

# OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING

**Friday,  
September 24, 2010  
1:00 P.M.**

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

ITEM	PRESENTER
<b>A. Administration – 1:00 P.M.</b>	
<ol style="list-style-type: none"> <li>1. July 23, 2010 Board Meeting Minutes</li> <li>2. Director's Report               <ol style="list-style-type: none"> <li>a. Forward-Looking Calendar</li> <li>b. Budget Report</li> <li>c. OIC Investment Report</li> <li>d. 2011 Legislative Concepts Update</li> <li>e. Oregon Savings Growth Plan (OSGP) Update</li> <li>f. Update on Benefit Estimates and SB 897 Implementation</li> <li>g. 2010 Board Best Practices Review</li> </ol> </li> </ol>	CLEARY
<b>B. Notice of Rulemaking</b>	
<ol style="list-style-type: none"> <li>1. Notice of Confidentiality of Member Records Rule</li> <li>2. Update on Recovery of Administrative Costs Rule</li> </ol>	RODEMAN
<b>C. Final Rule Adoption</b>	
<ol style="list-style-type: none"> <li>1. Adoption of Health Insurance Program Rules               <ol style="list-style-type: none"> <li>a. Permanent Rule Adoption</li> <li>b. Domestic Partner Alternative</li> </ol> </li> <li>2. Adoption of Verification of Retirement Data Rule</li> <li>3. Adoption of Retire from One, Retire from All Rule</li> </ol>	RODEMAN
<b>D. Action and Discussion Items</b>	
<ol style="list-style-type: none"> <li>1. 2011-13 Individual Employer Rate Adoption</li> <li>2. ETOB Testing Results</li> </ol>	ORR / MERCER ORR / MERCER
<b>E. Executive Session Pursuant to ORS 192.660(2)(f), (h), and/or ORS 40.225</b>	
<ol style="list-style-type: none"> <li>1. Litigation Update</li> </ol>	LEGAL COUNSEL

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

James Dalton, Chair \* Thomas Grimsley, Vice-Chair \* Eva Kripalani \* Mike Pittman \* Laurie Warner  
Paul R. Cleary, Executive Director

Level 1 - Public

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# OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Item A.1.

PERS Board Meeting  
July 23, 2010  
Tigard, Oregon  
MINUTES

Board Members:

James Dalton, Chair  
Tom Grimsley, Vice-Chair  
Eva Kripalani  
Mike Pittman  
Laurie Warner

Staff:

Donna Allen	Joe DeLillo	Dale Orr
Linda Barnett	Yvette Elledge	Brenda Pearson
Helen Bamford	Brian Harrington	Beth Porter
Gay Lynn Bath	Kyle Knoll	Steve Rodeman
Paul Cleary	Jeff Marecic	Terri Roper
David Crosley	Zue Matchett	Jason Stanley
Jon DuFrene	Dawn Mittelbach	Stephanie Vaughn

Others:

Bruce Adams	Walter Demstedt	Matt Larrabee	Deb Ritchey
Steven Biehn	Linda Ely	Steve Manton	Mike Ritchey
Cathy Bloom	Janice Essenberg	Elizabeth McCann	Bill Robertson
Eric Blumenthal	Robert Graves	Everett Moreland	Dennis Thompson
Tom Breitbarth	Debra Guzman	Tony Mounts	Deborah Tremblay
Lance Colley	Greg Hartman	Bridget Otto	Pat West
Gary Doeth	Kathleen Hinman	Megan Phelan	Scott Winkels
Paul Downey	Keith Kutler	Scott Preppernau	Denise Yunker

Chair James Dalton called the meeting to order at 1:00 P.M. Board member Laurie Warner joined the meeting via phone.

## ADMINISTRATION

### A.1. BOARD MEETING MINUTES OF MAY 21, 2010

The Board unanimously approved the minutes from the May 21, 2010 Board meeting.

### A.2. DIRECTOR'S REPORT

Director Cleary presented the Board's 2010 forward-looking calendar noting the next Board meeting will be held on September 24, 2010. Agenda items for the September Board meeting include 2011-13 employer rate adoption and Equal To or Better Than (ETOB) testing results.

Cleary noted there are a number of rule notices and adoptions scheduled over the next few months and encouraged stakeholder review and comment as it helps to create the best rules possible.

Cleary reported the May 2010 Emergency Board (EB) approved six of the 12 requested positions (two permanent; four limited duration) and budget expenditures for IT system changes required for Senate Bills 399 and 897 implementation.

Cleary presented the 2009-11 operating budget report noting a positive variance of approximately \$3.6 million. The variance represents 4.4 percent of the total biennium operating budget.

The June 2010 Oregon Investment Council (OIC) report was provided as part of the walk-in packet. Cleary said returns moved from a positive level in April to negative for May and June. Cleary noted that compared to other systems' fiscal year returns, the PERS Fund (on a relative basis) outperformed many systems over the trailing 12 month period (with a 17 percent return), primarily due to portfolio structure. Cleary reported calendar year-to-date returns remain negative.

Cleary presented the employer reporting update noting the Employer Service Center has adopted an escalation process for contacting late reporters. It has been a challenge to collect employer and member contributions from some charter schools as some have closed their doors. Cleary noted PERS is focusing on collecting the member dollars first as employer contributions could be collected over time.

Cleary presented the quarterly report on member transactions as part of the walk-in packet. Cleary noted the increase in retirements is due to the normal July 1 retirement spike. Cleary said estimate requests have increased significantly causing a backlog and the need to prioritize requests. Cleary noted this could be a leading indicator of a boost in near-term retirements or members evaluating their options in today's difficult budget climate.

Cleary provided an update on the legislative concept regarding OPSRP pension program and IAP withdrawals. This concept was discussed at the April 29, 2010 Legislative Advisory Committee meeting and submitted as a placeholder. After further development and review, staff submitted the necessary concept language, to eliminate IAP waiting time on reemployments. Cleary noted all concepts will be returned for final review and approval at the November 19, 2010 Board meeting.

Mike Pittman, Board member, asked if the OIC is moving to a different asset allocation given the variation between the actual and target allocation to private equity. Cleary confirmed there were no modifications in the asset allocation targets or policy ranges coming out of the recent asset/liability study, and the private equity allocation would eventually move back to the policy range as the overall fund value grew.

Pittman asked about the impact on members who were employed by charter schools that have not submitted contributions. Cleary reported employers are charged for IAP earnings for the prior years to protect the member's accounts.

Pittman asked what is being done to better communicate and manage member expectations on the processing and prioritization of benefit estimate requests. Yvette Elledge, CSD Administrator, noted the estimate prioritization process is detailed on the website where the

majority of members receive the forms and the call center also handles related questions. Elledge will review the estimate process and additional ways to communicate estimate prioritization and delays. An update will be provided at the next Board meeting.

Laurie Warner asked about using budget savings for hiring temporary staff to reduce the estimate backlogs. Elledge said that temporary staff have been hired and are helping reduce the backlog, and additional temporary staff will be considered if necessary.

## CONSENT ITEMS

### B.1. NOTICE OF SENATE BILL 897 DATA VERIFICATION RULE

Deputy Director Steve Rodeman provided notice of rulemaking on the proposed Senate Bill 897 data verification rule. Rodeman noted the reason for the rulemaking is to clarify what information will or will not be verified, and how, when and who will provide the information as part of the data verification process.

Rodeman described the key policy issues being addressed in the rule. Rodeman noted stakeholder review and feedback is encouraged. A rulemaking hearing will be held on August 24, 2010 and comment closes September 3, 2010. No Board action was required.

Chair Dalton encouraged stakeholders to participate in this rulemaking.

### B.2. NOTICE OF RETIRE FROM ONE, RETIRE FROM ALL RULE

Rodeman provided notice of rulemaking on the proposed retire from one, retire from all rule. Rodeman noted the rule would apply to retirements effective January 1, 2011 and not affect those already retired.

Board member Laurie Warner asked how members will be notified about this rulemaking so they can prepare for the change. Rodeman noted information would be included with the retirement application and presented on the agency website and in group sessions. Rodeman also described the rulemaking notification procedures. It was agreed information should also be included with future benefit estimates and in PERS newsletters. No Board action was required.

## FINAL RULE ADOPTION

### C.1. ADOPTION OF DISABILITY RULES

Rodeman presented modifications to existing disability hearing and benefits rules for adoption.

It was moved by Tom Grimsley and seconded by Eva Kripalani to adopt the disability rules modifications as presented. The motion passed unanimously.

## C.2. ADOPTION OF EMPLOYER REMITTING OF EMPLOYEE CONTRIBUTIONS RULE

Rodeman presented modifications to existing employer remitting of employee contributions rules for adoption.

It was moved by Grimsley and seconded by Kripalani to adopt the employer remitting of employee contributions rule modifications as presented. The motion passed unanimously.

## C.3. ADOPTION OF EQUAL TO OR BETTER THAN RULE MODIFICATIONS

Rodeman described the background and principles used when developing the ETOB rule modifications which the actuary will use to conduct the tests for ETOB determinations. Rodeman noted preliminary application of the ETOB current administrative rule, when used to compare employer defined contribution plans to the PERS defined benefit plan, did not meet the comparability standard required by statute.

Rodeman provided a summary of three significant ETOB rule modifications. Rodeman addressed the stakeholder comments and recommended the Board adopt the rule modifications as proposed.

Matt Larrabee, Mercer, noted the modifications to the rule remain consistent with the guiding principals and incorporates the additional guidance from the Board. Mercer is comfortable with the proposed modifications. Larrabee noted the rule modifications provide clarity to the actuaries and the stakeholders on how the testing will be conducted.

Greg Hartman, PERS coalition, described his concerns with some portions of the rule modifications. Hartman recommended the Board defer making a decision until more information could be gathered.

There was discussion on whether and under what conditions employer paid member benefits, such as the 6% “pick up” on the IAP, should be considered as an employee or employer contribution. Rodeman noted that the proposed rule modifications clarified this issue. Rodeman described the rationale for using the “assumed rate” rather than a “risk free” rate.

Board members discussed the proposed rule modifications, the extended rulemaking and stakeholder review process, and the need to move forward with the actual ETOB testing. Grimsley noted that some stakeholders concerns were being raised at the Board meeting, and it would have been good to have had those concerns communicated earlier in the process.

Larrabee noted the next step is to conduct the ETOB tests and provide the results to employers and present them at the September Board meeting.

It was moved by Kripalani and seconded by Warner to adopt the ETOB rule modifications as proposed. The motion carried with Grimsley abstaining.

## ACTION AND DISCUSSION ITEMS

### D.1. APPOINTMENT OF OREGON SAVINGS GROWTH PLAN ADVISORY BOARD MEMBERS

Gay Lynn Bath, Deferred Compensation Manager for the Oregon Savings Growth Plan (OSGP), presented several Advisory Committee appointment recommendations. Bath described the recruitment and selection process. Bath recommended the PERS Board approve the re-appointment of Brian Burleigh and Peter Farrelly to second three-year terms and the new appointments of Sharlyn Rayment and Priyanka Shulka to fill vacant positions.

It was moved by Grimsley and seconded by Kripalani to approve the OSGP Advisory Committee appointments. The motion passed unanimously.

### D.2. 2011-2013 FINAL AGENCY REQUEST BUDGET APPROVAL

Jon DuFrene, PERS Chief Financial Officer, described the process and criteria used in PERS budget development.

Kyle Knoll, PERS Budget Manager, presented the 2011-13 Agency Request Budget (ARB) and described the seven policy option packages.

DuFrene provided a PERS 10-year budget comparison. DuFrene noted the strategy for 2011-13 was to “hold the line” on current staffing and budget levels. DuFrene noted some of the current biennium limited duration positions are being requested next biennium as permanent to help stabilize business operations and retain a qualified workforce.

Laurie Warner, Board member, said she supports the agency’s budget strategies and appreciated the efforts to manage additional workload without increasing the current staffing and budget levels.

Clery reported a scaling back of 30 position requests during the budget development process, and the absorbing of six positions needed for SB 897 data verification team. He said those are signs of a “stretch budget” with no net gain in staff or operating budget limitation.

It was moved by Grimsley and seconded by Pittman to approve the 2011-13 Final Agency Request Budget for submission to DAS. The motion passed unanimously.

### D.3. 2009 VALUATION SYSTEM-WIDE RESULTS

Dalton noted the 2009 actuarial valuation report reflects prior Mercer presentations now compiled in one package and updated with the current funding results. Dalton said most of the information covered today is not new and has been presented at prior Board meetings, so there should be no surprises for members or employers.

Matt Larrabee, Mercer, presented the December 31, 2009 system-wide actuarial valuation results which will be used to determine employer contribution rates for the 2011-13 biennium.

The Tier One/Tier Two/OPSRP combined funding status as of December 31, 2009 was 76 percent excluding side accounts and 86 percent funded including side accounts.

Larrabee reported on the revised implementation of the double rate collar for each of the rate pools. Larrabee noted the system would need a 2010 calendar year return of approximately 8.8 percent from May 31<sup>st</sup> forward to maintain the December 31, 2009 funded status of 76 percent excluding side accounts.

Scott Preppernau, Mercer, provided additional valuation results. Preppernau described the deficit in the Tier One rate guarantee reserve. Preppernau confirmed for Dalton that if the 2010 regular account returns are less than the eight percent the reserve deficit will grow.

Preppernau noted investment earnings and losses are the primary determinant of changes in Tier One/Tier Two and OPSRP assets. For 2009, investment gains were fourteen times greater than contributions.

Larrabee reported on December 31, 2009 retiree healthcare valuation and contribution rates for 2011-13, noting that the amortization period for the RHIA and RHIPA accounts had been reduced to 10 years effective July 2011.

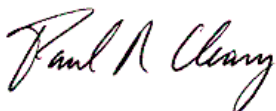
Larrabee noted the Board is scheduled to adopt the individual employer rates for 2011-13 biennium at its September 24, 2010 meeting. PERS staff will provide individual reports to employers shortly after rates are adopted.

Pittman noted 65 percent of PERS' liabilities are for retirees and inactives and there is a small payroll to cover a large liability. PERS is an investment driven system so when the market is down, the key problem becomes the unfunded actuarial liability (UAL) created by investment losses.

Larrabee confirmed for Pittman that the PERS system normal cost rate is consistent with the maturity of the fund. He noted the liability and asset levels are higher than for other western states of comparable population.

Dalton then temporally adjourned the meeting to executive session for a discussion of ongoing litigation. Dalton reconvened the meeting, thanked the audience, and adjourned the meeting at 3:30 PM.

Respectfully submitted,



Paul R. Cleary  
Executive Director



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

### **November 19, 2010**

Adoption of Confidentiality of Member Records Rule  
Notice of Trustee-to-Trustee Transfer Rules  
Notice of Employer Adjustments to Member Accounts Rule  
2011 Session Legislative Concepts Approval  
Actuarial Audit Results  
Audit Committee

### **Tentative 2011 Board Meeting Dates**

### **January 28, 2011**

Adoption of Trustee-to-Trustee Transfer Rules  
Adoption of Employer Adjustments to Member Accounts Rule  
2010 Preliminary Earnings Crediting  
Final ETOB Orders

### **March 28, 2011 (Monday)**

2010 Final Earnings Crediting

### **May 20, 2011**

### **July 22, 2011**

2010 Experience Study

### **September 23, 2011**

2010 Valuation Results  
2010 Actuarial Equivalency Factors

### **November 18, 2011**





# Oregon

Theodore R. Kulongoski, Governor

Item A.2.b.

## Public Employees Retirement System

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September 24, 2010

TO: Members of the PERS Board  
FROM: Kyle J. Knoll, Business Operations Manager  
SUBJECT: September 2010 Budget Report

### 2009-11 BUDGET UPDATE

Operating expenditures for the month of July 2010 were \$2,934,259, and preliminary August 2010 expenditures are \$3,609,527. Final August expenditures close in the Statewide Financial Management System (SFMS) September 17, 2010, and will be included in the November 19, 2010 Board Report.

- To-date, through the first fourteen months (58.33%) of the 2009-11 biennium, the Agency has expended a total of \$41,399,897 or 49.72% of PERS' 2009-11 operating budget.
- PERS currently maintains a positive budget variance of \$3,829,078, or approximately 4.6% of the 2009-11 operating budget of \$83,261,952.

### 2011-13 AGENCY REQUEST BUDGET (ARB) UPDATE

PERS 2011-13 Agency Request Budget (ARB) was submitted to the Department of Administrative Services (DAS) – Budget and Management (BAM) August 16, 2010. Currently, there is an anticipated 2011-13 General Fund shortfall of 18%, or approximately \$3.25 billion, that will impact the budget review and approval process. Upcoming 2011-13 budget milestones include:

- Completion of the Governor's Recommended Budget (GRB) by December 1, 2010, incorporating the Governor's fiscal priorities and budget policies.
- Presentation of the GRB by Director Cleary to the Ways & Means Committee during the 2011 Legislative Session.
- And approval of the Legislatively Adopted Budget by close of the Legislative Session.

2009-11 Agency-wide Operations - Budget Execution A 2 b Budget Attachment

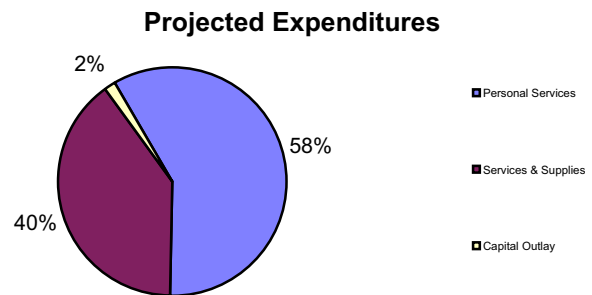
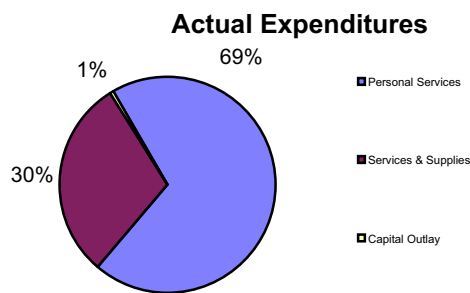
**Summary Budget Analysis**

For the Month of: August 2010 (preliminary)

**Biennial Summary**

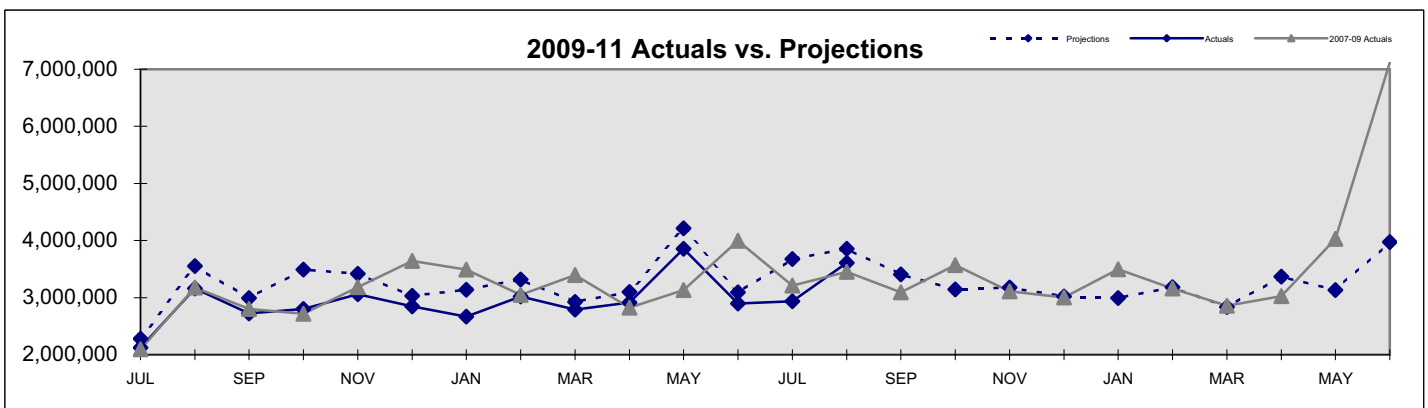
Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2009-11 LAB	Variance
Personal Services	28,758,483	22,312,391	51,070,874	52,751,494	1,680,620
Services & Supplies	12,432,422	15,100,686	27,533,108	29,916,870	2,383,762
Capital Outlay	208,992	619,900	828,892	593,588	(235,304)
Special Payments					
<b>Total</b>	<b>41,399,897</b>	<b>38,032,977</b>	<b>79,432,874</b>	<b>83,261,952</b>	<b>3,829,078</b>

<b>Targeted Reserve Variance</b>	<b>2,754,000</b>
<b>RCP Reserved</b>	<b>405,651</b>
<b>Net Budget Available</b>	<b>669,427</b>



**Monthly Summary**

Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Projected Expenditures
Personal Services	2,036,268	2,158,295	122,027	2,054,177	2,231,239
Services & Supplies	1,476,080	1,610,798	134,718	888,030	1,510,069
Capital Outlay	97,179	85,000	(12,179)	14,928	61,990
Special Payments					
<b>Total</b>	<b>3,609,527</b>	<b>3,854,093</b>	<b>244,566</b>	<b>2,957,136</b>	<b>3,803,298</b>



**2007-09 Biennium Summary**

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

Returns for periods ending 7/31/2010

Oregon Public Employees Retirement Fund

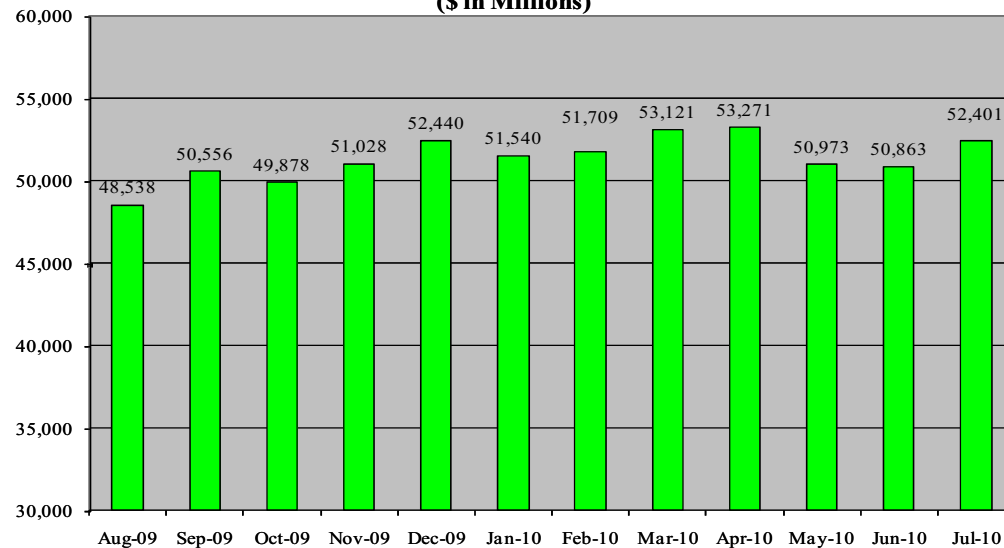
A.2.c.

OPERF	Regular Account				Historical Performance (Annual Percentage)					
	Policy <sup>1</sup>	Target <sup>1</sup>	\$ Thousands <sup>2</sup>	Actual	Year-To-Date <sup>3</sup>	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS
Public Equity	41-51%	46%	\$ 21,051,073	40.9%	(0.91)	12.98	(5.64)	(7.41)	(1.16)	1.55
Private Equity	12-20%	16%	11,217,767	21.8%	9.30	28.34	(2.39)	0.82	6.59	10.06
<b>Total Equity</b>	<b>57-67%</b>	<b>62%</b>	<b>32,268,840</b>	<b>62.6%</b>						
Opportunity Portfolio			1,036,290	2.0%	4.77	29.18	4.29	1.92		
<b>Total Fixed</b>	<b>22-32%</b>	<b>27%</b>	<b>13,357,614</b>	<b>25.9%</b>	<b>7.65</b>	<b>15.76</b>	<b>11.41</b>	<b>8.08</b>	<b>7.49</b>	<b>6.50</b>
<b>Real Estate</b>	<b>8-14%</b>	<b>11%</b>	<b>4,858,306</b>	<b>9.4%</b>	<b>(7.30)</b>	<b>(0.51)</b>	<b>(14.46)</b>	<b>(9.38)</b>	<b>(3.24)</b>	<b>2.61</b>
<b>Cash</b>	<b>0-3%</b>	<b>0%</b>	<b>1,348</b>	<b>0.0%</b>	<b>0.56</b>	<b>1.07</b>	<b>1.14</b>	<b>2.14</b>	<b>2.96</b>	<b>3.23</b>
<b>TOTAL OPERF Regular Account</b>		<b>100%</b>	<b>\$ 51,522,398</b>	<b>100.0%</b>	<b>2.83</b>	<b>15.56</b>	<b>(1.97)</b>	<b>(2.60)</b>	<b>1.88</b>	<b>3.85</b>
<b>OPERF Policy Benchmark</b>					<b>3.04</b>	<b>15.03</b>	<b>(0.61)</b>	<b>(1.48)</b>	<b>2.54</b>	<b>4.08</b>
Value Added					<b>(0.21)</b>	<b>0.53</b>	<b>(1.36)</b>	<b>(1.12)</b>	<b>(0.66)</b>	<b>(0.23)</b>
<b>TOTAL OPERF Variable Account</b>			<b>\$ 878,176</b>		<b>(1.04)</b>	<b>12.53</b>	<b>(5.47)</b>	<b>(8.02)</b>	<b>(3.14)</b>	<b>(1.27)</b>

Asset Class Benchmarks:

Russell 3000 Index	0.47	14.82	(4.29)	(6.34)	(1.18)	0.05
MSCI ACWI Ex US IMI Net	(2.41)	10.71	(6.38)	(7.42)	0.48	4.98
MSCI ACWI IMI Net	(1.27)	12.26	(5.60)	(7.32)	(0.56)	2.27
Russell 3000 Index + 300 bps--Quarter Lagged	13.88	56.06	1.73	0.18	3.55	6.18
BC Universal--Custom FI Benchmark	6.27	9.42	8.29	7.33	6.89	5.86
NCREIF Property Index--Quarter Lagged	(1.37)	(9.60)	(12.18)	(4.32)	0.53	4.19
91 Day T-Bill	0.07	0.16	0.47	1.44	2.36	2.72

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



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

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

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

Returns for periods ending 8/31/10

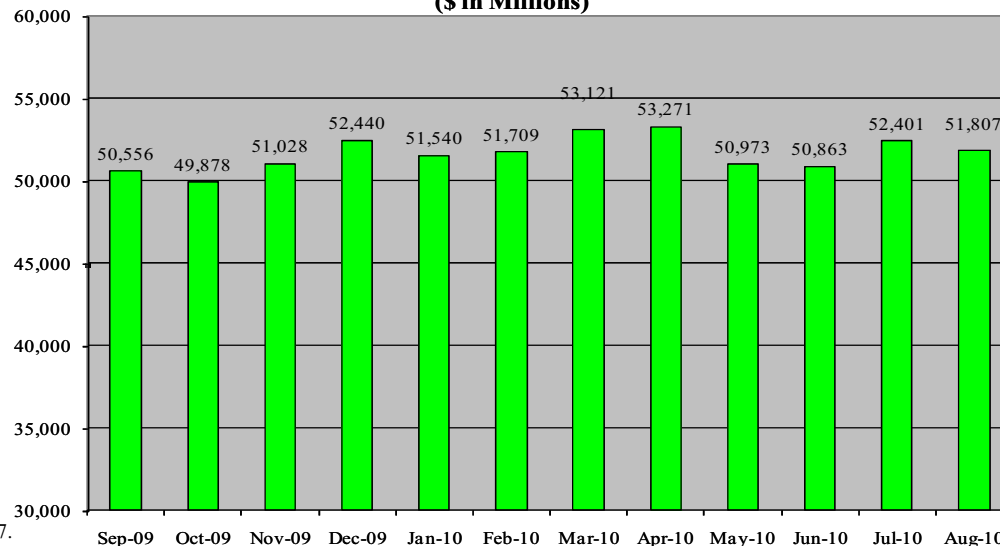
Oregon Public Employees Retirement Fund

OPERF	Regular Account			Historical Performance (Annual Percentage)						
	Policy <sup>1</sup>	Target <sup>1</sup>	\$ Thousands <sup>2</sup>	Actual	Year-To-Date <sup>3</sup>	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS
Public Equity	41-51%	46%	\$ 20,182,927	39.6%	(4.53)	4.84	(6.50)	(8.45)	(2.63)	0.68
Private Equity	12-20%	16%	11,090,354	21.8%	9.30	28.34	(2.39)	0.82	6.59	10.06
<b>Total Equity</b>	<b>57-67%</b>	<b>62%</b>	<b>31,273,281</b>	<b>61.4%</b>						
Opportunity Portfolio			1,036,846	2.0%	5.87	25.47	4.98	2.28	3.03	
<b>Total Fixed</b>	<b>22-32%</b>	<b>27%</b>	<b>13,693,375</b>	<b>26.9%</b>	<b>8.91</b>	<b>15.04</b>	<b>11.73</b>	<b>8.24</b>	<b>7.67</b>	<b>6.51</b>
Real Estate	8-14%	11%	4,950,968	9.7%	(7.27)	(2.45)	(14.43)	(9.62)	(3.39)	2.86
Cash	0-3%	0%	9,841	0.0%	0.63	0.95	1.05	2.02	2.85	3.18
<b>TOTAL OPERF Regular Account</b>	<b>100%</b>		<b>\$ 50,964,311</b>	<b>100.0%</b>	<b>1.62</b>	<b>11.45</b>	<b>(2.12)</b>	<b>(3.03)</b>	<b>1.13</b>	<b>3.49</b>
<b>OPERF Policy Benchmark</b>					<b>1.75</b>	<b>11.42</b>	<b>(0.86)</b>	<b>(2.05)</b>	<b>1.75</b>	<b>3.72</b>
Value Added					(0.13)	0.03	(1.26)	(0.98)	(0.62)	(0.23)
<b>TOTAL OPERF Variable Account</b>			<b>\$ 842,334</b>		<b>(4.54)</b>	<b>4.56</b>	<b>(6.26)</b>	<b>(9.36)</b>	<b>(4.43)</b>	<b>(1.82)</b>

Asset Class Benchmarks:

Russell 3000 Index	(4.26)	5.64	(7.28)	(8.27)	(2.95)	(0.72)
MSCI ACWI Ex US IMI Net	(5.00)	3.66	(5.40)	(7.77)	(0.88)	3.90
MSCI ACWI IMI Net	(4.79)	4.30	(6.36)	(8.29)	(2.08)	1.39
Russell 3000 Index + 300 bps--Quarter Lagged	13.88	56.06	1.73	0.18	3.55	6.18
BC Universal--Custom FI Benchmark	8.91	15.04	11.73	8.24	7.37	6.51
NCREIF Property Index--Quarter Lagged	(1.37)	(9.60)	(12.18)	(4.32)	0.53	4.19
91 Day T-Bill	0.08	0.14	0.40	1.26	2.25	2.67

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



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

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

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



# Oregon

Theodore R. Kulongoski, Governor

## Public Employees Retirement System

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[www.oregon.gov/pers](http://www.oregon.gov/pers)

September 24, 2010

TO: Members of the PERS Board  
FROM: Steven Patrick Rodeman, Deputy Director  
SUBJECT: 2011 Legislative Concepts Update

Legislative Counsel has completed their drafting of the three concepts we forwarded to them and assigned Legislative Concept draft numbers. They are:

LC 586 – Housekeeping bill addressing legislator retirement plans; SB 399 omissions on trustee-to-trustee transfers for purchases; OPSRP Pension and IAP vesting by age; and ORS clean-up of sections invalidated by the *Strunk* decision.

