

OREGON PUBLIC EMPLOYEES RETIREMENT BOARD

Friday March 30, 2007 11:30 A.M. & 1:00 P.M.		PERS 11410 SW 68 th Parkway Tigard, OR
ITEM	PRESENTER	
A. Contested Case Hearings – 11:30 A.M.		
1. Contested Case Hearing for Colleen Walker 2. Contested Case Hearings for Katharine English and Barbara Pinkerton 3. Status of Contested Cases	RODEMAN/KUTLER	
Break		
B. Administration – 1:00 P.M.		
1. February 16, 2007 Board Meeting Minutes 2. Director's Report a. Forward-Looking Calendar b. OIC Investment Report c. HB2020 Report d. Budget Report	DELANEY	
C. Consent Action and Information Items		
1. Action on Contested Cases 2. First Reading for Withdrawal of Contributions Rule (Tier 1 / Tier 2) 3. Adoption of OPSRP Disability Benefit Rule Modifications	RODEMAN	
D. Action and Discussion Items		
1. Tier One Rate Guarantee Reserve Analysis 2. Final 2006 Earnings Crediting 3. 2007 Legislative Update	MERCER ORR/RODEMAN DELANEY	
E. Executive Session Pursuant to ORS 192.660(2)(f), (h), and/or ORS 40.225		
1. Litigation Update	LEGAL COUNSEL	

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<i>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.</i>
Michael Pittman, Chair * James Dalton * Thomas Grimsley * Eva Kripalani * Brenda Rocklin * Paul R. Cleary, Executive Director

Level 1 - Public

SL1

PUBLIC EMPLOYEES RETIREMENT BOARD

PERS Board Meeting
 1:00 P.M., February 16, 2007
 Tigard, Oregon

DRAFT

MINUTES

Board Members:

Brenda Rocklin, Vice-chair
 Eva Kripalani
 James Dalton
 Excused: Mike Pittman
 Tom Grimsley

Staff:

Paul Cleary, Director
 Donna Allen
 Steve Rodeman
 Rick Howitt

David Crosley
 Jeanette Zang
 Dale Orr
 Eric Sokol
 Jason Stanley

Helen Bamford
 Joe DeLillo
 David Tyler
 Patrick Teague
 Jeff Marcic
 Kyle Knoll

Others:

Pat West
 Deborah Tremblay
 Bill Hallmark
 Karla Alderman

Bill McGee
 Keith Kutler
 Molly Butler
 Bob Davis
 Bruce Adams

Denise Yunker
 B.J. Pinkerton
 E. Marie Laird
 Linda Ely
 Bob Andrews

Victor Nolan
 Marty Stewart
 Margaret Thornby
 Karen Artiaco
 Greg Hartman

Board Vice-Chair Brenda Rocklin called the meeting to order at 1:00 P.M.

Chair Mike Pittman and Tom Grimsley were excused from the meeting.

ADMINISTRATION

B.1. BOARD MEETING MINUTES OF JANUARY 12, 2007

James Dalton moved and Eva Kripalani seconded to approve the minutes of the January 12, 2007 Board meeting. The motion passed unanimously.

B.2. DIRECTOR'S REPORT

Director Paul Cleary announced that Oregon PERS has been honored with the Public Plan Sponsor of the Year Award from *PlanSponsor* magazine, a national trade publication for pension and benefits related news. Cleary said that PERS has received this national recognition for Oregon's successful retirement system reform efforts and the Oregon Investment Council's top tier investment processes. Director Cleary and Oregon State Treasury Chief Investment Officer Ron Schmitz will accept the award at the *PlanSponsor's* annual Awards for Excellence banquet in March in New York City. Turning to the forward-looking calendar, Cleary said that final 2006 earnings crediting would be presented at the March meeting and Mercer would be reporting on the Tier One rate guarantee reserve analysis. Cleary noted that the next joint PERS-OIC asset/liability study meeting has tentatively been scheduled for Wednesday, April 25th, 2007. Cleary summarized the January budget report noting a continuing positive variance. Cleary reported that PERS will renew its third-party administration and general consultant contracts for the retiree health insurance program for three years with revised contract opt-out and transition terms. Cleary introduced Patrick Teague, PERS new Benefit Payment Division Administrator, replacing Craig Stroud.

Oregon State Treasury Deputy Chief Investment Officer Mike Mueller provided the OIC report showing 2006 year-end regular account earnings of 15.3 % on a net basis that out-performed the policy benchmark by 41 basis points. Mueller said that the January, 2007 Retirement Fund balance had exceeded a record of \$61 billion dollars.

CONSENT ACTION AND INFORMATION ITEMS

C.1. ACTION ON CONTESTED CASE HEARINGS

Steve Rodeman, Policy, Planning, and Legislative Analysis Division (PPLAD) administrator, presented the staff recommendations as detailed below in the contested case hearings of Katharine English and Barbara Pinkerton, and Jan Karius.

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

Under that motion, the Board acted on each contested case item and directed staff as follows:

ITEM A.1. CONTESTED CASE HEARINGS FOR KATHARINE ENGLISH AND BARBARA PINKERTON

The Board continued deliberation of the proposed order in the contested case hearings of Katharine English and Barbara Pinkerton to the March 30, 2007 Board meeting and delayed the date on which the proposed order will become final until the May Board meeting.

ITEM A.2. CONTESTED CASE HEARING FOR JAN KARIUS

The Board requested that the Administrative Law Judge (ALJ) reopen the record for further hearing in the contested case hearing of Jan Karius.

C.2. NOTICE OF OPSRP DISABILITY BENEFIT RULES

Rodeman presented the notice for rulemaking for updating terminology in the OPSRP Pension Program disability rules.

C.3. NOTICE OF TIER 1 / TIER 2 WITHDRAWAL OF CONTRIBUTIONS RULES

Rodeman presented the notice of rulemaking that would make the Tier 1 / Tier 2 withdrawal rules generally parallel with the OPSRP withdrawal rules to improve consistency among the PERS programs.

C.4. POSTPONEMENT OF OPSRP WITHDRAWALS RULES

Rodeman gave notice of postponement of the previously scheduled adoption of the OPSRP pension and IAP withdrawal rules. Rodeman said that this postponement would help assure consistency throughout the PERS rule sets for withdrawals, based on the proposed rulemaking changes in the Tier 1 / Tier 2 Withdrawal of Contribution Rules, and potential legislative action on PERS concept HB 2281, that would require a member who withdraws from one program to withdraw from all applicable programs.

C.5. ADOPTION OF POWER ATTORNEY RULES

Rodeman presented the proposed adoption of the Power of Attorney rules that would explicitly cover other types of fiduciaries appointed to act on behalf of members, such as guardians and conservators and would streamline the associated processes for stakeholders. Rodeman responded to questions from the Board on the proposed changes in notary requirements.

PERS Board meeting

02/16/2007

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It was moved by Eva Kripalani and seconded by James Dalton to adopt the permanent rule modifications to OAR 459-005-0100 through 459-005-0150 as presented. The motion passed unanimously.

C.6. NOTICE AND ADOPTION OF TEMPORARY DIRECT ROLLOVER RULES

Rodeman presented the proposed adoption of temporary rules and notice of permanent rulemaking to comply with the federal Pension Protection Act of 2006. Rodeman said the adoption of these rules would implement the changes directed by the new federal law on beneficiaries who are eligible to roll over benefit payments.

It was moved by Eva Kripalani and seconded by James Dalton to adopt the temporary rule modifications to OAR 459-005-0591, -0595, -0599, and -0920 as presented. The motion passed unanimously.

ACTION AND DISCUSSION ITEMS

D.1. 2006 PRELIMINARY EARNINGS CREDITING AND RESERVING

Dale Orr, Actuarial Analysis Coordinator, presented the proposed preliminary crediting and reserving decisions for 2006 that will be presented to Legislature's Ways and Means Committee on February 19th for their statutory 30 day review and comment opportunity. Staff recommended the Board approve the crediting of approximately \$7.85 billion in OPERF Regular Account 2006 earnings to member and employer accounts and other reserves. Due to the excused absence of two Board members, the Board set a preliminary range for increasing the Contingency Reserve by an additional \$7.5 million to \$250 million. The Board will decide on a specific Contingency Reserve amount when it credits final 2006 earnings at the March 30, 2007 meeting.

It was moved by James Dalton and seconded by Eva Kripalani that the Board adopt the staff's recommended preliminary 2006 earnings allocation with a preliminary range for increasing the Contingency Reserve by an additional \$7.5 million to \$250 million, subject to final adoption at the March 30, 2007 Board meeting. The motion passed unanimously.

D.2. LEGISLATIVE UPDATE

Joe DeLillo, Policy, Planning, and Legislative Analysis Division (PPLAD) interim manager, provided a brief update regarding current proposed legislation affecting PERS.

EXECUTIVE SESSION

Pursuant to ORS 192.660 (2) (f), (h), and ORS 40.255, the Board went into executive session at 2:45 P.M.

The Board reconvened to open session.

Vice-chair Rocklin adjourned the meeting at 3:00 P.M.

Respectfully submitted,



Paul R. Cleary
Executive Director

MEETING	3-30-07
DATE	
AGENDA	B.2.a
ITEM	Calendar

PERS Board Meeting Forward-Looking Calendar

April 2007

9:00 A.M. April 25, 2007 (Tentative)

Joint PERS Board – OIC Asset / Liability Study Stage II

May 2007

1:00 P.M. May 18, 2007

Consideration of Final Order for Contested Case Hearing of Colleen Walker
Adoption of Withdrawal Rules (All Programs) - Subject to Change
First Reading for Direct Rollover Rules
First Reading for Automatic Rollover Rules
Notice of Judge Member Rules
2007 Legislative Update
Audit Committee Meeting

June 2007

1:00 P.M. June 15, 2007

Adoption of Direct Rollover Rules
Adoption of Automatic Rollover Rules
First Reading for Judge Member Rules
2007 Legislative Update

July 2007

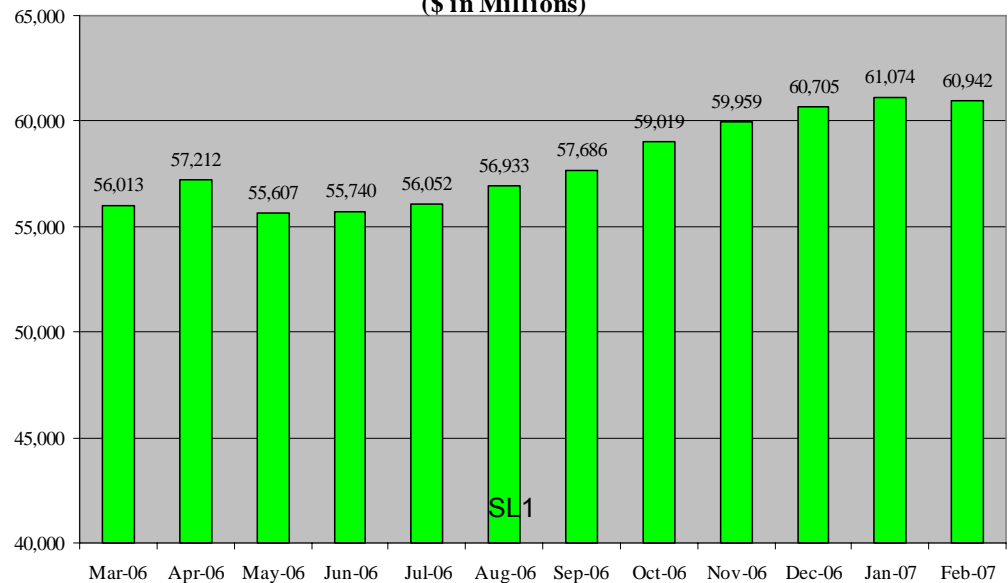
1:00 P.M. July 20, 2007

OPERF	Regular Account				Historical Performance					
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS
Domestic Equity	24-34%	29%	\$ 17,826,498	30.1%	0.64	10.78	11.66	10.40	17.84	8.65
Non-US Equity	11-21%	16%	10,563,253	17.8%	1.33	20.05	21.42	20.99	28.99	18.37
Global Equity	5-11%	8%	3,968,223	6.7%	N/A					
Alternative Equity	9-15%	12%	5,861,167	9.9%	N/A	15.73	29.14	28.29	20.44	14.55
Total Equity	60-70%	65%	38,219,141	64.5%						
Opportunity Portfolio			50,301	0.1%						
Total Fixed	22-32%	27%	16,870,151	28.5%	1.54	6.54	5.35	5.14	6.05	6.77
Real Estate	5-11%	8%	4,025,588	6.8%	1.95	26.89	32.17	26.88	24.97	21.16
Cash	0-3%	0%	50,927	0.1%	0.88	5.27	4.37	3.42	2.88	2.71
TOTAL OPERF Regular Account		100%	\$ 59,216,108	100.0%	0.85	12.75	14.43	13.52	17.09	11.50
OPERF Policy Benchmark					1.31	13.05	12.37	11.71	15.81	10.28
Value Added					(0.46)	(0.30)	2.06	1.81	1.28	1.22

Asset Class Benchmarks:

Russell 3000 Index	0.23	12.03	11.23	10.02	17.13	7.93
MSCI ACWI Free Ex US	0.99	20.39	20.76	20.55	28.54	17.96
Russell 3000 Index + 300 bps--Quarter Lagged	6.23	17.52	15.39	16.33	18.14	12.00
LB Universal--Custom FI Benchmark	1.51	5.86	4.57	4.16	4.51	5.51
NCREIF Property Index--Quarter Lagged	N/A	17.62	18.40	16.37	14.17	12.42
91 Day T-Bill	0.79	5.01	4.19	3.29	2.74	2.53

TOTAL OPERF NAV
 (includes variable fund assets)
 One year ending February 2007
 (\$ in Millions)



¹OIC Policy 4.01.18

²Includes impact of cash overlay management.



Oregon

Theodore R. Kulongoski, Governor

Public Employees Retirement System

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March 30, 2007

TO: Members of the PERS Board
FROM: Paul R. Cleary, Executive Director
SUBJECT: Update on HB2020 Employer Reporting and Accounts
Receivable Programs

MEETING	03-30-07
DATE	
AGENDA	
ITEM	B.2.c. HB2020 Update

PERS is working with 871 employer-reporting units to process outstanding 2006 and 2007 employer reports and to collect outstanding employer invoices. Updates on each are provided below.

EMPLOYER REPORTING

The table below shows the status as of March 7, 2007 of employer reports and member records for calendar years 2006 and 2007.

	Calendar Year 2006	Calendar Year 2007
Reports due:		
▪ Number expected	13,084	2,288
▪ Number received	12,926	2,218
▪ Percent received	99%	97%
▪ Annual target	99%	99%
Reports fully posted at 100%:		
▪ Number	12,175	1,710
▪ Percent received	94%	77%
▪ Annual target	95%	95%
Records due (estimated)	3,116,777	548,393
Records not posted:		
▪ Number	7,096	11,364
▪ Percent not posted	.2%	2.0%
▪ Annual target	≤ .2%	≤ .2%
Contributions posted	\$ 426,689,827	\$73,992,545
Contributions not posted	\$ 110,042	\$337,530

As of March 7, 2007, employers have submitted 99 % of the reports due for 2006. Of the reports submitted only 0.2% of records remain suspended (representing less than 0.02% of total contributions anticipated for 2006). At this point in time, we are just 1% shy of meeting one of our three annual performance targets of 95% of all *Received Reports being 100% Posted*. Currently, we have met our other two annual targets, i.e., *Reports Due and Records Not Posted*. Employers and staff are working extremely hard to close the 2006 books, and we anticipate we will meet all of our 2006 annual performance targets before the close of the Annual Reconciliation process.

For 2007, employers have submitted 97% of the reports due for 2007. Of those reports submitted, 77% are 100% posted. In comparison to 2006 statistics, reporting performance for 2007 appears to be down. This downward trend is typical and anticipated at this time of year since employers have been focusing on prior year data clean-up for the 2006 Annual Reconciliation. We anticipate that by the end of the second quarter of 2007, the reporting statistics will bounce back and improve from prior years.

ACCOUNTS RECEIVABLE PLAN

Besides assisting employers with overdue reports and electronic payments, PERS accounts receivable department proactively collects receivable balances that are more than 30 days overdue. As of February 28, 2007, we have 243 outstanding invoices (13 employers) with an aggregate balance of less than \$370,000. Our goal is to collect all outstanding invoices that exceed 30 days by following up with these employers by phone and letters each month.



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March 30, 2007

TO: Members of the PERS Board
FROM: Kyle J. Knoll, Budget Officer
SUBJECT: 2005-2007 Budget Update

MEETING DATE	3/30/07
AGENDA ITEM	B.2.d. Budget

Attached is the PERS budget report for the period ending February 28, 2007.

2005-07 ACTUAL EXPENDITURES AND PROJECTIONS

Operating expenditures for the months of January and February 2007 totaled \$3,830,883 and \$3,607,205 respectively. Through 20 months (83.33%) of the biennium, the Agency has expended a total of \$58,601,789, or 78.12% of our Operations budget. The positive budget variance for the biennium is projected at \$259,899, up from \$181,000 on December 31, 2006.

2007-09 BUDGET REQUEST

PERS' 2007-09 Governor's Recommended Budget was presented by Director Paul Cleary to the Ways and Means Subcommittee on General Government March 12 and 13, 2007; and discussed with the Subcommittee during a work session March 20, 2007. The 2007 -09 Governor's Recommended Budget for PERS totaled about \$6.4 billion with about \$82.3 million for operations. This represented an operating budget increase of about 8.3% over the agency's 2005-07 operating budget.

In compliance with legislative guidelines, PERS' 2007-09 budget presentation included proposed operating efficiencies savings totaling \$1,165,484, or 2.13 % of PERS' Essential Budget Level of \$54,722,976. Those proposed efficiencies savings are detailed in the attachment to this memo.

In response to member, stakeholder group and legislator concerns, and with the support of the Board, PERS submitted a request for funding to improve its retirement application assistance program. That request, totaling \$254,546 and funded out of PERS' proposed efficiencies savings, supports two permanent Retirement Counselor 2 positions to act as circuit riders to extend services throughout the state that are currently only available on a limited basis to Portland and Salem area members. Those services will be further enhanced both within and outside the Willamette Valley through existing staffing and strengthened stakeholder group and private sector partnerships.

