



March 7, 2019

TO: Members of the Capital Construction Subcommittee
FROM: Kevin Olineck, Director
SUBJECT: PERS Board Discussions - Actuarial Methods and Assumptions

2019 BOARD DISCUSSIONS on ACTUARIAL METHODS and ASSUMPTIONS

In 2013, the PERS Board approached their discussion about actuarial methods and assumptions over three separate meetings, to prepare for final approval of those factors in July 2013. This year, the Board will take another in-depth review of methods and assumptions over three meetings instead of two – April 1, May 31, and adoption July 26.

All meetings are open to the public. Meeting notices and materials are announced through govDelivery: <https://public.govdelivery.com/accounts/ORPERS/subscriber/new>

The slides from Milliman, the PERS actuaries, are available at the end of each 2013 Board packet. Outlines of their presentations follow, and we anticipate that Milliman will follow a similar presentation structure this year.

March 29, 2013

<https://www.oregon.gov/pers/Documents/Board-Meetings/2013/Board-Packet-3-29-13.pdf>

- Introduction to Actuarial Methods and Rate Calculations
 - Contribution Rate Development
 - Cost Allocation Method
 - Asset Measurement and Rate Smoothing
 - Shortfall Amortization Periods
 - Fundamental Cost Equation
- Shortfall Levels and Rate Increases
 - Shortfall Calculation and Growth
 - Effect of Rate Increases
- Stochastic Financial Projections
 - Models and Inputs
 - Interpreting Results
 - PERS Rate of Return
 - Base Contribution Rates
 - Net Contribution Rates
 - Funded Status

May 31, 2013

<https://www.oregon.gov/pers/Documents/Board-Meetings/2013/Board-Packet-5-31-13.pdf>

- Two-Year Rate-Setting Cycle
- Objectives for Actuarial Methods and Assumptions
- Fundamental Cost Equation and Governance Structure
- Long-Term Investment Return Assumption
 - Discount Rate Calculations
 - Effect of Return on Assumption of Amortization
 - Setting the Return Assumption
 - Investment Return 20-Year Forecasts
 - Effects of Lowering the Assumed Rate
- Cost Allocation Method
 - Impact of GASB Standards
- Shortfall Amortization
- Rate Collaring
- Economic Assumptions
 - Inflation
 - Real Wage Growth
 - Payroll Growth
 - OPSRP Administrative Expenses

July 26, 2013

<https://www.oregon.gov/pers/Documents/Board-Meetings/2013/Board-Packet-7-26-13.pdf>

- Two-Year Rate-Setting Cycle
- Objectives for Actuarial Methods and Assumptions
- Fundamental Cost Equation and Governance Structure
- Alternative Proposed Rate Setting Approach
- Actuarial Cost Allocation Method
- Shortfall Amortization
- Rate Collar
- Analysis of Recommended Changes
- Long-Term Investment Return Assumption
 - Uses of the Investment Return Assumption
 - Return Assumption and Shortfall
 - Guidance to Set the Return Assumption
 - Investment Return 20-Year Forecasts
 - Effects of Lowering the Return Assumption
- Highlights of Demographic Assumptions