



Oregon

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Public Employees Retirement System

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May 29, 2009

TO: Members of the PERS Board
FROM: Steven Patrick Rodeman, Deputy Director
SUBJECT: Notice of Actuarial Equivalency Factors Rules:
OAR 459-005-0055, *Actuarial Equivalency Factors*
OAR 459-005-0058, *Adoption of New Actuarial Equivalency Factors*
OAR 459-005-0060, *Standards for the Adoption of New Actuarial Equivalency Factors*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Align the approval and implementation dates for actuarial equivalency factors with Board practice.
- Subject: Process for adopting actuarial equivalency factors.
- Policy Issues: None at this time.

BACKGROUND

The recommended rule changes to OAR 459-005-0055 align the approval and implementation dates for actuarial equivalency factors (AEFs) with PERS Board practice. Starting with the 2006 valuation, the PERS Board shifted the timing focus of the Experience Study, which is the basis for the new AEF tables, from odd numbered years to even numbered years so the odd-year valuations used to set rates can be conducted in a more timely manner. This allows PERS to provide new rates to employers several months earlier. Because the AEFs are based on the Experience Study, this rule needed to be changed to conform to the shift in the timing of the Experience Study. This rule change conforms to the actuary's new schedule by having future AEFs become effective as of January 1 of the subsequent even numbered year.

This rulemaking also repeals the obsolete rule 459-005-0058 and changes a citation in 459-005-0060 from 459-005-0055(4) to 459-005-0055(3).

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held on June 16, 2009 at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends on July 1, 2009 at 5:00 p.m.

LEGAL REVIEW

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

Notice – Actuarial Equivalency Factors rules

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IMPACT

Mandatory: No, but the changes will codify the Board's practice.

Impact: Allows PERS to provide new contribution rates to employers several months earlier so as to aid their budget setting needs

Cost: No cost.

RULEMAKING TIMELINE

April 15, 2009	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
May 1, 2009	<i>Oregon Bulletin</i> published the Notice. Notice was mailed to employers, legislators, and interested parties. Public comment period began.
May 29, 2009	PERS Board notified that staff began the rulemaking process.
June 16, 2009	Rulemaking hearing to be held at 2:00 p.m. in Tigard.
July 1, 2009	Public comment period ends at 5:00 p.m.
July 16, 2009	Staff will propose adopting the permanent rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

A public hearing will be held on June 16, 2009 at 2:00 p.m. The rules are scheduled to be brought before the PERS Board for adoption at the July 16, 2009 Board meeting.

B.4. Attachment 1 – OAR 459-005-0055, *Actuarial Equivalency Factors*

B.4. Attachment 2 – OAR 459-005-0058, *Adoption of New Actuarial Equivalency Factors*

B.4. Attachment 3 – OAR 459-005-0060, *Standards for the Adoption of New Actuarial Equivalency Factors*

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

1 **459-005-0055**

2 **Actuarial Equivalency Factors**

3 (1) Experience Study. The Director shall take steps to assure that the Board's
4 consulting actuary shall present the Experience Study required by ORS 238.605 to the
5 Board by September 1 of each *[even]* **odd** numbered year.

6 (2) Actuarial Equivalency Study. The Director shall take steps to assure, pursuant to
7 ORS 238.630(3)(g), that the Board's consulting actuary shall present an Actuarial
8 Equivalency Study to the Board as soon as practicable, but no later than the December 15
9 next following the presentation of the Experience Study described in section (1) of this
10 rule. Such Actuarial Equivalency Study shall review the assumptions and the actuarial
11 factors used to:

12 (a) Convert account balances to monthly allowances;

13 (b) Convert the standard form of benefit (ORS 238.300) to elective options with
14 various survivorship features (ORS 238.305); and

15 (c) Reduce service retirement allowances for early retirement (ORS 238.280).

16 (3) Adoption of actuarial equivalency factors.

17 *[(a) In computing the retirement allowance of members and alternate payees with*
18 *retirement dates from July 1, 2003, to January 1, 2005, the Board shall use actuarial*
19 *equivalency factor tables that are based on the mortality assumptions of the actuary's*
20 *2001 experience study adopted by the Board on September 10, 2002.]*

21 *[(b) Beginning effective January 1, 2005, the Board shall adopt actuarial*
22 *equivalency factor tables to be effective for January 1 of each odd numbered year.]*

1 (a) The Board shall adopt actuarial equivalency factor tables to be effective
2 January 1 of each even numbered year.

