit
- New transition liabilities (or surpluses) could be amortized over the 18 year period from the date the employer joins the SLGRP
  - This period aligns with the last Tier 1/Tier 2 amortization base established as an independent employer
- This change would not affect side accounts or transition liabilities already established

## Actuarial Methods

### Allocation of Liability for Service Segments

- When a member works for more than one employer over their career, the liability for that member is allocated to the employers for which the member worked.
- Current method
  - Blend money match and full formula methodologies based on percentage of liability attributable to each formula as of the next rate setting valuation.
    - Results in allocation of liability among employers consistent with the formulas prevailing at the time of valuation
- We recommend no changes to this allocation approach, but recommend updating the percentage attributable to money match based on our most recent projections
- This change has no impact on total system liabilities, but will affect the allocation of liabilities between employers

Percentage of Liability Projected to be Attributable to Money Match		
	General Service	Police & Fire
Current Assumption	50%	15%
Projected to 12/31/2011	40%	9%
<b>Recommendation</b>	<b>40%</b>	<b>10%</b>

## Actuarial Methods

### Treatment of Negative Rate Guarantee Reserve

- The value of assets used to determine employer contribution rates has historically excluded any assets in the Contingency, Capital Preservation, or Rate Guarantee Reserves

#### **Valuation Assets = Market Assets - Reserves**

- The Rate Guarantee Reserve (RGR) is currently negative (a deficit reserve), as it was for the 12/31/2008 and 12/31/2009 valuations
  - As confirmed by the Board in May 2009, the reserve was excluded in these valuations while it has been in deficit
    - In essence, the negative reserve was treated as an asset
    - All else equal, treating a negative reserve as an asset increases valuation assets used for contribution rate calculations
    - If the negative reserve is larger than the sum of the positive reserves, then valuation assets would exceed the fair value of assets using this approach
- We think it is prudent for the Board to periodically evaluate this issue and either reconfirm the current approach or specify any desired changes

## Actuarial Methods

### Treatment of Negative Rate Guarantee Reserve (continued)

- Rationale for treating a negative reserve as an asset:
  - We understand that if a deficit persists for five years, action is required to restore the reserve
  - If a separate mechanism is established to restore the reserve, then treating the negative reserve as an asset would avoid double-charging for the associated deficit
- Rationale for not adjusting valuation assets for a negative reserve (i.e., not treating it as an asset):
  - It avoids the potential for valuation assets to exceed fair value of assets
  - The reserve restoration mechanism is not currently well-defined
  - Not adjusting for a negative reserve would increase calculated contribution rates. The higher rate so calculated could be a good budgeting proxy for the reserve restoration cost once a restoration mechanism is defined.
- As a policy choice, the Board could distinguish between treatment when the RGR is negative in isolation versus when sum of RGR, Contingency, and Capital Preservation is negative

## Actuarial Methods

### Treatment of Negative Rate Guarantee Reserve (continued)

- When reserves are positive, their treatment is straightforward
  - Reserves are excluded from valuation assets for rate-setting calculations as they are earmarked for a specific purpose different than general benefit payments
- When a reserve (such as the Rate Guarantee Reserve) is negative, there are various possible ways to treat the negative reserve
  - Alternative #1 (current method): Always treat the negative reserve as an asset
    - If the negative reserve is large, the net sum of all reserves could be negative, leading to valuation assets exceeding fair market value
  - Alternative #2: Never treat the negative reserve as an asset
    - The entire negative Rate Guarantee Reserve is essentially treated as part of the Unfunded Actuarial Liability (UAL) with this approach
  - Alternative #3: Never allow the sum of the excluded reserves to be negative
    - With this approach, valuation assets will never exceed reported market value. A negative Rate Guarantee Reserve would be treated as an asset only to the extent it does not exceed, for example, the amount of the Contingency Reserve.



# Economic Assumptions

## Economic Assumptions

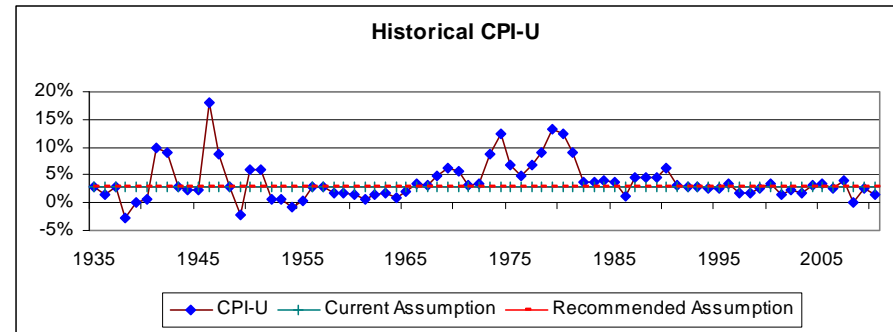
### Summary of Recommendations

	Current Assumption	Recommended Assumption
Inflation	2.75%	No change
Real Wage Growth	1.00%	No change
Payroll Growth	3.75%	No change
Regular Investment Return	8.00%	TBD
Variable Investment Return	8.50%	TBD
Health Cost Trend Rate		
▪ 2011 Trend Rate	7.00%	7.00%
▪ Ultimate Trend Rate	4.50%	4.50%
▪ Year Reaching Ultimate Trend	2029	2029
OPSRP Administrative Expenses	\$6.6 million	\$6.6 million

# Economic Assumptions

## Inflation

- The inflation assumption affects other assumptions, including payroll growth, investment return, and health care inflation.
- Historical rates have varied significantly as shown in the chart on the top. The median rate over this period is 2.99%.
- Market estimates of future inflation rates can be estimated from the difference in yield between nominal Treasury securities and Treasury inflation protection securities (TIPS).
- Social Security's current intermediate inflation assumption is 2.8%.
- We recommend no change to the current assumption of 2.75%.