LC 587 – Eliminates inconsistent membership status for those who withdraw their IAP but are prevented from withdrawing their OPSRP Pension. As staff reported at the July 23, 2010, meeting, this concept was originally submitted as a placeholder and, after discussions among staff and stakeholders, was drafted to reflect the option that a member who withdrew their IAP account but could not withdraw from OPSRP Pension returns to IAP membership immediately upon coming back to a qualified position without serving another waiting period.

LC 588 – Removes the “guarantee” provisions from the SB 897 data verification process.

PERS staff will present these concepts for the Board’s approval at the November 19, 2010 meeting. Those concepts that the Board approves will be forwarded to the Governor’s Office for consideration and pre-session filing.







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September 24, 2010

TO: Members of the PERS Board

FROM: Gay Lynn Bath, Deferred Compensation Manager

SUBJECT: Oregon Savings Growth Plan (OSGP) Update

### THIRD PARTY ADMINISTRATOR CONTRACT WITH ING

ING, (formerly CitiStreet, prior to its May 2008 acquisition by ING) has provided record keeping services, customer service, and custodial services for OSGP since 1996. A contract with CitiStreet/ING was last renewed in 2004 after a Request for Proposal (RFP) was issued. At that time, the annual fee was reduced from 17.5 to 14 basis points.

In March 2010, OSGP, working with PERS contract staff and consultants from Arnerich Massena & Associates, Inc., issued a new RFP for record keeping services, customer service, and custodial services. In the RFP, enhanced services were requested that include an on-site representative to work with the staff Local Government Representative and the staff Education Specialist to increase participation through employee and employer meetings, workshops, and benefit fair attendance.

OSGP received four responses from interested vendors, and those responses were reviewed and scored by Gay Lynn Bath, OSGP; Mike Viteri, Oregon State Treasury; and Dale Orr, PERS. Based on the first round of scoring, two finalists were chosen and interviewed. ING received the highest scores overall and was awarded a new six-year contract. The annual fee for ING's services under the contract was reduced to 10 basis points. OSGP had a total fund balance of \$1,009,490,497 as of August 31, 2010, so the annual fee on that amount would equal \$1,009,490, a savings of \$403,796 from the previous contract.

### DISTRIBUTION OF TWO SETTLEMENT CHECKS

In April 2010, OSGP received two checks from Nationwide that represented recovery dollars from Invesco, Bank of America, and Bear, Stearns & Company due to certain practices in connection with the sales of Invesco Funds Group, Inc. funds offered by the companies above. A settlement fund was established as a result of the Securities and Exchange Commission (SEC) administrative action to compensate investors determined to be harmed by late trading and other harmful market activity from January 1, 2000 through July 31, 2003.

OSGP received a total of \$258,600.52 from the settlement fund. According to the SEC's Modified Distribution Plan (MDP), and in accordance with Department of Labor's Field

Assistance Bulletin No. 2006-01, there were several different options for retirement plans to allocate these funds. While OSGP is not an ERISA plan, according to Keith Kutler, DOJ, the SEC intended for non-ERISA plans to act consistently with this guidance.

The options set out by the MDP were as follows:

1. Plan fiduciaries may allocate the distribution amount pro rata (based on total account balance) among the account of all persons who are currently in the Retirement Plan (whether or not they are currently employees).

**OSGP:** This option can be applied across all OSGP participants or just to those participants in the Small/Mid-Sized Equity Option. The amount per participant will vary depending on their total OSGP account balance (if applied to all participants), or their Small/Mid-Sized Equity Option account balance (if applied only to the Small/Mid-Sized Equity Option participants). ING has agreed to waive any fee to allocate the funds in this manner.

2. Plan fiduciaries may allocate the distribution amount per capita among the accounts of all persons who are currently participants in the Retirement Plan (whether or not they are currently employees).

**OSGP:** This option can be applied across all OSGP participants or just to those participants in the Small/Mid-Sized Equity Option. Applying this option to all 22,490 OSGP participants breaks down to approximately \$11.27 per participant. Applying this option to only the 11,666 Small/Mid-Sized Equity Option participants breaks down to approximately \$22.17 per participant. ING has agreed to waive any fee to allocate the funds in this manner.

3. Plan fiduciaries may allocate the distribution amount to current and former participants in the Retirement Plan using the algorithm developed by the Independent Distribution Consultant (IDC). The IDC will make the algorithm available to plan fiduciaries.

**OSGP:** This option would involve identifying and locating participants who have left the plan. ING has not agreed to waive any fee associated with allocating the settlement funds in this manner.

4. To the extent that none of the three preceding alternatives is administratively feasible, plan fiduciaries may, to the extent permitted by the Retirement Plan, use the distribution amount to pay the reasonable expenses of administering the plan.

**OSGP:** As indicated in the description, this option is available only if the preceding options are not administratively feasible.

The OSGP manager presented this information to the OSGP Advisory Committee at its August 11 meeting and asked that they recommend the best method of disbursement for the funds. The committee reviewed and discussed the information and recommended that the best course of action would be to disburse the funds across all participants in the plan on a pro rata basis (Option 1 above). They also indicated that because participants move in and out of the funds, this would be the best way to capture any participants who may have been affected by the activity between 2001 and 2003.

The Advisory Committee also recommended that the money should be disbursed based on account balances as of a given date; therefore, it was decided to have ING allocate the money as of September 1, 2010. Anyone with an account balance as of September 1, 2010, will receive a portion of the settlement on a pro rata basis. The settlement checks have been deposited in the Stable Value Option, and any earnings since that deposit date will be included in the disbursement. The funds will be distributed on or about October 1, 2010.





# Oregon

Theodore R. Kulongoski, Governor

Item A.2.f.

## Public Employees Retirement System

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September 24, 2010

TO: Members of the PERS Board

FROM: Yvette Elledge, Customer Service Division Administrator

SUBJECT: Update on Benefit Estimates and SB 897 Implementation

### BENEFIT ESTIMATES

#### WORKLOAD TREND

In 2009, we received 15,000 benefit estimate requests, a 33% increase from 2008. The increase continued in the first quarter of 2010, with an average of approximately 1,400 per month. From April to August, the number of benefit estimate requests received averaged approximately 1,100 per month. If the trend continues, we will end 2010 with approximately 15,000 requests.

The backlog was created by the increased estimate request workload, a major RIMS Conversion Project (RCP) deployment, and additional process requirements to improve estimate quality. For RCP, we were unable to calculate or process estimate requests for three weeks during Stage 2A deployment. After deployment it took some time for staff to learn the new processes and become efficient. Additionally, there were approximately 130 Change Requests (CRs) identified with the new Generate Benefit Estimate (GBE) tool. For each CR, a workaround was needed to complete a member's benefit estimate. In many of these cases the workaround resulted in a manual calculation, which takes significantly more time to complete. Currently, 44 of these CRs have been completed and, as the CRs are completed, we are able to complete more estimates in GBE.

In January 2010 we also began to perform eligibility reviews on approximately 35% of members who submit an estimate request. This additional step can create a short delay in the estimate request process but we are able to identify eligibility and accuracy issues before the estimate is generated or the member retires.

#### STAFFING/RESOURCES

Currently, six staff working on estimates full time; two of the six are temporary employees to help reduce the estimate backlog. Over the last five months the backlog has been reduced by 64%, a reduction of 1,103 estimates.

### PRIORITIZATION

Our goal is to continue to make progress toward meeting our Key Performance Measure (KPM) to provide members an estimate within 30 days from the date we receive their request. Currently, we are meeting the KPM approximately 60% of the time. When we are unable to achieve that goal, we prioritize estimate requests by the effective retirement date from the upcoming month to the next month and beyond.

### COMMUNICATION PLAN

There are several different ways that we are communicating to members about our prioritization process and possible delay when an estimate is requested. We have recently implemented a communication plan with members if there is an underlying issue that will impact their account and may delay completion of the member's estimate request. In that scenario, we contact the member to explain the issue and determine what the member would prefer for us to do. A common issue in these cases is an outstanding eligibility study on the member's account and, until we receive information from the employer, we do not know the outcome of the study which may impact the estimate. We also have created scripting for the member call center and have enhanced benefit estimate information on the PERS website.

### DIVORCE/DISABILITY ESTIMATES

Divorce estimate requests are received at a fairly steady rate throughout the year and are also completed in retirement date order. An acknowledgment letter is issued within a month of PERS receiving the estimate request to explain service levels and timing. Divorce estimates are balanced with actual benefit calculations in the Divorce Unit, and the benefit calculations take priority when resources are an issue. The competing priorities and consistent loss of staff to RCP have contributed to a backlog, but escalation requests are honored and we continue to consistently issue estimates ahead of the projected retirement date. Disability estimates are tied to an increasing number of disability applications, and have also been adversely impacted by staff availability. The Divorce Unit is also looking at utilizing temporary staff to help with workload issues.

### SB 897 DATA VERIFICATION

The SB 897 Data Verification project is progressing very well. Several components of the project plan have commenced and are on target for the July 1, 2011 initial statutory operative date. Verification requests will start being processed on that date. The primary Oregon Administrative Rule (OAR) surrounding Senate Bill 897 has been drafted and will be presented for adoption at the September 24, 2010 PERS Board meeting. Business rules have also been drafted and are pending final approval of the OAR before completion.

New staff position descriptions for the Data Verification team have been completed and we are on target to hire the new section manager by October 1, 2010. A draft of the facilities modification plan for the new staff's physical location has been completed and reviewed by

the executive staff whose divisions are affected by this plan. This plan has been approved subject to additional investigation of the long-term viability for other agency needs.

Employer and member communication plans have been developed. We have invited employers to comment on the proposed OAR and have given a presentation of the employer verification process to the Legislative Advisory Committee. We are also utilizing the Employer Advisory Committee to help review and develop the Frequently Asked Questions (FAQs) and will be setting up an Employer Focus Group early next year to get feedback on the actual EDX application. Our Fall employer presentations will review the verification process and FAQs to further educate employers and identify additional areas of concern. The member communication plan includes using our current publications and the website as well as a Member Focus Group to help develop the member communications.

The system programming for the Data Verification process has also been progressing smoothly. Elaboration of the different automated processes in jClarety is set to be completed by September 24, 2010, and construction of the actual application will begin shortly after that.







# Oregon

Theodore R. Kulongoski, Governor

Item A.2.g.

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September 24, 2010

TO: Members of the PERS Board

FROM: Paul R. Cleary, PERS Executive 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 budget reports 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” along with three additional criteria that are rated in the PERS survey but not incorporated in the overall KPM calculation.

### DISCUSSION

The 2010 best practices assessment was distributed to Board members on September 7th as an electronic survey with a request to return the completed survey by September 20, 2010.

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 24, 2010 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 follow past practice and roll the Board’s “fully meets” and “meets but needs improvement” responses into the “yes” column for the DAS scorecard.

Attachment 1 PERS Board Best Practices Worksheet

## PERS BOARD BEST PRACTICES WORKSHEET

Best Practices Criteria	System for Achieving Success
-------------------------	------------------------------

### 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>
--	---

**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>
---	---

**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>
---	---

**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.
<b>Fully Meets</b> <input type="checkbox"/> <b>Meets But Needs Improvement</b> <input type="checkbox"/> <b>Does Not Meet</b> <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.
<b>Fully Meets</b> <input type="checkbox"/> <b>Meets But Needs Improvement</b> <input type="checkbox"/> <b>Does Not Meet</b> <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.
<b>Fully Meets</b> <input type="checkbox"/> <b>Meets But Needs Improvement</b> <input type="checkbox"/> <b>Does Not Meet</b> <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.
<b>Fully Meets</b> <input type="checkbox"/> <b>Meets But Needs Improvement</b> <input type="checkbox"/> <b>Does Not Meet</b> <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.
<b>Fully Meets</b> <input type="checkbox"/> <b>Meets But Needs Improvement</b> <input type="checkbox"/> <b>Does Not Meet</b> <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><b>Fully Meets</b> <input type="checkbox"/>    <b>Meets But Needs Improvement</b> <input type="checkbox"/>    <b>Does Not Meet</b> <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><b>Fully Meets</b> <input type="checkbox"/>    <b>Meets But Needs Improvement</b> <input type="checkbox"/>    <b>Does Not Meet</b> <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><b>Fully Meets</b> <input type="checkbox"/>    <b>Meets But Needs Improvement</b> <input type="checkbox"/>    <b>Does Not Meet</b> <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><b>Fully Meets</b> <input type="checkbox"/>    <b>Meets But Needs Improvement</b> <input type="checkbox"/>    <b>Does Not Meet</b> <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><b>Fully Meets</b> <input type="checkbox"/>    <b>Meets But Needs Improvement</b> <input type="checkbox"/>    <b>Does Not Meet</b> <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><b>Fully Meets</b> <input type="checkbox"/>    <b>Meets But Needs Improvement</b> <input type="checkbox"/>    <b>Does Not Meet</b> <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><b>Fully Meets</b> <input type="checkbox"/>    <b>Meets But Needs Improvement</b> <input type="checkbox"/>    <b>Does Not Meet</b> <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><b>Fully Meets</b> <input type="checkbox"/>    <b>Meets But Needs Improvement</b> <input type="checkbox"/>    <b>Does Not Meet</b> <input type="checkbox"/></p>	

**PERS Board Best Practices Assessment Score Card**

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



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Theodore R. Kulongoski, Governor

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September 24, 2010

TO: Members of the PERS Board  
FROM: Steven Patrick Rodeman, Deputy Director  
SUBJECT: Notice of Rulemaking for Confidentiality of Member Records Rule  
OAR 459-060-0020, *Confidentiality of Member Records*

### OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: A minor modification is needed to accommodate employer compliance with the reporting requirements of OAR 459-070-0100.
- Policy Issue: Should PERS inform an employer of an employee's membership status to enable the employer to comply with PERS' electronic reporting requirements?

### BACKGROUND

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

### POLICY ISSUE

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

OAR 459-060-0020 provides generally that PERS will not disclose member records except to the member, or to an authorized representative of the member or member's estate. It provides limited scenarios in which PERS may provide otherwise exempt information to an employer. The proposed modification is consistent with that policy, as it would enable employers to comply with the reporting requirements established by OAR 459-070-0100 but limit the information to be shared to one of four membership statuses: active member, inactive member, retired member, or non-member. Providing this information to an employer will enable accurate reporting and reduce staff time for reconciliations. Members will also receive more prompt

information should their re-employment affect their current status, e.g. new members will receive a “Welcome to PERS” packet, re-employed retired members will receive a letter describing return-to-work limitations, etc. Minor programming changes are planned to more clearly display the information to the employer, however, no additional expense is anticipated as these changes will be incorporated in other planned programming. Staff recommends the proposed modifications to allow disclosure of limited membership status information to an employer for reporting purposes.

Other minor rule modifications are for clarity and consistency.

#### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held on September 26, 2010 at 1:00 p.m. at PERS headquarters in Tigard. The public comment period ends on October 26, 2010 at 5:00 p.m.

#### LEGAL REVIEW

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

#### IMPACT

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

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

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

#### RULEMAKING TIMELINE

August 13, 2010	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
September 1, 2010	<i>Oregon Bulletin</i> published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
September 24, 2010	PERS Board notified that staff began the rulemaking process.
September 28, 2010	Rulemaking hearing to be held at 1:00 p.m. in Tigard.
October 26, 2010	Public comment period ends at 5:00 p.m.
November 19, 2010	Staff will propose adopting the permanent rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.



Notice – Confidentiality of Member Records Rule

09/24/10

Page 3 of 3

NEXT STEPS

A hearing will be held on September 28, 2010 at PERS Headquarters in Tigard. The rule is scheduled to be brought before the PERS Board for adoption at the November 19, 2010 Board meeting.

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



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

1 **459-060-0020**

2 **Confidentiality of Member<sup>[’s]</sup> Records**

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

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

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

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

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

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

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

21 (3)(a) Subject to subsection (b) of this section, PERS may provide a member’s  
22 current or former employer with information from the member’s records that is otherwise

1 *[protected]* exempt from public disclosure to the extent necessary to enable the  
2 employer:

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

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

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

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

12 (i) Salary information;

13 (ii) Employment history; or

14 (iii) Contribution history.

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

21 (4) To enable an employer to comply with OAR 459-070-0100, PERS may  
22 disclose to the employer that an employee is an active, inactive, or retired member,  
23 or a non-member.

1        ~~[(4)]~~ (5) PERS shall not provide a mailing list of its members or their dependents to  
2 any individual or enterprise.

3        Stat. Auth.: ORS 192.430, ~~[502 & ORS]~~ 238.650, & 238A.450

4        Stats. Implemented: ORS 192.502 ~~[410-505, 237.410-520, 237.610-620, 237.950-~~  
5 ~~980 & 238]~~





# Oregon

Theodore R. Kulongoski, Governor

## Public Employees Retirement System

Headquarters:  
11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR  
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(503) 598-7377  
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September 24, 2010

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

PERS staff published notice through the Secretary of State to begin rulemaking and provided draft modifications to interested parties. The modifications establish the administrative cost for additional data verifications and address the cost and availability of benefit estimates. Notice of this rulemaking was scheduled to be presented to the Board at the September 24, 2010 meeting. However, staff has decided to postpone this rulemaking.

Staff has concluded that further development on these rules is needed. Cost estimates for additional verifications can be more accurately derived once the program is more fully developed. The policy implications for cost and availability of benefit estimates will also be clarified with the anticipated release of Online Member Services (OMS), which will make online estimates based on PERS records available.

Staff will return with notice of rulemaking and re-open the public comment period at the March 2011 Board meeting. Some public comments have already been submitted on the draft modifications and will be addressed when the rule returns to the Board for its notice and consideration.







# Oregon

Theodore R. Kulongoski, Governor

Item C.1.a.

## Public Employees Retirement System

Headquarters:  
11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR  
Mailing Address:  
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[www.oregon.gov/pers](http://www.oregon.gov/pers)

September 24, 2010

TO: Members of the PERS Board  
FROM: Steven Patrick Rodeman, Deputy Director  
SUBJECT: Adoption of Health Insurance Rules - Permanent Rule Adoption  
OAR 459-035-0000, *Policy and Goals*  
OAR 459-035-0001, *Definitions*  
OAR 459-035-0020, *Eligibility, General*  
OAR 459-035-0030, *Eligibility, Retirement Health Insurance Account*  
OAR 459-035-0040, *Eligibility, Retiree Health Insurance Premium Account*

### OVERVIEW

- Action: Adopt permanent modifications to the Division 35, Health Insurance Program rules.
- Reason: Update several Health Insurance Program rules to comply with the expanded eligibility provisions of SB 897, effective February 8, 2010, replacing the temporary rules adopted at the March 2010 meeting. Incorporate changes to the definition of dependent pursuant to changes in federal law. Clarify eligibility for receiving a RHIPA subsidy.
- Policy Issue: No policy issues have been identified at this time.

### BACKGROUND

There are two sets of health insurance rules proposed for adoption. The second set incorporates all the changes outlined in this memo, as well as changes related to domestic partners, which are outlined in a separate memo.

Senate Bill 897, which became effective on February 8, 2010, allows OPSRP Pension Program retired members, their spouses, and eligible dependents to participate in the PERS Health Insurance Program. The proposed rule modifications incorporate provisions to include those persons in the health insurance program's rules. The modifications were adopted as temporary rules at the PERS Board's March 29, 2010 meeting, and are now presented for adoption as permanent rules.

### SUMMARY OF MODIFICATIONS TO RULES SINCE TEMPORARY ADOPTION

459-035-0001:

Definitions with the same meaning given them in ORS Chapters 238 and 238A were deleted. The phrase "who has never married" was deleted from the definition of dependent. Other minor edits for clarity were made to citations and definitions.

459-035-0020:

Eligibility requirements of a dependent child were modified to incorporate changes to the definition of "dependent child" enacted in the Patient Protection and Affordable Care Act

(PPACA). The PPACA extended the availability of health insurance coverage to dependents up to age 26 and no longer requires them to be unmarried.

In section (6), long term care insurance plans were added to the list of PERS-sponsored plans. Other changes to the rule update citations and eliminate redundancy.

459-035-0030:

The definition of eligible retired member was modified to specify it only pertains to Tier One or Tier Two members. Other changes update rule references.

459-035-0040:

Modifications to the rule clarify the definition of “eligible retired state employee” to clarify the eligibility for receiving a RHIPA subsidy. Long-term care coverage was added to the list of plans.

### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held on May 25, 2010 at 1:00 p.m. at PERS headquarters in Tigard. No members of the public attended. The first public comment period ended on June 4, 2010 at 5:00 p.m.

PERS received a letter dated June 4, 2010 with public comment from Denise Yunker, Director of Human Resources for the Oregon University System. A copy of her letter is attachment 6 to this memo. In her letter, Ms. Yunker expressed concern regarding OAR 459-035-0040(1), which describes the eligibility requirements for an “eligible retired state employee.” Staff addressed Ms. Yunker’s concerns via a conference call on August 5, 2010, and explained that the eligibility standard has not changed, but rather the rule needed clarification of the eligibility requirements as they are currently administered.

A second rulemaking hearing was held on July 6, 2010 at 1:00 p.m. at PERS headquarters in Tigard. No members of the public attended to present comment on these rules. The second public comment period ended on July 23, 2010 at 5:00 p.m.

### LEGAL REVIEW

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

### IMPACT

Mandatory: Yes, the Senate Bill 897 provisions must be implemented.

Impact: Employers, OPSRP members, and staff will benefit from clarification of the eligibility standards for the PERS Health Insurance Program.

Cost: No incremental costs are associated with these rule modifications.

### RULEMAKING TIMELINE

March 15, 2010      Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.

March 29, 2010	PERS Board adopted the proposed temporary rule modifications; PERS staff proceeded with permanent rulemaking.
April 29, 2010	Notice of Rulemaking hearing was emailed to employers, legislators, and interested parties.
May 25, 2010	First rulemaking hearing held at 1:00 p.m. in Tigard.
June 4, 2010	First public comment period ended at 5:00 p.m.
June 10, 2010	The final Notice of Rulemaking hearing was emailed to employers, legislators, and interested parties. The second public comment period began.
July 1, 2010	<i>Oregon Bulletin</i> published the Notice of Rulemaking Hearing.
July 6, 2010	Second rulemaking hearing held at 1:00 p.m. in Tigard.
July 23, 2010	Public comment period ended at 5:00 p.m.
September 24, 2010	Board may adopt the permanent modifications to the rules.

#### BOARD OPTIONS

The Board may:

1. Pass a motion to “adopt permanent modifications to the Division 35 Health Insurance Program rules, as presented.”
2. Direct staff to make other changes to the rule or explore other options.

#### STAFF RECOMMENDATIONS

Staff recommends the Board choose Option #1.

- Reason: Update several Health Insurance Program rules to comply with the expanded eligibility provisions of SB 897, effective February 8, 2010. Incorporate changes to the definition of “dependent child” pursuant to changes in federal law. Clarify eligibility for receiving a RHIPA subsidy.

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

C.1.a. Attachment 1 – 459-035-0000, *Policy and Goals*

C.1.a. Attachment 2 – 459-035-0001, *Definitions*

C.1.a. Attachment 3 – 459-035-0020, *Eligibility, General*

C.1.a. Attachment 4 – 459-035-0030, *Eligibility, Retirement Health Insurance Account*

C.1.a. Attachment 5 – 459-035-0040, *Eligibility, Retiree Health Insurance Premium Account*

C.1.a. Attachment 6 – Public Comment Letter dated June 4, 2010 from Denise Yunker, OUS



**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 035 – HEALTH INSURANCE PROGRAMS**

1 **459-035-0000**

2 **Policy and Goals**

3 (1) The health insurance plans of the Public Employees Retirement System (PERS)  
4 are established and shall be administered as provided in ORS 238.410, 238.415, *[and]*  
5 238.420 and 238A.050. The Public Employees Retirement Board (Board) may enter into  
6 one or more contracts with health insurance carriers licensed to do business in the State  
7 of Oregon, or certified in another state that is operating under the laws of that state, to  
8 obtain health insurance coverage for eligible retirees, and their spouses or dependents.

9 (2) Benefits shall be provided under the Board's health insurance programs for  
10 eligible persons through retiree contributions and any other available funding to cover the  
11 Board's costs of health care coverage and administration under insurance contract  
12 between the Board and insurance carriers.

13 Stat. Auth.: ORS 238.410, *[&]* ORS 238.650 & 238A.450

14 Stats. Implemented: ORS 238.410, ORS 238.415, *[&]* ORS 238.420 & 238A.050



**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 035 – HEALTH INSURANCE PROGRAMS**

1 **459-035-0001**

2 **Definitions**

3 The words and phrases used in this division have the same meaning given them in  
4 ORS Chapters 238 and 238A. Additional terms are defined as follows unless the context  
5 requires otherwise.

6 (1) “Board” means the Public Employees Retirement Board as established in ORS  
7 238.630.

8 *[(2) “Carrier” has the same meaning as provided in ORS 238.410(1)(a).]*

9 *[(3)]* **(2)** “Competitive Negotiation~~[s]~~” means the procurement method whereby  
10 proposals are requested from a number of sources and the Request for Proposals is  
11 publicized.

12 *[(4) “Creditable Service” has the same meaning as provided in ORS 238.005(5).]*

13 *[(5)]* **(3)** “Dependent” means a PERS member’s or retiree’s dependent child *[who*  
14 *has never married]*. For the purpose of this rule a “child” is defined as follows:

15 (a) A natural child.

16 (b) A legally adopted child, or a child placed in the home pending adoption.

17 (c) A step-child who resides in the household of the stepparent who is an eligible  
18 retired member.

19 (d) A grandchild, provided that at the time of birth, at least one of the grandchild’s  
20 parents was covered under a PERS-sponsored health insurance plan as a dependent child  
21 of the PERS member or retiree and resides in the household of the member or retiree.

1 ~~[(6)]~~ (4) “Dependent Domestic Partner *[of a PERS Retiree]*” means a person who  
2 has a relationship with a PERS retiree that has the characteristics described below. To  
3 qualify as a “dependent domestic partner *[of a PERS retiree,]*”, the person and the PERS  
4 retiree must:

- 5 (a) Share a close personal relationship and be responsible for each other’s common  
6 welfare, including but not limited to having joint financial responsibilities;
- 7 (b) Be each other’s sole domestic partner;
- 8 (c) Not be married to anyone, nor have had another domestic partner within the  
9 previous 12 months;
- 10 (d) Not be related by blood so closely as to bar marriage in the State of Oregon;
- 11 (e) Have jointly shared the same regular and permanent residence for at least 12  
12 months immediately preceding the effective date of coverage with the intent to continue  
13 doing so indefinitely; and
- 14 (f) Have the PERS retiree providing over one-half of the financial support for the  
15 person and qualify as a dependent of the PERS retiree as determined under section 105(b)  
16 of the Internal Revenue Code, 26 USC 105(b).

17 ~~[(7)]~~ (5) “Eligible Person” means a person who is eligible for coverage under a  
18 PERS-sponsored health insurance plan. The conditions for such eligibility are set forth in  
19 OAR 459-035-0020.

20 ~~[(8)]~~ (6) “Eligible Retired Member” means an eligible person who is eligible for  
21 payments toward the cost of the Medicare Companion Plan from RHIA. The conditions  
22 for such eligibility are set forth in OAR 459-035-0030.



1        ~~[(9)]~~ (7) “Eligible Retired State Employee” means an eligible person who is eligible  
2 for non-Medicare insurance premium payments from the RHIPA. Conditions for such  
3 eligibility are set forth in OAR 459-035-0040.

4        ~~[(10)]~~ (8) “Fund” has the same meaning as the Public Employees Retirement Fund  
5 in ORS 238.660.

6        ~~[(11) “Health Insurance” means insurance for health care, as that term is defined in  
7 ORS 238.410(1)(c).]~~

8        ~~[(12)]~~ (9) “Medicare” means the federal health care insurance plan established under  
9 Title XVIII of the Social Security Act as amended.

10       ~~[(13)]~~ (10) “Medicare Companion Plan” means a PERS-sponsored health insurance  
11 plan for eligible persons who are eligible for and enrolled in Medicare.

12       ~~[(14)]~~ (11) “Non-Competitive Negotiation” means procurement through solicitation  
13 of a proposal from only one source.

14       ~~[(15)]~~ (12) “PEBB” means the Public Employees’ Benefit Board established under  
15 ORS 243.061.

16       ~~[(16) “PERS” has the same meaning as the Public Employees Retirement System in  
17 ORS 238.600.]~~

18       ~~[(17)]~~ (13) “PERS Member” has the same meaning as “member” provided in ORS  
19 238.005(12) and 238A.005(10).

20       ~~[(18)]~~ (14) “Plan Year” means a 12-month period beginning January 1 and ending  
21 December 31.

22       ~~[(19)]~~ (15) “Qualifying Service” means:

1 (a) Creditable service, as defined in ORS 238.005(5), plus any periods of  
2 employment with an employer participating in PERS that are required of the employee  
3 before becoming a PERS member; or

4 (b) Periods of employment in a qualifying position, as that term is defined in *[ORS*  
5 *238A.005(14)]*[OAR 459-010-0003](#).

6 *[(20)]* [\(16\)](#) “Retiree” means a PERS member who is receiving a service or disability  
7 retirement allowance or benefit under PERS or who received a lump sum payment under  
8 ORS 238.305(3), 238.315, or 238A.195, or payment(s) under ORS 238A.400, or a person  
9 who is receiving retirement pay or pension calculated under ORS 1.314 to 1.380 (1989  
10 Edition).

11 *[(21)]* [\(17\)](#) “RHIA” means the Retirement Health Insurance Account established  
12 under ORS 238.420 to help defray the cost of the Medicare Companion Plan.

13 *[(22)]* [\(18\)](#) “RHIPA” means the Retiree Health Insurance Premium Account  
14 established under ORS 238.415 to help defray the cost of PERS-sponsored health plans  
15 other than the Medicare Companion Plan.

16 *[(23)]* [\(19\)](#) “Small Purchase Procedures” *[(informal bidding)]* means *[the relatively]*  
17 [a](#) simple and informal procurement methods whereby price and rate quotations are  
18 obtained from at least three sources and selection is made on the basis of cost and other  
19 applicable criteria.

20 *[(24)]* [\(20\)](#) “SRHIA” means the Standard Retiree Health Insurance *[a]* [A](#)ccount  
21 established [under ORS 238.410](#) to administer employee and the employer contributions  
22 to the PERS sponsored health insurance program.

