

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING

Friday
September 25, 2009
1:00 P.M.

PERS
11410 SW 68th Parkway
Tigard, OR

	ITEM	PRESENTER
A. Administration – 1:00 P.M.		
1.	July 16, 2009 Board Meeting Minutes	CLEARY
2.	Director's Report	
	a. Forward-Looking Calendar	
	b. OIC Investment Report	
	c. Budget Report	
	d. Employer Reporting and Invoicing	
	e. 2009 Customer Service Survey Results	
	f. 2009 Board Best Practices Review	
B. Consent Items		
1.	Notice of Reemployment of Retired Members Rule	RODEMAN
2.	Notice of Workers' Compensation Offset Rules (Repeal)	
C. Action and Discussion Items		
1.	2008 Valuation Report	MERCER RISWICK
2.	2009 Legislation Implementation Plan	
D. Executive Session Pursuant to ORS 192.660(2)(f), (h), and/or ORS 40.225		
1.	Litigation Update	LEGAL COUNSEL

An Audit Committee meeting will be held immediately following the regular meeting.

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

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

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Item A.1.a.

PERS Board Meeting

July 16, 2009

Tigard, Oregon

MINUTES

Board Members:

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

Staff:

Donna Allen	Joe DeLillo	Brenda Pearson
Helen Bamford	Jon DuFrene	Susan Riswick
Linda Barnett	Brian Harrington	Steve Rodeman
Paul Cleary	Dale Lucht	Jason Stanley
David Crosley	Dale Orr	Stephanie Vaughn

Others:

Bruce Adams	Linda Ely	Kim Kinden	Bill Robertson
Karen Artiaco	Janice Essenberg	Gerald King	Mike Ritchey
Kay Bell	Richard Gilmore	Lee Klinski	Lori Sattenspiel
Cathy Bloom	Paul Gornick	Keith Kutler	Ashley Skauvual-Sdad
Tom Breitbarth	Bill Hallmark	Matt Larrabee	Laureen Tracy
Bonnie Canary	Greg Hartman	Gary Martin	Deborah Tremblay
Cameron Clear	Steve Haynes	P. Peg	Pat West
Lance Colley	Jeanine Keller	Ernie Pressman	Denise Yunker
Cessa Diaz			

Chair James Dalton called the meeting to order at 1:00 P.M.

ADMINISTRATION

A.1. BOARD MEETING MINUTES OF MAY 29, 2009

The Board unanimously approved the minutes from the May 29, 2009 Board meeting.

A.2. DIRECTOR'S REPORT

Director Cleary presented the Board's forward-looking calendar, noting the Board will continue to meet every other month. The next Board meeting is scheduled for September 25, 2009 with key agenda items to include Mercer's presentation of the 2008 System Valuation Report. Cleary noted this will not be a rate setting valuation; it will, however, provide a preview of where employer rates are trending.

In November 2009, Mercer will present the updated actual equivalency factors for Board approval and provide recommendations on the "equal to and better than" study process. The Director noted the close-out budget report for the 2007-09 biennium should be available at this meeting.

Ron Schmitz, Oregon State Treasury, presented the PERS Fund performance report as of May 31, 2009. Schmitz noted the Oregon Investment Council (OIC) will conduct an Asset/Liability Study in conjunction with the PERS Board with an estimated timeline of January 2010. Schmitz provided his "forward looking" perspective regarding market returns. Schmitz also commented on the Mercer Experience Study and return assumptions and the differences between the OIC's and Mercer's capital market projections.

Cleary presented the 2007-09 Budget Report through May 2009, noting PERS has a positive variance of approximately \$2.8 million for the current biennium. Approximately \$427,000 of that amount is earmarked for the RCP project and will be carried over to the 2009-11 biennium, leaving an overall projected positive variance of \$2.3 million for the 2007-09 budget.

Cleary noted the final appropriations bill passed by the legislature reduced the PERS 2009-11 biennium budget by \$2.1 million, with a large portion of this expected to be recovered as a result of the ongoing labor negotiations and reduced assessments from DAS and DOJ. Cleary expects the final 2009-11 budget to be available for the September 25, 2009 Board meeting.

Cleary noted the PERS employer reporting team is reaching out to charter schools and their sponsoring school districts to provide oversight and address special issues charter schools encounter with employer reporting. The results of these efforts will be provided at a later date.

In response to questions from the Board, Cleary indicated a detailed status of the outstanding employer reporting issues along with outstanding employer invoices will be presented with the next Employer Report at the September Board meeting.

Director Cleary reported on the close-out of the *Strunk* and *Eugene* Project. Cleary noted the project began in December 2005 and was completed 43 months later on schedule and under budget, and met all seven success criteria. Cleary noted this project was very extensive, requiring the development of numerous tools to recalculate and adjust benefits. Cleary recognized BPD Manager Dale Lucht for a well managed and successful project.

Cleary reported the successful completion of the Young Case 2 Project, meeting all success criteria, and both under schedule and under budget. Cleary noted DAS Risk Management covered the costs to implement this project and thanked Brenda Pearson, Young Case 2 Project Manager for a job well done.

Cleary announced the completion of the RCP Stage 2A Deployment and noted that it was PERS' largest and most significant deployment to date. Cleary recognized Deputy Director Steve Rodeman as the project's executive sponsor and said the final deployment for the RCP Project is currently scheduled for June 2010.

Cleary announced the updated "PERS By the Numbers" report will be posted on the PERS website and includes the results from the 2008 replacement ratio study, 2008 earnings crediting information, and the changes in fund value for 2008. Cleary noted this is a "living document" for PERS that is updated approximately four times a year.

CONSENT ITEMS

B.1. ADOPTION OF REEMPLOYMENT OF RETIREES FOR OPSRP AND IAP RULES

B.2. ADOPTION OF RECOVERY OF ADMINISTRATIVE COSTS RULE

B.3. ADOPTION OF VESTING IN THE OPSRP PENSION AND IAP EMPLOYER ACCOUNT RULES

B.4. ADOPTION OF ACTUARIAL EQUIVALENCY FACTORS RULE

Steve Rodeman presented consent items B.1 through B.4, noting all are housekeeping rules which have gone through the process and are ready for adoption. Rodeman noted there was minimal public comment and the final rule revisions reflect only minor changes.

Board Vice-Chair Tom Grimsley moved to approve consent items B.1, B.2, B.3, and B.4 as submitted. Brenda Rocklin seconded the motion. The Board unanimously approved all consent items.

ACTION AND DISCUSSION ITEMS

C.1. EXPERIENCE STUDY DEMOGRAPHIC AND ECONOMIC ASSUMPTIONS

Bill Hallmark and Matt Larrabee of Mercer presented the second phase of the 2008 Experience Study, focusing on demographic and economic assumptions. Mercer concluded with a review of all of the recommendations to be considered by the Board for adoption. Hallmark stated the recommended methods and assumptions do not affect the long-term cost of the retirement plan, but rather the pattern of contributions that fund the plan. Plan costs are ultimately determined by the benefits paid and long-term investment performance.

During the presentation, Hallmark highlighted two assumptions that could have significant affect on the funding of the PERS and related member benefits. The first assumption was the assumed earnings rate. Mercer's capital market projections suggested it could be set at 7.5%. Projections provided by the OIC's investment consultant, Strategic Investment Solutions, suggested that the assumed rate could be increased to 8.5%. The current assumed rate (8%) is at the mid-point of these projections.

The second was the mortality assumptions; Mercer recommended that the Board change from "static" mortality tables to "generational" mortality tables. The generational structure establishes the use of different mortality tables based on year of birth and is considered by the actuary community as the "gold standard" in predicting member longevity.

Hallmark noted that, based on the Board's adoption of methods and assumptions, Mercer will provide the following reports:

September Board meeting: System-wide valuation results as of 12/31/2008.

October: Individual employer reports with advisory rates.

November Board meeting: Updated actuarial equivalency factor (AEFs) for 2010 and 2011.

Each Board member provided preliminary comments and perspectives on the recommended changes to the mortality tables and whether the assumed rate should be changed. Dalton thanked Mercer for their presentation and then recessed the meeting for a five minute break prior to hearing stakeholder comments.

Chair Dalton resumed the meeting at 2:20 pm.

Hallmark clarified that the generational tables will also reflect mortality improvements that would otherwise be reflected in the static tables. As a result, part of the impact on member benefits from adopting the generational tables would have occurred even if the static mortality tables were continued to be used.

Greg Hartman, representing PERS Coalition, stated members are entitled to consistency between anticipated investment returns and the earnings assumption. Hartman noted Mercer's recommendation does not include any allowance for increase in returns due to active management and this should be part of their analysis. Hartman asked, on behalf of the PERS Coalition, that the PERS Board maintain the assumed rate at 8% as this is the best assumption given the data before the Board at this time.

Mike Ritchey, a financial planner and inactive PERS member, stated members are most interested in a sound pension plan. Ritchey also asked the Board to provide members the updated actuarial equivalency factors with sufficient time to allow members to make informed retirement decisions. He questioned what would happen to members who want to retire by year end if the equivalency factors were not provided until November. He also asked if the on-line calculator included the new factors.

Cleary explained PERS is holding the August 1, 2009 active member newsletter for an article on the Board's adoption of actuarial assumptions and that updates will also be posted on the PERS website following the meeting. Cleary explained the on-line estimate calculator is only an estimate and changes in the factors will have to be adopted before the calculator can be updated. In the meantime, Mercer will provide various examples to PERS showing the impact of the updated AEFs for posting on the website.

Bill Robertson, active Tier One PERS member, explained his knowledge about mortality tables is limited and based on his understanding of the comments made today, it seems like there was not enough time to review the new information. In the future, he would like to have more advance notice of such proposed changes.

Lance Colley, Roseburg Public Schools and member of the PERS Legislative Advisory Committee, expressed his concern that some stakeholders did not have access to the Mercer presentation prior to this meeting and he would like to be notified in advance as to when the Board will be making important decisions.

Board member Mike Pittman explained the assumed rate and economic assumptions were initially presented at the May 2009 Board meeting and there was a lot of discussion. Pittman noted the new information distributed today was about the mortality tables only and the Board has been diligent in providing information to stakeholders as soon as it was available. It was also noted that statutes require the Board to review the mortality assumptions every two years and to use the most up-to-date information.

Bonnie Canary, inactive Tier One member, asked the Board to consider deferring the recommended change to using generational tables for mortality assumptions as there was no alternate recommendation and she was skeptical with the “gold standard” referencing.

Following further Board discussion focused on the assumed earnings rate and mortality assumption proposals, it was moved by Tom Grimsley and seconded by Brenda Rocklin to approve all recommended actuarial assumptions as a block with the exception of the assumed earnings rate and mortality assumption proposals, which would be considered individually. The motion passed unanimously.

Chair Dalton then presented the proposed change from static mortality tables to generational mortality tables which was approved by the Board with Tom Grimsley opposed.

Chair Dalton then presented the proposal to maintain the assumed earnings rate at 8% for the next two years which was approved by the Board with Brenda Rocklin opposed.

C.4 2009 LEGISLATIVE UPDATE – FINAL REPORT

Cleary explained there were no additions or updates to the written report and some PERS-related legislation is still pending action by the Governor. The final legislative update will be presented at the Board meeting in September 2009.

Chair Dalton adjourned the meeting at 2:45 P.M.

Respectfully submitted,



Paul R. Cleary

Executive Director

PERS Board Meeting Forward-Looking Calendar

October 2009

No meeting scheduled

November 20, 2009

Adoption of OARs Related to 2009 Legislation
Notice of Divorce Rules
Notice of Trustee to Trustee Transfer Rules
Adoption of Actuarial Equivalency Factors
Equal to or Better Than Study Process

December 2009

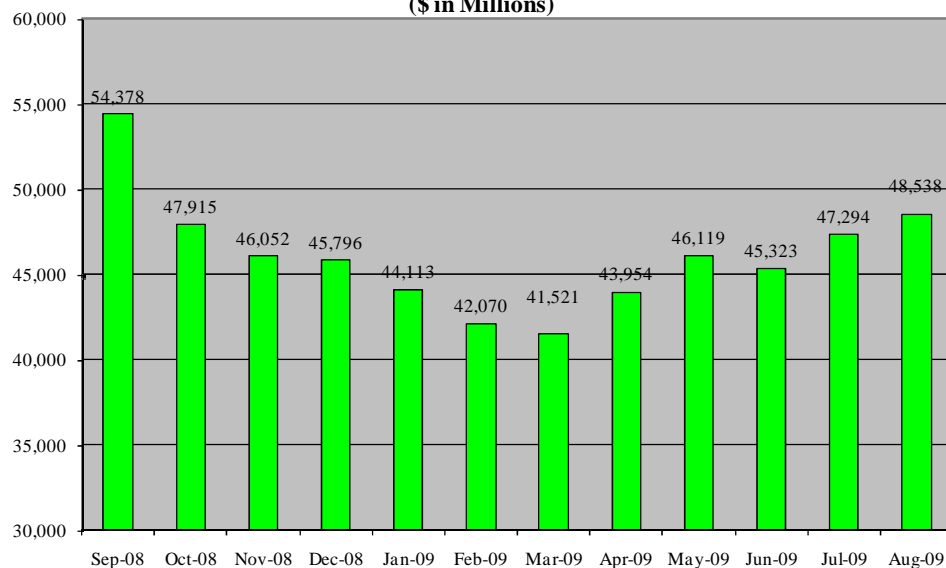
No meeting scheduled

OPERF	Regular Account				Historical Performance (Annual Percentage)					
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS
Public Equity	41-51%	46%	\$ 21,015,745	44.1%	24.67	(16.61)	(14.45)	(5.00)	(0.33)	3.64
Private Equity	12-20%	16%	8,255,616	17.3%	(18.55)	(25.76)	(10.64)	0.19	5.92	11.80
Total Equity	57-67%	62%	29,271,361	61.5%	16.00	(12.16)	(7.65)	(3.52)		
Opportunity Portfolio			911,679	1.9%						
Total Fixed	22-32%	27%	12,412,621	26.1%	19.02	8.50	4.98	4.93	4.48	4.83
Real Estate	8-14%	11%	5,007,217	10.5%	(13.87)	(24.94)	(13.01)	(3.70)	4.23	8.86
Cash	0-3%	0%	29,642	0.1%	2.06	1.16	2.56	3.49	3.74	3.49
TOTAL OPERF Regular Account		100%	\$ 47,632,520	100.0%	8.88	(14.05)	(9.55)	(2.09)	1.59	4.79
OPERF Policy Benchmark					5.48	(11.80)	(8.16)	(1.29)	1.88	4.30
Value Added					3.40	(2.25)	(1.39)	(0.80)	(0.29)	0.49
TOTAL OPERF Variable Account			\$ 905,640		23.77	(15.95)	(15.61)	(7.25)	(3.35)	0.38

Asset Class Benchmarks:

Russell 3000 Index	16.32	(18.63)	(14.53)	(5.66)	(2.24)	1.04
MSCI ACWI Ex US IMI Net	31.62	(13.66)	(13.00)	(2.35)	3.96	8.22
Russell 3000 Index + 300 bps--Quarter Lagged	(27.75)	(33.69)	(19.73)	(9.68)	(3.57)	(0.64)
BC Universal--Custom FI Benchmark	6.05	7.42	6.27	5.91	4.97	4.99
NCREIF Property Index--Quarter Lagged	(15.01)	(14.68)	(1.56)	4.15	7.95	9.43
91 Day T-Bill	0.14	0.66	1.82	2.96	3.31	3.13

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



¹OIC Policy 4.01.18, as revised September 2007.