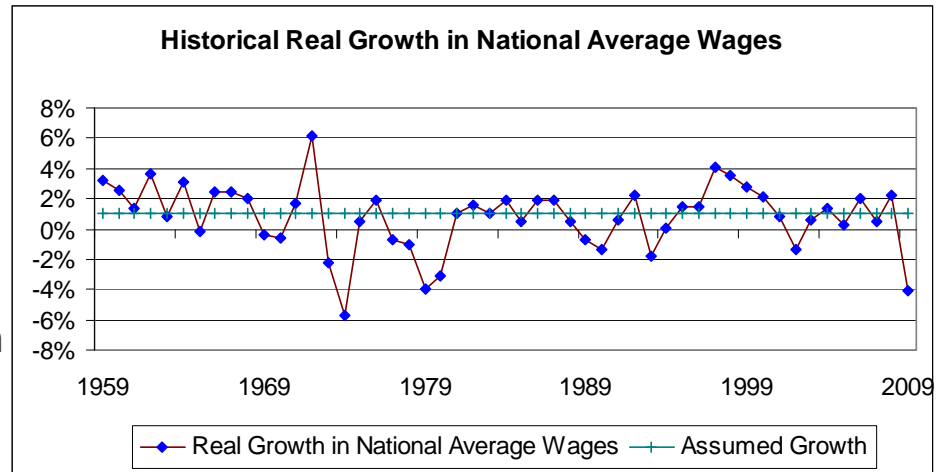


As of 12/31/2010	10-Year	30-Year
Treasury Yield	3.30%	4.34%
TIPS Yield	1.00%	1.86%
<b>Breakeven Inflation</b>	<b>2.30%</b>	<b>2.48%</b>

# Economic Assumptions

## Real Wage Growth

- An individual member's expected salary increase is composed of three components:
  - Inflation
  - Real wage growth
  - Merit and longevity wage growth
- Real wage growth represents the increase in wages above inflation for the entire group due to improvements in productivity and competitive pressures.
- The historical real wage growth averages shown at right all incorporate the significant drop in real wages occurring in 2009
- Social Security's long-term intermediate assumption for real wage growth is 1.2%.
- We recommend maintaining this assumption at 1.0%.
- Combined with our recommended inflation assumption, the payroll growth assumption would remain at 3.75%.



Average Real Growth Rate	
Period Ending December 31, 2009	National Average Wages
10 Years	0.41%
20 Years	0.84%
30 Years	0.77%
40 Years	0.47%
50 Years	0.73%

# Economic Assumptions

## Health Cost Inflation for RHIPA Subsidy

- The Maximum Subsidy increased an average of 6.2% over the last 5 years.
- The Maximum Subsidy increased 10.3% in each of 2010 and 2011.
- Our healthcare actuaries' inflation model grades down slowly to the ultimate assumption.
  - Assumes healthcare inflation will converge to the change in national healthcare expenditures, and that such expenditures ultimately settle at 22 percent of GDP
  - At that point, inflation assumed to increase at 4.5%, a long-term estimate of GDP growth
- We recommend maintaining the prior assumption

	Health Cost Inflation	
	Prior Assumption	Recommended Assumption
2009	7.0%	
2010	7.0%	
2011	7.0%	7.0%
2012	6.9%	6.9%
2013	6.9%	6.9%
2014	6.9%	6.9%
2015	6.9%	6.9%
2016	6.8%	6.8%
2017	6.8%	6.8%
2018	6.6%	6.6%
2019	6.4%	6.4%
2020	6.2%	6.2%
2021	6.0%	6.0%
2022	5.8%	5.8%
2023	5.6%	5.6%
2024	5.4%	5.4%
2025	5.2%	5.2%
2026	5.0%	5.0%
2027	4.9%	4.9%
2028	4.7%	4.7%
2029+	4.5%	4.5%

## Economic Assumptions

### OPSRP Administrative Expenses

- OPSRP administrative expenses are significant relative to OPSRP assets.
  - As OPSRP assets grow, the administrative expense level relative to OPSRP assets will decline and ultimately stabilize. Until then, it is appropriate to include a specific expense assumption which is added to the OPSRP normal cost.
- Our previous assumption was \$6.6 million per year.
- Data provided by PERS indicates that \$6.6 million is still an appropriate level for assumed regular OPSRP administrative expenses.

Valuation Year	Current		Recommended	
	\$ Amount	% of Projected Payroll	\$ Amount	% of Projected Payroll
2008	\$6.6	0.35%	N/A	N/A
2009	\$6.6	0.28%	N/A	N/A
2010	\$6.6	0.23%	\$6.6	0.23%
2011	\$6.6	0.20%	\$6.6	0.20%



# Economic Assumptions

## Investment Return / Discount Rate

## Economic Assumptions

### Investment Return / Discount Rate

- Economic assumptions are combined with demographic assumptions and census data to develop a stream of projected future system benefit payments
  - The benefit payment stream has a very long tail, extending out to the life expectancy of the youngest OPSRP member
- Present-day system liabilities are calculated by discounting the future payments back to the valuation date with interest using a discount rate
  - Discounting future payments is appropriate since a dollar due to a member twenty years from now is less valuable than a dollar due today
  - Given the long-tailed nature of the projected payment stream, present-day liabilities vary significantly based on the discount rate used
- There is significant debate among policy makers and experts about how the discount rate should be calculated
  - This debate is being carried out in the media by experts on each side
  - We will discuss two alternative approaches to the calculation methodology