1        ~~[(25)]~~ (21) “Staff” means the employees of the Public Employees Retirement  
2 System.

3        ~~[(26)]~~ (22) “Third Party Administrator” means the individual or organization that the  
4 Board contracts with to provide administrative services as specified in the contract.

5        Stat. Auth.: ORS 238.410, 238.650 & 238A.450

6        Stats. Implemented: ORS 238.410, 238.415, 238.420 & 238A.050



**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 035 – HEALTH INSURANCE PROGRAMS**

1 **459-035-0020**

2 **Eligibility, General**

3 This rule describes the eligibility requirements for a person to be eligible to  
4 participate in a PERS-sponsored health insurance plan. An “eligible person” includes a  
5 retiree, a spouse, a dependent, a dependent domestic partner, and a surviving spouse or  
6 dependent. Each category of “eligible person” is defined as follows:

7 (1) A retiree as defined in OAR 459-035-0001 ~~[(20)]~~(16).

8 (2) ~~[A spouse means t]~~The spouse of a ~~[n eligible]~~ retiree.

9 (3) A dependent means a dependent child as defined in OAR 459-035-

10 0001 ~~[(5)]~~(3)(b) who satisfies one of the following requirements:

11 (a) The child is less than ~~[19]~~ 26 years of age; or

12 ~~[(b) The child is less than 24 years of age, and is regularly enrolled and attending~~  
13 ~~school; e.g. an academic, trade or vocational school.]~~

14 ~~[(c)]~~ (b) The child is ~~[19]~~ 26 years of age or more and has either been continuously  
15 dependent upon the retiree since childhood due to disability or physical handicap, or has  
16 been covered under a health care insurance plan as the retiree’s dependent for at least 24  
17 consecutive months immediately before enrollment in a PERS-sponsored health  
18 insurance plan. In either case, the following additional requirements must also be  
19 satisfied:

20 (A) The child is not able to achieve self-support through his or her work due to a  
21 developmental disability, mental ~~[retardation]~~ or physical handicap as verified by a  
22 physician and accepted by the carrier; and

1 (B) The incapacity is continuous and began before the date the child would  
2 otherwise have ceased to be an eligible dependent.

3 (4) A dependent domestic partner *[of a PERS retiree]* as defined in OAR 459-035-  
4 0001 ~~[(6)]~~(4).

5 (5) A surviving spouse or dependent means a person who is the surviving spouse  
6 or dependent of:

7 (a) *[The surviving spouse or dependent of a]* A deceased retiree*[retired PERS*  
8 *member]*; or

9 (b) *[The surviving spouse or dependent of a]* A deceased PERS member who was  
10 not retired but who was eligible to retire at the time of death; or

11 (c) *[The surviving spouse or dependent of a]* A deceased retiree who was receiving a  
12 retirement payment or benefit, or a pension calculated under ORS 1.314 to 1.380 (1989  
13 Edition), provided that the *[surviving spouse or dependent]* person was covered under a  
14 PERS-sponsored health insurance plan at the time of the retiree's death.

15 (6) In no event shall an eligible person as defined in this rule be entitled to coverage  
16 under more than one PERS-sponsored *[health insurance plan other than a]* medical, *[and*  
17 *a]* dental, *[plan]* or long term care insurance plan.

18 (7) In no event shall an eligible person as defined in this rule be entitled to  
19 *[coverage]* participate as *[both]* a retiree and as a spouse, dependent, or dependent  
20 domestic partner.

21 Stat. Auth: ORS 238.410, 238.650 & 238A.450

22 Stats. Implemented: ORS 238.410*[, 238.415, 238.420]* & 238A.050

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 035 – HEALTH INSURANCE PROGRAMS**

1 **459-035-0030**

2 **Eligibility, Retirement Health Insurance Account**

3 This rule describes the requirements for an “eligible retired member” participating in  
4 a PERS-sponsored Medicare Companion Plan to be eligible for contributions from the  
5 RHIA toward the cost of premiums for that plan. The amount of the contribution is  
6 defined in OAR 459-035-0060.

7 **(1)** An “eligible retired member” *[shall]* includes the following:

8 *[(1)] (a)* A **retired member of the Tier One or Tier Two program** *[retiree]* who  
9 is enrolled in Parts A and B of Medicare and who:

10 *[(a)] (A)* Is *[retired, is]* receiving a PERS service or disability retirement allowance  
11 **or benefit**, and had eight or more years of qualifying service *[as defined in OAR 459-*  
12 *035-0001(19)]* at the time of retirement; or

13 *[(b)] (B)* Is receiving a PERS disability retirement allowance **or benefit** computed as  
14 if he or she had eight years or more of creditable service *[as defined in ORS 238.005(5)]*.

15 *[(2)] (b)* A surviving spouse or dependent of a deceased eligible retired member as  
16 described in **subsection [(1)] (a)** of this *[rule]* **section**, who is enrolled in Parts A and B  
17 of Medicare, and who:

18 *[(a)] (A)* Is receiving a retirement allowance or benefit from PERS; or

19 *[(b)] (B)* Was covered under the retired member’s PERS-sponsored health insurance  
20 plan and the deceased retired member retired before May 1, 1991.

21 *[(3)] (2)* An eligible surviving spouse or dependent receiving benefits under the 15-  
22 year certain optional form of benefit payment (ORS 238.305 Option 4) will be entitled to

1 contributions from the RHIA only until the remainder of the 180 monthly benefit  
2 payments are paid, unless he or she meets the requirements in subsection ~~[(2)](1)(b)(B)~~  
3 of this rule.

4 ~~[(4)]~~ (3) If both an eligible surviving spouse and an eligible surviving dependent are  
5 receiving benefits at the same time under the 15-year certain optional form of benefit  
6 payment (ORS 238.305 Option 4), only the eligible surviving spouse shall be entitled to  
7 contributions from the RHIA unless the surviving spouse, in writing, waives the  
8 contribution in favor of the eligible surviving dependent.

9 Stat. Auth: ORS 238.650

10 Stats. Implemented: ORS 238.420



**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 035 – HEALTH INSURANCE PROGRAMS**

1 **459-035-0040**

2 **Eligibility, Retiree Health Insurance Premium Account**

3 This rule describes the eligibility requirements for an “eligible retired state  
4 employee” participating in a PERS-sponsored health insurance plan, exclusive of dental  
5 coverage and long term care coverage, to be eligible for a contribution from the RHIPA  
6 toward the cost of premiums for that health insurance plan. The amount of the  
7 contribution is established in OAR 459-035-0050.

8 **(1)** An “eligible retired state employee” **includes:** *[shall include the following:*

9 *(1) A retiree]* **(a) A Tier One or Tier Two member who is not eligible for**

10 **Medicare,** *[who was a state employee at the time of retirement]* and **whose PERS**

11 **effective retirement date is the first of the month following termination of state**

12 **employment***[and who is not eligible for Medicare]*, and who:

13 *[(a)]* **(A)** Is receiving a PERS service or disability retirement allowance or benefit,

14 and had *[8]* **eight** or more years of qualifying service *[as defined in OAR 459-035-*

15 *0001(19)]* at the time of retirement; or

16 *[(b)]* **(B)** Is receiving a PERS disability retirement allowance *[or benefit]* computed

17 as if the member had eight or more years of creditable service *[as defined in ORS*

18 *238.005(5)]*, and has attained the earliest service retirement age *[under ORS 238.280]*.

19 *[(2)]* **(b)** A surviving spouse or dependent of a deceased eligible retired state

20 employee, as described in **subsection [(1)](a)** of this *[rule]* **section**, who is not eligible for

21 Medicare, and who:

22 *[(a)]* **(A)** Is receiving a retirement allowance or benefit from PERS; or

1 ~~[(b)]~~ **(B)** Was covered under the eligible retired state employee’s PERS-sponsored  
2 health insurance plan, and the eligible retired state employee retired on or after  
3 September 29, 1991.

4 ~~[(3)]~~ **(2)** An eligible surviving spouse or dependent receiving benefits under the 15-  
5 year certain optional form of benefit payment (ORS 238.305 Option 4) will be entitled to  
6 contributions **from** the RHIPA only until the remainder of the 180 monthly benefit  
7 payments are paid, unless he or she meets the requirement of ~~[subsection]~~ **paragraph**  
8 ~~(1)[(2)]~~(b)**(B)** of this rule.

9 ~~[(4)]~~ **(3)** If ~~[both]~~ an eligible surviving spouse and a ~~[n eligible surviving]~~ dependent  
10 are receiving benefits ~~[at the same time]~~ under the **same** 15-year certain optional form of  
11 benefit payment (ORS 238.305 Option 4), only the eligible surviving spouse shall be  
12 entitled to contributions from the RHIPA unless the surviving spouse, in writing, waives  
13 the contribution in favor of the eligible surviving dependent.

14 Stat. Auth: ORS 238.650

15 Stats. Implemented: ORS 238.415

**Daniel RIVAS - Public Comment on OAR 459-035-0040**

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**From:** "Yunker, Denise" <Denise\_Yunker@ous.edu>  
**To:** Daniel RIVAS <daniel.rivas@state.or.us>  
**Date:** 6/4/2010 4:24 PM  
**Subject:** Public Comment on OAR 459-035-0040

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June 4, 2010

Dear Mr Rivas:

This e-mail is intended as public comment on OAR 459-035-0040 (1)(line 11) which proposes to materially change the RHIPA subsidy benefit of Tier One and Tier Two employees.

In addition to the procedural problem of noticing this rule change as relating to OPSRP Health Insurance rules to implement SB 897, which it is not, the requirement to immediately apply for PERS retirement upon termination of state employment deprives employees of their reasonable expectation under all prior communications and provisions of PERS OARS that once earned, RHIPA is available for those who met the service requirement and whose employers have paid the RHIPA assessed premium on their subject wages.

As an employer that pays for the RHIPA subsidy and, for example, paid a net retiree RHIPA healthcare rate of 10 basis points from July 1, 2007 through June 30, 2009, followed by a 8 basis points from July 1, 2009 through June 30, 2011<sup>[1]</sup> we protest loss of this benefit to otherwise eligible employees who have relied on its availability. On substantial populations such at the university system, these assessments are not insignificant, and should be used to fund the benefit, without new restrictions.

Besides having paid for a benefit that this proposal would make unavailable to certain members who accept employment with other PERS-participating public employers or private employers, we are concerned that you have given too little consideration to post-retirement situations that are available through your own rules.

For instance, an employee who retires and returns to work on a "1039" post-retirement appointment is eligible for pre-Medicare retiree coverage through PEBB, which is advantageous to the employee for local coverage and plan continuity. Will this employee be required to enroll in a PERS pre-Medicare plan in order to ensure the RHIPA subsidy is available, even though the employee has maintained active group coverage through another state insurance source?

For employees who have terminated and are relying on being able to enroll in the PERS pre-Medicare coverage after ending COBRA or private sector coverage - or even when taking a delayed PERS retirement in order to maximize their retirement service allowance later in life- how will those employees access the RHIPA premium relief?

The employees in these situations have met the stated eligibility requirements and eliminating their option to access the RHIPA subsidy is a fundamental change in the factors that members have used to plan their retirements.

We believe that the unanswered questions need to be answered for terminate employees who have not

started receiving their services allowance and for employers to assess what affect this rule will have on their crediting for unused RHIPA subsidy contributions that will not be expended to benefit of the members.

We are challenged to understand how you can support this change as consistent with the benefits rights of Tier One and Tier Two employees, and request that you eliminate the new clause inserted into line 11 of the proposed rule change.

[1]

Presumably the 2 basis point RHIPA contribution noted in Mercer's December 31, 2007 Valuation Report is for purposes of cross-payroll amortization. However the assessment on OPSRP subject payroll, as we understand it, is used to fund the Tier 1 and Tier 2 benefits.

#### 459-035-0040

##### Eligibility, Retiree Health Insurance Premium Account

This rule describes the eligibility requirements for an "eligible retired state employee" participating in a PERS-sponsored health insurance plan, exclusive of dental coverage **and long term care coverage**, to be eligible for a contribution from the RHIPA toward the cost of premiums for that health insurance plan. The amount of the contribution is established in OAR 459-035-0050.

5

6

7

**(1)** An "eligible retired state employee" **is a Tier One or Tier Two member** *[shall include the following:*

8

9

*(1) A retiree]* **who is not eligible for Medicare, [who]** was **an active** state employee at the time of retirement

10

**11** , and **immediately applies for PERS retirement effective the first of the month following termination of state employment***[and who is not eligible for Medicare]*, and who:

12

13

14 (a) Is receiving a PERS service or disability retirement allowance *[or benefit]*, and had **[8] eight** or more years of qualifying service as defined in OAR 459-035-

0001(19)

15

16 **(a)** at the time of retirement; or

17

18

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20

21

22

(b) Is receiving a PERS disability retirement allowance *[or benefit]* computed as if the member had eight or more years of creditable service as defined in ORS 238.005(5), and has attained the earliest service retirement age under ORS 238.280.

Thank you for considering these comments and this request to eliminate the new provision requiring a Tier One or Tier Two retiree to retire immediately after separating from service with the Oregon

University System in order to receive the RHIPA subsidy benefit for pre-Medicare retiree health insurance.

Sincerely,

Denise Yunker

---

Denise A. Yunker, Director  
Human Resources Division  
Oregon University System  
P.O. Box 3175  
1431 Johnson Lane  
Eugene, OR 97403  
phone: (541) 346-5766  
fax: (541) 346-5783

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[1]

Presumably the 2 basis point RHIPA contribution noted in Mercer's December 31, 2007 Valuation Report is for purposes of cross-payroll amortization. However the assessment on OPSRP subject payroll, as we understand it, is used to fund the Tier 1 and Tier 2 benefits.





# Oregon

Theodore R. Kulongoski, Governor

## Public Employees Retirement System

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

September 24, 2010

TO: Members of the PERS Board

FROM: Steven Patrick Rodeman, Deputy Director

SUBJECT: Adoption of Health Insurance Rules – Domestic Partner Alternative  
 OAR 459-035-0000, *Policy and Goals*  
 OAR 459-035-0001, *Definitions*  
 OAR 459-035-0020, *Eligibility, General*  
 OAR 459-035-0030, *Eligibility, Retirement Health Insurance Account*  
 OAR 459-035-0040, *Eligibility, Retiree Health Insurance Premium Account*  
 OAR 459-035-0070, *Enrollment*  
 OAR 459-035-0080, *Effective Date of Coverage*

### OVERVIEW

- Action: Adopt alternative permanent modifications to the Division 35, Health Insurance Program rules.
- Reason: Alternative rule modifications are proposed for adoption in case the Internal Revenue Service determines that expanded eligibility for registered domestic partners is permissible.
- Policy Issues: None.

### BACKGROUND

There are two sets of health insurance rules to be adopted. This second set incorporates all the changes outlined in the first memo, as well as changes related to registered domestic partners. The PERS Board first adopted these changes in 2009 to be included with the agency's tax qualification determination letter request, but the IRS has not determined whether such modifications would be permissible.

The Oregon Family Fairness Act (OFFA), adopted as House Bill 2007 in the Oregon legislature's 2007 session, generally required state agencies to extend their benefits and services to registered domestic partners on the same basis as a spouse. That requirement was qualified for the PERS Plan in that PERS is not required to extend a benefit if the PERS Board reasonably concludes that doing so would conflict with a condition for the plan's tax qualification.

The particular modifications to this set of rules would allow PERS to extend health insurance participation to registered domestic partners. Those modifications were adopted by the Board in 2009 but not filed. Staff is proposing that the PERS Board adopt this set of rules so that, if and

when the IRS determines that extending coverage to registered domestic partners would be permissible, staff would file this set of rules to affect that extension.

#### SUMMARY OF MODIFICATIONS TO RULES

459-035-0001:

The phrase “who has never married” was deleted from the definition of dependent. The definition of Dependent Domestic Partner of a PERS Retiree was deleted, as it is covered under the definition of dependent. A definition of “registered domestic partner” was added. Other minor edits for clarity were made to citations and definitions.

459-035-0020:

Registered domestic partners were included in the eligibility criteria. Other changes to the rule update citations and eliminate redundancy.

459-035-0030:

Registered domestic partners were added to the eligibility criteria for the Retirement Health Insurance Account. Other changes update rule references.

459-035-0040:

Registered domestic partners were added to the eligibility criteria.

459-035-0070:

Registered domestic partners were included in the plan enrollment requirements.

459-035-0080:

Registered domestic partners were added to the provisions regarding effective date of coverage.

#### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held on July 6, 2010 at 1:00 p.m. at PERS headquarters in Tigard. No members of the public attended to present comment on these rules. The public comment period ended on July 23, 2010 at 5:00 p.m. No public comment was received.

#### LEGAL REVIEW

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

#### IMPACT

**Mandatory:** If the IRS determines that registered domestic partner participation is permissible, this second version of proposed rule modifications are mandatory to comply with the Oregon Family Fairness Act.

**Impact:** Minimal, if allowed by the IRS. PERS staff are already providing benefits to registered domestic partners where tax qualification issues do not arise, and this expansion of potential participation is expected to only affect a *de minimis* number of individuals. Employers, OPSRP



members, and staff will benefit from clarification of the eligibility standards for the PERS Health Insurance Program.

Cost: No incremental costs are associated with these rule modifications. The processes already exist to extend benefits to registered domestic partners.

#### RULEMAKING TIMELINE

June 10, 2010	Notice of Rulemaking hearing was emailed to employers, legislators, and interested parties. Public comment period began.
June 15, 2010	Staff filed the Notice of Rulemaking with the Secretary of State.
July 1, 2010	<i>Oregon Bulletin</i> published the Notice of Rulemaking Hearing.
July 6, 2010	Rulemaking hearing held at 1:00 p.m. in Tigard.
July 23, 2010	Public comment period ended at 5:00 p.m.
September 24, 2010	Board may adopt the permanent modifications to the rules.

#### BOARD OPTIONS

The Board may:

1. Pass a motion to “adopt modifications to Division 35 Health Insurance Program rules, as presented, directing staff to not file the modifications regarding registered domestic partners until receiving a favorable IRS determination that such modifications do not conflict with the plan’s tax qualification requirements.”
2. Direct staff to make other changes to the rule or explore other options.

#### STAFF RECOMMENDATION

Staff recommends the Board choose Option #1.

- Reason: Update several Health Insurance Program rules to extend health insurance participation to registered domestic partners if the IRS determines that to be permissible.

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

C.1.b. Attachment 1 – 459-035-0000, *Policy and Goals*

C.1.b. Attachment 2 – 459-035-0001, *Definitions*

C.1.b. Attachment 3 – 459-035-0020, *Eligibility, General*

C.1.b. Attachment 4 – 459-035-0030, *Eligibility, Retirement Health Insurance Account*

C.1.b. Attachment 5 – 459-035-0040, *Eligibility, Retiree Health Insurance Premium Account*

C.1.b. Attachment 6 – 459-035-0070, *Enrollment*

C.1.b. Attachment 7 – 459-035-0080, *Effective Date of Coverage*



**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 035 – HEALTH INSURANCE PROGRAMS**

1 **459-035-0000**

2 **Policy and Goals**

3 (1) The health insurance plans of the Public Employees Retirement System (PERS)  
4 are established and shall be administered as provided in ORS 238.410, 238.415, *[and]*  
5 238.420 and 238A.050. The Public Employees Retirement Board (Board) may enter into  
6 one or more contracts with health insurance carriers licensed to do business in the State  
7 of Oregon, or certified in another state that is operating under the laws of that state, to  
8 obtain health insurance coverage for eligible retirees, and their spouses or dependents.

9 (2) Benefits shall be provided under the Board's health insurance programs for  
10 eligible persons through retiree contributions and any other available funding to cover the  
11 Board's costs of health care coverage and administration under insurance contract  
12 between the Board and insurance carriers.

13 Stat. Auth.: ORS 238.410, *[&]* ORS 238.650 & 238A.450

14 Stats. Implemented: ORS 238.410, ORS 238.415, *[&]* ORS 238.420 & 238A.050



**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 035 – HEALTH INSURANCE PROGRAMS**

1 **459-035-0001**

2 **Definitions**

3 The words and phrases used in this division have the same meaning given them in  
4 ORS Chapters 238 and 238A. Additional terms are defined as follows unless the context  
5 requires otherwise.

6 (1) “Board” means the Public Employees Retirement Board as established in ORS  
7 238.630.

8 *[(2) “Carrier” has the same meaning as provided in ORS 238.410(1)(a).]*

9 *[(3)]* **(2)** “Competitive Negotiation~~[s]~~” means the procurement method whereby  
10 proposals are requested from a number of sources and the Request for Proposals is  
11 publicized.

12 *[(4) “Creditable Service” has the same meaning as provided in ORS 238.005(5).]*

13 *[(5)]* **(3)** “Dependent” means:

14 **(a) A dependent of a retiree as determined under Internal Revenue Code**

15 **section 105(b); or**

16 **(b)** *[a]* **A** PERS member’s or retiree’s dependent child *[who has never married]*. For  
17 the purpose of this rule a “child” is defined as follows:

18 *[(a)]* **(A)** A natural child.

19 *[(b)]* **(B)** A legally adopted child, or a child placed in the home pending adoption.

20 *[(c)]* **(C)** A step-child who resides in the household of the stepparent who is an  
21 eligible retired member.

1        *[(d)]* **(D)** A grandchild, provided that at the time of birth, at least one of the  
2 grandchild’s parents was covered under a PERS-sponsored health insurance plan as a  
3 dependent child of the PERS member or retiree and resides in the household of the  
4 member or retiree.

5        *[(6) “Dependent Domestic Partner of a PERS Retiree” means a person who has a  
6 relationship with a PERS retiree that has the characteristics described below. To qualify  
7 as a “dependent domestic partner of a PERS retiree,” the person and the PERS retiree  
8 must:]*

9        *[(a) Share a close personal relationship and be responsible for each other’s common  
10 welfare, including but not limited to having joint financial responsibilities;]*

11        *[(b) Be each other’s sole domestic partner;]*

12        *[(c) Not be married to anyone, nor have had another domestic partner within the  
13 previous 12 months;]*

14        *[(d) Not be related by blood so closely as to bar marriage in the State of Oregon;]*

15        *[(e) Have jointly shared the same regular and permanent residence for at least 12  
16 months immediately preceding the effective date of coverage with the intent to continue  
17 doing so indefinitely; and]*

18        *[(f) Have the PERS retiree providing over one-half of the financial support for the  
19 person and qualify as a dependent of the PERS retiree as determined under section  
20 105(b) of the Internal Revenue Code, 26 USC 105(b).]*

21        *[(7)]* **(4)** “Eligible Person” means a person who is eligible for coverage under a  
22 PERS-sponsored health insurance plan. The conditions for such eligibility are set forth in  
23 OAR 459-035-0020.

1 *[(8)]* [\(5\)](#) “Eligible Retired Member” means an eligible person who is eligible for  
2 payments toward the cost of the Medicare Companion Plan from RHIA. The conditions  
3 for such eligibility are set forth in OAR 459-035-0030.

4 *[(9)]* [\(6\)](#) “Eligible Retired State Employee” means an eligible person who is eligible  
5 for non-Medicare insurance premium payments from the RHIPA. Conditions for such  
6 eligibility are set forth in OAR 459-035-0040.

7 *[(10)]* [\(7\)](#) “Fund” has the same meaning as the Public Employees Retirement Fund  
8 in ORS 238.660.

9 *[(11) “Health Insurance” means insurance for health care, as that term is defined in*  
10 *ORS 238.410(1)(c).]*

11 *[(12)]* [\(8\)](#) “Medicare” means the federal health care insurance plan established  
12 under Title XVIII of the Social Security Act as amended.

13 *[(13)]* [\(9\)](#) “Medicare Companion Plan” means a PERS-sponsored health insurance  
14 plan for eligible persons who are eligible for and enrolled in Medicare.

15 *[(14)]* [\(10\)](#) “Non-Competitive Negotiation” means procurement through solicitation  
16 of a proposal from only one source.

17 *[(15)]* [\(11\)](#) “PEBB” means the Public Employees’ Benefit Board established under  
18 ORS 243.061.

19 *[(16) “PERS” has the same meaning as the Public Employees Retirement System in*  
20 *ORS 238.600.]*

21 *[(17)]* [\(12\)](#) “PERS Member” has the same meaning as “member” provided in ORS  
22 238.005(12) and 238A.005(10).

1 ~~[(18)]~~ **(13)** “Plan Year” means a 12-month period beginning January 1 and ending  
2 December 31.

3 ~~[(19)]~~ **(14)** “Qualifying Service” means:

4 (a) Creditable service, as defined in ORS 238.005(5), plus any periods of  
5 employment with an employer participating in PERS that are required of the employee  
6 before becoming a PERS member; or

7 (b) Periods of employment in a qualifying position, as that term is defined in ORS  
8 238A.005(14).

9 **(15) “Registered Domestic Partner” means a person who has fulfilled the**  
10 **requirements of ORS 106.300 to 106.340 to register as the domestic partner of a**  
11 **person who is a retiree, provided the registered domestic partnership has not been**  
12 **dissolved.**

13 ~~[(20)]~~ **(16)** “Retiree” means a PERS member who is receiving a service or disability  
14 retirement allowance or benefit under PERS or who received a lump sum payment under  
15 ORS 238.305(3), 238.315, or 238A.195, or payment(s) under ORS 238A.400, or a person  
16 who is receiving retirement pay or pension calculated under ORS 1.314 to 1.380 (1989  
17 Edition).

18 ~~[(21)]~~ **(17)** “RHIA” means the Retirement Health Insurance Account established  
19 under ORS 238.420 to help defray the cost of the Medicare Companion Plan.

20 ~~[(22)]~~ **(18)** “RHIPA” means the Retiree Health Insurance Premium Account  
21 established under ORS 238.415 to help defray the cost of PERS-sponsored health plans  
22 other than the Medicare Companion Plan.



1 *[(23)] (19)* “Small Purchase Procedures” *[(informal bidding)]* means *[the relatively]*  
2 **a** simple and informal procurement method~~[s]~~ whereby price and rate quotations are  
3 obtained from at least three sources and selection is made on the basis of cost and other  
4 applicable criteria.

5 *[(24)] (20)* “SRHIA” means the Standard Retiree Health Insurance *[a]***A**ccount  
6 established **under ORS 238.410** to administer employee and the employer contributions  
7 to the PERS sponsored health insurance program.

8 *[(25)] (21)* “Staff” means the employees of the Public Employees Retirement  
9 System.

10 *[(26)] (22)* “Third Party Administrator” means the individual or organization that the  
11 Board contracts with to provide administrative services as specified in the contract.

12 Stat. Auth.: ORS 238.410, 238.650 & 238A.450

13 Stats. Implemented: ORS 238.410, 238.415, 238.420 & 238A.050



**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 035 – HEALTH INSURANCE PROGRAMS**

1 **459-035-0020**

2 **Eligibility, General**

3 This rule describes the eligibility requirements for a person to be eligible to  
4 participate in a PERS-sponsored health insurance plan. An “eligible person” includes a  
5 retiree, a spouse, a dependent, *[a dependent]* **a registered** domestic partner, *[and]* a  
6 surviving spouse, *[or]* **a surviving dependent, and a surviving registered domestic**  
7 **partner.** Each category of “eligible person” is defined as follows:

8 (1) A retiree as defined in OAR 459-035-0001 *[(20)]* **(16)**.

9 (2) *[A spouse means t]* **T**he spouse of a *[n eligible]* retiree.

10 (3) A dependent means a dependent child as defined in OAR 459-035-  
11 0001 *[(5)]* **(3)(b)** who satisfies one of the following requirements:

12 (a) The child is less than *[19]* **26** years of age; **or**

13 *[(b) The child is less than 24 years of age, and is regularly enrolled and attending*  
14 *school; e.g. an academic, trade or vocational school.]*

15 *[(c)]* **(b)** The child is *[19]* **26** years of age or more and has either been continuously  
16 dependent upon the retiree since childhood due to disability or physical handicap, or has  
17 been covered under a health care insurance plan as the retiree’s dependent for at least 24  
18 consecutive months immediately before enrollment in a PERS-sponsored health  
19 insurance plan. In either case, the following additional requirements must also be  
20 satisfied:

1 (A) The child is not able to achieve self-support through his or her work due to a  
2 developmental disability, mental *[retardation]* or physical handicap as verified by a  
3 physician and accepted by the carrier; and

4 (B) The incapacity is continuous and began before the date the child would  
5 otherwise have ceased to be an eligible dependent.

6 (4) A dependent *[domestic partner of a PERS retiree]* as defined in OAR 459-035-  
7 0001 ~~[(6)]~~ **(3)(a)**.

8 **(5) A registered domestic partner as defined in OAR 459-035-0001(15).**

9 ~~[(5)]~~ **(6)** A surviving spouse, *[or]* dependent, **or registered domestic partner**  
10 means **a person who is the surviving spouse, dependent, or registered domestic**  
11 **partner of:**

12 (a) *[The surviving spouse or dependent of a]* **A** deceased **retiree***[retired PERS*  
13 *member]*; or

14 (b) *[The surviving spouse or dependent of a]* **A** deceased PERS member who was  
15 not retired but who was eligible to retire at the time of death; or

16 (c) *[The surviving spouse or dependent of a]* **A** deceased retiree who was receiving a  
17 retirement payment or benefit, or a pension calculated under ORS 1.314 to 1.380 (1989  
18 Edition), provided that the *[surviving spouse or dependent]* **person** was covered under a  
19 PERS-sponsored health insurance plan at the time of the retiree's death.

20 ~~[(6)]~~ **(7)** In no event shall an eligible person as defined in this rule be entitled to  
21 coverage under more than one PERS-sponsored *[health insurance plan other than a]*  
22 medical, *[and a]* dental, *[plan]* **or long term care insurance plan.**

1        ~~[(7)]~~**(8)** In no event shall an eligible person as defined in this rule be entitled to  
2        ~~[coverage]~~ **participate** as ~~[both]~~ a retiree and **as** a spouse, dependent, or ~~[dependant]~~  
3        **registered** domestic partner.

4        Stat. Auth: ORS 238.410, 238.650 & 238A.450

5        Stats. Implemented: ORS 238.410~~[, 238.415, 238.420]~~ & 238A.050

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 035 – HEALTH INSURANCE PROGRAMS**

1 **459-035-0030**

2 **Eligibility, Retirement Health Insurance Account**

3 This rule describes the requirements for an “eligible retired member” participating in  
4 a PERS-sponsored Medicare Companion Plan to be eligible for contributions from the  
5 RHIA toward the cost of premiums for that plan. The amount of the contribution is  
6 defined in OAR 459-035-0060.

7 **(1)** An “eligible retired member” *[shall]* includes the following:

8 *[(1)] (a)* A **retired member of the Tier One or Tier Two program** *[retiree]* who  
9 is enrolled in Parts A and B of Medicare and who:

10 *[(a)] (A)* Is *[retired, is]* receiving a PERS service or disability retirement allowance  
11 **or benefit**, and had eight or more years of qualifying service *[as defined in OAR 459-*  
12 *035-0001(19)]* at the time of retirement; or

13 *[(b)] (B)* Is receiving a PERS disability retirement allowance **or benefit** computed as  
14 if he or she had eight years or more of creditable service *[as defined in ORS 238.005(5)]*.