The Subcommittee accepted PERS' 2% efficiencies savings and approved the agency's request to reinvest a portion of those savings into the retirement application assistance initiative along with the remainder of the agency's Governor's Recommended Budget which was approved by the full Ways and Means Committee March 23, 2007. As now recommended for adoption, the PERS 2007-09 operating budget would total about \$81.4 million, which represents an increase of about 7.1% over the agency's 2005 -07 operating budget. Factors contributing to the budget increase include full implementation of the *Strunk/Eugene* project and the OPSRP pension and the IAP programs, continuation of Stage

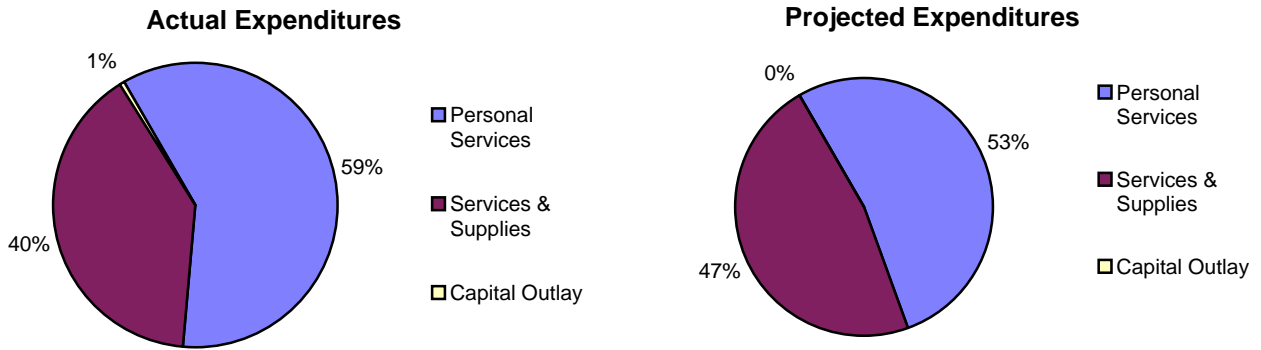
II of the RIMS conversion project, and increased government service changes, inflation and wage and benefit costs.

As a percent of the PERS fund, the agency's annual operating budget would decrease from nearly 8 basis points (0.08%) in 2005-07 to less than 7 basis points (0.07%) in the 2007-09 biennium. The agency's overall position count would also continue its' decline from a peak of 420 positions in 2003-05 to less than 400 positions in 2007-09, with over 25% of those positions continued on a limited duration basis.

2005-07 Agency-wide Operations - Budget Execution
Summary Budget Analysis
For the Month of: February 2007

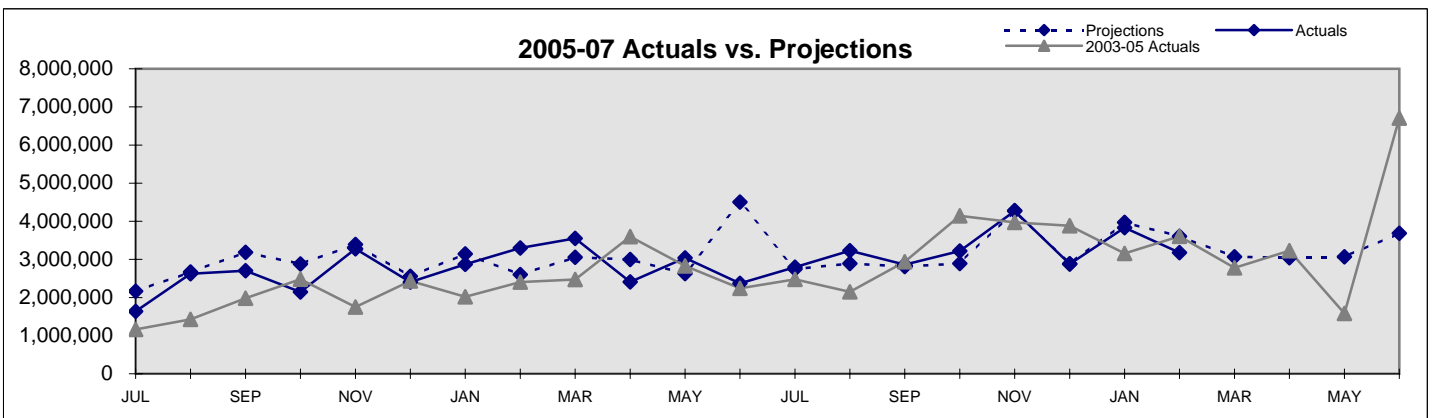
Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2005-07 LAB	Variance
Personal Services	35,005,179	8,505,982	43,511,161	46,875,869	3,364,708
Services & Supplies	23,265,496	7,647,758	30,913,254	27,794,941	(3,118,313)
Capital Outlay	331,114		331,114	344,618	13,504
Special Payments					
Total	58,601,789	16,153,740	74,755,529	75,015,428	259,899



Monthly Summary

Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Projected Expenditures
Personal Services	1,924,448	2,122,558	198,110	1,750,259	2,126,496
Services & Supplies	1,252,801	1,484,647	231,847	1,163,275	1,911,940
Capital Outlay				16,556	
Special Payments					
Total	3,177,249	3,607,205	429,956	2,930,089	4,038,435



2005-07 Agency-wide Operations - Budget Execution
Spending Plan - Actual and Estimated Expenditures
 2005-07 Summary as of February 28, 2007

	1st QTR	2nd QTR	3rd QTR	4th QTR	5th QTR	6th QTR	7th QTR	8th QTR	ACTUAL EXPEND. TO DATE	EST. EXPEND.	ENC. & PRE-ENC.	TOTAL ESTIMATED EXPEND.	05-07 LAB BUDGET	VARIANCE
Personal Services														
3110 Salaries & Wages	3,102,084	3,128,099	3,252,118	3,275,416	3,362,077	3,477,280	3,709,646	4,069,747	21,960,030	5,416,438		27,376,468	29,846,673	2,470,205
3160 Temporary Appointments	40,406	43,071	29,041	36,809	42,700	39,823	41,751	25,137	262,800	35,937		298,737	156,922	(141,815)
3170 Overtime	33,466	71,029	79,550	56,890	66,858	57,134	68,938	33,238	417,793	49,310		467,103	540,505	73,402
3180 Shift Differential	1,326	1,615	2,139	1,878	1,820	1,527	1,475	375	11,655	500		12,155	1,980	(10,175)
3190 All Other Differential	34,599	54,556	65,171	63,587	73,959	71,712	51,629	17,563	409,360	23,417		432,777	209,350	(223,427)
3210 ERB Assessment	1,289	1,311	1,341	1,352	1,340	1,386	1,598	1,979	8,957	2,639		11,596	12,700	1,104
3215 Wokers' Comp. Insurance (SAI)														
3220 PERS	449,000	451,927	439,938	427,041	444,369	456,753	512,956	602,891	2,981,737	803,138		3,784,875	4,481,716	696,841
3221 Pension Bond Contribution	207,759	205,184	207,139	201,975	208,270	215,059	231,065	252,324	1,392,956	335,819		1,728,775	1,756,591	27,816
3230 Social Security Taxes	243,827	249,974	261,324	262,386	269,096	276,196	295,884	317,174	1,753,153	422,709		2,175,861	2,356,099	180,238
3240 Unemployment Comp.		16,576		4,077					20,654			20,654	37,388	16,734
3250 Workers' Comp. Assess.	2,484	2,335	2,370	2,358	2,266	2,266	2,670	3,593	15,551	4,791		20,342	26,833	6,491
3260 Mass Transit Tax	19,249	19,844	20,556	20,687	21,389	21,912	23,045	24,418	138,601	32,499		171,100	185,833	14,733
3270 Flexible Benefits	756,424	772,987	849,681	861,809	858,832	891,308	985,588	1,034,090	5,631,932	1,378,786		7,010,718	7,308,467	297,749
3455 Vacancy Savings													(155,537)	(155,537)
3465 Reconciliation Adj.													188,451	188,451
Unscheduled P.S.													(78,102)	(78,102)
Total Personal Services	4,891,915	5,018,508	5,210,367	5,216,265	5,352,978	5,512,356	5,926,243	6,382,529	35,005,179	8,505,982		43,511,161	46,875,869	3,364,708
			<i>actual</i>				<i>estimated</i>							
Services & Supplies														
4100 Instate Travel	12,995	24,326	14,906	19,723	11,981	19,651	13,357	18,550	111,615	23,875		135,490	116,894	(18,596)
4125 Out-of-state Travel			40	11,252	339	(111)	300	300	11,520	600		12,120	31,127	19,007
4150 Employee Training	30,385	44,332	39,369	36,044	60,420	58,219	31,133	45,215	287,148	57,970		345,118	513,069	167,951
4175 Office Expenses	91,727	121,888	283,010	200,313	240,166	181,982	284,399	207,449	1,335,238	275,696		1,610,934	2,038,722	427,788
4200 Telecommunications	25,713	69,518	65,443	62,725	58,881	51,692	67,736	68,249	378,958	90,999		469,957	537,685	67,728
4225 St. Gov. Svc. Chg.	595,854	135,567	109,154	43,618	574,579	194,313	113,160	54,000	1,748,244	72,000		1,820,244	1,504,171	(316,073)
4250 Data Processing	266,701	506,983	426,702	317,110	474,884	875,768	518,513	1,075,000	3,121,661	1,340,000		4,461,661	5,256,990	795,329
4275 Publicity/Publications	7,318	6,251	18,487	27,825	17,017	10,125	9,044	20,000	96,069	20,000		116,069	292,704	176,635
4300 Professional Services	545,896	1,213,796	1,640,303	695,945	815,605	684,518	765,897	1,158,812	6,032,487	1,488,285		7,520,772	3,282,534	(4,238,238)
4315 IT Professional Services		360,233	1,343,483	795,597	842,976	2,156,491	1,794,410	290,000	7,213,191	370,000	3,286,924	10,870,115	14,532,868	3,662,753
4325 Attorney General	48,913	72,187	113,494	96,841	105,384	84,347	104,486	146,500	578,652	193,500		772,152	947,681	175,529
4350 Dispute Res. Svc.	957	3,910	16,510	13,525	7,157	3,843	4,331	10,000	48,932	11,300		60,232	73,736	13,504
4375 Empl. Recruit./Devel.	8,863	24,770	12,469	16,325	7,315	12,515	15,103	15,000	92,360	20,000		112,360	58,036	(54,324)
4400 Dues & Subscriptions	4,943	10,106	5,799	5,388	3,871	9,282	10,820	2,275	48,834	3,650		52,484	50,702	(1,782)
4425 Facility Rental	104,691	95,696	96,140	96,223	96,166	99,904	102,172	99,018	657,987	132,024		790,011	703,597	(86,414)
4450 Fuels/Utilities	23,497	25,490	30,773	27,089	30,229	27,233	20,228	36,000	175,538	45,000		220,538	121,063	(99,475)
4475 Facility Maint.	47,868	43,335	47,231	86,504	113,561	97,841	84,514	101,668	495,437	127,085		622,522	724,698	102,176
4575 Agency/Program S & S														
4625 Other COP Costs		371	1,090	765	1,511	573	736		5,045			5,045	6,500	1,455
4650 Other S & S	1,095	8,915	(3,237)	5,246	13,493	(2,730)	(3,102)		19,681			19,681	2,700	(16,981)
4700 Expendable Property	72,658	19,094	16,087	16,353	33,318	45,467	3,667	6,500	204,293	8,850		213,143	193,465	(19,678)
4715 IT Expendable Property		23,267	35,037	161,673	82,198	204,727	115,703	60,000	602,605	80,000		682,605	450,300	(232,305)
Unscheduled S & S													(3,644,301)	(3,644,301)
Total Services & Supplies	1,890,074	2,810,037	4,312,289	2,736,087	3,591,051	4,815,649	4,056,606	3,414,536	23,265,496	4,360,834	3,286,924	30,913,254	27,794,941	(3,118,313)
Capital Outlay														
5100 Office Furn./Fixture													30,868	30,868
5150 Telecomm. Equip.													5,589	5,589
5200 Technical Equipment													57,161	57,161
5550 Data Proc.-Software			197,783	(129,701)	(73,034)	15,749	73,034		83,831			83,831	147,000	63,169
5600 Data Proc.-Hardware	181,877				16,516	26,890	22,000		247,283			247,283	104,000	(143,283)
5700 Building & Structure														
Total Capital Outlay	181,877		197,783	(129,701)	(56,518)	42,639	95,034		331,114			331,114	344,618	13,504
Special Payments														
Total Special Payments														
Total Expenditures	6,963,866	7,828,545	9,720,439	7,822,652	8,887,511	10,370,645	10,077,883	9,797,065	58,601,789	12,866,816	3,286,924	74,755,529	75,015,428	259,899

Percent of 2005-07 LAB Expended:	78.12%
Percent of Biennium Expired:	83.33%

PERS 2% EFFICIENCIES

B.2.d. Attachment 2

Division / Activity		FTE	2007 - 2009 BIENNIUM			EBL/POP	Impact / Comments
			PS	S & S	Total		
ISD: Strunk and Eugene POP: FTE supporting imaging reduced	0911072, 0911073	2.00	\$144,554		\$144,554	POP 110	Current biennium experience processing <i>Strunk/Eugene</i> benefit adjustments allows PERS to reduce funding requested in POP.
CSD: Annuals team for processing year-end reduced in size and scope (contracted temporary staffing)				\$53,000	\$53,000	EBL	jClarety relies on payroll-by-payroll input and reconciliation, not annual reconciliation as RIMS did. Fewer temporary staff required second year of 2007-09 biennium.
ISD: Eliminate filming for archival purposes				\$50,000	\$50,000	EBL	Streamlined procedures within Info. Imaging & Mgmt. (IIM), and move from microfilming to electronic imaging in consultation with State Archivist and revision of records retention schedule.
CSD: Judge member handbook publication discontinued				\$8,712	\$8,712	EBL	Program descriptions and handbook available on website.
FSD: Actuarial audit deferred until 2008				\$105,000	\$105,000	EBL	Audit, conducted concurrently with system-wide valuation, can be deferred until 2008 valuation.
FSD: Contracts and Procurement position eliminated	9100121	1.00	\$107,409	\$5,875	\$113,284	EBL	Increased efficiencies realized through process streamlining.
PPLAD: DOJ legal services reduced				\$87,053	\$87,053	EBL	Revised internal process; deny hearings when no material facts are in dispute rather than allowing these to proceed to hearing.
FSD: Contributions & Banking Section position eliminated	0137050	1.00	\$111,512	\$5,875	\$117,387	EBL	Increased efficiencies realized through process streamlining.
CSD: Printed publications and materials reduced				\$43,000	\$43,000	EBL	Frequency of Perspective newsletter production and mailing changed from quarterly to semi-annually. Rely upon website to communicate with members and retirees on an ongoing basis.
BPD: Strunk and Eugene POP	* TBD via Workforce Mgmt Plan	* 4.75	\$443,494		\$443,494	POP 110	Orderly project phase-down and staged staffing reductions that maintain project goals, and mitigate impact of layoffs.

Total 8.75 \$806,969 \$358,515 \$1,165,484
 Goal (2% of GRB EBL) \$1,094,460
 Variance (+) \$71,024



Oregon

Theodore R. Kulongoski, Governor

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March 30, 2007

TO: Members of the PERS Board
FROM: Steven Patrick Rodeman, Administrator, PPLAD
SUBJECT: Action on Contested Cases

MEETING DATE	3/30/07
AGENDA ITEM	C.1. Contested Cases

OVERVIEW

Actions: Staff recommends the following action be taken in relation to the cases scheduled for deliberation at this meeting:

1. Adopt the Amended Proposed Order as presented in the contested cases of Katharine English and Barbara Pinkerton.
2. Adopt a motion to extend the time after which the proposed order in the contested case of Colleen Walker will become final until May 31, 2007.

BOARD OPTIONS

The Board may:

1. Adopt the staff recommendations as presented above.
2. Adopt one of the alternative directions specified in the memos related to each of these contested cases.
3. Take no action. The proposed orders would become final as their deadlines are passed.

STAFF RECOMMENDATION

Staff recommends the Board choose Option #1.

- If the Board does not adopt: The specific outcomes and alternatives vary but are more fully explained in the memos accompanying each individual case.



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March 30, 2007

TO: Members of the PERS Board
FROM: Steven Patrick Rodeman, Administrator, PPLAD
SUBJECT: First Reading for OAR 459-010-0055, *Withdrawal of Contributions*

MEETING DATE	3/30/07
AGENDA ITEM	C. 2. Withdrawal of Contributions

OVERVIEW

- Action: None. This is the first reading for OAR 459-010-0055, Withdrawal of Contributions.
- Reason: To update the rule and provide for consistent administration of withdrawals in PERS programs.
- Subject: Withdrawal of PERS Chapter 238 Program member account.
- Policy Issue: Should the withdrawal process for the PERS Chapter 238 Program generally parallel the withdrawal processes for the OPSRP programs?

BACKGROUND

A PERS Chapter 238 Program member may withdraw the amount credited to the member account pursuant to ORS 238.265. Administration of withdrawals was a relatively independent process and fully established at the time the OPSRP programs were created. The OPSRP Pension Program and the Individual Account Program both provide for withdrawal under certain conditions. For consistency of administration, proposed administrative rules for the OPSRP programs generally parallel the administration of withdrawals in the PERS Chapter 238 Program. In that OPSRP rulemaking, public comment supported a significant shift in the administration of mandatory re-deposits (when a member returns to PERS-covered employment without a bona fide separation).

Staff commenced the rulemaking process for the PERS Chapter 238 Program withdrawal rules so that the rules governing all PERS programs can be administered in parallel.

POLICY ISSUE

Should the withdrawal process for the PERS Chapter 238 Program generally parallel the withdrawal processes for the OPSRP programs?

Consistent and parallel administration of withdrawals in all PERS programs is operationally efficient and more predictable and understandable for staff, employers, and members. To the extent permitted by statutes, withdrawal rules should reflect this parallelism. The proposed rule modifications would change current PERS Chapter 238 withdrawals to align with OPSRP programs on administration of mandatory re-deposits, clarifying that the obligation is the member's and not the employer's. The remedy

established for non-payment was the use of ORS 238.618, which permits PERS to deny membership to an employee to protect the qualified status of the plan. The public comments made in association with the OPSRP rule making supported incorporating these changes into the PERS Chapter 238 withdrawal rules.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held on March 27, 2007 at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends on April 6, 2007 at 5:00 p.m. Any public comment received will be brought forth when the Board considers adoption of these rule modifications.

SUMMARY OF MODIFICATIONS TO RULE SINCE NOTICE

There has been one minor change to the rule since notice. In section (7), for clarity, the phrase “the separation required under subsection (2)(a) of this rule” was changed to read “the separation described in subsection (2)(a) of this rule.”

LEGAL REVIEW

The attached draft has been 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.

Impact: Clarification of procedures and consistency in withdrawal administration will benefit members, employers, and staff.

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

RULEMAKING TIMELINE

February 15, 2007	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
February 16, 2007	PERS Board notified that staff began the rulemaking process.
March 1, 2007	<i>Oregon Bulletin</i> published the Notice.
March 27, 2007	Rulemaking hearing held at 2:00 p.m. in Tigard.
March 30, 2007	First reading of the rule.
April 6, 2007	Public comment period ends at 5:00 p.m.
May 18, 2007*	Staff proposes adoption of modifications to the permanent rule, including any amendments warranted by public comment or further research.

