

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING

Friday November 21, 2014 1:00 P.M.		PERS 11410 SW 68 th Parkway Tigard, OR	
ITEM		PRESENTER	
A. Administration			
1.	September 26, 2014 Board Meeting Minutes Director's Report <ul style="list-style-type: none"> a. Forward-Looking Calendar b. OIC Investment Report c. Budget Execution Report d. PERS Data for New GASB Reporting Requirements by Employers e. Board Scorecard Report on Agency Performance Measures f. Strategic Planning Update 	CLEARY	
B. Administrative Rulemaking			
1. 2. 3.	Notice of Definition of Service Rule Notice and Temporary Adoption of GAAP Rule Adoption of OSGP Rules	RODEMAN/ VAUGHN	
C. Action and Discussion Items			
1. 2.	Legislative Update Financial Modeling Presentation	TAYLOR MILLIMAN	
D. Executive Session Pursuant to ORS 192.660(2)(f), (h), and/or ORS 40.225			
1.	Litigation Update	LEGAL COUNSEL	

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<http://www.oregon.gov/PERS/>

2015 Meetings · January 30* · March 30* · May 29 · July 31* · September 25 · November 20* * Audit Committee
 Krystal Gema Michael Jordan John Thomas, Chair Pat West, Vice Chair Rhoni Wiswall Paul R Cleary, Executive Director

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
BOARD MEETING MINUTES

September 26, 2014

Board Members:

John Thomas, Chair
Krystal Gema
Michael Jordan
Pat West
Rhoni Wiswall

Staff:

Linda Barnett
Paul Cleary
David Crosley
Yvette Elledge
Brian Harrington
Debra Hembree

Jordan Masanga
Beth Porter
Daniel Rivas
Steve Rodeman
Jason Stanley
Marjorie Taylor

Stephanie Vaughn
Ann Marie Vu
Larry Weiss
Joli Whitney

Others:

Nancy Brewer
Alison Chan
Shawn Cross
Cyndy Danzl-Jenkins

Janice Essenberg
Greg Hartman
Keith Kutler
David Lacy

Matt Larrabee
Elizabeth McCann
Laura Munson
Celia Heron

Steve Nielsen
Victoria Nolan
Scott Preppernau
Carol Samuels

Ted Sickinger
Anna Staver
Deborah Tremblay
Trudy Vidal

Chair John Thomas called the meeting to order at 10:00 A.M.

EXECUTIVE SESSION PER ORS192.660(2)(a)

Chair Thomas recessed the Board to an Executive Session per ORS 192.660(2)(a) to consider the appointment of a new Executive Director. Board members Krystal Gema, Michael Jordan, Pat West and Thomas attended the Executive Session. Enrique Sama, Executive Recruiter at Department of Administrative Services (DAS) Human Resources joined the Board to report on the recruitment process. Assistant Attorney General Keith Kutler also attended the Executive Session. Chair Thomas adjourned the Executive Session at 11:30 and the Board broke for lunch. Due to a scheduling conflict, Board member Gema left the meeting after the Executive Session.

Chair Thomas reconvened the Board meeting into open session at 1:00 P.M.

Board member Rhoni Wiswall joined the meeting by phone.

ADMINISTRATION

A.1. BOARD MEETING MINUTES OF JULY 25 AND AUGUST 14, 2014

Board member West moved and Board member Jordan seconded approval of the minutes submitted from the July 25, 2014 regular Board meeting. The August 14, 2014 special Board meeting minutes were moved for approval by Jordan and seconded by West. The Board unanimously approved the minutes of both meetings.

A.2. DIRECTOR'S REPORT

Executive Director Paul Cleary reviewed the 2014 Forward Looking Calendar which included proposed Board meeting dates for 2015. Cleary asked that the Board confirm their availability with staff so the 2015 calendar may be set. Cleary presented the Oregon Investment Council (OIC) Investment Reports for the periods ending July 31 and August 31, 2014. The August data came in after the Board materials had been mailed, but was included as a walk-in item. The August 31 regular account year-to-date returns were up 6.57% - a little ahead of the annualized

assumed earnings rate of 7.75%. The variable account returns were up 7.21%. Of note, the OIC is planning a presentation on December 3 from Callan, its new general consultant, on updated asset liability study. Staff will keep the Board informed as it develops. Any Board members who would like to attend this meeting are welcome to do so.

Cleary also presented the September 2014 Budget Execution Report. There continues to be a positive variance of about \$2.2 million or 2.6% of the total biennial operating budget. The legislation implementation budget (SB 822 and SB 861) also continues on track with a positive variance of about 24%.

A.1.d. CUSTOMER SERVICE SURVEY RESULTS

Cleary presented annual member and employer customer service survey results. Overall 92% of members rated customer service as good or excellent. The reduction in call wait times showed in the improved survey results. An area of concern is the length of time for a Data Verification from PERS. The average wait is 18 months due to the backlog. We have a Policy Option Package submitted with our agency request budget to add more staff to that unit to address those requests in a more timely manner. Employers survey results have improved. They are at an all-time high of 89% rating customer service as good or excellent. This is 5 to 6 percentage points above last year. A very good report on both accounts.

No Board action was required.

A.1.e. BOARD BEST PRACTICES ASSESSMENT

In 2008, as prescribed by the Legislature, the PERS Board began conducting a self-assessment against 15 "Best Practices Criteria" as part of the biennial budget process. The best practices were identified by the Legislature. The results show that we are meeting these requirements.

One area the Board indicated there was room for improvement is identifying and attending training sessions. This area has always been a bit of a challenge. Most retirement board training is focused on investment issues rather than administrative matters as many boards also have that responsibility. An area of training that has been evolving is risk management. Perhaps opportunities for training in that area can be made available in the future.

No Board action was required.

A.1.f. RETIREE HEALTH INSURANCE PREMIUM REBATE UPDATE

Cleary invited consultants Kevin McCartin of McCartin Analytical Services and Molly Butler of Butler and Associates to provide a detailed update on the PERS Health Insurance Program (PHIP) potential premium rebate that was discussed at the July 25, 2014 Board meeting. Since that time, there have been two new developments. First, additional research into the minimum loss ratio (MLR) requirements to define a premium found that we may not receive necessary federal guidance on this issue until after the year-end deadline has passed. Second, the previous MLR calculation was lower than the latest review. The current claims trend went from -2% to +10%. If we track that trend forward we could overspend in 2014 and 2015. Subsidies are already built into the 2015 rates.

Given the updated information and trends, there will not be a premium rebate in 2014. No Board action was required.

ADMINISTRATIVE RULEMAKING

B.1. NOTICE OF OSGP RULES

Deputy Director Steve Rodeman presented the notice of rulemaking for the Oregon Savings Growth Plan (OSGP) Rules (OAR 459-050-0076; -050-0120). These rules must be amended to reflect changes to federal law or proposed improvements in the program. Rodeman said that a rulemaking hearing will be held on October 21 and the public comment period ends on October 30. The OSGP Rules will be presented for adoption at the November meeting. No Board action was required.

B.2. ADOPTION OF PERS MEMBERSHIP ELIGIBILITY RULES

Rodeman presented PERS Membership Eligibility Rules (OAR 459-005-0001; -010-0003, -0035; -070-0001; -075-0010) for adoption. These modifications will amend rules to clarify current practice and administration of membership eligibility standards.

West moved to adopt modifications to the Membership Eligibility Rules as presented. Jordan seconded. Motion passed unanimously.

B.3. ADOPTION OF EMPLOYER REMITTANCE OF CONTRIBUTIONS RULE

Rodeman presented the Employer Remittance of Contributions Rule (OAR 459-070-0110) for adoption. The payment allocation portion of this rule became obsolete when programming was completed to update the employer payment remittance process. Employer contributions are now designated and assigned to specific programs.

Board member Wiswall moved to adopt modifications to the Employer Contributions Rule as presented. West seconded. Motion passed unanimously.

ACTION AND DISCUSSION ITEMS

C.1. 2015-17 EMPLOYER RATE ADOPTION

Debra Hembree reviewed the process for implementing new employer rates and shared what to expect as we continue through the process over the next several weeks. The rates will go into effect next July.

Matt Larrabee and Scott Preppernau of Milliman presented the proposed rates for 2015-2017. At a system level, rates are going down very slightly, on average 0.19% of payroll. However rates are not going down for every employer. Unfunded actuarial liability (UAL) for the State and Local Government Rate Pool (SLGRP) was \$7.9 billion and now is \$3.9 billion. The school district UAL went from \$7.0 billion to \$3.4 billion. These changes in the UAL are factored into the rates by the size of the payroll. SLGRP rates have gone up slightly at 1.18% on average. School districts have gone down 3.4% due to the leveraging of employer-specific side accounts. Side accounts have been a positive factor the past couple of years.

Thomas said that we need to remember that over 73% of PERS revenue comes from investment earnings. Cyclical swings have a huge impact. Fortunately, it has been a good market over the past two years. He asked if there were any questions or comments from the public. There were no comments.

West moved to accept the rates as presented and Jordan seconded. Motion passed unanimously.

C.2. EXECUTIVE DIRECTOR RECRUITMENT AND APPOINTMENT

Chair Thomas reviewed the Board's recruitment efforts. Enrique Sama of DAS HR conducted the recruitment process. The Board met in Executive Session earlier in the day to review the results presented from the screening. He noted that the Board has diligently performed its fiduciary responsibilities.

West moved to appoint Steve Rodeman as the PERS Executive Director effective November 1, 2014 to provide for one month transition with the outgoing Director who is retiring December 1. Wiswall seconded. Motion passed unanimously.

West moved that the Board request DAS to set the starting salary at step 8 of the salary range 44X. Wiswall seconded. Jordan recused himself from voting for this motion due to current DAS policy and procedures which directs requests of this nature be made through a formal payline exception for which his position as DAS Director has the final decision making authority. Motion passed with three ayes, Jordan excused from the vote.

Chair Thomas praised Cleary's leadership and mentoring his team and asked Rodeman if he had any comments. Rodeman thanked the Board for its support and the faith they have shown in his abilities to follow Director Cleary. He is excited at the opportunity and believes that there is a lot of positive direction and a good foundation on which to build.

Chair Thomas commented that working well with the Executive Director is very important and the Board has had a very good relationship working with Deputy Director Rodeman in the past and it is proud that he has accepted the position and is looking forward to the future they have together.

Cleary expressed his appreciation for the Board's decision and recognized Rodeman's key role in any successes this agency has had during his tenure as Executive Director.

OTHER BUSINESS

Thomas adjourned the Board meeting at 1:50 PM.

Respectfully submitted,



Paul R. Cleary
Executive Director

PERS Board Meeting Forward-Looking Calendar

Friday, January 30, 2015

Adoption of Definition of Service Rule
Adoption of GAAP Rule
Notice of Health Insurance Program Rules
Preliminary 2014 Earnings Crediting and Reserving
2015 Legislative Session Preview
Strategic Planning Update
Audit Committee Meeting (rescheduled from November 2014)

Monday, March 30, 2015

Adoption of Health Insurance Program Rules
Final 2014 Earnings Crediting and Reserving
Audit Committee Meeting

Friday, May 29, 2015

Review of Actuarial Methods and Assumptions
2015 Legislative Session Review
2016 Retiree Health Insurance Plan Renewals and Rates

Friday, July 31, 2015

2014 Experience Study and Adoption of Actuarial Methods and Assumptions
Audit Committee Meeting

Friday, September 25, 2015

Customer Service Survey Results
2014 Actuarial Valuation and 2017-19 Employer "Advisory Rates"

Friday, November 20, 2015

Audit Committee Meeting

Returns for periods ending 9/30/14

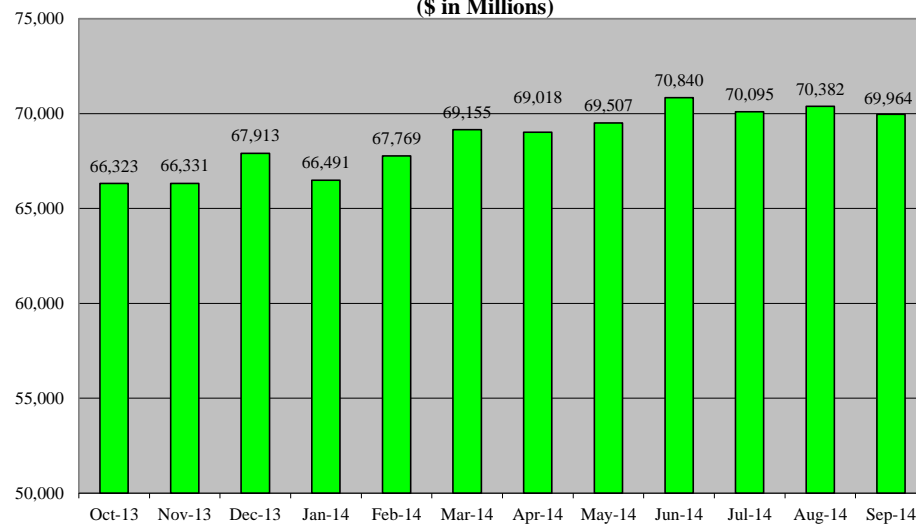
Oregon Public Employees Retirement Fund

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
Public Equity	32.5-42.5%	37.5%	\$ 27,899,141	40.3%	2.15	10.11	15.76	17.68	11.25	11.03	3.11	7.51
Private Equity	16-24%	20%	15,086,439	21.8%	15.32	21.50	18.06	13.24	15.71	16.81	8.46	14.22
Total Equity	52.5-62.5%	57.5%	42,985,580	62.1%								
Opportunity Portfolio			924,384	1.3%	7.05	11.06	13.16	12.28	12.17	12.73	7.57	
Total Fixed	15-25%	20%	16,337,718	23.6%	3.03	4.14	2.78	5.48	5.25	6.76	6.50	6.03
Real Estate	9.5-15.5%	12.5%	7,610,631	11.0%	9.58	12.27	13.31	12.90	13.67	10.17	2.87	9.56
Alternative Investments	0-10%	10%	1,282,130	1.9%	6.36	7.97	6.69	2.61				
Cash	0-3%	0%	67,030	0.1%	0.45	0.62	0.64	0.96	0.75	0.79	1.23	2.13
TOTAL OPERF Regular Account		100%	\$ 69,207,473	100.0%	6.10	11.27	12.45	12.61	10.94	11.10	4.89	8.11
OPERF Policy Benchmark					7.36	12.75	13.10	13.86	11.53	11.19	5.39	7.99
Value Added					(1.26)	(1.48)	(0.65)	(1.25)	(0.59)	(0.09)	(0.50)	0.12
TOTAL OPERF Variable Account			\$ 756,203		3.45	10.94	14.89	17.11	10.92	10.64	2.59	5.68

Asset Class Benchmarks:

Russell 3000 Index	6.95	17.76	19.66	23.08	17.01	15.78	6.24	8.44
MSCI ACWI Ex US IMI Net	(0.01)	4.74	10.66	11.88	5.76	6.30	0.20	7.46
MSCI ACWI IMI Net	3.22	10.70	14.61	16.74	10.58	10.32	2.70	7.57
Russell 3000 Index + 300 bps--Quarter Lagged	20.34	28.91	26.96	19.91	23.80	22.81	10.28	11.96
Oregon Custom FI Benchmark	2.37	3.31	1.97	4.58	3.80	4.73	5.23	4.95
NCREIF Property Index--Quarter Lagged	8.40	11.21	10.97	11.32	12.65	9.67	4.86	8.63
91 Day T-Bill	0.03	0.05	0.07	0.07	0.09	0.10	0.54	1.61

TOTAL OPERF NAV
(includes variable fund assets)
One year ending September 2014
(\$ in Millions)



¹OIC Policy 4.01.18, as revised October 2013.

