

Retirement Plan Rate Development

Public Employees Retirement System (PERS)

Based on the results of a bi-annual plan valuation, recommended contribution rates are developed to equal the sum of the Normal Cost Rate, a 26-year amortization of the Unfunded Actuarial Liability, and a charge for Post-Employment Healthcare Plans. The Normal Cost Rate provides a guaranteed pension benefit equal to 1.67% x years of service x final average salary and includes a disability benefit in addition to a retirement pension.

2001 Actuarial Valuation	All Employers	Tier I - (OUS) - Tier 2	
Normal Cost Rate	12.32 %	11.43%	
UAL Amortization	<u>(2.36)</u>		
Employer Pension Rate	9.96		
Post-Employment Healthcare Plans	<u>0.68</u>	<u>0.28%</u>	
Total Employer Rate (Avg.)	10.64%	11.31%	11.71%

Normal Cost Rate = the cost assigned to an average member for a given year such that, if contributed each year starting with the date of membership, it would meet the continuing costs of the benefit, expressed as a rate.

Optional Retirement Plan

The employer contribution rate is the rate developed by PERS for the participant's date of hire. Methodology for tier development is controlled by ORS 243.800 and OAR 459-005-0320¹. Note, the ORP does not provide a post-retirement healthcare plan benefit or disability benefit, and account values are based on investment earnings on contributions, which are sensitive to contribution volume and rates of return over time.

ORS 243.800(9)

(9) The State Board of Higher Education shall contribute monthly to the optional retirement plan authorized under this section the percentage of salary of each employee participating in the plan equal to the percentage of salary that would otherwise have been contributed as an employer contribution on behalf of the employee to the Public Employees Retirement System if the employee had not elected to participate in the optional retirement plan.

OAR 459-005-0320(1)

(1) Upon request by the State Board of Higher Education, (OSSHE), the Public Employees Retirement System (PERS) shall determine the appropriate employer contribution rate to an Optional Retirement Plan (ORP) based on the tier of benefits that an employee would otherwise be eligible for had the employee not elected to participate in an ORP as follows:

- (a) If the employee was eligible for benefits under Tier One, the applicable employer contributions that are actuarially determined to fund Tier One benefits; or
- (b) If the employee was eligible only for Tier Two benefits, the applicable employer contributions that are actuarially determined to fund Tier Two benefits.

¹OAR 459-005-0320 is in rulemaking for amendment by PERS. As of October 16, 2003, PERS is recommending that rate assignment by tier be deleted from the rule because PERS does not have controlling authority over the Optional Retirement Plan.