## Economic Assumptions

### Investment Return / Discount Rate

#### Approach #1: Market-based / settlement

- Theoretical basis:
  - Payments are guaranteed and thus effectively risk-free
  - Guaranteed payments should be priced using current market yields on risk-free (or low risk) investments
    - Yields on US Treasury instruments or municipal bonds are often cited as a proxy for risk-free rates
- This approach approximates what an insurance provider might charge to assume all responsibility for the benefits
  - Bear in mind insurers charge premiums to bear risks
- In the current market environment, these rates tend to be around 4% discount per year
- Several prominent studies have calculated liabilities for state pension systems using this approach
- A proposed piece of federal legislation (Public Pension Transparency Act) would effectively require state systems to report liabilities on this basis

## Economic Assumptions

### Investment Return / Discount Rate

#### Approach #2: Budgeting / GASB

- Theoretical basis:
  - Total Contributions = Benefit Payments – Investment Earnings
  - Liability calculations are used to budget long-term contribution levels
  - A best estimate of future investment earnings is appropriate to budget future contributions
  - Long-term, rather than current market, investment return estimates are appropriate since the plan is long-term in nature
- Of course, actual investment earnings can and will deviate significantly from the long-term estimate
  - This deviation presents a two-sided risk to the program sponsor
    - If earnings are below assumption then contributions will be higher than the budgeted forecast
    - If earnings exceed assumption and benefit levels are not changed, then contributions will be lower than budgeted forecast
  - All else being equal, the lower the assumption selected the greater the chance of a positive budgeting deviation

## Economic Assumptions

### Investment Return / Discount Rate

- Both the market-based/settlement approach and the budgeting/GASB approach have valid uses
  - A May 2011 Congressional Budget Office (CBO) white paper on state pension systems reiterated the validity of both approaches
  - The Pew Center for the States study used both approaches
- The budgeting/GASB approach gives a best guess of long-term contribution costs --- but it is only a guess
- The market-based/settlement approach gives a sense of the risk borne by employers and taxpayers if the assumed investment results are not realized

## Economic Assumptions

### Investment Return / Discount Rate

- The OPERS valuation uses the budgeting/GASB approach, as do the valuations of other state systems
  - This is the approach GASB specifies should be used in presenting financial statements for public pension plans
  - GASB is currently evaluating the discount rate issue
    - GASB has tentatively decided that in the future some systems will be required to use a blend of the two approaches for financial reporting
      - Those systems would be ones forecast to **not** recover to 100% funded status over time if all assumptions are met
- It is more difficult to state a market-based/settlement liability for OPERS than it would be for most state systems
  - The difficulty is related to the complexity of the “money match” formula, in particular the linkage between money match benefit levels and the investment return/discount rate assumption

## Economic Assumptions

### Investment Return / Discount Rate

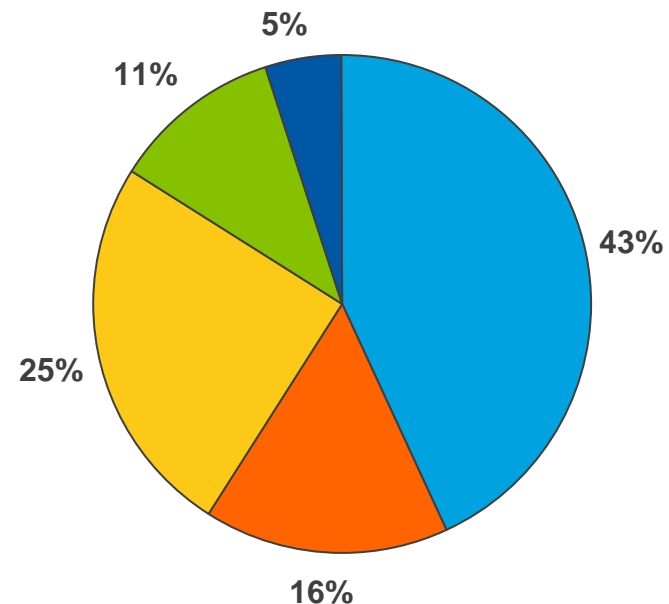
- The most recent NASRA survey gives us a sense of investment return assumption selection for the 120 largest US public systems
  - Survey published November 2010 and includes valuation dates ranging from 6/30/2007 to 1/1/2010
  - Survey covers approximately 20 million participants and \$2.1 trillion in invested assets
- The survey indicates that the median rate is 8.0%
- The mean (weighted average) rate is approximately 7.9%
- To the extent that sponsors have made changes, the general trend is toward lower investment return assumptions

# Economic Assumptions

## Investment Return/Discount Rate

- The target asset allocation is established by the Oregon Investment Council (OIC).
  - The most recent published OIC allocation policy added Alternatives as a new asset class
  - In addition, since the last experience study, the blended benchmark for the fixed income strategy has been revised
- OIC's investment consultant, Strategic Investment Solutions, Inc., (SIS) has updated its capital market forecasts and expected return for the Oregon PERS portfolio.
  - The high-level analysis we have seen from SIS indicates they are lowering their long-term return expectations compared to prior studies

Target Asset Allocation



## Economic Assumptions

### Investment Return/Discount Rate

Asset Class	Regular Account			Variable Account		
	Target	Compound Annual Return	Standard Deviation	Target	Compound Annual Return	Standard Deviation
Global Equity	43%	8.33%	19.4%	100%	8.33%	19.4%
Private Equity	16%	9.17%	31.9%			
Fixed Income*	25%	5.06%	5.8%			
Real Estate	11%	7.11%	15.5%			
Alternatives**	5%	7.42%	11.2%			
Portfolio -- Gross	100%	8.13%	14.4%	100%	8.33%	19.4%
<b>Portfolio – Net of Expenses</b>		<b>7.88%</b>	<b>14.4%</b>		<b>8.07%</b>	<b>19.4%</b>

\* Reflects diversified fixed income portfolio allocated according to OIC fixed income benchmark: 60% US bonds, 20% Leveraged Loans, 10% Emerging Market bonds, and 10% High Yield bonds.