*[*NOTE: This adoption date may be delayed pending the status of legislative efforts on statutes related to withdrawals.]*

First Reading – OAR 459-010-0055, *Withdrawal of Contributions*

3/30/2007

Page 3 of 3

NEXT STEPS

The rule is scheduled to be brought before the PERS Board for adoption at the May 18, 2007 meeting. Adoption may be postponed pending final legislative action on HB 2281, regarding withdrawals from PERS programs.

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

1 **459-010-0055**

2 **Withdrawal of Contributions**

3 (1) Definition. A "controlled group" is a group of employers treated as a single
4 employer for purposes of maintaining qualified status under federal law.

5 (2) An inactive member may withdraw the member account balance under ORS
6 238.265 if:

7 (a) The member has separated from employment with all participating employers
8 and all employers in a controlled group with a participating employer, and

9 (b) PERS receives the member's request for withdrawal of the member account
10 before the member reaches earliest service retirement age; and

11 (c) The member has been absent from service with all participating employers and
12 all employers in a controlled group with a participating employer for at least *[a]* one
13 full calendar month following the month of separation.

14 (3) Under no circumstance may a member withdraw less than the entire balance in
15 the member account.

16 *[(4) An inactive member shall receive an additional 50 percent of the balance of the*
17 *member account as of the effective date of withdrawal, including earnings credited under*
18 *OAR 459-007-0040, to be paid from employer contributions, if:*

19 *(a) As of the effective date of withdrawal, the member has been an inactive member*
20 *since on or before January 1, 2000;*

21 *(b) Employee contributions were made during each of five calendar years or more;*

22 *(c) Membership has not terminated under ORS 238.095 or 238.265; and*

1 *(d) The member's effective date of withdrawal is on or after July 1, 2004, and before*
2 *June 30, 2006.]*

3 ~~(4)~~*[(5) If a] A* member who withdrew *[withdraws]* the member account and
4 received ~~d~~*[s]* an additional 50 percent of the member account pursuant to section 2,
5 chapter 276, Oregon Laws 2003 *[under section (3) of this rule, the member]* may not
6 subsequently restore the creditable service forfeited by the withdrawal under ORS
7 238.105 or 238.115.

8 ~~(5)~~*[(6)]* The member may revoke the request for withdrawal of the member account
9 if PERS receives a written request to revoke prior to the earlier of:

10 (a) The date of distribution; or

11 (b) The date PERS receives a valid court order requiring PERS to pay the
12 distribution to someone other than the withdrawing member.

13 ~~(6)~~*[(7)]* If a member withdraws the member account under this rule, membership
14 shall be terminated as of the effective date of withdrawal. Membership rights accrued
15 under ORS chapter 238 prior to the effective date of the withdrawal, including any
16 service rights attributable to employment prior to the effective date of withdrawal,
17 are forfeited.

18 ~~(7)~~*[(8)]* If a member who has withdrawn the member account under this rule returns
19 to employment with any participating employer or an employer in a controlled group
20 with a participating employer prior to the first day of the second calendar month
21 following the month of the separation described in subsection (2)(a) of this rule *[in*
22 *which the member had previously separated from a qualifying position],* the former
23 member must repay to PERS in a single payment the full amount of the lump sum

1 payment attributable to the withdrawal within 30 days following the effective date
2 of employment. Upon receipt by PERS of repayment under this section, the
3 withdrawal of the former member is cancelled. Membership and service rights
4 forfeited under section (6) of this rule are revived as of the effective date of
5 withdrawal. The repayment amount will be credited pro rata to the accounts from
6 which the withdrawal amount was derived. *[PERS shall notify the employer that the*
7 *employer shall be obligated to the Fund for the full amount of the member's withdrawal*
8 *not repaid, unless:*

9 *(a) The participating employer immediately terminates the employment upon*
10 *discovering or being notified of the member's failure to repay the withdrawn*
11 *contributions, and does not reemploy the member until the requirements of section (2) of*
12 *this rule are satisfied;*

13 *(b) The member repays the withdrawn amount in full within 30 days following the*
14 *effective date of such employment; or*

15 *(c) The full amount of the withdrawal is repaid by the participating employer from*
16 *payroll deductions from the member's monthly salary. Such payroll deductions shall be in*
17 *amounts necessary to effect the repayment within one calendar year, unless a longer*
18 *period is required so that monthly payroll deductions for this purpose do not exceed 25*
19 *percent of the member's net salary.]*

20 (8)[(9)] If the former member fails to repay as provided in section (7) of this
21 rule, PERS shall take all reasonable steps to recover the repayment amount due.
22 Until a single payment for the repayment amount due is received by PERS, the
23 former member will be excluded from participation in the system pursuant to ORS

1 238.618. Upon receipt by PERS of repayment under this section, the withdrawal of
2 the former member is cancelled. Membership and service rights forfeited under
3 section (6) of this rule are restored effective the first day of the month following the
4 date of the repayment. The repayment amount will be credited pro rata to the
5 accounts from which the withdrawal amount was derived effective the first day of
6 the month following the date of the repayment. *[If a participating employer employs a*
7 *member after the member's effective date of withdrawal and fails to notify the system of*
8 *the employment the employer shall hold PERS harmless for any actual or perceived loss*
9 *of benefits as a result of the withdrawal.]*

10 Stat. Auth.: ORS 238.650

11 Stats. Implemented: ORS 238.265 & OL 2003 Ch. 276 | 2



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March 30, 2007

TO: Members of the PERS Board
FROM: Steven Patrick Rodeman, Administrator, PPLAD
SUBJECT: Adoption of Non-Substantive Modifications to
OAR 459-076-0001, 459-076-0020, 459-076-0050 and
459-076-0060 – OPSRP Disability Benefit Rules

MEETING DATE	3/30/07
AGENDA ITEM	C. 3. OPSRP Disability

OVERVIEW

- Action: Adopt rule modifications to OAR 459-076-0001, 459-076-0020, 459-076-0050 and 459-076-0060.
- Reason: Update OPSRP Pension Program disability rules to reflect consistent use of terminology.
- Subject: Division 76 OPSRP Disability rules.
- Policy Issues: None.

BACKGROUND

These rules currently use the terms “allowance,” “disability allowance,” “disability retirement allowance,” and “disability retirement benefit” when referring to an OPSRP Pension Program disability benefit. These terms are being changed for accuracy and consistency in terminology within the Division 76 rules.

LEGAL REVIEW

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

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held on February 27, 2007 at 2:00 p.m. at PERS headquarters in Tigard. No members of the public attended. The public comment period ended on March 23, 2007 at 5:00 p.m. No public comment was received before this memo was prepared, but any subsequent comments received will be brought to the Board’s attention.

IMPACT

Mandatory: No, the Board need not adopt the rules.

Impact: Consistent use of terms will benefit members and staff.

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

RULEMAKING TIMELINE

January 12, 2007	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
February 1, 2007	<i>Oregon Bulletin</i> published the Notice.
February 16, 2007	PERS Board notified that staff began the rulemaking process.
February 27, 2007	Rulemaking hearing held at 2:00 p.m. in Tigard.
March 23, 2007	Public comment period ended at 5:00 p.m.
March 30, 2007	Board may adopt the rule modifications.

BOARD OPTIONS

The Board may:

1. Pass a motion to “adopt rule modifications to 459-076-0001, 459-076-0020, 459-076-0050 and 459-076-0060, as presented.”
2. Take no action and direct staff to make changes to the rules or take other action.

STAFF RECOMMENDATION

Staff recommends the Board choose Option #1.

- Reason: Update OPSRP Pension Program disability rules to reflect consistent use of terminology.

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.

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**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 076 – DISABILITY BENEFIT**

1 **459-076-0001**

2 **Definitions**

3 The words and phrases used in this Division have the same meaning given them in
4 ORS Chapter 238A and OAR 459-070-0001. Additional terms are defined as follows
5 unless the context requires otherwise.

6 (1) Any work for which qualified: A job, not necessarily the last or usual job, which
7 the applicant for disability benefits:

8 (a) Is physically and psychologically capable of performing; and

9 (b) Has, or may obtain with reasonable training, the knowledge, skills and abilities,
10 to perform the job.

11 (2) Certified vocational consultant: A person who satisfies the criteria set forth under
12 either of the following:

13 (a) A Master's Degree in vocational rehabilitation, and one year of experience in
14 performing vocation evaluations or developing individualized return-to-work plans; or a
15 Bachelor's Degree and two years of such experience. All degrees must have been earned
16 at an accredited institution; or

17 (b) Accredited as a Certified Rehabilitation Counselor (CRC) by the Commission on
18 Rehabilitation Counselor Certification; as a Certified Insurance Rehabilitation Specialist
19 (CIRS) by the Certified Insurance Rehabilitation Specialists Commission; or a Certified
20 Vocational Evaluation Specialist (CVE) or a Certified Work Adjustment Specialist
21 (CWA) by the Commission on Certification of Work Adjustment and Vocational
22 Evaluation specialists.

1 (3) Confidential information: Information of a personal nature such that disclosure
2 would constitute an unreasonable invasion of privacy as defined by state law.

3 (4) Date of disability: The day an active member ceased to work because of injury or
4 disease.

5 (5) Effective date of disability benefit: The first of the month following the later of:

6 (a) The last day the member worked for a participating employer;

7 (b) The last day the member was on paid leave; or

8 (c) The last day the member received any salary or paid leave benefits from a

9 participating employer, exclusive of the cash pay-off for accrued vacation or

10 compensatory time, as long as that payment is made within the 31 days after the member

11 separates from PERS covered employment.

12 (6) Extended duration: A period of not less than 90 consecutive calendar days unless
13 the disability is expected to result in the death of the disabled member in less than 90
14 days.

15 (7) Independent medical exam: An exam or exams conducted by a physician chosen
16 by PERS for purposes other than for treatment which results in the issuance of a report or
17 reports based on those exams, giving an opinion regarding the claimed injury or disease.

18 (8) Material contributing cause: The efficient, dominant, and proximate cause of the
19 disability, without which the member would not be disabled.

20 (9) Monthly salary: Salary as defined in ORS 238A.005(16) that is earned in the last
21 full calendar month of employment.

1 (a) Retroactive payments or payments made due to clerical errors, paid in accordance
2 with ORS 238A.005(16)(b)(E), are allocated to the period the salary was earned or
3 should have been earned.

4 (b) Payments of salary paid within 31 days of separation are allocated to the period
5 the salary was earned and should be considered as paid on the last date of employment.

6 (10) Monthly salary received: The salary paid, as defined in section (9) of this rule,
7 for the last full calendar month of employment prior to date of disability.

8 (11) Normal retirement age: The age at which a member can retire without a reduced
9 benefit as set forth under ORS 238A.160.

10 (12) Other income: Includes, but is not limited to:

11 (a) Salary or wages received as an employee;

12 (b) Self-employment income from:

13 (A) Services industry;

14 (B) Sales;

15 (C) Assembly or manufacturing;

16 (D) Consulting;

17 (E) Property management;

18 (F) Hobby income; or

19 (G) Book advances.

20 (c) "Other income" does not include:

21 (A) Investment income;

22 (B) Rent; and

23 (C) Royalties.

1 (13) Physician: A medical doctor, a doctor of osteopathy, a doctor of oral surgery, a
2 chiropractic doctor, a naturopathic doctor, or a doctor of psychology practicing only
3 within the purview of their license issued by the designated authority of a state.

4 (14) Periodic review: A review of a member receiving a disability benefit
5 *[retirement allowance]* to determine whether or not a continued *[allowance]* benefit is
6 warranted.

7 (15) Performance of duty: Mental or physical incapacitation arising out of and in the
8 course of duty and is not intentionally self-inflicted. The injury or disease must be
9 initially caused, aggravated or accelerated to cause incapacitation by the performance of
10 the member's duties in the employment of a participating public employer. The job must
11 be the material contributing cause of the injury or disease. Performance of duty includes
12 whatever an employee may be directed, required or reasonably expected to do in
13 connection with his or her employment, and not solely the duties peculiar to his or her
14 position.

15 (16) Pre-existing condition: A condition that was not sustained in actual performance
16 of duty with the current employer.

17 (17) Protected health information: Health information created or received by a health
18 care provider, health plan, or health care clearinghouse, where an individual has a
19 reasonable belief that the information can identify the individual, which relates to:

20 (a) The past, present, or future physical or mental health of an individual;

21 (b) The provision of health care to an individual; or

22 (c) The past, present, or future payment for the provision of health care to an
23 individual.

1 (18) Qualifying position: One or more positions with a participating employer, in a
2 participating class, which requires performance of 600 or more hours in a calendar year.

3 (19) Separation from all service: The date a member terminates from employment
4 such that an employee/employer relationship no longer exists; the last day worked
5 (physically on the job), the last day of paid leave, or the last day of an official leave of
6 absence, whichever is the later.

7 (20) Similar in compensation: Salary or income, excluding overtime, equaling at
8 least 80 percent of the monthly salary, as defined in section (9) of this rule.

9 (21) Similar location: A position in the same general area of the applicant's residence
10 or last employment location.

11 (22) Vocational evaluation: An evaluation conducted by a certified vocational
12 consultant, to determine the ability of an applicant to perform any work for which they
13 are qualified.

14 (23) Work related stress: Conditions or disabilities resulting from, but not limited to:

15 (a) Change of employment duties;

16 (b) Conflicts with supervisors;

17 (c) Actual or perceived threat of loss of a job, demotion, or disciplinary action;

18 (d) Relationships with supervisors, coworkers, or the public;

19 (e) Specific or general job dissatisfaction;

20 (f) Work load pressures;

21 (g) Subjective perceptions of employment conditions or environment;

22 (h) Loss of job or demotion for whatever reason;

23 (i) Fear of exposure to chemicals, radiation biohazards, or other perceived hazards;

1 (j) Objective or subjective stresses of employment; or

2 (k) Personnel decisions.

3 Stat. Auth.: ORS 238A.450

4 Stats. Implemented: ORS 238A.235

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**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 076 – DISABILITY BENEFIT**

1 **459-076-0020**

2 **Application Required**

3 (1) No disability benefit will be paid unless the member files a timely and complete
4 application with PERS.

5 (a) An inactive member who was disabled due to injury or disease while the
6 applicant was an active member and is not separated from membership, must file an
7 application for a disability benefit *[retirement allowance]* within five calendar years of
8 the last day worked; even though the member may continue on a paid leave or on an
9 official leave of absence without pay. The disabling condition must have arisen while the
10 applicant was an active member and be continuous from the date the member last worked
11 to the date the application is filed.

12 (b) Members who become disabled due to injury or disease after the date of
13 separation from all service entitling the member to active membership in the system, are
14 not eligible for a disability benefit under ORS Chapter 238A.

15 (2) Applications will be made on forms prescribed by PERS. PERS may require the
16 member to provide any information that PERS considers necessary to determine the
17 applicant's eligibility for a disability benefit.

18 (3) Application must be made by a member or the member's authorized
19 representative. A representative must submit to PERS written proof of the
20 representative's authority; such as, a power of attorney, guardianship or conservatorship
21 appointment.

1 (4) A member may make application immediately after the last day worked even
2 though the member is on a paid leave or on an official leave of absence without pay. No
3 application will be accepted that predates the last day the member was actually on the
4 job.

5 (5) In determining the effective date of a disability benefit PERS may allow up to 60
6 months of benefits retroactive from the date the application is filed with PERS, but in no
7 case earlier than the first day of the month following the date of termination.

8 (6) Upon the filing of an application for a disability *[retirement]* benefit, PERS will
9 notify the applicant's current or most recent employer of the filing. Additionally, PERS
10 may request of an employer information pertaining to current or previous employment.

11 (7) When making application for a PERS disability benefit, PERS will request the
12 applicant authorize any physician, health practitioner, hospital, clinic, pharmacy,
13 employer, employment agency, or government agency to release and disclose to PERS,
14 or independent physicians and vocational consultants retained by PERS, any information
15 within their records or knowledge, including that information otherwise protected under
16 federal or state law, regarding the applicant's health and employment which PERS
17 determines relates to the applicant's claim of disability and inability to perform any work
18 for which qualified.

19 (8) When filing an application for disability benefit, if the applicant wishes to
20 authorize release and disclosure of protected health information, as defined in OAR 459-
21 015-0001(17), the applicant must complete and sign a consent form which specifically
22 authorizes the release and disclosure of such information.

1 (a) This authorization is voluntary. Because PERS is not a covered entity as defined
2 in 45 C[.]F[.]R[.] Parts 160 and 164, the protected health information is not subject to
3 federal and state health information privacy laws, but is protected under Oregon State
4 Public Record disclosure laws.

5 (b) This authorization may be revoked in writing at any time, except to the extent the
6 entities named on the authorization form(s) have taken action in reliance of the
7 authorization.

8 (c) If the applicant refuses to give or revokes authorization to disclose to PERS
9 medical information that PERS determines it needs to evaluate the application, eligibility
10 for a disability benefit *[retirement allowance]* may be affected.

11 Stat. Auth.: ORS 238A.450 & 45 CFR Parts 160 & 164

12 Stats. Implemented: ORS 238A.235

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**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 076 – DISABILITY BENEFIT**

1 **459-076-0050**

2 **Periodic Reviews**

3 (1) Members receiving a disability benefit are subject to periodic reviews of their
4 disabled status until the member reaches normal retirement age or staff determines that
5 periodic reviews are no longer warranted.

6 (2) Periodic reviews will be used to determine that continued disability benefits
7 *[retirement allowances]* are warranted. In recommending the continuance or
8 discontinuance of a disability benefit *[retirement allowance]*, for the original approved
9 disability or a new medical condition, PERS will follow the criteria established under
10 OAR 459-076-0010.

11 (3) For a duty disability, the periodic review will not revisit the original
12 determination that the injury or disease was duty caused, unless there is evidence of
13 misrepresentation or fraud.

14 (4) PERS will establish review dates for each member subject to a periodic review
15 depending on type of disability, extent of disability, and medical reports unique to each
16 individual case.

17 (a) The reviews may be medical or vocational in nature, or both.

18 (b) Upon review, PERS may accept or require:

19 (A) New treating or consulting physician or specialist reports;

20 (B) Updated physician or specialist reports;

21 (C) Independent medical or vocational examinations; or

1 (D) Employment and wage information, including but not limited to, tax returns or
2 information from the State Employment Department.

3 (c) PERS may immediately discontinue the disability benefit of any person who
4 refuses to provide current medical evidence or refuses to submit to an examination.

5 (A) If the disability claim is discontinued, the staff shall issue an Intent to
6 Discontinue letter by regular and certified mail, return receipt requested. The
7 discontinuation letter shall advise the applicant that additional information to substantiate
8 the claim, or a request for an extension of 30 days to present additional information, may
9 be submitted to the staff in writing within 30 days of the date of the Intent to Discontinue
10 letter.