²Includes impact of cash overlay management.

³For mandates beginning after January 1 (or with lagged performance), YTD numbers are "N/A". Performance is reflected in Total OPERF. YTD is not annualized.



Oregon

John A. Kitzhaber, M.D., Governor

Public Employees Retirement System

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November 21, 2014

TO: Members of the PERS Board
FROM: Kyle J. Knoll, Financial & Administrative Services Division Administrator
SUBJECT: November 2014 Budget Execution Report

2013-15 OPERATIONS BUDGET

Operating expenditures for September 2014 and preliminary expenditures for October 2014 were \$3,481,573 and \$3,142,460, respectively. Final expenditures for October will close in the Statewide Financial Management System on November 14, 2014, and will be included in the January 2014 report to the Board.

- To date, through the first 16 months (66.67%) of the 2013-15 biennium, the Agency has expended a total of \$50,468,043, or 59.8% of PERS' legislatively approved operations budget of \$84,427,392.
- On or before December 1, 2014, PERS will request the remaining \$392,642 expenditure limitation be rescheduled to complete Phase II of a project to transfer administration of the Individual Account Program (IAP) from a third-party administrator to PERS.
- The current projected positive variance is \$1,714,032 or approximately 2.03% of the operations budget. The Agency's goal is to maintain a positive variance of at least \$1.7 million (2%). The variance is reduced from the amounts previously reported because the state of Oregon advanced the Cost of Living Adjustment from December to September, raising personnel costs. Also, the agency has targeted increases in projected expenditures to productively allocate any variance above the 2% threshold.

SB 822 and SB 861 BUDGETS

These separate budget limitations were approved by the Legislature in 2013 and 2014 for the administrative costs to implement the COLA modifications for 2013 and beyond; remove tax remedy benefits for recipients who do not pay Oregon income taxes because they do not reside in Oregon; implement the six-year supplementary payments program; and recalculate employer contribution rates effective July 1, 2013. Funding was also provided for the necessary technology enhancements, additional call center agents, and Attorney General expenses.

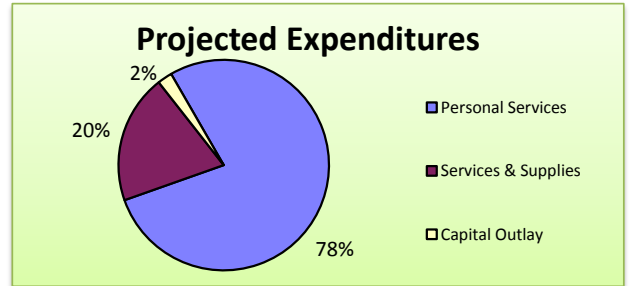
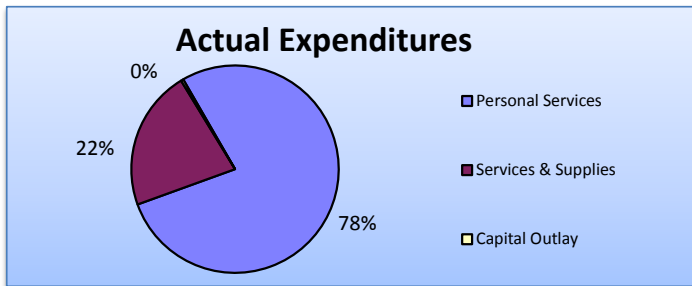
- Expenditures to date are \$932,872 or 45.93% of the cumulative SB 822 and SB 861 legislatively approved budget of \$2,031,096.
- The current projected variance is \$435,748 or 21.45% of the SB 822 and SB 861 budgets of \$2,031,096.

**2013-15 Agency-wide Budget Execution
Summary Budget Analysis
Preliminary For the Month of: October 2014**

Limited - Operating Budget

2013-15 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2013-15 LAB	Variance
Personal Services	39,266,415	21,921,712	61,188,127	63,535,242	2,347,115
Services & Supplies	10,436,936	9,720,783	20,157,719	19,638,697	(519,022)
Capital Outlay	764,692	602,822	1,367,514	1,253,453	(114,061)
Total	50,468,043	32,245,317	82,713,360	84,427,392	1,714,032



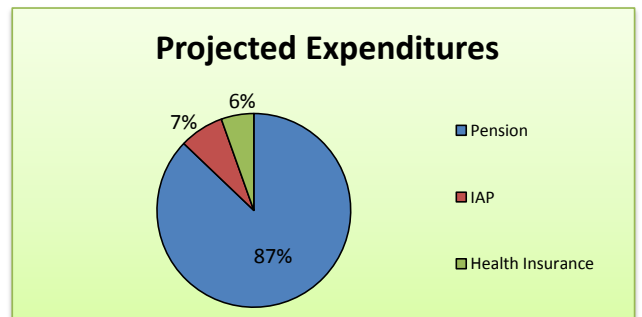
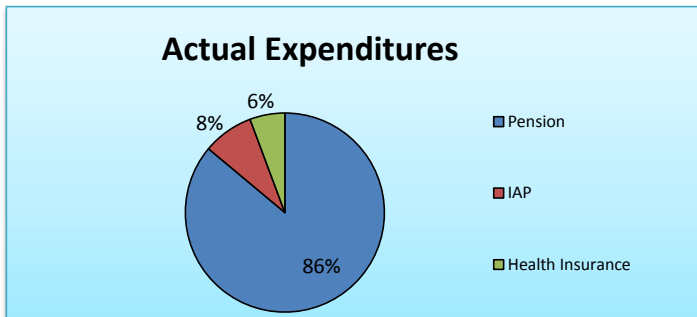
Monthly Summary

Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	2,517,527	2,730,086	212,559	2,454,151	2,740,214
Services & Supplies	624,933	842,157	217,224	652,309	1,137,199
Capital Outlay	0	0	0	47,793	75,353
Total	3,142,460	3,572,243	429,783	3,154,253	3,952,766

Non-Limited Budget

2013-15 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	4,890,612,481	3,012,343,230	7,902,955,711	8,148,014,000	245,058,289
IAP	467,992,801	256,564,615	724,557,416	721,200,000	(3,357,416)
Health Insurance	323,220,589	188,341,602	511,562,191	408,661,000	(102,901,191)
Total	5,681,825,871	3,457,249,447	9,139,075,318	9,277,875,000	138,799,682



2013-15 SB822 & SB861 Projects - Budget Execution

Summary Budget Analysis

Preliminary For the Month of: October 2014

Biennial Summary - SB822 & SB861					
Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2013-15 LAB	Variance
Personal Services	234,454	299,977	534,432	827,446	293,014
Services & Supplies	698,418	362,499	1,060,916	1,203,650	142,734
Capital Outlay					
Total	932,872	662,476	1,595,348	2,031,096	435,748

Actual Expenditures

Category	Percentage
Personal Services	25%
Services & Supplies	75%
Capital Outlay	0%

Projected Expenditures

Category	Percentage
Personal Services	45%
Services & Supplies	55%
Capital Outlay	0%

SB822 Project					
Biennial Summary					
Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2013-15 LAB	Variance
Personal Services	99,933	148,856	248,789	435,018	186,229
Services & Supplies	425,487	3,231	428,718	573,133	144,415
Capital Outlay					
Total	525,420	152,087	677,507	1,008,151	330,644

Monthly Summary					
Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	6,480	18,180	11,700	6,246	16,540
Services & Supplies				26,593	359
Capital Outlay					
Total	6,480	18,180	11,700	32,839	16,899

SB861 Project					
Biennial Summary					
Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2013-15 LAB	Variance
Personal Services	134,521	151,121	285,642	392,428	106,786
Services & Supplies	272,931	359,268	632,199	630,517	(1,682)
Capital Outlay					
Total	407,452	510,389	917,841	1,022,945	105,104

Monthly Summary					
Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	17,836	18,330	494	8,408	16,791
Services & Supplies	79,049	79,049		17,058	39,919
Capital Outlay					
Total	96,885	97,379	494	25,466	56,710



Oregon

John A. Kitzhaber, MD, Governor

November 21, 2014

TO: Members of the PERS Board
 FROM: Rick Howitt, Financial Reporting Manager
 SUBJECT: PERS Data for New GASB Reporting Requirements by Employers

The Governmental Accounting Standards Board (GASB) is requiring individual public employers to provide greater detail regarding their pension-related obligations on financial statements (GASB Statement 68) beginning with fiscal year 2015 reporting.

GASB 68 changes how employers measure pension expense and report pension liabilities on financial reports. Currently, financial statements only include as pension expense the contributions that the employer paid to PERS; the long-term pension liability is only disclosed in the financial statements' footnotes. Under GASB 68, however, a new calculation of long-term liability, Net Pension Liability (NPL), is required to be on the balance sheet and the footnotes will be more detailed. Employers' financial statements will need to show their pension expense as a change in their NPL.

At present, most PERS employers have a NPL because they have an unfunded actuarial liability (UAL). A UAL exists when the present value of accrued benefits exceeds the employer's assets with the pension system as of a certain date. The new GASB 68 reporting does not impact the amount of the UAL, nor does it define how the UAL must be paid; only how the UAL is disclosed on the employer's balance sheet.

Because NPL is becoming a balance sheet item, PERS employers will need comprehensive, audited, and individualized data for their financial reports. In September 2014, PERS sent a letter to employers discussing the GASB changes and what data PERS will provide. The schedule to provide employer-specific information is:

- December 2014: Employers will receive *unaudited*, sample data and supporting disclosure material. A generic template for the "Schedule of Pension Amounts under GASB 68" is attached to this memo, as is a sample of the disclosure material we will be providing.
- March 2015: PERS will publish a "talking points" document for employers regarding the GASB changes and the background to explain the changes to the financial statements.
- June 2015: *Audited* actuarial data as required by GASB 68 for each employer will be posted on the PERS website. Individual employer schedules will also be distributed simultaneously.

As a reminder, the costs for providing employers with the GASB 68 information they need is being tracked and will be charged to employer earnings for 2014, and for subsequent years as well. No member contributions, or earnings on those contributions, will be used to pay for these costs.

A.1.d. Attachment 1 – Schedule of Pension Amounts under GASB 68
 A.1.d. Attachment 2 – GASB 68 Disclosure Information

Oregon Public Employees Retirement System
Schedule of Pension Amounts under GASB 68
Employer #1234: City of Example

Measurement Date (MD) of the Net Pension Liability (NPL)	June 30, 2014	
Actuarial Valuation Date (liability rolled forward to Measurement Date)	December 31, 2012	
Discount rate	7.75%	
Employer's proportionate share at Measurement Date	10.00%	
Employer's proportionate share at prior Measurement Date	9.00%	
Employer's Proportionate Share of system NPL at Measurement Date	\$ 45,224,620	
▪ Sensitivity: NPL using discount rate 1.00% lower	\$ 40,000,000	
▪ Sensitivity: NPL using discount rate 1.00% higher	\$ 50,000,000	
Employer Pension Expense for Measurement Period		
▪ Employer's proportionate share of system Pension Expense	\$ 1,907,283	
▪ Net amortization of deferred amounts from:	\$ 12,376	
○ Changes in proportionate share		
○ Differences between employer contributions and employer's proportionate share of system contributions		
Employer's Total Pension Expense	\$ 1,919,658	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 438,859	\$ 355,917
Changes of assumptions	\$ 1,404,206	\$ 0
Net difference between projected and actual earnings on investments	\$ 1,569,847	\$ 0
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 695,426	\$ 726,425
Total (prior to post-measurement date contributions)	\$ 4,108,338	\$ 1,082,342
Contributions subsequent to the measurement date	TBD	N/A
Net Deferred Outflow/(Inflow) of Resources		\$3,025,996

Amounts reported as deferred outflows or inflow of resources related to pension will be recognized in pension expense as follows:

Employer subsequent fiscal years	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
1 st Fiscal Year	\$ (2,000,000)
2 nd Fiscal Year	1,000,000
3 rd Fiscal Year	1,200,000
4 th Fiscal Year	1,800,000
5 th Fiscal Year	(500,000)
Thereafter	1,525,996
Total	\$ 3,025,996

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated 05/11/2015.

GASB 68 Disclosure Information

Name of pension plan:

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan.

Description of benefit terms:

Plan Benefits

All benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A.

a. PERS Pension (Chapter 238). The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

1. Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

2. Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- member was employed by a PERS employer at the time of death,
- member died within 120 days after termination of PERS-covered employment,
- member died as a result of injury sustained while employed in a PERS-covered job, or
- member was on an official leave of absence from a PERS-covered job at the time of death.

3. Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

4. Benefit Changes After Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

b. OPSRP Pension Program (OPSRP DB)

1. Pension Benefits. The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary.

Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

2. Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

3. Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

4. Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

Contributions:

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation, which became effective July 1, 2013. The state of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Employer contributions for the year ended June 30, 2015 were \$-----, excluding amounts to fund employer specific liabilities.

Pension Plan Comprehensive Annual Financial Report (CAFR):

Oregon PERS produces an independently audited CAFR which can be found at:
http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

Actuarial Valuations:

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll; Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year) amortization periods are closed.
Equivalent single amortization period	20 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increases	3.75 percent

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years.

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.



Oregon

John A. Kitzhaber, M.D., Governor

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November 21, 2014

TO: Members of the PERS Board
FROM: Steven Patrick Rodeman, Deputy Director
SUBJECT: Board Scorecard Report on Agency Performance Measures

A key part of PERS' Outcome-Based Management System is a Quarterly Target Review of scorecards that evaluate our effectiveness in a number of Outcome and Process Measures. These measures foster accountability and transparency in key operating areas. The scorecard results help direct strategic planning, resource allocation, and risk assessment.

The attached Board Scorecard Report for third quarter 2014 focuses on several measures we currently track based on essential business operations. A targeted performance range is created for each measure:

- “Green” – performance is at or above acceptable levels.
- “Yellow” – performance is marginally below acceptable levels.
- “Red” – performance is significantly below; corrective action such as assigning a problem solving team should be directed.

We are pleased to report that the number of process measures in the “Green” has grown to 60% for third quarter 2014 from 39% in fourth quarter 2013. This is mainly due to transaction volumes returning to normal levels after the higher number of retirements through 2013.

Highlights include:

- A reduction in call waiting time from 7 minutes in fourth quarter of 2013 to less than 0.5 minute. This measure reflects the addition of four limited duration call center agents that started handling calls in the first quarter of this year. These positive results underscore the need to maintain these positions permanently, as requested in our 2015-17 budget.
- 90% of written benefit estimates completed with 30 days of receipt; up from 44% in fourth quarter 2013. Special efforts were directed to digging out from this backlog as estimates are a key planning tool for members contemplating retirement.

The next report will be presented at the May 2015 meeting showing the scorecard results for the first quarter of that year. If you would like to have us report on any different measures, please let me know.

