

# OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING

**Friday  
February 2, 2018  
10:00 A.M.**

**PERS  
11410 SW 68<sup>th</sup> Parkway  
Tigard, OR**

ITEM	PRESENTER
<b>A. Administration</b>	
1. December 1, 2017 Board Meeting Minutes	RODEMAN
2. Director's Report	
a. Forward-Looking Calendar	
b. OPERF Investment Report	
c. Budget Execution Report	
<b>B. Administrative Rulemaking</b>	
1. Notice of IRC and Social Security Limitations Rules	VAUGHN
2. Adoption of Post-Doctoral Scholar Rule	
3. Adoption of IAP Target Date Fund Rules	
<b>C. Action and Discussion Items</b>	
1. IAP TDF Implementation Update	ELLEDGE-RHODES
2. Legislative Update	TAYLOR
3. Preliminary 2017 Earnings Crediting and Reserving	DUNN, MARBLE
4. Strategic Plan Updates	DUNN, ELLEDGE- RHODES, MASANGA
<b>D. Executive Session Pursuant to 192.660(2)(h)</b>	
1. Litigation Update	LEGAL COUNSEL

There will be an Audit Committee meeting immediately following the regular Board meeting.

*Please contact 503.603.7621 in advance of the meeting to notify staff of your request to provide testimony at the meeting.  
Public testimony will be taken on action items at the Chair's discretion.*

<http://www.oregon.gov/PERS/>

**2018 Meetings:** • April 2\*    June 1    August 3\*    October 5 •    December 7\*    \* Audit Committee

Stephen Buckley    Krystal deAsis    Steve Demarest    Lawrence Furnstahl, Vice Chair    John Thomas, Chair    Steve Rodeman, Executive Director  
SL1

# OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING MINUTES

December 1, 2017

## **Board members present:**

Chair John Thomas, Stephen Buckley, and Steve Demarest were present. Vice-Chair Lawrence Furnstahl participated by phone.

## **Staff present:**

Linda Barnett, Dean Carson, Melanie Chandler, Jeff Cunningham, Mary Dunn, Brian Harrington, Neil Jones, Jordan Masanga, Tammy Ngyuen, Melissa Piezonka, Matt Rickard, Steve Rodeman, MaryMichelle Sosne, Jason Stanley, Marjorie Taylor, Stephanie Vaughn, AnneMarie Vu, Joli Whitney, Yong Yang

## **Others present:**

Kelli Blechschmidt, Steve Barrett, Nancy Brewer, Bob Burket, Nate Carter, Bob Davis, Jeff Gudman, Debra Grabler, Michelle Kunec-North, Matt Larrabee, Suzanne Linneen, Aruna Mashih, Sandra Montoya, Michelle Morrison, Scott Preppernau, Jeremy Rogers, Carol Samuels, Ted Sickinger, Michelle Wareing, Trudy Vidal, Peter Wong, James Young

Chair John Thomas called the meeting to order at 1:00 p.m.

Before starting with the scheduled meeting agenda, Chair Thomas started the meeting with a couple of remarks about PERS operations.

## **ADMINISTRATION**

### **A.1. MEETING MINUTES OF SEPTEMBER 29, 2017**

Board member Buckley moved and member Steve Demarest seconded approval of the minutes submitted from the September 29, 2017 Board meeting. The motion passed unanimously.

### **A.2. BOARD GOVERNANCE ASSIGNMENTS**

There were no changes to the assignments and the Board members will serve in the capacity as presented.

### **A.3. DIRECTOR'S REPORT**

Executive Director Steve Rodeman presented. He reviewed the Forward Looking Calendar and highlighted the important items to be considered by the Board during the new year. Meetings in 2018 will start at 10:00 a.m. instead of 1:00 p.m. The Audit Committee meeting scheduled for this meeting has been pushed to February 2, 2018 as Board Member Gema was unavailable to attend the December meeting.

Rodeman presented the Oregon Investment Council (OIC) Investment Report of the Oregon Public Employees Retirement Fund (OPERF) for the period ending October 31, 2017.

Rodeman presented the Budget Execution Report. Spending so far in this biennium is under budget with a current 3.9% projected positive variance.

### **A.4. BOARD SCORECARD REPORT ON AGENCY PERFORMANCE MEASURES**

Matt Rickard and MaryMichelle Sosne of the POBMS Council presented. Rickard reviewed the results and explained the background behind performance results which were not as expected. The next Board Scorecard will be presented at the June meeting. Sosne shared an update on the development of action plans and the positive outcomes in the results.

The Board discussed the time required to ramp up and train new staff to handle the complicated nature of processing retirement applications.

No Board action was required.

### **ADMINISTRATIVE RULEMAKING**

Stephanie Vaughn, Policy Analysis and Compliance Section Manager, presented.

#### **B.1. NOTICE OF POST DOCTORAL SCHOLAR RULE**

Vaughn presented notice of rulemaking for the Post-Doctoral Scholar rule, OAR 459-005-0300. This rule is being modified to implement provisions of SB 214 (2017) relating to post-doctoral scholars. A rulemaking hearing will be held December 20, 2017, at PERS Headquarters. The public comment period ends on January 5, 2018.

No Board action was required.

#### **B.2. ADOPTION OF TEMPORARY AND NOTICE OF IAP TARGET DATE FUND RULES**

Vaughn presented temporary rule modifications for adoption to OAR 459-007-001, -005, -0320, -0330 and -080-0015. These rules are needed to implement the new Target Date Fund (TDF) investment structure for Individual Account Programs (IAP) adopted by the Oregon Investment Council. The TDF investment structure will be put in place effective January 1, 2018.

In addition to the temporary rules, notice of permanent rulemaking for the same rules was provided. There will be a rulemaking hearing for the permanent rules on December 20, 2017. The public comment period ends on January 5, 2018.

Board members discussed policy considerations and asked clarifying questions.

Demarest moved to adopt temporary modifications to the IAP target date fund rules as presented. Buckley seconded the motion. The motion passed unanimously.

#### **B.3. ADOPTION OF ANNUAL BENEFIT LIMITATION RULE**

Vaughn presented modifications to the Annual Benefit Limitation rule OAR 459-005-0535. These changes are to respond to an audit finding on administration of determining compliance with the Internal Revenue Code's Section 415 limitations. A rulemaking hearing was held October 25, 2017, and the public comment period ended November 3, 2017. No public attended the hearing and no public comment was received.

Buckley moved to adopt modifications to the annual benefit rule as presented. Demarest seconded. The motion passed unanimously.

#### **B.4. ADOPTION OF EMPLOYER SIDE ACCOUNT RULES**

Vaughn presented modifications to the Employer Side Account Rules OAR 459-009-0084, -0085, -0086 and -0090. These modifications are being made to establish new policies and clarify existing policies regarding employer lump-sum payments and employer side accounts.

PERS held two public hearings; one on June 27 and one on October 25, 2017. Nancy Brewer representing the city of Corvallis attended the first hearing and no public attended the second hearing. There were two public comment periods; the first ended on July 7, 2017, and the second ended November 3, 2017. Public comments were received and included in the Board meeting materials for review.

Buckley moved to adopt new permanent rule and modifications to the employer side account rules as presented. Furnstahl seconded the motion. The motion passed unanimously.

### **ACTION AND DISCUSSION ITEMS**

#### **C.1. IAP TDF IMPLEMENTATION UPDATE**

Yvette Elledge-Rhodes, Deputy Director, presented. She reviewed the ongoing activities to implement the new target date fund (TDF) investment structure into the Individual Account Program (IAP). This new structure was adopted by the Oregon Investment Council (OIC) at their September 20, 2017 meeting with an effective date of January 1, 2018.

No Board action was required.

#### **C.2. FINAL CONTINGENCY RESERVE ALLOCATION**

Mary Dunn, Assistant Chief Administration Officer presented. With the passage of Senate Bill 1067 in 2017, a limit to the reserve account balance was put in place with a not to exceed amount of \$50 million. At the September 29, 2017 Board Meeting, staff provided options for reallocating the additional funds in the Contingency Reserve and sought input from stakeholders. No feedback has been received since the September meeting.

Demarest moved to move the balance of the Contingency Reserve above \$50 million to the Benefits In Force Reserve, earmarking \$2.5 million of the remaining reserve for resolving employer insolvencies. Furnstahl seconded the motion. The motion passed unanimously.

#### **C.3. DISASTER RECOVERY AND BUSINESS CONTINUITY UPDATE**

Chief Information Officer Jordan Masanga and Chief Compliance Audit and Risk Officer Jason Stanley presented. Masanga reviewed the agency's efforts to implement a disaster recovery program. Stanley reviewed the current Business Continuity Plan and next steps in designing a Business Continuity Management System.

No Board action was required.

#### **C.4. 2016 VALUATION AND FINANCIAL MODELING**

Matt Larrabee and Scott Preppernau of Milliman presented. The presentation reviewed long term financial modeling projections reflecting published investment results through September 30, 2017.

Rodeman shared a preview of an employer rate projection tool which will be available on the PERS website around the first of the year that will allow employers to evaluate possible future contribution rates and understand potential impact of creating side accounts.

No Board action was required.