11 (B) Following the issuance of an Intent to Discontinue letter, staff will review any
12 additional information which is submitted within 30 days.

13 (i) If the additional information results in a recommendation to approve the
14 application, staff shall resubmit the application to the Director, or the Director's designee,
15 with the recommendation.

16 (ii) If the additional information does not result in a recommendation to approve the
17 application, PERS will issue a final discontinuation letter by regular and certified mail,
18 return receipt requested.

19 (C) If no additional information is received within 30 days, PERS will issue a final
20 discontinuation letter by regular and certified mail, return receipt requested.

21 (D) The final discontinuation letter will provide the applicant with notification of the
22 right to request a contested case hearing as provided for in OAR 459-015-0030 and 459-
23 001-0035.

1 (5) The member has the burden to prove continuing eligibility for a disability
2 benefit.

3 (6) In recommending the continuance or discontinuance of a disability benefit, PERS
4 shall follow the criteria established under OAR 459-076-0010.

5 (7) The Director, or Director's designee, is hereby authorized to approve or deny the
6 continuance of a disability benefit.

7 Stat. Auth.: ORS 238A.450

8 Stats. Implemented: ORS 23[A]8A.235

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**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 076 – DISABILITY BENEFIT**

1 **459-076-0060**

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

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

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

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

14 (A) Weekly gross payments;

15 (B) Semi-monthly gross payments;

16 (C) Monthly gross payments; and

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

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

21 (A) Payments for medical services;

22 (B) Payments for vocational training;

1 (C) Reemployment assistance payments; and

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

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

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

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

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

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

1 (7) In the event a member receives one or more monthly workers' compensation
2 payment(s) while also receiving a disability benefit as described in OAR 459-076-0015,
3 but PERS is not notified of the workers' compensation payment until after making one or
4 more disability benefit payments:

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

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

9 Stat. Auth.: ORS 238.715 & 238A.450

10 Stats. Implemented: ORS 238A.235



Oregon

Theodore R. Kulongoski, Governor

Public Employees Retirement System

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March 30, 2007

TO: Members of the PERS Board
FROM: Dale S. Orr, Coordinator, Actuarial Analysis Section
SUBJECT: Tier One Rate Guarantee Reserve Financial Modeling Results

MEETING DATE	3/30/07
AGENDA ITEM	D.1. Rate Guarantee

On March 30, 2007, Bill Hallmark and Greg Smith of Mercer Human Resource Consulting (Mercer), will provide the results of the Tier One Rate Guarantee Reserve financial modeling study that the Board authorized in October, 2006.

This study is to provide information regarding ORS 238.255(3) which prohibits crediting Tier One member regular accounts with earnings in excess of the assumed earnings rate until the Rate Guarantee Reserve (Reserve) has been fully funded for three consecutive years. The Reserve is considered fully funded when the Board, in consultation with its actuary, determines the Reserve is sufficiently funded to ensure a zero balance in the Reserve by the time the last Tier One member retires, and the Reserve stays fully funded for three consecutive years.

The results of this study will not create any new requirements regarding the Board's 2006 crediting and reserving decisions, which are scheduled for the same meeting. The results will, however, be of value to the Board in future decisionmaking.

MERCER

Human Resource Consulting



March 30, 2007

PERS Financial Modeling Tier 1 Rate Guarantee Reserve

Bill Hallmark and Greg Smith



Contents

- Key Findings
- Statutory Structure of Rate Guarantee Reserve
- Baseline Results and Policy Objectives
- Development of Policy Alternatives
- Alternative Policy Results
- Limitations of Analysis
- Comments and Recommendations



Key Findings

- The Tier One Rate Guarantee Reserve is not “Fully Funded” as of 12/31/2006 under any of the policy alternatives considered
- Based on the reserve as of 12/31/2006, there is about a 22% chance of a negative reserve in 20 years if the Board only credits 8% earnings each year
- It is likely that the Tier One Rate Guarantee Reserve will be “Fully Funded” sometime in the future



Statutory Structure

Tier One Rate Guarantee Reserve

- **Interest credits to Tier 1 Member Accounts are limited to the actuarially assumed interest rate (currently 8%) until the Tier 1 Rate Guarantee Reserve has been “fully funded” for three consecutive years**
- Actual earnings in excess of amounts credited to Tier 1 Member Accounts are credited to the Tier 1 Rate Guarantee Reserve
- Any shortfall in actual earnings from the amounts credited to Tier 1 Member Accounts is transferred from the Tier 1 Rate Guarantee Reserve to Tier 1 Member Accounts
- **According to statute, the Tier 1 Rate Guarantee Reserve is “fully funded” when, after consulting with its actuary, the Board determines it has sufficient assets “to ensure a zero balance in the account” when all Tier 1 members have retired**
- The literal statutory requirement of ensuring a zero balance in the reserve is not viable or practical. In the end, there will likely be either a positive or negative reserve.



Baseline Results

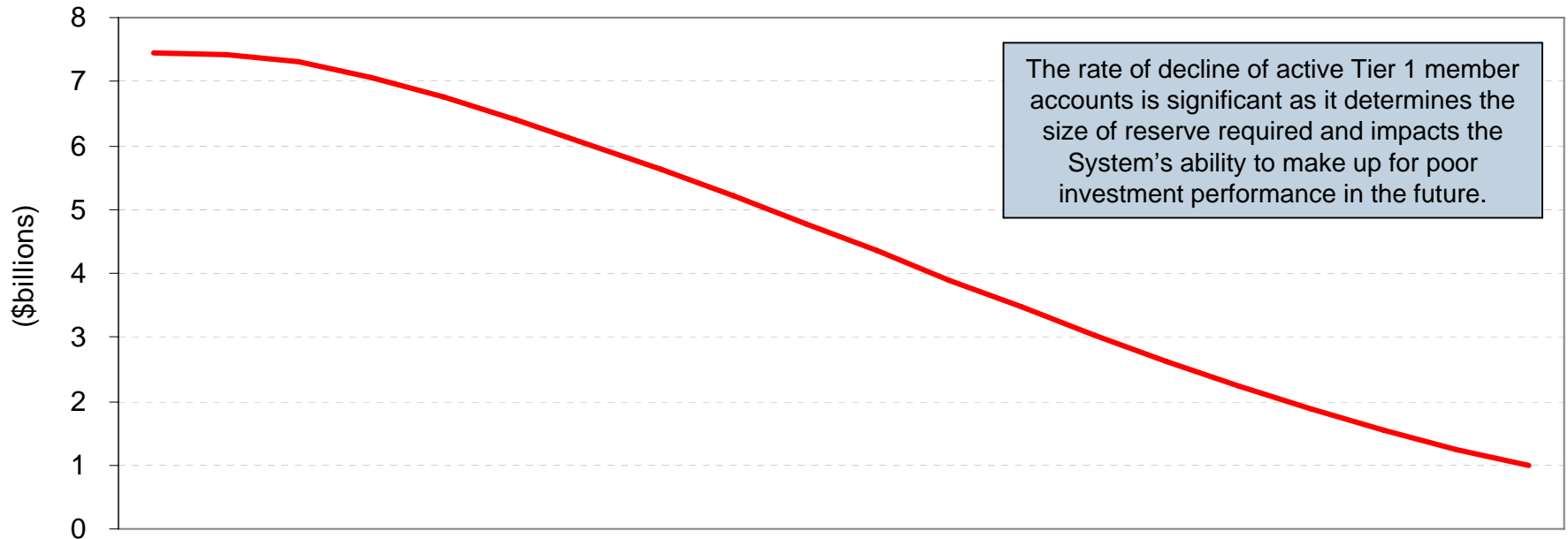
Always Credit Assumed Rate

- The baseline model is intended to show projections of the Tier 1 Rate Guarantee Reserve assuming the Board always credits the assumed rate of earnings
- The projections start with 2006 reflecting estimated values of the reserves as of 12/31/2006
- The projections extend 20 years. There are still projected to be active Tier 1 members at that point, but the aggregate value of member accounts is significantly smaller

Baseline Results

Value of Member Accounts

Tier 1 Member Accounts

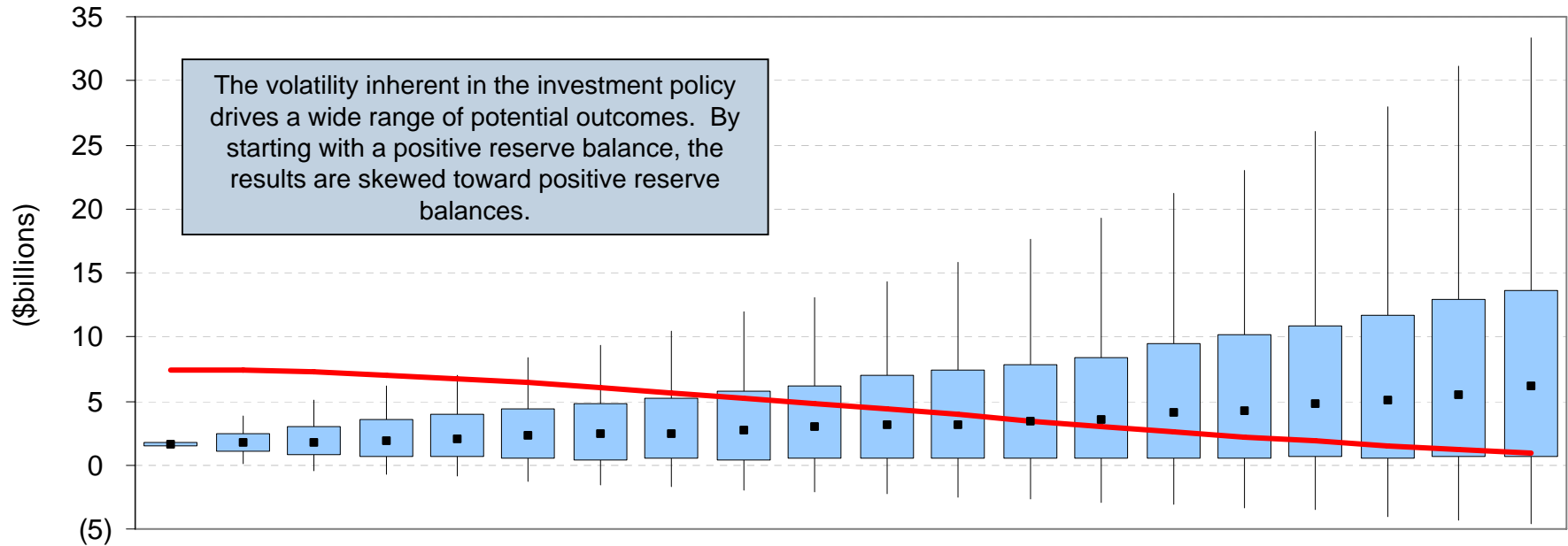
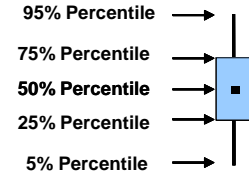


Valuation at 12/31:	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Baseline	7.4	7.4	7.3	7.1	6.8	6.4	6.0	5.6	5.2	4.8	4.4	3.9	3.5	3.0	2.6	2.2	1.9	1.5	1.3	1.0

Baseline Results

Value of Tier 1 Rate Guarantee Reserve

Rate Guarantee Reserve



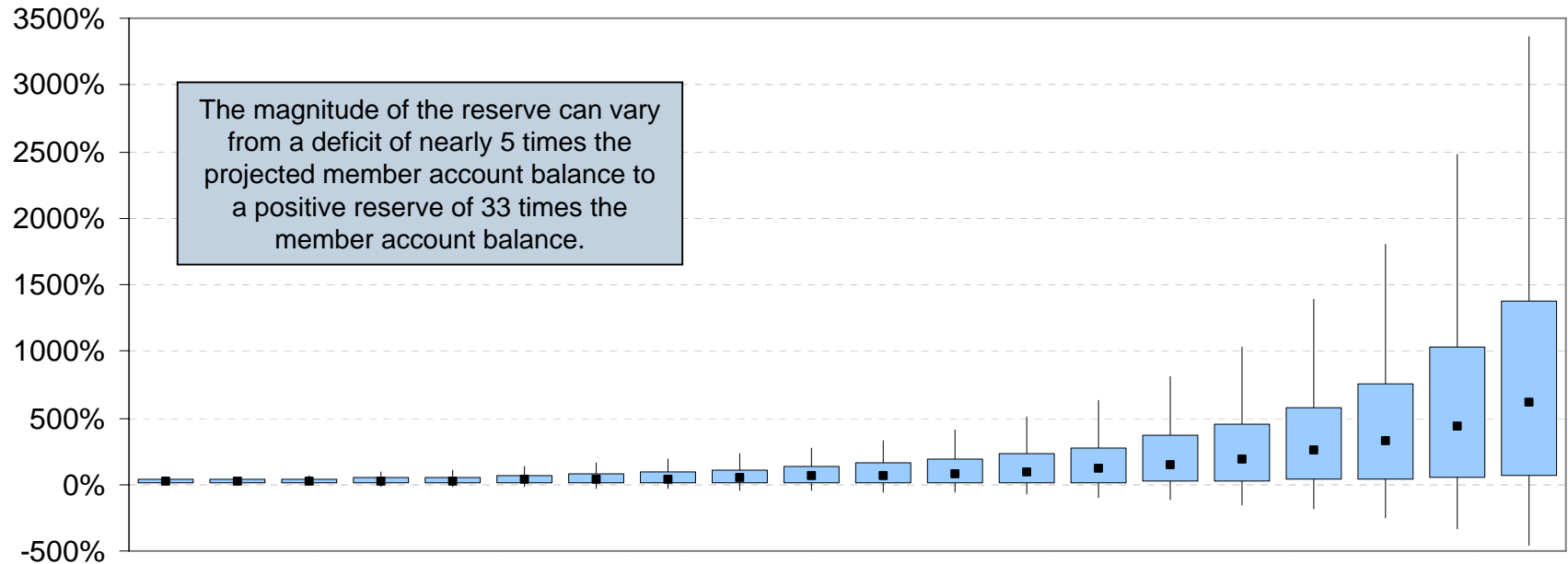
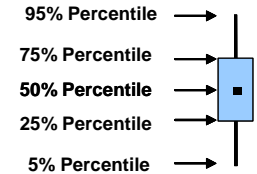
Valuation at 12/31:	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
95th V. Good	1.7	3.8	5.1	6.2	7.1	8.3	9.3	10.5	12.0	13.1	14.4	15.8	17.6	19.3	21.3	23.1	26.1	27.9	31.1	33.3
75th Good	1.7	2.4	3.0	3.6	3.9	4.3	4.9	5.2	5.8	6.2	7.0	7.4	7.9	8.4	9.6	10.1	10.9	11.6	12.9	13.6
50th Median	1.7	1.7	1.8	1.9	2.1	2.3	2.4	2.5	2.7	3.0	3.1	3.2	3.4	3.6	4.1	4.3	4.7	5.1	5.5	6.1
25th Bad	1.7	1.1	0.8	0.7	0.6	0.5	0.4	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.7	0.7
5th V. Bad	1.7	0.1	(0.4)	(0.8)	(0.9)	(1.2)	(1.6)	(1.7)	(2.0)	(2.1)	(2.3)	(2.5)	(2.6)	(2.9)	(3.1)	(3.3)	(3.5)	(4.0)	(4.3)	(4.6)
Member A/c	7.4	7.4	7.3	7.1	6.8	6.4	6.0	5.6	5.2	4.8	4.4	3.9	3.5	3.0	2.6	2.2	1.9	1.5	1.3	1.0



Baseline Results

Tier 1 Rate Guarantee Reserve as a Percentage of Member Accounts

Rate Guarantee Reserve as a % of Member Accounts



Valuation at 12/31:	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
95th V. Good	22%	51%	70%	87%	104%	130%	155%	186%	230%	273%	330%	405%	507%	636%	809%	1035%	1393%	1810%	2482%	3357%
75th Good	22%	33%	40%	51%	58%	68%	81%	93%	111%	129%	161%	191%	227%	278%	364%	454%	583%	753%	1026%	1371%
50th Median	22%	23%	25%	27%	31%	36%	40%	44%	51%	62%	72%	81%	97%	119%	155%	193%	253%	327%	442%	619%
25th Bad	22%	14%	12%	10%	9%	8%	7%	8%	9%	10%	11%	12%	14%	17%	19%	24%	33%	37%	53%	70%
5th V. Bad	22%	2%	-6%	-11%	-14%	-19%	-27%	-31%	-38%	-43%	-52%	-63%	-76%	-94%	-117%	-150%	-189%	-257%	-339%	-463%



Baseline Results Preliminary Observations

- The Tier 1 Rate Guarantee Reserve creates leverage on the earnings available for crediting to Tier 1 Member Accounts
 - A positive reserve balance means that less than 8% actual earnings is required in order to credit member accounts with 8% without using reserves
 - A negative reserve balance means that more than 8% actual earnings is required in order to credit member accounts with 8% without using reserves
- Because the initial reserve balance is positive, projected results are skewed toward positive outcomes

	Positive Reserve	Negative Reserve
Tier 1 Member Accounts	\$8.00	\$8.00
Rate Guarantee Reserve	\$2.00	(\$2.00)
Invested Assets	\$10.00	\$6.00
Earnings Needed (8% of Member Accounts)	\$0.64	\$0.64
Rate of Return Required	6.4%	10.7%

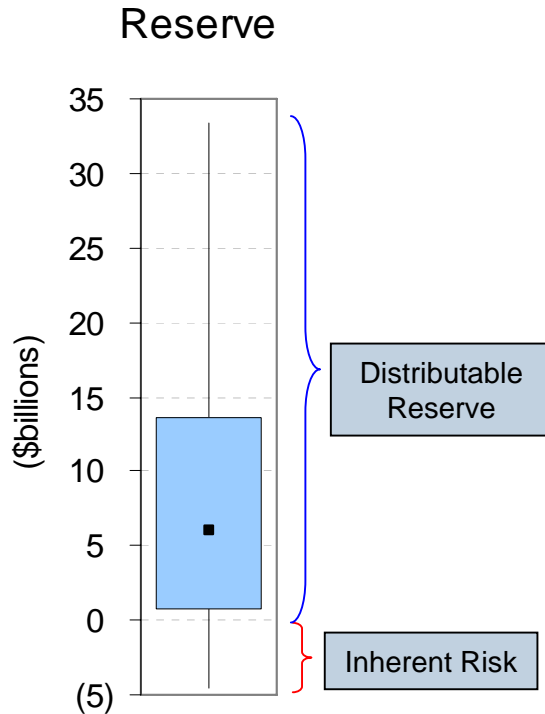
Please note that the illustration assumes a closed system for earnings related to Tier 1 Member Accounts and the Rate Guarantee Reserve



Baseline Results Preliminary Observations

- Initial investment returns have a dramatic impact on projected results.
 - It is difficult to make up for poor initial returns on the declining member account balances as members retire.
 - Good initial investment returns create a significant cushion against future poor investment experience for the declining member accounts

Policy Objectives



	2025
95% Percentile	33.31
75% Percentile	13.60
50% Percentile	6.14
25% Percentile	0.69
5% Percentile	(4.59)

- The objective of this study is to develop policy alternatives for the Board to consider that:
 - Reduce the potential distributable reserve at the end of the 20-year projection period
 - Do not increase the cost of potential negative outcomes
 - Comply with the existing statutory framework
- Current negative outcomes are considered an inherent risk because they exist even if the Board never distributes any amount in excess of the assumed earnings



Development of Policy Alternatives

- Consider three different definitions of a “fully funded” threshold for the Tier 1 Rate Guarantee Reserve
 - 90% probability of non-negative reserve at 12/31/2025 (“90% Threshold”)
 - 95% probability of non-negative reserve at 12/31/2025 (“95% Threshold”)
 - 99% probability of non-negative reserve at 12/31/2025 (“99% Threshold”)
- These probabilities are calculated assuming the Board always credits the assumed rate.
- Applying these thresholds will increase the probability of a negative reserve when compared to the baseline policy.
- The “fully funded” threshold is defined in terms of a percentage of total member accounts.

