Subject: PERS: August 2013 Employer Monthly update.

Dear PERS Employer:

In this update:

1) Reconciliation 'tip' for August.
2) Update on use of DTL1-11 for reporting OPSRP retirees returning to "non-qualifying" positions as retirees.
3) A suggestion for reviewing reports prior to release for processing.
4) July 26, 2013 PERS Board Meeting: Assumed earnings rate and updated mortality factors.

1) Reconciliation 'tip' for August.

Make sure that you've submitted regular reports for all reporting periods thus far in 2013. If you've combined two Regular reports into one for any reporting period in 2013 or discover a report missing please contact your ESC account representative.

2) Update on use of DTL1-11 for reporting OPSRP retirees returning to "non-qualifying" positions as retirees.

The 2013 Outreach presentation reviewed the use of status code 11 to report OPSRP retirees returning to "non-qualifying" positions as retirees. OPSRP retirees in "non-qualifying" positions have a maximum of 599 hours service with one or more PERS employers in any calendar year.

Employers were asked to avoid submission of any DTL1 or DTL2 records until they were able to confirm the OSPSRP retiree had received their first pension payment. This request was made as a preventive measure to ensure an OPSRP retiree in a "non-qualifying" position would have the benefit calculation process completed and not canceled by submission of retiree DTL1 and DTL2 records.

Many employers commented this restriction would be a great inconvenience since DTL1 or DTL2 records were generated by payroll systems and added to reports automatically upon hire of a retiree to return to work part-time as a retiree.

PERS staff undertook review of the check calculation process in response to employer comments and determined that DTL1-11 and DTL2-07 records could be submitted upon hire of the OPSRP retiree into a "non-qualifying" position as a retiree. If the records suspend upon submission, employers **should wait 90 days from the date of submission, or until confirming the OSPRP retiree has received their first benefit check, before "re-saving" those suspended records**. **Under no circumstances should employers use DTL1 status code 15 to report an OPSRP retiree returning to a "non-qualifying" position as a retiree unless specifically instructed by PERS staff.**

This information is repeated in Employer Announcement 80 – Use of DTL1 status code 11 to report OPSRP retirees, available on the Employer website.

3) A suggestion for reviewing reports prior to release for processing.

Employers submitting Regular reports may wish to create those reports and leave the "Release/Un-release" status indicating "Release" (A report can be in one of two states, "Release" or "Un-release". If a report has been released for processing, the only available choice would be "Un-release", and if a report has not been released for processing, as suggested here, the only available choice would be "Release"). This affords the opportunity to review those reports, in "Added" status, the day after submission to ensure records in the report are correct and ready for processing. This review step might prevent situations like that recently experienced by an employer who accidentally submitted a prior month's DTL2 records in the current regular report. The report processed correctly resulted in double-posting information for the previous month. All the duplicate records required removal though negative adjustment and re-submission of the current month's records as wage code 5 (positive adjustment) in an extremely large Demographic and Adjustment report, a time-consuming process for both the employer and PERS staff.

4) July 26, 2013 PERS Board Meeting: Assumed earnings rate and updated mortality factors.

At its July 26, 2013 meeting, the PERS Board directed its actuary, Milliman, to use an assumed earnings rate of 7.75 percent in the 2012 system valuation. The assumed rate will be embedded in a new Oregon Administrative Rule that is scheduled for adoption at the Board's September 27, 2013 meeting. The new assumed rate becomes part of updated actuarial equivalency factors (life expectancy tables) that will be effective January 1, 2014. The assumed has been set at 8 percent since 1989.

Lowering the assumed rate to 7.75 percent will decrease the retirement benefits for members who retire under the Money Match benefit calculation after December 1, 2013. It also increases employer contribution rates (by approximately 1.5 percent of payroll) to cover the reduced earnings projection, effective with rates for the 2015-17 biennium.

The assumed earnings rate is the annual investment return rate (including inflation) that the PERS Fund's regular account is expected to earn over the long term. It is used to establish employer contribution rates, calculate various retirement benefits (particularly Money Match), and for crediting Tier One member regular accounts with annual earnings. The PERS Board has statutory authority to regularly review and, if needed, adjust the assumed rate based on the PERS Fund's projected earnings.

The PERS Board also approved rolling-up and re-amortizing the existing multi-layered Tier One and Tier Two shortfall (as of December 31, 2013) over 20 years. This will help mitigate near-term employer contribution rate increases.

The Board also modified the employer rate collar structure used to spread larger employer rate increases over several biennia, while still maintaining an acceptable risk profile for the system. The rate collar improves the stability of employer rates by limiting the amount rates can increase or decrease from one biennium to the next. Any rate increase or decrease beyond that allowed by the collar is spread to future biennia.

The current collaring methodology allows an employer's rate to increase or decrease by three percent of payroll, or 20 percent of the previous biennium's rate, whichever is greater. If the employer's funded status drops below 80 or goes above 120 percent, the size of the collar increases in increments until it reaches a maximum of six percent of payroll or 40 percent of the previous rate at a funded status of 70 percent or 130 percent. The change moves the funded status at which the maximum collar amount is reached from the current 70/130 percent to 60/140 percent. The other features of the rate collar were not changed.

The 2012 system valuation, to be presented at the September 27, 2013 Board meeting, will have advisory employer contribution rates that show what 2015-17 employer rates would look like if they were calculated on actual 2012 investment returns and the assumed 2013 returns (the 2015-17 rates will be calculated on actual 2012 and 2013 investment returns). PERS will send advisory employer contribution rates to individual employers in October 2013.

Milliman's presentation from the July 26, 2013 PERS Board meeting is posted on the PERS website.

Best regards,