15 *[(2)] (b)* A surviving spouse, *[or]* dependent **child as described in OAR 459-035-**  
16 **0001(3)(b), or registered domestic partner** of a deceased eligible retired member as  
17 described in **subsection (1)(a)** of this *[rule]***section**, who is enrolled in Parts A and B of  
18 Medicare, and who:

19 *[(a)] (A)* Is receiving a retirement allowance or benefit from PERS; or

20 *[(b)] (B)* Was covered under the retired member’s PERS-sponsored health insurance  
21 plan and the deceased retired member retired before May 1, 1991.

1        ~~[(3)]~~ **(2)** An *[eligible surviving spouse or dependent]* **individual described in**  
2 **subsection 1(b), above, who is** receiving benefits under the 15-year certain optional form  
3 of benefit payment (ORS 238.305 Option 4) will be entitled to contributions from the  
4 RHIA only until the remainder of the 180 monthly benefit payments are paid, unless he  
5 or she meets the requirements in subsection ~~[(2)]~~**(1)(b)(B) of** this rule.

6        ~~[(4)]~~ **(3)** If both *[an eligible]* **a** surviving spouse **or registered domestic partner as**  
7 **described under subsection (1)(b) of this rule** and a *[n eligible]* surviving dependent  
8 **child as described under subsection (1)(b) of this rule** are receiving benefits at the  
9 same time under the 15-year certain optional form of benefit payment (ORS 238.305  
10 Option 4), only the *[eligible]* surviving spouse **or registered domestic partner** shall be  
11 entitled to contributions from the RHIA unless the surviving spouse **or registered**  
12 **domestic partner**, in writing, waives the contribution in favor of the *[eligible]* surviving  
13 dependent **child**.

14        Stat. Auth: ORS 238.650

15        Stats. Implemented: ORS 238.420





**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 035 – HEALTH INSURANCE PROGRAMS**

1 **459-035-0040**

2 **Eligibility, Retiree Health Insurance Premium Account**

3 This rule describes the eligibility requirements for an “eligible retired state  
4 employee” participating in a PERS-sponsored health insurance plan, exclusive of dental  
5 coverage and long term care coverage, to be eligible for a contribution from the RHIPA  
6 toward the cost of premiums for that health insurance plan. The amount of the  
7 contribution is established in OAR 459-035-0050.

8 **(1)** An “eligible retired state employee” **includes:** *[shall include the following:*

9 *(1) A retiree]* **(a) A Tier One or Tier Two member who is not eligible for**

10 **Medicare, [who was a state employee at the time of retirement] and whose PERS**

11 **effective retirement date is the first of the month following termination of state**

12 **employment***[and who is not eligible for Medicare]*, and who:

13 *[(a)]* **(A)** Is receiving a PERS service or disability retirement allowance *[or benefit]*,

14 and had *[8]* **eight** or more years of qualifying service as defined in OAR 459-035-

15 0001(19)**(a)** at the time of retirement; or

16 *[(b)]* **(B)** Is receiving a PERS disability retirement allowance *[or benefit]* computed

17 as if the member had eight or more years of creditable service as defined in ORS

18 238.005(5), and has attained the earliest service retirement age under ORS 238.280.

19 *[(2)]* **(b)** A surviving spouse, *[or]* dependent **child as described in OAR 459-035-**

20 **0001(3)(b), or registered domestic partner** of a deceased eligible retired state

21 employee, as described in **subsection [(1)](a) of this [rule]section**, who is not eligible for

22 Medicare, and who:

1 *[(a)]* **(A)** Is receiving a retirement allowance *[or benefit]* from PERS; or

2 *[(b)]* **(B)** Was covered under the eligible retired state employee's PERS-sponsored  
3 health insurance plan, and the eligible retired state employee retired on or after  
4 September 29, 1991.

5 *[(3)]* **(2)** An **individual described in subsection 1(b), above, who is** *[eligible*  
6 *surviving spouse or dependent]* receiving benefits under the 15-year certain optional form  
7 of benefit payment (ORS 238.305 Option 4) will be entitled to contributions **from** the  
8 RHIPA only until the remainder of the 180 monthly benefit payments are paid, unless he  
9 or she meets the requirement of *[subsection]* **paragraph (1)[(2)](b)(B)** of this rule.

10 *[(4)]* **(3)** If *[both]* a *[n eligible]* surviving spouse **or registered domestic partner as**  
11 **described under subsection (1)(b) of this rule** and a *[n eligible]* surviving dependent  
12 **child as described under subsection (1)(b) of this rule** are receiving benefits *[at the*  
13 *same time]* under the **same** 15-year certain optional form of benefit payment (ORS  
14 238.305 Option 4), only the *[eligible]* surviving spouse **or registered domestic partner**  
15 shall be entitled to contributions from the RHIPA unless the surviving spouse **or**  
16 **registered domestic partner**, in writing, waives the contribution in favor of the  
17 *[eligible]* surviving dependent **child**.

18 Stat. Auth: ORS 238.650

19 Stats. Implemented: ORS 238.415

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 035 – HEALTH INSURANCE PROGRAMS**

1 **459-035-0070**

2 **Enrollment**

3 (1) Enrollment requirements of PERS-~~/S/~~sponsored health insurance plans for  
4 eligible persons are as follows:

5 (a) An eligible person must complete all applicable parts of the PERS Medical &  
6 Dental Insurance Application form, and file the form with the Third Party Administrator  
7 *[including, in the case of a dependent domestic partner, an Affidavit of Dependent*  
8 *Domestic Partnership]*. The form must indicate which plan is desired and it must list  
9 individually *[all]* any dependent~~s~~, *[including the]* spouse, or registered domestic  
10 partner *[that are]* who is to be enrolled. The form can be obtained from the Third Party  
11 Administrator or PERS;

12 (b) An eligible person who is a retiree may enroll:

13 (A) Within 90 days of the retiree’s effective date of retirement;

14 (B) At any time if covered under another group health insurance plan for 24  
15 consecutive months immediately preceding enrollment, provided that the application for  
16 enrollment is filed within 30 days of loss of coverage. Health care coverage under  
17 workers’ compensation, Medicare or any other governmental entitlement program for  
18 health care do not qualify as other group health insurance coverage for purposes of this  
19 paragraph;

20 (C) Within 90 days of initial Medicare eligibility, if the retiree is enrolled in Parts A  
21 and B of Medicare; or

22 (D) During an open enrollment period designated by the Board.

1 (c) Except as provided in subsection (f) of this section, an eligible spouse, *[or]*  
2 dependent, or registered domestic partner must be enrolled at the same time and in the  
3 same plan as the *[eligible]* retiree;

4 (d) An eligible surviving spouse, *[or]* dependent, or registered domestic partner  
5 who is enrolled under the deceased retiree's plan at the time of death may continue  
6 coverage under that plan, and must complete a Medical & Dental Insurance Application  
7 form as soon as possible following the retiree's death;

8 (e) An eligible surviving spouse, *[or]* dependent, or registered domestic partner  
9 who is not covered under the retiree's plan at the time of the retiree's death, may enroll:

10 (A) Within 90 days of the retiree's death;

11 (B) At any time if covered under another group health insurance plan for 24  
12 consecutive months immediately preceding enrollment, provided that the application for  
13 enrollment is filed within 30 days of loss of coverage. Health care coverage under  
14 workers' compensation, Medicare or any other governmental entitlement program for  
15 health care do not qualify as other group health insurance plan coverage for purposes of  
16 this paragraph;

17 (C) Within 90 days of initial Medicare eligibility, if he or she is enrolled in Parts A  
18 and B of Medicare; or

19 (D) During an open enrollment period designated by the Board.

20 (f) A new spouse, *[dependent]* registered domestic partner, or dependent may be  
21 enrolled:

22 (A) Within 30 days of becoming a spouse, a registered *[dependent]* domestic  
23 partner, or a dependent;

1 (B) If not enrolled in Medicare, only with the same carrier that the eligible retiree is  
2 enrolled in;

3 (C) If enrolled in Parts A and B of Medicare, only in the Medicare Companion Plan  
4 offered by the same carrier that covers the eligible retiree.

5 (g) An eligible retiree’s spouse or registered domestic partner may enroll within  
6 90 days of initial Medicare eligibility, if he/she is enrolled in Parts A & B of Medicare  
7 even though the retiree remains enrolled in a non-PERS health plan.

8 (2) Special enrollment requirements for dental insurance plans:

9 (a) Only persons who are enrolled in a PERS-sponsored health insurance plan may  
10 enroll in a PERS-sponsored dental insurance plan;

11 (b) Dental insurance coverage is not available to any eligible person unless all family  
12 members (the retiree, spouse[, *dependent*] or registered domestic partner, and  
13 dependent(s)) who are enrolled in a PERS-sponsored health insurance plan also enroll in  
14 the same PERS-sponsored dental insurance plan;

15 (c) If the retiree, spouse[, *dependent*] or registered domestic partner, and  
16 dependent(s) do not enroll in a PERS-sponsored dental insurance plan when eligible, or  
17 later choose to discontinue dental coverage, they will not be allowed to re-enroll in a  
18 PERS-sponsored dental insurance plan.

19 Stat. Auth.: ORS 238.410 & ORS 238.650

20 Stats. Implemented: ORS 238.410[, *ORS 238.415 & ORS 238.420*]



**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 035 – HEALTH INSURANCE PROGRAMS**

1 **459-035-0080**

2 **Effective Date of Coverage**

3 (1) For an eligible person who enrolls in a PERS-sponsored health insurance plan  
4 under the provisions of OAR 459-035-0070, the effective date of coverage shall be the  
5 first of the month following receipt of a completed PERS Medical & Dental Insurance  
6 Application form but not before the date described as follows:

7 (a) For an eligible retiree, the latest of the following dates:

8 (A) The effective date of retirement if enrolled within 90 days of the effective date of  
9 retirement;

10 (B) The termination date of other group health insurance coverage;

11 (C) For a Medicare Companion Plan, the effective date of enrollment in Parts A and  
12 B of Medicare; or

13 (D) The date specified in an announcement of a plan change period or an open  
14 enrollment period, if applicable.

15 (b) For an eligible spouse, *[or]* dependent, or registered domestic partner, the  
16 latest of the following dates:

17 (A) The date the retiree's coverage is effective;

18 (B) The first of the month following the termination date of other group health  
19 insurance coverage;

20 (C) For a Medicare Companion Plan, the effective date of enrollment in Parts A and  
21 B of Medicare; or

1 (D) The date specified in an announcement of a plan change period or an open  
2 enrollment period, if applicable.

3 (c) For a new eligible spouse, dependent, or *[dependent]* registered domestic  
4 partner, the first day of the month following the date the completed enrollment form is  
5 filed, *[and in the case of a domestic partner, an Affidavit of Dependent Domestic*  
6 *Partnership,]* except in the following situations:

7 (A) A newborn child is covered from the moment of birth.

8 (B) An adopted child is covered from the date he or she is placed in the custody of  
9 the eligible retiree.

10 (d) For an eligible surviving spouse, *[or]* dependent, or registered domestic  
11 partner, the first of the month following the filing of an application for health insurance  
12 coverage.

13 (2) Coverage shall cease for an eligible person on the earliest of the following dates:

14 (a) The end of the month in which a signed notification is received by PERS from  
15 the covered person to terminate coverage.

16 (b) The end of the month for which the last premium is paid.

17 (c) The end of the month in which a person ceases to be an eligible person, subject to  
18 any continuation of coverage rights under state or federal law.

19 Stat. Auth: ORS 238.410 & ORS 238.650

20 Stats. Implemented: ORS 238.410*[, ORS & ORS 238.420]*





# Oregon

Theodore R. Kulongoski, Governor

## Public Employees Retirement System

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September 24, 2010

TO: Members of the PERS Board  
FROM: Steven Patrick Rodeman, Deputy Director  
SUBJECT: Adoption of OAR 459-005-0040, *Verification of Retirement Data*

### OVERVIEW

- Action: Adopt OAR 459-005-0040, *Verification of Retirement Data*.
- Reason: Clarification and implementation of the data verification provisions of Senate Bill 897.
- Policy Issues:
  1. What constitutes a reasonable time for employers to confirm or modify employee records?
  2. Should all data in the verification be as of the same date or should different dates be used for different data elements?
  3. When should PERS allocate non-recoverable erroneous payments and overpayments attributable to its errors?

### BACKGROUND

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

### POLICY ISSUES

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

PERS cannot derive the data to be verified until the employers' opportunity to modify that data has closed; otherwise, the work would have to be re-done if the employers change the records. To permit PERS adequate time to reconcile the account and provide the member a verification in a timely manner, the proposed rule at section (2) establishes a period of 60 days. An employer may confirm or modify records at any time during the 60-day period. If employers are given 60 days, PERS staff will need additional time for reconciling data and producing the verification. For that additional work to take up to an additional 60 days would not be unreasonable, given PERS' experience with similar reconciliations at retirement, meaning a member would wait at least 120

days for a verification. The 60-day standard has been discussed at an Employer Advisory Council meeting and a Legislative Advisory Committee meeting, and was the subject of many of the public comments discussed further below. Though consensus has not been reached, PERS staff recommends the 60-day standard for employers. If employers are confident in the records they have submitted (which they can review at any time), their review would be minimal. Since employers must be provided an open window for reviews, making that window any wider than 60 days would stretch out the minimum time a member must wait for a reconciliation even longer.

2. *Should all data in the verification be as of the same date or should different dates be used for different data elements?*

Historically, PERS employers have reconciled their employer reports after the close of a calendar year. The “annuals” process allows employers to clean up any records from the prior calendar year during the first few months of the subsequent year. Once annuals closes, the member’s records are ready for annual earnings crediting and deriving other data elements, such as creditable service, vesting, etc., and financial records are closed for that calendar year. Typically, the last step in this process is applying the annual earnings crediting rate to member accounts so that their prior year’s closing balance can be determined and annual statements generated.

Data that would be included in a verification is therefore subject to change during the course of a calendar year, but is routinely brought to closure as of the end of a calendar year. During this time, certain information, such as annual earnings crediting rates, are not available as they have not yet been determined. Providing data elements as of different dates would make a verification less meaningful for members and more difficult to adapt to the online benefit estimator. The proposed rule, at section (3)(a), provides that all verified data will be as of a date certain, December 31 of the last year for which earnings crediting has been adopted, to enhance the accuracy and utility of the verification. In light of the comments and discussions, staff changed the standard in the proposed rule to clarify that the date reference applies to when the verification is produced rather than when requested.

3. *When should PERS allocate non-recoverable erroneous payments and overpayments attributable to its errors?*

Senate Bill 897 provides that erroneous payments and overpayments that would result if verified data were corrected may only be charged to administrative expenses or to the contingency reserve. The proposed rule, at section (5), notes that the Board will allocate these payments annually; staff will present a recommendation during the annual earnings crediting process as to where such payments, if any, should be allocated depending on the nature of the payment(s) in question and the fund’s status at that time.

### ADDITIONAL OPERATIONAL PROVISIONS

In addition to these policy questions, the proposed rule clarifies some operational aspects of the verifications. For example, subsection (2)(b) explains that an employer may be directed by PERS staff to modify records after they have been confirmed. Account reconciliation regularly requires staff to communicate with employers to clarify employee records and employers frequently correct reported data at PERS’ request to permit accurate reconciliation.

Section (3)(b) specifies that, if a member requests an additional verification, though the verification will include data from the previous verification, the first verification will have closed the data used to develop it and foreclosed employers' opportunity to change the records and the member's opportunity to challenge them. Reopening completed verifications to modification or dispute is inconsistent with the finality sought by the verification process. For these reasons, the proposed rule provides that opportunities to modify or dispute data in a previous verification are not revived upon a request for a subsequent verification.

Section (4) of the proposed rule also explains some situations where verified data may change because of subsequent actions. Senate Bill 897 provides that amounts in a verification may be adjusted for service credit accruals, earnings and losses, and salary and sick leave attributable to periods after the date specified in the verification. This provision recognizes that transactions occurring after a verification may affect the data in the verification and must be acknowledged to produce an accurate retirement benefit.

This portion of the proposed rule explains that adjustment of the amounts in a verification can occur for other transactions initiated by a member or of which the member would be aware. A Tier Two member may restore Tier One membership by voluntary redeposit or purchase at retirement, affecting earnings crediting, account balances, service credit, and final average salary. Under USERRA, in certain circumstances a member who withdraws during military service must be permitted to repay the distribution, which also may affect membership status and other data elements. A member's data may be retroactively affected by a judgment, administrative order, arbitration award, conciliation agreement, or settlement agreement. A member's account balance may be adjusted to reflect the division of the account pursuant to a divorce decree. These adjustments occur because of transactions that are either under the control of the member or within the member's expectations, but their effect on a verification may not be clear, so they're added to the rule to make sure members understand that they might change the outcome of a verification by these specific actions.

#### SUMMARY OF MODIFICATIONS TO RULE SINCE NOTICE

Subsection (1)(a) was edited to clarify the period during which an active or inactive member is an "eligible member" and to more clearly express the exclusion of retired members from the definition.

Section (2) was restructured with subsections. Subsection (2)(a) was edited to clarify a member's creditable service, retirement credit, final average salary, member account balance, and accumulated unused sick leave are determined by PERS based on the employment data reported by the employer. Also the date after which an employer may not modify records was changed to be the earlier of *the 60<sup>th</sup> day* after notice or the date the records are confirmed. PERS will use the records as of the 61<sup>st</sup> day, so an employer's opportunity to modify must end no later than the 60<sup>th</sup> day.

Subsection (2)(b) was added to clarify that employer modification of records after the 60<sup>th</sup> day or confirmation is only permissible if directed by PERS. It also acknowledges two additional types of modifications that warrant such direction: resolution of a dispute and adjustments permitted by statute or rule.

Subsection (3)(a) was changed to make all data in a verification as of December 31 of the last calendar year before *the date the verification is produced* for which the Board has adopted annual

earnings crediting. This may provide more current information in the verification than the previous standard, *the date PERS received the member's request*.

Subsection (3)(b) was modified to permit subsequent verifications to include all data to the date specified in the verification, but also to clarify that data established in previous verifications may not be revisited for modification or dispute.

Subsection (4)(a) was edited to move the adjustment and reissuance provisions to new subsection (4)(e) and apply those provisions to all adjustments permitted under the statute or rule.

#### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held on August 24, 2010 at 1:00 p.m. at PERS headquarters in Tigard. Nine members of the public attended. The public comment period ended on September 3, 2010 at 5:00 p.m.

After the public hearing, a brief presentation and forum regarding the verification process was held with members of the Legislative Advisory Committee and other interested parties. PERS staff presented a short PowerPoint outlining the steps in the verification process and displaying some of the screens members and employers will use to request a verification or to confirm or modify information. Subsequent discussion led to two rule modifications, those noted for subsections (1)(a) and (3)(a) in "Summary of Modifications to Rule Since Notice." There was still concern expressed by Oregon Health Sciences University and Department of Administrative Services that a longer "reasonable time" would be better for employers. Staff explained that the rule seeks to establish a reasonable time to allow employers to respond balanced with the need to reply promptly to a member's request for a verification.

On July 28, 2010, Greg Hartman, representing the PERS Coalition, submitted comments on the proposed rule. A copy of his letter is Attachment 2 to this memo. Mr. Hartman requested that direction by PERS to an employer to modify records be more clearly limited to reconciliation of member records during the verification process, including the resolution of any dispute of the verification. Those concerns were addressed by the modifications to subsection (2)(b) described above. Mr. Hartman also requested that the reissuance text of subsection (4)(a) be applied to all adjustments addressed in section (4). This comment was addressed by the changes to section (4) described above.

Lori Sattenspiel, Legislative and Public Affairs Director for the Oregon School Boards Association, submitted comment by e-mail. A copy is attached as Attachment 3. Ms. Sattenspiel commented that school districts are concerned that the 60-day time period during which employers may confirm or modify records is too short, and recommends a 90-day period. She also recommends: (1) Reminder notices be sent to employers during the confirmation period, to ensure employers do not miss the opportunity to modify records; (2) That if an employee modifies information, an explanation from the employee should be required, and the change specifically identified to the employer; (3) That notice to an employer via EDX should be accompanied by an email to the district contact; (4) The expiration date of the confirmation period should be prominently noted on correspondence and on the EDX employer work schedule. These recommendations primarily address operational issues that will be considered when system functionality is enhanced and procedures are developed, but staff concluded that they are not appropriate to be included in the administrative rule.

Ms. Sattenspiel also questions how PERS will resolve an inconsistency between information provided by the employer and the employee. The administrative process is set forth in OAR 459-001-0030 to -0040; PERS will follow these processes to resolve any disputes as it does other requests for review of staff actions and determinations.

Scott Winkels, representing the League of Oregon Cities, attended the hearing and provided oral comment. He requested clarification in section (2) that an employer reports data and PERS determines the creditable service and other data elements in the verification. Subsection (2)(a) was edited to address that comment. Mr. Winkels also requested that the rule reflect a standard for determining employee knowledge of incorrect data in a verification. The statute establishes the standard of the member knowing the information in the verification was incorrect; that determination must necessarily be made on a case by case basis and may vary with the facts of the specific case, so no rule provisions were identified that can elaborate further.

Nancy Brewer, Finance Director for the City of Corvallis, commented by e-mail. A copy is attached as Attachment 4. Ms. Brewer expressed concern with the finality of the process. She questioned whether an employer non-response to a notice of a request for a verification will prompt a second notice from PERS or if PERS will issue the verification based on the data on file. She also asked if an employer non-response or an employer modification of records would finalize the reconciliation process and preclude additional inquiries from PERS at the member's retirement. Under the proposed rule, data is locked on the 61<sup>st</sup> day and will be used for the verification. Once the verification is issued, PERS will not revisit the data that has been verified except as provided in statute and rule. A second notice is not provided in the rule because employers continuously have access to review their work items via EDX.

Ms. Brewer requests clarification of what records may need to be modified by an employer at PERS' direction. She is particularly concerned with records over 10 years old, as she feels these records were reported, and clarified and accepted by PERS during the "annuals" process. She specifically notes the impact on employers should current eligibility rules be applied to past data. The proposed rule provides that PERS may ask an employer to modify reports as necessary to produce the verification. This reconciliation is the same process as would occur at retirement. As a general practice, PERS does not apply current eligibility standards to past data unless the prior determination was incorrect under the eligibility standards at the time or is incomplete.

Lastly, Ms. Brewer requests the rule require all communication with an employer regarding a verification be in writing. PERS will use the electronic reporting system and standard employer communication to administer verifications. Communications principally occur via email and the EDX reports; employers can access, print, and retain those records within their own control.

Linda Ely, Retirement Analyst, Department of Administrative Services (DAS) – HRSD Central PERS Services Team, commented by letter. A copy is attached as Attachment 5. Ms. Ely presents several factors, including limited staff, a large population of employees eligible to receive a verification, current reporting challenges, and data clean up projects necessitated by past legislative changes, as reasons the 60-day confirmation period presents significant administrative challenges for DAS. She recommends no less than a 90-day confirmation period during the initial implementation of verifications, with consideration of a shorter period at some future date.

Michelle Morrison, Business Manager for the Yamhill Carlton School District, commented by e-mail. A copy is attached as Attachment 6. Priscilla Ross, Business Manager for the Central Oregon Irrigation District, commented by e-mail. A copy is attached as Attachment 7. Karla Averett, Business Manager for Grant School District #3, commented by letter. A copy is attached as Attachment 8. Cindy Robert, Government Relations, City of Medford commented by e-mail and included comment from Diane Greer, Payroll Manager, City of Medford. Copies are attached as Attachment 9. Their comments echo the concerns expressed above: the extreme administrative burden perceived by employers, the unavailability of older employment records, that the data to be considered has already been reported to PERS, and that current eligibility standards should not be applied to past data. As noted previously, the rule does not generate any independent costs nor can it be tabled indefinitely. Any costs are attributable to the statutory requirements, which also compel rulemaking to implement the statutory provisions. The comments reflect a concern about the costs and practicalities of employers verifying records with PERS. PERS staff would note that the rule does not compel any action by an employer. Once a member requests a verification, the employer is afforded the opportunity to modify or confirm records within a reasonable time. Employers will determine how much time and expense they will expend on that process. An employer can elect to allow PERS to proceed based on the records already submitted. The only circumstance where an employer's response is compelled would be if PERS needs information to reconcile the member's data, but that is the same activity that would otherwise occur at the time the member retires.

#### LEGAL REVIEW

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

#### IMPACT

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

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

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

#### RULEMAKING TIMELINE

June 15, 2010	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
July 1, 2010	<i>Oregon Bulletin</i> published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
July 23, 2010	PERS Board notified that staff began the rulemaking process.
August 24, 2010	Rulemaking hearing held at 1:00 p.m. in Tigard.
September 3, 2010	Public comment period ended at 5:00 p.m.

September 24, 2010

Board may adopt the permanent rule.

BOARD OPTIONS

The Board may:

1. Pass a motion to “adopt OAR 459-005-0040, *Verification of Retirement Data*, as presented.”
2. Direct staff to make other changes to the rule or explore other options.

STAFF RECOMMENDATION

Staff recommends the Board choose Option #1.

- Reason: Implementation and clarification of the data verification provisions of Senate Bill 897 are necessary to comply with statute and to effectively administer the verification process.

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

C.2. Attachment 1 – 459-005-0040, *Verification of Retirement Data*

C.2. Attachment 2 – Public Comment from Greg Hartman dated July 28, 2010

C.2. Attachment 3 – Public Comment from Lori Sattenspiel dated August 31, 2010

C.2. Attachment 4 – Public Comment from Nancy Brewer dated August 24, 2010

C.2. Attachment 5 – Public Comment from Linda Ely dated September 1, 2010

C.2. Attachment 6 – Public Comment from Michelle Morrison dated August 23, 2010

C.2. Attachment 7 – Public Comment from Priscilla Ross dated August 24, 2010

C.2. Attachment 8 – Public Comment from Karla Averett dated August 26, 2010

C.2. Attachment 9 – Public Comment from Cindy Robert and Diane Greer, dated August 25, 2010, and August 23, 2010

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

1 459-005-0040

2 Verification of Retirement Data

3 (1) For purposes of this rule:

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

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

10 (2)(a) Upon receipt of a request for a verification from an eligible member, PERS  
11 will notify the member’s employers of the request. PERS will determine the eligible  
12 member’s creditable service, retirement credit, final average salary, member account  
13 balance, and accumulated unused sick leave for the verification based on employment  
14 data reported to PERS by the member’s employers, as reflected in PERS’ records on  
15 the 61<sup>st</sup> day after the notice is issued, or an earlier date if the employer confirms the  
16 records before the 61<sup>st</sup> day in a manner specified by PERS. An employer may not  
17 modify an eligible member’s records after the earlier of the 60th day after the notice  
18 is issued or the date the records are confirmed.

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

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



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

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

4 (3) For any verification provided by PERS:

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

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

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

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

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

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

22 (d) If, subsequent to the date specified in a verification, a member's account is  
23 divided pursuant to ORS 238.465, the member and alternate payee accounts will be

1 used to determine compliance with section 3(3), chapter 1, Oregon Laws 2010 and  
2 this section.

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

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

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

9 Stats. Impl.: Sections 2-4, chapter 1, Oregon Laws 2010 (Enrolled Senate Bill  
10 897)

# BENNETT, HARTMAN, MORRIS & KAPLAN, LLP

ATTORNEYS AT LAW

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July 28, 2010

Steve Rodeman  
Public Employee Retirement System  
PO Box 23700  
Tigard, OR 97281-3700

Re: Proposed OAR 459-005-0040  
Our File No.: 5415-237

Dear Steve:

Following are comments about the proposed rule regarding the verification process. I am making these comments on behalf of the PERS Coalition.

Paragraph 2 of the proposed rule concludes (on lines 17 and 18) that an employer may not modify employee records except as directed by PERS to reconcile the member's records. I think it is implicit in this language that any such directive from PERS would be part of the verification process and that no directive will be sent to an employer to reconcile records after the verification process has concluded, including any final appeal of that verification. While I think this is implicit in the language it would help to have language which made this point clearly so that there is no confusion about the finality of the process.

Paragraph 4 of the proposed rule lists a number of events which could occur which would have an impact on a verification which had already been received by the member. Paragraph 4(a) specifically provides that in the instance of a change in tier, that a new verification will be issued. The language should be amended to make it clear that a new verification will also be issued for the other causes for change listed under paragraph 4.

Let me know if you have any questions about these comments and as always I appreciate your working with us through this rulemaking process.

Yours very truly,



Gregory A. Hartman

GAH:kaj  
cc: Clients

**MEMORANDUM**



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**TO: PERS Board**  
**FROM: Lori Sattenspiel, Legislative & Public Affairs**  
**SUBJ: Proposed Rule - data verification**  
**DATE: August 31, 2010**

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OSBA would like to submit comments on the proposed rule 459-005-0040 - verification of retirement data.

There has been several good comments that were offered on the proposed rule reference above during the recent LAC meeting held in Tigard. OSBA would like to offer some additional comments for your consideration as well as confirm the concerns noted from prior comments provided by the League of Cities, and others in attendance at the meeting.

School districts are concerned about several items dealing with the process of verification, most of which have been referenced, but wish to be added as concerned for these areas:

1. 60 days is much too short, the time lines should be extended to at least 90 days
2. If a “lack” of response on the part of a district is to be construed as an affirmation that the information is correct, there should be a number of reminders/warnings that go to districts prior to the end of the time period. Things happen, staff changes, becomes ill, has emergencies, etc. and it wouldn’t be appropriate for something to slip through just because there weren’t reminders.
- 3.If the employee has an opportunity to modify the information included in the PERS system prior to the employer verifying it, the specific changes should be noted and the employee should be required to provide an explanation for the changes.
4. If the employee can modify the information after the employer verifies it, the same thing should happen and the employer should have another opportunity to review and either approve or dispute.
5. What is the process to be used if there is a dispute or the employer and employee don’t agree? How is PERS intending to determine what the correct information is?
6. The notification to employers should include an email to the district contact in addition to an addition to the work schedule.
- 7.The due date should be prominently noted in any correspondence and on the work schedule.

We appreciate the opportunity to assist you with a rule that will work for all impacted by this law.

**C.2. Attachment 4**  
**Page 1 of 2**

**From:** "Brewer, Nancy" <Nancy.Brewer@ci.corvallis.or.us>  
**To:** "Daniel RIVAS" <daniel.rivas@state.or.us>  
**Date:** 8/24/2010 11:51 AM  
**Subject:** Comments on Proposed OAR 459-005-0040

I have reviewed the latest draft of the proposed administrative rule 459-005-0040-6 Verification of Retirement Data. I have a few comments about the proposed language in the rule:

Section 2(a) -- the implication in this language is that if an employer fails to respond to a request for verification of data within 60 days, PERS will use the data that they already have for service time, retirement credit, final average salary, member contributions, and accumulated unused sick leave. The language goes on to say that an employer may not modify its data after the date of verification. What is not clear is:

\* whether an employer non-response at an initial request for verification will result in a second request for verification at the actual time of retirement, or if PERS will rely on the data in their records, and not go back to the employer at the time of retirement.

