



Oregon

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Public Employees Retirement System

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January 29, 2010

TO: Members of the PERS Board
FROM: Steven Patrick Rodeman, Deputy Director
SUBJECT: ETOB Study Process Update

On January 29, 2010, Matt Larrabee of Mercer will present an update on the status of the Equal To or Better Than (ETOB) testing process. These tests are proceeding based on the new administrative rules adopted by the PERS Board last year (copy attached). Mr. Larrabee's presentation will provide an update on the progress of gathering information about the employers' plans that will be subjected to the testing. He will also have a recommendation on one aspect of that testing: the method to be used to determine the "risk-free" rate of return specified in OAR 459-030-0025(3) that will be used to value aspects of the plans' benefits.

Mr. Larrabee will be asking the PERS Board to approve a methodology to determine the risk-free rate to be used in the ETOB testing process.

C.1. Attachment 1 – Division 30, Local Public Employer Retirement Plans for Police Officers and Fire Fighters

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

DIVISION 30

LOCAL PUBLIC EMPLOYER RETIREMENT PLANS FOR POLICE OFFICERS AND FIRE FIGHTERS

459-030-0009

Contents of the Petition

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

(a) The name of the public employer;

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

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

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

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

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

Stats. Implemented:

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

459-030-0011

"Equal To or Better Than" Exemption

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

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

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

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

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

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

Stat. Auth.: ORS 238.650

Stat. Implemented: ORS 237.620, 237.635 & 237.637

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

459-030-0015

Actuarial Review

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

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

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

Stats. Implemented:

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

459-030-0025

Standards for Review of Police Officers and Firefighters Retirement Plans

(1) A determination whether a public employer provides retirement benefits to its police officers and firefighters that are equal to or better than the benefits that would be provided to them by PERS will be made as of the valuation date. The “valuation date” is the date set by the Board as of which the retirement benefits under the public employer’s retirement plan and the retirement benefits under the PERS Plan shall be compared.

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

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

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

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

(d) For each class of employees, the aggregate total retirement benefits provided by the public employer must be equal to or better than those provided by PERS to the equivalent class of employees.

(e) The retirement benefit for each individual employee need not be equal to or better than the particular benefit that employee would have received as a member of that employee’s equivalent class in PERS.

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

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

- (a) Only employer funded benefits shall be used as the basis for the test comparison.
 - (b) The Full Formula, Money Match, Formula Plus Annuity, and OPSRP Pension benefit formulas shall be used as the basis for valuing PERS benefits.
 - (c) Prior service benefits that depend on earnings shall be valued using a risk-free earnings rate, taking into consideration guaranteed plan returns.
 - (d) Future service benefits that depend on earnings shall be valued using a risk-free earnings rate, taking into consideration guaranteed plan returns.
 - (e) Lump sum/annuity conversions shall be valued using a risk-free earnings rate.
 - (f) Benefit comparisons shall use a hypothetical PERS member data standard for each demographic group.
- (4) In conducting an actuarial review of the public employer's retirement plan, the actuary retained by the Board will use its current actuarial assumptions for police officers and firefighters of public employers participating in PERS for those employees.
- (5) The Board will consider the cost of the benefits to be provided and the proportion of the cost being paid by the public employer and the participating police officers and firefighters. Whether the benefits are provided by contract, trust, insurance, or a combination thereof shall have no effect on the Board's determination.
- (6) In considering a public employer's retirement plan provisions, the Board may not value portability of pension credits, tax advantages, Social Security benefits or participation, any worker's compensation component of a public employer's retirement plan as determined by the employer or any portion of a benefit funded by the member.
- (7) The Board may not consider benefits provided by the PERS Plan under ORS 238.375–238.387 or benefits provided by the employer's retirement plan under 237.635–237.637. The employer must identify benefits paid to comply with 237.635–237.637.
- (8) Additional actuarial assumptions needed to evaluate the public employer's retirement plan may be considered by the Board's actuary to be consistent with assumptions specified in these rules. Any disputes as to the appropriateness of additional actuarial assumptions may be resolved by the Board in its sole discretion.

Stat. Auth: ORS 238.650

Stats. Implemented: ORS 237.620

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

459-030-0030

Board Action on Petition and Review of Order

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

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

Stat. Auth: ORS 238.650

Stats. Implemented: ORS 237.620, 237.635 & 237.637

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