

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD**

CHAPTER 459

DIVISION 005 - ADMINISTRATION

1 OAR 459-005-0055 is amended as follows:

2 **459-005-0055**

3 **Actuarial Equivalency Factors**

4 **(1) Experience Study. The Board’s consulting actuary shall present the**
5 **Experience Study required by ORS 238.605 to the Board by September 1 of each**
6 **even numbered year.**

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

13 **(a) Convert account balances to monthly allowances;**

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

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

17 **(3) Adoption of actuarial equivalency factors.**

18 **(a) In computing the retirement allowance of members and alternate payees**
with retirement dates from July 1, 2003, to January 1, 2005, the Board shall use

1 actuarial equivalency factor tables that are based on the mortality assumptions of
2 the actuary's 2001 experience study adopted by the Board on September 10, 2002.

3 (b) Beginning effective January 1, 2005, the Board shall adopt actuarial
4 equivalency factor tables to be effective for January 1 of each odd numbered year.

5 Actuarial equivalency factor tables adopted under this section shall comply with the
6 standards set forth in OAR 459-005-0060.

7 (4) Calculation of retirement allowance.

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

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

15 (c) For each person described in (a) above, the Board shall perform the
16 following two calculations:

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

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

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

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

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

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

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

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

8 (ii) The optional form of retirement allowance selected by the member under
9 ORS 238.300, 238.305, 238.320 or 238.325; and

10 (iii) The actuarial equivalency factor tables in effect on June 30, 2003.

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

14 (5) Death benefit payments. Any monthly payments to be made to a beneficiary
15 under ORS 238.390, 238.395 or 238.405 shall use the actuarial equivalency factors in
16 accordance with section 4 of chapter 68, Oregon Laws 2003 (Enrolled HB 2004).

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

22 *[(1) Pursuant to ORS 238.630(3)(g), the Board's consulting actuary shall perform an*
23 *Actuarial Equivalency Study following the completion of any Experience Study, pursuant*

1 *to ORS 238.605, that results in a change in the mortality or interest assumption used to*
2 *fund PERS. Such Actuarial Equivalency Study shall review the assumptions and the*
3 *actuarial factors used to:*

4 *(a) Convert account balances to monthly allowances;*
5 *(b) Convert the standard form of benefit (ORS 238.300) to elective options with various*
6 *survivorship features (ORS 238.305); and*
7 *(c) Reduce service retirement allowances for early retirement (ORS 238.280)*

8 *(2) The consulting actuary's report on the Actuarial Equivalency Study shall be presented*
9 *to the Board not later than 90 days, or as soon as practicable thereafter, following the*
10 *Board's formal acceptance, at a regularly scheduled meeting of the Board, of an*
11 *Experience Study that results in a change in the mortality or interest assumption used to*
12 *fund PERS.*

13 *(3) The consulting actuary's report shall recommend to the Board assumptions, factors*
14 *and the rationale for any recommended changes to the actuarial equivalency factors used*
15 *by the Public Employees' Retirement System (System).*

16 *(4) The Board shall adopt, reject, or modify and adopt as modified the consulting*
17 *actuary's recommended changes to the actuarial equivalency factors used by the System*
18 *within 60 days of receipt of the actuary's report on the Actuarial Equivalency Study, or as*
19 *soon as practicable thereafter, at a regularly scheduled meeting of the Board.*

20 *(a) Any changes to the System's actuarial equivalency factors shall be on the date*
21 *established by the Board upon adoption of the changes. Upon adopting any changes, the*
22 *Board shall establish the date those changes are effective.*

1 *(b) All changes to the System's actuarial equivalency factors shall be prospective only for*
2 *that portion of an allowance attributable to service as an active member beginning on or*
3 *after the effective date of the change.*

4 *(5) Notwithstanding subsection (4)(b) of this rule, for members who established*
5 *membership in PERS before January 1, 1999, as described in Oregon Laws 1995,*
6 *Chapter 654, Section 2, the Board shall not change a factor that would produce a lower*
7 *periodic or single benefit payment, and any change of factor(s) shall apply to the total*
8 *allow-ance payable.*

9 *(6) For members who establish membership in PERS on or after the date designated in*
10 *section (5) of this rule:*

11 *(a) Benefits shall be based on the set of actuarial equivalency factors in effect for each*
12 *segment of a member's active membership in PERS effective with the date of each new set*
13 *of actuarial equivalency factors.*

14 *(b) The calculation of benefits using different sets of actuarial equivalency factors as*
15 *described in subsection (4)(b) of this rule shall be as follows:*

16 *(A) For benefit calculations based on the Full Formula method (ORS 238.300(1)) and*
17 *(2)(a):*

18 *(i) The pension portion of the calculation which is provided by employer contributions*
19 *shall use the Service Pro-Rate Method defined in section (7) of this rule; and*

20 *(ii) The annuity portion of the calculation which is provided by employee contributions*
21 *shall use the Segment With Interest Method as defined in section (7) of this rule.*

22 *(B) For benefits based on the Money Match calculation (ORS 238.300(2)(b)(A)), the*
23 *annuity which is provided by employee contributions shall use the Segment With Interest*

1 *Method as defined in section (7) of this rule and that annuity shall be matched by a like*
2 *annuity provided by employer contributions.*

3 *(7) For purposes of this rule:*

4 *(a) "Service Pro-Rate Method" means that a benefit is pro rated based on an active*
5 *member's service time before and after an event.*

6 *(b) "Segment With Interest Method" means the member's ultimate account balance at*
7 *retirement is allocated into segments based on when the contributions were made.]*

Stat. Auth: ORS 238.630 & ORS 238.650

Stats. Implemented: ORS 238.630(3)(g)

Hist.: PERS 1-1993, f. 4-14-93, cert. ef. 5-1-93; PERS 6-1996, f. 8-13-96, cert. ef. 1-1-99