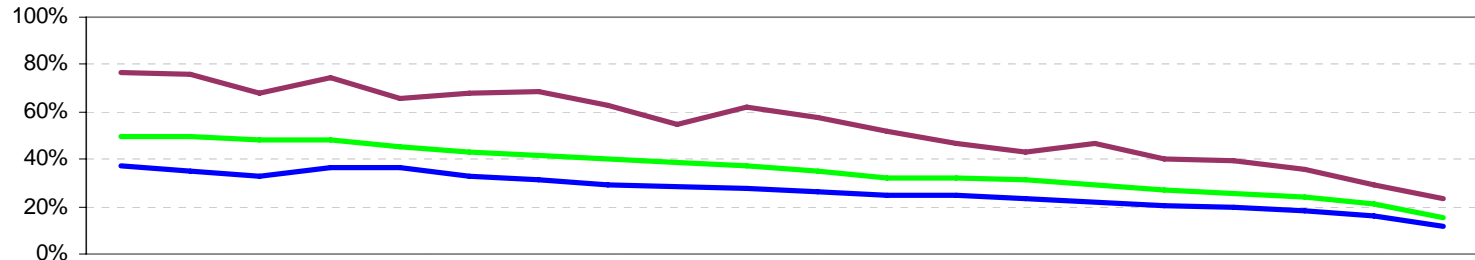


Development of Policy Alternatives

- These thresholds represent potential Board policies of varying degrees of conservatism.
- Once the threshold is defined, it is used to model outcomes under 1000 different trials of 20 years in length.
- In all projections, when the reserve has been “fully funded” for three consecutive years, amounts in the reserve are credited to the Tier 1 Member Accounts until the reserve equals the “fully funded” threshold. Please note that this policy is for the purposes of this model, and is not intended to imply that the Board would be required to credit this amount.
- The effectiveness and desirability of the threshold should be evaluated based on the outcomes from the model, not the probability used to define the threshold.

Development of Policy Alternatives “Fully Funded” Thresholds

Fully Funded Threshold - Reserve as a % of Member Accounts



Valuation at 12/31:	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
90% Threshold	37%	35%	33%	36%	36%	33%	31%	29%	28%	28%	26%	25%	25%	23%	22%	20%	20%	18%	16%	11%
95% Threshold	49%	50%	48%	48%	45%	43%	42%	40%	39%	37%	35%	32%	32%	32%	29%	27%	25%	24%	21%	16%
99% Threshold	77%	76%	68%	74%	66%	68%	69%	62%	55%	62%	58%	52%	47%	43%	47%	40%	39%	36%	30%	23%

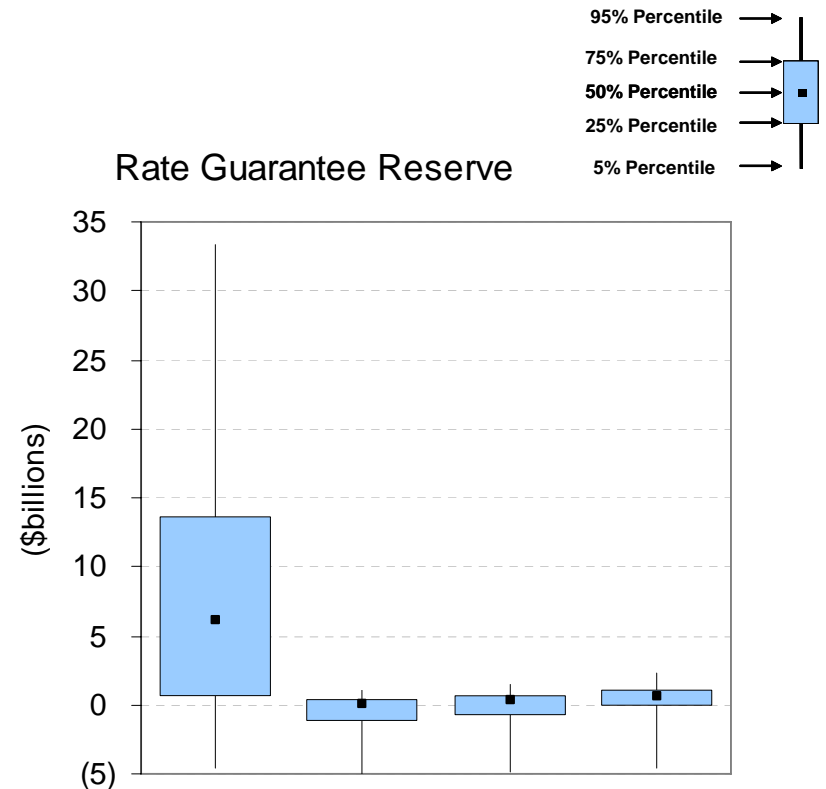
- Based on the Baseline Projection, the “fully funded” thresholds as a percentage of Tier 1 Member Accounts are shown above.
- “Fully Funded” thresholds decrease over time as there are fewer potential years of losses.
- The current reserve is approximately 22% of Tier 1 Member Accounts.
- The lack of smoothness in the calculated thresholds is due to the randomness of the trials and the measurements based on the tail of the distribution.

Alternative Policy Results

Distribution of Rate Guarantee Reserve at 12/31/2025



- The three policies (other than Baseline) clearly distribute a significant portion of the Rate Guarantee Reserve before 2025.
- However, this does lead to a small increase in the expected cost (negative reserve).
- As the threshold becomes more conservative (moving from 90% to 95% to 99%) we can see slightly more positive reserve remaining with less potential cost.
- Under all of the policy alternatives, most of the additional negative outcomes are small.

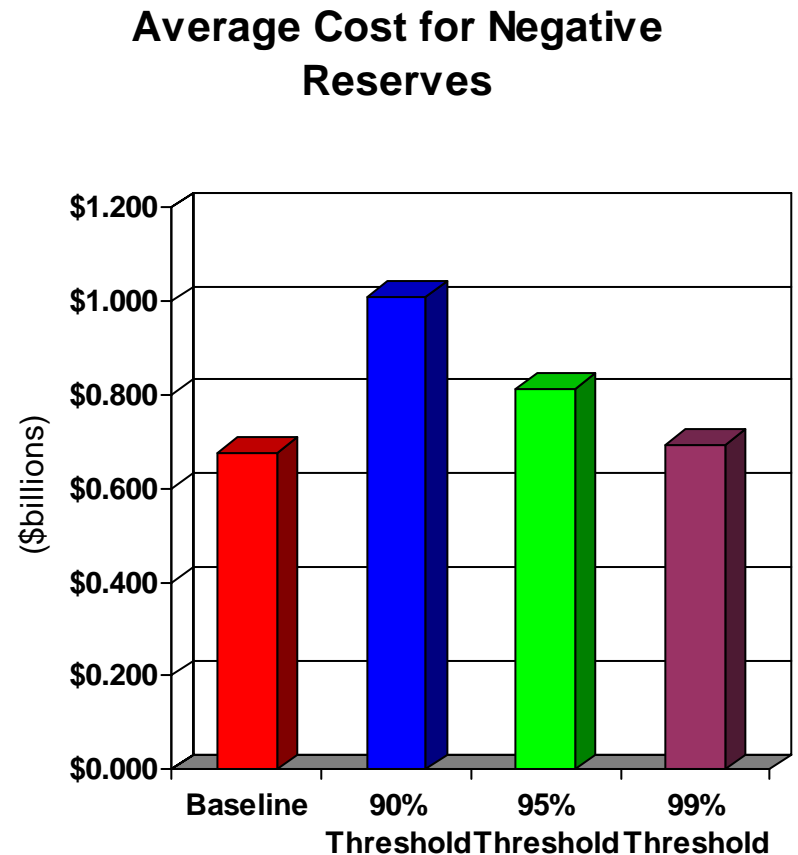


Valuation at 12/31:	2025	2025	2025	2025
Scenario:	Baseline	90%	95%	99%
Probability of < 0	22.2%	46.7%	36.3%	24.9%
95th V. Good	33.3	1.0	1.5	2.3
75th Good	13.6	0.4	0.6	1.1
50th Median	6.1	0.1	0.3	0.6
25th Bad	0.7	(1.2)	(0.7)	0.0
5th V. Bad	(4.6)	(5.3)	(4.9)	(4.6)

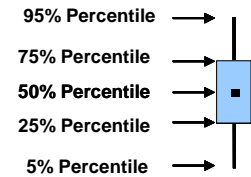
Alternative Policy Results

Cost of Negative Reserve

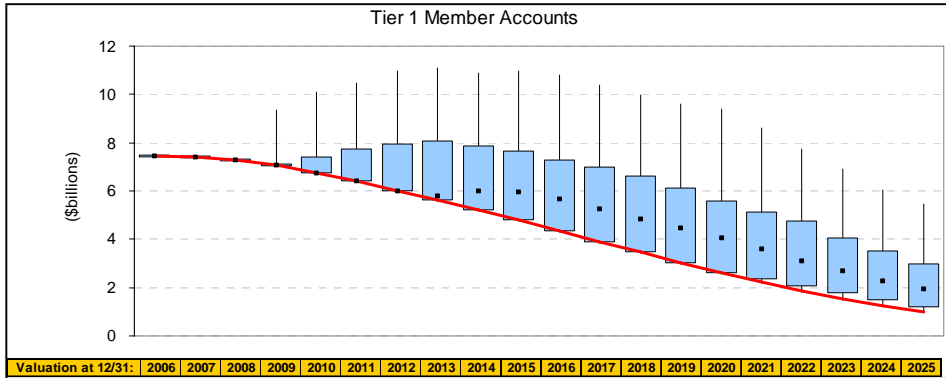
- The objective of the policies is to minimize any positive remaining reserve without increasing the cost of any negative reserve.
- The chart shows the average cost of each of the policy alternatives compared to the baseline.
- The average cost is calculated at the end of the projection period treating any positive reserve balance as \$0 and any negative reserve balance as a cost.



Alternative Policy Results Projection of Tier 1 Member Accounts (— represents Baseline)



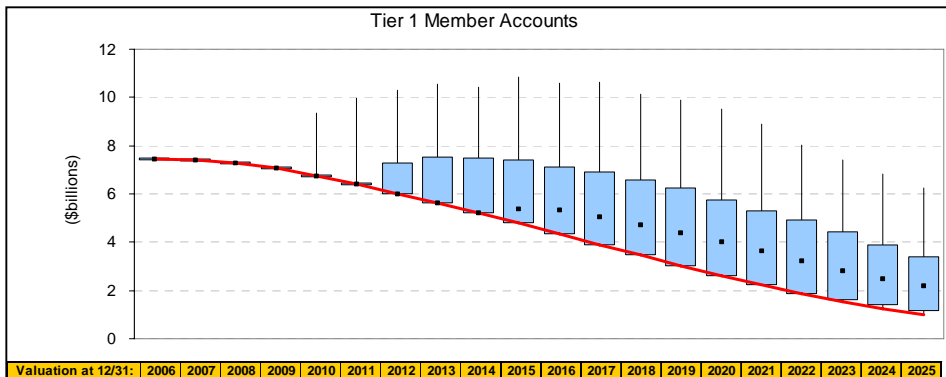
90% Threshold



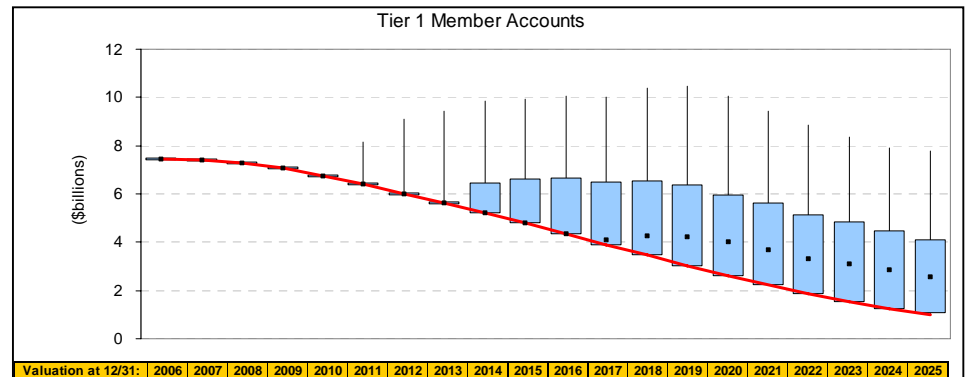
Any distribution policy will provide Member Accounts at least as large as the Baseline policy and potentially much larger.

The more conservative 99% threshold policy will pay out positive reserves more slowly, leading to larger Member Accounts at 2025 because members who have already retired by that point would have received less than under a less conservative policy.

95% Threshold



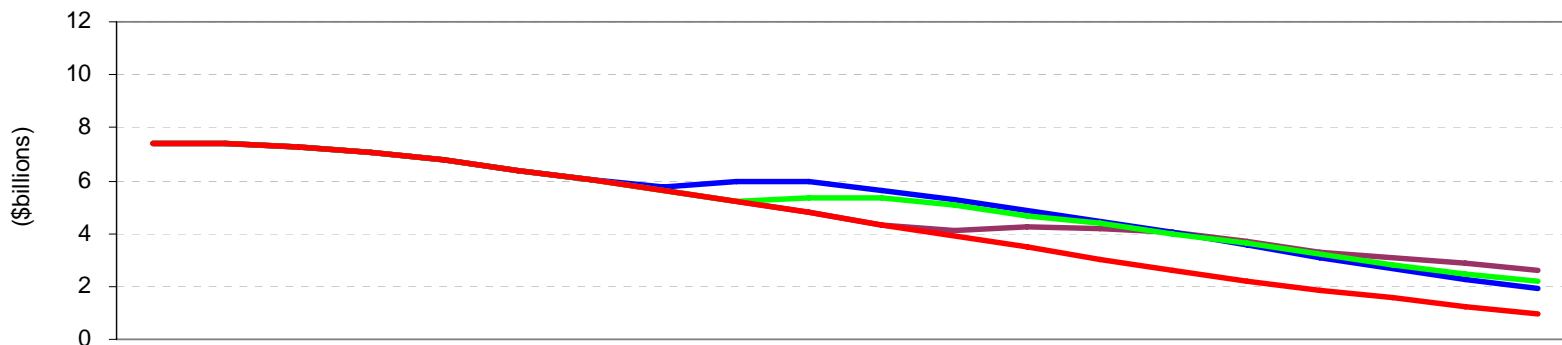
99% Threshold



Alternative Policy Results

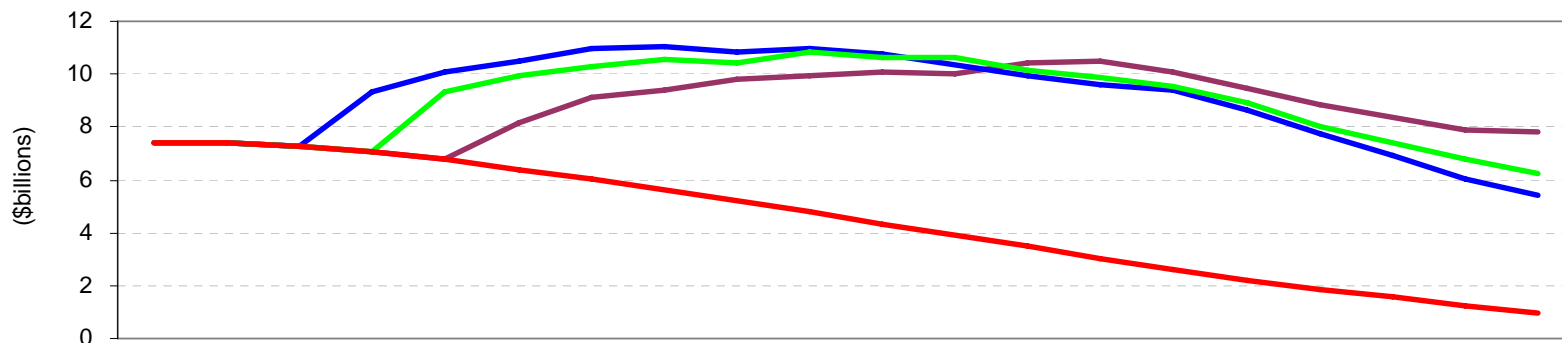
Projection of Tier 1 Member Accounts

Tier 1 Member Accounts - Median outcome



Valuation at 12/31:	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Baseline	7.4	7.4	7.3	7.1	6.8	6.4	6.0	5.6	5.2	4.8	4.4	3.9	3.5	3.0	2.6	2.2	1.9	1.5	1.3	1.0
90% Threshold	7.4	7.4	7.3	7.1	6.8	6.4	6.0	5.8	6.0	6.0	5.7	5.3	4.8	4.5	4.1	3.6	3.1	2.7	2.3	1.9
95% Threshold	7.4	7.4	7.3	7.1	6.8	6.4	6.0	5.6	5.2	5.4	5.4	5.0	4.7	4.4	4.0	3.6	3.2	2.8	2.5	2.2
99% Threshold	7.4	7.4	7.3	7.1	6.8	6.4	6.0	5.6	5.2	4.8	4.4	4.1	4.3	4.2	4.0	3.7	3.3	3.1	2.9	2.6