\* assuming that an employer response with data that is different than PERS has in its existing records will result in changes to the record and payments due from the employer, if that will then resolve the issue with no additional going back. While the rule implies this, our actual experience with PERS surrounding a number of employees is that PERS determined the individual was a member (we withheld), then later determined the individual did not establish membership after all (we refund), then determine they were a member (we send a bill to collect the member's 6%), etc. and we find ourselves in the position of pursuing collections from and payment to the same employee/former employee several times. This is particularly troublesome for former employees who are about to retire, and PERS, which had accepted records before, determines a different membership date and then requires payment of the employee's contribution, plus employer's contribution and lost earnings. This has a significant financial impact on the employer, and the work load associated with trying to collect the 6% from a former employee for periods when the City was MPPT is huge, even when we write-off de minimus amounts.

Section 2(b) -- indicates that an employer may be directed to modify records if PERS determines modifications are necessary. It is not clear to me what records may need to be modified by the employer. Particularly, for periods of time more than 10 years or so ago, which is one of the areas where we often have disputes with PERS about eligibility (i.e., at the time, the employee was not eligible because he/she did not work for us for more than 600 hours and concurrency did not count, but the current application of concurrency rules would have made him/her eligible), the employer is generally unable to change records in EDX. Frankly, I have some trouble thinking I would need to change records from a period where data was reported, clarified by PERS at year end, and accepted by PERS; the retroactive change in concurrency means that the historical data is no longer accepted, but it was all correct at the time.

Finally, I would like section 2 to indicate that all communication with the employer will be in writing. We will need to be able to have hard

copies of determinations made by PERS to keep in our permanent files so that we have something to fall back on when future decisions, counter to the immediate decision, are made and PERS determines monies are due. Having this discussion verbally gives us nothing on which to rely in future disputes.

Thank you,

Nancy Brewer  
Finance Director  
City of Corvallis



# Oregon

Theodore R. Kulongoski, Governor

## Department of Administrative Services

Human Resource Services Division

155 Cottage Street NE U30

Salem, OR 97301

PHONE: (503) 378-8344

FAX: (503) 373-7684

September 1, 2010

PERS Board  
Public Employees Retirement System  
PO Box 23700  
Tigard, OR 97281

Re: Public Comment on Rulemaking for  
OAR 459-005-0040 – Verification for Retirement Data

Dear Board Members:

The purpose of this letter is to provide comments on this new rule.

We understand that there is a legislative mandate that as of July 1, 2011, PERS must provide to PERS members, who are two years from their earliest retirement date and request one, a verification of their retirement plan data. This verification will be used to provide the member with a specific benefit amount based on their account data that is "locked". As PERS' largest employer we, the state, have great concern in limiting through this rule, the employer's time for review of member accounts to 60 days. We would like to see, initially, no less than a 90 day timeframe. Once the process has been perfected and is working smoothly, a 60 day timeframe could then be considered.

Currently, the state has over 7,500 employees who are either currently eligible for retirement or are two years from their earliest retirement date and eligible to request a verification. We have a small centralized staff (3 analysts, 1 support staff) who work as the liaison between 82 state agencies and PERS. We help state agencies get newly hired employee accounts set up correctly on the PERS system, as well as the state's personnel and payroll systems. We also assist these agencies and their employees when they have questions about how their salary, hours worked and other benefits impact their PERS account. For PERS purposes, the state is considered one employer, and we handle all PERS reporting for the state, clearing of suspended records, eligibility reviews, invoices, etc., for approximately 40,000 state employees.

At this point in time, less than a year away from the required implementation of this legislation, we still have a number of accounts that have records that cannot post to jClarety, as we are waiting for PERS to fix the accounts. Some as far back as 2004. In other cases, we have members who are close to retirement, and know their PERS accounts are not correct and want to make sure they are before they even request an estimate. But, because they have not actually requested the estimate or applied for a benefit, their requests are not a priority for PERS staff. We hear from these people month after month, hoping to hear news that their account is now correct. We have seen a number of members who have waited many months to get an estimate, so they could begin the process of determining when they should retire.

September 1, 2010  
2nd page

These types of situations, coupled with the number of data clean up projects PERS is working on, and our own clean up projects, both due mostly to past legislative changes such as the change in contribution eligibility for lump sum vacation pay, break in service and PERS eligibility for seasonal P&F employees, etc., cause us concern over a 60 day timeframe. We do not believe with the amount of data that we see needing to be cleaned up, that all the work can be completed in the next 10 months. This leaves a large number of accounts still in the wrong plan, with unposted records because they cannot be fixed due to system constraints or do not have their general service versus P&F time on the system correctly.

Our understanding on how the process will work is that PERS will receive the verification request from the member, they will have the member verify the data they have on file, once that is done they will send the verification request on to the employer. At that time, the 60 day clock begins. As the employer representative for 82 state agencies, we will be required to indicate electronically via EDX that we have verified the data, for each verification requested for each agency, to be correct. If, on the 61st day, we have not done so, PERS will "lock" the data as is. Correct or not. And, the data will not be able to be changed after that time. We see this as a huge liability for both the employer and PERS, with the possibility of a number of members receiving benefits in excess of what they should have. Or, in the case where the amount may be less than what they deserve, having the member appeal the verification and having to once again go through the process.

Due to the possible cost to state agencies, which will ultimately be seen in increased employer rates, we see the verification process becoming our first priority. Even with a 90 day turn around, with the number of verification requests possible at one time, our staff may be able to do nothing else but work on verifications. At times of heavy volume, we would be unable to clear suspended records, work on clean up projects, and assist PERS staff with issues for pending retirees, in our effort to ensure that all verifications received are reviewed to meet the required timeframe.

We acknowledge that in many cases, the accounts will be correct. However, our staff will still have to take the time to review the information on our personnel and payroll systems, and compare this information to what PERS has on their system to ensure the data's accuracy and indicate our verification on EDX.

We would like to see the rule provide some flexibility in the employers verification timeframe at the start up phase of this process. Again, once the process is working smoothly and all the data is cleaned up the rule could be amended to indicate the 60 day timeframe.

We appreciate the opportunity to share our ideas and concerns.

Sincerely,

Linda Ely

Retirement Analyst/Employer Representative  
DAS - HRSD Central PERS Services Team

CC: Diana Foster, Administrator, DAS Human Resource Services Division



## C.2. Attachment 6

**Daniel RIVAS - Comment on SB 897**

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**From:** "Michelle Morrison" <morrisonm@ycsd.k12.or.us>  
**To:** <daniel.rivas@state.or.us>  
**Date:** 8/23/2010 11:54 AM  
**Subject:** Comment on SB 897

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As Business Manager for Yamhill Carlton School District, a PERS Employer, I STRONGLY RECOMMEND NOT IMPLEMENTING any rules that would require increase administrative support. It does not make sense to add to administrative workloads (and costs) during a recession.

This rule should be tabled until other, *higher priority* items have been re-funded. At best, administrative rules requiring *additional* resources should be metered very carefully until the economy has shown a lengthy period of strong recovery.

Michelle Morrison

## C.2. Attachment 7

**Daniel RIVAS - Comments on 459-005-0040**

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**From:** "Priscilla Ross" <pross@coid.org>  
**To:** <daniel.rivas@state.or.us>  
**Date:** 8/24/2010 10:16 AM  
**Subject:** Comments on 459-005-0040

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Good morning Daniel,

The purpose of this email is to comment on the Proposed PERS Administrative Rule on Retirement Data Verification.

This rule will create extreme hardship for many small districts, such as COID. The documentation to do the verification that is proposed is simply not available. I have been with the District for almost six years. The only payroll records that were kept as "year-end payroll registers" from prior to 2000 were W-2's. COID currently has 28 employees eligible for PERS. Of those 28 employees, 8 should be retiring within the next 10 years. Five of those employees will have over 20 years of service; hire dates prior to 2000. I can verify total wages, not sick leave, PERS contributions, etc. for the years prior to 2000. There are another six employees hired before 2000 who will probably not retire until after 2020.

State rules required that year-end payroll registers be kept 75 years. Prior to 2000 W-2's were interpreted to meet that requirement. What is the proposed solution if the records are simply not available?

One other item of note – I have NEVER encountered a discrepancy with PERS records with any of the research requests I've completed for PERS. In my opinion this proposed Administrative Rule is "overkill" and NOT necessary.

Priscilla Ross  
Central Oregon Irrigation District  
Business Manager  
(541)504-7571

Information from ESET NOD32 Antivirus, version of virus signature database 5393  
(20100824)

The message was checked by ESET NOD32 Antivirus.

<http://www.eset.com>



ER#3391

# GRANT SCHOOL DISTRICT #3

401 N. Canyon City Blvd. • Canyon City, OR 97820  
Phone: (541) 575-1280 • Fax: (541) 575-3614

August 26, 2010

PERS Rules Coordinator  
Policy, Planning & Legislative Analysis Division  
Oregon Public Employees Retirement System  
PO Box 23700  
Tigard, OR 97281-3700

SUBJECT: OAR 459-005-0040 / Retirement Data Verification

The passage of OAR 459-005-0040 to implement retirement data verification requirements would put a substantial hardship on our District.

The ruling would require us to submit data previously submitted to PERS on a monthly basis and verified annually as to its accuracy through PERS' annual reconciliation process. In this time of financial shortfalls passage of OAR 459-005-0040 would put undue financial and time constraints on our District by requiring us to unnecessarily duplicate our efforts.

Sincerely,

A handwritten signature in black ink, appearing to read "Karla Averett".

Karla Averett  
Business Manager

RECEIVED  
AUG 30 2010  
PERS

70

BOARD OF DIRECTORS:

Chairman Gordon J. Larson ■ Jim Cernazanu ■ Dr. Robert Holland ■ Pat Holliday ■ Greg Jackle ■ Les McLeod ■ Tracie Unterwegner

Intake 08/30/2010



August 25, 2010  
Daniel Rivas  
Daniel.Rivas@state.or.us  
Oregon Public Employees Retirement System,  
11410 SW 68th Pkwy.  
Tigard, OR 97281

Re: OAR 495-005-0040

As you know, SB 897 allows PERS members within two years of earliest retirement age to request verification of data used to calculate PERS retirement benefits. While the legislature re-passed this legislation after the Governor originally vetoed it, the City of Medford does not believe that the extreme onus of the obligations on employers was ever fully vetted. We ask that the PERS Board do what they can to mitigate the burden to allow full compliance with the new requirements.

We feel strongly that all pertinent information is supplied to the PERS Board regularly, audited by the Board and corrected when needed. Then, it is up to PERS to maintain the information. While moving forward employers, with the use of modern technology, could change their data retention practices, doing so retroactively for employees of decades ago will be difficult, especially from times when all information was collected and stored in paper form. Since PERS has already been supplied the information and PERS was allocated money to implement SB 897 (employers were not), it should fall on the Board to do verifications from the pre-computer error and to change rules for those hired post-date (i.e. 2000).

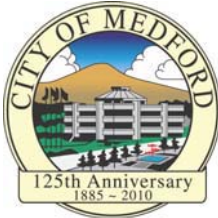
The City of Medford also has concerns regarding the use of currently adopted rules and formulas when determining allowances for those who garnered time under a different set of rules. Specifically, the requirement for 600 hours in a rolling 12-month period vs, one calendar year. This has the potential for all State and Local Governments to owe additional money for previously non-qualifying hours.

Finally, we believe the PERS Board has the data, manpower and money to do the work required by implementation of SB 897, whereas our city and many others do not.

Thank you,

Cindy Robert  
Government Relations  
City of Medford

Attached: Email from Medford's payroll manager to the PERS Board



**From:** Diane C. Greer  
**Sent:** Friday, April 23, 2010 11:47 AM  
**To:** 'PERS-Employer Info Services'; 'Paul SCHOLÉS'  
**Cc:** Alison B. Chan; Paul A. Morrow; Doug G. Detling; Diane C. Greer  
**Subject:** SB897 concerns

Jim Demetry

Thank you Jim for the opportunity to share my concerns in regards to SB897 verification of benefit calculation that will be in effect 7/1/2011. Hopefully, that in the months ahead decisions will be made to alleviate the impact this law would entail. As requested, I have listed some of my concerns since yesterday's meeting.

If I understood you correctly, you had mentioned that the verification process would include the employer to verify Salary, Service Time, Sick Leave, T1+T2 Account Balance year by year from date of hire.

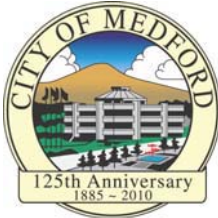
Verifying salary, etc for each year going back 30 + years would take an enormous amount of time just for one verification not to mention hundreds of employees who have worked for this City in the past years. Prior to 1996 all of our employee records are paper documents.

As you can imagine, there may be instances where files have been damaged or lost due to unknown factors like water damage or misplacement of records during moves, etc. Also, State of Oregon Retention Law requires that timesheets are only retained for 4 yrs. This in itself would cause problems if there was a dispute in verifying hours worked in a specified time allotment for eligibility purposes. (see items #1, #2, #3 below).

The new rules adopted for eligibility have totally changed since 2004 compared to how eligibility was determined before that time. It is my understanding that the SB897 verification would have to be conducted in accordance with the new eligibility rules currently in place not by eligibility requirements that were in place by law prior to 2003.

Forgive me, but I think that it is ludicrous that a persons' benefits can be changed not because of what the employer was required to pay at the time, but because it would be easier for everyone to go by the new rules currently in place.

#1 - We were required to track 600 eligibility hrs based on a rolling 12 months. Not on a calendar year. There were also eligibility rules of qualifying months and qualifying quarters for those employees whose jobs were seasonal and we had to determine if they were qualifying hours within the 12 cumulative months. In order to substantiate the days worked for these individuals we would need time sheets. By state retention law, times sheets are only held for 4 yrs.



#2 - We have had over the years Member Paid Pretax as well as Employer Paid Pretax contributions. Our retiring employees would have both types of contributions on record. If changes were made to a member's eligibility status it could have an impact on that person's pretax wages paid in prior years.

#3.- PERS required Annual Audits to be submitted. SB897 basically overrides our audits. I believe that the employer has already submitted employee information to PERS once. Any error's, adjustments, penalties have already been accounted for. Our employee's records have already been verified and posted to PERS during these annual audits.

Last but not least we simply do not have the man power needed to conduct these in depth verifications that could possibly cover 30+ years. You mentioned that PERS will be recruiting 13 additional FTE's to cover this one law change. We do not have the budget to recruit any new positions that it would take to compile this magnitude of information.

Please do not hesitate to contact me.

Best Regards,

Diane C Greer

Payroll Manager, Finance Dept.  
City of Medford #2102  
541-774-2029  
[diane.greer@ci.medford.or.us](mailto:diane.greer@ci.medford.or.us)



# Oregon

Theodore R. Kulongoski, Governor

## Public Employees Retirement System

Headquarters:  
11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR  
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September 24, 2010

TO: Members of the PERS Board  
FROM: Steven Patrick Rodeman, Deputy Director  
SUBJECT: Adoption of Retire from One, Retire from All Rule

### OVERVIEW

- Action: Adopt new OAR 459-080-0260, Distribution of IAP Accounts at Retirement.
- Reason: A new rule is needed to clarify the provisions of ORS 238A.400, "Payment of accounts at retirement."
- Policy Issue: Should PERS adopt a standard that requires retirement from the IAP at the time a member retires from their other retirement program?

### BACKGROUND

The 2003 PERS Reform legislation created the Individual Account Program (IAP) and directed that all members participate, creating a dynamic where every PERS member is in at least two programs. Subsequent amendments, such as the repeal of "Break-in-Service," and agency actions, like IAP remediation, have addressed some of the complications arising from this dual membership. The proposed new rule attempts to address another complication: retiring from one program but not the other.

IAP retirement eligibility is set forth in ORS 238A.400. This eligibility is not independent, but instead is predicated on the IAP member's eligibility to retire under their other retirement program. A member of the OPSRP Pension Program may begin distribution of IAP benefits "Upon retirement..." from the pension program. (ORS 238A.400(1)). Similarly, a member of the PERS Chapter 238 Program may begin distribution of IAP benefits at the time the member "...retires for service under the provisions of ORS chapter 238." (ORS 238A.400(4)).

Historically, PERS has allowed members to retire from their two programs separately, e.g., commence their OPSRP Pension retirement and leave their IAP account until they make the separate decision to retire from that account. This policy has resulted in complications because members are not in the same status in both programs: they could be retired members for the OPSRP Pension program but inactive members in the IAP. If such a member were to return to part-time employment, for example, their OPSRP Pension retired status would mean one set of reporting standards, but their IAP status could compel another.

## POLICY ISSUE

*Should PERS adopt a standard that requires retirement from the IAP at the time a member retires from their other retirement program?*

Another action that addressed the administrative complications arising from dual membership was the 2007 Oregon Legislature's passage of HB 2281, a PERS Board legislative concept that requires a member who withdraws from one program to withdraw from them all. That bill became effective January 1, 2008. This proposed new rule applies that same principle to the member's retirement.

Because IAP retirement is predicated on retirement from the member's other program, the proposed new rule embodies the policy decision made by the legislature as it relates to a member's withdrawal by extending that same policy to retirement. The rule would clarify that retirement from the IAP can begin only at the time the member retires from their other retirement program. Staff recommends adoption of a "retire from one, retire from all" standard to resolve the administrative complications arising from dual memberships and to more closely follow the statutory directives on when IAP retirement should commence.

Also, the proposed new rule establishes that a member retired for disability under the PERS Chapter 238 Program may begin distribution of their IAP accounts upon reaching earliest service retirement age. Obviously, a disability retirement can occur at any age and is not an elective decision by the member, so a "retire from one, retire from all" standard has to allow for a later distribution since that member may never retire for service. Disability benefits under the OPSRP Pension Program, however, are not retirement benefits and a recipient is not a retired member. Those disability benefits cease when the member reaches normal retirement age. That member may then retire for service and this rule would begin distribution of IAP benefits at that time.

Judge members are excluded from the rule because they do not participate in the IAP for their judge member service. Legislators are excluded because they are one group that could still have concurrent membership in OPSRP and PERS Chapter 238 (unless the proposed 2011 legislative concept is adopted).

The effective date of the rule is delayed until January 1, 2011 to permit PERS to inform members and to generate the necessary forms and procedures. Operational implementation is relatively simple. A combined retirement application has been developed in draft and will be made available if the rule is adopted. The structure of the form allows the program specific sections to be separated, scanned, and directed to existing workflows.

Members will be informed through a number of avenues. If the rule is adopted, the PERS home page and the Tier One/Tier Two, OPSRP Pension, and IAP forms pages will be updated to direct attention to the new policy and explain the new combined retirement application. The new application will be required for members retiring January 1, 2011 or later and will be the only retirement application available online or by mail after December 1, 2010. Members who request estimates for retirement dates on or after January 1, 2011 will be advised that retirement on or after that date must include retirement from the IAP. The December "active member" issue of *PERSPECTIVES* will contain an article about the new rule. Employers will be notified and encouraged to share the information with their employees. Customer Service phone staff,



correspondence team, presentation team, and Retirement Application Assistance Session counselors will also be an informational resource for members.

Members who have retired from only one program before the effective date of the rule remain eligible to begin IAP distribution, but are not compelled to do so. These members will continue to receive IAP annual statements, so they are reminded at least annually that benefits under that program are available for distribution.

#### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held on August 24, 2010 at 1:00 p.m. at PERS headquarters in Tigard. No members of the public attended to comment on the rule. The public comment period ended on September 3, 2010 at 5:00 p.m. No public comment was received.

#### LEGAL REVIEW

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

#### IMPACT

Mandatory: No, the Board need not adopt the rule, but the rule resolves administrative complications arising from dual memberships and more closely follows statutory directives.

Impact: The rule clarifies and simplifies retirement administration.

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

#### RULEMAKING TIMELINE

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

### BOARD OPTIONS

The Board may:

1. Pass a motion to “adopt OAR 459-080-0260, Distribution of IAP Accounts at Retirement, as presented.”
2. Direct staff to make other changes to the rule or explore other options.

### STAFF RECOMMENDATION

Staff recommends the Board choose Option #1.

- Reason: A new rule is needed to resolve the administrative complications arising from dual memberships, to more closely follow statutory directives, and clarify the provisions of ORS 238A.400, “Payment of accounts at retirement.”

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

C.3. Attachment 1 – 459-080-0260, *Distribution of IAP Accounts at Retirement*

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

1 459-080-0260

2 Distribution of IAP Accounts at Retirement

3 (1) Except as provided in this rule, distribution under ORS 238A.400 of a  
4 member’s Individual Account Program (IAP) accounts at retirement shall begin  
5 only at the time the member retires for service under the PERS Chapter 238  
6 Program or OPSRP Pension Program.

7 (2) A member of the IAP who is retired for disability under the PERS Chapter  
8 238 Program may begin distribution of the member’s IAP accounts upon reaching  
9 earliest service retirement age.

10 (3) This rule does not apply to a member who retires for service as a judge  
11 member or legislator.

12 (4) This rule is effective January 1, 2011.

13 Stat. Auth.: ORS 238A.450

14 Stats. Impl.: ORS 238A.400





# Oregon

Theodore R. Kulongoski, Governor

## Public Employees Retirement System

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

September 24, 2010

TO: Members of the PERS Board  
FROM: Dale S. Orr, Actuarial Services Manager  
SUBJECT: 2011-13 Individual Employer Rate Adoption

### EXECUTIVE SUMMARY

On September 24, 2010, Mercer actuaries Matthew Larrabee and Scott Preppernau will present recommended 2011-13 employer rates for Board adoption. A summary of individual employer contribution rates will be provided prior to the Board meeting. These recommended rates will be based on the December 31, 2009 Valuation and, as adopted, will be in effect for all PERS covered payrolls dated on or after July 1, 2011 through June 30, 2013.

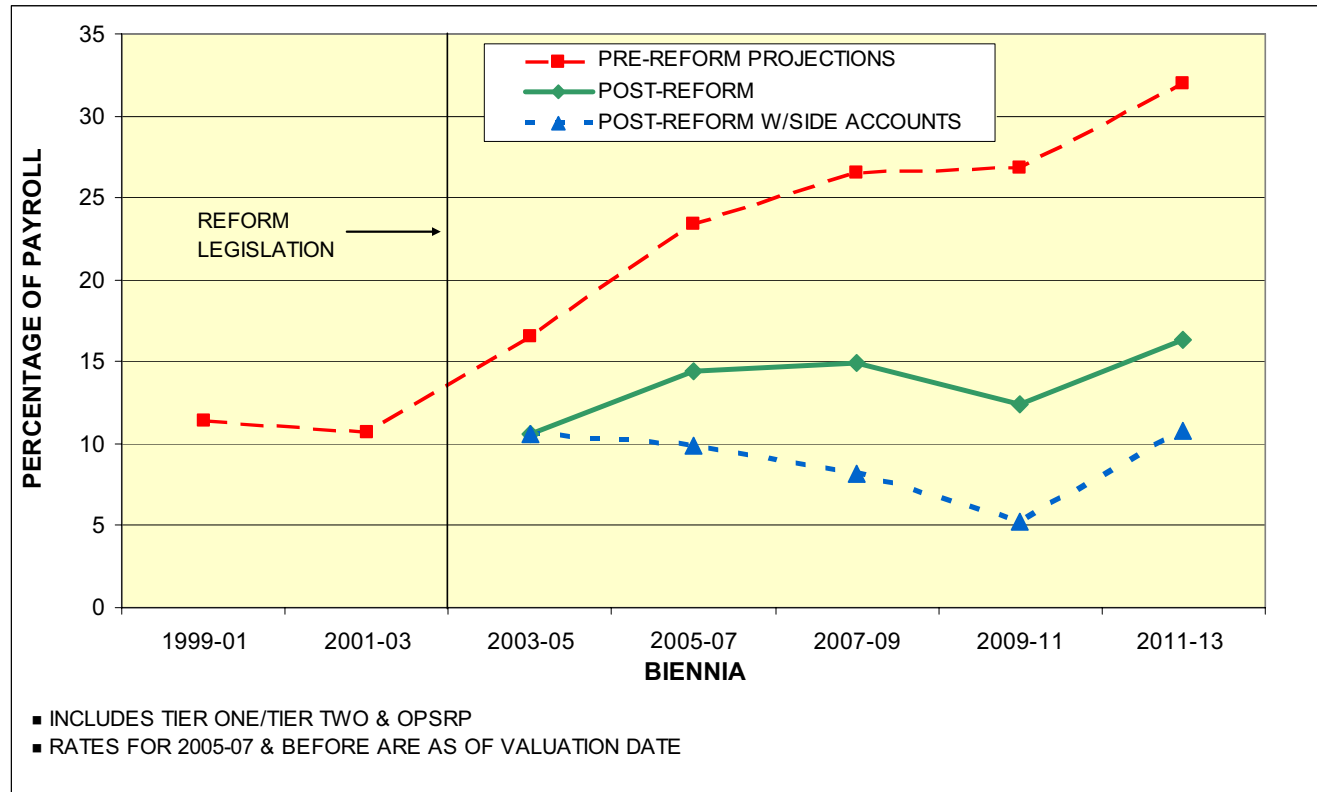
State statute (ORS 238.225) directs the PERS Board to periodically assess system liabilities and set employer contribution rates so that they will adequately fund those liabilities. Within this authority, the Board adopted a rate collaring structure that both meets the system's funding requirements and moderates volatility in employer rates. Historically, the Board has adopted new rates biennially, based on a valuation study conducted for each odd-numbered year.

### BACKGROUND

Due to unprecedented 2008 investment losses, the 2011-13 employer rates will see a significant increase over the current, historically low 2009-11 rates. This increase will place system-wide rates, before the inclusion of side account offsets, about one percent of payroll above the rates paid by employers during the 2007-09 biennium. However, compared to 2009-11 rates, and net of side account offsets, system-wide rates will increase by 5.6 percent of payroll.

While the 2008 investment losses have triggered substantial net employer rate increases, those rates are still significantly below where employer rates would have been had the 2003 PERS Reforms not occurred. The following graph details that comparison.

### PERS Consolidated Employer Rate History



In terms of the impact on employers, the following chart displays the average 2009-11 and 2011-13 employer rates (net of side account offsets), and the projected payrolls and biennial contribution amounts by major employer group:

### 2011-13 Employer Rates and Contributions

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

STAFF RECOMMENDATION

Staff recommend the Board adopt the 2011-13 individual employer contribution rates as presented by the PERS actuary. Adoption of the proposed rates is in compliance with the Board's rate setting policies and fulfills its statutory obligation to set employer rates for the 2011-13 biennium so that they will adequately fund system liabilities.

Attachment    Mercer December 31,2009 Actuarial Valuation  
                         Individual Employer 2011-2013 Contribution Rates





# MERCER

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MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

September 24, 2010

**December 31, 2009 Actuarial Valuation**  
Oregon Public Employees Retirement System  
Individual Employer 2011-2013 Contribution Rates

Matt Larrabee, FSA  
Scott Preppernau, FSA

## December 31, 2009 Actuarial Valuation

### Overview

- At the July Board meeting, we presented system-wide results of the December 31, 2009 actuarial valuation
- Since then, we have completed work on over 500 employer-specific valuation reports that include contribution rate information
  - A summary listing of contribution rates is included in Board materials
- Once rates are adopted, PERS will issue the individual reports to employers
- The following slides contain a brief discussion of the individual employer rates

## December 31, 2009 Actuarial Valuation

### Individual Employer Rates

- Separate contribution rates are developed for each individual employer reflecting
  - Participation in a cost-sharing pool, if applicable
  - “Pre-pooled” shortfalls or surpluses
  - Side accounts
- For each employer, contribution rates are developed for three different payrolls
  - Tier 1/Tier 2
  - OPSRP General Service
  - OPSRP Police & Fire
- “Base rates” are developed that do not reflect the effect of side accounts
- Side account rate offsets are then calculated and applied to determine “net rates”
  - Employers with side accounts pay their base rate via a combination of side account transfers and contribution of the net rate
- Rates calculated do not reflect the costs of:
  - Debt service payments on pension obligation bonds
  - Any employer “pick-up” of member contributions to the IAP

## December 31, 2009 Actuarial Valuation

### Individual Employer Rates

- All employers fall into one of three categories for their Tier 1/Tier 2 rate calculation:

<b>Tier 1/Tier 2 Employer Category</b>	<b>Rate-Setting Implications</b>
<b>State and Local Government Rate Pool (SLGRP)</b>	All members pay the same Unfunded Actuarial Liability (UAL) Rate. Each employer pays a unique Normal Cost Rate, but it is based on pooled member census data. Employers may have individual adjustments due to “pre-pooled” shortfalls or surpluses prior to entry to the SLGRP and/or side account rate offsets.
<b>School District Rate Pool</b>	All Schools districts pay the same UAL Rate and Normal Cost Rate. The only adjustment to the pooled rates occurs for employers who have side account rate offsets.
<b>Independent Employers</b>	All rate components are calculated separately for each individual employer based solely on that employer’s experience and side account status. For small employers, demographic experience can produce large changes in Normal Cost Rate or UAL Rate from one rate-setting period to the next.

- OPSRP Normal Cost Rates and the UAL Rate for the OPSRP shortfall are pooled at a system-wide level

## December 31, 2009 Actuarial Valuation

Average Net Contribution Rates Including Retiree Healthcare  
(Excludes IAP Contributions, Pension Obligation Bond Debt Payments)

Average Net Employer Rates	Tier 1/Tier 2			OPSRP		
	SLGRP	School Districts	Independents	General Service	Police & Fire	System-Wide
2009-2011 Net Rates <sup>1</sup>	4.4%	5.2%	9.6%	4.9%	7.5%	5.2%
2011-2013 Net Rates <sup>2</sup>	10.8%	11.7%	13.7%	9.0%	11.7%	10.8%
Net Rate Increase	6.4%	6.5%	4.1%	4.1%	4.2%	5.6%

- Based on the payroll categories for which contribution rates are developed, the average change in net employer contribution rates is shown above for each payroll
- Rate changes vary significantly by individual employer
- Large employers that will see the greatest rate increases are those that elected to establish side accounts via pension obligation bonds
  - Those employers saw larger net rate decreases effective July 2009, and will see larger rate increases effective July 2011

<sup>1</sup> In this exhibit, 2009-2011 base rates are adjusted by two factors to calculate estimated system-wide net rates. Adjustments are for side accounts and pre-SLGRP liabilities/(surpluses). The 2009-2011 rates in this exhibit were accumulated on an employer by employer basis for SLGRP and School Districts, and adjustments were limited when an individual employer reaches a 0% contribution rate. Independent employers, including Judiciary, are treated as a single pool for purposes of this exhibit.