\*\* Reflects portfolio allocated according to OIC alternatives benchmark for infrastructure, natural resources, and hedge funds.

Based on capital market expectations developed by Mercer Investment Consulting

## Economic Assumptions

### Investment Return/Discount Rate

Percentile	Regular Account	Variable Account
35th	6.66%	6.40%
40th	7.08%	6.98%
45th	7.48%	7.53%
<b>50<sup>th</sup></b>	<b>7.88%</b>	<b>8.07%</b>
55th	8.28%	8.62%
60th	8.69%	9.17%
65th	9.11%	9.75%

20 Year Time Horizon

- Using Mercer Investment Consulting assumptions the median expected return is 7.88% for the Regular account and 8.07% for the Variable account both net of expenses and before reflecting any margin for active management.
- We assumed 5 basis points in administrative expenses and 20 basis points in passive investment expenses.
- Details on the OIC's investment advisor's capital market forecast were not available to us at the time this report was published.

## Economic Assumptions

### Investment Return / Discount Rate

- OPERS is rare in that the investment return assumption affects benefit levels for some members
  - Under the “money match” formula, the accumulated member contributions with credited earnings is matched by the employer, and the matched amount is converted to an annuity
    - Tier 1 member accounts are credited at the assumed investment return
  - The investment return assumption is then used as the basis to develop actuarial factors to convert account balances to life annuities
- The investment return assumption selected for the next two valuations will determine actuarial equivalence factors for retirements that occur in 2012-2013
  - The current factors will remain in effect until the end of 2011

## Economic Assumptions

### Investment Return / Discount Rate

- How would a possible assumption change from 8.0% to 7.5% affect a sample future retiree under the money match formula? How long would it take to “earn back” any such change?
- Sample future retiree data
  - Tier 1 General Service
  - Age 60; 26 years of PERS projected service at end of 2011
  - \$70,700 projected 2011 pay
  - \$197,000 accumulated Tier 1 member contribution account balance by end of 2011
  - Projected to retire under the “money match formula”

Benefit Commencement	7/1/2011	12/31/2011	1/1/2012	7/1/2012
Discount Rate	8%	8%	7.5%	7.5%
Starting Benefit	\$2,880	\$3,010	\$2,880	\$3,010

- It would take six additional months without retirement (until July 2012) for the December 2011 initial benefit level to be reached
- The annualized growth rate in the starting benefit amount is approximately 9% under either discount rate

## Economic Assumptions

### Investment Return / Discount Rate

#### Observations on/Consequences of Selecting 8%

- Within the best estimate range based on current asset allocation
- Rate most commonly used by large governmental systems historically
- All else equal, produces lower near-term contribution rates, starting in 2013 compared to a sub-8% assumption
- Choosing a return assumption above the 50<sup>th</sup> percentile makes negative budgeting surprises a “more likely than not” event

## Economic Assumptions

### Investment Return / Discount Rate

#### Observations on/Consequences of Selecting 7.5%

- Within the best estimate range based on current asset allocation
- Choosing a return assumption below the 50<sup>th</sup> percentile makes negative budgeting surprises a “less likely than not” event
- Some forecasters contend that macro changes to global economy have lowered future long-term return expectations
- Moderately lowers growth rate for system liabilities via downward adjustment to projected benefits for members that retire after 2011 under the money match formula
- Increases the likelihood of the Rate Guarantee Reserve emerging from deficit status without triggering a restoration mechanism
- All else equal, produces higher near-term contribution rates, starting in 2013 compared to an 8% assumption (rough estimate is 2-3% of payroll increase on the uncollared base rate)
- Decreases reported funded status
- Current trend among state systems is toward lower return assumptions

## Economic Assumptions

### Investment Return / Discount Rate

- Since we normally consider expected returns using both Mercer Investment Consulting assumptions and assumptions from the OIC's investment advisor, we recommend postponing an adoption of an investment return assumption until the July Board meeting
- Discussion? Questions? Comments?
- Possible next steps include:
  - More detailed study of contribution rate / funded status projections
  - More detailed study of benefit impact for affected members
  - Incorporation of detailed investment return outlook information from the OIC's investment advisor (SIS) to provide an additional benchmark



# Decisions

## Decisions

### Estimated Impact of Changes on Uncollared 2013-2015 Base Rates

Based on December 31, 2010 Asset Levels

	Tier 1/Tier 2		OPSRP		RHIA/RHIPA	
	Normal Cost Rate	UAL Rate	Normal Cost Rate	UAL Rate	Normal Cost Rate	UAL Rate
Never treat negative Rate Guarantee Reserve as an asset*	N/A	0.2%	N/A	N/A	N/A	N/A

\* Based on 12/31/2010 Rate Guarantee Reserve level of negative \$208 million. Impact of alternative approaches can vary significantly in future years based on the magnitude of any potential negative Rate Guarantee Reserve.