Tier 1 Member Accounts - 95th Percentile



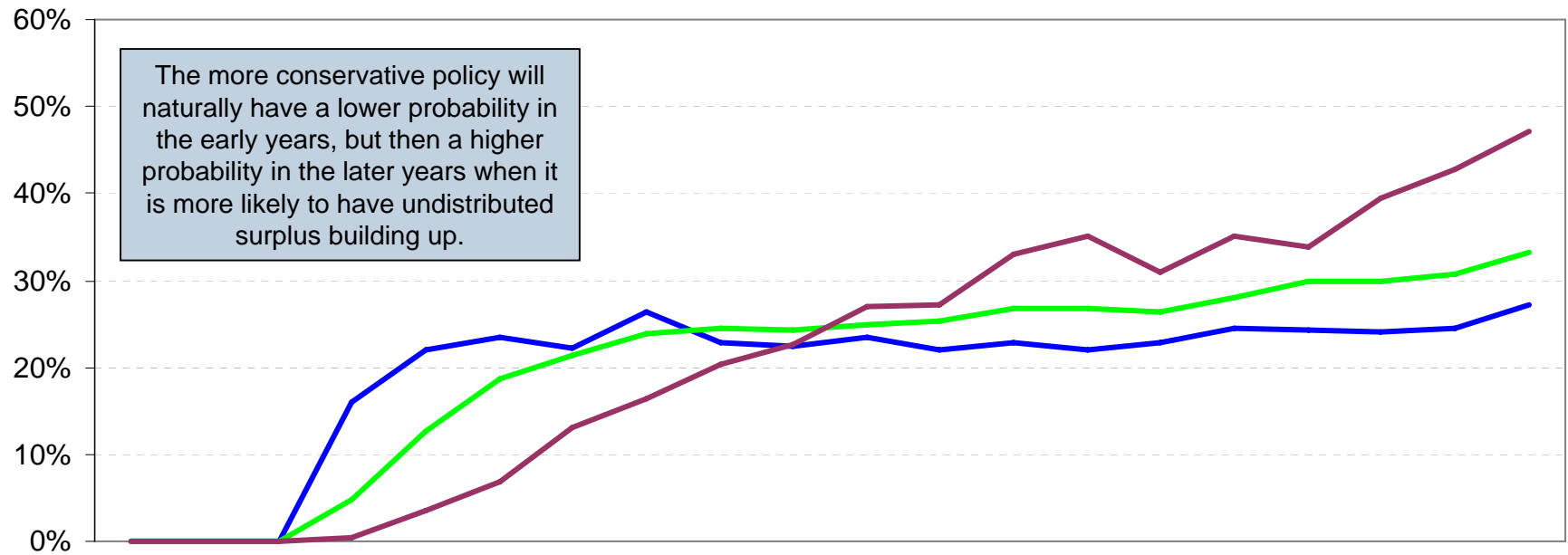
Valuation at 12/31:	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Baseline	7.4	7.4	7.3	7.1	6.8	6.4	6.0	5.6	5.2	4.8	4.4	3.9	3.5	3.0	2.6	2.2	1.9	1.5	1.3	1.0
90% Threshold	7.4	7.4	7.3	9.3	10.1	10.5	11.0	11.1	10.9	11.0	10.8	10.4	10.0	9.6	9.4	8.6	7.7	6.9	6.1	5.4
95% Threshold	7.4	7.4	7.3	7.1	9.3	10.0	10.3	10.6	10.4	10.8	10.6	10.6	10.2	9.9	9.5	8.9	8.0	7.4	6.8	6.2
99% Threshold	7.4	7.4	7.3	7.1	6.8	8.2	9.1	9.4	9.8	9.9	10.1	10.0	10.4	10.5	10.1	9.4	8.9	8.4	7.9	7.8

The variation between different approaches is widest for the best outcomes, because there are more excess earnings to distribute.

Alternative Policy Results

Probability of "Fully Funded" Reserve

Probability of "Fully Funded" Reserve for Three Consecutive Years



Valuation at 12/31:	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
90% Threshold —	0%	0%	0%	16%	22%	23%	22%	26%	23%	22%	24%	22%	23%	22%	23%	24%	24%	24%	25%	27%
95% Threshold —	0%	0%	0%	5%	13%	19%	21%	24%	24%	24%	25%	25%	27%	27%	26%	28%	30%	30%	31%	33%
99% Threshold —	0%	0%	0%	0%	4%	7%	13%	16%	20%	23%	27%	27%	33%	35%	31%	35%	34%	39%	43%	47%



Limitations of the Analysis

Sensitivity Issues

Retirement Rates

- The results of this analysis are dependent on the assumed pattern of retirement. Any event that accelerates or suppresses retirement rates will change the results of this analysis.

Investment Policy

- The amount required for the reserve to be “fully funded” depends on the volatility of expected investment returns. A more aggressive investment policy would require a larger reserve. A more conservative investment policy would allow PERS to hold a smaller reserve.

Timing of Investment Returns

- Because aggregate Tier 1 Member Accounts are expected to decline as Tier 1 members retire, investment returns in the next several years are very important in determining the likelihood of a negative reserve.



Limitations of the Analysis

Other Questions

Remaining Positive Reserve

- It is not clear what happens in the event there is a positive reserve when the last Tier 1 member retires. Depending on the potential uses of a remaining reserve, it may make sense for the Board to become less conservative with the reserve in later years.

Persistent Negative Reserve

- It is not clear when additional funds would be required due to a persistent negative reserve. In some of the worst outcomes a negative reserve persists for much of the projection period.



Comments and Recommendations

- The Tier 1 Rate Guarantee Reserve is not currently “Fully Funded” under any of the alternative policy thresholds. There is currently about a 22% chance of a negative reserve in 20 years.
- The first several years of investment returns will have a disproportionate impact on the projected reserve balance.
- When the reserve approaches the appropriate threshold, we recommend that this analysis be repeated before declaring the reserve to be “Fully Funded.”



Comments and Recommendations

- The Board may want to move from a more conservative policy to a less conservative policy as the dollars at risk due to the 8 percent guarantee decline.
- To better control outcomes, the Board may want to request that the OIC consider a different investment policy for the rate guarantee reserve.
- The Board may want to consider analysis and recommendation of structural changes to the long-term operation of the reserve.



Appendix

- Certification
- Methods and Assumptions
- Actual Investment Returns Produced by Model





Appendix Certification

The information in this report is based on the actuarial valuation report as of December 31, 2005. It reflects the member and financial data provided by Oregon PERS and the actuarial assumptions and methods described in the actuarial valuation report, except as noted in the appendix. Actual experience could differ from these assumptions and may produce results that differ materially and significantly from this report.

The liabilities, costs and other information included in this report were determined in accordance with generally accepted actuarial principles and procedures.

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.

	3/27/2007		3/27/2007
William R. Hallmark, ASA, MAAA Enrolled Actuary No. 05-5656	Date	David A. Kelly, FIA, FSA, MAAA, CFA Enrolled Actuary No. 05-6961	Date
Mercer Human Resource Consulting 111 SW Columbia Street, Suite 500 Portland, OR 97201-5839 503 273 5900			

Appendix

Capital Market Assumptions

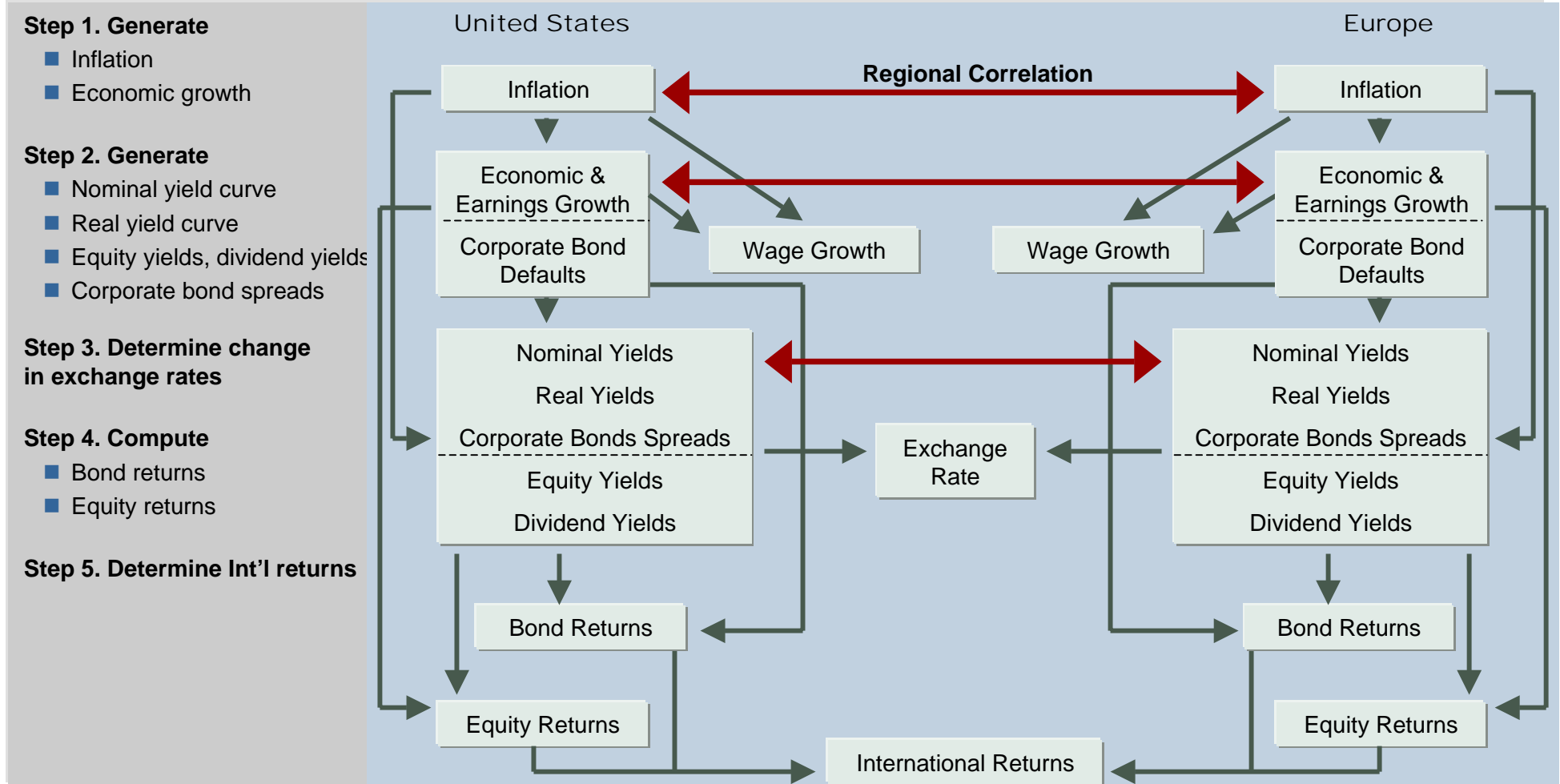
Our model of the capital markets is an economic model, not a pure mean/variance model. We first generate inflation and economic growth, and then generate several sets of yields: real, nominal, corporate default spreads, equity, and dividend yields. With the changes in yields, we can compute exact bond returns. Similarly, with equity we can use earnings growth, dividend yields, and changes in P/E levels to compute exact equity returns.

Thus, we will set the parameters of the model to reflect current conditions and the mean/variance characteristics.

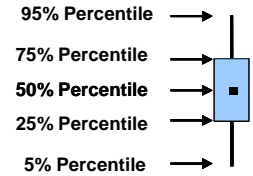
Asset Class	Expected Geometric Return	Standard Deviation
Domestic Equity	8.2%	18.6%
International Equity (ex-US)	8.4%	19.6%
Global Equity	8.4%	18.4%
Private Equity	9.4%	28.4%
Real Estate	7.1%	13.7%
Fixed Income (Lehmann Agg.)	5.1%	6.0%
Inflation	2.5%	1.8%

Correlations	DE	IE	GE	PE	RE	FI
Domestic Equity	1.00					
International Equity (ex-US)	0.65	1.00				
Global Equity	0.80	0.80	1.00			
Private Equity	0.70	0.30	0.65	1.00		
Real Estate	0.50	0.25	0.45	0.50	1.00	
Fixed Income (Lehmann Agg.)	0.30	0.15	0.25	0.20	0.25	1.00

Appendix Model to Simulate Investment Returns

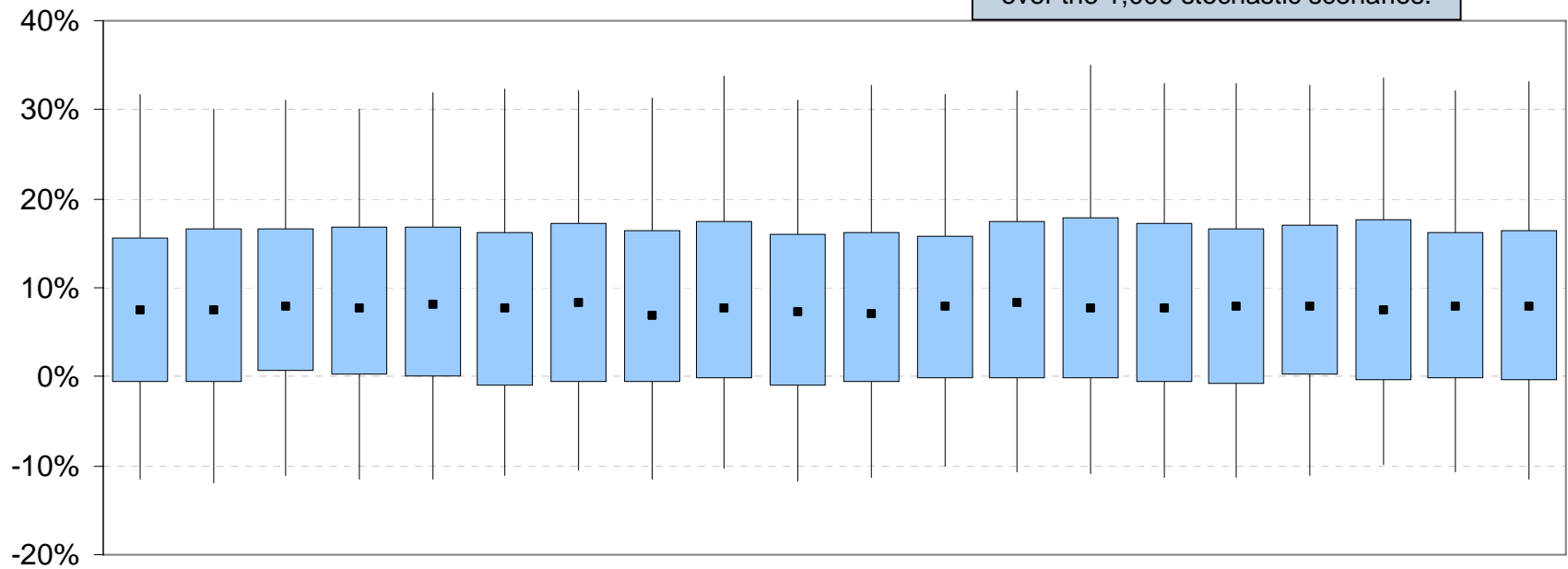


Appendix Simulated Investment Returns from the Model in Each Future Year*



Investment Returns

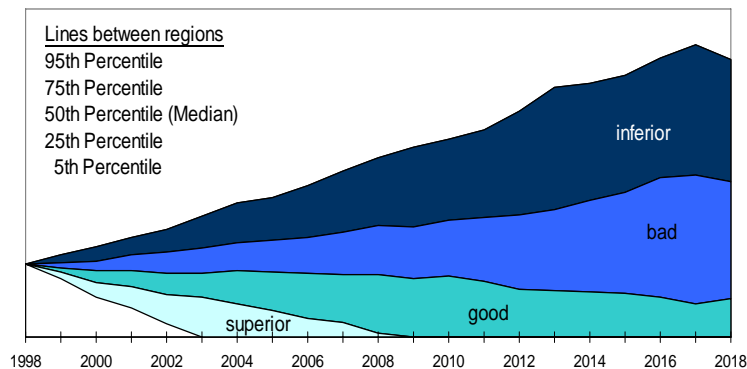
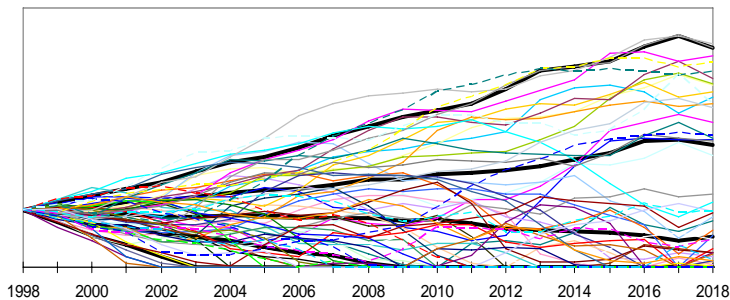
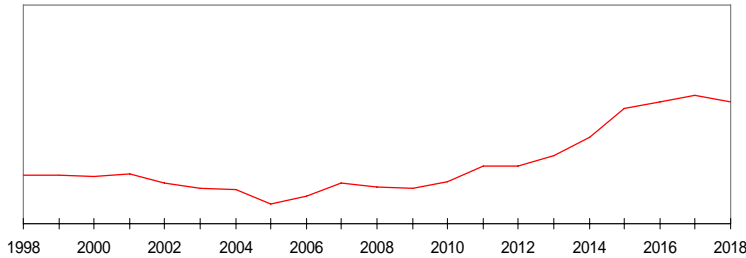
The geometric average return is 8% over the 1,000 stochastic scenarios.



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
95th V. Good	32%	30%	31%	30%	32%	32%	32%	31%	34%	31%	33%	32%	32%	35%	33%	33%	33%	34%	32%	33%
75th Good	16%	17%	17%	17%	17%	16%	17%	16%	17%	16%	16%	16%	17%	18%	17%	17%	17%	18%	16%	16%
50th Median	7%	8%	8%	8%	8%	8%	8%	7%	8%	7%	7%	8%	8%	8%	8%	8%	8%	8%	8%	8%
25th Bad	-1%	-1%	1%	0%	0%	-1%	0%	-1%	0%	-1%	-1%	0%	0%	0%	-1%	-1%	0%	0%	0%	0%
5th V. Bad	-11%	-12%	-11%	-11%	-11%	-11%	-10%	-11%	-10%	-12%	-11%	-10%	-11%	-11%	-11%	-11%	-11%	-10%	-11%	-12%

This does not imply that there is a 5% probability of assets earning more than 30% annually for twenty years, rather it implies that in any given year there is a 5% probability of asset returns exceeding 30%.