C.5. ADOPTION OF ACTUARIAL EQUIVALENCY FACTOR TABLES

Buckley moved to adopt the actuarial equivalency factor tables as prepared by Milliman based on the 2016 valuation and experience study. Furnstahl seconded the motion. The motion passed unanimously.

Thomas adjourned the Board meeting at 2:52 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "S. Rodeman", written over a light gray rectangular background.

Steven Patrick Rodeman  
Executive Director

## **PERS Board Meeting Forward-Looking Calendar**

### **Monday, April 2, 2018**

Adoption of IRC and Social Security Limitations Rules  
Adoption of Disability Rules  
Notice of Public Records Rule  
Final 2017 Earnings Crediting and Reserving  
2018 Legislative Session Review  
Overview of 2019-21 Agency Strategic Initiatives  
Annual Report of Executive Director's Financial Transactions  
Audit Committee Meeting

### **Friday, June 1, 2018**

Adoption of Public Records Rule  
Board Scorecard Report on Agency Performance Measures  
2019-21 Agency Budget Development  
2019 Retiree Health Insurance Plan Renewals and Rates  
OSGP Advisory Committee Appointments

### **Friday, August 3, 2018**

2019-21 Agency Request Budget  
2017 System Wide Valuation Results  
Audit Committee Meeting

### **Friday, October 5, 2018**

Member & Employer Survey Results  
2017 Actuarial Valuation and 2019-21 Employer Rates

### **Friday, December 7, 2018**

Board Scorecard Report on Agency Performance Measures  
Financial Modeling  
Audit Committee Meeting

Returns for periods ending DEC-2017

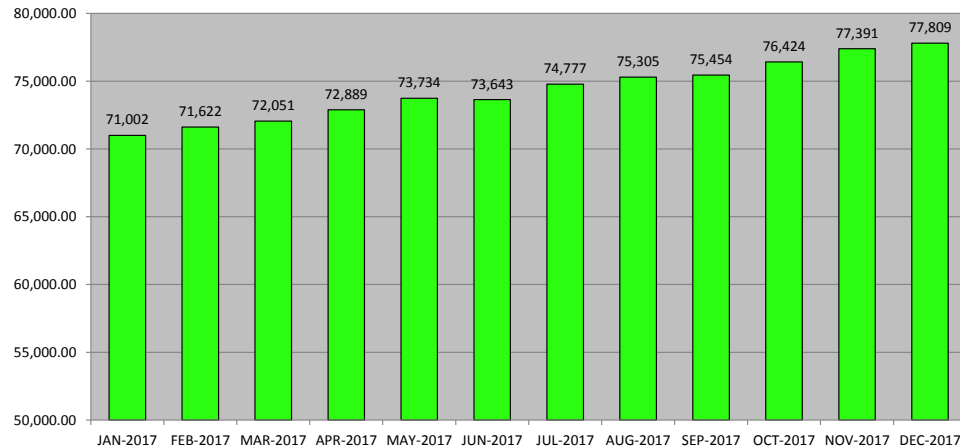
Oregon Public Employees Retirement Fund

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy <sup>1</sup>	Target <sup>1</sup>	\$ Thousands <sup>2</sup>	Actual	Year-To-Date <sup>3</sup>	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
Public Equity	32.5-42.5%	37.5%	\$ 31,997,616	41.4%	24.46	24.46	16.90	10.32	8.52	11.93	9.56	5.59
Private Equity	13.5-21.5%	17.5%	\$ 14,679,574	19.0%	17.32	17.32	11.66	10.18	11.58	12.49	12.56	8.85
<b>Total Equity</b>	<b>50.0-60.0%</b>	<b>55.0%</b>	<b>\$ 46,677,190</b>	<b>60.5%</b>								
Opportunity Portfolio	0-3%	0%	\$ 1,567,592	2.0%	6.64	6.64	4.63	3.79	5.03	6.95	7.71	6.92
<b>Total Fixed</b>	<b>15-25%</b>	<b>20.0%</b>	<b>\$ 16,034,235</b>	<b>20.8%</b>	3.73	3.73	3.40	2.44	2.71	2.37	4.01	5.15
Real Estate	9.5-15.5%	12.5%	\$ 7,576,062	9.8%	10.05	10.05	8.96	9.27	10.47	10.94	11.82	5.32
Alternative Investments	0-12.5%	12.5%	\$ 5,041,662	6.5%	8.30	8.30	7.45	3.38	3.64	4.11		
Cash w/Overlay	0-3%	0%	\$ 299,296	0.4%	1.34	1.34	1.27	1.01	0.89	0.84	0.85	1.05
<b>TOTAL OPERF Regular Account</b>		<b>100.0%</b>	<b>\$ 77,196,038</b>	<b>100.0%</b>	15.31	15.31	11.10	7.98	7.81	9.32	8.97	6.01
<b>OPERF Policy Benchmark</b>					15.64	15.64	12.24	8.56	8.48	9.87	9.45	6.41
Value Added					(0.33)	(0.33)	(1.14)	(0.58)	(0.68)	(0.55)	(0.48)	(0.40)
<b>TOTAL OPERF Variable Account</b>			<b>\$ 612,505</b>		24.37	24.37	16.30	9.93	8.46	11.36	9.20	5.29

Asset Class Benchmarks:

Russell 3000	21.13	21.13	16.86	11.12	11.48	15.58	13.50	8.60
OREGON MSCI ACWI EX US IMI NET	27.81	27.81	15.52	8.38	5.17	7.22	5.15	2.24
MSCI ACWI IMI NET	23.95	23.95	15.89	9.52	8.07	11.00	8.82	4.97
RUSSELL 3000+300 BPS QTR LAG	22.22	22.22	20.28	14.03	15.79	17.61	17.67	11.23
OREGON CUSTOM FI BENCHMARK	3.32	3.32	2.92	1.99	2.25	1.86	3.29	4.05
OREGON CUSTOM REAL ESTATE BENCHMARK	6.70	6.70	7.78	9.65	10.05	10.24	11.17	6.18
CPI +4%	6.19	6.19	6.17	5.70	5.47	5.48	5.76	5.64
91 Day Treasury Bill	0.86	0.86	0.59	0.41	0.32	0.27	0.22	0.39

**Total OPERF NAV**  
(includes Variable Fund asset)  
One year ending DEC-2017  
(\$ in Millions)



<sup>1</sup>OIC Policy revised June 2015.

<sup>2</sup>Includes impact of cash overlay management.

<sup>3</sup>For mandates beginning after January 1 (or with lagged performance), YTD numbers are "N/A". Performance is reflected in Total OPERF. YTD is not annualized.



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

Headquarters:  
11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR  
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P.O. Box 23700  
Tigard, OR 97281-3700  
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February 2, 2018

TO: Members of the PERS Board  
FROM: Linda M. Barnett, Budget Officer  
SUBJECT: February 2018 Board Report

### 2017-19 OPERATIONS BUDGET

Operating expenditures for November 2017 and preliminary expenditures for December 2017 were \$3,310,272 and \$3,193,181 respectively. Final expenditures for December closed in the Statewide Financial Management System (SFMS) on January 12, 2018, and will be included in the April 2018 report to the Board.

- To date, through the first six months (or 25.0%) of the 2017-19 biennium, the Agency has expended a total of \$20,673,438 or 21.0% of PERS' legislatively approved operations budget of \$98,448,004.
- The current projected positive variance is \$4,228,121 or approximately 4.3% of the operations budget.

### 2015-17 OPERATIONS BUDGET

Remaining 2015-17 expenditures paid in November 2017 and December 2017 were \$37,822 and \$93,879 respectively. PERS has now expended a total of \$97,536,251 or 91.2% of PERS' legislatively approved 2015-17 operations budget of \$106,949,449.

- The final positive variance is \$6,922,022, or 6.5% of the operations budget that was made available for expenditure. In addition to this variance, PERS was unable to spend \$2,491,176 or 2.3% of the Legislatively Approved Budget due to un-scheduling of funds by the Department of Administrative Services.
- The 2015-17 operations budget closed in SFMS on December 31, 2017. This is the final expenditure report for the 2015-17 biennium.