3 (b) Actuarial equivalency factor tables adopted under this section shall comply with
4 the standards set forth in OAR 459-005-0060.

5 (4) Calculation of retirement allowance under the Chapter 238 Program.

6 (a) The provisions of this section apply to any member or alternate payee with an
7 effective date of retirement on or after July 1, 2003, except for a person who is a judge
8 member on June 30, 2003, and who makes an election under ORS 238.565(4).

9 (b) PERS shall establish years of service, an account balance and final average salary
10 as of June 30, 2003, for each person described in subsection (a) of this section. The years
11 of service, account balance and final average salary shall be determined as provided in
12 section 40 of chapter 67, Oregon Laws 2003 (Enrolled HB 2003).

13 (c) For each person described in subsection (a) of this section, the Board shall
14 perform the following two calculations:

15 (A) "Regular" calculation. The Board shall calculate the retirement allowance using:

16 (i) The years of service, account balance and final average salary as of the effective
17 date of retirement;

18 (ii) All calculations applicable to the member under ORS 238.300(2);

19 (iii) The optional form of retirement allowance selected by the member at retirement
20 under ORS 238.300, 238.305, 238.320 or 238.325; and

21 (iv) The actuarial equivalency factor tables in effect on the effective date of
22 retirement.

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1 (B) “Look-back” calculation. The Board shall calculate the retirement allowance
2 using:

3 (i) The years of service, account balance and final average salary described in
4 subsection (b) of this section;

5 (ii) All calculations applicable to the member under ORS 238.300(2);

6 (iii) The optional form of retirement allowance selected by the member under ORS
7 238.300, 238.305, 238.320 or 238.325; and

8 (iv) The actuarial equivalency factor tables in effect on June 30, 2003.

9 (d) The retirement allowance shall be the higher of the amounts described in
10 paragraphs (c)(A) and (c)(B) of this section, payable as of the effective date of retirement.

11 (5) Death benefit payments. Any monthly payments to be made to a beneficiary
12 under ORS 238.390, 238.395 or 238.405 for a member who dies on or after May 9, 2003,
13 shall be calculated using the actuarial equivalency factor tables that are in effect on the
14 date that the first payment is due the beneficiary.

15 (6) Judge members. The actuarial equivalency factor tables in effect on June 30,
16 2003, shall be used to calculate the retirement allowance and surviving spouse pension of
17 a person who is a judge member on June 30, 2003, and who makes an election under
18 ORS 238.565(4), whether that election is made before, on or after June 30, 2003.

19 Stat. Auth: ORS 238.630 & 238.650

20 Stats. Implemented: ORS [238.605, 238.607 & 238.630\[\(3\)\(g\)\]](#)

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

1 ***[459-005-0058***

2 ***Adoption of New Actuarial Equivalency Factors***

3 *Pursuant to OAR 459-005-0055, the Board adopts the factors as described in the*
4 *2001 Actuarial Equivalency Factors report to be effective on July 1, 2003.*

5 *Stat. Auth: ORS 238.630 & ORS 238.650*

6 *Stats. Implemented: ORS 238.630(3)(g)]*

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

1 **459-005-0060**

2 **Standards for the Adoption of New Actuarial Equivalency Factors**

3 *[The Board shall adopt the actuarial equivalency factors used by PERS as described*

4 *in] **(1) When the Board adopts actuarial equivalency factors pursuant to** OAR 459-*

5 *005-0055*~~[(4)]~~**(3)**, *[according to the following]***the Board must consider:**

6 *[(1)]***(a)** Changes in mortality to reflect the best actuarial information on mortality

7 available at the time that new actuarial tables are adopted; **and**

8 *[(2)]***(b)** Changes in the assumed rate adopted by the Board for the latest actuarial

9 valuation if they are determined by the Board, in consultation with the PERS actuary, to

10 be statistically significant.*[: and]*

11 *[(3)]***(2)** The mortality tables *[shall]* **must** be combined with respect to gender and

12 membership classification to derive unisex actuarial equivalency factors. The blending of

13 the mortality assumptions shall be performed by the Board's consulting actuary in

14 accordance with generally recognized and accepted actuarial principles and practices.

15 Stat. Auth: ORS 238.630 & ORS 238.650

16 Stats. Implemented: ORS **238.607 &** 238.630~~[(3)]~~*(g)*