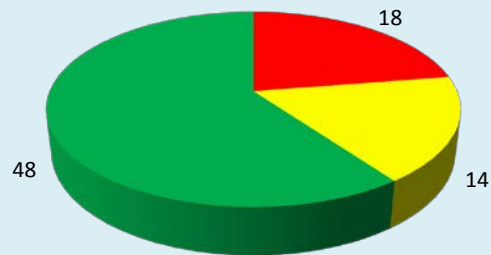
A.1.e. Attachment 1 – Board Scorecard Report for Third Quarter 2014

PUBLIC EMPLOYEES RETIREMENT SYSTEM

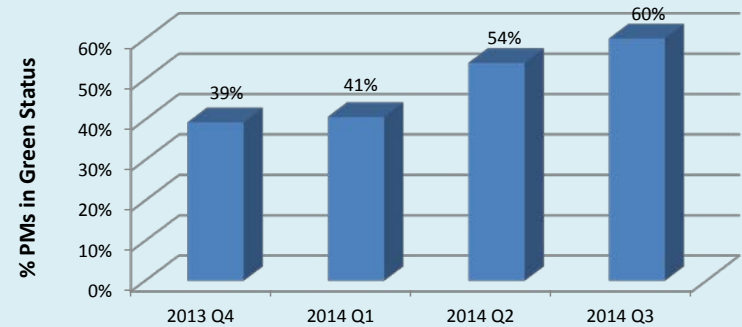
Outcome-Based Performance Review

PERS Board Scorecard Report - QTR: 2014 Q3 - Quarter ended September 30, 2014

Outcome & Process Measure Performance



Quarterly Green Performance



Operating Processes - Highlighted Measures

	Measure Name	Measure Calculation	RANGE			Target	Desired Perform Trend	Data Collection Frequency	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Trend	Corrective Action & Comments
			Red	Yellow	Green									
OP3c	Estimate KPM	% of estimate requests completed within 30 days of receipt	<75%	75-85	>85%	95%	↑	Quarterly	44.0%	58.0%	80.0%	90.0%	+	
OP4a	Eligibility review completed	% of applications completed by the eligibility team within 30 days of the effective retirement	<50%	50-70	>70%	80%	↑	Monthly	64.0%	70.0%	84.0%	71.0%	-	
OP5b	Accuracy of calculations	% of sample calculations that are accurate within plus or minus \$5	<95%	95-99	>99%	100%	↑	Monthly	99.6%	96.8%	100.0%	97.8%	-	2 in July and 1 in Sept: all accounts have been corrected, training was given and members have been notified.
OP5c	Timely benefit calculation	% of calculations completed within 15 calendar days from completed application date	<95%	95-99	>99%	100%	↑	Monthly	97.3%	89.6%	97.6%	93.6%	-	Unable to calc any OPSRP retirements for 6 weeks pending CR to fix COLA.

PUBLIC EMPLOYEES RETIREMENT SYSTEM Outcome-Based Performance Review

Supporting Processes - Highlighted Measures

	Measure Name	Measure Calculation	RANGE			Target	Desired Perform Trend	Data Collection Frequency	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Trend	Corrective Action & Comments
			Red	Yellow	Green									
OP1f	Call Wait Time	Average length of wait before caller reaches live person	>6 minutes	6-4 minutes	<4 minutes	2 minutes	↓	Monthly	7.0	20.5	0.9	0.4	+	Formerly SP1e. Has moved under OP1.
SP2c	Appeal reversal rate	% of staff determinations that are reversed on appeal	>15%	15-10	<10%	5%	↓	Quarterly	13%	19%	4%	9.7%	-	
SP3h	System uptime	% of time systems are available during the service window	<97%	97-98	>98%	100%	↑	Monthly	99.70%	99.08%	99.01%	99.39%	+	
SP5c	Recruiting / Onboarding	% of employees completing trial service	<85%	85-94	>94%	100%	↑	Quarterly	100%	100%	100%	99%	-	One trial service removal.



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November 21, 2014

TO: Members of the PERS Board
FROM: Karen Terry, Strategic Planning and Organizational Development Consultant
SUBJECT: Strategic Planning Update

This memo provides an update on PERS' recent strategic planning efforts including information about the process employed and milestones achieved to date. PERS has established the Draft Strategic Plan Goals and Objectives (Attachment 1) and this memo provides relevant context for the Board to consider these goals and objectives. Next steps in PERS' strategic planning process, including stakeholder engagement and strategy development, are also outlined.

BACKGROUND

In 2012, PERS launched an initiative to align core business processes with desired organizational outcomes. PERS staff formed cross-division teams to develop breakthroughs in several areas related to implementing this vision. Five business strategies to drive PERS' vision of an Aligned Outcome-Driven Agency (AODA) were identified by the AODA Breakthrough; chief among them was PERS strategy to develop and implement an agency-wide strategic plan which would establish PERS' enterprise-level strategy, guide executive decision making, and focus organizational resources towards achieving strategic priorities.

I was hired as a Strategic Planning and Organizational Development Consultant to lead the agency's strategic planning effort. PERS' Executive Leadership Team (Executive Team) defined a five-year planning horizon and confirmed that PERS' Mission remains relevant, serving as the foundation for the Strategic Plan.

In addition to the Strategic Plan purposes outlined above, the Plan also serves as a communication tool by articulating the agency's strategic priorities, desired outcomes, and strategy for delivering on the agency's Mission. The 2015-17 Agency Request Budget's Policy Option Packages (POPs) also flow from the Plan's development, providing the foundation for upcoming legislative funding decisions.

STRATEGIC PLANNING PROCESS TO DATE

Beginning in July 2015, the PERS Executive Team engaged in a series of strategic planning discussions and tasks. PERS staff designed an issue-driven strategic planning process, founded in vetting organizational data and shared knowledge about core business challenges and organizational needs.

Executive planning discussions occurred through Executive Team meetings, including two off-site meetings. The off-site meetings served the dual purpose of strategic planning and team development, providing tools and training to enhance the team's capacity to engage in strategic discussions, to better understand team leadership and communication styles, and to collaborate more effectively in discerning and resolving the conflicts inherent in shifting from a Division-centered perspective to an Enterprise-level vision. A third Executive off-site meeting, scheduled

in December, will focus on team decision-making, meeting agreements, and updating the Executive Team Charter.

Executive planning discussions were supported by the Strategic Planning Core Team (Core Team); a seven-member team including staff and management and a cross-section of organizational functions. The Core Team examined recent data from sources listed in Table 1 to provide the Executive Team with a summary of organizational strengths and challenges, organized into planning themes.

Data Sources for Initial Strength, Weakness, Opportunity, and Threat (SWOT) Analysis
<ul style="list-style-type: none"> ➤ Employee engagement surveys ➤ Risk Assessments and Audit Reports ➤ AODA and other breakthrough findings ➤ Issues related to PERS reorganization ➤ Member surveys ➤ Employer surveys

PERS used organizational data, as well as the experience of executives and staff, to develop a SWOT Analysis. The SWOT Analysis documented the organization’s assessment of core strengths and weaknesses, as well as external opportunities and threats posed by technological, economic, political, and legislative trends and influences. PERS also considered expectations and perspectives of PERS members and other key stakeholders, including Employers, the PERS Board, the Governor’s Office, the Department of Administrative Services (DAS), the Oregon Legislature, and the public.

PLANNING THEMES

Based on this analysis and discussion, the Executive Team refined the list of issues and concerns into four planning themes, with each having several focus areas where initiatives can be developed over the planning period.

Strategic Planning Themes and Focus Areas				
Planning Theme:	Organizational Management & Development	Member Services & Communication	Data Reliability	Information Technology (IT)
Focus Areas:	<ul style="list-style-type: none"> ➤ Workforce Development ➤ Organizational Communication ➤ PERS Outcome-Based Management System (POBMS) 	<ul style="list-style-type: none"> ➤ Quality Delivery Methods ➤ Member Relations 	<ul style="list-style-type: none"> ➤ Member Accountability ➤ Data Constancy ➤ Agency Data Warehouse 	<ul style="list-style-type: none"> ➤ IT Governance & Management Model ➤ Agile Technology System ➤ Disaster Recovery

STRATEGIC GOALS AND OBJECTIVES

The Executive Team developed draft Strategic Plan Goals and Objectives (Attachment 1) for each planning theme and focus area. Staff and managers with subject matter expertise helped identify organizational objectives to support key goals under each of the themes. The final set of goals and objectives, and the strategies to achieve them, will be the foundation of the PERS 2015-2020 Strategic Plan. The goals and objectives will influence organizational strategies and operational plans. Agency progress in achieving these objectives will be supported by tracking the performance metrics tailored to these outcomes and operational strategies. The strategic priorities and related performance data will guide critical business decisions over the next three to five years.

BRIEF OVERVIEW OF THE DRAFT GOALS AND OBJECTIVES

These Goals and Objectives for the 2015-2020 Strategic Plan acknowledge that paying timely and accurate benefits to our members embraces a broader role as a resource for retirement education and planning. Paying the right person the right benefit at the right time must recognize the need to support members in making informed retirement decisions throughout their careers and life changes. Member Services and Communications goals include: development of online tools; informed access to members' own retirement data and status; and communication platforms that integrate with social media.

Data Reliability has been a consistent and well-documented concern for PERS because we rely on data provided by a diverse group of employers over a period that usually stretches across decades to administer one of the most complex retirement systems in the country. PERS envisions supporting our members in taking a more proactive role to ensure their employment data is accurate. To support data constancy, PERS' goal is to lock data used in benefit payment calculations and to institute a central agency data warehouse.

PERS' IT goals and objectives were influenced by the IT Change Management Audit and HP Summit held last summer. The goals and objectives focus on critical improvements to IT infrastructure and PERS' system of IT governance and management. Investment in fundamental infrastructure and improved governance is critical to an agile technology system that can provide more efficient, responsive support for the business. PERS also plans to invest in upgrades to the disaster recovery infrastructure, so that critical business services may be restored in the event of a localized disaster or security breach.

A well-functioning organization depends on its people, and the draft Goals and Objectives recognize the need to invest in workforce development and training; institute clear and consistent leadership practices; and develop a system of performance management which promotes skills and practices needed to achieve strategic priorities. Improving organizational communication supports agency transparency and accountability, and was identified as a strong concern in the employee engagement survey. As a part of the Outcome-Based Management System, cascading measures that link performance outcomes at the division and team level with the Strategic Plan will provide a performance monitoring system and the data needed to make informed decisions regarding adjustments to the agency's strategy over the 2015-2020 plan period.

LINK TO PERS 2015-17 AGENCY REQUEST BUDGET POPS

The five POPS submitted with the 2015-17 Agency Request Budget provide critical support for many of the strategic imperatives identified in PERS' Draft Goals and Objectives.

Two POPS support Member Services and Communications: POP 101, which requests additional staffing for the call center and benefit payments units, and POP 103, which would provide staff to support timely data verifications. These POPS support the strategic priority to deliver excellent member service that is timely and responsive in providing information that is accurate, consistent, and helpful.

POP 104 supports the PERS IT goal to improve IT efficiency and responsiveness to business operational changes, through an agile technology system and infrastructure; POP 104 provides resources for architectural updates to jClarety, to maintain system functionality and usefulness.

POP 102 is Phase Three of a project that will integrate the IAP into the agency benefit payment system (ORION) and enable PERS to take over administration of the program. In addition to avoiding contracting expenses, PERS will be better able to modify the program as required by any future plan changes, with greater efficiency and responsiveness than provided by an external contractor. This is just one effort aimed at having an agile technology system. POP 102 also supports PERS' priority of providing excellent service to members.

POP 105 provides the funding to upgrade the agency disaster recovery technology infrastructure to ensure restoration of critical systems in the event of a localized disaster; another Information Technology strategic priority.

NEXT STEPS

PERS is entering the next phase of strategic planning. We will engage key stakeholders to provide input on the draft goals and objectives. We will start with agency-wide employee engagement and invite employee input on the draft strategic priorities and suggestions for alternative organizational strategies to achieve our objectives. We expect to complete initial discussions with PERS staff in January 2015. Development and refinement of PERS' strategies will continue with focus groups of staff that will be responsible for implementing the plan.

We are also planning to check in with the Board at the January 30, 2015 meeting to assure that the draft goals and objectives meet your expectations for agency performance. Please let us know of any questions or feedback you have, including whether you would like a focused presentation at that meeting.

We expect to initiate outreach to members, employers, and other key stakeholders in February and March 2015. Their input is critical as our key mission is to serve members or partner with employers to serve members.

The Strategic Plan, which will include PERS strategic priorities (goals and objectives) as well as specific strategies and performance measures, will be ready to implement July 1, 2015 for the 2015-17 biennium.

A.1.f. Attachment 1 – Strategic Plan Goals and Objectives (Draft)

PERS Strategic Plan Goals and Objectives

THEME 1: ORGANIZATIONAL MANAGEMENT AND DEVELOPMENT		
FOCUS AREA	GOAL	OBJECTIVES
Workforce Development	Develop and support a culture of workforce excellence and effective leadership practices.	<p>1: Define and communicate PERS’ measures of workforce excellence and desired leadership practices, consistent with organizational needs and strategic priorities.</p> <p>2: Develop and implement hiring practices, training, and performance management to support a culture of workforce excellence with consistent application of PERS’ core leadership practices.</p>
Organizational Communication	Foster and enhance transparency, relevancy, and employee satisfaction with intra-agency communications.	<p>1: Survey and analyze internal communication deficits from the employees’ perspective.</p> <p>2: Develop and implement an internal communication strategy to improve employee satisfaction.</p>
PERS Outcome-Based Management System (POBMS)	Complete the integration of POBMS throughout the agency.	<p>1: Fully develop team scorecards to measure performance and drive resource allocation decisions.</p> <p>2: Normalize POBMS-related methods (e.g., problem solving, breakthrough planning) throughout the agency.</p>
THEME 2: MEMBER SERVICES AND COMMUNICATION		
FOCUS AREA	GOAL	OBJECTIVES
Quality Delivery Methods	Improve members’ on-line access to secure content and process status.	<p>1: Enhance Online Member Services with E-Forms for all member transactions and views into workflow progress.</p> <p>2: Modernize PERS’ web site to be compatible with mobile devices and integrate with social media.</p>
Member Relations	Engage members throughout their careers so they are better prepared for retirement.	<p>1: Develop tools and profiles relevant to members at different life and career stages.</p> <p>2: Brand PERS as a retirement education and planning resource.</p>

PERS Strategic Plan Goals and Objectives

THEME 3: DATA RELIABILITY		
FOCUS AREA	GOAL	OBJECTIVES
Member Accountability	Establish members as the primary quality check point on their data of record.	<p>1: Educate members on the use and limitations of OMS legacy data.</p> <p>2: Target specific data for remediation to allow members to more meaningfully review the content.</p>
Data Constancy	Ensure data remains static after it is used in a transaction or payment.	<p>1: Lock legacy data after allowing employers to review and correct prior records.</p> <p>2: Lock submitted data for each calendar year.</p>
Agency Data Warehouse	Provide staff access to consistent, prompt, and reliable data reports.	<p>1: Define all data terms and map data as it relates to technical and business needs and usage.</p> <p>2: Provide staff a data reporting structure that allows the user to derive and customize data reports.</p>
THEME 4: INFORMATION TECHNOLOGY (IT)		
FOCUS AREA	GOAL	OBJECTIVES
IT Governance and Management Model	Implement improved IT governance and management to clarify accountability and authority.	<p>1: Revise the current IT Governance and Management framework to better align with industry standards.</p> <p>2: Better define and document the inter-relationships among business operations, application development, system hardware, and other domains.</p>
Agile Technology System	Improve IT's efficiency and responsiveness to business operational changes.	<p>1: Adopt a scalable system development life cycle methodologies that align with the risk and complexity of the operational requirements.</p> <p>2: Resolve the technical debt in ORION and extend the architecture to support modern application development needs.</p>
Disaster Recovery	Provide operational infrastructure that restores critical business services in the event of a localized disaster.	<p>1: Define the technology infrastructure that is at risk in the event of a localized disaster and execute a strategy to restore that infrastructure.</p> <p>2: Update the agency's Business Continuity Plan to align with the available technology infrastructure.</p>



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November 21, 2014

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Notice of Definition of Service Rule:
OAR 459-070-0001, *Definitions*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Clarify language regarding workers' compensation payments under OPSRP.
- Policy Issue: No policy issues have been identified at this time.