Final 2013-2015 impact will be based on 12/31/2011 valuation results, including 12/31/2011 Rate Guarantee Reserve level

## Decisions

### Selection of Actuarial Methods and Assumptions

- Actuarial Methods and Allocation Procedures
  - Update method amortization of new side accounts or transition liabilities
  - Update allocation of liability for service segments
  - Confirm treatment of negative reserves
- Economic Assumptions
  - Confirm current assumption for:
    - Inflation
    - Real wage growth
    - RHIPA health care trend
    - OPSRP administrative expenses
  - Provide direction on next steps for investment return analysis

## Next Steps

- May Board Meeting
  - Experience Study – Methods and economic assumptions
  - Board adoption of methods and economic assumptions for 12/31/2010 and 12/31/2011 actuarial valuations
- July Board Meeting
  - Experience Study – Investment return and demographic assumptions
  - Board adoption of investment return and demographic assumptions for 12/31/2010 and 12/31/2011 actuarial valuations
- September Board Meeting
  - 12/31/2010 system-wide actuarial valuation results
  - Actuarial equivalence factors for 2012-2013
- October
  - 12/31/2010 individual employer reports

## Important Notices

Mercer has prepared this report exclusively for the Oregon Public Employees Retirement System (PERS) and the Public Employees Retirement Board (PERB); Mercer is not responsible for reliance upon this report by any other party. Subject to this limitation, PERS may direct that this report be provided to its auditors.

The only purposes of this report is to assist the PERB in selection of actuarial methods and economic assumptions for the upcoming December 31, 2010 and December 31, 2011 actuarial valuations of PERS. This report may not be used for any other purpose; Mercer is not responsible for the consequences of any unauthorized use.

Decisions about benefit changes, granting new benefits, investment policy, funding policy, benefit security and/or benefit-related issues should not be made on the basis of any single valuation, but only after careful consideration of alternative economic, financial, demographic and societal factors, including financial scenarios that assume future sustained investment losses.

The Oregon Investment Council (OIC) is solely responsible for selecting the plan's investment policies, asset allocations and individual investments. Mercer's actuaries have not provided any investment advice to the OIC.

A valuation report is only a snapshot of a Plan's estimated financial condition at a particular point in time; it does not predict the Plan's future financial condition or its ability to pay benefits in the future and does not provide any guarantee of future financial soundness of the Plan. Over time, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the period of time over which benefits are paid, plan expenses and the amount earned on any assets invested to pay benefits. These amounts and other variables are uncertain and unknowable at the valuation date.

Because modeling all aspects of a situation is not possible or practical, we may use summary information, estimates, or simplifications of calculations to facilitate the modeling of future events in an efficient and cost-effective manner. We may also exclude factors or data that are immaterial in our judgment. Use of such simplifying techniques does not, in our judgment, affect the reasonableness of valuation results for the plan.

To prepare a valuation report, actuarial assumptions, as described in the actuarial valuation report, are used in a forward looking financial and demographic model to present a single scenario from a wide range of possibilities; the results based on that single scenario are included in the valuation. The future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material because these results are very sensitive to the assumptions made and, in some cases, to the interaction between the assumptions.

## Important Notices

Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward looking projection over a very long period of time, no one projection is uniquely “correct” and many alternative projections of the future could also be regarded as reasonable. Two different actuaries could, quite reasonably, arrive at different results based on the same data and different views of the future. A "sensitivity analysis" shows the degree to which results would be different if you substitute alternative assumptions within the range of possibilities for those utilized in this report. We have not been engaged to perform such a sensitivity analysis and thus the results of such an analysis are not included in this report. At the request of PERS or the PERB, Mercer is available to perform such a sensitivity analysis.

Actuarial assumptions may also be changed from one valuation to the next because of changes in mandated requirements, plan experience, changes in expectations about the future and other factors. A change in assumptions is not an indication that prior assumptions were unreasonable when made.

The calculation of actuarial liabilities for valuation purposes is based on a current estimate of future benefit payments. The calculation includes a computation of the "present value" of those estimated future benefit payments using an assumed discount rate; the higher the discount rate assumption, the lower the estimated liability will be. For purposes of estimating the liabilities (future and accrued), PERB selects an assumption based on the expected long term rate of return on plan investments. Using a lower discount rate assumption, such as a rate based on long-term bond yields, could substantially increase the estimated present value of future and accrued liabilities.

Because valuations are a snapshot in time and are based on estimates and assumptions that are not precise and will differ from actual experience, contribution calculations are inherently imprecise. There is no uniquely “correct” level of contributions for the coming plan year.

Valuations do not affect the ultimate cost of the Plan, only the timing of contributions into the Plan. Plan funding occurs over time. Contributions not made this year, for whatever reason, including errors, remain the responsibility of the Plan sponsor and can be made in later years. If the contribution levels over a period of years are lower or higher than necessary, it is normal and expected practice for adjustments to be made to future contribution levels to take account of this with a view to funding the plan over time.

Data, computer coding and mathematical errors are possible in the preparation of a valuation involving complex computer programming and thousands of calculations and data inputs. Errors in a valuation discovered after its preparation may be corrected by amendment to the valuation or in a subsequent year’s valuation.

## Important Notices

Certain actuarial assumptions, including discount rates and others identified in this report, are adopted by the PERB. The PERB is responsible for selecting the plan's funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies, methods and assumptions to be used in the upcoming valuations are those that have been so prescribed and will be described in the corresponding actuarial valuation reports. PERS or the PERB is solely responsible for communicating to Mercer any changes required thereto.

To prepare this report Mercer has used and relied on financial data and participant data supplied by PERS and asset allocation information provided by OIC that will be summarized in the forthcoming experience study report. PERS is responsible for ensuring that such participant data provides an accurate description of all persons who are participants under the terms of the plan or otherwise entitled to benefits as of December 31, 2010 that is sufficiently comprehensive and accurate for the purposes of this report. Although Mercer has reviewed the data in accordance with Actuarial Standards of Practice No. 23, Mercer has not verified or audited any of the data or information provided.