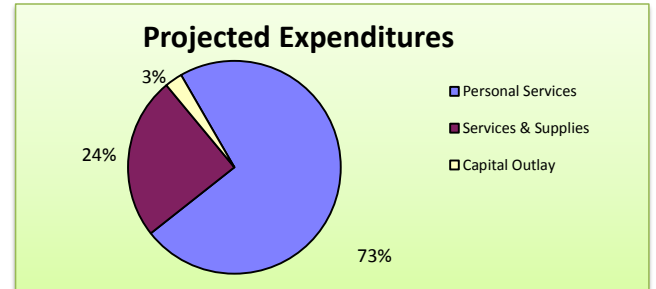
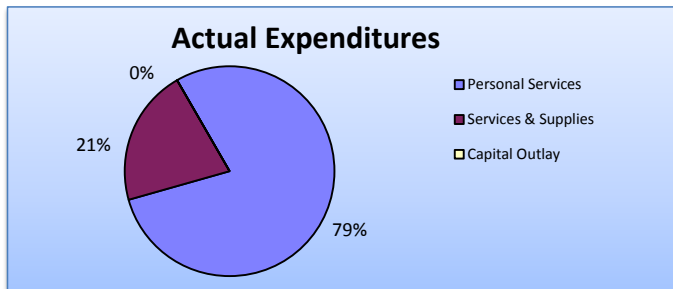


**2017-19 Agency-wide Budget Execution  
Summary Budget Analysis  
Preliminary For the Month of December 2017**

**Limited - Operating Budget**

**2017-19 Biennial Summary**

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2017-19 LAB	Variance
Personal Services	16,322,290	53,469,736	69,792,026	70,836,969	1,044,943
Services & Supplies	4,351,148	18,102,601	22,453,749	26,316,683	3,862,934
Capital Outlay	0	1,974,108	1,974,108	1,294,352	(679,756)
<b>Total</b>	<b>20,673,438</b>	<b>73,546,445</b>	<b>94,219,883</b>	<b>98,448,004</b>	<b>4,228,121</b>



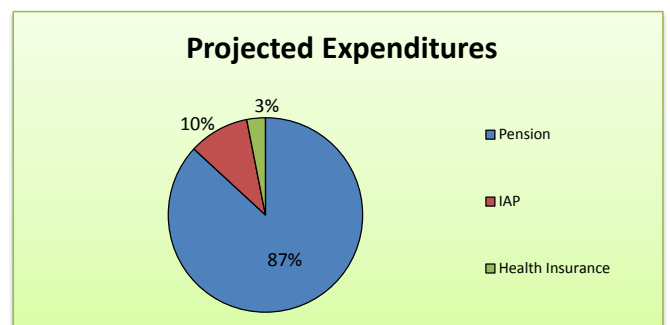
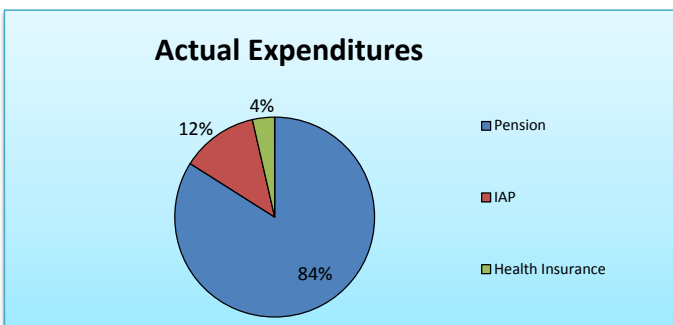
**Monthly Summary**

Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	2,659,957	2,945,717	285,760	2,720,382	2,970,541
Services & Supplies	533,224	450,841	(82,383)	725,191	1,005,700
Capital Outlay	0	0	0	0	109,673
<b>Total</b>	<b>3,193,181</b>	<b>3,396,558</b>	<b>203,377</b>	<b>3,445,573</b>	<b>4,085,914</b>

**Non-Limited Budget**

**2017-19 Biennial Summary**

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	1,971,828,205	7,509,561,341	9,481,389,546	9,122,000,000	(359,389,546)
IAP	292,253,701	867,958,446	1,160,212,147	1,056,900,000	(103,312,147)
Health Insurance	84,182,515	268,269,703	352,452,218	815,271,000	462,818,782
<b>Total</b>	<b>2,348,264,421</b>	<b>8,645,789,490</b>	<b>10,994,053,911</b>	<b>10,994,171,000</b>	<b>117,089</b>





# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR  
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February 2, 2018

TO: Members of the PERS Board

FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section

SUBJECT: Notice of Rulemaking for IRC and Social Security Limitations Rules:  
 OAR 459-005-0525, *Ceiling on Compensation for Purposes of Contributions and Benefits*  
 OAR 459-005-0545, *Annual Addition Limitation*  
 OAR 459-017-0060, *Reemployment of Retired Members*  
 OAR 459-080-0500, *Limitation on Contributions*

### OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Update rules to reflect the 2018 Internal Revenue Code (IRC) and Social Security annual compensation limitations for retirement contributions and benefits.
- Policy Issue: None identified.

### BACKGROUND

The Internal Revenue Service revises various dollar limits annually based on cost-of-living adjustments. These revisions are used throughout the PERS plan's statutes and rules, but revisions to the limits must be adopted by the legislature or PERS Board to be effective.

The proposed rule modifications incorporate these federal adjustments for calendar year 2018 and are necessary to ensure compliance with the federal limits on the amount of annual compensation allowed for determining contributions and benefits, annual benefits, and annual additions to PERS.

Also, under ORS 238.082, a Tier One or Tier Two retired member who is receiving Social Security benefits and who returns to PERS-covered employment may continue to receive their PERS retirement benefits so long as they work less than 1,040 hours or do not exceed any related Social Security annual compensation limits. The proposed modifications to OAR 459-017-0060 adopt the 2018 Social Security earnings limitations. For these increases to be effective, the PERS Board must adopt these rule modifications.

### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held February 27, 2018, at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends March 7, 2018, at 5:00 p.m.

### LEGAL REVIEW

The attached draft rules were submitted to the Department of Justice for legal review and any comments or changes will be incorporated before the rules are presented for adoption.

### IMPACT

**Mandatory:** Yes, statute requires the Board to update its rules to reflect revisions by the IRS and Social Security Administration.

**Impact:** Clarifies the limits for contributions and benefits under federal law for calendar year 2018.

**Cost:** There are no discrete costs attributable to the rules.

### RULEMAKING TIMELINE

January 29, 2018	Staff began the rulemaking process by filing a Notice of Rulemaking with the Secretary of State.
February 1, 2018	Secretary of State publishes the Notice in the Oregon Administrative Rules Database. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
February 2, 2018	PERS Board notified that staff began the rulemaking process.
February 27, 2018	Rulemaking hearing to be held at 2:00 p.m. at PERS in Tigard.
March 7, 2018	Public comment period ends at 5:00 p.m.
April 2, 2018	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

### NEXT STEPS

A rulemaking hearing will be held February 27, 2018, at 2:00 p.m. at PERS headquarters in Tigard. The rule is scheduled to be brought before the PERS Board for adoption at the April 2, 2018 Board meeting.

- B.1. Attachment 1 - 459-005-0525, *Ceiling on Compensation for Purposes of Contributions and Benefits*
- B.1. Attachment 2 - 459-005-0545, *Annual Addition Limitation*
- B.1. Attachment 3 - 459-017-0060, *Reemployment of Retired Members*
- B.1. Attachment 4 - 459-080-0500, *Limitation on Contributions*

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 005 – ADMINISTRATION**

1 **459-005-0525**

2 **Ceiling on Compensation for Purposes of Contributions and Benefits**

3 (1) The purpose of this rule is to assure compliance of the Public Employees  
4 Retirement System (PERS) with Internal Revenue Code (IRC) Section 401(a)(17)  
5 relating to the limitation on annual compensation allowable for determining contribution  
6 and benefits under ORS Chapters 238 and 238A.

7 (2) Definitions:

8 (a) “Annual compensation” means “salary,” as defined in ORS 238.005 and 238.205  
9 with respect to Chapter 238 and in 238A.005 with respect to Chapter 238A paid to the  
10 member during a calendar year or other 12-month period, as specified in this rule.

11 (b) “Eligible participant” means a person who first becomes a member of PERS  
12 before January 1, 1996.

13 (c) “Employer” means a “public employer” as defined in ORS 238.005, for the  
14 purposes of this rule as it applies to Chapter 238. For the purposes of this rule as it  
15 applies to Chapter 238A, an “employer” means a “participating public employer” as  
16 defined in 238A.005.

17 (d) “Noneligible participant” means a person who first becomes a member of PERS  
18 after December 31, 1995.

19 (e) “Participant” means an active or inactive member of PERS.

20 (3) For eligible participants, the limit set forth in IRC Section 401(a)(17) shall not  
21 apply for purposes of determining the amount of employee or employer contributions that  
22 may be paid into PERS, and for purposes of determining benefits due under ORS

1 Chapters 238 and 238A. The limit on annual compensation for eligible participants shall  
2 be no less than the amount which was allowed to be taken into account for purposes of  
3 determining contributions or benefits under former ORS 237.001 to 237.315 as in effect  
4 on July 1, 1993.

5 (4) For noneligible participants, the annual compensation taken into account for  
6 purposes of determining contributions or benefits under ORS Chapters 238 and 238A  
7 shall be measured on a calendar year basis, and shall not exceed [~~\$270,000~~] \$275,000 per  
8 calendar year beginning in [~~2017~~] 2018.

9 (a) The limitation on annual compensation will be indexed by cost-of-living  
10 adjustments in subsequent years as provided in IRC Section 401(a)(17)(B).

11 (b) A noneligible participant employed by two or more agencies or instrumentalities  
12 of a PERS participating employer in a calendar year, whether concurrently or  
13 consecutively, shall have all compensation paid by the employer combined for  
14 determining the allowable annual compensation under this rule.

15 (c) PERS participating employers shall monitor annual compensation and  
16 contributions to assure that reports and remitting are within the limits established by this  
17 rule and IRC Section 401(a)(17).

18 (5) For a noneligible participant, Final Average Salary under ORS 238.005 with  
19 respect to Chapter 238 and under 238A.130 with respect to Chapter 238A shall be  
20 calculated based on the amount of compensation that is allowed to be taken into account  
21 under this rule.

