

OREGON PUBLIC EMPLOYEES RETIREMENT BOARD

**Tuesday
May 11, 2004
2:00 p.m.**

**PERS
11410 SW 68th Parkway
Tigard, OR**

ITEM	PRESENTER
A. Administration	
1. Board Meeting Minutes a. January 26, 2004 b. April 12, 2004	DONNA ALLEN
2. Director's Report a. Forward Looking Calendar b. Budget Report / June E-Board c. HB2020 Update d. Miscellaneous	LAURIE WARNER DALE ORR KAREN CHAVEZ
3. Investment Report	RON SCHMITZ
B. Consent Action Items	
1. Appeal of Faye Burch	RODEMAN
2. Appeal of Sharon Miller	RODEMAN
C. Action and Discussion Items	
1. '05-'07 Preliminary Budget Concepts	ORR / DEFOREST
2. 2003 Earnings Crediting Results	ORR
3. Approve Internal Audit Plan	DALTON / STROUD
4. Policy on IAP 2004 Earnings and Losses	RODEMAN
5. Second Reading and Adoption of OAR 459-070-0900, <i>PERS/OPSRP Transitional Rules</i>	GRIMSLEY / RODEMAN
6. Adoption of Temporary Rule and Notice of Rulemaking for OAR 459-080-0150, <i>Employee Contributions to the IAP Account</i>	KRIPALANI / RODEMAN
7. First Reading of OAR 459-013-0280, <i>Calculation of Variable Match</i>	ROCKLIN / RODEMAN
8. Deferred Comp Advisory Committee Recommendation	BACON
9. Thomas Ewing, Chief Administrative Law Judge – Presentation on ALJ Issues	ROCKLIN
10. Director Appointment	PITTMAN
11. Board Governance Matters	PITTMAN
D. Executive Session Pursuant to ORS 192.660 (2) (h) and 40.225	
1. Litigation	LEGAL COUNSEL

Note: If you have a disability that requires any special materials, services or assistance, call (503) 603-7575 at least 48 hours before the meeting.

Michael Pittman, Chair * James Dalton * Thomas Grimsley * Eva Kripalani * Brenda Rocklin * Laurie Warner, Acting Executive Director

PUBLIC EMPLOYEES RETIREMENT BOARD

PERS Board Meeting

2:00 p.m.
May 11, 2004

Tigard, Oregon

MEETING 6-04-04
DATE

AGENDA A.1.a.
ITEM 5-11-04 Minutes

MINUTES

Board Members:

Mike Pittman, chair
Eva Kripalani
Brenda Rocklin
James Dalton
Thomas Grimsley

Staff:

Laurie Warner, Acting Director
Donna Allen
Marsha Bacon
Rick Howitt
Karen Chavez
Gloria English
Brian Harrington

David Crosley
Steve Delaney
Stephanie Gillette
Nancy Hill
Dale Orr
Jeff Marcic

Bob Davis
Steve Rodeman
Craig Stroud
Brendalee Wilson
Steve Rodeman
Brian DeForest

Others:

Mark Johnson
Cora Parker
Gordon Allen
Greg Hartman
Tricia Smith
Brian DeLashmutt
Barbara Sandoval
Maria Keltner

Paul Cleary
Steve Manton
Michelle Deister
Mary Botkin
Bob Andrews
Ron Schmitz
Denise Yunker
Wayne Cogenann

James Baker
BethAnne Darby
Keith Kutler
Gerald Lelack
Richard Gilbert
Karen Artiaco
Les Von Flue

Dallas Weyand
Tracy Holland
Pat West
Jason Stanley
Thomas Ewing
Denise Hall
Tom Chamberlain

Board Chair Michael Pittman called the meeting to order at 2:00 p.m.

ADMINISTRATION

A.1. BOARD MEETING MINUTES OF JANUARY 26, 2004

James Dalton moved and Eva Kripalani seconded to approve the minutes of the January 26, 2004 meeting as presented.

A.2. DIRECTOR'S REPORT

FORWARD LOOKING CALENDAR

Interim Director Laurie Warner presented the Forward Looking Calendar with a reminder that the June meeting has been moved to June 4 at 8:30 A.M. and there is no meeting in July.