²Includes impact of cash overlay management.

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

Returns for periods ending 7/31/09

Oregon Public Employees Retirement Fund

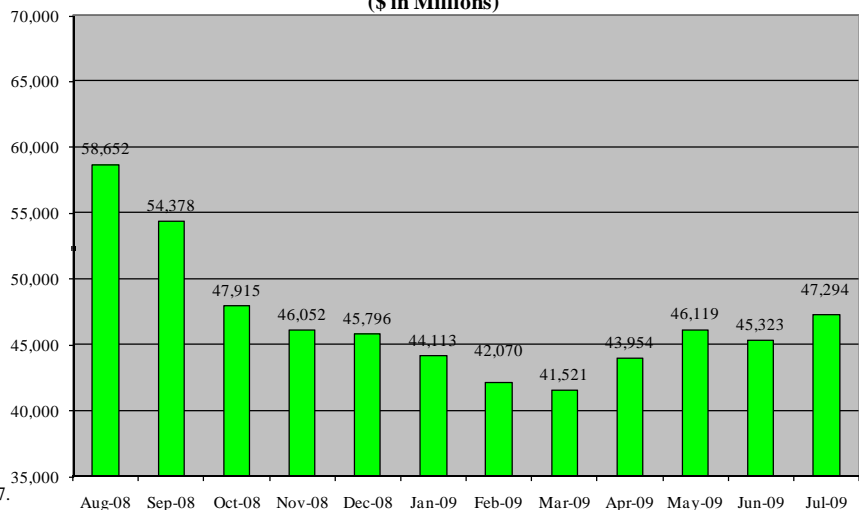
Item A.2.b.

OPERF	Regular Account			Historical Performance (Annual Percentage)						
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS
Public Equity	41-51%	46%	\$ 20,412,428	44.0%	20.07	(21.19)	(16.18)	(5.47)	(1.12)	2.92
Private Equity	12-20%	16%	8,248,702	17.8%	(18.55)	(25.76)	(10.64)	0.19	5.92	11.80
Total Equity	57-67%	62%	28,661,130	61.7%						
Opportunity Portfolio			844,103	1.8%	11.50	(15.80)	(9.46)			
Total Fixed	22-32%	27%	12,003,663	25.9%	16.92	7.22	4.43	4.86	4.31	4.87
Real Estate	8-14%	11%	4,891,705	10.5%	(15.58)	(26.46)	(13.51)	(4.13)	3.40	8.92
Cash	0-3%	0%	15,275	0.0%	1.85	1.22	2.69	3.59	3.77	3.49
TOTAL OPERF Regular Account		100%	\$ 46,415,876	100.0%	6.26	(16.84)	(10.58)	(2.31)	1.12	4.46
OPERF Policy Benchmark					3.46	(14.13)	(8.82)	(1.32)	1.51	4.07
Value Added					2.80	(2.71)	(1.76)	(0.99)	(0.39)	0.39
TOTAL OPERF Variable Account			\$ 877,980		19.21	(20.60)	(16.84)	(7.86)	(4.45)	(0.28)

Asset Class Benchmarks:

Russell 3000 Index	12.30	(20.21)	(15.41)	(6.00)	(3.33)	0.42
MSCI ACWI Ex US IMI Net	26.59	(20.82)	(15.34)	(2.71)	3.60	7.55
Russell 3000 Index + 300 bps--Quarter Lagged	(27.75)	(33.69)	(19.73)	(9.68)	(3.57)	(0.64)
BC Universal--Custom FI Benchmark	4.87	7.18	6.30	6.06	4.99	5.15
NCREIF Property Index--Quarter Lagged	(15.01)	(14.68)	(1.56)	4.15	7.95	9.43
91 Day T-Bill	0.12	0.79	2.09	3.11	3.37	3.15

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



¹OIC Policy 4.01.18, as revised September 2007.

²Includes impact of cash overlay management.

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



Oregon

Theodore R. Kulongoski, Governor

Item A.2.c.

Public Employees Retirement System

Headquarters:
11410 S.W. 68th Parkway, Tigard, OR
Mailing Address:
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Tigard, OR 97281-3700
(503) 598-7377
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www.oregon.gov/pers

September 25, 2009

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

2007-09 BUDGET UPDATE

Operating expenditures for the month of June 2009 were \$5,634,024.

- To-date, through the 2007-09 biennium, the Agency has expended a total of \$75,918,144, or 93.97 % of PERS' 2007-09 operating budget.
- The Agency's positive budget variance for the 2007-09 biennium is currently projected at \$3,422,518, of which \$735,461 is RIMS Conversion Project (RCP) budget limitation that will be moved to the 2009-11 biennium.
- An update on 2007-09 expenditures will be submitted at the November 2009 Board Meeting, and a final 2007-09 expenditure report will be submitted at the January 2010 Board Meeting.

2009-11 BUDGET UPDATE

PERS' Legislatively Adopted Budget (LAB) for 2009-11 is \$80,160,628.

Operating expenditures for the month of July 2009 were \$2,124,331.

- To-date, through the first month (4.17%) of the 2009-11 biennium, the Agency has expended a total of 2.47 % of PERS' 2009-11 operating budget.
- The Agency's positive budget variance for this biennium is currently projected at \$5,447,515, of which \$672,240 is RIMS Conversion Project (RCP) budget.

**2007-09 Agency-wide less RCP - Budget Execution
Summary Budget Analysis**

A.2.c.
Attachment 1

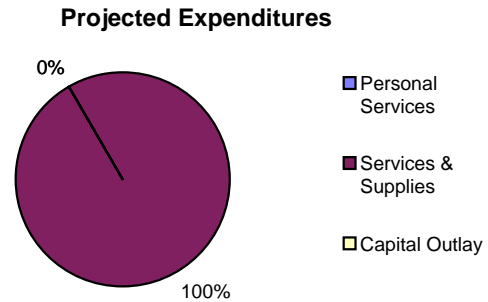
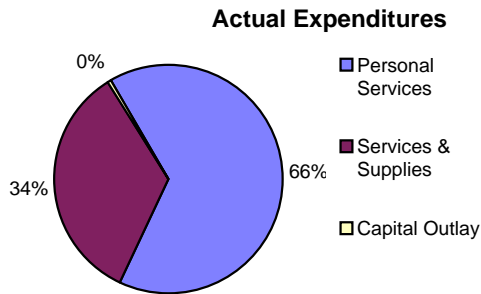
For the Month of: June 2009

Biennial Agency-wide Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2007-09 LAB	Variance
Personal Services	49,622,277		49,622,277	53,288,261	3,665,984
Services & Supplies	25,953,795	1,448,300	27,402,095	26,553,000	(849,095)
Capital Outlay	342,072		342,072	947,701	605,629
Special Payments					
Total	75,918,144	1,448,300	77,366,444	80,788,962	3,422,518

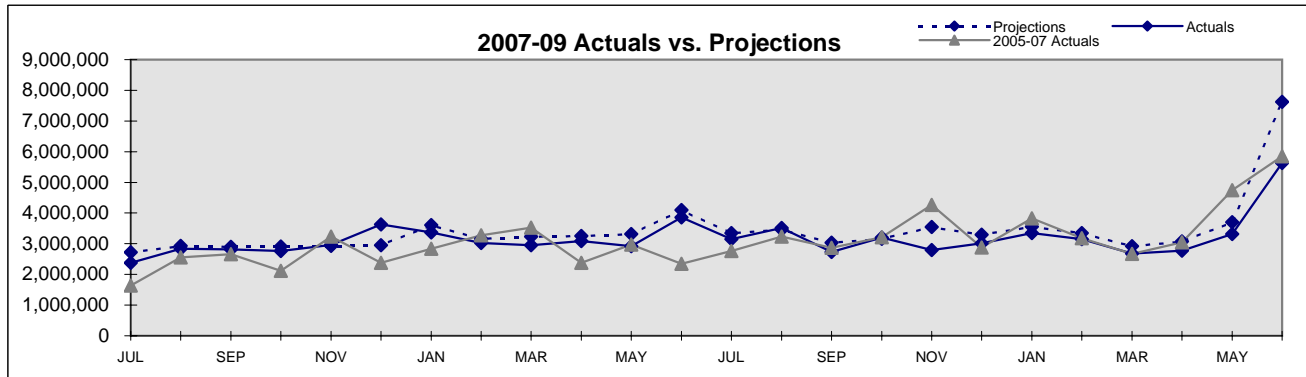
Less RCP projected variance: **735,461**

Net projected Agency-wide variance less RCP: 2,687,057



Monthly Summary less RCP

Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Projected Expenditures
Personal Services	1,874,086	2,326,370	452,284	2,029,720	
Services & Supplies	1,749,833	1,990,802	240,969	635,681	
Capital Outlay	38,434	49,490	11,056	5,025	
Special Payments					
Total	3,662,353	4,366,662	704,309	2,670,426	



2005-07 Biennium Summary

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

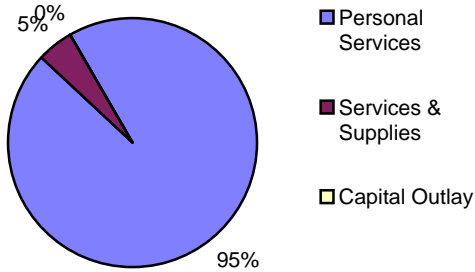
2009-11 Agency-wide Operations - Budget Execution
Summary Budget Analysis
 For the Month of: July 2009

A.2.c.
Attachment 2

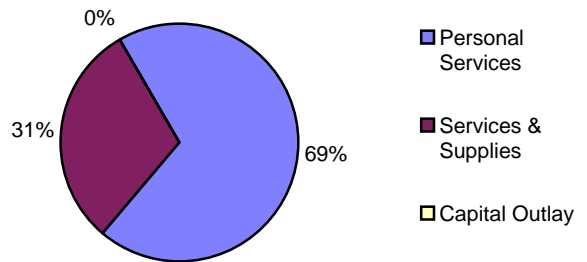
Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2009-11 LAB	Variance
Personal Services	1,889,622	50,451,381	52,341,003	52,559,956	218,953
Services & Supplies	93,742	22,278,368	22,372,110	27,007,084	4,634,974
Capital Outlay				593,588	593,588
Special Payments					
Total	1,983,364	72,729,749	74,713,113	80,160,628	5,447,515

Actual Expenditures

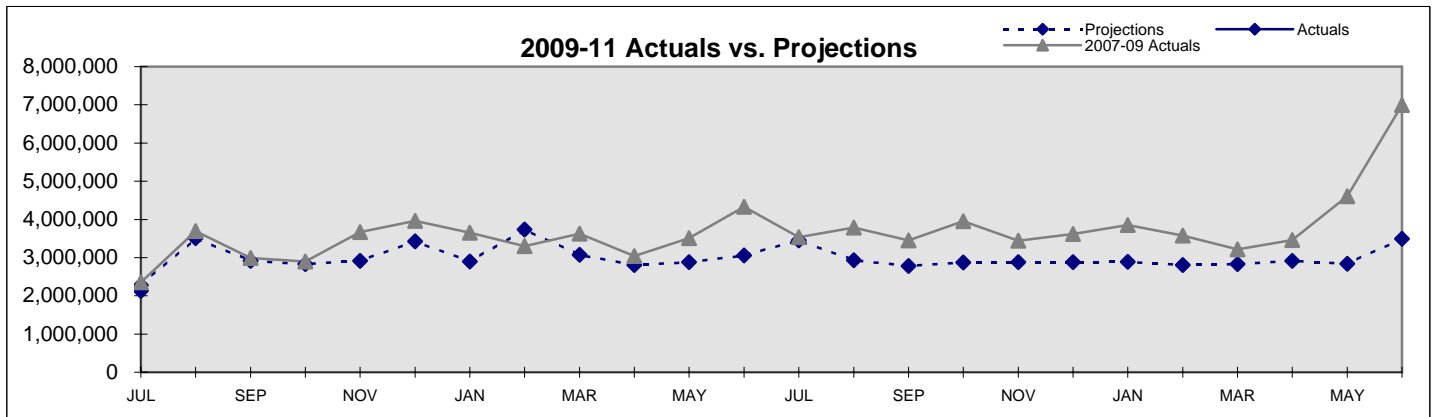


Projected Expenditures



Monthly Summary

Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Projected Expenditures
Personal Services	2,030,589	2,195,165	164,576	1,889,622	2,193,538
Services & Supplies	93,742	84,760	(8,982)	93,742	968,625
Capital Outlay					
Special Payments					
Total	2,124,331	2,279,925	155,594	1,983,364	3,162,163



2007-09 Biennium Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2007-09 LAB	Variance
Personal Services	49,622,277		49,622,277	53,288,261	3,665,984
Services & Supplies	25,953,795	1,448,300	27,402,095	26,553,000	(849,095)
Capital Outlay	342,072		342,072	947,701	605,629
Special Payments					
Total	75,918,144	1,448,300	77,366,444	80,788,962	3,422,518



Oregon

Theodore R. Kulongoski, Governor

Item A.2.d.