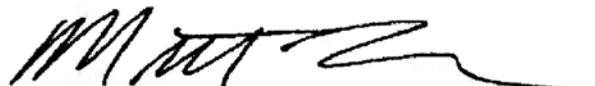
Mercer has also used and relied on the plan documents and plan provisions stipulated by statute, including amendments, and interpretations of plan provisions, supplied by PERS as summarized in the most recently published PERS valuation report. We have assumed for purposes of all valuations that copies of any official plan document including all amendments and collective bargaining agreements as well as any interpretations of any such document have been provided to Mercer along with a written summary of any other substantive commitments. PERS is solely responsible for the validity, accuracy and comprehensiveness of this information. If any data or plan provisions supplied are not accurate and complete, valuation results may differ significantly from the results that would be obtained with accurate and complete information; this may require a later revision of this report. Moreover, plan documents may be susceptible to different interpretations, each of which could be reasonable, and that the different interpretations could lead to different valuation results.

PERS or PERB should notify Mercer promptly after receipt of any valuation report if it disagrees with anything contained in the valuation report or is aware of any information that would affect the results of the valuation report that has not been communicated to Mercer or incorporated therein. The valuation report will be deemed final and acceptable to PERS and PERB unless it promptly provides such notice to Mercer.

## Important Notices

### Professional Qualifications

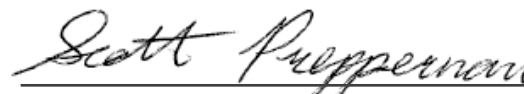
We are available to answer any questions on the material in this report or to provide explanations or further details as appropriate. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. We are not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict of interest, that would impair the objectivity of our work.



May 23, 2011

Matthew R. Larrabee, FSA, EA, MAAA

Date

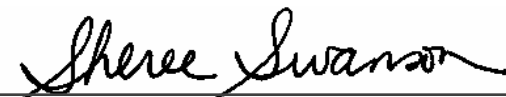


May 23, 2011

Scott D. Preppernau, FSA, EA, MAAA

Date

The undersigned actuary is responsible solely for all assumptions related to the health care cost trend rates for the RHIPA program, and hereby affirms her qualification to render opinions in such matters, in accordance with the qualification standards of the American Academy of Actuaries.



May 23, 2011

Sheree L. Swanson, ASA, MAAA

Date

***The information contained in this document 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.***

MERCER





# Oregon

John A. Kitzhaber, M.D., Governor

## Public Employees Retirement System

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

May 26, 2011

TO: Members of the PERS Board  
FROM: Joseph A. O'Leary, Administrator, PPLAD  
SUBJECT: 2011 Legislative Session Update

Attached is an updated summary report of the bills tracked by PERS in the 2011 session that are still "alive" by virtue of being in the second chamber or assigned to Rules, Ways & Means, or Revenue Committees.

Since the last Board meeting, PERS agency bills HB 2113 and HB 2114 had a public hearing in the House Business and Labor Committee. HB 2113 was amended to allow OSGP to offer a Roth 457 account, a concept that was discussed at the PERS Board's January 28, 2011 meeting. The committee referred both measures to Ways & Means, which has not yet scheduled a hearing on them. PERS' agency budget bill, HB 5039, is also in Ways & Means but has not yet been set for work session. I will provide a verbal update on these bills' status at the board meeting.

Several other PERS-related bills received public hearings in House Business and Labor, but only one other measure moved: HB 2456. This bill would repeal the tax remedy for members who began service before 1991 (referred to as the HB 3349 remedy) if they have not retired before January 1, 2012, and do not pay Oregon income tax because they no longer reside here. This bill was also moved to Ways & Means, but also has not been scheduled for a hearing.

The next set of legislative deadlines is fast approaching. May 23, 2011, is the last day to post bills for work session in second chamber policy committees, and those bills must be scheduled for work session by June 1, 2011. These deadlines, however, don't apply to most of the bills that effect PERS, as they are in committees exempt from the deadlines.

At this point in the session, measures that are in Ways & Means can be scheduled at any point before adjournment and, unless re-referred to a policy committee, would move straight to the respective chambers for a floor vote. Nothing is truly "dead" until the session's final adjournment sine die; for example, concepts can reappear as amendments to bills in other committees.

The other significant development since the last board meeting is the release of the May Revenue Forecast by the Office of Economic Analysis. For the first time in two years, the state's General Fund revenue is predicted to increase for the 2011-2013 biennium by an estimated \$129 million.