BACKGROUND

Generally, OPSRP membership and benefits are based on an employee providing an "hour of service" to a participating PERS employer. ORS 238A.005(7)(b) defines "hour of service" as excluding any hour for which payment is made under workers' compensation or unemployment compensation laws. However, OAR 459-070-0001(19)(b) provides that "service" means a period in which an employee receives a payment of "salary," as defined in ORS 238.005 or similar payment from workers' compensation or disability. The rule language is inconsistent with statute because, when this OPSRP rule was drafted, the language was borrowed inappropriately from the Tier One/Two rules. The proposed rule modification removes the inconsistent language of 459-070-0001(19)(b) to align the rule with the statute.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held November 25, 2014, at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends December 31, 2014, at 5:00 p.m.

LEGAL REVIEW

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

IMPACT

Mandatory: Yes, to align the administrative rule with statute.

Impact: Clarify OPSRP definition of service.

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

RULEMAKING TIMELINE

October 15, 2014	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
November 1, 2014	<i>Oregon Bulletin</i> published the Notice. Notice was sent to employers, legislators, and interested parties. Public comment period began.
November 21, 2014	PERS Board notified that staff began the rulemaking process.
November 25, 2014	Rulemaking hearing to be held at 2:00 p.m. at PERS in Tigard.
December 31, 2014	Public comment period ends at 5:00 p.m.
January 30, 2015	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

A rulemaking hearing will be held November 25, 2014 at 2:00 p.m. at PERS headquarters in Tigard. The rule is scheduled to be brought before the PERS Board for adoption at the January 30, 2015 Board meeting.

B.1. Attachment 1 - OAR 459-070-0001, *Definitions*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459**

DIVISION 070 – OREGON PUBLIC SERVICE RETIREMENT PLAN, GENERALLY

1 **459-070-0001**

2 **Definitions**

3 The words and phrases used in divisions 070, 075, 076, and 080 of OAR Chapter
4 459 have the same meaning given them in ORS 238A.005 to 238A.475, unless otherwise
5 indicated. Specific and additional terms for purposes of divisions 070, 075, 076 and 080
6 are defined as follows unless context requires otherwise:

7 (1) “Academic employee of a community college” means an instructor who teaches
8 classes offered for college-approved credit or on a non-credit basis.

9 (a) Librarians, counselors, and aides in non-teaching positions, tutors, or other non-
10 teaching faculty, and classified, professional or nonprofessional support staff are not
11 academic employees for the purposes of ORS 238A.142, but are subject to the
12 membership requirements under ORS 238A.100 and OAR 459-075-0010.

13 (b) The governing body of a community college must determine who is an academic
14 employee in its employ under this rule. In making that determination, a community
15 college must consider all disciplines (academic activity) collectively when an employee’s
16 assignment includes multiple disciplines.

17 (2) “Business day” means a day Monday through Friday when PERS is open for
18 business.

19 (3) “Calendar month” means a full month beginning on the first calendar day of a
20 month and ending on the last calendar day of the same month.

21 (4) “Calendar year” means 12 consecutive calendar months beginning on January 1
22 and ending on December 31.

1 (5) “Employee” has the same meaning as “eligible employee” in ORS 238A.005 and
2 shall be determined in accordance with OAR 459-010-0030.

3 (a) For the purposes of ORS 238A.005 to 238A.475, the term “employee” includes
4 public officers whether elected or appointed for a fixed term.

5 (b) The term “employee” does not include:

6 (A) An individual who performs services for a public employer as a contractor in an
7 independently established business or as an employee of that contractor in accordance
8 with OAR 459-010-0032; or

9 (B) An individual providing volunteer service to a public employer without
10 compensation for hours of service as a volunteer.

11 (6) “Employee class” means a group of similarly situated employees whose positions
12 have been designated by their employer in a policy or collective bargaining agreement as
13 having common characteristics.

14 (7) “Employee contributions” means contributions made to the individual account
15 program by an eligible employee under ORS 238A.330, or on behalf of the employee
16 under ORS 238A.335.

17 (8) “Final Average Salary” (FAS) has the same meaning given the term in:

18 (a) ORS 238A.130(1) for OPSRP Pension Program members who are not employed
19 by a local government as defined in ORS 174.116; or

20 (b) ORS 238A.130(3) for OPSRP Pension Program members who are employed by a
21 local government as defined in ORS 174.116.

22 (9) “Member” has the same meaning given the term in ORS 238A.005.

23 (10) “Member account” means the account of a member of the individual account
24 program.

1 (11) “Member of PERS” has the same meaning as “member” in ORS 238.005, but
2 does not include retired members.

3 (12) “OPSRP” means the Oregon Public Service Retirement Plan.

4 (13) “Overtime” means the salary or hours, as applicable, that an employer has
5 designated as overtime.

6 (14) “Partial year of hire” means a period in the calendar year the employee begins
7 employment after the first working day of the year, and continues employment through
8 December 31.

9 (15) “Partial year of separation” means a period in the calendar year the employee
10 separates from employment that begins on January 1 of the year, and ends before the last
11 working day of the year.

12 (16) “Qualifying position” has the same meaning as provided in ORS 238A.005 and
13 means a position designated by the employer as qualifying, including a position in a
14 partial year of hire, partial year of separation, or short segment, except:

15 (a) A position or concurrent positions in which an employee performs at least 600
16 hours of service in a calendar year is qualifying regardless of employer designation.

17 (b) A position in a partial year of separation is qualifying regardless of employer
18 designation if the position is continued from an immediately preceding calendar year in
19 which the employee performed at least 600 hours of service in the position or concurrent
20 positions.

21 (c) A position with one employer in which the employee is employed for the entire
22 calendar year and fails perform at least 600 hours of service in that position or concurrent
23 positions in the calendar year is non-qualifying regardless of employer designation.

1 (17) “Salary” has the same meaning given the term in ORS 238A.005 and includes a
2 differential wage payment, as defined in OAR 459-005-0001.

3 (18) “School employee” has the meaning given the term in ORS 238A.140(7).

4 (19) “Service” means a period in which an employee:

5 (a) Is in an employer/employee relationship, as determined in accordance with OAR
6 459-010-0030; and

7 (b) Receives a payment of “salary,” as defined in ORS 238A.005 [*or similar*
8 *payment from workers’ compensation or disability*].

9 (20) “Short segment” means a period in the calendar year during which the
10 employee is hired after the first working day of the year, and separated from employment
11 before the last working day of the same calendar year.

12 (21) “Volunteer” means an individual who performs a service for a public employer,
13 and who receives no compensation for the service performed. The term “volunteer” does
14 not include an individual whose compensation received from the same public employer
15 for similar service within the same calendar year exceeds the reasonable market value for
16 such service.

17 (22) “Working day” means a day that the employer is open for business. Unless the
18 employer communicates this information to PERS, PERS will presume an employer’s
19 “working day” is the same as a “business day,” as defined in section (2) of this rule.

20 Stat. Auth.: ORS 238A.450

21 Stats. Implemented: ORS Chapter 238A



Oregon

John A. Kitzhaber, M.D., Governor

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November 21, 2014

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Temporary Adoption and Notice of Rulemaking for GAAP Cost Allocation Rule:
OAR 459-007-0009, *Allocating Costs of Compliance with Generally Accepted Accounting Principles*

OVERVIEW

- Action: Adopt temporary modifications to the GAAP Cost Allocation rule, OAR 459-007-0009.
- Reason for Temporary Rule: Remove rule language that could be inconsistent with House Bill 4155 (2014) regarding recovery of administrative expenses. The rule must be in effect before the end of this calendar year for earnings crediting purposes.
- Policy Issues: No policy issues have been identified.

BACKGROUND

OAR 459-007-0009 was adopted by the PERS Board on July 25, 2014, as authorized by House Bill 4155 (2014) (now codified at ORS 238.610). The rule establishes procedures for recovering the additional actuarial and auditing costs associated with providing employers information necessary to comply with the new GASB 68 requirements.

The last sentence of OAR 459-007-0009(2) needs to be clarified. As previously adopted, the rule states: "In any year in which earnings on those accounts are not sufficient to recover those costs, employer contribution accounts will be reduced by the amount of those costs." Although ORS 238.610(1)(a) allows for administrative expenses to be deducted from employer accounts, (1)(b) specifically says that administrative costs may be recovered "only from interest earned on employer contributions..." The statute does not specifically allow employer accounts to be reduced. Rather, in practice, there are always earnings throughout the year even though there may be a net loss for a particular year. These GASB 68 costs will be deducted from these employer earnings prior to netting all earnings and losses for the calendar year.

JUSTIFICATION FOR TEMPORARY RULEMAKING

HB 4155 was effective upon passage, April 1, 2014. PERS is currently incurring costs associated with providing the necessary information to employers. Adopting the temporary rule is necessary for PERS to comply with the statutory provisions in a timely manner and recover those costs from 2014 earnings. Failure to adopt the temporary rule will suspend the agency's ability to properly implement the new law until the permanent rulemaking is completed, which would stretch beyond the calendar year.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held November 25, 2014 at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends December 31, 2014 at 5:00 p.m.

LEGAL REVIEW

The attached rule has been reviewed by the Department of Justice and by the Office of the Legislative Counsel; therefore, no further legal review is required.

EFFECTIVE DATE

These rule modifications will become effective upon filing. The maximum period they can remain in effect is 180 days, so staff has initiated permanent rulemaking to replace this temporary rule.

IMPACT

Mandatory: Yes, to comply with ORS 238.610(1)(b).

Impact: The OAR implements the requirements of HB 4155 to establish procedures for recovering administrative costs from participating public employers for providing to those employers information or services needed for GAAP reporting compliance.

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

RULEMAKING TIMELINE

October 15, 2014	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
November 1, 2014	<i>Oregon Bulletin</i> published the Notice. Notice was sent to employers, legislators, and interested parties. Public comment period began.
November 21, 2014	PERS Board notified that staff began the permanent rulemaking process. Board may adopt the temporary rule.
November 25, 2014	Rulemaking hearing to be held at 2:00 p.m. at PERS in Tigard.
December 31, 2014	Public comment period ends at 5:00 p.m.
January 30, 2015	Staff will propose adopting the permanent rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

BOARD OPTIONS

The Board may:

1. Pass a motion to “adopt temporary modifications to the GAAP Cost Allocation Rule, as presented.”
2. Direct staff to make other changes to the rule or explore other options.

STAFF RECOMMENDATION

Staff recommends the Board choose Option #1.

- Reason: Remove the rule language that conflicts with House Bill 4155 (2014) regarding recovery of administrative expenses.

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

B.2. Attachment 1 - 459-007-0009, *Allocating Costs of Compliance with Generally Accepted Accounting Principles*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 007 – EARNINGS AND INTEREST DISTRIBUTION**

1 **459-007-0009**

2 **Allocating Costs of Compliance with Generally Accepted Accounting Principles**

3 (1) Pursuant to ORS 238.610(1)(b), PERS will provide employers with audited
4 financial data each year to comply with generally accepted accounting principles as
5 established by the Government Accounting and Standards Board (GASB) standards.

6 (2) Prior to earnings crediting each year, PERS shall compile the actuarial, auditing,
7 and internal staff costs of providing the audited financial data it will provide to
8 employers. Earnings on employer contribution accounts shall be reduced by the amount
9 of those costs. *[In any year in which earnings on those accounts are not sufficient to*
10 *recover those costs, employer contribution accounts will be reduced by the amount of*
11 *those costs.]*

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

13 Stats. Implemented: ORS 238.610(1)(b)



Oregon

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November 21, 2014

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Adoption of Oregon Savings Growth Plan (OSGP) Rules:
OAR 459-050-0076, *In-Plan Roth Conversion*
OAR 459-050-0120, *Self-Directed Brokerage Option*

OVERVIEW

- Action: Adopt modifications to the OSGP rules.
- Reason: Update the rules to reflect changes to federal law and proposed improvements in the program.
- Policy Issue: No policy issues were identified.

SUMMARY OF RULE PROVISIONS

OAR 459-050-0076, *In-Plan Roth Conversion*, allows plan participants to convert their pre-tax dollars in OSGP to after-tax and move their money to the Roth 457 account. Initially, the Internal Revenue Code only allowed this option after plan participants had a severance from employment. However, with the passage of the American Taxpayer Relief Act of 2012, plan participants are now eligible to convert any pre-tax money in their OSGP account to the Roth 457 account while still employed.

Paragraph (1)(a)(A) of the rule has been modified and paragraph (B) has been deleted because plan participants no longer need a severance of employment to be eligible for an In-Plan Roth Conversion. Paragraph (1)(a)(E) has been deleted because the IRS has not provided guidance that non-spouse beneficiaries are eligible for In-Plan Roth Conversion.

Finally, subsection (3)(a) has been modified because only plan participants who are making a Roth conversion after a severance from employment are required to receive a written explanation on the rollover eligibility of their Roth conversion amount.

OAR 459-050-0120, *Self-Directed Brokerage Option*, was adopted in 2011 to implement the new option added to the OSGP. Previously, the Oregon State Treasury required that participants have at least \$20,000 in their OSGP account before they could participate in the Self-Directed Brokerage Option. Treasury has now agreed to lower the restriction to a \$10,000 account balance. This change was approved by the Oregon Investment Council (OIC) at its July 30, 2014 meeting. Subsection (2)(a) of the rule was modified to reflect the new dollar amount.

SUMMARY OF MODIFICATIONS TO RULES SINCE NOTICE

No modifications were made to the rules.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held October 21, 2014 at 2:00 p.m. at PERS headquarters in Tigard. No members of the public attended. The public comment period ended October 30, 2014 at 5:00 p.m. No public comment was received.

LEGAL REVIEW

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

IMPACT

Mandatory: Yes, to comply with IRS Code and OIC policy changes.

Impact: Edits to improve administration of the OSGP for members and staff.

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

RULEMAKING TIMELINE

September 15, 2014	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
September 26, 2014	PERS Board notified that staff began the rulemaking process.
October 1, 2014	<i>Oregon Bulletin</i> published the Notice. Notice was sent to employers, legislators, and interested parties. Public comment period began.
October 21, 2014	Rulemaking hearing held at 2:00 p.m. at PERS in Tigard.
October 30, 2014	Public comment period ended at 5:00 p.m.
November 21, 2014	Board may adopt the permanent rule modifications.

BOARD OPTIONS

The Board may:

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

STAFF RECOMMENDATION

Staff recommends the Board choose Option #1.

- Reason: Update the rules to reflect changes to federal law and proposed improvements in the program.

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

B.3. Attachment 1 - OAR 459-050-0076, *In-Plan Roth Conversion*

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

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

1 **459-050-0076**

2 **In-Plan Roth Conversion**

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

4 (a) “Distributee” means:

5 (A) A Deferred Compensation Plan participant; *[who has a severance of*
6 *employment;]*

7 *[(B) A Deferred Compensation Plan participant who is approved for a de minimis*
8 *distribution under OAR 459-050-0075(1);]*

9 *[(C)]*(B) The surviving spouse of a deceased participant; or

10 *[(D)]*(C) The spouse or former spouse who is the alternate payee under a domestic
11 relations order that satisfies the requirements of ORS 243.507.