Public Employees Retirement System

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

September 25, 2009

TO: Members of the PERS Board
FROM: Yvette Elledge, Customer Service Division Administrator
SUBJECT: Employer Reporting and Invoicing

At the July Board meeting, the Board requested that staff provide additional information regarding the employer reporting process, delinquent reports and outstanding invoices.

EMPLOYER REPORTING

Currently there are nine employer account representatives maintaining 9 regional caseloads. They assist 813 active employer contacts to maintain 130,000 active accounts.

The Employer Service Center (ESC) team works with employers daily via the phone center and e-mail. The employer representatives report and communicate compliance issues, coach employer staff and assist in making adjustments to facilitate timely and accurate reporting of membership, hours, wages and contributions. Additional tools and processes have been developed to provide employer training and reporting support. A weekly report identifies and tracks timely reporting and the delinquent reporting. Delinquent reporting is commonly due to factors ranging from slow response time in EDX, a lack of understanding of the new functionality or staff turnover. Error detail reports show trends in error types enabling account representatives to assess an employer's need for training.

To assist new employers, a New Employers Advocate is tasked with assisting new employers through the reporting process and provides information to enable their decision making and explain how those decisions affect their future budget and role as an employer. They provide mentorship for new employers throughout system set-up, generation of their first report and interpretation of their statement before turning them over to an account representative on the ESC team. The New Employer Advocate also provides presentation services to specialized groups such as school administrators attending the Annual Charter School Conference each May.

A more proactive approach is now being implemented to strengthen reporting compliance. The process will involve communication with both the timely reporter and the delinquent reporter. The Acknowledgment process is designed to show appreciation to the employer and their reporting staff. The Assertive escalation process is designed as a series of employer communications that will culminate in timely reporting. This process promotes original contact with employers when their report is 16 days overdue and can end with an audit at 120 days overdue, and includes several steps for escalating communication through management. Modification of existing system reports to trigger a reporting compliance workflow is being researched to support implementation of this strategy.

For a complete list of the employers who have unsubmitted reports for 2007 and 2008, please see page 3 of this report.

CHARTER SCHOOLS

Historically, new Charter Schools are frequently delinquent in their reporting and payments, most likely due to the nature of their funding. We have increased our compliance review in this area and have found the following information:

Total Charter Schools	91
Current in their reporting	46
Reported through their school district	19
Closed	1
Not current (behind 1 or more reports)	13
Not in the PERS system	12

Staff will continue to work with these schools to ensure that they are reporting correctly and timely to PERS, but we are also looking at ways to improve our outreach in this area. Last year we began to work with the Oregon Department of Education to reach out to new charter schools and will continue to do this but we also may need to communicate to the sponsoring school districts and administrators to provide oversight and education, and to ensure that all data and contributions are submitted timely.

ACCOUNTS RECEIVABLE UPDATE

As of July 2009, PERS had 235 invoices that were over 90 days delinquent. These invoices had a total outstanding balance of \$1,225,338.50 for 15 different employers. By comparison, in July 2008, PERS had a total of 111 invoices outstanding for \$193,120.57. Several issues have led to this increase but the main reason is the outstanding receivables from the State of Oregon Young Case II project.

Since the July 2009 Board meeting, progress has been made in the clearing and collection of these invoices. As of September 4, 2009, the current "Over 90" delinquent receivables total \$711,935.33. Decreases in the State of Oregon Young Case invoices have made the most impact and the total outstanding invoice balance for this project is now \$534,249.58.

The remaining outstanding balance of \$177,685.75 is due to several issues. The main issue is a result of invoicing employers using an old or consolidated employer number. This is now required for job segments that occurred prior to the consolidation of the employer. This is a new process and we are working with the employers to define the process and clear the invoices.

For a complete list of the outstanding invoices, please see page 5 of this report.

Unsubmitted Reports and Unposted Records Report for 2007--2009 As of 9/08/2009

2007 UNPOSTED RECORDS – 448 SUSPENDED RECORDS

296 of these records have been suspended since 2007, mostly due to system limitations. The remainder of these records became suspended during 2008 and 2009, in many cases as a result of new program releases. We are evaluating whether we can resolve these records using new technologies and programming.

2007 UNSUBMITTED REPORTS – 3 EMPLOYERS, 13 REPORTS

Team strategy is to work all employers on the top 25 list before advancing to additional employers with missing reports.

2595 – Canby FPD #62 – 9 missing reports (Bi-weekly) It appears that most reports are actually in and one report is double posted. New employer reporter has been in contact with PERS staff and is working steadily to catch up on missing reports. Still researching 2007 reports submitted by previous reporter to determine number of reports containing multiple payroll dates.

4352 – Armadillo Technical Institute - 2 missing reports (Monthly - Jan and Mar) The assigned account representative is continuing to work on this issue with the employer. Telephone conference with employer scheduled for 9/10/09.

2242 – City of Gaston – 2 missing reports (Monthly - Feb & Mar) 2 employees. Employer has been contacted repeatedly with offers of assistance, without response from employer. This matter is being escalated for resolution.

2008 UNPOSTED RECORDS – 12,847 SUSPENDED RECORDS

2008 UNSUBMITTED REPORTS – 13 EMPLOYERS, 50 REPORTS

2214 – City of Yamhill – 1 missing report – (Semi-monthly 3/31) The assigned account representative is continuing to work on this issue with the employer.

2242 – City of Gaston – 3 missing reports – (Monthly 1/31, 5/31, 10/31) Employer has been contacted repeatedly with offers of assistance, without response from employer. This matter is being escalated for resolution.

2595 – Canby FPD #62 – 6 missing reports (Bi-weekly) New employer reporter has been in contact with PERS staff and has submitted 20 out of 26 reports for 2008, of which only two remain unposted.

2624 – Klamath Vector Control District – 11 missing reports (Monthly 2/29, 3/31, 4/30, 5/31, 6/30, 7/31, 8/31, 9/30, 10/31, 11/30, 12/31) Employer has been contacted repeatedly with offers of assistance, without response from employer. This matter is being escalated for resolution.

Employer Reporting

9/25/09

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2649 – Colton RFPD #70 – 2 missing reports – (Semi-monthly 5/15, 12/15) The assigned account representative is continuing to work on this issue with the employer.

2861 – Mt Angel Fire District – 3 missing reports (Semi-monthly 3/15, 7/31, 11/30) The assigned account representative is continuing to work on this issue with the employer.

2867 – West Multnomah Soil and Water Conservation Dist. – 4 missing reports (Semi-monthly) As of 9/11/09, this employer has submitted all reports. New employer as of 05/01/08 with first report due in June. Employer switched to semi-monthly reporting as of October.

4352 – Armadillo Technical Institute – 1 missing report (Monthly 7/31) The assigned account representative is continuing to work on this issue with the employer. Telephone conference with employer scheduled for 9/10/09.

4402 – Sage Community School – 2 missing report (Monthly 8/31) The assigned account representative is continuing to work on this issue with the employer.

4406 – Sisters Charter School – 2 missing reports (Monthly 11/30, 12/31) The assigned account representative is continuing to work on this issue with the employer.

4413 – Marcola Web and Early College Academy #1 – 5 missing reports (Monthly) Employers 4412 through 4416 are a group of charter schools administered by a TPA. All five schools are being loaded to the system at once for school year 2008 through 2009.

4415 – Sisters Web and Early College #1 – 5 missing reports (Monthly) Employers 4412 through 4416 are a group of charter schools administered by a TPA. All five schools are being loaded to the system at once for school year 2008 through 2009.

4416 – Sisters Web and Early College #2 – 5 missing reports (Monthly) Employers 4412 through 4416 are a group of charter schools administered by a TPA. All five schools are being loaded to the system at once for school year 2008 through 2009.

2009 MISSING REPORTS

These are proactively being addressed by account representatives. A plan of action is being developed to escalate late reporters at 60 and 90 days. Queries are being developed for periodic detection of multiple wages or pay dates posted to one report.

**Outstanding Invoices Detail
As of 9/04/2009**

SUMMARY OF INVOICES FOR STATE AGENCIES:

Please note: All state agencies are paid through DAS.

Oregon State Highway Division – Employer #1034

Total outstanding \$3,613.75

Pending research from DAS as this employer has been merged under employer #1224.

Oregon State Hospital – Employer #1038

Total outstanding \$3,358.36

Pending research from DAS as this employer has been merged under employer #1246

Adult and Family Services - Employer #1058

Total outstanding \$3,103.88

Pending research from DAS as this employer has been merged under employer #1246

OR State Fair & Exposition Center Employer #1091

Total Outstanding \$115.87

Pending research from DAS as this employer has been merged under employer #1210

Department of Human Services - Employer #1147

Total outstanding \$1,493.88

Pending research from DAS

Services to Children & Families - Employer #1148

Total outstanding \$113,507.75

Pending research from DAS and MERS as this employer has been merged under employer #1246. Per DAS, this invoice has been paid and verification of approximately \$97,000 will be sent to PERS for validation.

Seniors and People with Disabilities - Employer #1174

Total outstanding \$1,291.61

Pending research from DAS as this employer has been merged under employer #1246

Board of Investigators - Employer #1234

Total outstanding \$303.58

Per DAS, this employer has been cleared and balanced and no invoice should be due. Research is being completed by MERS.

OR State Fair and Exposition Center- Employer #1259

Total Outstanding \$ 413.74

Pending research from DAS as this employer has been merged under employer #1210.

Employer Reporting

9/25/09

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DAS-HRSD- Employer #1265

Total outstanding \$534,249.58.

This reporting appears to be owed by DAS however; this employer number was utilized for State agencies to identify invoices generated from Young Case II. This allowed agencies the ability to break out the expense of this court decision. The total invoiced for Young Case II was \$3,094,681.19. The outstanding amount represents the remaining balances for the agencies.

Per DAS the majority of the invoices have been paid. Some of the funds have been sent under the employer main numbers and not under 1265. Others have been applied to incorrect invoices. MERS and CBS are both currently investigating the funds. DAS has provided updated information spreadsheets.

SUMMARY OF INVOICES FOR NON-STATE AGENCIES:

Tillamook County Soil and Water Conservation - Employer #2821

Total outstanding \$37,707.52.

This employer fell behind in the required contributions due to an internal issue with an employee. This agency has struggled to catch up the delinquent invoices. This agency is grant based which has allowed them to keep up with current charges but has not been able to make progress on the past due balance.

PERS contacted Fred Roesener, the accountant for this employer. Mr. Roesener advised he brings the issue of the past due invoices forward at every board meeting. This employer is funded by a grant based income. If they use funds for invoices other than designated, they jeopardize future funding. He recommended contacting the Board Chairman as he has not authority to make arrangements for payment arrangements. PERS called Rudy Fink, the chairman of Tillamook Soil and Water Conservation; he advised the legislature was working on some type of assistance for this type of agency. He was not sure if the proposed legislation has passed or not. He would do some checking and will contact us the week of 8/10/2009. Messages have been left for follow up.

Clackamas County School District UH#2 - Employer #3175

Total outstanding \$287.20

ESC is currently working with this employer. It has merged under employer #4345.

Harney County School District #3395

Total outstanding \$5.49

ACH offset credit with employer to be adjusted.

Linn County School District #16C - Employer #3591

Total outstanding \$288.50

Invoice canceled and moved to employer #4339

Linn County School District UH#1 -Employer #4185

Total outstanding \$568.31

Employer Reporting

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Invoice canceled and moved to employer #4339

Mount Hood Community College District - Employer #4305

Total outstanding \$8,058.32

This was an invoice from a consolidated employer #2905. The employer has agreed to start ACH payment processing. This invoice will be cleared upon that system being implemented.

Detroit Lake Charter School - Employer #4358

Total outstanding \$304.02

School closed in 2002. PPLAD is researching to determine if we have authority to place the debt with the assigned sponsor school.

Morrison Charter School #4377

Total outstanding \$3,033.97

School closed in 2006 and PPLAD is researching to determine if we have authority to place the debt with the assigned sponsor school

South Columbia Family School - Employer #4384

Total outstanding is \$18,028.32. This balance is an incorrect reporting. South Columbia Family School is not signed up for the PERS IAP program. Current software does not recognize the ability to opt out of this program. This incorrect delinquent status is being addressed by PERS. *Debt not included in total outstanding.*

THE FOLLOWING ARE INVOICES RELATED TO SOCIAL SECURITY REPORTING.