Attachment 1: Bill Summary Report for May13, 2011



# May 13, 2011 Bill Summary Report

Bill #	Relating To Clause	CAT	Summary	Last Three Actions	Next Hearing	Bill Manager
HB2113A	Relating to public employee retirement; declaring an emergency.	1	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. <b>Authorizes Public Employees Retirement Board to allow eligible state employee who is participating in state deferred compensation plan to defer compensation on after-tax basis.</b> Declares emergency, effective on passage.	04/12/11 - Referred to Ways and Means by prior reference. 04/12/11 - Without recommendation as to passage, with amendments, be printed A-Engrossed, and be referred to Ways and Means by prior reference. 04/08/11 - Work Session held.	No hearings scheduled at this time.	Steven Rodeman
HB2114	Relating to membership in the individual account program of the Oregon Public Service Retirement Plan; declaring an emergency.	1	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.	04/12/11 - Referred to Ways and Means by prior reference. 04/12/11 - Without recommendation as to passage and be referred to Ways and Means by prior reference. 04/08/11 - Work Session held.	No hearings scheduled at this time.	Steven Rodeman
HB2456A	Relating to payments made under Public Employees Retirement System that are not subject to Oregon income tax; declaring an emergency.	1	Prohibits Public Employees Retirement Board from paying <i>increased benefit</i> <b>certain increased benefits</b> by reason of state income taxation of payments made by board if person receiving payments does not pay Oregon income tax on retirement benefits. Provides procedures for enforcing prohibition. Imposes similar prohibition for certain public employers that provide retirement benefits for police officers and firefighters other than by participation in Public Employees Retirement System. <b>Excludes recipients whose effective date of retirement is before, or who otherwise began receiving payments before, January 1, 2012.</b> Provides for expedited review by Supreme Court upon petition by adversely affected party. Declares emergency, effective on passage.	04/25/11 - Referred to Ways and Means by prior reference. 04/25/11 - Recommendation: Do pass with amendments, be printed A-Engrossed, and be referred to Ways and Means by prior reference. 04/20/11 - Work Session held.	No hearings scheduled at this time.	Stephanie Vaughn
HB2535	Relating to connection to federal tax law; prescribing an effective date.	1	Updates connection date to federal Internal Revenue Code and other provisions of federal tax law. Takes effect on 91st day following adjournment sine die.	02/03/11 - Public Hearing held. 01/21/11 - Referred to Revenue. 01/11/11 - First reading. Referred to Speakers desk.	No hearings scheduled at this time.	Stephanie Vaughn
HB3605	Relating to public employee retirement.	1	Provides that if public body agrees to pay or provide benefit to retired employees other than payments required or provided for in statutes, public body must create separate account for funding of those benefits and make annual contributions to account in amounts necessary to amortize liability for benefits in 25 years or less.	05/09/11 - Public Hearing held. 04/04/11 - Referred to Rules with subsequent referral to Ways and Means. 03/28/11 - First reading. Referred to the desks of the Co-Speakers.	No hearings scheduled at this time.	Stephanie Vaughn
HB5039	Relating to the financial administration of the Public Employees Retirement System; declaring an emergency.	1	Limits certain biennial expenditures from fees, moneys or other revenues, including Miscellaneous Receipts, but excluding lottery funds and federal funds, collected or received by Public Employees Retirement System. Authorizes specified nonlimited expenditures. Declares	02/15/11 - Public Hearing held. 02/14/11 - Public Hearing held. 02/04/11 - Assigned to Subcommittee On General Government.	No hearings scheduled at this time.	Steven Rodeman

SB170	Relating to education; prescribing an effective date.	1	Provides that State Board of Education shall consist of six appointed members and five elected members and shall represent kindergarten through grade 12, community colleges and institutions of higher education. Directs State Board of Education to appoint Superintendent of Public Instruction. Abolishes State Board of Higher Education. Transfers duties and powers of board to State Board of Education. Eliminates Joint Boards of Education. Takes effect only if Senate Joint Resolution 4 (2011) is approved by people at next regular general election. Becomes operative July 1, 2014.	04/27/11 - Referred to Rules by order of the President. 04/27/11 - Recommendation: Without recommendation as to passage and be referred to Rules. 04/19/11 - Work Session held.	No hearings scheduled at this time.	Stephanie Vaughn
SB223	Relating to reemployment of retired physicians by Oregon Health and Science University; declaring an emergency.	1	Declares that physician faculty workforce shortage exists. Provides that Governor may suspend declaration by executive order. Provides that limitations on employment of retired member of Public Employees Retirement System do not apply to retired member who is physician and is employed by Oregon Health and Science University as faculty member during period in which workforce shortage declaration remains in effect. Declares emergency, effective on passage.	04/12/11 - Referred to Rules. 04/12/11 - Recommendation: Without recommendation as to passage and be returned to Presidents desk for referral. Referred to Rules by order of the President. 04/06/11 - Work Session held.	No hearings scheduled at this time.	Joe Delillo
SB242A	Relating to education; appropriating money; declaring an emergency.	1	Creates Higher Education Coordinating Commission. Grants commission authority to coordinate higher education policy with Oregon University System and community colleges. Abolishes Oregon Student Assistance Commission and transfers functions to Higher Education Coordinating Commission. Renames Office of Degree Authorization Account to Degree Authorization Account. Redefines Oregon University System as public university system with more authority and independence to manage affairs, operations and obligations. Creates process for State Board of Higher Education to enter into performance compact with state in conjunction with biennial funding request. Eliminates requirement to seek expenditure limitation to spend other available moneys, including enrollment fees collected from students. Revises current process for setting enrollment fees by requiring student and student government participation, subject to limits set by Higher Education Coordinating Commission. Exempts Oregon University System from certain laws relating to state agencies. Grants State Board of Higher Education power of eminent domain. Grants board authority to purchase insurance, after reporting to Legislative Assembly. Authorizes board to offer fee remissions to students. Increases membership of board. Authorizes board to purchase property and construct facilities without seeking legislative approval if purchase or construction is to be completed without appropriating General Fund moneys or using general obligation bonds. Credits all interest earned in Oregon University System Fund to Oregon University System. Becomes operative January 1, 2012. Declares emergency, effective on passage.	04/13/11 - Public Hearing held. 04/07/11 - Assigned to Subcommittee On Education. 03/11/11 - Referred to Ways and Means by prior reference.	No hearings scheduled at this time.	Joe Delillo
SB572	Relating to reemployment of retired members of the Public Employees Retirement System; declaring an emergency.	1	Provides that limitations on employment of retired member of Public Employees Retirement System do not apply to retired member who is employed by school district or community college district located within county with population of not more than 35,000 inhabitants, or who is employed by education service district with primary work duties in county with population of not more than 35,000 inhabitants. Declares emergency, effective on passage.	04/12/11 - Referred to Rules. 04/12/11 - Recommendation: Without recommendation as to passage and be returned to Presidents desk for referral. Referred to Rules by order of the President. 04/06/11 - Work Session held.	No hearings scheduled at this time.	Joe Delillo
SB576	Relating to payments made	1	Prohibits Public Employees Retirement Board from paying increased	04/12/11 - Referred to Rules.	No hearings	Stephanie Vaughn