<sup>2</sup> In this exhibit, 2011-2013 base rates are adjusted by two factors to calculate estimated system-wide net rates. Adjustments are for side accounts and pre-SLGRP liabilities/(surpluses) and are assumed not to be limited when an individual employer reaches a 0% contribution rate. Independent employers, including Judiciary, are treated as a single pool for purposes of this exhibit.

## December 31, 2009 Actuarial Valuation

Average Net Contribution Rates Including Retiree Healthcare  
(Excludes IAP Contributions, Pension Obligation Bond Debt Payments)

	Payroll (Millions)	Funded Status (Excluding Side Accounts)	2009-2011 Net Rate	2011-2013 Net Rate	Change in Net Rate	Base Rate Increase Deferred by Rate Collar
Employers without Side Accounts	\$2,761	78%	8.9%	13.0%	4.1%	4.0%
Employers with Side Accounts	\$5,751	76%	3.4%	9.8%	6.4%	4.0%
All Employers	\$8,512	76%	5.2%	10.8%	5.6%	4.0%

- Employers without side accounts have an average net rate increase of 4.1%
  - The rate collar limits the UAL Rate to 4.0% below its uncollared level, with the deferred amount to be reflected in base rate increases for 2013-2015 and beyond
- Until July 2011, side account rate offsets are based on 12/31/07 side account levels
  - If assumptions are met, side account offsets would decrease further in 2013-2015
- The higher level of net rate increase for employers with side accounts is primarily caused by a decrease in side account rate offset levels due to the market downturn
  - Side accounts are calculated to amortize fully by December 2027 to align with many of the underlying pension obligation bond debt repayment schedules



## Next Steps

- Board adopts individual employer rates for 2011-2013 biennium
- Individual employer valuation/contribution rate reports are distributed by PERS
- Mercer completes system-wide actuarial valuation report
- Third-party firm (Gabriel Roeder Smith) reports to Board in November on results of their actuarial audit of the valuation

## Actuarial Certification

Mercer has prepared this presentation exclusively for the Oregon PERS Board to present the results of a valuation of the Oregon Public Employees Retirement System as of December 31, 2009, and to provide information on average employer contribution rates for the period beginning July 1, 2011. This presentation may not be used or relied upon by any other party or for any other purpose; Mercer is not responsible for the consequences of any unauthorized use.

A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a plan's future financial condition or its ability to pay benefits in the future.

Over time, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, plan expenses and the amount earned on any assets invested to pay the benefits. These amounts and other variables are uncertain and unknowable at the valuation date, but are predicted to fall within a reasonable range of possibilities.

To prepare this report, various *actuarial assumptions*, as described in the Appendix, are used to select a single scenario from a range of possibilities. However, the future is uncertain, and the system's actual experience will differ from those assumptions; these differences may be significant or material. In addition, different assumptions or scenarios may also be within the reasonable range and results based on those assumptions would be different. Actuarial assumptions may also be changed from one valuation to the next because of changes in mandated requirements, plan experience, changes in expectations about the future and other factors. Due to the limited scope of our assignment, we did not perform, nor do we present, an analysis of the potential range of future possibilities and scenarios.

Because actual system experience will differ from the assumptions, decisions about benefit changes, investment policy, funding amounts, benefit security and/or benefit-related issues should be made only after careful consideration of alternative future financial conditions and scenarios and not solely on the basis of a valuation report or reports.

This report is based on data and system provisions as described in the Appendix. Oregon PERS is solely responsible for the validity, accuracy and comprehensiveness of this information. If the data or plan provisions supplied are not accurate and complete, the valuation results may differ significantly from the results that would be obtained with accurate and complete information; this may require a later revision of this report.



## Actuarial Certification

### Actuarial Calculations, Methods and Assumptions

To the best of our knowledge and belief, this report is complete and accurate and all costs, liabilities and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures using an actuarial cost method approved by the Board. Assumptions used are based on the last experience study, as adopted by the Board on July 16, 2009. This valuation is based on assumptions, plan provisions, methods and other parameters as summarized in this report. If this information is inaccurate or incomplete or does not reflect current statutes, regulations or Board directives, the reader of this report should not rely on the valuation results and should notify Mercer promptly. In our opinion, this report fully and fairly discloses the actuarial position of the plan on an ongoing basis.

### Professional Qualifications

We are available to answer any questions on the material in this report or to provide explanations or further details as appropriate. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. We are not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict of interest, that would impair the objectivity of our work.

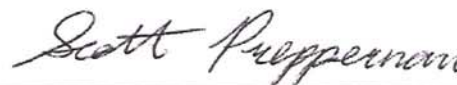
We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.



September 24, 2010

Matthew R. Larrabee, FSA, EA, MAAA  
Enrolled Actuary No. 08-6154

Date



September 24, 2010

Scott D. Preppernau, FSA, EA, MAAA  
Enrolled Actuary No. 08-7360

Date

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

# Appendix



## Appendix Actuarial Basis

### Data

We have based our calculation of the liabilities on the data, methods, assumptions and plan provisions described in the forthcoming December 31, 2009, Actuarial Valuation (“2009 Valuation Report”) for the Oregon Public Employees Retirement System.

Assets as of December 31, 2009, were based on values provided by Oregon PERS reflecting the Board’s earnings crediting decisions for 2009.

### Methods / Policies

Liabilities are based on the Projected Unit Credit method and are rolled forward according to the following rules:

UAL Amortization: The UAL for Tier 1/Tier 2, OPSRP, and Retiree Healthcare as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for OPSRP, it is 16 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over the amortization period (20 years for Tier/Tier 1, 16 years for OPSRP, 10 years for Retiree Healthcare) from the odd-year valuation in which they are first recognized.

Contribution rate stabilization method: Contribution rates are confined to a collar based on the prior base contribution rate. The new base contribution rate will generally not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the prior contribution rate. If the funded percentage excluding side accounts drops below 80% or increases above 120%, the size of the collar increases.

Expenses: OPSRP administration expenses are assumed to be equal to \$6.6M and are added to the OPSRP normal cost.

Actuarial Value of Assets: Equal to Market Value of Assets excluding Contingency and Tier 1 Rate Guarantee Reserves



## Appendix Actuarial Basis

### **Assumptions**

Assumptions for valuation calculations are as described in the 2009 Valuation Report.

### **Provisions**

Provisions valued are as detailed in the 2009 Valuation Report.

### **Arken and Robinson Litigation**

We have made no adjustment to these valuation results to reflect any interpretation of Judge Kantor's rulings in the *Arken* and *Robinson* cases.

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## Summary of PERS Employer Contribution Rates

Rates shown reflect the effect of side account rate offsets and retiree healthcare contributions,  
and exclude contributions to the IAP or debt service for pension obligation bonds.

Employer Number	Employer Name	Net Employer Contribution Rate 7/1/09 - 6/30/11			Net Employer Contribution Rate 7/1/11 - 6/30/13				
		Tier 1/ Payroll	Tier 2 Payroll	OPSRP General Service Payroll	OPSRP Police and Fire Payroll	Tier 1/ Payroll	Tier 2 Payroll	OPSRP General Service Payroll	OPSRP Police and Fire Payroll
Independent Employers									
City									
2167	City of Athena	5.92%		2.92%	5.63%	6.08%		5.19%	7.90%
2106	City of Beaverton	7.83%		5.81%	8.52%	11.29%		7.25%	9.96%
2107	City of Bend	8.52%		4.49%	7.20%	13.01%		7.67%	10.38%
2149	City of Canyonville	6.05%		2.34%	5.05%	10.11%		4.77%	7.48%
2186	City of Chiloquin	5.92%		0.19%	1.69%	8.36%		1.90%	4.61%
2162	City of Clatskanie	8.87%		8.93%	11.64%	12.33%		7.64%	10.35%
2152	City of Coos Bay	10.18%		7.14%	9.85%	13.64%		8.61%	11.32%
2165	City of Cornelius	7.96%		6.04%	8.75%	9.32%		6.83%	9.54%
2127	City of Cottage Grove	10.71%		10.35%	13.06%	14.17%		12.06%	14.77%
2257	City of Culver	5.92%		10.88%	13.59%	10.28%		12.75%	15.46%
2262	City of Dufur	14.49%		15.21%	17.92%	15.41%		15.49%	18.20%
2282	City of Eagle Point	8.14%		2.00%	4.71%	11.60%		4.86%	7.57%
2111	City of Eugene	10.57%		8.67%	11.38%	14.03%		10.18%	12.89%
2248	City of Fossil	7.82%		8.93%	11.64%	6.08%		6.60%	9.31%
2309	City of Gearhart	5.92%		0.19%	0.19%	9.38%		0.50%	2.51%
2264	City of Gervais	7.26%		2.50%	5.21%	10.72%		5.21%	7.92%
2250	City of Gold Beach	13.29%		13.29%	16.00%	16.75%		12.32%	15.03%
2113	City of Grants Pass	13.52%		10.26%	12.97%	17.58%		12.08%	14.79%
2114	City of Gresham	4.31%		0.85%	3.56%	8.84%		3.49%	6.20%
2210	City of Helix	5.92%		0.19%	0.85%	9.06%		4.55%	7.26%
2115	City of Hillsboro	9.08%		6.48%	9.19%	12.54%		8.28%	10.99%
2222	City of Jacksonville	8.29%		5.18%	7.89%	11.75%		7.08%	9.79%
2232	City of Joseph	10.46%		12.62%	15.33%	13.92%		14.07%	16.78%
2279	City of Keizer	7.16%		0.63%	3.34%	10.62%		2.86%	5.57%
2283	City of Maupin	8.67%		9.07%	11.78%	6.13%		7.19%	9.90%
2246	City of Merrill	5.92%		0.19%	0.71%	6.08%		9.08%	11.79%
2195	City of Metolius	5.92%		0.19%	2.45%	6.08%		0.50%	0.63%
2290	City of Molalla	5.92%		0.19%	2.09%	9.38%		5.54%	8.25%
2174	City of Mt Angel	7.58%		3.14%	5.85%	11.04%		5.21%	7.92%
2118	City of Ontario	13.81%		12.16%	14.87%	17.87%		14.34%	17.05%
2215	City of Powers	24.36%		22.05%	24.76%	14.99%		10.89%	13.60%
2218	City of Prairie City	5.92%		1.35%	4.06%	9.38%		5.41%	8.12%
2146	City of Prineville	7.64%		4.85%	7.56%	11.10%		6.79%	9.50%
2297	City of Rainier	5.92%		2.11%	4.82%	9.38%		3.15%	5.86%
2101	City of Salem	6.12%		4.37%	7.08%	12.93%		9.14%	11.85%
2219	City of Sheridan	5.92%		0.32%	3.03%	8.06%		5.71%	8.42%
2213	City of Stanfield	5.92%		0.19%	1.06%	6.08%		0.50%	0.50%
2129	City of Sweet Home	5.92%		0.51%	3.22%	6.08%		0.50%	0.50%
2261	City of Waldport	5.92%		0.19%	1.66%	8.74%		5.49%	8.20%

## Summary of PERS Employer Contribution Rates

Rates shown reflect the effect of side account rate offsets and retiree healthcare contributions,  
and exclude contributions to the IAP or debt service for pension obligation bonds.

Employer Number	Employer Name	Net Employer Contribution Rate 7/1/09 - 6/30/11			Net Employer Contribution Rate 7/1/11 - 6/30/13			
		Tier 1/ Payroll	Tier 2 Payroll	OPSRP General Service Payroll	OPSRP Police and Fire Payroll	Tier 1/ Payroll	Tier 2 Payroll	OPSRP General Service Payroll
<b>Independent Employers</b>								
<b>City</b>								
2265	City of Westfir	6.93%		3.45%	6.16%	8.77%	2.71%	5.42%
2206	City of Weston	5.92%		2.59%	5.30%	6.08%	0.50%	0.50%
2189	City of Willamina	5.92%		2.17%	4.88%	6.08%	0.50%	1.12%
2253	Town of Butte Falls	7.00%		1.31%	4.02%	6.08%	9.12%	11.83%
<b>County</b>								
2001	Clackamas County	11.96%		10.95%	13.66%	15.42%	11.99%	14.70%
2002	Curry County	11.26%		9.35%	12.06%	14.72%	11.06%	13.77%
2003	Douglas County	15.86%		15.72%	18.43%	20.39%	18.60%	21.31%
2006	Jefferson County	9.28%		6.45%	9.16%	12.74%	8.26%	10.97%
2008	Lane County	8.18%		8.42%	11.13%	11.64%	9.42%	12.13%
2014	Linn County	12.00%		10.36%	13.07%	16.06%	12.40%	15.11%
2039	Malheur County	8.11%		6.21%	8.92%	11.57%	7.76%	10.47%
2037	Polk County	10.20%		7.79%	10.50%	13.66%	9.27%	11.98%
2050	Wallowa County	8.79%		4.63%	7.34%	9.15%	5.24%	7.95%
2015	Yamhill County	5.92%		1.71%	4.42%	9.38%	3.34%	6.05%
<b>Special Districts</b>								
2664	Applegate Valley Rural Fire Protection District #9	10.70%		3.82%	6.53%	14.16%	6.28%	8.99%
2702	Banks Fire District #13	11.35%		8.14%	10.85%	14.81%	8.68%	11.39%
2596	Bend Parks & Recreation	5.92%		6.31%	9.02%	8.98%	7.80%	10.51%
2648	Black Butte Ranch Rural Fire Protection District	5.92%		0.19%	0.19%	9.38%	0.50%	0.53%
2833	Boardman Rural Fire Protection District	14.38%		4.47%	7.18%	17.84%	6.34%	9.05%
2779	Brownsville Rural Fire Protection District	10.25%		2.14%	4.85%	13.71%	4.87%	7.58%
2569	Central Oregon Intergovernmental Council	6.91%		6.95%	9.66%	10.37%	8.14%	10.85%
2678	Central Oregon Regional Housing Authority	6.12%		7.76%	10.47%	6.08%	5.31%	8.02%
2645	Chiloquin Agency Lake Rural Fire Protection District	11.18%		10.62%	13.33%	14.64%	10.29%	13.00%
2518	Clackamas County Housing Authority	11.68%		11.93%	14.64%	14.17%	12.88%	15.59%
2679	Columbia River Public Utility District	8.93%		10.32%	13.03%	10.95%	10.38%	13.09%
2828	Deschutes Public Library District	6.45%		5.10%	7.81%	9.91%	6.74%	9.45%
2527	Deschutes Valley Water District	15.43%		18.19%	20.90%	15.91%	16.86%	19.57%
2729	Douglas County Fire District #2	12.90%		3.82%	6.53%	16.96%	6.02%	8.73%
2743	Douglas Soil & Water Conservation District	13.74%		15.80%	18.51%	11.20%	13.27%	15.98%
2529	East Fork Irrigation District	8.20%		9.64%	12.35%	8.46%	8.01%	10.72%
2618	Estacada Cemetery District	5.92%		5.59%	8.30%	6.08%	4.76%	7.47%
2132	Eugene Water & Electric Board	15.85%		17.76%	20.47%	23.38%	22.96%	25.67%
2623	Evans Valley Fire District #6	5.92%		0.19%	0.19%	6.08%	0.50%	0.50%
2785	Fern Ridge Community Library	10.99%		9.02%	11.73%	10.56%	2.70%	5.41%
2608	Gaston Rural Fire Protection District	8.12%		5.91%	8.62%	11.58%	5.62%	8.33%
2698	Halsey Shedd Rural Fire Protection District	5.92%		7.43%	10.14%	6.58%	1.99%	4.70%
2771	Harbor Water PUD	5.92%		3.57%	6.28%	8.23%	4.41%	7.12%



## Summary of PERS Employer Contribution Rates

Rates shown reflect the effect of side account rate offsets and retiree healthcare contributions,  
and exclude contributions to the IAP or debt service for pension obligation bonds.

Employer Number	Employer Name	Net Employer Contribution Rate 7/1/09 - 6/30/11			Net Employer Contribution Rate 7/1/11 - 6/30/13				
		Tier 1/ Payroll	Tier 2 Payroll	OPSRP General Service Payroll	OPSRP Police and Fire Payroll	Tier 1/ Payroll	Tier 2 Payroll	OPSRP General Service Payroll	OPSRP Police and Fire Payroll
Independent Employers									
Special Districts									
2815	Hermiston Rural Fire Protection District	16.20%		11.42%	14.13%	15.04%		9.01%	11.72%
2717	Ice Fountain Water District	5.92%		5.76%	8.47%	9.38%		5.65%	8.36%
2564	Illinois Valley Fire District	5.92%		0.19%	0.19%	8.17%		1.21%	3.92%
2556	Jackson County Fire District #5	12.84%		5.20%	7.91%	16.30%		8.38%	11.09%
2575	Jefferson County Rural Fire Protection District #1	11.92%		12.50%	15.21%	10.98%		10.55%	13.26%
2841	Jefferson County Soil & Water Conservation District	5.92%		4.04%	6.75%	6.55%		4.39%	7.10%
2646	Keno Rural Fire Protection District	15.11%		2.22%	4.93%	18.57%		7.20%	9.91%
2515	Klamath County Fire District #1	14.52%		5.11%	7.82%	17.98%		7.38%	10.09%
2760	Knappa Svensen Burnside Rural Fire Protection District	5.92%		8.27%	10.98%	9.32%		4.25%	6.96%
2644	Lakeside Water District	10.12%		11.95%	14.66%	13.88%		10.57%	13.28%
2635	Lane County Fire District #1	5.92%		0.50%	3.21%	9.38%		0.50%	3.15%
2565	Lane Rural Fire/Rescue	12.64%		6.38%	9.09%	16.10%		7.71%	10.42%
2521	League of Oregon Cities	7.80%		7.13%	9.84%	11.26%		8.72%	11.43%
2597	Mapleton Water District	10.32%		9.13%	11.84%	13.78%		7.91%	10.62%
2782	Millington Rural Fire Protection District	5.92%		0.28%	2.99%	8.15%		0.50%	2.35%
2861	Mt Angel Fire District	5.92%		2.08%	4.79%	8.21%		4.11%	6.82%
2724	Nehalem Bay Wastewater Agency	11.65%		17.23%	19.94%	9.11%		11.61%	14.32%
2740	Neskowin Regional Sanitary Authority	9.68%		4.66%	7.37%	10.41%		4.18%	6.89%
2835	North Clackamas County Water Commission	5.92%		4.93%	7.64%	7.66%		7.30%	10.01%
2637	Northeast Oregon Housing Authority	7.85%		8.90%	11.61%	7.24%		7.45%	10.16%
2550	Nyssa Road Assessment District #2	39.64%		45.26%	47.97%	43.42%		45.13%	47.84%
2524	Oak Lodge Sanitary District	6.63%		8.96%	11.67%	9.95%		11.08%	13.79%
2723	Oregon Coastal Zone Management Association	5.92%		9.67%	12.38%	6.08%		3.11%	5.82%
2685	Oregon Community College Association	5.92%		9.16%	11.87%	6.08%		4.82%	7.53%
2533	Owyhee Irrigation District	24.00%		26.31%	29.02%	26.71%		26.89%	29.60%
2688	Polk County Fire District #1	12.16%		6.03%	8.74%	15.62%		8.02%	10.73%
2613	Polk Soil & Water Conservation District	5.92%		4.00%	6.71%	11.18%		8.85%	11.56%
2507	Port of Astoria	11.40%		11.09%	13.80%	14.86%		13.09%	15.80%
2633	Port of Cascade Locks	5.96%		3.07%	5.78%	9.42%		4.62%	7.33%
2788	Port of Hood River	5.92%		4.05%	6.76%	9.38%		5.85%	8.56%
2570	Port of St Helens	5.92%		7.92%	10.63%	9.38%		7.86%	10.57%
2581	Port of Umatilla	11.07%		11.00%	13.71%	14.53%		8.15%	10.86%
2689	Redmond Area Park & Recreation District	5.92%		0.21%	2.92%	7.54%		4.53%	7.24%
2672	Rockwood Water PUD	8.83%		9.81%	12.52%	12.29%		9.85%	12.56%
2747	Salem Housing Authority	12.50%		13.83%	16.54%	16.77%		16.19%	18.90%
2675	Salmon Harbor-Douglas County	8.31%		7.66%	10.37%	7.98%		6.79%	9.50%
2701	Sisters-Camp Sherman Rural Fire Protection District	12.73%		4.43%	7.14%	16.19%		6.30%	9.01%
2859	South Lane County Fire and Rescue	9.07%		3.60%	6.31%	15.53%		5.84%	8.55%
2803	Southwestern Polk County Rural Fire Protection District	5.92%		0.24%	2.95%	7.20%		3.10%	5.81%

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		Tier 1/ Payroll	Tier 2 Payroll	OPSRP General Service Payroll	OPSRP Police and Fire Payroll	Tier 1/ Payroll	Tier 2 Payroll	OPSRP General Service Payroll
..... Independent Employers .....								
..... Special Districts .....								
2767	Springfield Utility Board	11.23%		16.67%	19.38%	8.69%	12.39%	15.10%
2845	Sunrise Water Authority	6.62%		9.15%	11.86%	10.98%	11.26%	13.97%
2643	Sweet Home Cemetery	18.55%		22.72%	25.43%	15.34%	18.27%	20.98%
2553	Tangent Rural Fire Protection District	18.89%		10.88%	13.59%	26.83%	17.40%	20.11%
2722	Tillamook 9-1-1	5.92%		5.34%	8.05%	6.08%	6.54%	9.25%
2821	Tillamook County Soil And Water Conservation District	18.42%		16.34%	19.05%	16.95%	11.66%	14.37%
2783	Tillamook Fire District	7.05%		1.99%	4.70%	10.51%	0.98%	3.69%
2865	Tri-County Cooperative Weed Management Area	8.04%		6.02%	8.73%	10.94%	6.84%	9.55%
2536	Valley View Cemetery	5.92%		5.89%	8.60%	6.08%	6.51%	9.22%
2797	Vernonia Fire	5.92%		0.19%	0.19%	6.08%	3.02%	5.73%
2796	West Side Rural Fire Protection District	14.00%		2.50%	5.21%	15.83%	3.19%	5.90%
2725	West Valley Fire District	12.34%		8.86%	11.57%	15.80%	4.68%	7.39%
2686	Weston Cemetery	5.92%		1.87%	4.58%	9.38%	3.14%	5.85%
2714	Winchester Bay Sanitary District	8.52%		5.61%	8.32%	14.98%	9.08%	11.79%

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..... Judiciary .....									
2099	State Judiciary		14.95%	N/A	N/A		18.33%	N/A	N/A

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School Districts							
-----							
School							
4306	Amity School District	0.29%	0.19%	0.19%	2.06%	0.55%	3.26%
3003	Baker School District #5J	3.73%	4.25%	6.96%	10.85%	9.34%	12.05%
4035	Banks School District	8.63%	9.15%	11.86%	15.25%	13.74%	16.45%
4062	Beaverton School District	5.39%	5.91%	8.62%	13.02%	11.51%	14.22%
3291	Bend-La Pine Public Schools	1.94%	2.46%	5.17%	11.28%	9.77%	12.48%
3283	Brookings-Harbor School District #17C	0.29%	0.19%	2.17%	6.46%	4.95%	7.66%
4333	Canby School District	0.29%	0.19%	0.19%	8.17%	6.66%	9.37%
4334	Cascade School District #5	0.29%	0.19%	0.19%	6.94%	5.43%	8.14%
3859	Central School District #13J	0.29%	0.19%	0.19%	6.84%	5.33%	8.04%
3414	City of Phoenix School District	2.74%	3.26%	5.97%	10.84%	9.33%	12.04%
4259	Clackamas Education Service District	3.42%	3.94%	6.65%	11.68%	10.17%	12.88%
3179	Clatsop County School District #1C	0.29%	0.19%	0.19%	1.01%	0.50%	2.21%
3242	Coos Bay School District #9	8.34%	8.86%	11.57%	14.71%	13.20%	15.91%
3039	Corvallis School District #509J	2.14%	2.66%	5.37%	10.97%	9.46%	12.17%
3502	Creswell School District #40	8.85%	9.37%	12.08%	15.72%	14.21%	16.92%
3274	Crook County School District	0.29%	0.19%	0.19%	2.57%	1.06%	3.77%
3843	David Douglas School Dist	9.13%	9.65%	12.36%	16.42%	14.91%	17.62%
4291	Dayton Public Schools	0.29%	0.19%	0.57%	6.55%	5.04%	7.75%
4237	Douglas Education Service District	4.16%	4.68%	7.39%	12.53%	11.02%	13.73%
3927	Echo School Dist	0.29%	0.19%	1.04%	8.71%	7.20%	9.91%
4323	Estacada School District #108	3.56%	4.08%	6.79%	11.71%	10.20%	12.91%
3473	Eugene School District 4J	8.73%	9.25%	11.96%	15.51%	14.00%	16.71%
3887	Falls City School District	0.29%	0.19%	0.19%	4.37%	2.86%	5.57%
3494	Fern Ridge School District	0.29%	0.55%	3.26%	9.53%	8.02%	10.73%
4313	Forest Grove School District	5.04%	5.56%	8.27%	13.08%	11.57%	14.28%
4034	Gaston Public Schools	0.29%	0.19%	0.19%	5.83%	4.32%	7.03%
4329	Gervais School District #1	0.29%	0.19%	0.19%	4.88%	3.37%	6.08%
3160	Gladstone School District #115	0.29%	0.19%	0.19%	1.82%	0.50%	3.02%
3316	Glide School District #12	3.97%	4.49%	7.20%	12.48%	10.97%	13.68%
4260	Greater Albany School District #8J	3.57%	4.09%	6.80%	11.79%	10.28%	12.99%
4332	Gresham-Barlow School District #10	1.24%	1.76%	4.47%	9.80%	8.29%	11.00%
4326	Harney County School District #3	0.29%	0.19%	0.19%	0.59%	0.50%	0.50%
4258	Hermiston School District #8R	2.32%	2.84%	5.55%	10.87%	9.36%	12.07%
4252	High Desert Education Service District	2.00%	2.52%	5.23%	12.90%	11.39%	14.10%
4341	Hillsboro School District #1J	4.30%	4.82%	7.53%	12.71%	11.20%	13.91%
3409	Hood River County School District	2.73%	3.25%	5.96%	11.14%	9.63%	12.34%
3729	Jefferson School District #14Cj	0.29%	0.19%	0.37%	6.72%	5.21%	7.92%
4315	John Day School District	2.97%	3.49%	6.20%	11.18%	9.67%	12.38%
3965	La Grande Public Schools	2.59%	3.11%	5.82%	10.42%	8.91%	11.62%

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		School Districts							
School									
4268	Lake Oswego School District	0.29%	0.19%	0.19%	1.99%	8.86%	7.35%	10.06%	
4276	Lane County Education Service District	8.86%	9.38%	12.09%	15.74%	14.23%	16.94%		
3579	Lincoln County School District	0.29%	0.19%	0.19%	0.59%	0.50%	0.50%		
3447	Madras School District	5.76%	6.28%	8.99%	12.61%	11.10%	13.81%		
4142	McMinnville Schools	3.83%	4.35%	7.06%	12.12%	10.61%	13.32%		
4288	Medford School District #549C	8.47%	8.99%	11.70%	15.30%	13.79%	16.50%		
4335	Milton-Freewater Unified School District #7	0.29%	0.19%	0.19%	7.83%	6.32%	9.03%		
4331	Molalla River School District	0.29%	0.19%	0.19%	0.59%	0.50%	1.19%		
4340	Monroe School District #1J	5.70%	6.22%	8.93%	13.04%	11.53%	14.24%		
3809	Morrow County Schools	6.49%	7.01%	9.72%	13.12%	11.61%	14.32%		
4238	Multnomah Education Service District	3.79%	4.31%	7.02%	11.72%	10.21%	12.92%		
4336	Nestucca Valley School District #101	6.78%	7.30%	10.01%	13.57%	12.06%	14.77%		
4135	Newberg School District #29Jt	0.29%	0.19%	0.39%	6.12%	4.61%	7.32%		
3245	North Bend Public Schools	1.51%	2.03%	4.74%	10.31%	8.80%	11.51%		
4321	North Clackamas School District #12	0.29%	0.19%	0.40%	7.97%	6.46%	9.17%		
3730	North Marion School District #15	0.29%	0.19%	1.56%	7.95%	6.44%	9.15%		
4342	North Santiam School District #29J	0.29%	0.19%	0.19%	6.95%	5.44%	8.15%		
4381	North Wasco County School District #21	0.32%	0.84%	3.55%	10.23%	8.72%	11.43%		
3684	Ontario School District #8C	6.19%	6.71%	9.42%	13.39%	11.88%	14.59%		
3122	Oregon City School District #62	3.00%	3.52%	6.23%	10.75%	9.24%	11.95%		
3931	Pendleton School District #16R	0.29%	0.19%	0.19%	3.31%	1.80%	4.51%		
3043	Philomath School District #17J	4.20%	4.72%	7.43%	11.68%	10.17%	12.88%		
3958	Pilot Rock School District #2R	1.94%	2.46%	5.17%	10.82%	9.31%	12.02%		
3818	Portland Public Schools	0.29%	0.19%	0.19%	1.88%	0.50%	3.08%		
4320	Rainier School District #13	1.80%	2.32%	5.03%	9.45%	7.94%	10.65%		
4311	Redmond School District #2J	4.30%	4.82%	7.53%	12.22%	10.71%	13.42%		
4312	Reedsport School District	2.60%	3.12%	5.83%	10.20%	8.69%	11.40%		
3824	Reynolds School District	0.29%	0.19%	2.78%	7.13%	5.62%	8.33%		
3847	Riverdale School	0.29%	0.19%	2.61%	8.45%	6.94%	9.65%		
3310	Roseburg Public Schools	0.41%	0.93%	3.64%	9.27%	7.76%	10.47%		
3735	Salem-Keizer Public Schools	3.16%	3.68%	6.39%	11.75%	10.24%	12.95%		
3665	Santiam Canyon School District	1.92%	2.44%	5.15%	9.11%	7.60%	10.31%		
3000	School Districts	14.22%	14.74%	17.45%	19.48%	17.97%	20.68%		
3187	Seaside Schools	3.07%	3.59%	6.30%	11.93%	10.42%	13.13%		
4317	Sherwood School District #88J	5.89%	6.41%	9.12%	14.58%	13.07%	15.78%		
4270	Silver Falls School District	1.97%	2.49%	5.20%	10.74%	9.23%	11.94%		
3296	Sisters School District	0.35%	0.87%	3.58%	9.19%	7.68%	10.39%		
3537	Siuslaw School District #97J	0.29%	0.47%	3.18%	7.30%	5.79%	8.50%		
3506	South Lane School District	0.29%	0.19%	0.19%	5.40%	3.89%	6.60%		