22 (6) Notwithstanding sections (4) and (5) of this rule, if the Final Average Salary as  
23 defined in ORS 238.005 with respect to Chapter 238 and as defined in 238A.130 with

1 respect to Chapter 238A is used in computing a noneligible participant’s retirement  
2 benefits, the annual compensation shall be based on compensation paid in a 12-month  
3 period beginning with the earliest calendar month used in determining the 36 months of  
4 salary paid. For each 12-month period, annual compensation shall not exceed the amount  
5 of compensation that is allowable under this rule for the calendar year in which the 12-  
6 month period begins.

7 (7) With respect to ORS Chapter 238, creditable service, as defined in 238.005, shall  
8 be given for each month that an active member is paid salary or wages and allowable  
9 contributions have been remitted to PERS, or would be remitted but for the annual  
10 compensation limit in IRC Section 401(a)(17). With respect to Chapter 238A, retirement  
11 credit as determined in 238A.140, shall be given for each month that an active member is  
12 paid salary or wages and allowable contributions have been remitted to PERS, or would  
13 be remitted but for the annual compensation limit in IRC Section 401(a)(17).

14 (8) The provisions of this rule are effective on January 1, 2004.

15 Stat. Auth.: ORS 238.630, 238.650, 238A.370 & 238A.450

16 Stats. Implemented: ORS chapters 238 & 238A

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 005 – ADMINISTRATION**

1 **459-005-0545**

2 **Annual Addition Limitation**

3 (1) Applicable Law. This administrative rule shall be construed consistently with the  
4 requirements of the Internal Revenue Code (IRC) Section 415(c) and the Treasury  
5 regulations and Internal Revenue Service rulings and other interpretations issued  
6 thereunder.

7 (2) Annual Addition Limitation. Except as otherwise provided in this rule, a  
8 member’s annual additions to PERS for any calendar year after ~~2016~~ 2017 may not  
9 exceed ~~[\$54,000]~~ \$55,000 (as adjusted under IRC Section 415(d)).

10 (3) Annual Additions. For purposes of this rule, the term “annual additions” has the  
11 same meaning as under IRC Section 415(c)(2).

12 (4) Permissive Service Credit. The following special rules shall apply with respect to  
13 purchases of permissive service credit, as defined in OAR 459-005-0540, Permissive  
14 Service Credit:

15 (a) If a member’s after-tax contributions to purchase permissive service credit are  
16 included in the member’s annual additions under section (3) of this rule, the member  
17 shall not be treated as exceeding the limitation under section (2) of this rule solely  
18 because of the inclusion of such contributions.

19 (b) With respect to any eligible participant, the annual addition limitation in section  
20 (2) of this rule shall not be applied to reduce the amount of permissive service credit to an  
21 amount less than the amount that could be purchased under the terms of the plan as in

1 effect on August 5, 1997. As used in this subsection, the term “eligible participant”  
2 includes any individual who became an active member before January 1, 2000.

3 (5) Purchase of Service in the Armed Forces Under ORS 238.156 or 238A.150. If a  
4 member makes a payment to PERS to purchase retirement credit for service in the Armed  
5 Forces pursuant to 238.156(3)(c) or 238A.150 and the service is covered under Internal  
6 Revenue Code Section 414(u), the following special rules shall apply for purposes of  
7 applying the annual addition limitation in section (2) of this rule:

8 (a) The payment shall be treated as an annual addition for the calendar year to which  
9 it relates;

10 (b) The payment shall not be treated as an annual addition for the calendar year in  
11 which it is made; and

12 (c) The member shall be treated as having received the following amount of  
13 compensation for the period of service in the Armed Forces to which the payment relates:

14 (A) The amount of compensation the member would have received from a  
15 participating employer had the member not been in the Armed Forces; or

16 (B) If the amount in paragraph (A) of this subsection is not reasonably certain, the  
17 member’s average compensation from the participating employer during the 12-month  
18 period immediately preceding the period of service in the Armed Forces (or, if shorter,  
19 the period of employment immediately preceding the period of service in the Armed  
20 Forces).

21 (6) The provisions of this rule are effective on January 1, 2004.

22 Stat. Auth.: ORS 238.630, 238.650, 238A.370 & 238A.450

23 Stats. Implemented: ORS 238.005 - 238.715, 238A.370



**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 017 – REEMPLOYED RETIRED MEMBERS**

1 **459-017-0060**

2 **Reemployment of Retired Members**

3 (1) For purposes of this rule, “retired member” means a member of the PERS  
4 Chapter 238 Program who is retired for service.

5 (2) Reemployment under ORS 238.082. A retired member may be employed under  
6 ORS 238.082 by a participating employer without loss of retirement benefits provided:

7 (a) The period or periods of employment with one or more participating employers  
8 total less than 1,040 hours in a calendar year; or

9 (b) If the retired member is receiving retirement, survivors, or disability benefits  
10 under the federal Social Security Act, the period or periods of employment total less than  
11 either 1,040 hours in a calendar year, or the total number of hours in a calendar year that,  
12 at the retired member’s specified hourly rate of pay, would cause the annual  
13 compensation of the retired member to exceed the following Social Security annual  
14 compensation limits, whichever is greater.

15 (A) For retired members who have not reached full retirement age under the Social  
16 Security Act, the annual compensation limit is ~~[\$16,920]~~ \$17,040; or

17 (B) For the calendar year in which the retired member reaches full retirement age  
18 under the Social Security Act and only for compensation for the months before reaching  
19 full retirement age, the annual compensation limit is ~~[\$44,880]~~ \$45,360.

20 (3) The limitations on employment in section (2) of this rule do not apply if the  
21 retired member has reached full retirement age under the Social Security Act.

22 (4) The limitations on employment in section (2) of this rule do not apply if:

1 (a) The retired member meets the requirements of ORS 238.082(4), (5), (6), (7) or  
2 (8), and did not retire at a reduced benefit under the provisions of ORS 238.280(1), (2) or  
3 (3);

4 (b) The retired member retired at a reduced benefit under ORS 238.280(1), (2) or  
5 (3), is employed in a position that meets the requirements of ORS 238.082(4), the date of  
6 employment is more than six months after the member’s effective retirement date, and  
7 the member’s retirement otherwise meets the standard of a bona fide retirement;

8 (c) The retired member is employed by a school district or education service district  
9 as a speech-language pathologist or speech-language pathologist assistant and:

10 (A) The retired member did not retire at a reduced benefit under the provisions of  
11 ORS 238.280(1) or (3); or

12 (B) If the retired member retired at a reduced benefit under the provisions of ORS  
13 238.280(1) or (3), the retired member is not so employed until more than six months after  
14 the member’s effective retirement date and the member’s retirement otherwise meets the  
15 standard of a bona fide retirement;

16 (d) The retired member meets the requirements of section 2, chapter 499, Oregon  
17 Laws 2007, as amended by section 1, chapter 108, Oregon Laws 2015;

18 (e) The retired member meets the requirements of section 2, chapter 475, Oregon  
19 Laws 2015;

20 (f) The retired member is employed for service during a legislative session under  
21 ORS 238.092(2);

22 (g) The retired member meets the requirements of ORS 238.088(2), and did not  
23 retire at a reduced benefit under the provisions of ORS 238.280(1), (2) or (3); or

1            (h) The retired member is on active state duty in the organized militia and meets the  
2 requirements under ORS 399.075(8).

3            (5) For purposes of population determinations referenced by statutes listed in this  
4 rule, the latest federal decennial census shall first be operative on the first day of the  
5 second calendar year following the census year.

6            (6) For purposes of ORS 238.082(6), a retired member replaces an employee if the  
7 retired member:

8            (a) Is assigned to the position of the employee; and

9            (b) Performs the duties of the employee or duties that might be assigned to an  
10 employee in that position.

11           (7) If a retired member is reemployed subject to the limitations of ORS 238.082 and  
12 section (2) of this rule, the period or periods of employment subsequently exceed those  
13 limitations, and employment continues into the month following the date the limitations  
14 are exceeded:

15           (a) If the member has been retired for six or more calendar months:

16           (A) PERS will cancel the member's retirement.

17           (i) If the member is receiving a monthly service retirement allowance, the last  
18 payment to which the member is entitled is for the month in which the limitations were  
19 exceeded.

20           (ii) If the member is receiving installment payments under ORS 238.305(4), the last  
21 installment payment to which the member is entitled is the last payment due on or before  
22 the last day of the month in which the limitations were exceeded.

1            (iii) If the member received a single lump sum payment under ORS 238.305(4) or  
2 238.315, the member is entitled to the payment provided the payment was dated on or  
3 before the last day of the month in which the limitations were exceeded.

4            (iv) A member who receives benefits to which he or she is not entitled must repay  
5 those benefits to PERS.

6            (B) The member will reestablish active membership the first of the calendar month  
7 following the month in which the limitations were exceeded.

8            (C) The member’s account must be rebuilt in accordance with the provisions of  
9 section (9) of this rule.

10           (b) If the member has been retired for less than six calendar months:

11           (A) PERS will cancel the member’s retirement effective the date the member was  
12 reemployed.

13           (B) All retirement benefits received by the member must be repaid to PERS in a  
14 single payment.

15           (C) The member will reestablish active membership effective the date the member  
16 was reemployed.