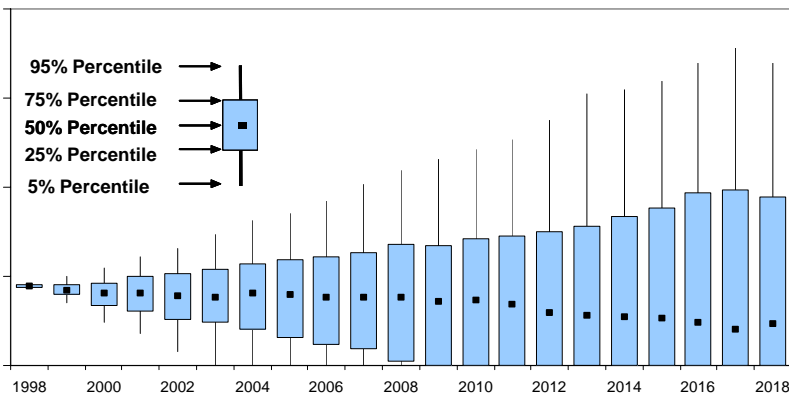
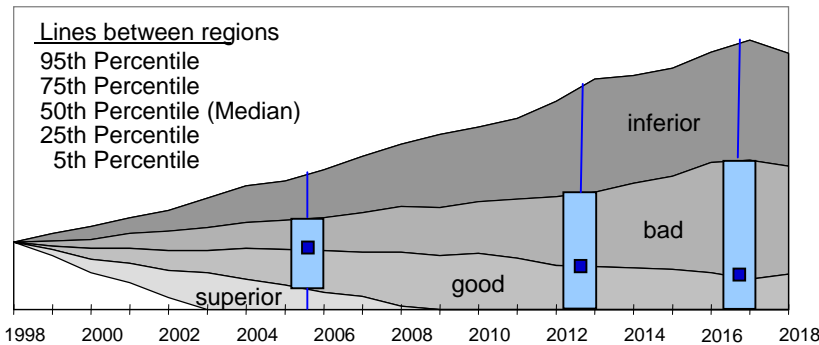
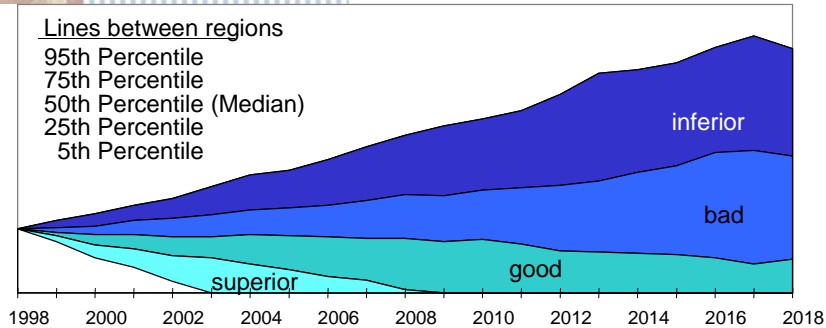
Appendix Simulation Framework



- Results are calculated for one path of the stochastic model
- This is repeated 1000 times
- Each year is percentiled
- The percentiles group each years' results into regions
- The good and bad regions represent 25% variance from median results, or together what would be expected half of the time
- The superior and inferior regions add another 20% of upside and downside variance
- All the regions combined show 90% of simulated results

Appendix

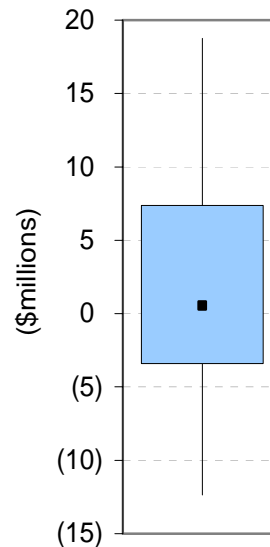
Presenting Stochastic Percentiles



- The line chart is potentially misleading because it might appear that the 75th percentile (say) is generated by the same simulated path over time.
- In fact, any given simulated path could vary between regions over time
- In any year, we can represent the key percentile values with “candlesticks”, which remove the implied connection between percentiles over time.

Appendix Explanation of Simulation Graphs

Each forecast comprises 1,000 independent economic scenarios. The box represents the more likely scenarios which are between the 25th and 75th percentile. The top and bottom “antenna” reflects the next 20% of the results. The dot represents the median result.

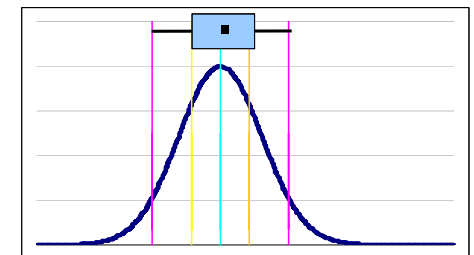


5% Percentile →
25% Percentile →
50% Percentile →
75% Percentile →
95% Percentile →

The “candlestick” represents a distribution of outcomes through selected percentile points.

The 5th Percentile represents the worst case (very bad results), while the 95th Percentile represents the best case (very good results).

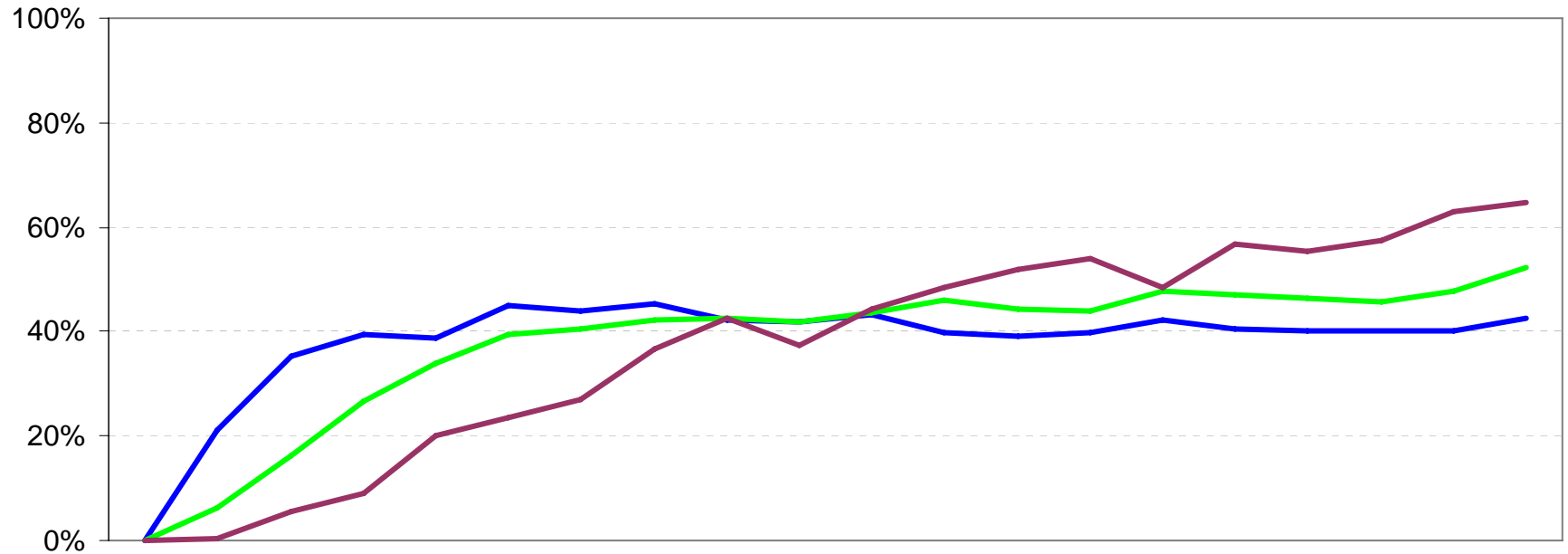
	2010
5th V. Bad	18.8
25th Bad	7.4
50th Median	0.5
75th Good	(3.4)
95th V. Good	(12.4)



Appendix

Probability of "Fully Funded" Reserve

Probability of "Fully Funded" Reserve In Each Year



Valuation at 12/31:	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
90% Threshold —	0%	21%	35%	39%	39%	45%	44%	45%	42%	42%	43%	40%	39%	40%	42%	41%	40%	40%	40%	42%
95% Threshold —	0%	6%	16%	27%	34%	39%	40%	42%	43%	42%	44%	46%	44%	44%	48%	47%	46%	46%	48%	52%
99% Threshold —	0%	0%	5%	9%	20%	24%	27%	37%	43%	37%	44%	48%	52%	54%	49%	57%	55%	58%	63%	65%



Oregon

Theodore R. Kulongoski, Governor

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March 30, 2007

TO: Members of the PERS Board
FROM: Dale S. Orr, Coordinator, Actuarial Analysis Section
SUBJECT: Final 2006 Earnings Crediting and Reserving

MEETING DATE	3/30/07
AGENDA ITEM	D.2. Final Earnings

EXECUTIVE SUMMARY

At its meeting on February 16, 2007, the Board preliminarily approved crediting of 2006 regular account earnings with the proposed addition of between \$7.5 million to \$250 million to the Contingency Reserve. The Board's action was reported to a legislative committee as required by ORS 238.670(5) (see attached report). The report was accepted by a subcommittee of the Joint Ways and Means Committee on February 19, 2007.

The Board must now make its final decision on crediting 2006 earnings. The earnings amounts shown in this report may change slightly when the annuals process is completed in late March. Should the earnings amount change, a walk-in item will be provided at the March 30, 2007 meeting.

BACKGROUND

The Board's February 16, 2007 decision directed that 2006 earnings be preliminarily credited as follows:

Reserve	Balance Before 2006 Crediting (millions)	Preliminary 2006 Crediting Amount (millions) or Rate	Preliminary Ending Reserve Balances (millions)
Contingency	\$250.0	\$7.5 to \$250.0	\$257.5 to \$500.0 million
Capital Preservation	\$0.0	\$0.0	\$0.0 million
Tier One Rate Guarantee	\$981.5	\$674.1 to \$628.9	\$1,655.6 to \$1,610.4
Tier One Accounts	\$6,888.2	8%	\$7,439.3
Tier Two Accounts	\$655.5	15.58% to 15.00%	\$757.6 to \$753.8
Employer	\$13,202.1	15.58% to 15.00%	\$15,259.0 to \$15,182.8
Benefits In Force	\$20,164.4	15.58% to 15.00%	\$23,306.0 to \$23,189.5
OPSRP Pension	\$143.1	13.42% to 12.86%	\$162.3 to \$161.5

In making its preliminary 2006 earnings crediting decision, the Board approved a range of amounts to be placed in the Contingency Reserve pending further advice from fiduciary counsel regarding litigation risk and to get the input from two Board members who were excused from the February Board meeting.

The preliminary crediting decision and the resulting report to the Legislature do not prohibit the Board from changing its final crediting and reserving decisions if new information becomes available. If the Board makes a significant change from its preliminary decision, staff will promptly report the Board's actions to the Legislature.

POLICY DISCUSSIONS

Contingency and Capital Preservation Reserves:

In 2006, the Board assessed the funding levels and various uses for the Contingency and Capital Preservation Reserves. As a result, the Board deployed all of the funds from the Capital Preservation Reserve and retained \$250 million in the Contingency Reserve. At that time, the Board, through consultation with its actuary, decided that using the Contingency or Capital Preservation Reserves to offset investment losses or stabilize employer rates was not efficient given the structural changes resulting from PERS reform and other available tools and options (e.g. rate collaring). In addition, due to restrictions on the Capital Preservation Reserve, the Board determined that the Contingency Reserve could serve the same purpose as the Capital Preservation Reserve while simultaneously allowing more flexibility in the use of reserved funds. The Board funded the Contingency Reserve at \$250 million to offset potential legal costs, protect against employer insolvencies, and cover other unforeseen costs.

Based on the Board's February 16, 2007 preliminary crediting decision, staff developed three options for increasing the Contingency Reserve. Charts showing the full impact of each option are attached.

- Option 1: \$7.5 million increase. This amount represents staff's estimate of potential charges against the Contingency Reserve that could be incurred during 2007. These charges involve the Lump Sum Vacation Payouts adjustments under HB 2189 and costs associated with the *Howser* duty disability class action settlement. Once these charges are paid from this additional allocation, the Contingency Reserve would remain at the \$250 million funding level established by the Board in 2006.

- Option 2: \$50 million increase. The \$250 million level set in 2006 represented about 50 basis points on the PERS Fund (then, around \$50 billion). To keep the Contingency Reserve at the same proportional level, now that the PERS Fund has grown to \$60 billion, the Contingency Reserve would need to increase to \$300 million. Exercising this option would keep the Contingency Reserve at the same proportionate level to the PERS Fund that it had after last year's crediting. The recommended amount is rounded to allow for an even ending balance in the Contingency Reserve, subject to known potential charges.

- Option 3: \$250 million increase. This would double the size of the Contingency Reserve to \$500 million, subject to known potential charges.

The following is a summary of total reserve additions and ending balances under each of these options:

Reserve Additions	Option 1	Option 2	Option 3
Earnings to Contingency Reserve	\$7.5 million	\$50.0 million	\$250 million
Earnings to Tier One Rate Guarantee Reserve	\$674.1 million	\$666.2 million	\$628.9 million
Total Reserve Additions	\$681.6 million	\$716.2 million	\$878.9 million
Effect by Reserve:			
Contingency Reserve	\$257.5 million	\$300.0 million	\$500.0 million
Capital Pres. Reserve	\$0.0	\$0.0	\$0.0
Rate Guarantee Res.	\$1,655.6 million	\$1,647.7 million	\$1,610.4 million
Reserve Totals	\$1,913.1 million	\$1,947.7 million	\$2,110.4 million

Judge Account Crediting

In previous years, the PERS Board did not assign a distinct crediting rate for judge member accounts. As a practical matter, judge member accounts were credited at the same rate as Tier One member regular accounts. Because the PERS reform legislation set some parameters on Tier One member regular account crediting that do not apply consistently and comprehensively to judge member accounts, staff is recommending that, for calendar year 2006 and forward, the PERS Board declare a distinct crediting rate that will be applied to judge member accounts.

FINAL EARNINGS CREDITING STAFF RECOMMENDATIONS AND BOARD OPTIONS

The Board's final allocation of 2006 earnings would be based on the following assumptions and preliminary steps, as outlined in OAR 459-007-0005:

1. Credit the health insurance accounts in the PERS Fund with their actual earnings, less administrative expenses incurred.
2. Credit employer lump sum payment accounts with actual earnings, less administrative expenses as authorized by ORS 238.225(10).
3. Credit Variable Annuity Accounts with their actual earnings, less a proportional charge for administrative expenses. (Variable earnings for 2006 are currently estimated at 15.61 percent.)
4. Credit Individual Account Program accounts and OPSRP reserves with actual earnings, less an allocated charge for those programs' administrative expenses.
5. Net the agency's administrative expenses from available earnings, which are to be recovered first from available earnings according to ORS 238.610.

Staff recommends the following earnings allocations be adopted by the PERS Board:

1. Funding of Contingency Reserve

Credit \$50.0 million to the Contingency Reserve. (Option 2).

2. Judge and Tier One Member Regular Accounts

Credit Judge and Tier One member Regular Accounts with the assumed earnings rate (8%) and credit the remainder of Tier One member regular account earnings to the Tier One Rate Guarantee Reserve.

3. Tier Two Member Regular Accounts, Benefits-In-Force and Employer Reserves

Credit Tier Two member Regular Accounts, Benefits-In-Force Reserve and Employer Reserves evenly with the remaining available earnings attributable to those accounts and reserves.

BOARD OPTIONS

The Board may:

1. Pass a motion to “adopt the staff’s recommended crediting allocation for calendar year 2006 earnings.”
2. Pass a motion to “adopt the staff’s recommended crediting allocation for calendar year 2006 earnings, but amending that recommendation as follows:
 - By crediting \$7.5 million to the Contingency Reserve.” (Option 1)
 - By crediting \$250 million dollars to the Contingency Reserve.” (Option 3)

Attachments:

Attachment 1

Option 1: \$7.5 million Increase in the Contingency Reserve

Option 2: \$50.0 million Increase in the Contingency Reserve

Option 3: \$250.0 million Increase in the Contingency Reserve

Attachment 2

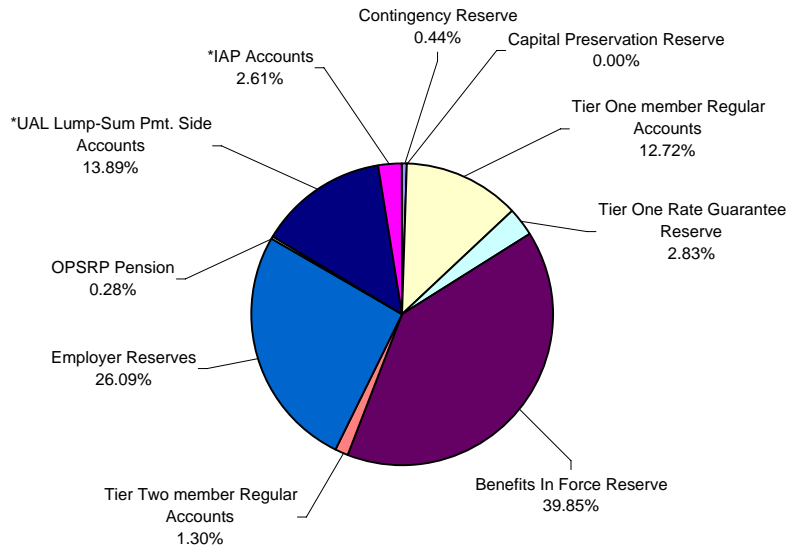
Legislative Earnings Crediting Report (February 13, 2007)

**Option 1
2006 Earnings Crediting**

**\$7.5 Million Additional to Contingency Reserve; No Additional to Capital Preservation Reserve
(All dollar amounts in millions)**

Regular Account Reserve	Reserves Before Crediting	2006 Crediting	Reserves After Crediting	2006 Crediting Rates
Contingency Reserve	\$250.0	\$7.5	\$257.5	N/A
Capital Preservation Reserve	0.0	0.0	0.0	N/A
Tier One member Regular Accounts	6,888.2	551.1	7,439.3	8.00%
Tier One Rate Guarantee Reserve	981.5	674.1	1,655.6	N/A
Benefits In Force Reserve	20,164.4	3,141.6	23,306.0	15.58%
Tier Two member Regular Accounts	655.5	102.1	757.6	15.58%
Employer Reserves	13,202.1	2,056.9	15,259.0	15.58%
OPSRP Pension	143.1	19.2	162.3	13.42%
*UAL Lump-Sum Pmt. Side Accounts	7,025.4	1,098.4	8,123.8	15.64%
*IAP Accounts	1,327.4	199.4	1,526.8	15.02%
Total	\$50,637.6	\$7,850.4	\$58,488.0	

**2006 Regular Account Reserve Balances
After 2006 Crediting**

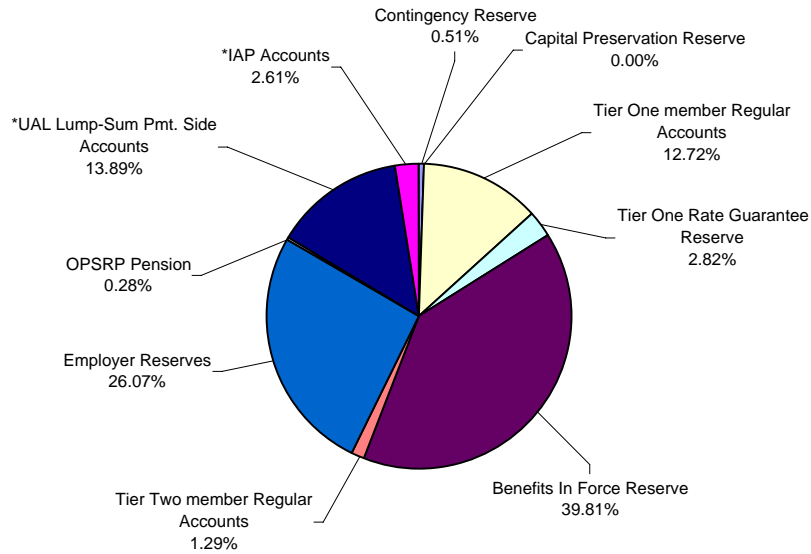


*Informational only. Not affected by Board reserving or crediting decisions.