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School Districts							
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School							
3319	South Umpqua School District	0.29%	0.19%	0.19%	0.59%	0.50%	1.43%
3487	Springfield School District #19	3.33%	3.85%	6.56%	11.41%	9.90%	12.61%
4279	St Helens School District #502	0.29%	0.19%	0.19%	5.06%	3.55%	6.26%
3942	Stanfield School District	0.29%	0.19%	0.19%	8.01%	6.50%	9.21%
3353	Sutherlin School District #130	0.29%	0.19%	0.19%	4.93%	3.42%	6.13%
3618	Sweet Home School District #55	0.29%	0.19%	0.19%	5.48%	3.97%	6.68%
4338	Three Rivers U J School District	4.52%	5.04%	7.75%	12.13%	10.62%	13.33%
4316	Tigard-Tualatin School District #23J	8.53%	9.05%	11.76%	15.67%	14.16%	16.87%
3902	Tillamook Public Schools	0.29%	0.19%	0.19%	3.62%	2.11%	4.82%
3928	Umatilla School District #6R	7.52%	8.04%	10.75%	14.55%	13.04%	15.75%
4223	Umatilla-Morrow Education Service District	9.70%	10.22%	12.93%	16.14%	14.63%	17.34%
3966	Union County School District	4.21%	4.73%	7.44%	11.68%	10.17%	12.88%
4292	Union-Baker Education Service District	0.29%	0.19%	0.19%	0.59%	0.50%	0.50%
3195	Warrenton-Hammond School District	2.96%	3.48%	6.19%	11.87%	10.36%	13.07%
3075	West Linn School District	4.13%	4.65%	7.36%	12.35%	10.84%	13.55%
4254	Willamette Education Service District	3.35%	3.87%	6.58%	10.90%	9.39%	12.10%
4314	Willamina School District #30J	9.51%	10.03%	12.74%	16.14%	14.63%	17.34%
3349	Winston-Dillard Schools	0.29%	0.19%	0.19%	2.34%	0.83%	3.54%
4166	Yamhill-Carlton School District #1	0.29%	0.19%	0.19%	2.25%	0.74%	3.45%

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SLGRP (Default Tier 1/Tier 2 Rates)									
CC									
2901	Blue Mountain Community College	0.72%		1.36%	4.07%	8.46%		6.80%	9.51%
2999	Central Oregon Community College	2.49%		3.13%	5.84%	10.21%		8.55%	11.26%
2919	Chemeketa Community College	0.29%		0.19%	1.78%	6.98%		5.32%	8.03%
2908	Clackamas Community College	1.25%		1.89%	4.60%	9.01%		7.35%	10.06%
2900	Clatsop Community College	0.65%		1.29%	4.00%	8.30%		6.64%	9.35%
2996	Columbia Gorge Community College	2.88%		3.52%	6.23%	10.63%		8.97%	11.68%
2906	Klamath Community College	10.89%		11.53%	14.24%	15.32%		13.66%	16.37%
2904	Lane Community College	0.29%		0.19%	1.63%	6.65%		4.99%	7.70%
2910	Linn-Benton Community College	0.29%		0.65%	3.36%	8.12%		6.46%	9.17%
2905	Mt Hood Community College	0.29%		0.19%	0.19%	5.62%		3.96%	6.67%
2995	Oregon Coast Community College	1.62%		2.26%	4.97%	9.84%		8.18%	10.89%
2918	Portland Community College	0.29%		0.19%	1.22%	7.10%		5.44%	8.15%
2922	Rogue Community College	0.93%		1.57%	4.28%	8.42%		6.76%	9.47%
2998	Southwestern Community College	0.91%		1.55%	4.26%	7.45%		5.79%	8.50%
2997	Tillamook Bay Community College	1.57%		2.21%	4.92%	7.74%		6.08%	8.79%
2902	Treasure Valley Community College	0.29%		0.19%	0.19%	5.77%		4.11%	6.82%
2903	Umpqua Community College	0.45%		1.09%	3.80%	9.58%		7.92%	10.63%
City									
2258	City of Adair Village	12.57%		12.61%	15.32%	14.79%		11.99%	14.70%
2103	City of Albany	10.74%		7.87%	10.58%	15.35%		10.20%	12.91%
2235	City of Amity	5.76%		2.44%	5.15%	10.70%		5.50%	8.21%
2104	City of Ashland	10.97%		9.43%	12.14%	15.12%		11.60%	14.31%
2105	City of Astoria	13.63%		11.33%	14.04%	17.65%		13.19%	15.90%
2234	City of Aumsville	4.06%		2.65%	5.36%	9.11%		5.52%	8.23%
2272	City of Aurora	3.36%		1.70%	4.41%	9.20%		5.12%	7.83%
2159	City of Baker City	11.93%		8.60%	11.31%	16.04%		10.77%	13.48%
2150	City of Bandon	9.60%		8.72%	11.43%	13.74%		10.88%	13.59%
2231	City of Banks	0.29%		0.19%	0.19%	7.09%		3.24%	5.95%
2241	City of Bay City	4.44%		5.42%	8.13%	9.83%		7.94%	10.65%
2178	City of Boardman	10.41%		8.50%	11.21%	14.68%		10.65%	13.36%
2216	City of Brookings	10.10%		7.96%	10.67%	14.78%		10.20%	12.91%
2204	City of Burns	5.69%		4.30%	7.01%	7.05%		5.75%	8.46%
2109	City of Canby	7.23%		4.49%	7.20%	11.70%		6.92%	9.63%
2223	City of Cannon Beach	8.53%		6.47%	9.18%	12.51%		8.82%	11.53%
2198	City of Carlton	1.49%		0.19%	1.57%	7.88%		1.95%	4.66%
2182	City of Cascade Locks	14.97%		16.36%	19.07%	18.06%		17.23%	19.94%
2194	City of Cave Junction	6.42%		7.74%	10.45%	10.88%		9.96%	12.67%
2181	City of Central Point	6.48%		4.08%	6.79%	14.53%		9.79%	12.50%
2201	City of Coburg	10.01%		5.63%	8.34%	5.21%		0.50%	2.54%

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		Tier 1/ Payroll	Tier 2 Payroll	OPSRP General Service Payroll	OPSRP Police and Fire Payroll	Tier 1/ Payroll	Tier 2 Payroll	OPSRP General Service Payroll	OPSRP Police and Fire Payroll
SLGRP (Default Tier 1/Tier 2 Rates)									
City									
2271	City of Columbia City	10.52%		8.86%	11.57%	12.67%		11.01%	13.72%
2177	City of Condon	23.85%		20.89%	23.60%	27.70%		22.57%	25.28%
2110	City of Coquille	12.82%		10.04%	12.75%	16.28%		12.19%	14.90%
2155	City of Corvallis	5.14%		3.28%	5.99%	10.59%		6.53%	9.24%
2236	City of Creswell	7.99%		7.76%	10.47%	12.77%		10.25%	12.96%
2202	City of Dallas	11.22%		8.63%	11.34%	16.18%		10.90%	13.61%
2252	City of Dayton	0.29%		0.23%	2.94%	6.58%		5.43%	8.14%
2294	City of Depoe Bay	8.49%		8.87%	11.58%	12.96%		11.04%	13.75%
2131	City of Drain	8.81%		8.94%	11.65%	13.20%		11.11%	13.82%
2245	City of Dundee	6.15%		6.74%	9.45%	12.76%		9.14%	11.85%
2299	City of Dunes City	15.87%		14.38%	17.09%	16.01%		13.16%	15.87%
2269	City of Durham	0.29%		0.19%	2.00%	7.19%		7.43%	10.14%
2225	City of Echo	12.73%		15.13%	17.84%	17.02%		17.26%	19.97%
2205	City of Elgin	0.29%		0.19%	0.19%	1.56%		0.50%	0.50%
2305	City of Elkton	10.46%		8.97%	11.68%	14.99%		11.14%	13.85%
2180	City of Enterprise	12.84%		10.63%	13.34%	16.48%		12.75%	15.46%
2179	City of Estacada	9.67%		10.00%	12.71%	13.32%		12.23%	14.94%
2208	City of Fairview	6.13%		3.54%	6.25%	14.08%		9.07%	11.78%
2224	City of Falls City	0.29%		0.19%	1.73%	8.44%		6.50%	9.21%
2291	City of Florence	7.28%		5.65%	8.36%	10.38%		6.57%	9.28%
2220	City of Garibaldi	12.73%		12.62%	15.33%	17.70%		15.29%	18.00%
2242	City of Gaston	0.29%		0.19%	0.19%	0.59%		0.50%	0.50%
2304	City of Gladstone	8.68%		4.63%	7.34%	12.84%		7.02%	9.73%
2274	City of Gold Hill	3.99%		2.08%	4.79%	7.40%		2.27%	4.98%
2284	City of Halsey	0.29%		0.19%	0.45%	9.90%		6.05%	8.76%
2296	City of Happy Valley	9.61%		8.94%	11.65%	14.73%		11.11%	13.82%
2268	City of Harrisburg	7.63%		8.02%	10.73%	12.12%		10.29%	13.00%
2193	City of Heppner	0.29%		0.19%	0.19%	0.59%		0.50%	0.50%
2160	City of Hermiston	13.08%		11.59%	14.30%	16.02%		11.33%	14.04%
2226	City of Hines	7.71%		8.11%	10.82%	11.93%		10.22%	12.93%
2138	City of Hood River	12.16%		8.07%	10.78%	16.61%		10.23%	12.94%
2196	City of Hubbard	13.26%		10.58%	13.29%	17.41%		12.68%	15.39%
2191	City of Huntington	55.31%		54.38%	57.09%	56.05%		53.20%	55.91%
2267	City of Independence	7.97%		6.22%	8.93%	12.72%		9.03%	11.74%
2266	City of Irrigon	6.09%		6.84%	9.55%	11.07%		9.65%	12.36%
2211	City of Jefferson	0.29%		0.19%	0.19%	0.59%		0.50%	0.50%
2229	City of John Day	5.33%		3.72%	6.43%	8.62%		4.46%	7.17%
2256	City of Jordan Valley	0.29%		0.19%	0.19%	0.59%		0.50%	0.50%
2199	City of Junction City	10.45%		8.18%	10.89%	14.88%		10.41%	13.12%



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SLGRP (Default Tier 1/Tier 2 Rates)									
City									
2287	City of King City	11.43%		4.08%	6.79%	15.26%		6.36%	9.07%
2148	City of Klamath Falls	4.86%		2.97%	5.68%	9.41%		5.25%	7.96%
2263	City of La Grande	12.52%		5.18%	7.89%	16.40%		7.02%	9.73%
2233	City of Lafayette	1.94%		0.19%	2.76%	9.55%		5.16%	7.87%
2120	City of Lake Oswego	11.86%		9.70%	12.41%	16.13%		11.78%	14.49%
2244	City of Lakeside	3.44%		3.09%	5.80%	5.02%		2.89%	5.60%
2140	City of Lebanon	8.00%		6.48%	9.19%	11.10%		7.22%	9.93%
2298	City of Lincoln City	4.80%		3.40%	6.11%	10.61%		6.87%	9.58%
2293	City of Lowell	1.98%		2.73%	5.44%	11.15%		9.61%	12.32%
2270	City of Lyons	0.29%		0.19%	1.72%	10.72%		8.40%	11.11%
2170	City of Madras	10.02%		7.80%	10.51%	14.86%		10.22%	12.93%
2247	City of Malin	9.05%		6.66%	9.37%	9.45%		7.79%	10.50%
2281	City of Manzanita	10.31%		7.91%	10.62%	13.61%		9.85%	12.56%
2117	City of McMinnville	13.93%		12.25%	14.96%	18.12%		14.06%	16.77%
2102	City of Medford	5.74%		2.57%	5.28%	12.43%		7.06%	9.77%
2207	City of Mill City	9.52%		9.12%	11.83%	13.29%		11.25%	13.96%
2286	City of Millersburg	0.74%		0.84%	3.55%	12.76%		10.53%	13.24%
2158	City of Milton-Freewater	10.77%		10.49%	13.20%	15.13%		12.71%	15.42%
2163	City of Milwaukie	5.50%		3.26%	5.97%	11.75%		7.23%	9.94%
2157	City of Monmouth	5.88%		4.22%	6.93%	11.71%		8.25%	10.96%
2209	City of Monroe	0.29%		0.19%	0.19%	0.59%		0.50%	0.50%
2301	City of Moro	2.15%		4.55%	7.26%	2.40%		2.64%	5.35%
2302	City of Mt. Vernon	10.51%		11.38%	14.09%	7.09%		5.76%	8.47%
2197	City of Myrtle Creek	7.36%		5.74%	8.45%	11.48%		7.60%	10.31%
2183	City of Myrtle Point	3.01%		0.90%	3.61%	6.89%		3.29%	6.00%
2777	City of Newberg	8.50%		3.26%	5.97%	14.75%		7.35%	10.06%
2276	City of Newport	8.96%		1.62%	4.33%	13.87%		4.48%	7.19%
2292	City of North Bend	10.05%		6.54%	9.25%	14.15%		8.69%	11.40%
2192	City of North Plains	7.05%		7.07%	9.78%	11.86%		8.94%	11.65%
2308	City of North Powder	22.07%		21.47%	24.18%	11.20%		7.35%	10.06%
2166	City of Nyssa	10.87%		8.44%	11.15%	15.53%		10.63%	13.34%
2143	City of Oakland	14.08%		12.59%	15.30%	22.67%		18.83%	21.54%
2168	City of Oakridge	15.04%		12.76%	15.47%	19.81%		14.93%	17.64%
2119	City of Oregon City	5.00%		2.89%	5.60%	11.54%		7.34%	10.05%
2154	City of Pendleton	7.19%		4.18%	6.89%	12.79%		7.57%	10.28%
2187	City of Philomath	7.45%		5.86%	8.57%	12.22%		8.02%	10.73%
2249	City of Phoenix	6.29%		4.26%	6.97%	7.78%		2.76%	5.47%
2161	City of Pilot Rock	14.95%		13.35%	16.06%	18.66%		14.27%	16.98%
2184	City of Port Orford	8.18%		7.83%	10.54%	12.09%		10.10%	12.81%

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SLGRP (Default Tier 1/Tier 2 Rates)								
City								
2121	City of Portland	4.30%		5.04%	7.75%	9.30%	7.69%	10.40%
2122	City of Redmond	8.75%		5.14%	7.85%	13.28%	7.33%	10.04%
2139	City of Reedsport	1.29%		0.19%	1.95%	4.31%	0.57%	3.28%
2260	City of Riddle	5.30%		7.23%	9.94%	9.01%	8.52%	11.23%
2203	City of Rockaway Beach	8.10%		8.30%	11.01%	10.80%	8.71%	11.42%
2251	City of Rogue River	13.05%		11.89%	14.60%	18.63%	14.46%	17.17%
2100	City of Roseburg	17.04%		13.14%	15.85%	21.54%	15.32%	18.03%
2172	City of Sandy	9.35%		7.68%	10.39%	13.24%	10.03%	12.74%
2176	City of Scappoose	11.74%		9.28%	11.99%	15.69%	11.42%	14.13%
2254	City of Shady Cove	7.32%		5.94%	8.65%	10.14%	6.80%	9.51%
2142	City of Sherwood	10.77%		8.58%	11.29%	15.91%	10.82%	13.53%
2273	City of Silverton	7.62%		6.20%	8.91%	12.59%	8.99%	11.70%
2221	City of Sisters	4.23%		3.30%	6.01%	11.09%	7.72%	10.43%
2278	City of Springfield	7.72%		3.97%	6.68%	11.56%	5.64%	8.35%
2123	City of St Helens	14.51%		12.37%	15.08%	18.86%	14.45%	17.16%
2757	City of Stayton	13.89%		8.08%	10.79%	19.16%	10.26%	12.97%
2217	City of Sutherlin	7.19%		4.03%	6.74%	10.42%	5.55%	8.26%
2188	City of Talent	6.78%		3.75%	6.46%	8.83%	4.93%	7.64%
2295	City of Tigard	10.66%		3.32%	6.03%	15.24%	5.97%	8.68%
2128	City of Tillamook	5.27%		3.38%	6.09%	13.09%	8.81%	11.52%
2275	City of Toledo	1.20%		0.19%	2.72%	5.65%	2.26%	4.97%
2237	City of Troutdale	6.29%		4.46%	7.17%	11.91%	7.68%	10.39%
2288	City of Tualatin	12.83%		10.56%	13.27%	16.93%	12.59%	15.30%
2228	City of Turner	13.29%		10.19%	12.90%	17.72%	12.35%	15.06%
2175	City of Umatilla	1.65%		0.19%	2.16%	5.62%	1.45%	4.16%
2145	City of Vale	14.10%		15.00%	17.71%	18.13%	17.02%	19.73%
2285	City of Veneta	5.11%		6.14%	8.85%	9.72%	8.46%	11.17%
2125	City of Vernonia	4.64%		3.53%	6.24%	5.69%	3.43%	6.14%
2200	City of Wallowa	0.94%		0.98%	3.69%	1.27%	0.50%	0.88%
2238	City of Warrenton	9.65%		7.50%	10.21%	14.12%	9.75%	12.46%
2126	City of West Linn	10.89%		9.12%	11.83%	12.78%	9.02%	11.73%
2147	City of Wheeler	9.01%		5.71%	8.42%	5.06%	5.30%	8.01%
2240	City of Wilsonville	7.53%		8.35%	11.06%	12.03%	10.55%	13.26%
2280	City of Winston	2.31%		0.19%	1.59%	7.54%	2.30%	5.01%
2185	City of Wood Village	6.22%		7.19%	9.90%	10.86%	9.87%	12.58%
2303	City of Woodburn	8.61%		7.11%	9.82%	13.23%	9.35%	12.06%
2300	City of Yachats	5.03%		4.77%	7.48%	9.55%	7.36%	10.07%
2214	City of Yamhill	5.59%		1.66%	4.37%	11.71%	5.36%	8.07%
2307	City of Yoncalla	10.12%		8.63%	11.34%	14.63%	10.78%	13.49%

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SLGRP (Default Tier 1/Tier 2 Rates)								
City								
2255	Town of Canyon City	8.56%		10.96%	13.67%	12.94%	13.18%	15.89%
2212	Town of Lakeview	4.18%		0.74%	3.45%	7.79%	2.36%	5.07%
County								
2021	Baker County	8.66%		6.74%	9.45%	13.51%	8.96%	11.67%
2040	Benton County	3.42%		2.36%	5.07%	9.34%	5.90%	8.61%
2036	Clatsop County	3.85%		2.11%	4.82%	9.91%	6.00%	8.71%
2017	Columbia County	4.94%		2.83%	5.54%	9.70%	5.71%	8.42%
2018	Coos County	13.02%		11.39%	14.10%	17.70%	13.66%	16.37%
2044	Crook County	8.11%		0.77%	3.48%	14.16%	4.94%	7.65%
2027	Deschutes County	5.06%		3.58%	6.29%	10.33%	6.47%	9.18%
2022	Gilliam County	8.32%		8.02%	10.73%	12.77%	10.30%	13.01%
2012	Grant County	0.29%		0.19%	0.38%	0.59%	0.50%	0.50%
2004	Harney County	7.25%		7.03%	9.74%	11.54%	9.17%	11.88%
2035	Hood River County	1.89%		0.90%	3.61%	7.90%	4.54%	7.25%
2005	Jackson County	8.51%		7.30%	10.01%	13.18%	9.76%	12.47%
2042	Josephine County	10.83%		9.09%	11.80%	15.35%	11.26%	13.97%
2007	Klamath County	6.39%		0.19%	1.76%	10.98%	1.76%	4.47%
2000	Lake County	6.95%		5.30%	8.01%	12.22%	8.37%	11.08%
2043	Lincoln County	7.73%		0.39%	3.10%	10.95%	1.53%	4.24%
2009	Marion County	5.37%		3.86%	6.57%	10.46%	6.80%	9.51%
2038	Multnomah County	7.41%		6.05%	8.76%	11.85%	8.26%	10.97%
2016	Sherman County	12.14%		11.16%	13.87%	16.51%	13.18%	15.89%
2013	Umatilla County	3.84%		2.50%	5.21%	9.63%	5.96%	8.67%
2020	Wasco County	8.65%		7.34%	10.05%	12.81%	9.50%	12.21%
2011	Washington County	10.67%		8.98%	11.69%	15.05%	11.15%	13.86%
Special Districts								
2742	Amity Fire District	10.43%		3.10%	5.81%	15.41%	5.67%	8.38%
2631	Arch Cape Water-Sanitary District	3.90%		4.76%	7.47%	8.39%	6.94%	9.65%
2602	Aumsville Rural Fire Protection District	11.65%		5.07%	7.78%	16.41%	7.67%	10.38%
2804	Aurora Rural Fire Protection District	13.71%		4.88%	7.59%	11.56%	2.66%	5.37%
2728	Baker County Library District	7.08%		7.52%	10.23%	12.33%	10.22%	12.93%
2601	Baker Valley Irrigation District	7.61%		11.61%	14.32%	0.59%	0.50%	0.50%
2749	Black Butte Ranch Police	7.18%		0.59%	3.30%	10.98%	2.46%	5.17%
2558	Boring Fire Department	12.00%		5.19%	7.90%	15.79%	7.05%	9.76%
2595	Canby Fire District	15.99%		8.65%	11.36%	19.85%	10.49%	13.20%
2731	Canby Utility Board	7.55%		9.10%	11.81%	12.26%	11.25%	13.96%
2840	Cannon Beach Rural Fire Protection District	16.24%		8.90%	11.61%	19.96%	11.06%	13.77%
2820	Central Oregon Coast Fire & Rescue District	3.22%		0.19%	0.19%	10.09%	1.19%	3.90%
2563	Central Oregon Irrigation District	11.47%		11.79%	14.50%	16.18%	14.02%	16.73%

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SLGRP (Default Tier 1/Tier 2 Rates)								
Special Districts								
2567	Charleston Rural Fire Protection District	17.25%		9.91%	12.62%	17.69%	8.19%	10.90%
2699	Chetco Library Board	7.02%		8.56%	11.27%	11.42%	10.74%	13.45%
2745	Clackamas County Fire District	10.62%		3.79%	6.50%	17.55%	8.59%	11.30%
2761	Clackamas River Water	12.64%		12.36%	15.07%	16.39%	13.92%	16.63%
2538	Clackamas Vector Control	13.73%		16.13%	18.84%	17.33%	17.57%	20.28%
2707	Clatskanie Library	8.35%		9.46%	12.17%	12.41%	11.60%	14.31%
2526	Clatskanie PUD	14.15%		14.94%	17.65%	17.90%	16.53%	19.24%
2588	Clatskanie Rural Fire Protection District	10.76%		3.42%	6.13%	12.87%	3.39%	6.10%
2704	Clatsop County 4-H District	3.31%		4.40%	7.11%	6.83%	7.07%	9.78%
2617	Clean Water Services	0.99%		2.24%	4.95%	7.65%	6.74%	9.45%
2681	Cloverdale Rural Fire Protection District	21.10%		13.77%	16.48%	26.71%	16.97%	19.68%
2801	Coburg Rural Fire Protection District	11.89%		4.54%	7.25%	14.63%	5.73%	8.44%
2649	Colton Fire Department	2.64%		0.19%	0.19%	12.63%	2.91%	5.62%
2671	Columbia 911 Communications District	7.76%		8.13%	10.84%	12.30%	10.31%	13.02%
2687	Columbia Drainage Vector Control District	18.72%		18.81%	21.52%	24.28%	22.20%	24.91%
2787	Columbia Health District	7.35%		8.34%	11.05%	11.39%	10.67%	13.38%
2528	Columbia River Fire & Rescue	10.19%		3.35%	6.06%	14.37%	5.25%	7.96%
2612	Community Services Consortium	7.54%		8.02%	10.73%	12.23%	10.16%	12.87%
2860	Coos County Airport District	7.11%		5.62%	8.33%	10.88%	7.03%	9.74%
2603	Corbett Water District	9.54%		8.94%	11.65%	13.96%	11.11%	13.82%
2545	Council of Governments	8.42%		8.93%	11.64%	12.90%	11.10%	13.81%
2834	Crescent Rural Fire Protection District	12.85%		5.50%	8.21%	18.84%	9.10%	11.81%
2844	Crook County Rural Fire Protection District #1	14.62%		8.38%	11.09%	19.15%	10.66%	13.37%
2647	Crooked River Ranch Rural Fire Protection District	8.08%		6.59%	9.30%	13.36%	9.51%	12.22%
2571	Crystal Springs Water District	6.99%		8.72%	11.43%	11.93%	11.02%	13.73%
2718	Curry Library	0.29%		0.19%	0.19%	0.59%	0.50%	0.50%
2576	Depoe Bay Rural Fire Protection District	5.56%		4.96%	7.67%	12.01%	9.16%	11.87%
2822	Deschutes County Rural Fire Protection District #2	10.08%		8.59%	11.30%	14.58%	10.73%	13.44%
2642	Dexter Rural Fire Protection District	13.37%		6.04%	8.75%	17.86%	8.12%	10.83%
2851	East Umatilla County Rural Fire Protection District	10.34%		2.99%	5.70%	14.76%	5.86%	8.57%
2784	Eisenschmidt Pool	4.07%		2.58%	5.29%	11.66%	7.81%	10.52%
2557	Estacada Fire Department	0.29%		0.19%	0.19%	2.43%	0.50%	0.50%
2798	Fairview Water District	7.00%		7.74%	10.45%	11.43%	9.93%	12.64%
2789	Farmers Irrigation District	2.04%		3.67%	6.38%	6.41%	5.71%	8.42%
2824	Glide Fire Department	7.41%		5.80%	8.51%	9.60%	7.04%	9.75%
2573	Goshen Fire District	15.51%		8.17%	10.88%	31.62%	21.88%	24.59%
2511	Grants Pass Irrigation District	7.75%		10.15%	12.86%	11.78%	12.02%	14.73%
2765	Green Sanitary	6.62%		7.09%	9.80%	11.16%	9.39%	12.10%
2855	Harney Hospital	3.23%		2.99%	5.70%	7.99%	5.32%	8.03%

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SLGRP (Default Tier 1/Tier 2 Rates)									
Special Districts									
2819	Harrisburg Fire/Rescue	14.85%		7.50%	10.21%	19.14%		10.24%	12.95%
2838	High Desert Parks & Recreation District	10.71%		9.22%	11.93%	15.34%		11.49%	14.20%
2607	Hoodland Fire District #74	12.56%		5.88%	8.59%	17.42%		8.69%	11.40%
2510	Horsefly Irrigation District	21.75%		21.15%	23.86%	20.88%		18.03%	20.74%
2773	Housing Authority of Jackson County	11.53%		11.27%	13.98%	15.69%		13.12%	15.83%
2829	Hubbard Rural Fire Protection District	19.60%		17.39%	20.10%	0.70%		0.50%	0.56%
2651	Imbler Rural Fire Protection District	16.04%		10.29%	13.00%	21.89%		19.04%	21.75%
2715	Jackson County Fire District #3	8.26%		1.25%	3.96%	13.37%		4.40%	7.11%
2620	Jackson County Fire District #4	9.35%		2.02%	4.73%	22.14%		12.40%	15.11%
2541	Jackson County Vector Control District	4.11%		6.51%	9.22%	9.11%		9.35%	12.06%
2712	Jefferson County EMS	9.69%		9.39%	12.10%	14.06%		11.59%	14.30%
2846	Jefferson County Library District	7.04%		5.84%	8.55%	15.44%		12.04%	14.75%
2561	Jefferson Rural Fire Protection District	1.96%		0.19%	0.43%	10.30%		3.79%	6.50%
2763	Junction City Fire Department	13.51%		7.07%	9.78%	17.76%		9.24%	11.95%
2559	Keizer Fire Department	11.47%		4.43%	7.14%	15.03%		6.17%	8.88%
2710	Klamath County Emergency Communications District	9.59%		10.48%	13.19%	14.15%		12.61%	15.32%
2721	Klamath Housing Authority	7.36%		7.55%	10.26%	11.02%		9.37%	12.08%
2579	La Pine Rural Fire Protection District	10.43%		3.38%	6.09%	13.48%		4.79%	7.50%
2850	Lake County 4-H & Extension Service	0.29%		0.39%	3.10%	2.67%		2.91%	5.62%
2768	Lake County Library District	8.71%		11.11%	13.82%	12.03%		12.27%	14.98%
2522	Lane Council of Governments	7.98%		9.03%	11.74%	12.52%		11.24%	13.95%
2849	Lebanon Aquatic District	0.83%		3.23%	5.94%	1.97%		2.21%	4.92%
2705	Lebanon Fire District	8.50%		2.14%	4.85%	17.95%		8.58%	11.29%
2661	Lincoln County 911	0.29%		0.19%	0.19%	0.59%		0.50%	0.50%
2753	Linn-Benton Housing Authority	3.22%		2.54%	5.25%	8.45%		5.50%	8.21%
2572	Local Government Personnel Institute	9.15%		9.89%	12.60%	15.62%		11.77%	14.48%
2700	Lowell Rural Fire Protection District	25.11%		17.78%	20.49%	5.00%		0.50%	0.50%
2823	Lyons Fire District	12.26%		11.66%	14.37%	16.53%		13.68%	16.39%
2598	Marion County Housing Authority	0.29%		0.19%	0.19%	0.93%		0.50%	1.57%
2628	McKenzie Fire And Rescue	6.06%		1.77%	4.48%	8.85%		4.03%	6.74%
2592	Medford Irrigation District	6.64%		8.11%	10.82%	10.37%		10.02%	12.73%
2594	Metro	2.49%		3.16%	5.87%	8.67%		7.04%	9.75%
2663	Metropolitan Area Communications Commission	5.63%		7.38%	10.09%	10.28%		9.97%	12.68%
2811	Mid-Columbia Center For Living	8.84%		9.16%	11.87%	13.11%		11.32%	14.03%
2657	Mid-Willamette Valley Senior Service Agency	5.95%		6.36%	9.07%	10.37%		8.57%	11.28%
2853	Mill City Rural Fire Protection District	8.92%		1.57%	4.28%	11.67%		2.77%	5.48%
2752	Mist-Birkenfeld Rural Fire Protection District	4.05%		0.19%	0.19%	14.03%		5.04%	7.75%
2758	Mohawk Valley Rural Fire District	8.16%		0.82%	3.53%	11.89%		2.15%	4.86%
2568	Molalla Rural Fire Protection District #73	15.15%		7.81%	10.52%	24.87%		15.70%	18.41%