17           (D) The member account will be rebuilt as of the date that PERS receives the single  
18 payment. The amount in the member account must be the same as the amount in the  
19 member account at the time of the member’s retirement.

20           (8) For purposes of determining period(s) of employment in section (2) of this rule:

21           (a) Hours of employment are hours on and after the retired member’s effective  
22 retirement date for which the member receives wages, salary, paid leave, or other  
23 compensation.

1            (b) Hours of employment that are performed under the provisions of section (4) of  
2 this rule on or after the later of January 1, 2004, or the operative date of the applicable  
3 statutory provision, are not counted.

4            (9) Reemployment under ORS 238.078(1). If a member has been retired for service  
5 for more than six calendar months and is reemployed in a qualifying position by a  
6 participating employer under the provisions of 238.078(1):

7            (a) PERS will cancel the member’s retirement effective the date the member is  
8 reemployed.

9            (b) The member will reestablish active membership on the date the member is  
10 reemployed.

11           (c) If the member elected a benefit payment option other than a lump sum option  
12 under ORS 238.305(2) or (3), the last monthly service retirement allowance payment to  
13 which the member is entitled is for the month before the calendar month in which the  
14 member is reemployed. Upon subsequent retirement, the member may choose a different  
15 benefit payment option.

16           (A) The member’s account will be rebuilt as required by ORS 238.078 effective the  
17 date active membership is reestablished.

18           (B) Amounts from the Benefits-In-Force Reserve (BIF) credited to the member’s  
19 account under the provisions of paragraph (A) of this subsection will be credited with  
20 earnings at the BIF rate or the assumed rate, whichever is less, from the date of retirement  
21 to the date of active membership.

22           (d) If the member elected a partial lump sum option under ORS 238.305(2), the last  
23 monthly service retirement allowance payment to which the member is entitled is for the

1 month before the calendar month in which the member is reemployed. The last lump sum  
2 or installment payment to which the member is entitled is the last payment due before the  
3 date the member is reemployed. Upon subsequent retirement, the member may not  
4 choose a different benefit payment option unless the member has repaid to PERS in a  
5 single payment an amount equal to the lump sum and installment benefits received and  
6 the earnings that would have accumulated on that amount.

7        (A) The member’s account will be rebuilt as required by ORS 238.078 effective the  
8 date active membership is reestablished.

9        (B) Amounts from the BIF credited to the member’s account under the provisions of  
10 paragraph (A) of this subsection, excluding any amounts attributable to repayment by the  
11 member, will be credited with earnings at the BIF rate or the assumed rate, whichever is  
12 less, from the date of retirement to the date of active membership.

13        (e) If the member elected the total lump sum option under ORS 238.305(3), the last  
14 lump sum or installment payment to which the member is entitled is the last payment due  
15 before the date the member is reemployed. Upon subsequent retirement, the member may  
16 not choose a different benefit payment option unless the member has repaid to PERS in a  
17 single payment an amount equal to the benefits received and the earnings that would have  
18 accumulated on that amount.

19        (A) If the member repays PERS as described in this subsection the member’s  
20 account will be rebuilt as required by ORS 238.078 effective the date that PERS receives  
21 the single payment.

1 (B) If any amounts from the BIF are credited to the member’s account under the  
2 provisions of paragraph (A) of this subsection, the amounts may not be credited with  
3 earnings for the period from the date of retirement to the date of active membership.

4 (f) If the member received a lump sum payment under ORS 238.315:

5 (A) If the payment was dated before the date the member is reemployed, the member  
6 is not required or permitted to repay the benefit amount. Upon subsequent retirement:

7 (i) The member may choose a different benefit payment option.

8 (ii) The member’s retirement benefit will be calculated based on the member’s  
9 periods of active membership after the member’s initial effective retirement date.

10 (B) If the payment was dated on or after the date the member is reemployed, the  
11 member must repay the benefit amount. Upon subsequent retirement:

12 (i) The member may choose a different benefit payment option.

13 (ii) The member’s retirement benefit will be calculated based on the member’s  
14 periods of active membership before and after the member’s initial effective retirement  
15 date.

16 (iii) The member’s account will be rebuilt as described in ORS 238.078(2).

17 (g) A member who receives benefits to which he or she is not entitled must repay  
18 those benefits to PERS.

19 (10) Reemployment under ORS 238.078(2). If a member has been retired for less  
20 than six calendar months and is reemployed in a qualifying position by a participating  
21 employer under the provisions of 238.078(2):

22 (a) PERS will cancel the member’s retirement effective the date the member is  
23 reemployed.

1            (b) All retirement benefits received by the member must be repaid to PERS in a  
2 single payment.

3            (c) The member will reestablish active membership effective the date the member is  
4 reemployed.

5            (d) The member account will be rebuilt as of the date that PERS receives the single  
6 payment. The amount in the member account must be the same as the amount in the  
7 member account at the time of the member’s retirement.

8            (e) Upon subsequent retirement, the member may choose a different benefit payment  
9 option.

10           (11) Upon the subsequent retirement of any member who reestablished active  
11 membership under ORS 238.078 and this rule, the retirement benefit of the member must  
12 be calculated using the actuarial equivalency factors in effect on the effective date of the  
13 subsequent retirement.

14           (12) The provisions of paragraphs (9)(c)(B), (9)(d)(B), and (9)(e)(B) of this rule are  
15 applicable to retired members who reestablish active membership under ORS 238.078  
16 and this rule and whose initial effective retirement date is on or after March 1, 2006.

17           (13) Reporting requirement. A participating employer that employs a retired member  
18 must notify PERS in a format acceptable to PERS under which statute the retired member  
19 is employed.

20           (a) Upon request by PERS, a participating employer must certify to PERS that a  
21 retired member has not exceeded the number of hours allowed under ORS 238.082 and  
22 section (2) of this rule.



1 (b) Upon request by PERS a participating employer must provide PERS with  
2 business and employment records to substantiate the actual number of hours a retired  
3 member was employed.

4 (c) Participating employers must provide information requested under this section  
5 within 30 days of the date of the request.

6 (14) Sick leave. Accumulated unused sick leave reported by an employer to PERS  
7 upon a member’s retirement, as provided in ORS 238.350, may not be made available to  
8 a retired member returning to employment under sections (2) or (9) of this rule.

9 (15) Subsections (4)(c) and (4)(d) of this rule are repealed effective January 2, 2026.

10 (16) Subsection (4)(e) of this rule is repealed effective June 30, 2018.

11 Stat. Auth.: ORS 238.650

12 Stats. Implemented: ORS 238.078, 238.082, 238.088, 238.092, 399.075, 2007 OL  
13 Ch. 499 & 774, 2015 OL Ch. 108 & 475

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 080 – OPSRP INDIVIDUAL ACCOUNT PROGRAM**

1    **459-080-0500**

2    **Limitation on Contributions**

3       (1) Definitions. For purposes of this rule:

4       (a) “Annual addition” has the same meaning given the term in 26 U.S.C. 415(c)(2).

5       (b) “Compensation” has the same meaning given the term in 26 U.S.C. 415(c)(3)(A).

6       (2) Annual addition limitation. Except as otherwise provided in this rule, the annual  
7 addition to a member account for any calendar year may not exceed ~~[\$54,000]~~ \$55,000  
8 effective January 1, ~~[2017]~~ 2018.

9       (3) Payment for military service. If a payment of employee contributions for a period  
10 of military service is made under OAR 459-080-0100:

11       (a) The payment shall be treated as an annual addition for the calendar year(s) of  
12 military service to which it relates;

13       (b) The payment shall not be treated as an annual addition for the calendar year in  
14 which it is made; and

15       (c) For the purpose of allocating payments under this section, the member’s  
16 compensation shall be the amount described in OAR 459-080-0100(3)(d).

17       Stat. Auth.: ORS 238A.450

18       Stats. Implemented: ORS 238A.370



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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February 2, 2018

TO: Members of the PERS Board  
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section  
SUBJECT: Adoption of Post-Doctoral Scholar Rule:  
OAR 459-005-0300, *Post-Doctoral Scholar*

### OVERVIEW

- Action: Adopt modifications to the Post-Doctoral Scholar rule.
- Reason: Implement provisions of SB 214 (2017) relating to post-doctoral scholars.
- Policy Issue: None identified.

### BACKGROUND

The Oregon public universities and Oregon Health and Science University put forth Senate Bill 214 (2017), which excludes from PERS membership individuals who provide services to the universities as part of a post-doctoral research program. The bill became effective on January 1, 2018, and provides that individuals hired into positions classified by the universities as post-doctoral scholar positions are not considered “employees” or “eligible employees” for PERS purposes, and therefore are ineligible for membership in any programs administered under ORS Chapters 238 and 238A. Prior to the bill passage, such individuals were eligible for PERS membership.

Post-doctoral scholar positions are positions designed to provide short-term experience, training, and mentoring to new graduates before they transition to permanent employment in higher education or in the private sector. These positions are typically funded by federal research or training grants. By eliminating or reducing contributions to retirement programs in which post-doctoral scholars will likely never vest, the universities hope to be able to attract more post-doctoral scholars to their institutions. In this effort, the bill excludes post-doctoral scholars hired on or after January 1, 2018, from participation in PERS based upon the employment as a post-doctoral scholar, and provides them a separate retirement benefit option under an Optional Retirement Plan.