Option 2
2006 Earnings Crediting
\$50 Million Additional to Contingency Reserve; No Additional to Capital Preservation Reserve
(All dollar amounts in millions)

Regular Account Reserve	Reserves Before Crediting	2006 Crediting	Reserves After Crediting	2006 Crediting Rates
Contingency Reserve	\$250.0	\$50.0	\$300.0	N/A
Capital Preservation Reserve	0.0	0.0	0.0	N/A
Tier One member Regular Accounts	6,888.2	551.1	7,439.3	8.00%
Tier One Rate Guarantee Reserve	981.5	666.2	1,647.7	N/A
Benefits In Force Reserve	20,164.4	3,121.2	23,285.6	15.48%
Tier Two member Regular Accounts	655.5	101.5	757.0	15.48%
Employer Reserves	13,202.1	2,043.5	15,245.6	15.48%
OPSRP Pension	143.1	19.1	162.2	13.35%
*UAL Lump-Sum Pmt. Side Accounts	7,025.4	1,098.4	8,123.8	15.64%
*IAP Accounts	1,327.4	199.4	1,526.8	15.02%
Total	\$50,637.6	\$7,850.4	\$58,488.0	

2006 Regular Account Reserve Balances
After 2006 Crediting



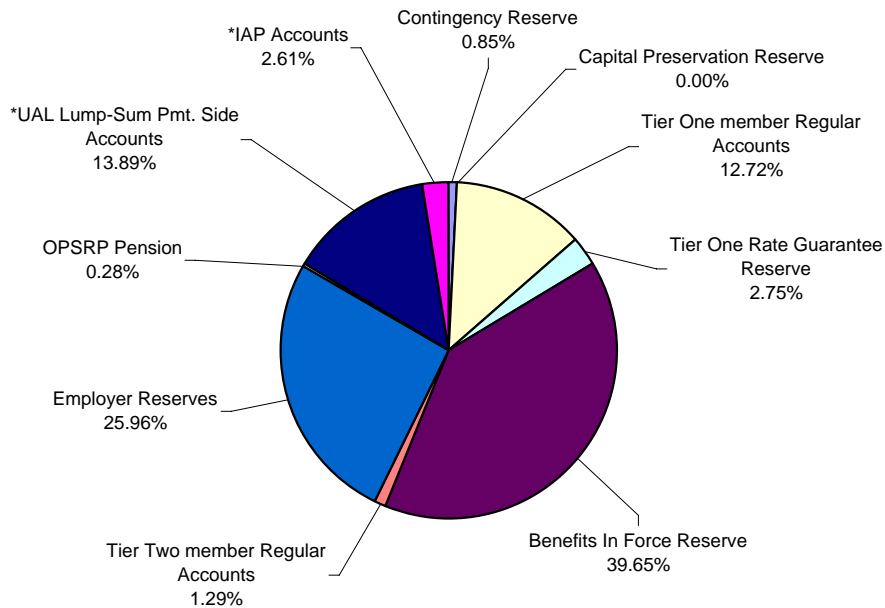
*Informational only. Not affected by Board reserving or crediting decisions.

**Option 3
2006 Earnings Crediting**

**\$250 Million Additional to Contingency Reserve; No Additional to Capital Preservation Reserve
(All dollar amounts in millions)**

Regular Account Reserve	Reserves Before Crediting	2006 Crediting	Reserves After Crediting	2006 Crediting Rates
Contingency Reserve	\$250.0	\$250.0	\$500.0	N/A
Capital Preservation Reserve	0.0	0.0	0.0	N/A
Tier One member Regular Accounts	6,888.2	551.1	7,439.3	8.00%
Tier One Rate Guarantee Reserve	981.5	628.9	1,610.4	N/A
Benefits In Force Reserve	20,164.4	3,025.1	23,189.5	15.00%
Tier Two member Regular Accounts	655.5	98.3	753.8	15.00%
Employer Reserves	13,202.1	1,980.7	15,182.8	15.00%
OPSRP Pension	143.1	18.4	161.5	12.86%
*UAL Lump-Sum Pmt. Side Accounts	7,025.4	1,098.4	8,123.8	15.64%
*IAP Accounts	1,327.4	199.4	1,526.8	15.02%
Total	\$50,637.6	\$7,850.4	\$58,488.0	

**2006 Regular Account Reserve Balances
After 2006 Crediting**



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

Efficiencies Listing (2%)

Division/Activity	Amount	Impact/Comments
ISD: <i>Strunk</i> and <i>Eugene</i> POP; FTE supporting imaging reduced	\$144,544	Current biennium experience processing <i>Strunk/Eugene</i> allows PERS to reduce funding requested in POP
CSD: annuals team for year-end processing reduced in size and scope (temporary staffing)	\$53,000	jClarety relies on payroll-by-payroll input and reconciliation, not annual reconciliation as RIMS did. Fewer temporary staff required second year of 2007-2009 biennium
ISD: eliminate filming for archival purposes	\$50,000	Streamlined procedures within Info Imaging & Mgmt (IIM), and move to imaging in consultation with State Archivist and revision of records retention schedule
CSD: Judge member handbook publication discontinued	\$8,712	Program descriptions and handbook available on website
FSD: actuarial audit deferred until 2008	\$105,000	Audit, conducted concurrently with system valuation, can be deferred until 2008 valuation

Efficiencies Listing (2%) (cont)

Division/Activity	Amount	Impact/Comments
FSD: eliminate Contracts and Procurement position	\$113,284	Increased efficiencies realized through process streamlining
PPLAD: DOJ legal services reduced	\$87,053	Deny hearings when no material facts are in dispute
FSD: eliminate Contributions & Banking Section position	\$117,387	Increased efficiencies realized through process streamlining
CSD: printed publications and material reduced	\$43,000	Change <i>Perspectives</i> newsletter production and mailing from quarterly to semi-annually. Rely on website to communicate with members and retirees on an ongoing basis
BPD: <i>Strunk/Eugene</i> POP workforce management plan	\$443,494	Orderly project phase-down and staged staffing reductions that maintain project goals, and mitigate impact of layoffs

Total: \$1,165,474 (2.13% of GRB EBL)

Goal: (2% of GRB EBL) \$1,094,460

Variance (+) \$71,014



Oregon

Theodore R. Kulongoski, Governor

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March 30, 2007

TO: Members of the PERS Board
FROM: Dale S. Orr, Coordinator, Actuarial Analysis Section

MEETING DATE	3/30/07
AGENDA ITEM	D. 2. 2006 Earnings

SUBJECT: **Update:** 2006 Final Earnings Crediting and Reserving

Final posting of 2006 calendar year transactions changed the year-end reserve balances to which earnings will be credited. The principle change was caused by final posting of 2006 member retirements that were in process at the time staff calculated the Board's preliminary earnings crediting numbers. Posting these retirements reduced member accounts and Employer Reserves and increased the Benefits In Force Reserve. Another change resulted from employers posting or adjusting 2006 contributions and benefit payments, altering IAP account balances and contributions to OPSRP pension reserves. Overall, the Regular Account Fund balance changed from a preliminary \$50,637.6 million to a final \$50,631.7 million as of December 31, 2006.

The actual amount of 2006 earnings available for distribution was reduced slightly, from a preliminary \$7,850.4 million to a final \$7,834.4 million, when final investment earnings figures were recently supplied by Treasury.

These changes are reflected in the attached charts showing crediting results under Options 1-3 as explained in the Board packet. These Contingency Reserve options are:

Option 1: \$7.5 million increase. Credit an amount sufficient to replenish the Contingency Reserve after charges anticipated to that reserve are incurred during 2007. The principle charges are for the Lump Sum Vacation Payouts adjustments under HB 2189 and costs associated with the *Howser* duty disability class action settlement. Once these charges are paid, the Contingency Reserve would return to the \$250 million funding level.

Option 2: \$50 million increase. The \$250 million level set in 2006 represented about 50 basis points on the PERS Fund (then, around \$50 billion). To keep the Contingency Reserve at the same proportional level, now that the PERS Fund has grown past \$60 billion, the Contingency Reserve would need to increase to \$300 million. The recommended amount is rounded for an even ending balance in the Contingency Reserve.

Option 3: \$250 million increase. This would double the size of the Contingency Reserve to \$500 million or approximately 100 basis points of the PERS' actuarial liabilities as calculated in the most current valuation as of December 31, 2005 (approximately \$49.2 billion, again rounded to an even balance).

FINAL EARNINGS CREDITING STAFF RECOMMENDATION AND BOARD OPTIONS

The Board's final allocation of 2006 earnings would be based on the following assumptions and preliminary steps, as outlined in OAR 459-007-0005:

1. Credit the health insurance accounts in the PERS Fund with their actual earnings, less administrative expenses incurred.
2. Credit employer lump sum payment accounts with actual earnings, less administrative expenses as authorized by ORS 238.225(10).
3. Credit Variable Annuity Accounts with their actual earnings, less a proportional charge for administrative expenses. (Variable earnings for 2006 are 15.61 percent.)
4. Credit Individual Account Program accounts with actual earnings, less an allocated charge for those program's administrative expenses.
5. Net the agency's administrative expenses from available earnings, which are to be recovered first from available earnings according to ORS 238.610.

Staff recommends the following earnings allocations be adopted by the PERS Board:

1. Funding of Contingency Reserve

Credit \$50.0 million to the Contingency Reserve. (Option 2).

2. Judge and Tier One Member Regular Accounts

Credit Judge and Tier One member Regular Accounts with the assumed earnings rate (8%) and credit the remainder of Tier One member regular account earnings to the Tier One Rate Guarantee Reserve.

3. Tier Two Member Regular Accounts, Benefits-In-Force, and Employer Reserves

Credit Tier Two member Regular Accounts, Benefits-In-Force Reserve, and ORS Chapter 238 Employer Reserves evenly with the remaining available earnings attributable to those accounts and reserves and credit the OPSRP Pension Reserve with remaining earnings attributable to that reserve.

BOARD OPTIONS

The Board may:

1. Pass a motion to "adopt the staff's recommended crediting allocation for calendar year 2006 earnings."
2. Pass a motion to "adopt the staff's recommended crediting allocation for calendar year 2006 earnings, but amending that recommendation as follows:
 - By crediting \$7.5 million to the Contingency Reserve." (Option 1)
 - By crediting \$250 million dollars to the Contingency Reserve." (Option 3)

Attachments:

Option 1: \$7.5 million Increase in Contingency Reserve

Option 2: \$50.0 million Increase in the Contingency Reserve

Option 3: \$250.0 million Increase in the Contingency Reserve



Oregon

Theodore R. Kulongoski, Governor

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March 30, 2007

TO: Members of the PERS Board
FROM: Steve Delaney, PERS Deputy Director
SUBJECT: 2007 Legislative Update

MEETING DATE	3-30-07
AGENDA ITEM	D.3. Legislative Update

As of March 21, 2007, 24 bills have been introduced that directly impact PERS or the Oregon Savings Growth Plan.

NEW BILLS INTRODUCED SINCE THE FEBRUARY 16 BOARD MEETING

HB 2724 - Allow any retiree rehired by a school district, ESD, or Community College as other than management or a teacher to exceed 1039 hour limitation.

HB 3061 – Requires PERS to allow retired members and beneficiaries to make voluntary monthly contributions to labor organizations.

HB 3361 – Allows retired member to work for legislative assembly, any or all parts of session with no effect on their retirement status.

HB 3385 – Grants police and fire status to (1) Dog Control officers (2) OHSU Campus Security; and (3) Judicial Dept. employees providing court security.

HB 3451 – Elimination of “gross up” for OPSRP part time employees. Provides that retirement credit is calculated in the same manner as Tier One/Two.

SB 872 – Provides that Judge Member’s may designate ex-spouse as PERS beneficiary.

Bill Numbers	Basic Concept	Most Recent Action	Hearings Scheduled
HB 2280	Equal To Or Better Than Remove requirement that ETOB study be conducted every two years. Allows PERS by administrative rule to determine when an ETOB study is to be conducted.	February 5 Public hearing held before the House Business and Labor Committee. Amendment offered that would require an ETOB study to be conducted against the Tier One standard if the employee would otherwise have been in PERS Tier One,	Nothing presently scheduled

Bill Numbers	Basic Concept	Most Recent Action	Hearings Scheduled
		and the same for Tier Two and OPSRP.	
HB 2281	Withdrawals Require that a member who wishes to withdraw (not retire) from any one PERS program must withdraw from all PERS programs at the same time.	<u>March 12</u> Work session held, passed out of Senate Commerce Committee with a do-pass recommendation.	March 21 3 rd Reading on the Senate Floor
HB 2282	Notice of Contest Change the statutory term "Notice of Contest" to another term less likely to cause confusion - "Notice of Dispute."	<u>March 12</u> Work session held, passed out of Senate Commerce Committee with a do-pass recommendation.	March 21 3 rd Reading on the Senate Floor
HB 2283	Oregon Investment Council Membership Remove requirement that the Governor appoint one PERS Board member to serve on the Oregon Investment Council (OIC).	March 13 Referred to Commerce Committee	Nothing presently scheduled
HB 2284	"Break In Service" (An exception) Exempt individuals who are absent from employment for more than six months from the Break In Service provisions, if the individual is reinstated to employment by judgment, administrative order, arbitration, settlement, or other resolution.	March 12 Referred to Commerce Committee	Nothing presently scheduled
HB 2285	Total Lump Sum Retirement Option Prohibit reemployment of members who retire with a total lump sum option for the first six months following retirement.	<u>March 7</u> Public Hearing Held, Commerce Committee	Nothing presently scheduled
HB 2286	Oregon Savings Growth Plan Clarify that an order creating an Alternate Payee of an Oregon	March 12 Work session held,	March 21 3 rd Reading

Bill Numbers	Basic Concept	Most Recent Action	Hearings Scheduled
	Savings Growth Plan (OSGP) participant may provide that the Alternate Payee may commence payments from the Alternate Payee account earlier than the participant would be eligible to commence payments.	passed out of Senate Commerce Committee with a do-pass recommendation.	on the Senate Floor
HB 2358	Oregon Savings Growth Plan Allow Oregon State Bar employees to participate in the OSGP	February 28 Passed out of Senate Judiciary Committee with a do-pass recommendation.	March 21 3 rd Reading on the Senate Floor
HB 2397	Rollovers Allow PERS to accept rollover contribution payments for benefit overpayments	January 17 Referred to House Business and Labor	March 23 Public hearing scheduled
HB 2401	Early Retirement for Telecommunicators (9-1-1 Operators) Allow 9-1-1 operators with 25 years of service as a telecommunicator to retire with a reduced benefit if not yet age eligible.	February 16 Public hearing held before House Business and Labor. (Amendment being crafted by Legislative Counsel that will ensure bill is fiscally neutral.)	Nothing presently scheduled
HB 2492	Benefits Paid To Felons Makes pension benefits subject to execution if the individual is convicted of a felony.	February 12 Public hearing held by House Judiciary Committee	Nothing presently scheduled
HB 2593	Reemployed Retirees Exempts PERS retirees rehired as nurses or nurse instructors from the 1039-hour limitation on employment.	March 16 Work session held, passed out of Health Care Committee with a do-pass recommendation	March 21 3 rd Reading on the Senate Floor
HB 2619	Police Officer Full Cost Purchase Allows police officers to purchase up to four years of service time served as a police officer out-of-state.	March 19 House passed by a vote of 57-3	March 20 On Senate President's desk
HB 2623	"Break In Service" Elimination Retroactively eliminates the Break	March 5 Public hearing before	Nothing presently

Bill Numbers	Basic Concept	Most Recent Action	Hearings Scheduled
	in Service provisions.	House Business and Labor Committee	scheduled
HB 2679	Individual Account Program Allows payout of IAP over the life expectancy of the member, in addition to the current 5, 10, 15 or 20-year payout periods.	March 19 House passed by a vote of 56-3	March 20 On Senate President's desk
HB 2724	Exemption to the 1039 Hour Limitation Allow any retiree rehired by a school district, ESD, or Community College as other than management or a teacher to work unlimited hours.	February 19 Referred to House Business and Labor Committee	Nothing presently scheduled
HB 3061	Deductions from Benefit Payments Requires PERS to allow retired members and beneficiaries to make voluntary monthly contributions to labor organizations via deductions from their monthly benefit payments.	March 12 Referred to Business and Labor	Nothing presently scheduled
HB 3361	Exemption to the 1039 Hour Limitation Allows retired member to work for legislative assembly, any or all parts of session with no effect on their retirement status.	March 16 Referred to Business and Labor	Nothing presently scheduled
HB 3385	Police & Fire Status Grants police and fire status to (1) Dog Control officers (2) OHSU Campus Security; and (3) Judicial Dept. employees providing court security	March 19 Referred to Business and Labor	Nothing presently scheduled
HB 3451	OPSRP Gross-up elimination – provides that retirement credit be calculated in the same manner as Tier One/Two.	March 19 Referred to Business and Labor	Nothing presently scheduled
HB 5040	PERS Budget	March 20 Work session held, before Subcommittee on General	March 23 Joint Ways and Means, work session

Bill Numbers	Basic Concept	Most Recent Action	Hearings Scheduled
		Government, approved and sent to full committee	scheduled
SB 342	Exemption to the 1039 Hour Limitation Allow registered nurses who have retired to work unlimited hours as a “nurse instructor.”	February 21 Public hearing held before the Senate Commerce Committee	Nothing presently scheduled
SB 384	Optional Retirement Plan for School Administrators Allows a school administrator who is not a PERS member to choose an alternate retirement plan in lieu of PERS.	February 13 Work session before Senate Education and General Government Committee NOTE: Amendments passed removing all reference to PERS	CLOSED
SB 478	Judge Members - Residency Provides that PERS judge members may not be required to remain a resident of Oregon as a condition of retirement under the retirement option requiring 35 days of pro tem service for five years.	February 12 Referred to Senate Commerce Committee	Nothing presently scheduled
SB 872	Judge Members – Beneficiary Provides that Judge Member’s may designate ex-spouse as PERS beneficiary.	March 14 Referred to Commerce Committee	Nothing presently scheduled

PERS staff will be prepared to discuss any bill that may be of concern or interest to Board members on March 30, 2007.