12 *[(E) The non-spouse beneficiary of a deceased participant who is a designated*
13 *beneficiary under Code Section 402(c)(11).]*

14 (b) “In-Plan Roth Conversion” means the payment of an eligible rollover distribution
15 by the Deferred Compensation Program directly from the Deferred Compensation
16 Account to the Designated Roth Account as instructed by the Distributee and in
17 compliance with *[Code]* IRC Section 402A(c)(4) and meets the otherwise applicable
18 rollover requirements of *[Code]* IRC Section 457(e)(16).

19 (2) Limitations.

20 (a) If a Distributee elects an In-Plan Roth Conversion, the Distributee may not roll
21 the money back to the Deferred Compensation Account at a later date.

1 (b) Once completed, all balances from any In-Plan Roth Conversion shall be
2 accounted for individually and separately within the Designated Roth Account.

3 (3) 402(f) Notice and Election Procedure.

4 (a) For a Distributee making an In-Plan Roth Conversion after severance of
5 employment, the Deferred Compensation Program staff shall provide *[each]* such
6 Distributee with a written explanation of the direct rollover rules for any eligible
7 distribution, as required by *[Code]* IRC Section 402(f).

8 (b) An In-Plan Roth Conversion election shall be in writing and must be signed by
9 the Distributee or by his or her authorized representative pursuant to a valid power of
10 attorney. The election must be on forms furnished by the Deferred Compensation
11 Program.

12 Stat. Auth.: ORS 243.470

13 Stats. Implemented: ORS 243.462

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

1 **459-050-0120**

2 **Self-Directed Brokerage Option**

3 (1) For purposes of this rule:

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

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

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

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

12 (a) The participant’s combined Deferred Compensation and Designated Roth
13 Accounts balance must be at least [~~\$20,000~~] \$10,000 on the date of the trade.

14 (b) The amount of the trade may not exceed 50 percent of the participant’s combined
15 Deferred Compensation and Designated Roth Accounts balance on the date of the trade.

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

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

19 (b) Make a trade from a core investment option to the Self-Directed Brokerage
20 Option if:

21 (A) The participant’s balance in the Self-Directed Brokerage Option exceeds the
22 balance in the participant’s core investment options on the date of the trade; or

1 (B) The trade would cause the participant’s balance in the Self-Directed Brokerage
2 Option to exceed the participant’s balance in the core investment options on the date of
3 the trade.

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

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

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

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

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

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

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

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

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

5 Stat. Auth.: ORS 243.470

6 Stats. Implemented: ORS 243.401 - 243.507



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November 21, 2014

TO: Members of the PERS Board
FROM: Marjorie Taylor, Senior Policy Advisor
SUBJECT: Legislative Update

2015 AGENCY-PROPOSED LEGISLATIVE CONCEPTS

Early this year, PERS staff gathered suggestions for potential agency bills for the 2015 session. Proposals were shared with the Board, Legislative Advisory Committee (LAC), and interested parties. Ultimately, the Board approved a request for Legislative Counsel to formally draft three concepts. As staff engaged interested parties and LAC members in considering these drafts, we collectively concluded that these concepts do not merit separate introduction as agency bills during the 2015 session. Instead, we will seek other resolutions to the problems PERS staff sought to address through these concepts.

LC 685 – “Relating to the optional purchase of benefit units by police officers and firefighters.”

Problem: ORS 238.440(2) requires lump-sum P&F Unit purchases be made during the 60 days prior to a P&F member’s effective retirement date; most other purchases can be made up to 90 days before retirement. If a member tries to make a lump-sum P&F Unit purchase between 60 and 90 days before their effective retirement date, PERS currently returns the check and asks the P&F member to submit the purchase within the 60-day window. **Solution:** Seek to modify administrative practices so PERS may hold a check and apply it to a purchase within the correct time period.

LC 686 - “Relating to eligibility for non-duty disability benefit under the Oregon Public Service Retirement Plan.”

Problem: If an active member has been a school employee in 10 calendar years before becoming disabled and meets eligibility criteria for OPSRP Pension non-duty disability, yet has less than 10 years of retirement credit during that same time period, then the member will not receive additional retirement credit for their period of non-duty disability when they retire for service. **Solution:** This circumstance has yet to arise, but staff anticipate that it will in the future. This concept was one possible solution, but LAC, stakeholders, and staff will consider a full range of solutions before recommending introduction of a bill in the future.

LC 687 – “Relating to elected officials eligible for public employee retirement benefits.”

Problem: This is a housekeeping concept to reflect recently codified statutes. ORS 238.580 provides a list of all ORS Chapter 238 statutes that apply to judge members and ORS 238A.050 specifies which provisions of Chapter 238 apply to OPSRP members. Recent statutory changes have not completely aligned these referral statutes. **Solution:** Monitor legislation to identify an appropriate vehicle where these referrals may be incorporated rather than introduce them in a stand-alone bill.

Board Options:

The Board may:

1. Take no action – result is to not request introduction of agency legislative concepts.
2. Pass a motion to “Direct staff to request introduction of agency-requested legislative concepts for the 2015 legislative session.”

Staff Recommendation:

Staff recommends the Board choose Option 1. Drafts of legislative concepts have been reviewed by stakeholders and it has been determined that PERS may be able to resolve these issues in other ways.

PERS LEGISLATIVE ADVISORY COMMITTEE

ORS 238.660(9) charges the PERS Board with review of legislative proposals for changes to PERS benefits, and to act as policy advisor to the Legislative Assembly on those changes. ORS 238.660(10) requires the Board to appoint a committee to advise the Board on legislative proposals that impact PERS benefits. The committee must include an equal number of members representing labor and management. In preparation for the 2015 legislative session, staff requests that the Board confirm membership of the Legislative Advisory Committee (LAC.)

RECOMMENDED APPOINTMENTS

The proposed membership is balanced between labor and management representatives, and includes members who participated in previous LAC meetings. Members have been contacted and are willing to serve on the committee.

Name	Representing
Patrick Allen	Oregon Department of Consumer and Business Services
Mary Botkin	American Federation of State, County and Municipal Employees
Rob Bovett	Association of Oregon Counties
Lance Colley	City of Roseburg
BethAnne Darby	Oregon Education Association
Jack Dempsey	Oregon Nurses Association / Oregon State Police Officers Association / Oregon Association of Corrections Employees
Cheri Helt	Oregon School Boards Association
Bob Livingston	Oregon State Fire Fighters Council
Tricia Smith	Oregon School Employees Association
Hasina Squires	Special Districts Association of Oregon
Melissa Unger	Service Employees International Union
Scott Winkels	League of Oregon Cities

Board Options:

The Board may:

1. Approve the recommended appointments, effective immediately.
2. Direct staff to solicit different or additional candidates for appointment.

Staff Recommendation:

Staff recommends the Board choose Option 1.

ASSOCIATED STATUTE

238.660 Fund generally; board review of legislative proposals.

(9) The board may review legislative proposals for changes in the benefits provided under this chapter and ORS chapter 238A and may make recommendations to committees of the Legislative Assembly on those proposed changes. In making recommendations under this subsection, the board acts as a policy advisor to the Legislative Assembly and not as a fiduciary. In making recommendations under this subsection on the Oregon Public Service Retirement Plan established by ORS chapter 238A, the board shall seek to maintain the balance between benefits and costs, and the relative risk borne by employers and employees with respect to investment performance, reflected in ORS chapter 238A as in effect on January 1, 2004.

(10) The board shall appoint a committee to advise the board on legislative proposals for changes in the benefits provided under this chapter and ORS chapter 238A. The committee must have an equal number of members representing labor and management. No costs of reviewing legislative proposals and making recommendations under this subsection may be charged to the fund. Any member of the committee who is an active member of the system shall be released by the participating public employer who employs the member for the purpose of conducting the official business of the committee, and the wages or salary of the member may not be reduced by the employer during periods that the member is released from duty for the purpose of conducting the official business of the committee.

FINANCIAL MODELING

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

November 21, 2014

Presented by:

Matt Larrabee, FSA, EA

Scott Preppernau, FSA, EA



Introduction

- In July, we presented preliminary system average valuation results as of December 31, 2013 for the Tier 1/Tier 2 & OPSRP programs
- In September, the Board adopted employer-specific contribution rates effective July 1, 2015
 - Based on the December 31, 2013 actuarial valuation
- Today's presentation covers long-term projections of system average contribution rates and funded status reflecting estimated investment results through October 31, 2014

Financial Modeling

Models and Inputs

- Rates are projected with both a steady return model and a variable return model where investment returns change from year to year
- Modeling starts with 12/31/2013 liabilities and assumptions
- Modeling uses 12/31/2013 assets adjusted for estimated regular account returns of 6.6% through October 2014
 - 6.6% estimate based on combined effects of:
 - Published year-to-date regular account returns through September 30 of 6.10%
 - Estimated October returns developed using the OPERF policy benchmark's October return of 0.44%
 - Returns for November & December vary in our model based on scenario

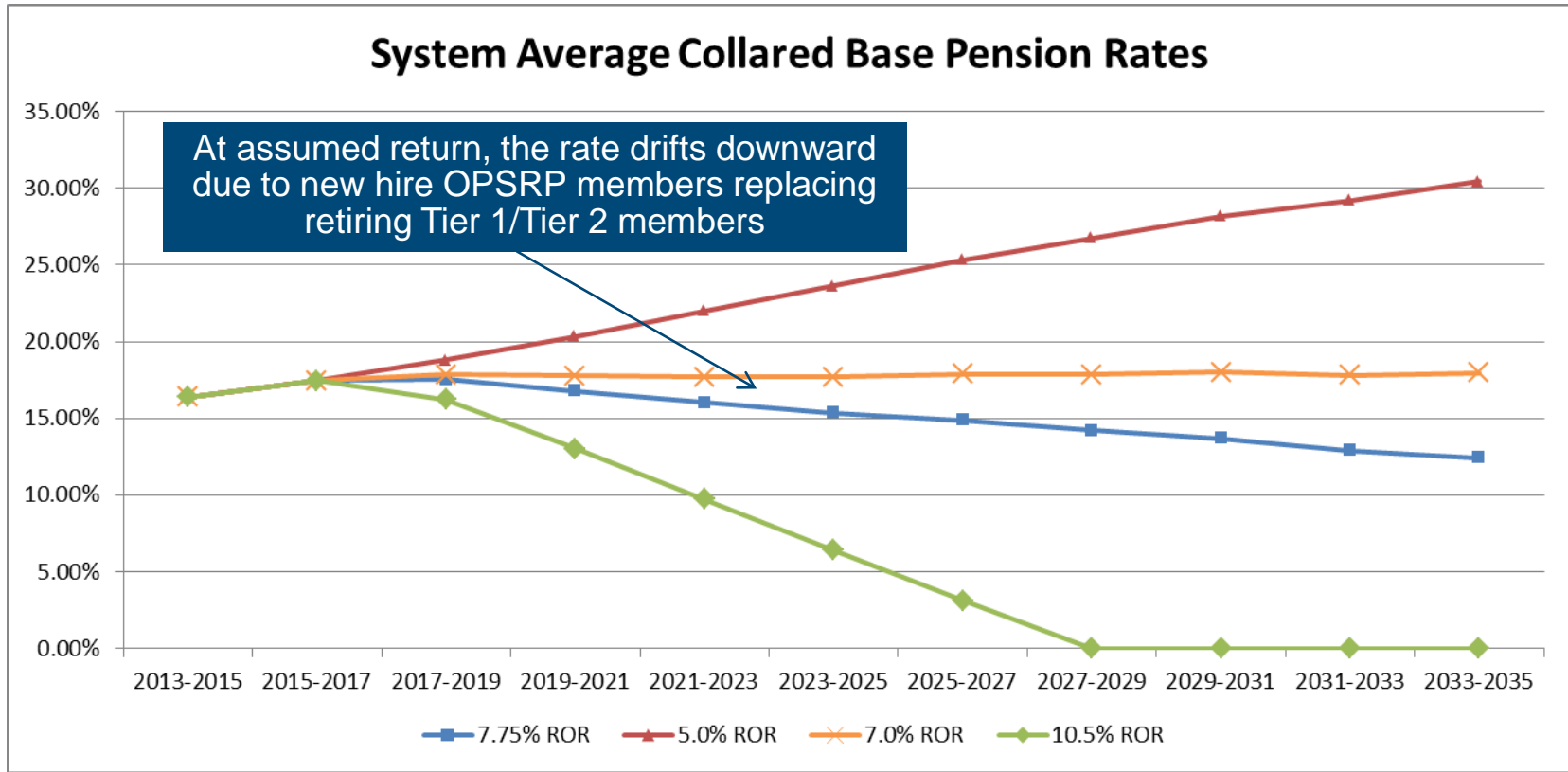
Financial Modeling

Comments on System Average Rates

- Projections depict system average funded status and contribution rates
 - Comparable to system average rates discussed in July
- No single employer pays the system average rate – for the 2015 - 2017 biennium:
 - School district base rates are above the average
 - Most SLGRP employers' base rates are below the average
- Rates shown do not include the effects of:
 - Individual Account Plan (IAP) contributions
 - Rates for the RHIA & RHIPA retiree healthcare programs
 - Debt service payments on pension obligation bonds

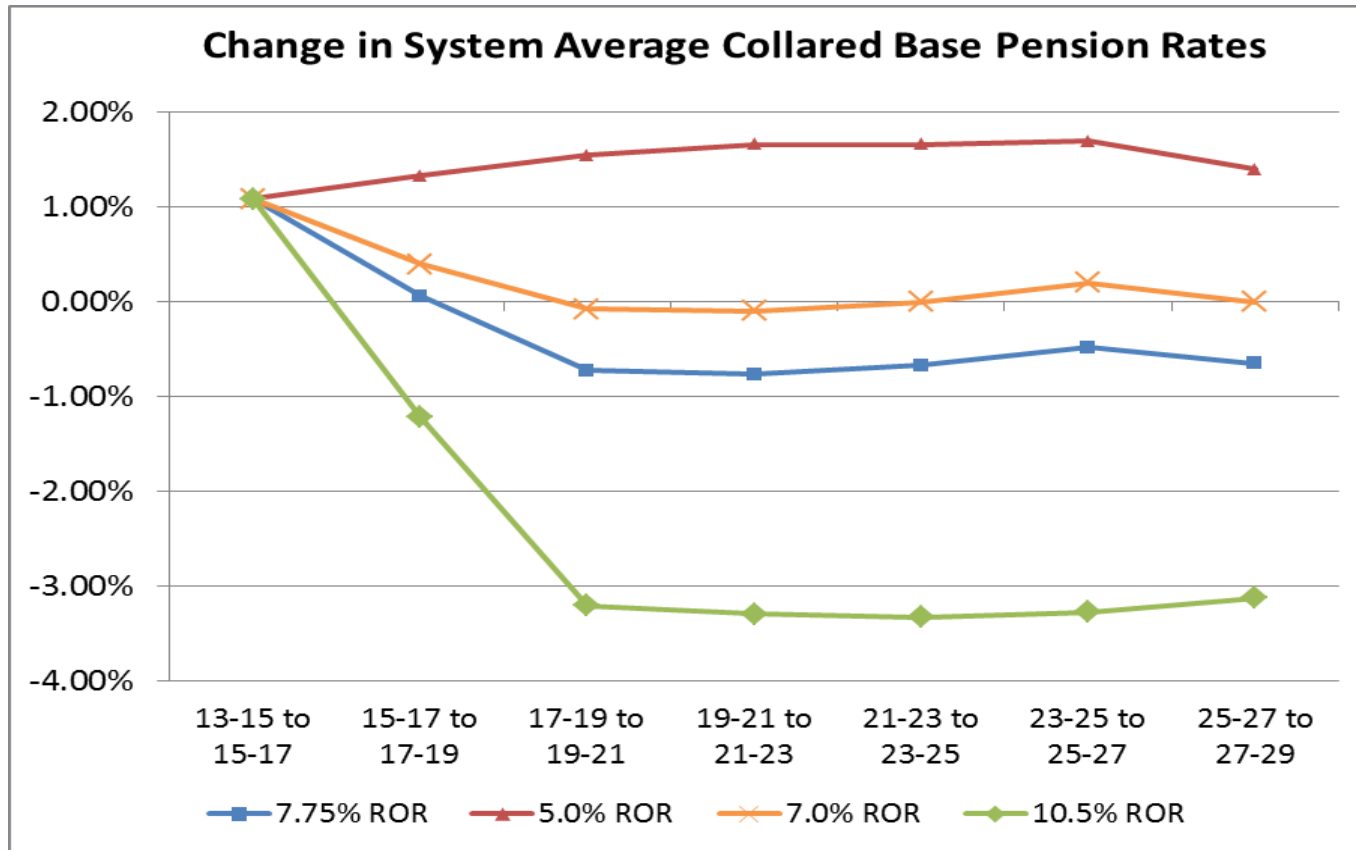
Steady Return Model Projections

An annual investment return of 7.00% keeps rates approximately level in the model



