July 22, 2003

Gregory A. Hartman
Bennett, Hartman, Morris & Kaplan
851 SW Sixth Avenue, Suite 1600
Portland, OR 97204-1376

Re: Merlene Martin (Tier One) – Estimated PERS damages attributable to House Bills 2003 and 2004

Dear Mr. Hartman:

At your request, I have determined the estimated loss in the Member's monthly retirement benefit attributable to the recent PERS legislation signed by the Governor May 9, 2003.

Data for the calculation were provided by the Member through your office. The data consisted of the 2002 Member's Annual Statement and an Active Employee Questionnaire completed by the Member. I understand that this information will be included in the affidavit filed with the court.

The three components of the total damage are as follows:

1) Introduction of the new actuarial factors with "look back" with no other changes (called "new factors"), HB 2004, HB 2003 § (40),

2) No earnings for Tier I Member Regular accounts for calendar 2003, 2004 and 2005 for Members retiring after March 31, 2004 with no other changes (called "8%"), HB 2003 §§ (5), (6) & (7) and

3) The diversion of the 6% Member or "pick-up" contribution to a Transition account beginning in calendar 2004 with no other changes (called 6%), HB 2003 §§ (1), (2) & (13).

The results of the calculations are summarized on the following page. The attached five page spreadsheet provides the data used in the calculations together with further details of the calculations.

The assumptions used in the calculations are those used by the PERS system unless otherwise noted in the attached analysis.

The Total Estimated Monthly Benefit at retirement before the effects of the new legislation is $1,386.

Accordingly, the estimated damage to Member's monthly retirement benefit is as follows:

	$ Impact	% Impact
1) New factors damage	$98	7.07%
2) 8% damage	$223	16.09%
3) 6% damage	$232	16.74%
4) Total damage	$403*	29.08%*

* Due to the interplay of the individual damages, the total damage may not equal the sum of the individual damages.

Item 2 above is an approximation of the financial impact of modifying the 8% guarantee for the Tier I Member Regular account in the new legislation. The specific approach to quantifying this damage is based on the "PERS Update, General Information, Frequently Asked Questions" dated May 27, 2003 – The Reforms, Item 3. Restructure the Mechanism for Crediting Interest Earnings. The two key sentences in the third paragraph say:

> "By applying the new statutory provisions that allow for crediting zero interest to Tier I accounts, and crediting any actual earnings to the deficit shortfall, our financial advisors estimate it likely will take about 3 years to erase that shortfall. Effectively, Tier I accounts will be frozen for 3 or more years to erase the deficit."

Please give me a call if you have any questions.

Sincerely,

Bradford A. Creveling
ASA, EA, MAAA