While statute provides the general requirements for a post-doctoral scholar position classification, further clarification in rule is necessary to ensure consistent administration. This rule further clarifies certain statutory provisions, ensuring that all universities use consistent standards in classifying a position as a “post-doctoral scholar” position.

### SUMMARY OF MODIFICATIONS TO RULE SINCE NOTICE

In section (2), staff deleted the word “reasonably” from the statement, “An employing institution of education may reasonably classify a person as a post-doctoral scholar” (if the person meets

certain criteria). “Reasonably” adds unnecessary ambiguity; either the person meets the criteria and may be classified as a post-doctoral scholar, or the person does not meet the criteria and may not be so classified. In subsection (2)(c), “The faculty member” was changed to “A faculty member” for grammatical purposes.

#### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held December 20, 2017, at 2:00 p.m. at PERS headquarters in Tigard. No members of the public attended. The public comment period ended January 5, 2018, at 5:00 p.m. No public comment was received.

#### LEGAL REVIEW

The attached draft rule was submitted to the Department of Justice for legal review and any comments or changes are incorporated in the rule as presented for adoption.

#### IMPACT

Mandatory: No.

Impact: Recent legislative amendments to PERS statutes created a new exclusion from membership in PERS of individuals employed in post-doctoral scholar positions. The proposed rule sets forth how the exclusion will be administered; and provides clarity and uniformity to ensure equitable and efficient administration of the new statutory provisions.

Cost: There are no discrete costs attributable to the rule.

#### RULEMAKING TIMELINE

November 22, 2017	Staff began the rulemaking process by filing a Notice of Rulemaking with the Secretary of State.
December 1, 2017	PERS Board notified that staff began the rulemaking process.
December 1, 2017	Secretary of State published the Notice in the Oregon Administrative Rules Database. Notice was sent to employers, legislators, and interested parties. Public comment period began.
December 20, 2017	Rulemaking hearing held at 2:00 p.m. at PERS in Tigard.
January 5, 2018	Public comment period ended at 5:00 p.m.
February 2, 2018	Board may adopt the permanent rule modifications.

#### BOARD OPTIONS

The Board may:

1. Pass a motion to “adopt the Post-Doctoral Scholar rule, as presented.”
2. Direct staff to make other changes to the rule or explore other options.

STAFF RECOMMENDATION

Staff recommends the Board choose Option #1.

- Reason: Implement provisions of SB 214 (2017) relating to post-doctoral scholars.

If the Board does not adopt: Staff would return with rule modifications that more closely fit the Board's policy direction if the Board determines that a change is warranted.

B.2. Attachment 1 – 459-005-0300, *Post-Doctoral Scholar*

OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 005 – ADMINISTRATION

1 459-005-0300

2 Post-Doctoral Scholar

3 (1) For purposes of this rule:

4 (a) “Employing institution of education” means a public university listed in  
5 ORS 352.002 or the Oregon Health and Science University.

6 (b) “Equivalent degree” means a terminal degree, the highest degree awarded  
7 in a given field of study, or a degree that under the facts and circumstances is  
8 equivalent to a doctoral degree.

9 (c) “Post-doctoral scholar” means a person employed in a position that meets  
10 the requirements of section 1 of Chapter 569, Oregon Laws 2017, and this rule.

11 (2) Under ORS 238.005(8)(f) and 238A.005(4)(i), post-doctoral scholars are not  
12 eligible for membership in the system. An employing institution of education is  
13 responsible for determining whether a person is employed as a post-doctoral  
14 scholar. An employing institution of education may classify a person as a post-  
15 doctoral scholar if:

16 (a) The position requires a doctoral or equivalent degree;

17 (b) The position is limited to a temporary and defined period of employment  
18 that shall not exceed five cumulative calendar years; and

19 (c) A faculty member of the employing institution of education provides the  
20 post-doctoral scholar with clinical or academic research training under formal  
21 mentorship.

1 (3) The post-doctoral scholar appointment shall be evidenced in writing by a  
2 letter of appointment, signed and dated by the post-doctoral scholar and the  
3 employing institution of education.

4 (a) The letter of appointment and related documentation shall reflect the  
5 following information:

6 (A) The duties and responsibilities of the training; and

7 (B) The period of appointment with starting and ending dates. If any changes  
8 such as renewals, extensions or early terminations are made during the  
9 appointment, the period of appointment shall be updated to reflect such changes.

10 (b) The letter of appointment shall be finalized no later than six months from  
11 the date of hire.

12 (c) The employing institution of education shall provide PERS with a copy of  
13 the letter of appointment and related documentation upon request.

14 (4) The provisions of this rule apply to persons hired on or after January 1,  
15 2018.

16 Stat. Auth.: ORS 238.650 & 238A.450

17 Stats. Implemented: ORS 243.800, OL 2017, Ch. 569



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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February 2, 2018

TO: Members of the PERS Board

FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section

SUBJECT: Adoption of IAP Target Date Fund Rules:  
OAR 459-007-0001, *Definitions*  
OAR 459-007-0005, *Annual Earnings Crediting*  
OAR 459-007-0320, *Crediting Earnings for IAP Account Lump Sum Payments*  
OAR 459-007-0330, *Crediting Earnings for IAP Account Installment Payments*  
OAR 459-080-0015, *Investment of IAP Account Balance*

### OVERVIEW

- Action: Adopt modifications to the IAP Target Date Fund rules.
- Reason: Implement the Target Date Fund (TDF) investment structure for the Individual Account Program (IAP) adopted by the Oregon Investment Council.
- Policy Issues: Discussed and addressed at temporary adoption on December 1, 2017.

### BACKGROUND

On September 20, 2017, the Oregon Investment Council (OIC) adopted a Target Date Fund (TDF) investment structure. This new investment structure groups member accounts together in TDFs based on the year of birth of the member and adjusts the investment allocation as each group approaches retirement. While the OIC has established the investment structure, PERS is responsible for administering the individual member accounts. To that end, as of January 1, 2018, PERS now allocates each member account to the appropriate TDF.

Prior to 2018, the IAP had one investment allocation across the fund and all members received the same rate of return. With different investment allocations for each TDF, they will each have a different rate of return. The purpose of the new rule and amendments to the existing rules is to explain how and when a member's IAP account will be allocated to a particular TDF. The modifications were adopted by the Board as temporary rules at the December 1, 2017 meeting, as the rules needed to be in effect beginning January 1, 2018, to implement the OIC's TDF investment structure. We are now seeking adoption of the same modifications as permanent rules.

### SUMMARY OF MODIFICATIONS TO RULES SINCE NOTICE

No modifications were made to the rules.

### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held December 20, 2017, at 2:00 p.m. at PERS headquarters in Tigard. No members of the public attended. The public comment period ended January 5, 2018, at 5:00 p.m. No public comment was received.



### LEGAL REVIEW

The attached rules were submitted to the Department of Justice for legal review and any comments or changes are incorporated in the rules as presented for adoption.

### IMPACT

Mandatory: Yes, to clarify implementation of the TDF investment structure adopted by the OIC.

Impact: The proposed rules benefit members by clearly explaining the new method of earnings crediting to member IAP accounts through TDFs.

Cost: There are no costs attributable to stating in rule how the TDFs will be administered.

### RULEMAKING TIMELINE

November 30, 2017	Staff began the permanent rulemaking process by filing Notice of Rulemaking with the Secretary of State.
December 1, 2017	Secretary of State published the Notice in the Oregon Administrative Rules Database. Notice was sent to employers, legislators, and interested parties. Public comment period began.
December 1, 2017	PERS Board adopted the new temporary rule and rule modifications.
December 20, 2017	Rulemaking hearing held at 2:00 p.m. at PERS in Tigard.
January 5, 2018	Public comment period ended at 5:00 p.m.
February 2, 2018	Board may adopt the permanent rule and rule modifications.

### BOARD OPTIONS

The Board may:

1. Pass a motion to “adopt modifications to the IAP Target Date Fund rules, as presented.”
2. Direct staff to make other changes to the rules or explore other options.

### STAFF RECOMMENDATION

Staff recommends the Board choose Option #1.

- Reason: The new rule and rule modifications are needed to implement the Target Date Fund investment structure adopted by the Oregon Investment Council.

If the Board does not adopt: Staff would return with rule modifications that more closely fit the Board’s policy direction if the Board determines that a change is warranted.

B.3. Attachment 1 - 459-007-0001, *Definitions*

B.3. Attachment 2 - 459-007-0005, *Annual Earnings Crediting*

B.3. Attachment 3 - 459-007-0320, *Crediting Earnings for IAP Account Lump Sum Payments*

B.3. Attachment 4 - 459-007-0330, *Crediting Earnings for IAP Account Installment Payments*

B.3. Attachment 5 - 459-080-0015, *Investment of IAP Account Balance*

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 007 – EARNINGS AND INTEREST DISTRIBUTION**

1    **459-007-0001**

2    **Definitions**

3           The words and phrases used in this division have the same meaning given them in  
4    ORS Chapter 238, 238A and OAR 459-005-0001. Specific and additional terms for  
5    purposes of this division are defined as follows unless context requires otherwise:

6           (1) “Annual rate” means the rates determined by the Board for crediting earnings to  
7    Tier One regular accounts, Tier Two regular accounts, IAP accounts, judge member  
8    regular accounts and member variable accounts, effective as of December 31 of each  
9    year.