The steady rate model illustrates impact of consistently achieving the assumed 7.75% return and three alternative returns

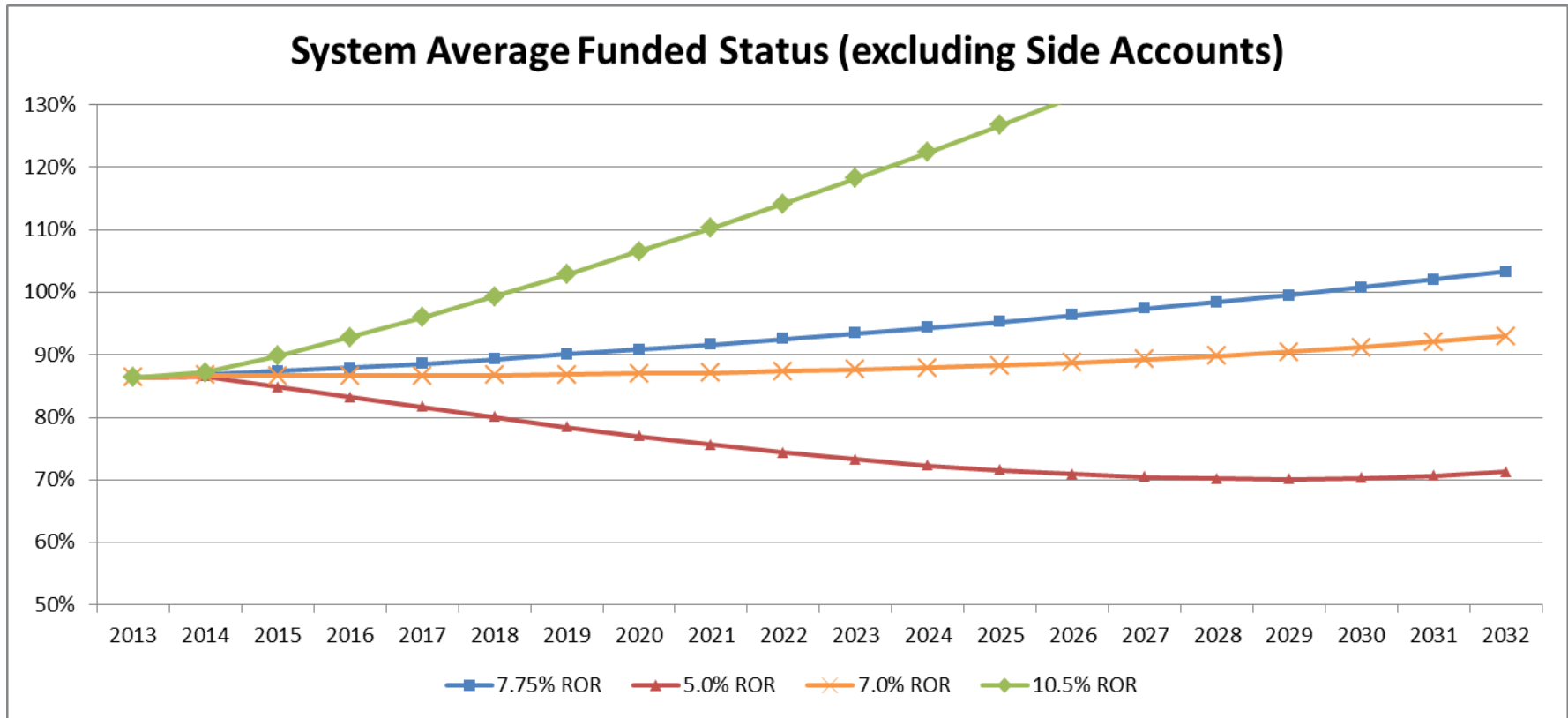
Steady Return Model Projections



Shows biennium to biennium changes under steady return projections

Steady Return Model Projections

Funded status reaches 100% by 2030 in the model when investment returns equal 7.75%



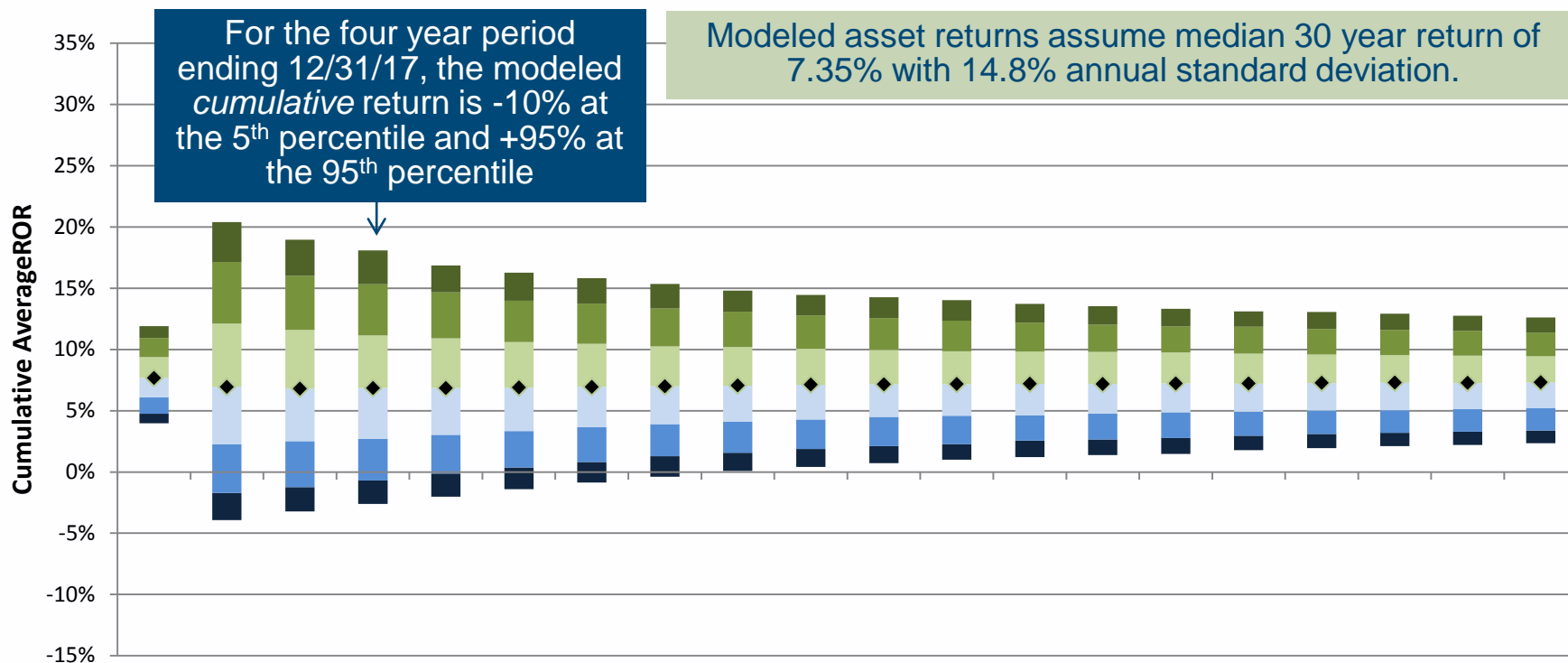
Shows projected funded status under steady return projections

Variable Return Model

- Model results are likelihood ranges instead of a single amount
 - The distribution is based on a stochastic simulation using 10,000 trials
 - Scenarios were developed by our national capital market specialists, and use the current OPERF target asset allocation policy
- In our results charts, the dots represent median outcomes
- We display model results from the 5th to 95th percentiles
 - Ten percent of model outcomes fall outside of the depicted range
- The chart format is demonstrated on the next slide
 - It shows the modeled range of potential future investment returns that could be experienced by the fund
 - Returns are shown as average annualized returns on a calendar year basis, and incorporate estimated 2014 returns through October 31

Average Annualized Rate of Investment Return

Post-2013 Modeled Returns (Geometric Average)

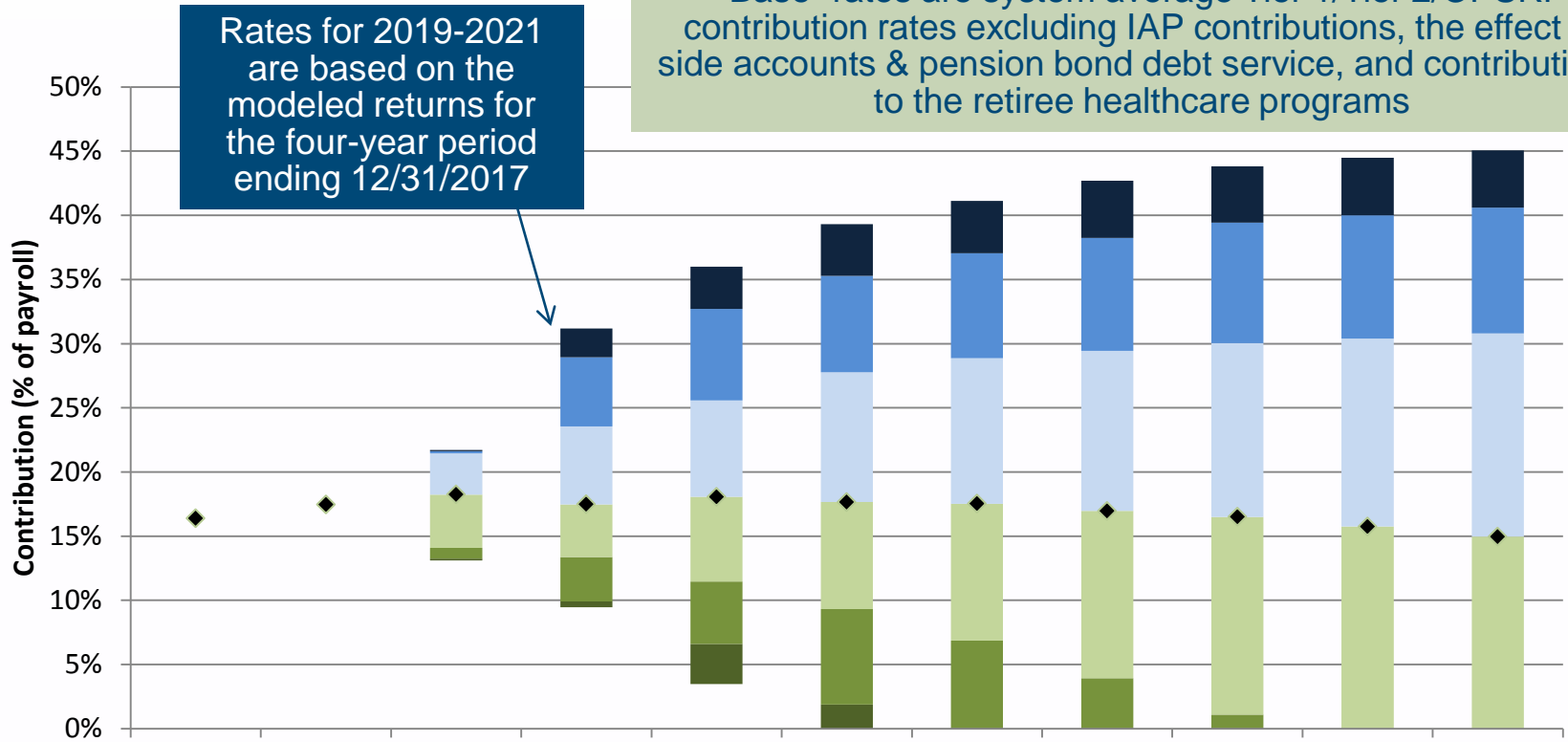


PY Ending 12/31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
95th	11.9%	20.4%	19.0%	18.1%	16.9%	16.3%	15.8%	15.3%	14.8%	14.5%	14.3%	14.0%	13.7%	13.5%	13.3%	13.1%	13.1%	12.9%	12.8%	12.6%
90th	10.9%	17.2%	16.0%	15.3%	14.7%	14.0%	13.7%	13.3%	13.1%	12.8%	12.6%	12.4%	12.2%	12.0%	11.9%	11.9%	11.7%	11.6%	11.5%	11.4%
75th	9.4%	12.1%	11.6%	11.2%	10.9%	10.6%	10.5%	10.3%	10.2%	10.1%	10.0%	9.9%	9.8%	9.8%	9.7%	9.7%	9.6%	9.5%	9.5%	9.5%
50th	7.7%	6.9%	6.8%	6.9%	6.8%	6.9%	6.9%	7.0%	7.1%	7.1%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.3%	7.3%	7.3%	7.3%
25th	6.1%	2.2%	2.5%	2.7%	3.0%	3.3%	3.7%	3.9%	4.1%	4.3%	4.5%	4.6%	4.6%	4.8%	4.9%	4.9%	5.0%	5.0%	5.1%	5.2%
10th	4.8%	-1.7%	-1.2%	-0.7%	-0.1%	0.4%	0.8%	1.3%	1.6%	1.9%	2.1%	2.3%	2.6%	2.7%	2.8%	3.0%	3.1%	3.2%	3.3%	3.4%
5th	4.0%	-3.9%	-3.2%	-2.6%	-2.0%	-1.4%	-0.9%	-0.4%	0.1%	0.4%	0.7%	1.0%	1.2%	1.4%	1.5%	1.8%	1.9%	2.1%	2.2%	2.4%

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Collared System Average Base Contribution Rates