City of Grass Valley - Employer #8026

Total outstanding \$15.00

Ione-Lexington Cemetery Maintenance - Employer #8087

Total outstanding \$15.00

Lake County Fair Board – Employer #8099

Total outstanding \$15.00

Malin Community Cemetery Maintenance - Employer #8115

Total outstanding \$25.00

North Gilliam County Cemetery - Employer #8131

Total outstanding \$15.00

Power Valley Water Control District - Employer #8155

Total outstanding \$15.00

Salishan Sanitary District - Employer #8162

Total outstanding \$15.00

Employer Reporting

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City Of Sublimity - Employer #8185

Total outstanding \$25.00

Warm Springs Irrigation District - Employer #8200

Total outstanding \$15.00

Yamhill RFPD - Employer #8208

Total outstanding \$25.00

Helix Cemetery Maintenance District - Employer #8224

Total outstanding \$25.00

North Bay RFPD - Employer #2655

Total outstanding \$25.00



Oregon

Theodore R. Kulongoski, Governor

Item A.2.e.

Public Employees Retirement System

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

September 25, 2009

TO: Members of the PERS Board
FROM: David Crosley, Communications Officer
SUBJECT: 2009 Customer Service Survey Results

PERS conducted customer satisfaction surveys for members (including retirees) and employers in August 2009. This was the fourth year of our survey program.

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

Our 2009 surveys show overall improvement from 2008, continuing the positive trend of year-to-year improvement over the four year survey period.

We will continue to conduct yearly surveys to measure and trend improvement in our customer service.

MEMBER CUSTOMER SATISFACTION SURVEY

BACKGROUND

PERS posted a customer service survey on its website during August 2009. We also placed a hard copy of the survey in the August 1 retiree newsletter, *Perspectives*, that retirees could complete and mail to PERS. The August 1 active *Perspectives* newsletter noted that the survey was available online. In total, we received 3,965 responses, a number of which included individual comments.

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

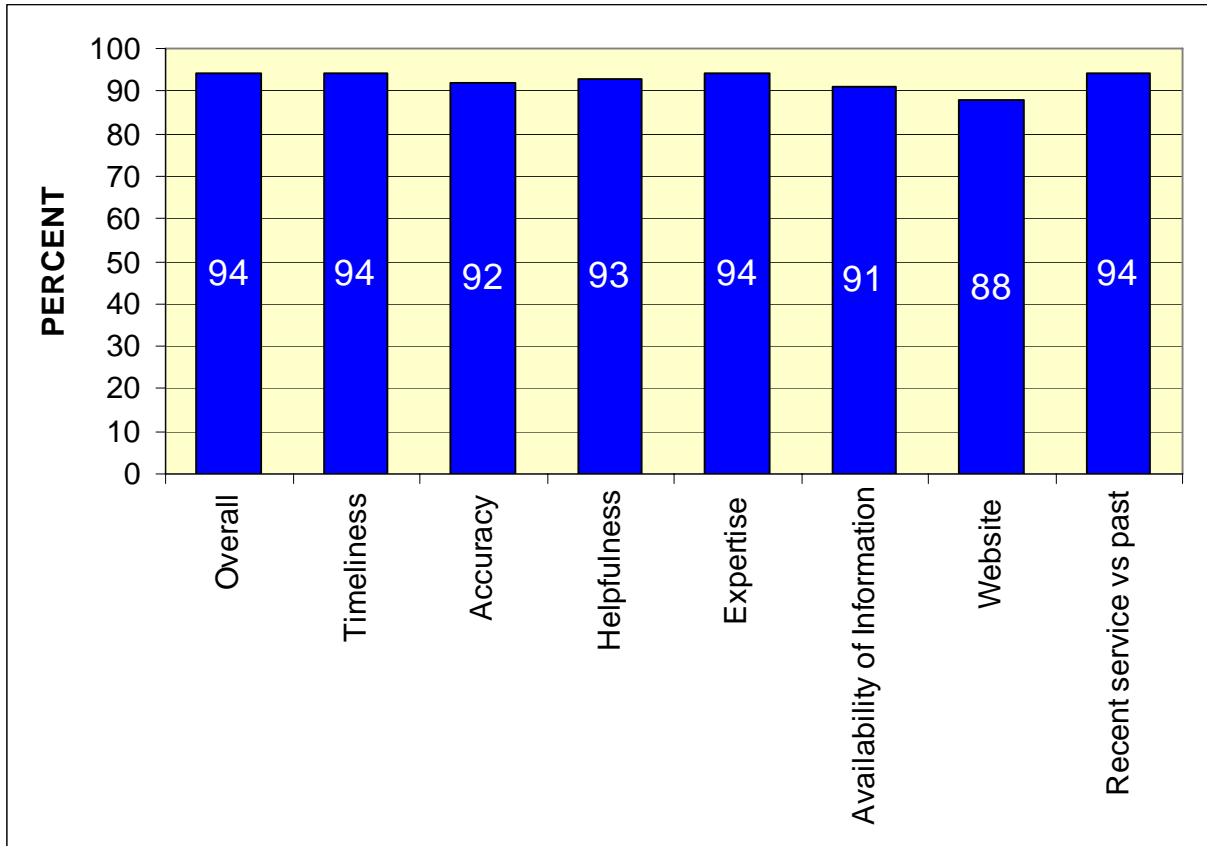
The following graphs and charts display the survey results and provide a comparison of 2006, 2007, 2008, and 2009 responses. Staff was pleased to note that customer satisfaction (measured as the percent of respondents rating a service factor as “excellent” or “good”) increased or stayed the same for all service factors when comparing our 2009 survey results to past years.

We added three supplemental questions regarding the PERS website this year:

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

More than 76 percent of respondents said the website was easy to navigate and nearly 76 percent found the information they were seeking. In many cases, members were looking for account balances or other information that will be available in 2010 as part of member self-service.

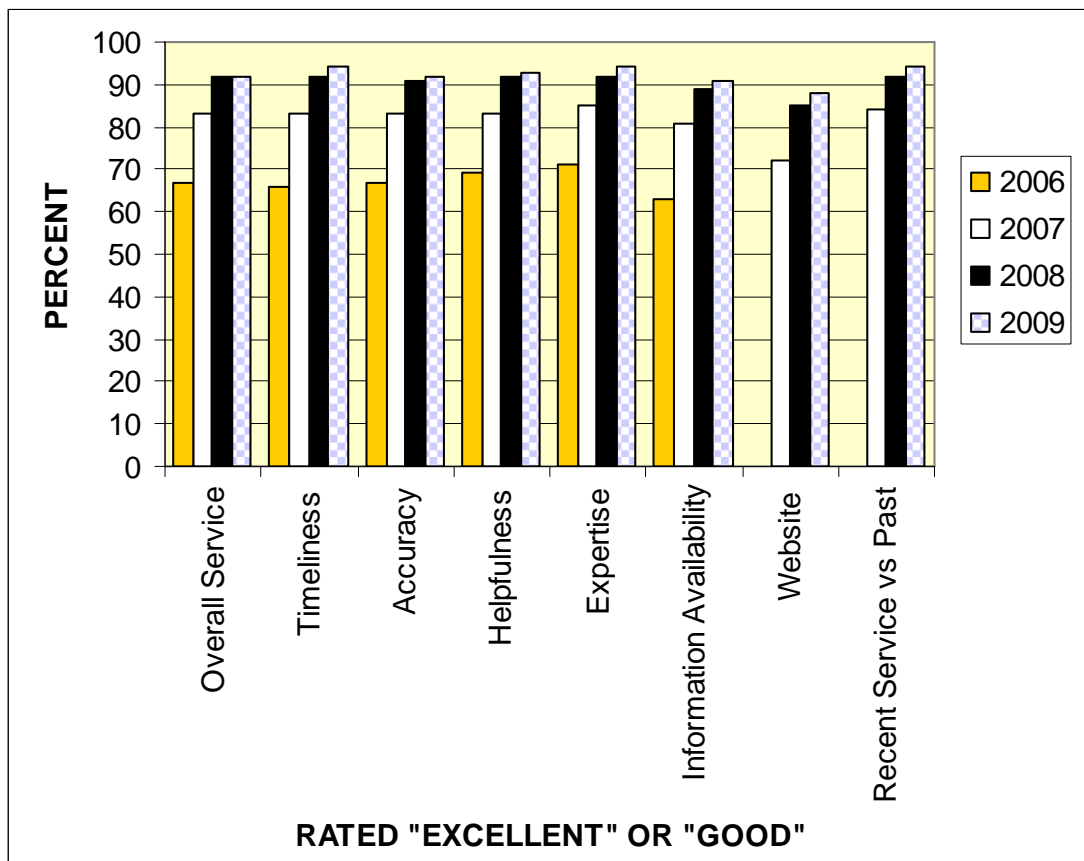
Percent of respondents rating “excellent” or “good” (the state’s Key Performance Measures do not include the “Don’t Know” responses; the numbers in the graph have been rebaselined to exclude those responses)



Numerical results (numbers rounded)

How do you rate...	Percent				
	Excellent	Good	Fair	Poor	Don’t Know
The overall quality of service?	63	27	3	3	4
The timeliness of services PERS provides?	61	28	3	3	5
PERS’ ability to provide services accurately the first time?	61	26	3	4	6
PERS’ helpfulness?	63	25	3	3	6
The knowledge and expertise of PERS employees?	57	28	3	2	10
The availability of information at PERS?	57	29	5	3	6
The PERS website?	21	19	5	1	54
Our service in the past year compared to previous years?	49	24	3	3	22

Comparison of 2006-2009 Member Results



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

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

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

Resolution

To address this issue, PERS is in the final stages of converting our legacy computer system to an upgraded system that will allow on-line access and member self-service transactions. We began the conversion in 2004 and plan to complete the project in 2010, at which time many of these services will be available.

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

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

Resolution

To address this issue, PERS is dedicating more staff to the benefit estimate process. We are also reviewing the benefit estimate format with a goal to make the estimate easier to understand. Member online self-service in 2010 will allow members to generate a benefit estimate online that uses data stored in PERS records.

SURVEY METHODOLOGIES

To maximize member response, PERS created this survey online and posted it in a prominent spot on our home page. We also published the location of the survey in our member and retiree newsletters, inviting members and retirees to participate. The online survey ran throughout August 2009.

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

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

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

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

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

EMPLOYER CUSTOMER SATISFACTION SURVEY

BACKGROUND

PERS surveyed employers online for the third consecutive year. The 2009 results are discussed below.

The employer satisfaction survey was posted online throughout August 2009. Employers received an e-mail inviting them to take the survey; 289 responses were received, a number of which included individual comments.

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

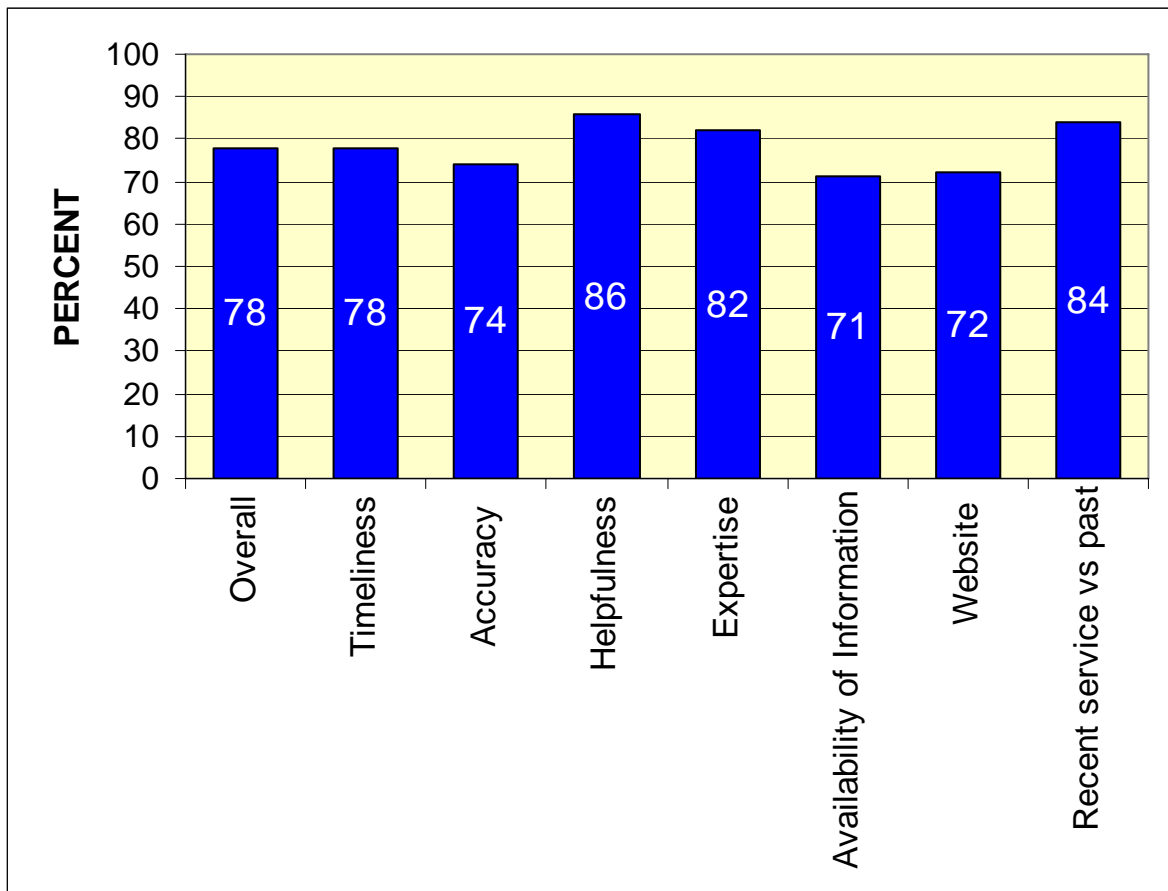
The following graphs and charts display the survey results and provide a comparison of 2006, 2007, 2008, and 2009 responses. Staff was pleased to note that customer satisfaction (measured as the percent of respondents rating a service factor as "excellent" or "good") increased for all factors when comparing 2008 to 2009 results.

We added three supplemental questions regarding the PERS employer website this year:

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

More than 87 percent of employers responded that the employer website is easy or somewhat easy to navigate and 83 percent of employers responded that information they were seeking was easy or somewhat easy to find.