10          (2) “Assumed rate” means the actuarial assumed rate of return on investments as  
11    adopted by the Board for the most recent actuarial valuation.

12          (3) “Average annualized rate” means the monthly rate provided by the Oregon State  
13    Treasury representing the rate credited to cash accounts.

14          (4) “Benefits-in-Force Reserve” or “BIF Reserve” means the reserve established  
15    under ORS 238.670(2).

16          (5) “Capital Preservation Reserve” means the reserve established under ORS  
17    238.670(3).

18          (6) “Contingency Reserve” means the reserve established under ORS 238.670(1).

19          (7) “Date of distribution” is the date inscribed on the check, warrant, or electronic  
20    transfer issued to or on behalf of the member, the member’s beneficiary, or an alternate  
21    payee.

22          (8) “Date of payment” means the date a payment is received by PERS.

1 (9) “Earnings” means all income or losses to the Fund from investments and other  
2 sources, but does not include member or employer contributions.

3 (10) “Retirement allocation fund” means the particular target date fund so  
4 designated by the Oregon State Treasury when it determines the investment  
5 allocation for all the target date funds.

6 (11) “Target date fund” means a fund with an investment allocation that is  
7 aligned with the member’s birth year.

8 ~~[(10)]~~(12) “Tier One Member Rate Guarantee Reserve” and “Rate Guarantee  
9 Reserve” mean the reserve referenced in ORS 238.255(1) that enables the Board to credit  
10 earnings at or above the assumed rate under the conditions specified in 238.255.

11 ~~[(11)]~~(13) “Year-to-date calculation” means the rates used to credit a pro-rata  
12 distribution of year-to-date earnings, allowing for reserves and expenses, to Tier One  
13 regular accounts, Tier Two regular accounts, IAP accounts, judge member regular  
14 accounts or member variable accounts. These rates are calculated by staff on a monthly  
15 basis using the market value of investments in the Fund as supplied by the Oregon State  
16 Treasury. Year-to-date calculations for Tier One member regular accounts will be  
17 determined in accordance with OAR 459-007-0003.

18 Stat. Auth.: ORS 238.650

19 Stats. Implemented: ORS 238

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 007 – EARNINGS AND INTEREST DISTRIBUTION**

1    **459-007-0005**

2    **Annual Earnings Crediting**

3           (1) For purposes of this rule, “remaining earnings” means earnings available for  
4    distribution to a particular account or reserve after deduction of amounts required or  
5    authorized by law for other purposes.

6           (2) Except as otherwise specified in this division, earnings on all accounts and  
7    reserves in the Fund shall be credited as of December 31 of each calendar year in the  
8    manner specified in this rule.

9           (3) Health insurance accounts. All earnings attributable to the Standard Retiree  
10   Health Insurance Account (SRHIA), Retiree Health Insurance Premium Account  
11   (RHIPA) or Retirement Health Insurance Account (RHIA) shall be credited to the  
12   account from which they were derived, less administrative expenses incurred by each  
13   account, as provided in ORS 238.410, 238.415 and 238.420, respectively.

14          (4) Employer lump sum payments. All earnings or losses attributable to the  
15   employer lump sum payment accounts established under ORS 238.229 shall be credited  
16   to the accounts from which they were derived.

17          (5) Member variable accounts. Earnings on the Variable Annuity Account shall first  
18   be used to pay a pro rata share of administrative expenses in accordance with ORS  
19   238.260(6). If the annual earnings from the Variable Annuity Account are insufficient to  
20   pay for the pro rata share of administrative expenses, those administrative expenses shall  
21   be paid from earnings on other accounts within the Public Employees Retirement Fund  
22   (PERF), if available. If earnings from those accounts within the PERF are insufficient to

1 pay for the administrative expenses, those expenses shall be paid from employer accounts  
2 as required by ORS 238.610. All remaining earnings or losses attributable to the Variable  
3 Annuity Account shall be credited to the participants of that account, as provided under  
4 238.260(6) and (7)(b).

5 (6) Individual Account Program accounts. Earnings on the Individual Account  
6 Program accounts shall first be used to pay a pro rata share of administrative expenses in  
7 accordance with ORS 238A.350(1). *[If the]* Losses on Individual Account  
8 Program target date funds *[experiences a loss, the loss]* shall be increased *[to pay]* by a  
9 pro rata share of administrative expenses. After administrative expenses, each  
10 Individual Account Program account shall be credited with the earnings or losses of  
11 the specific target date fund to which the account is allocated. *[All remaining*  
12 *earnings or losses attributable to the Individual Account Program shall be credited to the*  
13 *participant accounts of that program, as provided under 238A.350.]*

14 (7) Administrative expenses. Earnings attributable to Tier One regular accounts, the  
15 Tier One Rate Guarantee Reserve, Tier Two member regular accounts, judge member  
16 regular accounts, the OPSRP Pension Program reserve, employer contribution accounts,  
17 the Contingency Reserve, the Benefits-in-Force Reserve and the Capital Preservation  
18 Reserve shall first be used to pay the system’s remaining administrative expenses under  
19 ORS 238.610.

20 (8) Contingency Reserve.

21 (a) In any year in which total earnings on the Fund equal or exceed the assumed rate,  
22 an amount not exceeding seven and one-half percent of remaining earnings attributable to  
23 Tier One regular accounts, the Tier One Rate Guarantee Reserve, Tier Two regular  
24 accounts, Judge member regular accounts, the OPSRP Pension Program reserve, the

1 Benefits-in-Force Reserve, employer contribution accounts, the Capital Preservation  
2 Reserve and the Contingency Reserve shall be credited to the Contingency Reserve to the  
3 level at which the Board determines it is adequately funded for the purposes specified in  
4 ORS 238.670(1).

5 (b) The portion of the Contingency Reserve allowed under ORS 238.670(1)(a) for  
6 use in preventing a deficit in the fund due to employer insolvency may only be credited  
7 using earnings attributable to employer contribution accounts.

8 (9) Tier One Member Rate Guarantee Reserve. All remaining earnings attributable to  
9 Tier One regular accounts, the Tier One Member Rate Guarantee Reserve, Judge member  
10 regular accounts, the Benefits-in-Force Reserve, and the Contingency Reserve may be  
11 credited to the Tier One Member Rate Guarantee Reserve established under ORS  
12 238.255(1).

13 (10) Capital Preservation Reserve. Remaining earnings attributable to the Tier Two  
14 member regular accounts, Judge member regular accounts, OPSRP Pension Program  
15 reserve, employer contribution accounts, the Benefits-in-Force Reserve, the Contingency  
16 Reserve and the Capital Preservation Reserve may be credited from those sources to one  
17 or more reserve accounts that may be established under ORS 238.670(3) to offset gains  
18 and losses of invested capital.

19 (11) Tier One regular accounts. All remaining earnings attributable to Tier One  
20 regular accounts and the Tier One Rate Guarantee Reserve shall be credited to Tier One  
21 member regular accounts at the assumed rate in any year in which the conditions set out  
22 in ORS 238.255 have not been met. Crediting under this subsection shall be funded first  
23 by all remaining earnings attributable to Tier One regular accounts and the Tier One Rate  
24 Guarantee Reserve, then moneys in the Tier One Rate Guarantee Reserve.

1            (12) Judge member regular accounts. All remaining earnings attributable to Judge  
2 member regular accounts shall be credited to all active and inactive Judge member  
3 regular accounts at the Judge member rate. Crediting under this subsection shall be  
4 funded first by all remaining earnings attributable to the Judge member regular accounts  
5 and the Tier One Rate Guarantee Reserve, then moneys in the Tier One Rate Guarantee  
6 Reserve.

7            (13) Tier Two member regular accounts. All remaining earnings or losses  
8 attributable to Tier Two member regular accounts shall be credited to all active and  
9 inactive Tier Two member regular accounts under ORS 238.250.

10           (14) OPSRP Pension Program Reserve. Remaining earnings attributable to the  
11 OPSRP Pension Program Reserve, the Contingency Reserve, and the Capital Preservation  
12 Reserve may be used to credit the OPSRP Pension Program reserve.

13           (15) Benefits-in-Force Reserve. Remaining earnings attributable to the Benefits-in-  
14 Force Reserve, the Contingency Reserve, the Capital Preservation Reserve and employer  
15 contribution accounts, in that order, shall be used, to the extent available, to credit the  
16 Benefits-in-Force Reserve with earnings up to the assumed rate for that calendar year in  
17 accordance with ORS 238.670(2).

18           (16) Employer contribution accounts. All remaining earnings attributable to  
19 employer contribution accounts shall be credited to employer contribution accounts.

20           (17) Remaining earnings. Any remaining earnings shall be credited to accounts and  
21 reserves in the Fund at the Board's discretion.

22           Stat. Auth.: ORS 238.650, 238A.450

23           Stats. Implemented: ORS 238, 238A.350

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 007 – EARNINGS AND INTEREST DISTRIBUTION**

1 **459-007-0320**

2 **Crediting Earnings for IAP Account Lump Sum Payments**

3 (1) When an IAP member elects to withdraw their account(s) under ORS  
4 238A.375 or retires and elects to receive a lump sum payment of their account(s) under  
5 ORS 238A.400(1), earnings will be credited in the manner specified in this section.