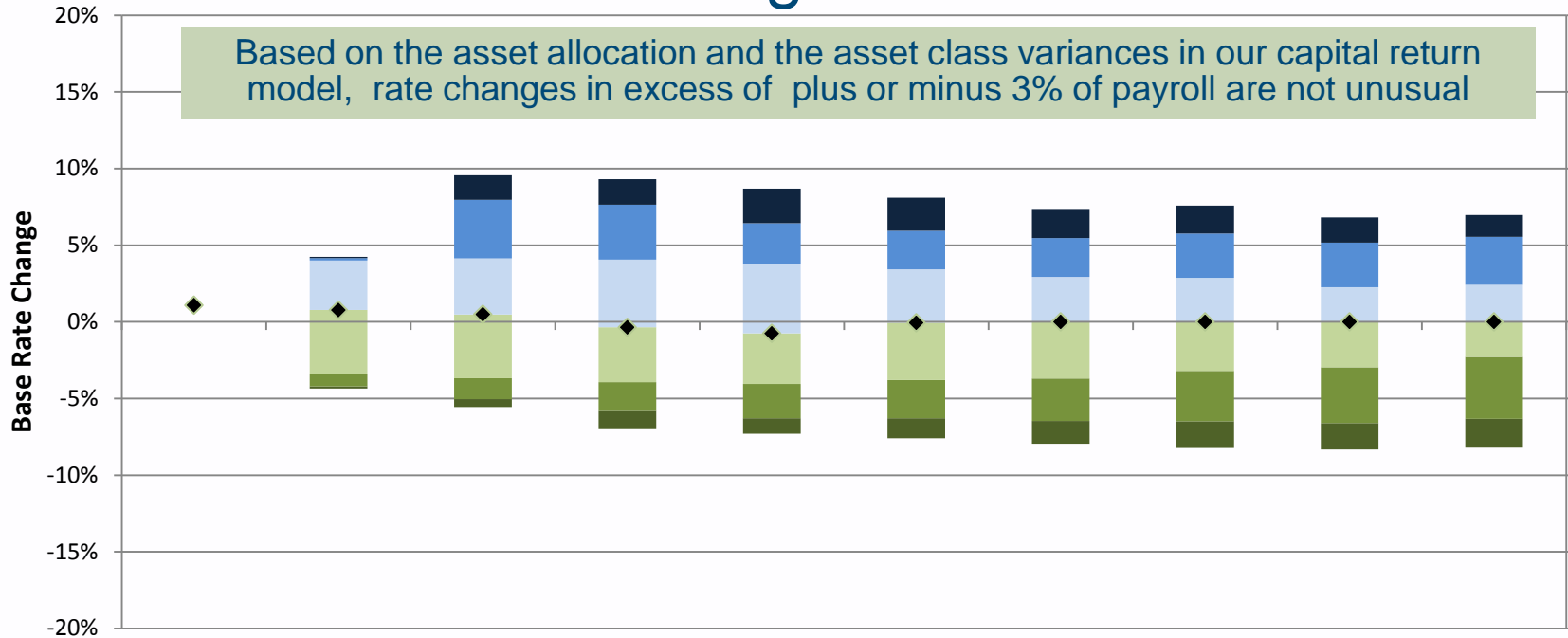
“Base” rates are system average Tier 1/Tier 2/OPSRP contribution rates excluding IAP contributions, the effect of side accounts & pension bond debt service, and contributions to the retiree healthcare programs



Biennium	2013-2015	2015-2017	2017-2019	2019-2021	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033	2033-2035
5th	16.4%	17.5%	21.7%	31.2%	36.0%	39.3%	41.1%	42.7%	43.8%	44.5%	45.1%
10th	16.4%	17.5%	21.6%	28.9%	32.7%	35.3%	37.0%	38.2%	39.4%	40.0%	40.6%
25th	16.4%	17.5%	21.5%	23.6%	25.6%	27.8%	28.9%	29.4%	30.0%	30.4%	30.8%
50th	16.4%	17.5%	18.2%	17.5%	18.1%	17.7%	17.5%	17.0%	16.5%	15.8%	15.0%
75th	16.4%	17.5%	14.1%	13.4%	11.5%	9.3%	6.9%	3.9%	1.1%	0.0%	0.0%
90th	16.4%	17.5%	13.3%	9.9%	6.6%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%
95th	16.4%	17.5%	13.1%	9.5%	3.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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Collared System Average Base Contribution Rates Biennium to Biennium Changes

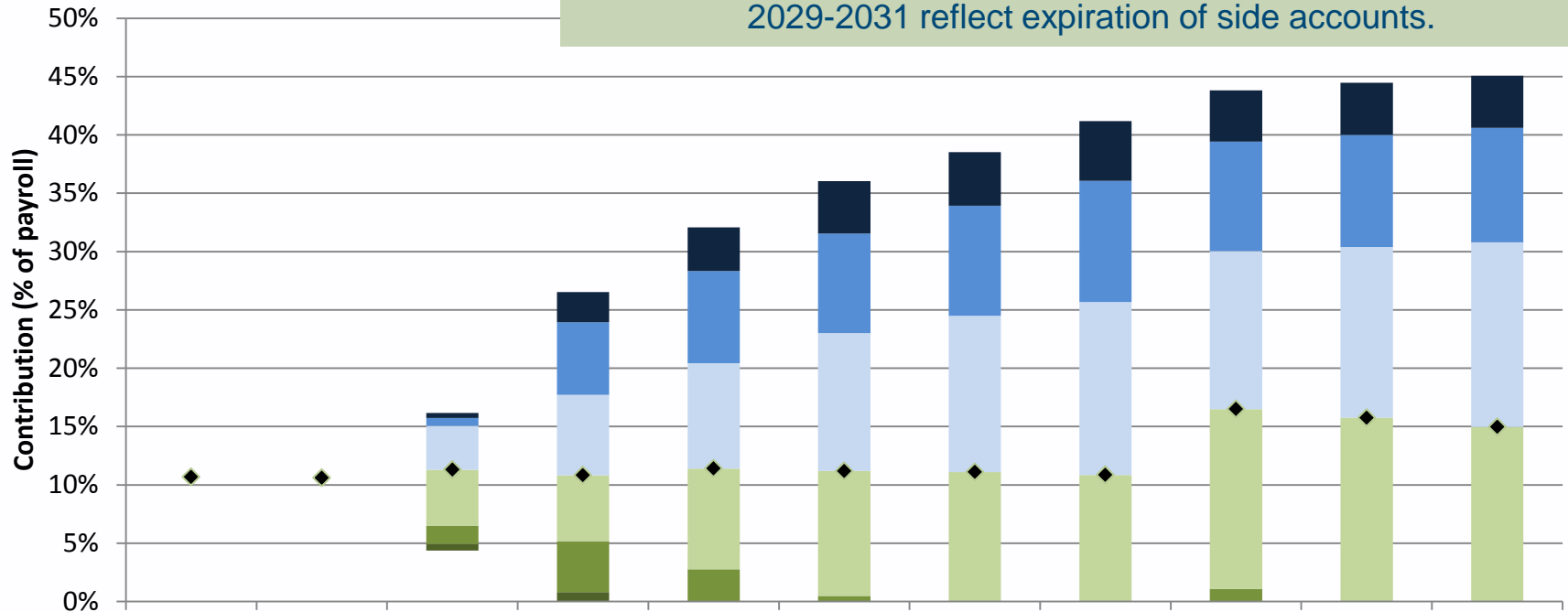


Change from:	13-15 to 15-17	15-17 to 17-19	17-19 to 19-21	19-21 to 21-23	21-23 to 23-25	23-25 to 25-27	25-27 to 27-29	27-29 to 29-31	29-31 to 31-33	31-33 to 33-35
5th	1.1%	4.3%	9.6%	9.3%	8.7%	8.1%	7.4%	7.6%	6.8%	7.0%
10th	1.1%	4.2%	8.0%	7.6%	6.4%	5.9%	5.5%	5.8%	5.2%	5.5%
25th	1.1%	4.0%	4.1%	4.1%	3.8%	3.4%	2.9%	2.9%	2.3%	2.4%
50th	1.1%	0.8%	0.5%	-0.4%	-0.8%	-0.1%	0.0%	0.0%	0.0%	0.0%
75th	1.1%	-3.4%	-3.7%	-3.9%	-4.1%	-3.8%	-3.7%	-3.2%	-3.0%	-2.3%
90th	1.1%	-4.2%	-5.0%	-5.8%	-6.3%	-6.3%	-6.5%	-6.5%	-6.6%	-6.3%
95th	1.1%	-4.4%	-5.6%	-7.0%	-7.3%	-7.6%	-7.9%	-8.2%	-8.3%	-8.2%

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System Average Net Contribution Rates

“Net” rates are base rates adjusted to reflect the projected effect of side account rate offsets and pre-SLGRP rate offsets. Increases in 2029-2031 reflect expiration of side accounts.

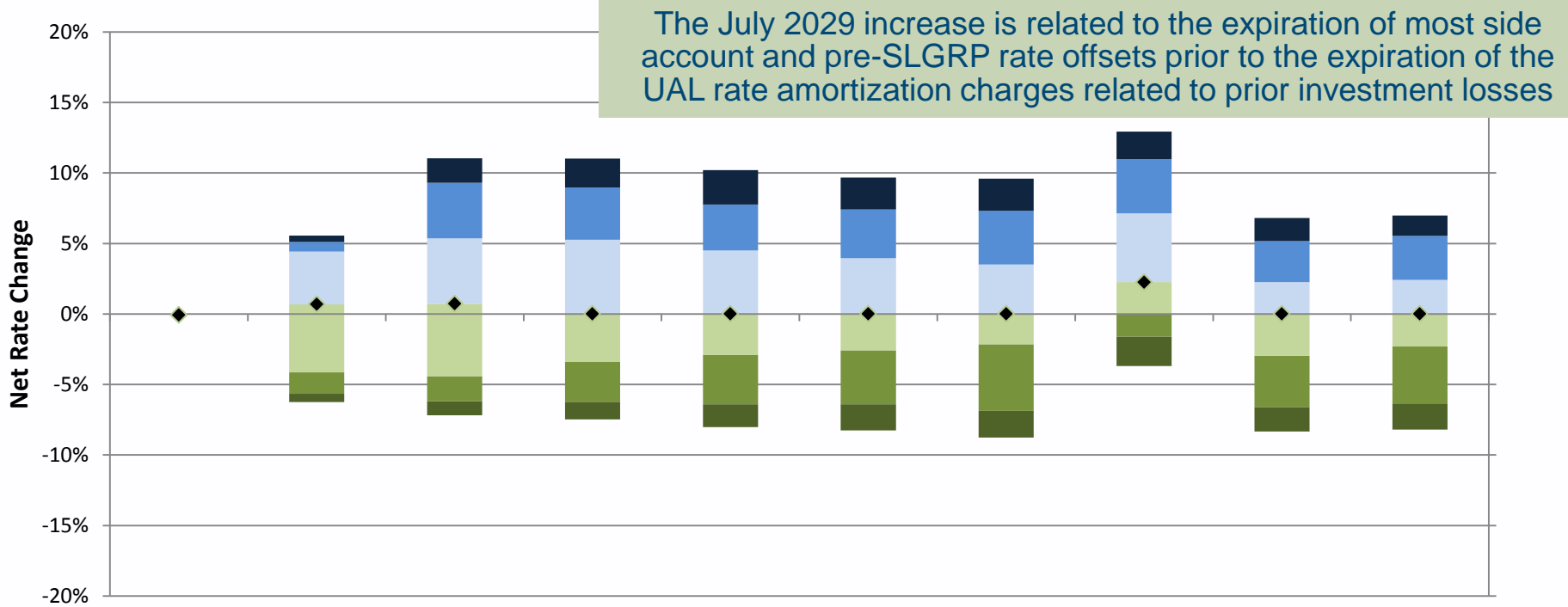


Biennium	2013-2015	2015-2017	2017-2019	2019-2021	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033	2033-2035
5th	10.7%	10.6%	16.2%	26.5%	32.1%	36.0%	38.5%	41.2%	43.8%	44.5%	45.1%
10th	10.7%	10.6%	15.7%	23.9%	28.3%	31.5%	33.9%	36.1%	39.4%	40.0%	40.6%
25th	10.7%	10.6%	15.1%	17.7%	20.4%	23.0%	24.5%	25.7%	30.0%	30.4%	30.8%
50th	10.7%	10.6%	11.3%	10.8%	11.4%	11.2%	11.1%	10.8%	16.5%	15.8%	15.0%
75th	10.7%	10.6%	6.5%	5.2%	2.8%	0.5%	0.0%	0.0%	1.1%	0.0%	0.0%
90th	10.7%	10.6%	5.0%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
95th	10.7%	10.6%	4.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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System Average Net Contribution Rates

Biennium to Biennium Changes

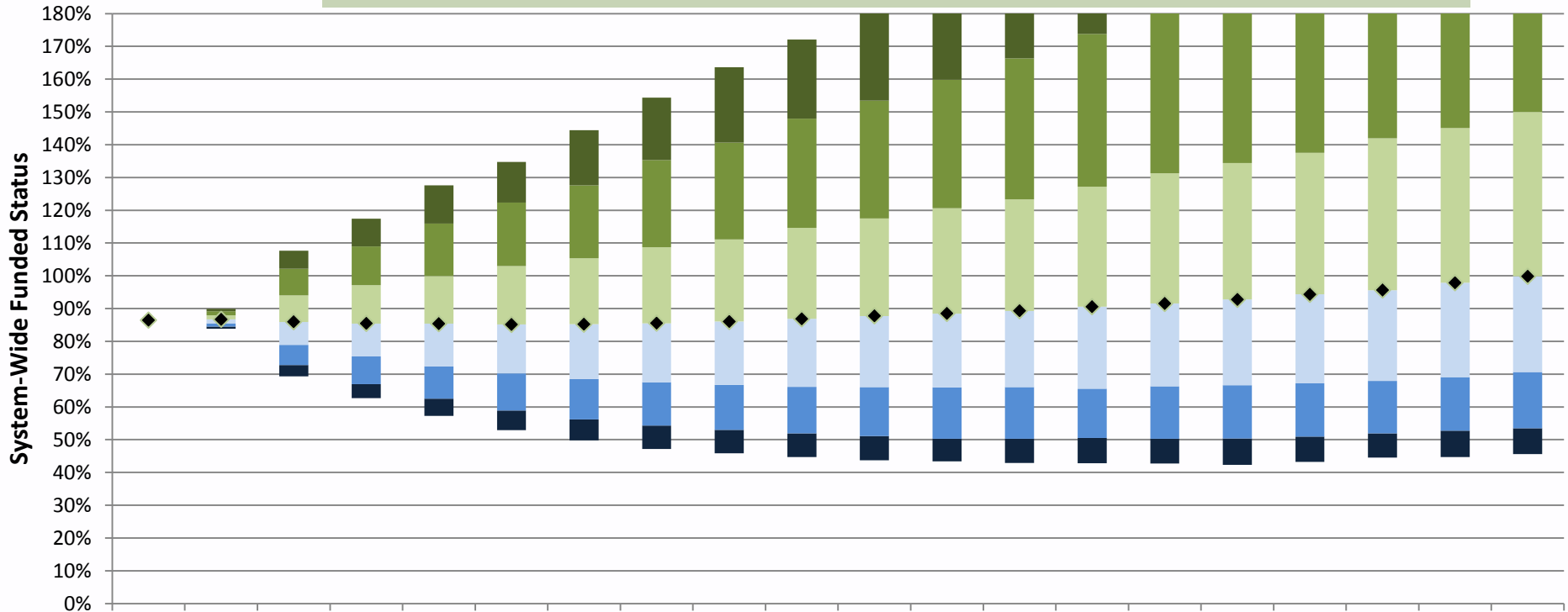


Change from:	13-15 to 15-17	15-17 to 17-19	17-19 to 19-21	19-21 to 21-23	21-23 to 23-25	23-25 to 25-27	25-27 to 27-29	27-29 to 29-31	29-31 to 31-33	31-33 to 33-35
5th	-0.1%	5.6%	11.0%	11.0%	10.2%	9.7%	9.6%	12.9%	6.8%	7.0%
10th	-0.1%	5.1%	9.3%	9.0%	7.8%	7.4%	7.3%	11.0%	5.2%	5.5%
25th	-0.1%	4.4%	5.4%	5.3%	4.5%	4.0%	3.5%	7.1%	2.3%	2.4%
50th	-0.1%	0.7%	0.7%	0.0%	0.0%	0.0%	0.0%	2.3%	0.0%	0.0%
75th	-0.1%	-4.1%	-4.4%	-3.4%	-2.9%	-2.6%	-2.1%	0.0%	-3.0%	-2.3%
90th	-0.1%	-5.7%	-6.2%	-6.2%	-6.4%	-6.4%	-6.9%	-1.6%	-6.6%	-6.3%
95th	-0.1%	-6.2%	-7.2%	-7.5%	-8.0%	-8.3%	-8.8%	-3.7%	-8.3%	-8.2%