BUDGET REPORT / JUNE E-BOARD

Fiscal Analysis Manager Dale Orr introduced Department of Administrative Services Budget Manager Brian DeForest. DeForest will be acting Budget Manager for PERS in developing PERS 2005 – 2007 budget and reviewing the process and reporting tools of the 2003 – 2005 budget. DeForest will work in all aspects of budget development and the budget execution process.

Orr presented the monthly budget report and stated that the March results did track closely to projected spending. Orr said while the ultimate plan is to manage within the budget, unforeseen legal costs and the alternative contribution projects were unplanned expenses.

Orr indicated there are potential costs related to the implementation of the revision of the variable calculation method. To find additional savings, DeForest and Orr will review projections and allocations between programs and implement a management plan that will determine the need for additional funds. Orr said for the June 4, meeting staff will present requests for the June 24 E-Board:

- Legal fees
- Funds for the 2003 Earnings Crediting Report
- IT report to the Joint Legislative Committee on Information Management and Technology (JLCIMT) for RIMS replacement

HB2020 UPDATE

Karen Chavez, Membership and Employer Relations, reported progress on the estimated contribution collection and increased employer support. Chavez presented an Employer Production report that illustrated the status of employer reporting. To encourage use of the contingency plan or jClarety reporting tools, Chavez indicated that all employers have been contacted and PERS staff teams are working to assist individual employers through the reporting process.

MISCELLANEOUS

In response to the Boards' request for a report on PERS legal support, Warner presented a matrix of PERS issues and responsible counsel for various legal issues.

A.3. INVESTMENT REPORT

Oregon Director of Investments Ron Schmitz provided a 12 -month report on the net asset value of the total retirement funds including both regular and variable accounts. Schmitz provided an analysis of the growing retirement fund and said the year-to-date total fund return was 4.3 percent.

CONSENT ACTION ITEMS

B.1. CONTESTED CASE HEARING OF FAYE BURCH

Policy, Planning, and Legislative Analysis Group Manager Steve Rodeman answered Board questions and reviewed the PERS staff process to guide members through the various retirement choices.

It was MOVED by Brenda Rocklin and seconded by Eva Kripalani to adopt the staff recommendation to adopt the draft final order as presented. Tom Grimsley voted no.
The motion passed.

B.2. CONTESTED CASE HEARING OF SHARON MILLER

It was MOVED by Tom Grimsley and seconded by Brenda Rocklin to adopt the staff recommendation to adopt the draft final order as presented.

The motion passed unanimously.

ACTION AND DISCUSSION ITEMS

C.1. 05' - 07' BUDGET POLICY PACKAGE CONCEPTS

Warner presented the 05' - 07' budget policy package indicating that this budget packet had been previously reviewed with staff by Board members Rocklin and Dalton and is now being presented to the Board for further review before final adoption at the August meeting.

DeForest said the over-all strategy for developing the 05'-07' budget was formed to move the agency through an important transition period and build a solid base for moving into the 07' - 09' biennium.

Orr provided a budget policy concept summary, previously viewed by the Board, that outlined what is to be considered and what is not included in the budget.

DeForest reviewed a summary of positions comparing the 03' - 05' and the 05' - 07' biennium. DeForest summarized the budget adoption from Legislative Adopted Budget through Emergency Board meetings.

C.2. 2003 EARNINGS CREDITING RESULTS

In response to a Board request, Orr provided the 2003 Final Earning Crediting report. Staff will present a final report for final review and Board approval at the June 4 meeting.

C.3. APPROVE INTERNAL AUDIT PLAN

Craig Stroud, Director of Internal Audits, presented the Internal Audit Plan for auditing agency processes for economy, efficiency, and compliance. Stroud provided an extensive risk assessment chart to demonstrate audit priorities.

Stroud recommended the Board approve three internal audits:

- Data Capture and Contribution Calculations: Wage and contribution data processed for PERS and OPSRP from January 2004 through April 2004.
- Trust Benefits and Payments: Audit for fictitious retirees or beneficiaries from January 2003 through December 2003.
- Data Annual Maintenance and Earning Allocation: Review defined benefit employer reserve accounts from July 2002.

It was MOVED by Eva Kripalni and seconded by Brenda Rocklin to adopt the three internal audits. The motion passed unanimously.