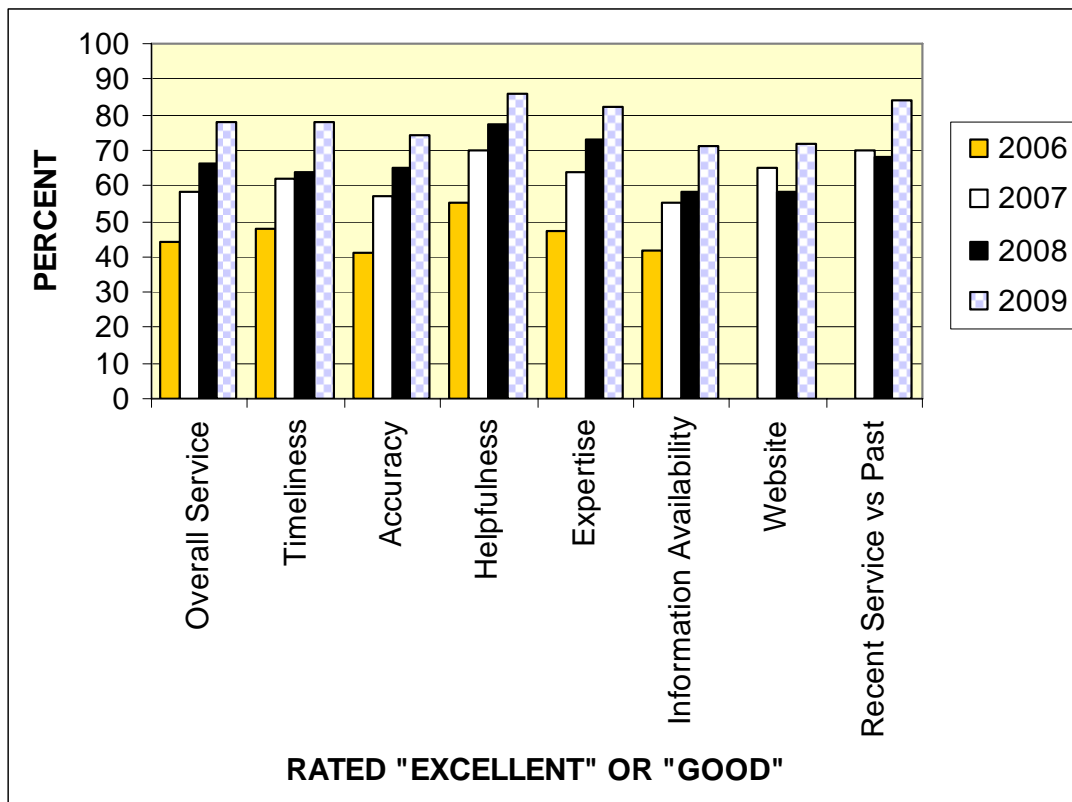
Percent of respondents rating “excellent” or “good” (the state’s Key Performance Measures do not include the “Don’t Know” responses; the numbers in the graph have been rebaselined to exclude those responses)



Numerical results (numbers rounded)

How do you rate...	Percent				
	Excellent	Good	Fair	Poor	Don’t Know
The overall quality of service?	21	55	18	4	2
The timeliness of services PERS provides?	28	49	18	3	2
PERS’ ability to provide services accurately the first time?	27	45	21	5	2
PERS’ helpfulness?	39	42	16	2	1
The knowledge and expertise of PERS employees?	33	48	14	4	1
The availability of information at PERS?	20	50	24	5	1
The PERS employer website?	15	52	24	2	7
Our service in the past year compared to previous years?	23	53	12	2	10

Comparison of 2006-2009 Employer Results



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

1. Employers want more timely responses to phone messages or emails left for their service representatives.

Many employers commented that their employer representatives do not return phone calls or emails in a timely manner.

Resolution

Survey comments indicate that many employers are frustrated with the length of time that passes before an Employer Service Center representative returns a telephone call or email. To address this issue, we are:

- Involving the team in committing to meet our service standards for callbacks, whether it is with an answer or just to provide an update; and
- Using tools such as our Contact Management system to monitor staff workload and ensure that representatives are able to manage their calls and related callbacks.

2. Employers requested that the Employer Service Center telephone hours be extended.

Survey comments indicate that many employers would like access by telephone to Employer Service Center representatives for more than four hours per day.

Resolution

We are evaluating the need for expanded hours of phone center operations and are studying ways to shift personnel to allow for more hours.

SURVEY METHODOLOGIES

To maximize employer response, we created this survey online and sent an email to all employers inviting them to participate. The survey ran throughout August 2009. We set the survey so more than one employee per employer could respond since we often interact with more than one employer contact.

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

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

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



Oregon

Theodore R. Kulongoski, Governor

Public Employees Retirement System

Headquarters:
11410 S.W. 68th Parkway, Tigard, OR
Mailing Address:
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Tigard, OR 97281-3700
(503) 598-7377
TTY (503) 603-7766
<http://oregon.gov/PERS>

September 25, 2009

TO: Members of the PERS Board

FROM: Paul R. Cleary, PERS Director
Jon DuFrene, PERS Chief Financial Officer

SUBJECT: Board Best Practices Key Performance Measure Review

BACKGROUND

The 2005 Legislature directed the Department of Administrative Services (DAS) and the Legislative Fiscal Office (LFO) to develop a key performance measure and specific criteria for certain boards and commissions to use in evaluating their own performance. The measure and criteria were later adopted by the Legislature and incorporated in applicable agency budgets during the 2007 session. The Legislature requested that the key performance measure (KPM) and evaluation criteria (“best practices”) be developed for all boards and commissions that have governance oversight with budgeting and hiring authority, such as the PERS Board.

Starting in 2008, the Board began conducting an annual self-assessment against 15 “Best Practices Criteria” for boards and commissions as prescribed by the Legislature. The PERS Board has added a mid-range scoring option of “meets but needs improvement” and three additional criteria that are rated in the PERS survey but not incorporated in the overall KPM calculation.

DISCUSSION

The 2009 best practices assessment was distributed to Board members on September 11th as an electronic survey with a request to return the completed survey by September 22, 2009.

Staff will compile the results of the respective Board member assessments and present them as a walk-in item for further discussion at the September 25, 2009 Board meeting. Following that discussion, staff will complete the DAS key performance measure scorecard which will only cover the 15 standard best practices and be limited to a “yes” or “no” scoring. Staff propose to roll the Board’s “fully meets” and “meets but needs improvement” responses into the “yes” column for the DAS scorecard.

Attachments

- Attachment 1 PERS Board Best Practices Assessment Score Card
- Attachment 2 PERS Board Best Practices Worksheet

PERS Board Best Practices Assessment Score Card

Best Practices Criteria	Fully Meets	Meets But Needs Improvement	Does Not Meet
1. Executive Director's performance expectations are current.	3	2	0
2. Executive Director's performance is evaluated each biennium.	5	0	0
3. The agency's mission and high-level goals are current and applicable.	5	0	0
4. The Board reviews the <i>Annual Performance Progress Report</i> .	5	0	0
5. The Board is appropriately involved in review of the Agency's key communications.	3	2	0
6. The Board is appropriately involved in policy-making activities	4	1	0
7. The Agency's policy option packages are aligned with it's mission and goals.	5	0	0
8. The Board reviews all proposed budgets and supplemental requests.	5	0	0
9. The Board periodically reviews key financial information and audit findings.	5	0	0
10. The Board appropriately accounts for resources.	5	0	0
11. The Agency adheres to accounting rules and other relevant financial controls.	5	0	0
12. Board members act in accordance with their roles as fiduciaries and public representatives.	5	0	0
13. The Board coordinates with others where responsibilities and interests overlap.	2	3	0
14. Board members identify and attend appropriate training sessions.	0	4	0
15. The Board reviews its management practices to ensure best practices are utilized.	5	0	0
16. Other (may be added at the Board's discretion).			
a. The Board has identified all key stakeholders and continues to strengthen relationships in those areas as appropriate.	3	2	0
b. The Board works with the management team to identify the highest priority initiatives and allocates resources accordingly.	5	0	0
c. The Board has processes in place to ensure ethical behavior by management and compliance with laws and regulations.	5	0	0

PERS BOARD BEST PRACTICES WORKSHEET

Best Practices Criteria	System for Achieving Success
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Best Practice: Executive Director Performance

<p>1. Executive Director's performance expectations are current.</p>	<p>The Board establishes clear performance expectations for the Director not less than biennially. This includes overall expectations in the Director's position description, as well as any specific expectations contained in the Board's policy agenda and other meeting-specific directives. The Executive Director apprises the Board of divisional appointments and changes and provides open access to executive team members. Regular interactions by the executive team with the Board are encouraged.</p>
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Fully Meets
 Meets But Needs Improvement
 Does Not Meet

<p>2. Executive Director's performance is evaluated each biennium.</p>	<p>The Board performs a formal evaluation on at least a biennial basis. In addition, regular informal feedback is provided to the Executive Director as needed.</p>
--	---

Fully Meets
 Meets But Needs Improvement
 Does Not Meet

Best Practice: Strategic Management

<p>3. The Agency's mission and high-level goals are current and applicable.</p>	<p>The Board approves the agency mission statement and guiding principles. The Board participates in the development and updating of the agency's strategic outlook and performs biennial reviews of agency progress on key strategic projects and objectives as part of the budget development process..</p>
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Fully Meets
 Meets But Needs Improvement
 Does Not Meet

<p>4. The Board reviews the <i>Annual Performance Progress Report</i>.</p>	<p>The Board has the opportunity to review the annual report and provide comments to the Executive Director.</p>
--	--

Fully Meets
 Meets But Needs Improvement
 Does Not Meet

Best Practice: Strategic Policy Development

<p>5. The Board is appropriately involved in review of the Agency's key communications.</p>	<p>The Board, both directly and through its subcommittees (Audit, Actuarial, Legislative, Litigation, Health Insurance) is involved in the agency's public process and key media communications. The Executive Director coordinates regularly with the Governor's Office and reports to the Board on communications. During legislative sessions, the Executive Director and staff regularly report and review legislative concepts and positions with Board members. The Board approves the agency mission statement and guiding principles.</p>
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Fully Meets
 Meets But Needs Improvement
 Does Not Meet

6. The Board is appropriately involved in policy-making activities.	The Board reviews and approves all agency rulemaking proposals and legislative concepts and participates in key legislative discussions and hearings as appropriate. The Board utilizes a legislative subcommittee to provide staff feedback during legislative sessions and is regularly updated on legislative implementation and other agency projects with policy implications (e.g., court decision implementation). The Board chair meets with the Executive Director to plan Board meetings and ensure the agenda and supporting materials cover all key policy issues.
Fully Meets <input type="checkbox"/> Meets But Needs Improvement <input type="checkbox"/> Does Not Meet <input type="checkbox"/>	

7. The Agency's policy option packages are aligned with mission/goals.	The Board has early involvement and regular updates on proposed budget policy option packages and legislative concepts. The Board reviews the Agency Request Budget and supporting materials (including the strategic outlook and key performance measures) in public meetings.
Fully Meets <input type="checkbox"/> Meets But Needs Improvement <input type="checkbox"/> Does Not Meet <input type="checkbox"/>	

Best Practice: Fiscal Oversight

8. The Board reviews all proposed budgets and supplemental requests.	The Board reviews and approves proposed biennial budget requests and all supplementary budget or Emergency Board funding requests.
Fully Meets <input type="checkbox"/> Meets But Needs Improvement <input type="checkbox"/> Does Not Meet <input type="checkbox"/>	

9. The Board periodically reviews key financial information and audit findings.	The Board receives agency operating budget reports and PERS fund investment updates at each regularly scheduled board meeting and receives regular presentations from investment officers, auditors and actuaries. The Audit Committee convenes 3-4 times each year to meet with internal and external auditors (contract or Audits Division) to review internal and external audit reports (including the Comprehensive Annual Financial Report (CAFR)), management letters and internal control reports, as well as staff responses and corrective measures implemented to improve internal controls and operations. The Board regularly reviews experience studies, system valuations and financial modeling reports with its actuary.
Fully Meets <input type="checkbox"/> Meets But Needs Improvement <input type="checkbox"/> Does Not Meet <input type="checkbox"/>	

10. The Board appropriately accounts for resources.	The Board and Audit Committee regularly review budgetary and other key financial and audit reports to ensure that the agency is appropriately accounting for resources. The Chief Audit Executive has direct access to the Board and Audit Committee members.
Fully Meets <input type="checkbox"/> Meets But Needs Improvement <input type="checkbox"/> Does Not Meet <input type="checkbox"/>	

<p>11. The Agency adheres to accounting rules and other relevant financial controls.</p>	<p>The Audit Committee and the Board review budgetary and financial updates (OIC, actuary, auditor, etc.) at each regularly scheduled meeting, and special financial reports or updates as warranted. Annual risk assessments and periodic updates are reviewed with the Audit Committee. Agency staff prepare all financial transactions in accordance with Oregon Statute, Oregon Administrative Rules, Oregon Accounting Manual requirements and generally accepted accounting principles. Annually, the Audit Committee and Board review the financial summary of agency head transactions and document said review in the minutes.</p>
<p>Fully Meets <input type="checkbox"/> Meets But Needs Improvement <input type="checkbox"/> Does Not Meet <input type="checkbox"/></p>	

Best Practice: Board Management

<p>12. Board members act in accordance with their roles as fiduciaries and public representatives.</p>	<p>The Board uses practices that support effective meetings. The Board accomplishes this by working with executive management to obtain information necessary to make informed decisions (including consent agendas, subcommittees, opportunities for public comment at each Board meeting, and opportunities for new business discussion during meetings as necessary). The Board follows public meetings and records laws requirements to ensure compliance with State of Oregon ethics laws and conflict-of-interest requirements. The Board adheres to its guiding principles by working in a transparent, direct and open manner.</p>
<p>Fully Meets <input type="checkbox"/> Meets But Needs Improvement <input type="checkbox"/> Does Not Meet <input type="checkbox"/></p>	

<p>13. The Board coordinates with others where responsibilities and interests overlap.</p>	<p>The Board reviews the monthly performance reports of the Oregon Investment Council (OIC) at regularly scheduled meetings with in-person reports provided by State Treasury staff on a quarterly basis. The Board meets jointly with the OIC to conduct asset/liability studies. The Board and its subcommittees coordinate with its stakeholders. Examples include: Legislative Advisory Committee meetings with interested stakeholders in preparation for and during legislative sessions; Audit Committee meetings with Audits Division staff regarding financial, performance and information technology engagements; Health Insurance Advisory Committee meetings with insurance carriers and plan administrators; and Litigation Subcommittee coordination with joint parties.</p>
<p>Fully Meets <input type="checkbox"/> Meets But Needs Improvement <input type="checkbox"/> Does Not Meet <input type="checkbox"/></p>	

<p>14. Board members identify and attend appropriate training sessions.</p>	<p>The Board receives notice of training supporting its governance and fiduciary efforts. Examples: New board member training, agency orientation, ethics training, OIC workshops, etc. Board members are provided support to attend conferences and other networking opportunities. Board members receive electronic copies of NASRA New Clips to keep abreast of the nations’ public retirement system’s issues and concerns</p>
<p>Fully Meets <input type="checkbox"/> Meets But Needs Improvement <input type="checkbox"/> Does Not Meet <input type="checkbox"/></p>	

<p>15. The Board reviews its management practices to ensure best practices are utilized.</p>	<p>The PERS Board conducts an annual review of its best practices and provide regular feedback to PERS staff on successes and opportunities for improvement.</p>
<p>Fully Meets <input type="checkbox"/> Meets But Needs Improvement <input type="checkbox"/> Does Not Meet <input type="checkbox"/></p>	

Best Practice: Other Practices identified by the PERS Board

<p>16a. The Board has identified all key stakeholders and continues to strengthen relationships in those areas as appropriate.</p>	<p>The Board utilizes key stakeholders on all it's advisory committees (e.g., legislative, health insurance, rulemaking). Stakeholder input is actively solicited and facilitated through Board rulemaking and policy adoption processes. Board members are available for both formal and informal stakeholder meetings. Staff keep the Board apprised of key stakeholder interactions and concerns.</p>
<p>Fully Meets <input type="checkbox"/> Meets But Needs Improvement <input type="checkbox"/> Does Not Meet <input type="checkbox"/></p>	

<p>16b. The Board works with the management team to identify the highest priority initiatives and allocates resources accordingly.</p>	<p>The Board receives regular status reports on major agency projects (e.g., <i>Strunk / Eugene</i>, RIMS conversion, legislative implementation). The Board reviews and approves biennial and supplementary budget requests, and reviews agency operating budget, workload progress reports, and key performance measures.</p>
<p>Fully Meets <input type="checkbox"/> Meets But Needs Improvement <input type="checkbox"/> Does Not Meet <input type="checkbox"/></p>	

<p>16c. The Board has processes in place to ensure ethical behavior by management and compliance with laws and regulations.</p>	<p>Internal audit staff report directly to the Board Audit Committee and are charged with investigating and reporting any instances of waste, fraud, abuse or other unethical behavior by PERS management or staff. PERS management receives training in Oregon's laws and regulations regarding ethical behavior and conflict-of-interest standards.</p>
<p>Fully Meets <input type="checkbox"/> Meets But Needs Improvement <input type="checkbox"/> Does Not Meet <input type="checkbox"/></p>	



Oregon

Theodore R. Kulongoski, Governor

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September 25, 2009

TO: Members of the PERS Board
FROM: Steven Patrick Rodeman, Deputy Director
SUBJECT: Notice of Rulemaking for Reemployment of Retired Members Rule:
OAR 459-017-0060, *Reemployment of Retired Members*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Implement Senate Bill 112 changes relating to reemployed retired members.
- Subject: Reemployment of retired members of the PERS Chapter 238 Program.
- Policy Issue: No policy issues have been identified at this time.

BACKGROUND

The 2009 Legislature enacted Senate Bill 112, eliminating inconsistencies in work after retirement limitations and clarifying hours of employment that may be counted toward the limitations. Before this bill passed, the most commonly understood and applied limitation, the 1,040-hour limitation of ORS 238.082, was available only to retired members who were receiving a monthly allowance. Retired members who elected the Total Lump Sum option or who received an Aggregate Sum Refund were subject to different limitations, resulting in numerous inadvertent violations. SB 112 applies that 1,040-hour limitation to all members retired for service regardless of retirement option or benefit payment method. SB 112 also amends ORS 238.078 to clarify the cessation of benefit payments and member account reconstruction for members who meet or exceed the limitation and return to active membership. These provisions are operative January 1, 2010.

SB 112 also addressed the interplay of limitations faced by a retired member concurrently employed in a position exempt from the 1,040-limitation and a position subject to the limitation. Before these changes, the member could work unlimited hours in the exempt position, but when the sum of the hours worked in both positions reached 1040 hours, the member was in violation even if he ceased working in the non-exempt position. SB 112 provides that hours worked in an exempt position are not counted for the purposes of the limitation. This provision is retroactive to January 1, 2004.

The proposed rule modifications implement the provisions of SB 112. Edits for clarity and consistency are also included. Lastly, the highlighted 2009 Social Security annual compensation limits will be updated for 2010 if published by the Social Security Administration before the rule is adopted.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held on October 27, 2009 at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends on November 3, 2009 at 5:00 p.m.

LEGAL REVIEW

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

IMPACT

Mandatory: Yes, these rules must be repealed to conform to the requirements of SB 112.

Impact: Members, employers, and staff will benefit from clear and consistent limitations for work after retirement.

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

RULEMAKING TIMELINE

August 15, 2009	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
September 1, 2009	<i>Oregon Bulletin</i> published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
September 25, 2009	PERS Board notified that staff began the rulemaking process.
October 27, 2009	Rulemaking hearing to be held at 2:00 p.m. in Tigard.
November 3, 2009	Public comment period ends at 5:00 p.m.
November 20, 2009	Staff will propose adopting the permanent rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

A public hearing will be held on October 27, 2009 at 5:00 p.m. The rule is scheduled to be brought before the PERS Board for adoption at the November 20, 2009 Board meeting.

B.1. Attachment 1 – OAR 459-017-0060, *Reemployment of Retired Members*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 017 – REEMPLOYED RETIRED MEMBERS**

1 **459-017-0060**

2 **Reemployment of Retired Members**

3 (1) For purposes of this rule, “retired member” means a member of the PERS
4 Chapter 238 Program who is retired for service.

5 (2) Reemployment under ORS 238.082. A retired member *[of the system receiving a*
6 *service retirement allowance, who has elected an option other than the total lump sum*
7 *option under ORS 238.305(3), including those who have retired at a reduced benefit*
8 *under 238.280(1), (2), or (3)]* may be employed under ORS 238.082 by a participating
9 employer without loss of retirement benefits provided:

10 (a) The period or periods of employment with one or more participating *[public]*
11 employers *[participating in the system]* do not exceed 1039 hours in a calendar year; or

12 (b) If the retired member is receiving retirement, survivors, or disability benefits
13 under the federal Social Security Act, the period or periods of employment do not exceed
14 the greater of 1039 hours in a calendar year or the total number of hours in a calendar
15 year that, at the retired member's specified hourly rate of pay, limits the annual
16 compensation of the retired member to an amount that does not exceed the following
17 Social Security annual compensation limits:

18 (A) For retired members who have not reached full retirement age under the Social
19 Security Act, the annual compensation limit is **\$14,160**; or

20 (B) For the calendar year in which the retired member reaches full retirement age
21 under the Social Security Act and only for compensation for the months before reaching
22 full retirement age, the annual compensation limit is **\$37,680**.

1 ~~[(2)]~~ (3) The limitations on employment in section ~~[(1)]~~ (2) of this rule do not apply
2 if the retired member has reached full retirement age under the Social Security Act.

3 ~~[(3)]~~ (4) The limitations on employment in section ~~[(1)]~~ (2) of this rule do not apply
4 if:

5 (a) The retired member meets the requirements of ORS 238.082~~[(3),]~~ (4), (5), (6),
6 (7) or ~~[(7)]~~(8), and did not retire at a reduced benefit under the provisions of 238.280(1),
7 (2), or (3);

8 (b) The retired member retired at a reduced benefit under ORS 238.280(1), (2) or
9 (3), is employed in a position that meets the requirements of 238.082~~[(3)]~~(4), the date of
10 employment is more than six months after the member's effective retirement date, and the
11 member's retirement otherwise meets the standard of a bona fide retirement;

12 (c) The retired member is employed by a school district or education service district
13 as a speech-language pathologist or speech-language pathologist assistant and:

14 (A) The retired member did not retire at a reduced benefit under the provisions of
15 ORS 238.280(1), (2), or (3); or

16 (B) If the retired member retired at a reduced benefit under the provisions of ORS
17 238.280(1), (2) or (3), the retired member is not so employed until more than six months
18 after the member's effective retirement date and the member's retirement otherwise meets
19 the standard of a bona fide retirement;

20 (d) The retired member meets the requirements of section 2, chapter 499, Oregon
21 Laws 2007;

22 (e) The retired member is employed for service during a legislative session under
23 ORS 238.092(2); or

1 (f) The retired member is on active state duty in the organized militia and meets the
2 requirements under ORS 399.075(8).

3 ~~[(4)]~~ (5) If a retired member is reemployed subject to the limitations of ORS
4 238.082 and section ~~[(1)]~~ (2) of this rule, the period or periods of employment
5 subsequently exceed those limitations, and employment continues into the month
6 following the date the limitations are exceeded:

7 (a) If the member has been retired for six or more calendar months:

8 (A) PERS will cancel the member's retirement.

9 (i) If the member is receiving a ~~[The last]~~ monthly service retirement allowance,
10 the last payment to which the member is entitled ~~[to will be]~~ is for the month in which
11 the limitations were exceeded.

12 (ii) If the member is receiving installment payments under ORS 238.305(4), the
13 last installment payment to which the member is entitled is the last payment due on
14 or before the last day of the month in which the limitations were exceeded.

15 (iii) If the member received a single lump sum payment under ORS 238.305(4)
16 or ORS 238.315, the member is entitled to the payment provided the payment was
17 dated on or before the last day of the month in which the limitations were exceeded.

18 (iv) A member who receives benefits to which he or she is not entitled must repay
19 those benefits to PERS.

20 (B) The member will reestablish active membership ~~[as required by ORS 238.078]~~
21 the first of the calendar month following the ~~[date]~~ month in which the limitations were
22 exceeded.

1 (C) The member's account *[shall]* **must** be rebuilt in accordance with the provisions
2 of section *[(9)]* **(7)** of this rule.

3 (b) If the member has been retired for less than six calendar months:

4 (A) PERS will cancel the member's retirement effective the date *[of]* the member*['s]*
5 **was** reemployed*[ment.]*

6 (B) All retirement benefits received by the member must be repaid to PERS in a
7 single payment *[before the member can be reemployed]*.

8 (C) The member will reestablish active membership *[as required by ORS 238.078]*
9 effective the date the member *[is]* **was** reemployed.

10 (D) The member account *[shall]* **will** be rebuilt as of the date that PERS receives the
11 single payment. The amount in the member account *[shall]* **must** be the same as the
12 amount in the member account at the time of the member's retirement.

13 *[(5) Reemployment of retired member who elected the total lump sum option or who*
14 *received a lump sum payment in lieu of a small allowance (AS Refund). A retired member*
15 *who elected the total lump sum option under ORS 238.305(3) or who received a lump*
16 *sum payment in lieu of a small allowance under 238.315 (AS Refund) may return to work*
17 *with a participating employer in the six month period following the member's effective*
18 *retirement date without having to repay the retirement benefits paid to them provided:*

19 *(a) The retired member is designated by the employer(s) as a casual, emergency, or*
20 *seasonal worker as defined in OAR 459-005-0001; and*

21 *(b) The period or periods of employment with one or more public employers*
22 *participating in the system do not exceed 599 hours.*

1 *(6) The return to work in a qualifying or other position after six months following*
 2 *the retirement date of a member who elected the total lump sum option or who received*
 3 *an AS Refund has no effect on the retirement status of that member and, upon such*
 4 *reemployment, the member is not required to repay retirement benefits.*

5 *(7) If a retired member described in section (5) of this rule, is working subject to the*
 6 *limitation of subsection (5)(b) of this rule and the member exceeds that limitation, the*
 7 *member's retirement will be cancelled. The member will be required to repay to PERS in*
 8 *a single payment the total amount of all retirement benefits received. The member will*
 9 *reestablish active membership as required by ORS 238.078 effective the first of the*
 10 *calendar month following the date the member exceeded that limitation. The member's*
 11 *account shall be rebuilt in accordance with 238.078(2) and subsection (10)(d) of this*
 12 *rule. Upon subsequent retirement, the member may choose a different retirement*
 13 *payment option.]*

14 *[(8)] **(6) For purposes of the [L] limitations [on hours of employment] in section***
 15 ***(2)[s (1) and (5)] of this rule;***

16 **(a) Hours of employment** will be based on the number of hours *[employed]* **of**
 17 **compensated service with participating employer(s)** on and after the retired member's
 18 effective retirement date. **Hours of compensated service include, but are not limited**
 19 **to:**

20 **(A) Hours of service for which the member receives wages, salary, or other**
 21 **compensation.**

22 **(B) Hours of paid leave.**

1 (b) Hours of employment do not include hours served in employment subject to
2 the provisions of section (3) of this rule on or after the later of January 1, 2004 or
3 the operative date of the applicable statutory or Oregon Law exclusion implemented
4 by section (3).

5 ~~[(9)]~~ (7) Reemployment under ORS 238.078(1). If a member has been retired for
6 service for more than six calendar months and is reemployed in a qualifying position by a
7 participating employer under the provisions of 238.078(1) *[, the following will occur]:*

8 (a) PERS will cancel the member's retirement effective the date *[of]* the member~~'s~~
9 is reemployed~~[ment]~~.

10 (b) The member will reestablish active membership *[as required by ORS 238.078]*
11 on the date the member is reemployed.

12 (c) If the member elected a~~n~~ benefit payment option other than a lump sum option
13 under ORS 238.305(2) or (3), *[the member need not repay any service retirement*
14 *allowance payment received that is attributable to the period the member was separated*
15 *from service. T]he* last monthly service retirement allowance payment to which the
16 member is entitled *[will be]* is for the month before the calendar month in which the
17 member is reemployed. *[A member who receives benefits to which he or she is not*
18 *entitled must repay those benefits to PERS.]* Upon subsequent retirement, the member
19 may choose a different *[retirement]* benefit payment option.

20 (A) The member's account *[shall]* will be rebuilt as required by ORS 238.078
21 effective the date active membership is reestablished.

22 (B) Amounts from the Benefits-In-Force Reserve (BIF) credited to the member's
23 account under the provisions of paragraph (A) of this subsection *[shall]* will be credited

1 with earnings at the BIF rate or the assumed rate, whichever is less, from the date of
2 retirement to the date of active membership.

3 (d) If the member elected a partial lump sum option under ORS 238.305(2), *[the*
4 *member need not repay any service retirement allowance payment received that is*
5 *attributable to the period the member was separated from service. T]*the last monthly
6 service retirement allowance payment to which the member is entitled *[will be]* is for the
7 month before the calendar month in which the member is reemployed. The last lump
8 sum or installment payment to which the member is entitled is the last payment due
9 before the date the member is reemployed. *[A member who receives benefits to which*
10 *he or she is not entitled must repay those benefits to PERS. No repayment of lump sum*
11 *payment(s) received during the period the member was separated from service is*
12 *required.]* Upon subsequent retirement, the member may not choose a different
13 *[retirement]* benefit payment option unless the member has repaid to PERS in a single
14 payment an amount equal to the lump sum and installment payment(s) received and the
15 *[interest]* earnings that would have accumulated on that amount.

16 (A) The member's account *[shall]* will be rebuilt as required by ORS 238.078
17 effective the date active membership is reestablished.

18 (B) Amounts from the BIF credited to the member's account under the provisions of
19 paragraph (A) of this subsection, excluding any amounts attributable to *[any lump sum]*
20 repayment*[(s)]* by the member, *[shall]* will be credited with earnings at the BIF rate or
21 the assumed rate, whichever is less, from the date of retirement to the date of active
22 membership.

1 (e) If the member elected the total lump sum option under ORS 238.305(3) or
2 received a lump sum payment under ORS 238.315, *[no repayment of the total lump*
3 *sum payment received is required.]* the last lump sum or installment payment to
4 which the member is entitled is the last payment due before the date the member is
5 reemployed. Upon subsequent retirement, the member may not choose a different
6 *[retirement]* benefit payment option unless the member has repaid to PERS in a single
7 payment an amount equal to the *[total lump sum]* benefit payment(s) received and the
8 *[interest]* earnings that would have accumulated on that amount.

9 (A) If the member repays PERS as described in this subsection *[(e)]* the member's
10 account *[shall]* will be rebuilt as required by ORS 238.078 effective the date that PERS
11 receives the single payment.

12 (B) If any amounts from the BIF are credited to the member's account under the
13 provisions of paragraph (A) of this subsection the amounts *[shall]* may not be credited
14 with earnings for the period from the date of retirement to the date of active membership.

15 (f) A member who receives benefits to which he or she is not entitled must repay
16 those benefits to PERS.

17 *[(10)]* (8) Reemployment under ORS 238.078(2). If a member has been retired *[for*
18 *service]* for less than six calendar months and is reemployed in a qualifying position by a
19 participating employer under the provisions of 238.078(2): *[, the following will occur:]*

20 (a) PERS will cancel the member's retirement effective the date *[of]* the member *['s]*
21 is reemployed*[ment]*.

22 (b) All retirement benefits received by the member must be repaid to PERS in a
23 single payment. *[before the member can be reemployed.]*

1 (c) The member will reestablish active membership *[as required by ORS 238.078]*
2 effective the date the member *[is]* is reemployed.

3 (d) The member account *[shall]* will be rebuilt as of the date that PERS receives the
4 single payment. The amount in the member account *[shall]* must be the same as the
5 amount in the member account at the time of the member's retirement.

6 (e) Upon subsequent retirement, the member may choose a different *[retirement]*
7 benefit payment option.

8 *[(11)]* (9) Upon the subsequent retirement of any member who reestablished active
9 membership under ORS 238.078 and this rule, the retirement benefit of the member
10 *[shall]* must be calculated using the actuarial equivalency factors in effect on the
11 effective date of the subsequent retirement.

12 *[(12)]* (10) The provisions of paragraphs *[(9)]*(7)(c)(B), *[(9)]*(7)(d)(B), and
13 *[(9)]*(7)(e)(B) of this rule are applicable to retired members who reestablish active
14 membership under ORS 238.078 and this rule and whose initial effective retirement
15 date is on or after March 1, 2006.

16 *[(13)]* (11) Reporting requirement. *[The]* A participating employer that employs a
17 retired member must*[shall]* notify PERS in a format acceptable to PERS under which
18 statute *[a]* the retired member*[e]* is *[re]*employed *[in a format acceptable to PERS]*.

19 (a) Upon request by PERS, a participating employer *[shall]* must certify to PERS
20 that a retired member has not exceeded the number of hours allowed *[in]* under ORS
21 238.082 and section (2) *[s (1) and (5)]* of this rule.

1 (b) Upon request by PERS a participating employer *[shall]* **must** provide PERS with
2 business and employment records to substantiate the actual number of hours a retired
3 member was employed.

4 (c) Participating employers *[shall]* **must** provide *[the]* information requested *[in]*
5 **under** this section within 30 days of the date of the request.

6 *[(14)]* **(12)** Sick leave. Accumulated unused sick leave reported by *[the]* **an**
7 employer to PERS upon a member's retirement, as provided in ORS 238.350, *[shall]*
8 **may** not be made available to a retired member returning to employment under sections
9 *[(1)]* **(2)** or *[(9)]* **(7)** of this rule.

10 *[(15)]* **(13)** Subsections *[(3)]* **(4)**(c) and *[(3)]* **(4)**(d) of this rule are repealed effective
11 January 2, 2016.

12 **(14) This rule is effective January 1, 2010.**

13 Stat. Auth.: ORS 238.650

14 Stats. Implemented: ORS 238.078, 238.082, 238.092, 399.075, *[&]* 2007 OL Ch.

15 499 & 774, **2009 OL Ch. 390 & 868.**



Oregon

Theodore R. Kulongoski, Governor

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September 25, 2009

TO: Members of the PERS Board
FROM: Steven Patrick Rodeman, Deputy Director
SUBJECT: Notice of Rulemaking for Workers' Compensation Offset Rules:
OAR 459-015-0060, *Reduction Due to Workers' Compensation Payment*
OAR 459-076-0060, *Reduction Due to Workers' Compensation Payment*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Repeal rules to comply with House Bill 2704.
- Subject: Workers' compensation offset.
- Policy Issue: No policy issues have been identified at this time.

BACKGROUND

House Bill 2704, enacted by the 2009 Legislature, eliminates the offset of Workers' Compensation benefits to PERS Tier 2 and OPSRP disability recipients. Currently, OAR 459-015-0060 and 459-076-0060 direct offsetting monthly disability payments when certain income levels are exceeded. House Bill 2704 repealed the offset of monthly disability benefits for Tier 2 and OPSRP Pension Program members, therefore OAR 459-015-0060 and 459-076-0060 must be repealed to conform to the new legislative changes.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held on October 27, 2009 at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends on November 3, 2009 at 5:00 p.m.

LEGAL REVIEW

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

IMPACT

Mandatory: Yes, these rules must be repealed to conform to the requirements of HB 2704.

Impact: Aligns administrative rules with state law.

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

RULEMAKING TIMELINE

August 15, 2009	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
September 1, 2009	<i>Oregon Bulletin</i> published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
September 25, 2009	PERS Board notified that staff began the rulemaking process.
October 27, 2009	Rulemaking hearing to be held at 2:00 p.m. in Tigard.
November 3, 2009	Public comment period ends at 5:00 p.m.
November 20, 2009	Staff will propose adopting the permanent rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

A public hearing will be held on October 27, 2009 at 5:00 p.m. The rule is scheduled to be brought before the PERS Board for adoption at the November 20, 2009 Board meeting.

B.2. Attachment 1 – OAR 459-015-0060, *Reduction Due to Workers’ Compensation Payment*

B.2. Attachment 2 – OAR 459-076-0060, *Reduction Due to Workers’ Compensation Payment*

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

1 ***[459-015-0060***

2 ***Reduction Due to Workers' Compensation Payment***

3 *(1) PERS disability payments are reduced by payments a Tier Two member receives*
4 *from Workers' Compensation. There is no reduction for a Tier One member. Other*
5 *disability-related income, such as Social Security and/or private disability insurance plan*
6 *payments will not affect the amount of a PERS disability retirement allowance.*

7 *(2) A Tier Two member's disability retirement allowance will be offset by any gross*
8 *monthly workers' compensation payment paid in a calendar month on account of*
9 *temporary total disability or permanent total disability under the provisions of ORS*
10 *Chapter 656; regardless of whether the condition on which the workers' compensation*
11 *claim is based is related to the condition on which the PERS disability retirement claim is*
12 *based.*

13 *(a) A monthly workers' compensation payment includes:*

14 *(A) Weekly gross payments;*

15 *(B) Semi-monthly gross payments;*

16 *(C) Monthly gross payments; and*

17 *(D) That portion of a lump sum payment of a workers' compensation disability claim*
18 *that is expressly designated as compensation for temporary total disability or permanent*
19 *total disability.*

20 *(b) A monthly workers' compensation payment does not include:*

21 *(A) Payments for medical services;*

22 *(B) Payments for vocational training;*

1 *(C) Reemployment assistance payments; and*

2 *(D) Any payment based on an employee's waiver of all rights to, and includes no*
3 *payment for, a temporary total disability or a permanent total disability claim.*

4 *(c) The workers' compensation payment will be considered paid on the date that*
5 *payment is issued, and will not be allocated to any period other than the month payment*
6 *is issued.*

7 *(3) In the event a Tier Two member is eligible to receive a PERS disability*
8 *retirement allowance, PERS will request of the Workers' Compensation Division, or any*
9 *other public or private workers' compensation insurance carrier, documentation of the*
10 *portion of a lump sum settlement that is made on account of a temporary total disability*
11 *or a permanent total disability.*

12 *(4) The disability allowance of a Tier Two member will be reduced by the amount by*
13 *which the combined monthly benefits payable from both PERS and any monthly workers'*
14 *compensation payment on account of temporary total disability or permanent total*
15 *disability exceed the monthly salary of the member at time of disability.*

16 *(5) A Tier Two member who is eligible to receive a disability retirement allowance*
17 *must report immediately to PERS the receipt or the award of any monthly workers'*
18 *compensation payment as described in section (2)(a) of this rule.*

19 *(6) In the event a Tier Two member receives one or more monthly workers'*
20 *compensation payment(s) while also receiving a disability retirement allowance, but*
21 *PERS is not notified of the workers' compensation payment until after making one or*
22 *more disability retirement allowance payments:*

1 *(a) PERS will recalculate the disability retirement allowance, taking the monthly*
2 *workers' compensation payments into account; and*

3 *(b) PERS will invoice the member for, or recover under ORS 238.715, any*
4 *overpayment of PERS benefits.*

5 *(7) A Tier Two member's PERS disability retirement allowance:*

6 *(a) Will first be calculated in accordance with ORS 238.435 and this rule prior to*
7 *determining any reduction to the PERS disability retirement allowance under ORS*
8 *238.330(3).*

9 *(b) Any reduction under ORS 238.330(3) will be made to the adjusted PERS*
10 *disability retirement allowance established under ORS 238.435 and this rule.*

11 *Stat. Auth.: ORS 238.650*

12 *Stats. Implemented: ORS 238.435 & 238.330(3)]*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 76 – OPSRP DISABILITY RETIREMENT**

1 **[459-076-0060**

2 ***Reduction Due to Workers' Compensation Payment***

3 *(1) The total payments received by an OPSRP member receiving both OPSRP*
4 *disability benefits and payments from Workers' Compensation may not exceed 75 percent*
5 *of the member's monthly salary as of the date the member becomes disabled. Other*
6 *disability-related income, such as Social Security and/or private disability insurance plan*
7 *payments will not affect the amount of OPSRP disability benefits.*

8 *(2) A member's disability benefit will be offset by any gross monthly workers'*
9 *compensation payment paid in a calendar month on account of temporary total disability*
10 *or permanent total disability under the provisions of ORS Chapter 656; regardless of*
11 *whether the condition on which the workers' compensation claim is based is related to*
12 *the condition on which the OPSRP disability benefit claim is based:*

13 *(a) A monthly workers' compensation payment includes:*

14 *(A) Weekly gross payments;*

15 *(B) Semi-monthly gross payments;*

16 *(C) Monthly gross payments; and*

17 *(D) That portion of a lump sum payment of a workers' compensation disability claim*
18 *that is expressly designated as compensation for temporary total disability or permanent*
19 *total disability.*