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Funded Status (Excluding Side Accounts)

At the 50th percentile, funded status starts between 86% and 87% at year-end 2014 and progresses toward 100% over the modeled period



PY Ending 12/31	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
95th	86.4%	89.9%	107.6%	117.4%	127.6%	134.7%	144.4%	154.3%	163.6%	172.1%	181.5%	193.2%	204.3%	213.1%	226.6%	239.1%	248.0%	263.8%	280.2%	295.3%
90th	86.4%	89.2%	102.1%	108.9%	115.9%	122.4%	127.6%	135.3%	140.7%	147.9%	153.5%	159.8%	166.3%	173.8%	180.7%	189.9%	198.9%	205.8%	215.5%	222.7%
75th	86.4%	88.0%	94.0%	97.1%	99.9%	102.9%	105.4%	108.7%	111.1%	114.6%	117.5%	120.6%	123.3%	127.2%	131.3%	134.4%	137.5%	141.9%	145.1%	150.0%
50th	86.4%	86.7%	85.9%	85.4%	85.4%	85.1%	85.2%	85.5%	86.0%	86.9%	87.7%	88.5%	89.3%	90.6%	91.5%	92.8%	94.3%	95.6%	97.9%	99.8%
25th	86.4%	85.5%	78.9%	75.4%	72.3%	70.2%	68.5%	67.5%	66.7%	66.1%	66.1%	66.0%	66.0%	65.6%	66.3%	66.6%	67.2%	67.9%	69.0%	70.7%
10th	86.4%	84.5%	72.7%	67.0%	62.5%	58.9%	56.2%	54.3%	53.0%	51.9%	51.1%	50.3%	50.3%	50.5%	50.3%	50.4%	50.9%	51.9%	52.8%	53.4%
5th	86.4%	83.9%	69.3%	62.7%	57.2%	52.9%	49.8%	47.1%	45.9%	44.7%	43.8%	43.4%	42.8%	42.8%	42.7%	42.3%	43.2%	44.5%	44.7%	45.6%

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Variable Return Model Stress Test

- We also used the variable return model to do a “stress test” of the likelihood of certain events in the 10,000 scenarios modeled
- The likelihood of specified events occurring at some point during the 20 year projection period is shown below

Likelihood of Event Occurring at Some Point in Next 20 Years

Funded Status (Excluding Side Accounts) > 100%	75%
Funded Status (Excluding Side Accounts) < 60%	44%
Funded Status (Excluding Side Accounts) < 40%	11%
Base Rate (Excluding Retiree Healthcare) >30% of Pay	41%

Variable Return Model Stress Test

- Probability of a rate increase exceeding a selected threshold in at least one of the next three biennial rate changes
 - Changes at July 2017, July 2019 and July 2021

Likelihood of a Biennial Rate Increase Exceeding Threshold at Some Point in Next Three Biennia		
<u>Threshold Increase</u>	<u>Base Rate</u>	<u>Net Rate</u>
3% of Pay	65%	68%
4% of Pay	49%	62%
5% of Pay	31%	47%

Comparison of Base Rate and Net Rate likelihoods illustrates the increased volatility associated with Side Accounts

Wrap Up / Next Steps

- Questions?
- At the January meeting, preliminary year-end 2014 investment results will be available
 - We can then comment on estimated impact on the 12/31/2014 valuation results, which will develop advisory 2017 – 2019 contribution rates

Certification

This presentation summarizes deterministic and stochastic modeling for the Oregon Public Employees Retirement System (“PERS” or “the System”) over a 20 year period beginning December 31, 2013 under a wide range of potential economic scenarios. The results are based upon the same assumptions, methods, and plan provisions as described in the December 31, 2013 System-Wide Actuarial Valuation Report, except where noted otherwise.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System’s staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the System.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan’s funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The PERS Board has the final decision regarding the appropriateness of the assumptions.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the System. Actuarial computations presented in this report under GASB Statements No. 25 and 27, 43 and 45 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System’s

Certification

funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the plan provisions described in the appendix of this report, and of GASB Statements No. 25 and 27, 43 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the internal business use of the Oregon Public Employees Retirement System. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

- (a) The System may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.
- (b) The System may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Appendix

Actuarial Basis Data

We have based our calculation of the liabilities on the data supplied by the Oregon Public Employees Retirement System and summarized in the Valuation Report.

Assets as of December 31, 2013, were based on values provided by Oregon PERS reflecting the Board's earnings crediting decisions for 2013, as shown in the Valuation Report. Financial model projections reflect October 31, 2014 investment results for regular and variable accounts as published by Oregon State Treasury.

Methods / Policies

Actuarial Cost Method: Entry Age Normal, adopted effective December 31, 2012.

UAL Amortization: The UAL for OPSRP and Retiree Health Care as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed 16 year period for OPSRP and a closed 10 year period for Retiree Health Care. For the Tier 1/Tier 2 UAL, the amortization period was reset at 20 years as of December 31, 2013. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over the amortization period (20 years for Tier/Tier 1, 16 years for OPSRP, 10 years for Retiree Health Care) from the odd-year valuation in which they are first recognized.

Appendix

Actuarial Basis

Methods / Policies (cont'd)

Contribution rate stabilization method: Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) are confined to a collar based on the prior contribution rate (prior to application of side accounts, pre-SLGRP liabilities, and 6 percent Independent Employer minimum). The new contribution rate will generally not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the prior contribution rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funded percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Expenses: OPSRP administration expenses are assumed to be equal to \$5.5M and are added to the OPSRP normal cost.

Actuarial Value of Assets: Equal to Market Value of Assets excluding Contingency and Tier 1 Rate Guarantee Reserves. The Tier 1 Rate Guarantee Reserve is not excluded from assets if it is negative (i.e. in deficit status).

Assumptions

Assumptions for valuation calculations are as described in the 2012 Experience Study for Oregon PERS.

Provisions

Provisions valued are as detailed in the Valuation Report.

Appendix

Rate Projection Basis

Assumptions

In general, all assumptions are as described in the 2012 Experience Study Report.

The major assumptions used in our projections are shown below. They are aggregate average assumptions that apply to the whole population and were held constant throughout the projection period. The economic experience adjustments were allowed to vary in future years given the conditions defined in each economic scenario.

- Valuation interest rate – 7.75%
- Tier 1 Regular account growth – 7.75%
- Actual fund investment return– Varies by scenario according to capital market assumptions
- Variable account growth – Equal to investment return on public equity portion of the fund
- Inflation assumption – 2.75%
- Inflation experience – Varies by scenario according to capital market assumptions
- Wage growth assumption – 3.75%
- Wage growth experience– 1.00% greater than inflation experience
- Demographic experience – as described in 2012 Experience Study report

Appendix

Rate Projection Basis

Reserve Projection

Contingency Reserve as of 12/31/2013 was assumed to be \$667.7M. No future increases or decreases to this reserve were assumed.

The Tier 1 Rate Guarantee Reserve (“RGR”) was assumed to be \$434.2M as of 12/31/2013. The reserve was assumed to grow with returns in excess of 7.75% on Tier 1 Member Accounts. When aggregate returns were below 7.75%, applicable amounts from the RGR were transferred to Tier 1 Member Accounts to maintain the 7.75% target growth on the member accounts. The RGR reserve is allowed to be negative, but the reserve is not excluded from valuation assets when it is negative. We did not include in rates any potential additional employer levy that could be required to eliminate a persistent negative RGR.

Appendix

Rate Projection Basis

Capital Market Model

For each 20-year projection, we ran 10,000 stochastic scenarios for inflation and asset class rates of return. The scenarios were calibrated to represent Milliman's capital market assumptions in terms of expected average returns, the expected year-to-year volatility of the returns, and the expected correlation between the returns of different asset classes. Annual rates of return for each of the asset classes and inflation are generated from a multivariate lognormal probability distribution. Rates of return are independent from year to year.

For this purpose, we considered the Oregon PERS Fund to be allocated among the model's asset classes as shown below. This allocation is based on the Oregon Investment Council's Statement of Investment Objectives and Policy Framework for the Oregon PERS Fund, as revised October 30, 2013.

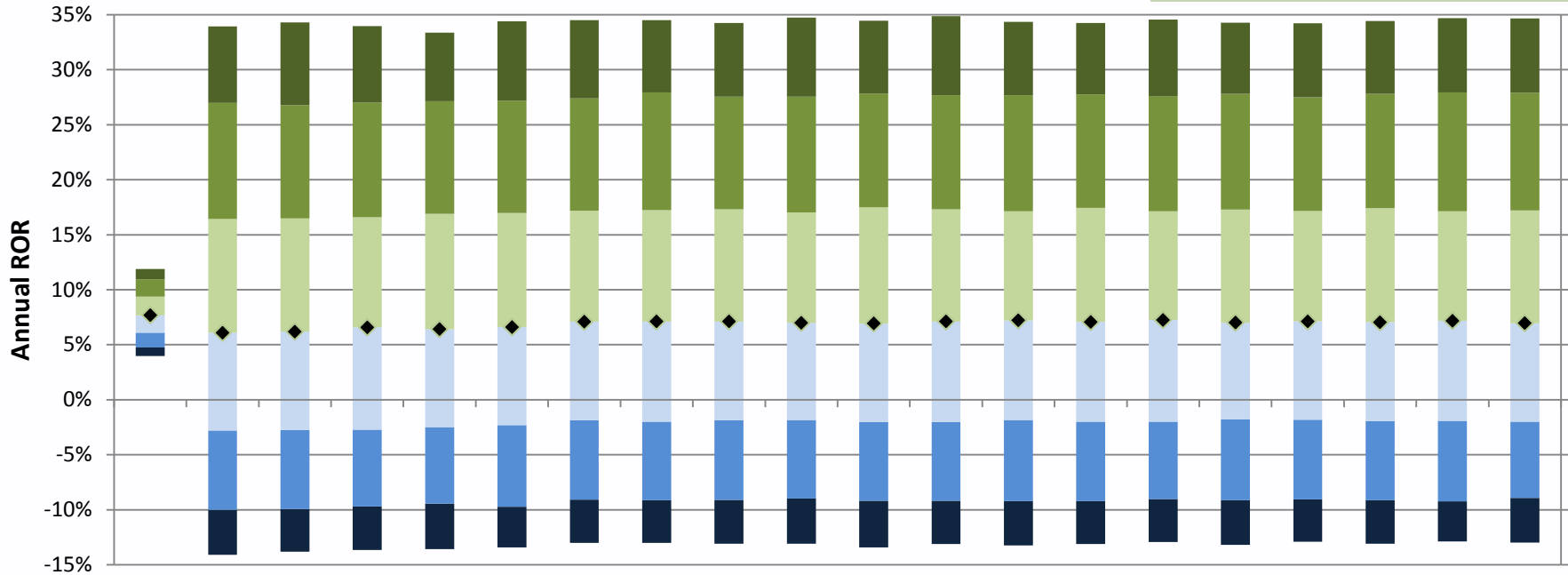
	Annual Arithmetic Mean	30-Year Annualized Geometric Mean	Annual Standard Deviation	Policy Allocation
US Broad Equity	8.50%	7.00%	18.65%	17.80%
Non-US Developed Large/Mid-Cap Equity	8.80%	6.85%	21.25%	15.15%
Emerging Markets Equity	11.00%	7.30%	29.85%	4.55%
Private Equity	11.70%	8.00%	30.00%	20.00%
US Universal Fixed Income	5.05%	4.95%	4.20%	8.00%
US Short Duration Bonds	3.70%	3.65%	2.35%	8.00%
Leveraged Loans	6.15%	5.75%	9.20%	3.00%
High Yield	6.80%	6.25%	11.00%	1.00%
Real Estate	6.85%	6.20%	12.00%	10.00%
Global REITs	8.90%	6.60%	22.95%	2.50%
Natural Resources	6.95%	6.20%	13.00%	2.50%
Infrastructure	8.50%	6.55%	18.60%	2.50%
Commodities	6.90%	5.15%	20.00%	2.50%
Hedge Funds	7.50%	7.15%	8.75%	2.50%
US Inflation (CPI-U)	2.75%	2.75%	1.70%	N/A
Fund Total (reflecting asset class correlations)	8.30%	7.35%	14.80%	100.00%

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PERS Fund Rate of Return

Single Calendar Year Investment Returns

Our capital market outlook model projects lower median returns in the first five years following 2014 due to current low yields on fixed income. Higher median returns are projected in the latter portion of the modeling period.



PY Ending 12/31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
95th	11.9%	33.9%	34.3%	33.9%	33.4%	34.4%	34.5%	34.5%	34.3%	34.7%	34.5%	34.9%	34.3%	34.2%	34.5%	34.3%	34.2%	34.4%	34.7%	34.7%
90th	10.9%	27.0%	26.8%	27.0%	27.1%	27.2%	27.4%	27.9%	27.6%	27.6%	27.8%	27.7%	27.7%	27.7%	27.6%	27.8%	27.5%	27.8%	27.9%	27.9%
75th	9.4%	16.4%	16.5%	16.6%	16.9%	17.0%	17.2%	17.2%	17.3%	17.0%	17.5%	17.3%	17.1%	17.4%	17.1%	17.3%	17.2%	17.4%	17.1%	17.2%
50th	7.7%	6.1%	6.2%	6.6%	6.4%	6.6%	7.1%	7.1%	7.1%	7.0%	6.9%	7.1%	7.2%	7.1%	7.3%	7.0%	7.1%	7.0%	7.2%	7.0%
25th	6.1%	-2.8%	-2.7%	-2.7%	-2.5%	-2.3%	-1.9%	-2.0%	-1.9%	-1.8%	-2.0%	-2.0%	-1.8%	-2.0%	-2.0%	-1.8%	-1.8%	-2.0%	-1.9%	-2.0%
10th	4.8%	-10.0%	-9.9%	-9.7%	-9.4%	-9.7%	-9.1%	-9.1%	-9.1%	-9.0%	-9.2%	-9.2%	-9.2%	-9.2%	-9.0%	-9.1%	-9.0%	-9.1%	-9.2%	-8.9%
5th	4.0%	-14.1%	-13.8%	-13.6%	-13.6%	-13.4%	-13.0%	-13.0%	-13.1%	-13.1%	-13.4%	-13.1%	-13.2%	-13.1%	-12.9%	-13.2%	-12.9%	-13.1%	-12.9%	-13.0%

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