	under Public Employees Retirement System that are not subject to Oregon income tax; declaring an emergency.		benefit by reason of state income taxation of payments made by board if person receiving payments does not pay Oregon income tax on retirement benefits. Provides procedures for enforcing prohibition. Imposes similar prohibition for certain public employers that provide retirement benefits for police officers and firefighters other than by participation in Public Employees Retirement System. Provides for expedited review by Supreme Court upon petition by adversely affected party. Declares emergency, effective on passage.	04/12/11 - Recommendation: Without recommendation as to passage and be returned to Presidents desk for referral. Referred to Rules by order of the President. 04/06/11 - Work Session held.	scheduled at this time.	
SB896	Relating to the individual account program; declaring an emergency.	1	Eliminates employee contributions, employer contributions and rollover contributions to individual account program of Public Employees Retirement System, effective January 1, 2012. Prohibits employee from becoming member of program on or after January 1, 2012. Declares emergency, effective on passage.	02/28/11 - Referred to Rules. 02/22/11 - Introduction and first reading. Referred to Presidents desk.	No hearings scheduled at this time.	Stephanie Vaughn
SB897	Relating to public employee retirement; declaring an emergency.	1	Eliminates employer pick-up of six percent employee contribution required of members of Public Employees Retirement System. Eliminates ability of public employer to make employer contributions to individual account program of system. Declares emergency, effective on passage.	02/28/11 - Referred to Rules. 02/22/11 - Introduction and first reading. Referred to Presidents desk.	No hearings scheduled at this time.	Stephanie Vaughn





# Oregon

John A. Kitzhaber, M.D., Governor

## Public Employees Retirement System

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

May 26, 2011

TO: Members of the PERS Board  
FROM: Steven Patrick Rodeman, Deputy Director  
SUBJECT: Petition for Reconsideration – Murray Contested Case

Attached is a petition for reconsideration filed by Greg Hartman on behalf of Raymond Murray. The PERS Board issued a Final Order on Remand in Mr. Murray's contested case on March 3, 2011. Keith Kutler from the Oregon Department of Justice will be available at the board meeting to review the options available in responding to the petition.



BENNETT, HARTMAN, MORRIS & KAPLAN, LLP

ATTORNEYS AT LAW

GREGORY A. HARTMAN  
hartmang@bennethartman.com  
Direct Dial: 503-546-9601

SUITE 500  
210 S.W. MORRISON STREET  
PORTLAND, OREGON 97204-3149  
(503) 227-4600  
FAX (503) 248-6800  
www.bennethartman.com

April 27, 2011

*BY EMAIL AND FIRST CLASS MAIL*

James Dalton  
PERS Board Chair  
Public Employee Retirement System  
PO Box 23700  
Tigard, OR 97281-3700

Re: Appeal of Raymond Murray v. PERB  
Our File No. 5415-243

Dear Mr. Dalton:

The purpose of this letter is to request reconsideration of the board's final order dated March 3, 2011, received March 5, 2011, on remand from the Oregon Court of Appeals. The board's order, which limits financial relief to Mr. Murray, does not correctly implement the Court of Appeals' decision. From the outset of this appeal we have made it clear that the appeal is not only on behalf of Mr. Murray but on behalf of all of the then-participants in the variable account who were adversely impacted by the board's original decision. This was made clear in all of our initial communications to the board, the pleadings to the administrative law judge, and in the briefing before the Court of Appeals.

The appeal in this case was from the board's 2001 (and 2002) earnings crediting orders which incorporated the staff's recommendation that a portion of the administrative expenses of the system be charged to the variable accounts, even though there were no variable account earnings. This was a single determination made by the board which impacted all variable account participants, including Mr. Murray. There was nothing unique or unusual about Mr. Murray's circumstance and it should have been clearly understood that we were not appealing the board's earnings crediting orders in regard to the allocation made to Mr. Murray's account.

There is more than ample precedent for the proposition that once an order has been successfully appealed, even if only by a limited number of the individuals or entities impacted by that order, that the order itself is set aside for all concerned. I would call your attention to the *City of Eugene* challenges and litigation in which the board's 1999 distribution of income order was set aside in total, even though only a small number of cities and individual PERS members appealed it.

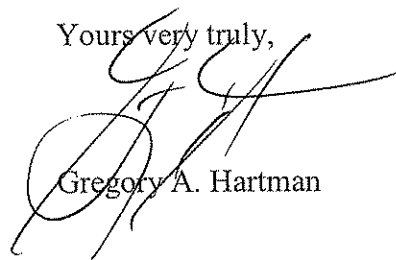
James Dalton  
PERS Board Chair  
April 27, 2011  
Page 2

C.7. Attachment

We request that the order be withdrawn and reissued so that monetary relief is granted for all participants in the variable account impacted by the 2001 and 2002 determinations on the allocation of administrative expenses. This would involve the adjustment of the variable accounts for those members who are still active participants in the system and the retroactive adjustment to the retirement benefits for all those members who were participants in the variable account in 2001 and 2002 and have since retired.

We are prepared to take additional appropriate legal action to enforce what we believe to be the rights of PERS members, however, prior to additional action we offer the board this opportunity to properly amend the order. I would appreciate this issue being placed on the agenda for the board meeting scheduled for May 26. If you have any questions about our position in this matter do not hesitate to contact me.

Yours very truly,

A handwritten signature in black ink, appearing to read 'G. Hartman', written over the typed name 'Gregory A. Hartman'.

Gregory A. Hartman

GAH:kaj

GAHartman\AFSCME 5415\243 Admin Expt\Dalton 11-04-27.docx

cc: Client  
Erin C. Lagesen  
Keith Kutler