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SLGRP (Default Tier 1/Tier 2 Rates)									
Special Districts									
2555	Monroe Fire Department	10.26%		2.91%	5.62%	13.32%		4.42%	7.13%
2778	Mulino Water District #23	10.63%		9.14%	11.85%	15.17%		11.32%	14.03%
2806	Multnomah County Rural Fire Protection District #14	6.43%		8.83%	11.54%	14.85%		11.00%	13.71%
2508	Multnomah Drainage	11.23%		11.82%	14.53%	16.67%		14.48%	17.19%
2869	Nehalem Bay Fire & Rescue	17.35%		10.71%	13.42%	22.25%		12.81%	15.52%
2780	Nehalem Bay Health District	8.29%		6.80%	9.51%	13.64%		9.79%	12.50%
2858	Nesika Beach-Ophir Water District	3.37%		5.77%	8.48%	11.00%		8.15%	10.86%
2716	Neskowin Water District	6.52%		8.92%	11.63%	10.84%		11.08%	13.79%
2674	Nestucca Rural Fire District	9.89%		2.54%	5.25%	13.04%		4.14%	6.85%
2818	Netarts Water District	8.58%		7.09%	9.80%	13.04%		9.19%	11.90%
2830	Netarts-Oceanside Rural Fire Protection District	15.95%		8.60%	11.31%	19.65%		10.75%	13.46%
2604	Netarts-Oceanside Sanitary District	1.18%		0.85%	3.56%	7.24%		4.62%	7.33%
2837	NORCOM	0.29%		0.19%	0.19%	8.18%		6.03%	8.74%
2781	North Bend/Coos-Curry Housing Authority	24.03%		24.59%	27.30%	27.89%		26.04%	28.75%
2638	North Douglas County Fire and EMS	4.99%		0.19%	0.36%	14.95%		5.86%	8.57%
2793	North Lincoln Fire & Rescue District #1	8.77%		2.05%	4.76%	15.62%		7.05%	9.76%
2839	North Morrow Vector Control District	10.60%		9.11%	11.82%	15.10%		11.25%	13.96%
2792	North Wasco County Parks And Recreation District	6.88%		9.16%	11.87%	10.87%		11.11%	13.82%
2825	Northern Oregon Corrections	9.59%		5.15%	7.86%	9.97%		3.29%	6.00%
2504	Oak Lodge Water District	11.98%		12.93%	15.64%	16.16%		14.85%	17.56%
2852	Ochoco Irrigation District	4.92%		3.43%	6.14%	9.05%		5.20%	7.91%
2562	Odell Rural Fire Protection District	12.33%		11.73%	14.44%	16.82%		13.97%	16.68%
2816	Odell Sanitary District	2.23%		0.74%	3.45%	12.01%		8.16%	10.87%
2880	Oregon Health & Science University	2.97%		3.68%	6.39%	9.12%		7.58%	10.29%
2531	Oregon School Boards Association	9.59%		10.81%	13.52%	13.95%		12.91%	15.62%
2774	Oregon Trail Library District	6.00%		7.98%	10.69%	10.91%		10.19%	12.90%
2684	Parkdale Fire District	22.81%		15.46%	18.17%	22.45%		13.55%	16.26%
2694	Philomath Fire Department	10.58%		3.24%	5.95%	18.42%		9.04%	11.75%
2650	Pleasant Hill Fire Department	7.51%		6.91%	9.62%	11.86%		9.01%	11.72%
2513	Port of Coos Bay	6.33%		7.33%	10.04%	12.18%		11.06%	13.77%
2741	Port of Garibaldi	3.64%		4.74%	7.45%	9.86%		8.71%	11.42%
2625	Port of Newport	5.65%		7.46%	10.17%	5.05%		4.69%	7.40%
2512	Port of Portland	3.41%		2.57%	5.28%	9.32%		6.19%	8.90%
2501	Port of The Dalles	0.29%		0.19%	1.73%	0.78%		0.50%	0.70%
2713	Port of Tillamook Bay	5.55%		6.19%	8.90%	10.26%		8.79%	11.50%
2673	Port Orford Library	2.68%		1.19%	3.90%	6.95%		3.10%	5.81%
2519	Portland Housing Authority	8.09%		9.04%	11.75%	10.51%		8.37%	11.08%
2542	Rainbow Water District	9.63%		11.16%	13.87%	12.91%		13.15%	15.86%
2776	Rainier Cemetery District	0.29%		0.19%	0.19%	0.59%		0.50%	0.50%

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		<b>SLGRP (Default Tier 1/Tier 2 Rates)</b>							
<b>Special Districts</b>									
2836	Regional Organized Crime Narcotics Task Force	1.12%	0.19%	2.34%	11.48%	7.63%	10.34%		
2549	Rogue River Fire District	10.61%	4.20%	6.91%	14.96%	6.51%	9.22%		
2585	Rogue River Valley Irrigation District	40.72%	40.40%	43.11%	26.53%	23.80%	26.51%		
2669	Roseburg Urban Sanitary Authority	6.81%	8.27%	10.98%	8.71%	7.58%	10.29%		
2802	Rural Road Assessment District #3	8.96%	9.14%	11.85%	15.16%	11.31%	14.02%		
2551	Sandy Fire Department	11.09%	4.45%	7.16%	15.45%	6.68%	9.39%		
2544	Santa Clara Rural Fire Protection District	9.73%	2.40%	5.11%	18.55%	8.81%	11.52%		
2709	Scappoose Public Library	0.29%	0.19%	0.19%	0.59%	0.50%	0.50%		
2739	Scappoose Rural Fire Protection District	15.14%	7.80%	10.51%	19.60%	10.29%	13.00%		
2605	Scio Fire District	0.29%	0.19%	0.19%	0.59%	0.50%	0.50%		
2734	Seal Rock Water District	0.29%	0.19%	2.20%	7.45%	5.72%	8.43%		
2630	Sheridan Fire District	10.42%	4.58%	7.29%	19.01%	9.61%	12.32%		
2790	Silver Falls Library District	6.33%	6.27%	8.98%	12.55%	10.04%	12.75%		
2659	Silverton Fire District	10.47%	5.09%	7.80%	16.11%	8.16%	10.87%		
2692	Siuslaw Public Library	7.38%	6.83%	9.54%	12.01%	9.13%	11.84%		
2794	Siuslaw Rural Fire Protection District #1	4.79%	0.19%	2.17%	16.14%	8.72%	11.43%		
2599	South Suburban Sanitary District	7.25%	8.38%	11.09%	11.96%	10.93%	13.64%		
2766	Southwest Lincoln County Water District	8.21%	7.61%	10.32%	12.73%	9.79%	12.50%		
2706	Stanfield Fire District	10.47%	3.14%	5.85%	15.89%	6.15%	8.86%		
2696	Stayton Fire District	11.96%	5.50%	8.21%	18.61%	10.22%	12.93%		
2799	Sublimity Fire District	21.31%	16.00%	18.71%	12.80%	5.87%	8.58%		
2641	Suburban East Salem Water District	7.42%	8.66%	11.37%	11.81%	10.78%	13.49%		
2857	Sunriver Service District	9.64%	2.67%	5.38%	14.47%	5.82%	8.53%		
2810	Sutherlin Water Control District	5.31%	7.71%	10.42%	12.36%	9.51%	12.22%		
2847	Sweet Home Fire and Ambulance District	14.70%	8.09%	10.80%	18.83%	10.18%	12.89%		
2582	Talent Irrigation District	8.86%	9.88%	12.59%	13.05%	12.19%	14.90%		
2814	The Job Council	22.25%	22.48%	25.19%	26.03%	24.11%	26.82%		
2652	The Oregon Consortium	11.19%	12.64%	15.35%	15.12%	14.36%	17.07%		
2626	Tillamook Peoples Utility District	7.36%	8.63%	11.34%	12.01%	10.89%	13.60%		
2864	Tri-City Water and Sanitary Authority	6.59%	6.40%	9.11%	10.57%	8.88%	11.59%		
2660	Tualatin Valley Fire & Rescue	11.19%	4.74%	7.45%	15.70%	7.17%	9.88%		
2587	Tualatin Valley Irrigation District	10.81%	12.58%	15.29%	10.63%	10.22%	12.93%		
2842	Tualatin Valley Water District	0.29%	0.19%	0.19%	9.33%	7.49%	10.20%		
2772	Umatilla County Soil & Water District	6.88%	5.39%	8.10%	12.30%	8.45%	11.16%		
2732	Umatilla County Special Library District	7.26%	9.66%	12.37%	4.63%	4.87%	7.58%		
2653	Umatilla Fire Department	13.22%	5.89%	8.60%	12.97%	3.23%	5.94%		
2826	Wasco County Soil-Water Conservation District	5.92%	4.43%	7.14%	10.90%	7.05%	9.76%		
2695	Washington County Consolidated Communications Age	9.59%	9.72%	12.43%	13.83%	11.87%	14.58%		
2578	Washington County Fire District #2	16.70%	9.64%	12.35%	22.27%	13.26%	15.97%		

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SLGRP (Default Tier 1/Tier 2 Rates)									
Special Districts									
2540	West Extension Irrigation District	3.17%		1.68%	4.39%	9.34%		5.49%	8.20%
2867	West Multnomah Soil And Water Conservation District	11.31%		10.71%	13.42%	14.07%		12.81%	15.52%
2589	West Slope Water District	15.89%		15.35%	18.06%	19.93%		17.08%	19.79%
2606	West Valley Housing Authority	6.26%		7.12%	9.83%	10.85%		9.54%	12.25%
2754	Western Lane Ambulance District	7.90%		8.68%	11.39%	12.64%		10.81%	13.52%
2817	Wickiup Water District	10.31%		8.82%	11.53%	14.70%		10.85%	13.56%
2868	Willamette Valley Fire & Rescue Authority	12.80%		6.23%	8.94%	22.66%		14.01%	16.72%
2552	Winston-Dillard Fire District	23.38%		16.34%	19.05%	26.67%		17.51%	20.22%
2600	Winston-Dillard Water District	12.34%		12.50%	15.21%	12.74%		10.66%	13.37%
2676	Woodburn Fire District	23.65%		16.30%	19.01%	27.49%		18.35%	21.06%
2843	Yachats Rural Fire Protection District	12.81%		5.46%	8.17%	17.40%		8.50%	11.21%
2726	Yamhill Communications Agency	8.63%		8.84%	11.55%	13.14%		11.02%	13.73%
State									
1000	State Agencies	3.28%		2.84%	5.55%	10.73%		8.05%	10.76%





# Oregon

Theodore R. Kulongoski, Governor

Item D.2.

## Public Employees Retirement System

Headquarters:  
11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR  
Mailing Address:  
P.O. Box 23700  
Tigard, OR 97281-3700  
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September 24, 2010

TO: Members of the PERS Board  
FROM: Dale S. Orr, Actuarial Services Manager  
SUBJECT: Equal to or Better Than Testing Results

### EXECUTIVE SUMMARY

On September 24, 2010, Mercer actuaries Matt Larrabee and Scott Preppernau will present the 'Equal to or Better Than' (ETOB) test results of non-PERS employer public safety retirement plans. Once the actuary's report is received, the Board may grant exemptions from PERS participation for those employers that meet the ETOB test thresholds. For those employers that do not meet the test thresholds, the actuary's report begins a waiting period of at least 90 days, after which the Board may issue its order to grant or deny exemptions for the employer plans.

### BACKGROUND

ORS 237.620 requires that all public employers provide PERS retirement benefits to their police officer or firefighter employees unless an exemption is granted by the PERS Board. This exemption is based on whether the non-PERS employer plans are equal to or better than PERS' benefits for the equivalent class of employees. Each plan is evaluated against this 'ETOB' threshold by the PERS actuary based on a set of comparative standards approved by the PERS Board (set forth in OAR 459-030-0025).

In accordance with PERS administrative rule (OAR 459-030-0030), for those employer plans that fail to meet the ETOB thresholds, the actuary's report of the test results begins a waiting period of at least 90 days, during which a public employer may amend its plan to obtain an exemption. An employer may also request that the Board grant an extension of the waiting period.

If an employer submits an amended plan during the waiting period, the actuary will review the amended plan and report the results to the Board. Based on that report, the Board may grant the exemption if the amendments were sufficient to make the employers plan meet the ETOB standards. If instead, the amendments were not sufficient to meet the standard, the Board will issue an order denying the exemption.

Once a denial is issued, further Board action is not required unless the employer submits a new request for exemption.

STAFF RECOMMENDATION

Staff recommends that the Board grant an exemption from the PERS participation requirement stated in ORS 237.620 (1) for those employers that the PERS actuary has found to meet or exceed the standards for receiving an exemption under OAR 489-030-0025.

Attachment 1 ETOB Administrative Rule

## OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

### DIVISION 30

#### LOCAL PUBLIC EMPLOYER RETIREMENT PLANS FOR POLICE OFFICERS AND FIRE FIGHTERS

**459-030-0009**

##### **Contents of the Petition**

(1) A petition for exemption of a public employer shall contain the following information:

(a) The name of the public employer;

(b) For current affected police officers and fire fighters; a list of the names, ages, sex, dates of employment and plan participation, annual employee contributions (withheld or picked up) to the employer's plan for each year of participation beginning in 1973 with total current account balances of employee contributions, if applicable, and total gross salaries paid in each of the three most recent calendar years;

(c) A copy of the plan including each written trust agreement, contract or insurance policy providing retirement benefits to the public employer's police officers and fire fighters;

(d) Such additional information as will assist an actuary retained by the Board in reviewing the retirement benefits to be provided the police officers and fire fighters.

(2) Information provided in the petition shall be current as of the valuation date.

Stat. Auth.: [ORS 237](#)

Stats. Implemented:

Hist.: PER 4-1978, f. & ef. 11-2-78; PER 13-1981, f. & ef. 11-23-81; PERS 1-1989, f. & cert. ef. 12-4-89

**459-030-0011**

##### **"Equal To or Better Than" Exemption**

(1) A public employer that provides retirement benefits to its police officers and firefighters pursuant to ORS 237.620(2) is exempt from participation in PERS for such employees.

(2) An exemption under this division will continue until the Board, upon review of the public employer's retirement plan, determines that the plan no longer meets the required standard.

(3) Whenever a change in benefits in the public employer's retirement plan is adopted, the public employer must petition the Board for review of the employer's plan within 60 days.

(4) Whenever a change in benefits in the PERS Plan is adopted, the Board will determine if the change increases benefits such that the public employer's retirement plan must be reviewed.

(5) In any event, at least once every 12 years the Board will determine, pursuant to section (2) of this rule, whether an employer's exemption should continue.

(6) The Board may delegate the determination of whether such an employer's plan qualifies for an exemption to the PERS Executive Director.

Stat. Auth.: ORS 238.650

Stat. Implemented: ORS 237.620, 237.635 & 237.637

Hist.: PER 4-1978, f. & ef. 11-2-78; PERS 1-1989, f. & cert. ef. 12-4-89, Renumbered from 459-030-0020; PERS 9-2005, f. & cert. ef. 2-22-05; PERS 2-2009, f. & cert. ef. 2-12-09

### **459-030-0015**

#### **Actuarial Review**

(1) Upon the filing of a petition, the Board shall schedule an actuarial review of the public employer's retirement plan to be conducted by an actuary retained by the Board at the expense of the public employer.

(2) An actuary retained by the Board may require the public employer to provide such additional information as the actuary considers necessary. Failure to provide the actuary with the requested information on a timely basis shall constitute sufficient ground for the Board to dismiss the petition with prejudice.

Stat. Auth.: [ORS 237](#)

Stats. Implemented:

Hist.: PER 4-1978, f. & ef. 11-2-78; PER 14-1981, f. & ef. 11-23-81; PERS 1-1989, f. & cert. ef. 12-4-89

### **459-030-0025**

#### **Standards for Review of Police Officers and Firefighters Retirement Plans**

(1) For purposes of this rule:

(a) "Assumed rate" has the same meaning as provided in OAR 459-007-0001.

(b) "Valuation date" means the date set by the Board as of which the retirement benefits under the public employer's retirement plan and the retirement benefits under the PERS Plan shall be compared.

(2) A determination whether a public employer provides retirement benefits to its police officers and firefighters that are equal to or better than the benefits that would be provided to them by PERS will be made as of the valuation date.

(3) The Board will consider the aggregate total actuarial present value, as of the valuation date, of all retirement benefits accrued up to the valuation date and projected to be accrued thereafter to the date of projected retirement by the group of police officers and firefighters employed on the valuation date by the public employer. The Board will compare the retirement benefits provided under the public employer's retirement plan for each of the following classes of employees to the retirement benefits provided to the equivalent class of employees participating in the PERS Plan:

(a) Police officers or firefighters who would have established membership in the system before January 1, 1996, as described in ORS 238.430(2), and would have been entitled to receive benefits under the PERS Plan;

(b) Police officers or firefighters who would have established membership in the system on or after January 1, 1996, as described in ORS 238.430, and before August 29, 2003, as described in 238A.025, and would have been entitled to receive benefits under the PERS Plan; and

(c) Police officers or firefighters who would have established membership in the system on or after August 29, 2003, and would have been entitled to benefits under the PERS Plan.

(4) For each class of employees described in section (3) of this rule:

(a) The aggregate total actuarial present value as of the valuation date of the projected full-career retirement benefits provided by the public employer must be equal to or better than those provided by PERS to the equivalent class of employees.

(b) The actuarial present value of projected retirement benefits for each individual employee need not be equal to or better than the present value that employee would have received as a member of that employee's equivalent class in PERS.

(c) The public employer's retirement plan or plans must provide at least eighty percent (80%) of the actuarial present value of projected retirement benefits in each of the major categories of retirement benefits available under PERS, namely: a service retirement benefit, including post retirement health care and a disability retirement benefit, also including post retirement health care.

(5) In adopting the following methods and assumptions, to be used in conducting an actuarial review of a public employer's retirement plan, preference has been given to the simplest, least expensive methodology consistent with ORS 237.610 to 237.620 and applicable actuarial standards:

(a) Only employer funded benefits shall be used as the basis for the test comparison. Any contribution deemed as an employee contribution will be treated as an employee contribution for testing purposes, even if paid for by the employer unless the employer's plan specifies that the employer is responsible to make the contribution on the employee's behalf and that responsibility is nonelective.

(b) The Full Formula, Money Match, Formula Plus Annuity, and OPSRP Pension benefit formulas shall be used as the basis for valuing PERS benefits.

- (c) Prior service benefits that depend on earnings shall be valued using the assumed rate, taking into consideration guaranteed plan returns.
- (d) Future service benefits that depend on earnings shall be valued using the assumed rate, taking into consideration guaranteed plan returns.
- (e) Benefits will be assumed to be paid in the typical and customary distribution form given the structure of the underlying plan. For example, PERS benefits will be paid using the most recent distribution assumption as of the valuation date, and benefits from a defined contribution program will be assumed to be paid as a lump sum at the date of projected retirement.
- (f) Lump sum/annuity conversions, if needed, shall be calculated using the assumed rate.
- (g) The assumed rate will be used to discount projected future benefits back to the valuation date.
- (h) Benefit comparisons shall use a hypothetical PERS member data standard for each demographic group.
- (6) In conducting an actuarial review of the public employer's retirement plan, the actuary retained by the Board will use its current actuarial assumptions for police officers and firefighters of public employers participating in PERS for those employees, subject to any exceptions noted above.
- (7) The Board will consider the estimated cost of the benefits to be provided, the estimated value of projected benefits to the employee, and the proportion of the cost being paid by the public employer and the participating police officers and firefighters. Whether the benefits are provided by contract, trust, insurance, or a combination thereof shall have no effect on the Board's determination.
- (8) In considering a public employer's retirement plan provisions, the Board may not value portability of pension credits, tax advantages, Social Security benefits or participation, any worker's compensation component of a public employer's retirement plan as determined by the employer or any portion of a benefit funded by the member.
- (9) The Board may not consider benefits provided by the PERS Plan under ORS 238.375–238.387 or benefits provided by the employer's retirement plan under 237.635–237.637. The employer must identify benefits paid to comply with 237.635–237.637.
- (10) Additional actuarial assumptions needed to evaluate the public employer's retirement plan may be considered by the Board's actuary to be consistent with assumptions specified in these rules. Any disputes as to the appropriateness of additional actuarial assumptions may be resolved by the Board in its sole discretion.

Stat. Auth: ORS 238.650

Stats. Implemented: ORS 237.620

Hist.: PER 4-1978, f. & ef. 11-2-78; PER 15-1981, f. & ef. 11-23-81; PERS 1-1989, f. & cert. ef. 12-4-89; PERS 9-2005, f. & cert. ef. 2-22-05; PERS 2-2009, f. & cert. ef. 2-12-09; PERS 8-2010, f. & cert. ef. 8-2-10

**459-030-0030**

**Board Action on Petition and Review of Order**

(1) The actuary will issue a written report that concludes whether a public employer's plan meets the standards for receiving an exemption under OAR 459-030-0025. After receipt of the written actuarial review report and recommendations of staff, the Board will issue an order granting or denying the petition for exemption. No order denying a petition for exemption will be issued until at least 90 days after the actuary had delivered its report to the Board. During that period, the public employer may amend its plan to comply retroactive to the valuation date or file a written request for an extension. Upon filing of that request, the Board will not enter an order denying a petition for exemption for an additional 60 days after receiving the request. If a public employer submits an amended plan before the Board adopts an order denying the exemption, the actuary will submit a supplemental report on whether the amended plan meets the required standards under 459-030-0025. The Board may adopt an order at any time after receiving the supplemental report.

(2) Within 60 days of the effective date of any order issued under this rule, the public employer, the affected public employees, or their labor representative may file a petition for rehearing or reconsideration pursuant to OAR 459-001-0010 and 459-001-0040.

Stat. Auth: ORS 238.650

Stats. Implemented: ORS 237.620, 237.635 & 237.637

Hist.: PER 4-1978, f. & ef. 11-2-78; PERS 1-1989, f. & cert. ef. 12-4-89; PERS 9-2005, f. & cert. ef. 2-22-05; PERS 2-2009, f. & cert. ef. 2-12-09

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MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

September 24, 2010

## Equal To Or Better (ETOB) Testing - Test Results

Oregon Public Employees Retirement System

Matt Larrabee  
Scott Preppernau



## Background

- Police and Fire employers not participating in Oregon PERS are required to provide retirement benefits that are “equal to or better” (“ETOB”) than the retirement benefits provided by Oregon PERS
- The PERS Board is required to determine if employers satisfy the ETOB requirement
- The last test was performed in 2005, and all employers passed
  - That test was prospective only and compared the value of future accruals in the employee’s current plan to the value of joining OPSRP
- The Legislature amended the ETOB requirements to test employees by class
  - Classes are based on the hire date criteria for Tier 1, Tier 2 & OPSRP
- The new test is much more complex
  - Requires three separate tests for each employer
  - Requires testing full-career benefits rather than just benefits expected to be earned in the future

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## ETOB Testing Principles

- PERS established three guiding principles for ETOB testing:
  - Comparability
    - The test should strive for an “apples to apples” comparison
  - Durability
    - Test results should be consistent over time, barring a change to plan provisions
    - Rule requires testing at least every twelve years
  - Cost Effectiveness
    - The least expensive method that does not compromise the validity of results should be used
- When required to make any judgment calls while conducting the test, we referenced these principles

## Guidance for Conducting an ETOB Test

OAR 439-030-0025

- It is required that aggregate benefits for each tier are ETOB
  - It is not required that benefits for each and every employee be ETOB
- The PERS 8% investment return assumption is used in the calculations
  - For employers that sponsor defined contribution plans, this represents a hypothetical “expected value to the employee” of the account balance available at retirement, based on the 8% return assumption
- A stable, hypothetical employee data set consisting of PERS Police & Fire Members was used to increase the test’s durability and consistency
- Testing was conducted as of a December 31, 2008 valuation date
- Oregon PERS actuarial valuation assumptions for Police & Fire Members from the December 31, 2008 actuarial valuation were used in the test
- Only the value of employer funded benefits are compared, with any benefits funded by Member contributions excluded from the calculation
  - For example, the values of the IAP and any benefits funded by Tier 1 / Tier 2 Member contributions are not included in the tested PERS benefit

## Required Benefit Levels to Satisfy ETOB

### Calculation of PERS Employer-Funded Benefits

	<b>Average Age</b>	<b>Average Service</b>	<b>Present Value of Full-Career Employer Funded Benefit as a % of Pay</b>
Tier 1	48	19	481%
Tier 2	41	9	377%
OPSRP	35	3	262%

- This table displays the present value as of the valuation date of the employer funded PERS benefit, expressed as a percentage of 2008 PERS subject salary
  - Example: An average Tier 2 Police & Fire Member with \$63,000 pay has a present value of \$237,500 (or 377% of pay) for the employer-funded portion of his or her projected full-career benefit, based on the test assumptions
- Tier 1 has the highest present value as of the valuation date because Tier 1 Members are the oldest and hence the closest to retirement
- Tier 2 is the most difficult tier against which to satisfy the ETOB requirement
  - Tier 1 and Tier 2 offer very similar Police & Fire benefit levels
  - Tier 1 Members have a higher number of years with Member contributions

## Test Results

### ETOB Test Ratio Results by Employer and Tier

	<b>Tier 1</b>	<b>Tier 2</b>	<b>OPSRP</b>
City of Forest Grove	<b>120%</b>	<b>115%</b>	<b>147%</b>
City of Seaside	<b>144%</b>	<b>124%</b>	<b>156%</b>
City of Springfield	<b>151%</b>	<b>124%</b>	<b>164%</b>
City of The Dalles	<b>115%</b>	<b>96%</b>	<b>123%</b>
Mid-Columbia Fire & Rescue	<b>164%</b>	<b>142%</b>	<b>182%</b>
Tillamook County	<b>116%</b>	<b>100%</b>	<b>127%</b>
Union County	<b>117%</b>	<b>92%</b>	<b>120%</b>
Wheeler County	<b>145%</b>	<b>120%</b>	<b>151%</b>

- Using the present value amounts from the prior slide as the ETOB requirement, the eight employers in the table at the left were tested
- Six of those employers fully satisfied ETOB for all tiers
- Two employers failed to satisfy ETOB for Tier 2
- For some employers, not all plans offered by the employer were valued, as the employer satisfied ETOB without their inclusion
- Two other employers (Morrow County, City of Portland) were already deemed to satisfy ETOB via a “preliminary determination” review of plan provisions

## Next Steps

- Based on the results of the testing conducted by Mercer, PERS staff recommends that the PERS Board adopt a motion granting ETOB exemptions to eight employers that have been determined to satisfy the statutory requirements under ORS 237.620 and the related OARs:
  - City of Forest Grove
  - City of Portland
  - City of Seaside
  - City of Springfield
  - Mid-Columbia Fire & Rescue
  - Morrow County
  - Tillamook County
  - Wheeler County
- Formal ETOB testing reports will be distributed to employers over the next one to two weeks

## Next Steps

- Two employers do not satisfy the ETOB statutory requirements based on the testing results:
  - City of The Dalles
  - Union County
- Receiving the formal ETOB testing report triggers a period (of at least 90 days) for those employers to either amend their plans to become eligible for an exemption or to comply with the requirement of ORS 237.620(3) to "provide that class of employees with retirement benefits adequate to meet the [ETOB] requirements."

## Important Information

Mercer has prepared this presentation exclusively for the Oregon PERS Board to inform the Board and other stakeholders of the results of “Equal to or Better Than” (ETOB) testing required under Oregon Statute. This presentation may not be used or relied upon by any other party or for any other purpose; Mercer is not responsible for the consequences of any unauthorized use. Actuarial computations for purposes other than those specified in this report, such as calculation of ongoing funding requirements, may be significantly different.

A valuation report is a snapshot of a plan’s estimated financial condition at a particular point in time; it does not predict a plan’s future financial condition or its ability to pay benefits in the future. Over time, a plan’s total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, plan expenses and the amount earned on any assets invested to pay the benefits. These amounts and other variables are uncertain and unknowable at the valuation date, but are predicted to fall within a reasonable range of possibilities.

To prepare this report, various *actuarial assumptions*, as summarized in this presentation and detailed in the formal employer-specific reports, were used to select a single scenario from a range of possibilities. The results of that single scenario are included in this report. However, the future is uncertain, and the system’s actual experience will likely differ from the assumptions utilized and the scenarios presented; these differences may be significant or material. In addition, different assumptions or scenarios may also be within the reasonable range and results based on those assumptions would be different. Actuarial assumptions may also be changed from one valuation to the next because of changes in mandated requirements, plan experience, changes in expectations about the future and other factors. Due to the limited scope of our assignment, we did not perform, nor do we present, an analysis of the potential range of future possibilities and scenarios. To prepare the results shown in this report, various *actuarial methods*, as described in the Appendix, were used.

Because actual system experience will differ from the assumptions, decisions about benefit changes, investment policy, funding amounts, benefit security and/or benefit-related issues should be made only after careful consideration of alternative future financial conditions and scenarios and not solely on the basis of a valuation report or reports.

This report is based on data and system provisions as described in the Appendix. Oregon PERS and public employers subject to ETOB testing are solely responsible for the validity, accuracy and comprehensiveness of this information. If the data or plan provisions supplied are not accurate and complete, the valuation results may differ significantly from the results that would be obtained with accurate and complete information; this may require a later revision of this report.



## Important Information

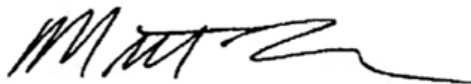
### Actuarial Calculations, Methods and Assumptions

To the best of our knowledge and belief, this report is complete and accurate and all costs, liabilities and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures laid out in the governing Oregon Administrative Rules and as approved by the PERS Board. Certain actuarial assumptions, including the investment return/discount rate assumption, are prescribed by the governing Oregon Administrative Rule, while other assumptions not prescribed by the rule are based on the most recent experience study, as adopted by the PERS Board. This report is based on assumptions, plan provisions, methods and other parameters as summarized in the Appendix. If this information is inaccurate or incomplete or does not reflect current statutes, regulations or Board directives, the reader of this report should not rely on the results and should notify Mercer promptly. In our opinion, this report fully and fairly discloses the actuarial position of the plan on an ongoing basis.

### Professional Qualifications

We are available to answer any questions on the material in this report or to provide explanations or further details as appropriate. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. We are not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict of interest, that would impair the objectivity of our work.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.



Matthew R. Larrabee, FSA, EA, MAAA  
Enrolled Actuary No. 08-6154

Sept. 24, 2010

Date



Scott D. Preppernau, FSA, EA, MAAA  
Enrolled Actuary No. 08-7360

Sept. 24, 2010

Date

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

## Important Information

### Actuarial Basis

#### **Data**

We have based our calculation of both PERS and ETOB employer liabilities on the data, methods, assumptions and plan provisions described in the December 31, 2008, Actuarial Valuation (“2008 Valuation Report”) for the Oregon Public Employees Retirement System, as modified by ETOB testing requirements specified in the Oregon Statute and Oregon Administrative Rule (OAR) governing the test. Details on this actuarial basis can be found in Mercer’s 2009 and 2010 Board presentations on ETOB testing, and the forthcoming ETOB testing reports for individual ETOB employers (“ETOB reports”).

The active public safety data from the Oregon PERS December 31, 2008, Actuarial Valuation was used to develop “hypothetical data” used for the ETOB test, as prescribed in the OAR.

#### **Methods / Policies**

Liabilities are based on the total Present Value of Benefits of Service and Disability Retirement Benefits offered under the plans being compared. Additional detail can be found in the forthcoming ETOB Reports.

#### **Assumptions**

In general, assumptions for ETOB testing purposes are as described in the 2008 Valuation Report, with specific modifications for the purpose of conducting the ETOB test. These modifications are discussed in the forthcoming ETOB Reports and in Mercer’s 2009 and 2010 Board presentations on ETOB.

#### **Provisions**

Provisions valued are as detailed in the forthcoming ETOB Reports.