6 (a) If earnings for the calendar year before the date of distribution have not been  
7 credited, earnings for that year will be credited based on the member's target date  
8 fund's latest IAP year-to-date calculation available for that year.

9 (b) Earnings credited for the calendar year of distribution will be credited based on  
10 the member's target date fund's latest IAP year-to-date calculation as of the first day of  
11 the calendar month of the date of distribution.

12 *[(2) When an IAP member elects to withdraw their account(s) under ORS 238A.375,*  
13 *earnings will be credited in the manner specified in this section.]*

14 *[(a) If earnings for the calendar year before the date of distribution have not been*  
15 *credited, earnings for that year will be credited based on the latest IAP year-to-date*  
16 *calculation available for that year.]*

17 *[(b) Earnings credited for the calendar year of distribution will be credited based on*  
18 *the latest IAP year-to-date calculation as of the first day of the calendar month of the*  
19 *date of distribution.]*

20 Stat. Auth.: ORS 238A.450

21 Stats. Implemented: ORS 238A.350, 238A.375 & 238A.400



**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 007 – EARNINGS AND INTEREST DISTRIBUTION**

1 **459-007-0330**

2 **Crediting Earnings for IAP Account Installment Payments**

3 (1) For the purposes of this rule, “monthly change rate” means the monthly earnings  
4 rate for IAP account(s) invested in the retirement allocation fund when a retiree elects  
5 installment payments.

6 (2) When an IAP member retires and elects to receive installment payments under  
7 ORS 238A.400(2), earnings will be credited in the manner specified in this rule:

8 (a) For the initial installment payment:

9 (A) If earnings for the calendar year before the date of distribution have not been  
10 credited, earnings for that year shall be credited based on the member’s target date  
11 fund’s latest IAP year-to-date calculation available for that year.

12 (B) Earnings credited for the calendar year of distribution will be credited based on  
13 the member’s target date fund’s latest IAP year-to-date calculation as of the first day of  
14 the calendar month of the initial date of distribution.

15 (b) After the initial installment payment is made, the member’s IAP account  
16 balance(s) will be transferred to the retirement allocation fund. E<sup>[e]</sup>arnings will be  
17 credited monthly using the latest monthly change rate beginning with the first of the  
18 month after the initial date of distribution.

19 Stat. Auth.: ORS 238A.450

20 Stats. Implemented: ORS 238A.350 & 238A.400

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 080 – OPSRP INDIVIDUAL ACCOUNT PROGRAM**

1 459-080-0015

2 Investment of IAP Account Balance

3 (1) Definitions. For the purposes of this rule:

4 (a) “Retirement allocation fund” has the same meaning as defined in OAR 459-  
5 007-0001(10).

6 (b) “Target date fund” has the same meaning as defined in OAR 459-007-0001(11).

7 (2) Each member’s IAP account balance will be invested in one of the target date  
8 funds based upon the member’s birth year.

9 (3) Once PERS accepts as administrable a divorce decree that awards a portion of  
10 a non-retired member’s IAP account to an alternate payee, PERS will administer the  
11 decree accordingly and the alternate payee IAP account will be allocated to a target  
12 date fund based on the alternate payee’s birth year. PERS will allocate the alternate  
13 payee’s IAP account to the appropriate target date fund effective December 31 of the  
14 last closed year for earnings crediting, as of the date PERS administers the decree.

15 (4) When a retired member who elected IAP installment payments reestablishes  
16 active membership, the member’s IAP account balance and any new IAP contributions  
17 will be allocated in the retirement allocation fund.

18 (5) When PERS is notified of the death of a non-retired member, the deceased  
19 member’s IAP account balance will be moved to the retirement allocation fund,  
20 effective December 31 of the last closed year for earnings crediting.

21 Stat. Auth.: ORS 238A.450

22 Stats. Implemented: ORS 238A.050



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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February 2, 2018

TO: Members of the PERS Board  
FROM: Yvette Elledge-Rhodes, Deputy Director  
SUBJECT: IAP Target-Date Fund Project Update

### BACKGROUND

At the September 20, 2017 Oregon Investment Council (OIC) meeting, the OIC adopted a new target-date fund (TDF) investment strategy for the Individual Account Program (IAP) effective January 1, 2018. This decision resulted in changes to the IAP investment structure by establishing target-date funds in five-year vintages that reflect gradually more conservative investment mixes as a member ages. This new strategy has now been implemented but there is still some important work yet to be completed.

### PROJECT ACTIVITIES

Since the December 1, 2017 PERS Board meeting, the project has met significant milestones. Initially, all activities were focused on any work that was to be completed by mid- to late-December so we were ready for the initial go-live date. These activities included:

- Migrating dates of birth to Voya;
- Deploying the necessary databases, tools, and reports for the Financial Administration Services and Operations Divisions to be able to go live;
- Adopting temporary Oregon Administrative Rules and completing business rules;
- Establishing the target-date funds (Alliance Bernstein - Glide Path Manager, Oregon State Treasury);
- Successfully moving \$8.7 billion of IAP assets into TDF vintages effective January 1, 2018;
- Communication to retired and active members via *Perspectives* newsletters;
- Notification of the investment change on the PERS website; and
- Proposing a \$200,000 budget increase for information technology costs of developing the needed tools.

Below are additional IAP/TDF activities that PERS will work on throughout 2018. An implementation team will define, document, and train on all new processes associated with the change to IAP accounts.

- Modify the processes and tools for annual and prior year earnings crediting to member IAP accounts;
- Modify the earnings crediting processes and tools for death, divorce, and all other distributions;
- Develop a quality assurance process for receiving and maintaining date of birth;

TDF Implementation Update

February 2, 2018

Page 2 of 2

- Additional opportunities for communication:
  - Updates to the IAP Voya.com and PERS websites;
  - Include an informational insert with 2017 Member Annual Statements;
  - Employer education on the importance of accurate date-of-birth records;
  - Updates to PERS member and employer publications and presentations; and
  - Update 2018 Member Annual Statements.

PERS staff will continue to update the Board as project implementation progresses.



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February 2, 2018

TO: Members of the PERS Board  
FROM: Marjorie Taylor, Senior Policy Director  
SUBJECT: Legislative Update

### **2018 LEGISLATIVE SESSION**

The 2018 Legislative Session begins Monday, February 5, and may end no later than Sunday, March 11, without approval to extend. PERS continues to be a topic of discussion and we will monitor a variety of bills through the process. As of Monday, January 22, the following bills were available on the legislative website and are related wholly, or in part, to PERS:

<b>Bill Number</b>	<b>Relating Clause</b>
HB 4012	Relating to reemployment of retired members of the Public employees Retirement System
HB 4017	Relating to bonds
HB 4046	Relating to salary under the Public Employees Retirement System
HB 4070	Relating to public employee retirement
HB 4079	Relating to retirement accounts for low income individuals
HB 4080	Relating to connection to federal tax law
HB 4112	Relating to payments under the Public Employees Retirement System subject to Oregon personal income tax
HB 4115	Relating to the retirement benefits of state officers
HB 4122	Relating to the status in the Public Employees Retirement System of police officers commissioned by universities
HB 4131	Relating to public employee retirement
HB 4151	Relating to bulk purchasing of prescriptions drugs
SB 1529	Relating to connection to federal tax law
SB 1546	Relating to judges
SB 1561	Relating to reducing state government costs
SB 1566	Relating to employer contributions to the Public Employees Retirement System

### **BUDGET and INFORMATION TECHNOLOGY REQUESTS or PRESENTATIONS**

During the January 10-12, 2018 legislative days, PERS reported to the Joint Committee on Information Management and Technology on the status of the following topics:

- Development and implementation of an industry standard Cyber Security Program, including defining the long-term maintenance, operation, and funding plans for the program;
- Status of the Individual Account Program;
- A comprehensive State Data Center usage analysis and report on the feasibility study findings;  
and

- Development and implementation of an industry standard Disaster Recovery Program, Business Continuity Program, and disaster recovery warm site.

We will report again on these topics during the February legislative session, but it was acknowledged that, due to the brevity of session, PERS may be not required to appear in committee to provide an update.

In preparation for the February session, we also filed budget and position requests with the Joint Interim Committee on Ways and Means for their consideration. Those requests included:

- **Target Date Fund Implementation** - *Request:* Increase Other Funds limitation by \$200,000 in the Information Services Division.
- **Security Officer Position** - *Request:* Increase Other Funds limitation \$176,661 in the Compliance, Audit, and Risk Division to establish an Information Security and Risk Officer permanent position effective March 1, 2018.
- **Technical Operations Staff Restoration** - *Request:* Increase Other Funds limitation by \$281,174 in the Information Services Division to establish Information Systems Specialist 6 and Information Systems Specialist 7 positions to be effective March 1, 2018, and reimburse \$206,000 for IT professional services.
- **IAP Administration Project Re-Baseline** - *Request:* Continue three limited duration Information Systems Specialists 6 positions through June 30, 2019. Additionally, provide the remaining IAP project balance of \$1,108,195 for IT Professional Services.
- **Actuarial Audit** - *Request:* Increase Other Funds limitation by \$80,000 in the Compliance, