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Human Resource Consulting

Impact of Eugene Settlement

In our April 15 Board presentation, we estimated the impact of the Eugene settlement on PERS liabilities as of December 31, 2003. The following table reviews those estimates, breaking out the impact on benefits already in force.

	Post-Strunk Ruling	Impact of Eugene Settlement	Post Eugene Settlement
Actives Tier 1	\$16.6	\$(0.5)	\$16.1
Actives Tier 2	\$1.2	\$0.0	\$1.2
Judges	\$0.1	\$0.0	\$0.1
Inactives	\$4.5	\$(0.3)	\$4.2
Benefits in Force	\$23.8	\$(0.8)	\$23.0
Total Accrued Liability	\$46.2	\$(1.6)	\$44.6

The above estimates are based on the data, methods and assumptions used in the December 31, 2003 actuarial valuation, with modifications for valuing the Strunk ruling. In addition, the following assumptions have been incorporated to value the impact of the Eugene settlement:

- The Tier One interest credit for 1999 was reduced from 20.00% to 11.33%. We estimated this change to reduce Tier One active member account balances (post Strunk) as of December 31, 2003 by approximately 6.0%. This reduction is less than the immediate reduction would have been as of December 31, 1999 because it reflects the average impact of member contributions for 2000, 2001 and 2002.
- For these estimates, it is assumed that retirees who retired between April 1, 2000 and December 31, 2003, have their future benefits recalculated to reflect 1999 earnings crediting of 11.33% instead of 20.00%. The reduced benefit amount was previously estimated and provided to us by the prior actuary. We used this estimated benefit to value the impact of the Eugene settlement.
- We estimate the amount of benefits paid to retirees as of December 31, 2003 in excess of the benefit that would have been paid had 1999 earnings been credited at 11.33% to be approximately \$75 million.
- Please note that all of these estimates are as of December 31, 2003 and do not reflect any retirements or changes in value after that date.

As you know, Mercer Human Resource Consulting is not a law firm and cannot render legal advice. The estimates provided above are not intended to imply any opinion as to the legality of reducing the liabilities, in particular for benefits in force, as described above.

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