

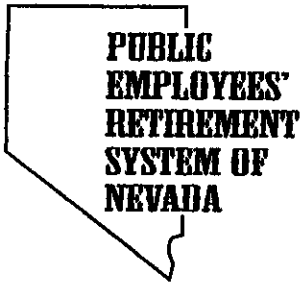
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Assembly Ways and Means Committee
George Pyne - Executive Officer
March 19, 2003 - Testimony

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Mr. Chairman, members of the committee, my name is George Pyne, Executive Officer of PERS. With me today is PERS' Operations Officer, Dana Bilyeu, and Investment Officer, Laura Wallace. Before Dana reviews PERS' administrative budget, I'd like to provide you with a summary of the scheduled contribution rate increases effective July 1, 2003.

By way of background, PERS contribution rates are adjusted if necessary, each odd-numbered year in accordance with the previous year's actuarial valuation. This is why we are now looking to the June 30, 2002 valuation to determine any adjustments in rates. Retirement statute also states that anytime rates are adjusted, the increase or decrease must be shared on an equal basis between the employee and employer.

The first graphic shows the actuarially determined contribution rates under the employer play contribution plan effective July 1, 2003. For regular members, the rate is 20.25%, which is 1.5% more than the present 18.75% statutory rate. By law, rates under the employer-pay contribution plan must be changed if the difference between the actuarial rate and statutory rate is greater than .5%.

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Again, any increases in contribution rates must be shared on an equal basis by employers and employees. Our actuary has reported that approximately 70% of the actuarial losses this year can be attributed to losses from investments. The remainder are various demographic losses to include members retiring with higher than expected pay.

The police and firemen's rate is 28.81% compared to 28.5% the current statutory rate. Because the spread between the two rates (actuarial and statutory) is less than .5% police/fire rates will remain at 28.5% beginning July 1, 2003.

In the next graphic, you can see essentially similar results for both funds for members contributing under the employee/employer contribution plan. Again, for regular members the aggregate rate is increasing 1.5% and the police and firemen's contribution rate will remain unchanged.

Mr. Chairman, that concludes my summary of the contribution rate increases that are scheduled to take effect July 1, 2003.