C.4. POLICY ON IAP 2004 EARNINGS AND LOSSES

Rodeman provided an overview, including background and development of the policy on IAP 2004 earnings and losses. Rodeman said the proposed policy will be a result of a collaborative effort of different sections of the agency and will address earnings on Individual Account Program (IAP)

accounts. Rodeman stated that staff is reviewing legal aspects with the Orrick legal team and will return to the June meeting with additional recommendations to the Board.

C.5. SECOND READING AND ADOPTION OF OAR 459-070-0900, PERS/OPSRP TRANSITIONAL RULES

Rodeman presented the proposed rule that would facilitate the administration of HB2020 and clarify and implement the provisions of this bill and replace the temporary rule adopted February 13, 2004.

It was MOVED by Eva Kripalani and seconded by Tom Grimsley to adopt the proposed rule modifications to OAR 459-070-0900 as presented, to be effective upon filing.
The motion passed unanimously.

C.6. ADOPTION OF TEMPORARY RULE AND NOTICE OF RULEMAKING FOR OAR 459-080-0150, EMPLOYEE CONTRIBUTIONS TO THE IAP ACCOUNT

Rodeman presented the history and background information for the temporary rule that is necessary to clarify and implement provisions of House Bill 2020. Rodeman said this rule would provide guidance to employers in identifying all employees who require IAP contributions.

It was MOVED by Eva Kripalani and seconded by Brenda Rocklin, with the removal of the word either on line 1, page 2 of the OAR, to adopt OAR 459-080-0150 as a temporary rule and direct staff to begin permanent rulemaking
The motion passed unanimously.

C.7. FIRST READING OF OAR 459-013-0280, CALCULATION OF VARIABLE MATCH

Rodeman said the purpose of the proposed rule was to calculate variable match in accordance with the City of Eugene litigation agreement.

Greg Hartman, legal counsel for the PERS Coalition stated that, in his opinion, there are limitations to Judge Lipscomb's ruling. Based on subsequent legislative decisions, Hartman asked the Board to analyze Lipscomb's ruling in developing and implementing the permanent rule.

PERS member Les Von Flue recommended that the Board make an immediate, and easy-to-understand decision for members who are considering pressing retirement.

Rodeman explained that we do not know how a one-time variable transfer will affect the difference between the variable-variable and the variable-regular account.

BethAnne Darby, Oregon Education Association, inquired about the accuracy and reliability of PERS Web site announcements being provided to members who are making retirement decisions.

Director Warner responded that staff has posted tools on the Web site that may assist retiring members evaluate individual accounts to make informed decisions based on this pending rule.

Rodeman said the Web site approximation tools were created to inform members, within certain parameters, of account status.

Customer Service Division Administrator Marsha Bacon said that member's accounts are unique in service time and eligibility. Bacon said there was staff dedicated to assisting members in determining retirement eligibility.

C.10. DIRECTOR APPOINTMENT

Chair Pittman announced the appointment of Paul Cleary as PERS' Executive Director.

It was MOVED by Brenda Rocklin and seconded by Eva Kripalani to appoint Paul Cleary PERS Executive Director at the top salary range forty-four. The motion passed unanimously.

C.9. THOMAS EWING, CHIEF ADMINISTRATIVE LAW JUDGE – PRESENTATION ON ALJ ISSUES

Chief Administrative Law Judge Thomas Ewing reviewed the history of the Administrative Law Judges (ALJs) and the Office of Administrative Hearings (OAHs). Ewing provided information regarding the relationship of the ALJ and PERS.

C.11. BOARD GOVERNANCE MATTERS

PERS Executive Director appointee Paul Cleary thanked the Board for their confidence and support and stated his dedication to an efficient and effectively managed agency. Cleary said his plans include reducing conflict and unnecessary litigation.

Denise Yunker of the Oregon University System spoke regarding employee contributions to the IAP account. Yunker said there appeared to be a structural problem with the statute for part-time or contingent workers in relation to this rule. Yunker asked the Board to consider a legislative amendment that may resolve the employee issues.

The Board requested that Steve Delaney of the Policy, Planning, and Legislative Analysis Group research this matter.

EXECUTIVE SESSION

Pursuant to ORS 192.660 (2) (h) and 40.255, the Board went into executive session.

There being no further business for the Board, the meeting was adjourned at 4:48 p.m.

Respectfully submitted,

Laurie Warner
Acting Executive Director

Prepared by Donna R. Allen, Executive Assistant

All meetings are recorded and the recordings are available to the public.