20 *(b) A monthly workers' compensation payment does not include:*

21 *(A) Payments for medical services;*

22 *(B) Payments for vocational training;*

1 *(C) Reemployment assistance payments; and*

2 *(D) Any payment based on an employee's waiver of all rights to, and includes no*
3 *payment for, a temporary total disability or a permanent total disability claim.*

4 *(c) The workers' compensation payment will be considered paid on the date that*
5 *payment is issued, and will not be allocated to any period other than the month payment*
6 *is issued.*

7 *(3) In the event a member is eligible to receive an OPSRP disability benefit, PERS*
8 *will request of the Workers' Compensation Division, or any other public or private*
9 *workers' compensation insurance company, documentation of the portion of a lump sum*
10 *settlement that is made on account of a temporary total disability or a permanent total*
11 *disability.*

12 *(4) The disability benefit of a member will be reduced by the amount by which the*
13 *combined monthly benefits payable from both PERS and any monthly workers'*
14 *compensation payment on account of temporary total disability or permanent total*
15 *disability exceed 75 percent of the monthly salary of the member on the date of disability.*

16 *(5) In determining whether the combined monthly benefits exceed 75 percent of the*
17 *monthly salary of the member on the date of disability, cost-of-living adjustments will not*
18 *be considered.*

19 *(6) A member who is eligible to receive a disability benefit must report immediately*
20 *to PERS the receipt or the award of any monthly workers' compensation payment as*
21 *described in section (2)(a) of this rule.*

22 *(7) In the event a member receives one or more monthly workers' compensation*
23 *payment(s) while also receiving a disability benefit as described in OAR 459-076-0015,*

1 *but PERS is not notified of the workers' compensation payment until after making one or*
2 *more disability benefit payments:*

3 *(a) PERS will recalculate the disability benefit, taking the monthly workers'*
4 *compensation payments into account; and*

5 *(b) PERS will invoice the member for, or recover under ORS 238.715, any*
6 *overpayment of OPSRP disability benefits.*

7 *Stat. Auth.: ORS 238.715 & 238A.450*

8 *Stats. Implemented: ORS 238A.235]*



Oregon

Theodore R. Kulongoski, Governor

Public Employees Retirement System

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September 25, 2009

TO: Members of the PERS Board

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

SUBJECT: 2008 Valuation Report

On September 25, 2009, PERS actuaries Matthew Larrabee and Scott Preppernau will present the 2008 Valuation results for the Tier One/Tier Two and Oregon Public Service Retirement Pension (OPSRP) programs.

Although the 2008 Valuation will not be used to set employer contribution rates, it will show the effect of the 2008 market downturn on both system funding and future employer rates. Employer rates are reset every two years based upon odd-year valuations. The next rate change is projected to be July 1, 2011, based on the December 31, 2009 Valuation.



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September 25, 2009

TO: Members of the PERS Board
FROM: Susan Riswick, Administrator, PPLAD
SUBJECT: Implementation of 2009 Legislation

OVERVIEW

Following the close of the 2009 Legislative Session, PERS began working on implementation of six PERS-related bills and a number of other bills which, while not directly PERS related, impact PERS as a state agency. Most had emergency clauses, with various operative dates, and took effect immediately upon signing.

IMPLEMENTATION APPROACH

PERS formed a Legislative Implementation Team (LIT) following the 2007 session to take an “enterprise” approach to implementation of new legislation. This approach considered all business units and aspects of business operations. PERS will be taking this same approach to implement the 2009 legislation. Under this enterprise approach, implementation efforts are coordinated through a single point of contact – the Agency Implementation Coordinator, who assures that implementation plans include collaboration among all affected PERS divisions, each with representation on the LIT. Mechanisms and processes are in place to facilitate communication on status, issues, and risks through the project.

Bill Implementation Plans are drafted and will be finalized during the month of September. A plan template is attached to this memo and is intended to lead the agency through requirements gathering in key areas such as:

- Forms and Communication
- Procedures and Staff Training
- Computer Processes and System Changes
- Actuarial and Legal

SUMMARY OF ENACTED 2009 PERS LEGISLATION

The following table gives an overview of the six PERS-related bills passed in the 2009 session:

<i>HB 2157 - Federal Reconnect Bill</i>	
Summary:	Provides technical updates to PERS statutes to update the connection to federal Internal Revenue Code and other provisions of federal tax law.
Effective:	September 28, 2009
Result of Legislation:	Updating the language in Chapter 238A that makes reference to the IRC as of a specific date. Incorporates into statute recent changes in federal law.
Implementation Requirements:	No changes to OAR, business rule or IT systems necessary.

<i>HB 2704 - Elimination of Workers' Compensation Offset</i>	
Summary:	Removes the offset for a Workers' Compensation benefit in calculating a disability retirement allowance/benefit for PERS Chapter 238 Program Tier Two and OPSRP Pension Program members.
Effective:	May 21, 2009 (operative January 1, 2010)
Result of Legislation:	PERS will no longer be required to reduce a Tier Two or OPSRP Pension Program member's disability benefit because the member is also receiving a workers' compensation payment under ORS Chapter 656.
Implementation Requirements:	Changes to OAR, forms, business rules, and possible minor IT system changes.

<i>HB 2873 - Public Employees Retirement</i>	
Summary:	Modifies the method by which the Public Employees Retirement Board calculates certain retirement benefit increases provided for under ORS 238.380, and includes technical amendments to a previously adopted bill, SB 112.
Effective:	August 4, 2009
Result of Legislation:	Locks in 9 percent as the basis for the HB 3349 calculation, which provides a benefit increase based on PERS benefits attributable to service prior to 1991. Prior to the passage of HB 2873, the benefit increase calculation was tied to the maximum Oregon personal income tax rate. A technical amendment for Enrolled SB 112 corrects incorrect references to paragraphs within the final bill.
Implementation Requirements:	Changes to OAR and business rules.

<i>HB 3401- Use of Excess Amounts in Employer Side Accounts</i>	
Summary:	Allows employers to use excess amounts in side accounts to fund employer-paid IAP contributions. This ability is predicated on the PERS Board determining that there is a surplus, and that such use would not cause the PERS Plan to lose its tax qualified status under the Internal Revenue Code, so PERS is also directed to seek a ruling from the IRS on that question.
Effective:	August 4, 2009
Result of Legislation:	If the IRS finds the proposed practice acceptable, and the PERS Board determines that the employer's side account exceeds what is necessary to fund the employer's actuarial liabilities, then the employer can request the Board to apply the excess amounts to offset employer-paid IAP contributions.
Implementation Requirements:	PERS will seek IRS approval through the determination letter process. If PERS receives a favorable ruling from the IRS, OAR and business rules will be developed and IT system changes will be implemented.

<i>SB 112- Total Lump Sum, Return To Work Retiree</i>	
Summary:	Allows a retired PERS Chapter 238 (Tier One and Tier Two) Program member who, at retirement, elects to receive a total lump sum benefit to be reemployed by a public employer under the same provisions as retired members who elect to receive a monthly benefit. Provides that hours worked by a retired member in a position that is exempt from the 1,040-hour limitation are not counted towards that limitation.
Effective:	June 18, 2009 (Exempt Employment – retroactive to Jan. 1, 2004) January 1, 2010 (TLS Return to Work – not retroactive)
Result of Legislation:	This legislation provides a more consistent application of the return-to-work limitations regardless of the benefit payment option chosen. Also, changes the standard that applies the 1,040-hour limitation to exempt employment if also employed by a non-exempt employer within the same calendar year.
Implementation Requirements:	Changes to OAR, forms, and business rules.

<i>SB 399 -Trustee to Trustee Transfers for Eligible Purchases</i>	
Summary:	Allows PERS Chapter 238 (Tier One and Tier Two) Program members who are eligible to purchase retirement credit to pay for those purchases with pre-tax dollars transferred from certain other retirement plans.
Effective:	January 1, 2010 (operative September 1, 2011)
Result of Legislation:	Provides another means for a member to make a purchase at retirement by allowing such purchase to be made with pre-tax dollars from other retirement plans such as a governmental deferred compensation plan under Internal Revenue Code (IRC) section 457 or a Tax Sheltered Annuity under IRC section 403(b).
Implementation Requirements:	Changes to OAR, forms, business rules, and IT systems.

SUMMARY OF OTHER BILLS AFFECTING PERS AS A STATE AGENCY

Implementation efforts are also proceeding on a number of bills that will affect PERS as a state agency. The following eight bills are the principal examples of such legislation:

HB 2093 – Directs the Secretary of State to collect fees from agencies filing administrative rules.

HB 2500 – Directs the Department of Administrative Services to develop and make available the Oregon transparency website for the purpose of allowing people to view information that is public record and not exempt from disclosure. Such information includes, but is not limited to, annual agency revenues and expenditures, human resource expenses, contracting information, and the agency's performance standards and results.

HB 2867 – Requires contracting agency, before conducting procurement for services that exceed a specified amount, to demonstrate that it is not feasible to use existing agency personnel to provide the services or work.

HB 3104 – Requires state agencies to include on their agency's website a link to the website established by the Department of Veterans' Affairs that allows members of the public to request information about veterans' benefits and services and enter contact information. Requires state agencies to make available printed materials to inform individuals how to contact the Department of Veterans' Affairs to request information about veterans' benefits and services.

HB 3139 – Requires certain state agencies (including PERS) to produce a risk assessment, and to use that risk assessment as the basis for selection and performance of at least one internal audit per year.

SB 30 – Makes changes to government standards and practices, such as limits on gifts to public officials and reporting requirements.

SB 556 – Requires automatic external defibrillators in public buildings where at least 25 people congregate on a regular basis.

LOOKING FORWARD TO FEBRUARY 2010

Unlike the 2009 regular session, the February 2010 special session will see a limited number of bills introduced. The Governor, on behalf of state agencies, is not given any bills for introduction, and legislators are allowed only one or two depending on whether they are a Senator or Representative. The special session is anticipated to begin around the 1st of February and will last approximately three to four weeks; however, the actual opening day will not be determined until some time in late December or early January. As the Governor does not have the introduction authority for this session, PERS will not be soliciting or submitting any agency legislative concepts for the February 2010 special session.

ATTACHMENT 1: PERS 2009 Legislation Implementation Plan Template

ATTACHMENT 1

**PERS
2009 LEGISLATION
IMPLEMENTATION PLAN**

BILL NUMBER:	
RELATED LAW:	
BILL EFFECTIVE DATE:	
ASSIGNED DIVISION	
DIVISION IMPLEMENTATION COORDINATOR:	
BILL IMPLEMENTATION MANAGER:	
AFFECTED DIVISIONS:	
ORIGINAL (PLAN) DATE:	
LAST REVISED DATE:	

BILL SUMMARY (provided by PPLAD)

ATTACHMENT 1

IMPACT

FORMS: (amendments or new must be coordinated with Forms Committee)

COMMUNICATIONS: (Internet, Intranet, Handouts, Group Presentation and Phone Scripting, Employer web/manual)

PROCEDURE DEVELOPMENT AND ROLLOUT:

STAFF TRAINING PLANS: (Coordinate with Mary Waldron)

COMPUTER PROCESSES: (Subsystem enhancements; workarounds until automated; be sure all costs are contained in the Fiscal/Budget Project Plan)

WORKLOAD: (Additional staff or shifting duties--detail must be contained in the Fiscal/Budget Project Plan; should also address shifting duties and a risk assessment to other projects should be laid out.)

PERSONNEL HIRING by Section – necessary for budget costing: (This is for “New Hires” only and should be contained in the Fiscal/Budget Project Plan)

ATTACHMENT 1

FISCAL/BUDGET PROJECT PLAN: (Coordinate with BOS Budget & Risk Officer)

LIT is to analyze the piece of legislation, review the information in the bill file folder located in the following path - K:\2009 Fiscal Impacts & Concepts\2009 Bills or Measures\SB### or HB####. The bill briefs, copies of the different versions of the bill, the fiscal impact statements and the input from the Fiscal Impact Team members can be found under each bill listed. LIT should consider all project plan options, recommend the most cost effective implementation plan, and provide a project time-line, risk assessment, and fiscal cost analysis for Executive Team's review & approval.

Each Budget Project Plan will contain a summary, which lists and briefly summarizes each of the options considered in implementing the legislative measure. One of the options considered will always be an implementation plan utilizing only existing resources. A recommendation would follow.

Three templates have been created to provide sufficient backup to the Budget Project Plan. The templates are in the following path - K:\LIT\Budget & Risk Analysis Templates\.

One template is an Excel spreadsheet with two tabs: **Project Time-line & Risk Assessment Analysis.xlt**

One template is an Excel spreadsheet with many tabs: **09-11 Budget Costing Template1.xlt**

One template is used solely to get cost estimates from ISD regarding system changes needed to implement the plan: **Project System Costs – ISD.xlt**

BOS will review the Budget Project Plans for each measure to be implemented and all the attached Excel workbooks for each proposed option considered. This will assist BOS in forecasting expenditures and in managing limited budget resources. BOS has asked for the preparer's name and contact number should questions arise or clarification be necessary.

A separate folder for each measure will be set up in K:\LIT\Implementation Plans\ folder to place electronic copies of the final plan, the fiscal analysis summary and all corresponding detailed back up documents (templates, time-lines, issue statements, org. charts if necessary, etc).

ACTUARIAL: (Anything needed from Mercer? Be sure the cost is contained in the Fiscal/Budget Project Plan)

LEGAL: (Clarification of policy from PPLAD or questions for legal counsel via PPLAD)

ATTACHMENT 1

RULES: (Amend or adopt new OARs via PPLAD)

BUSINESS RULE DEVELOPMENT/CHANGES/ROLLOUT:

COORDINATION WITH RCP:

COORDINATION WITH BUSINESS PROCESS OWNER (BPO):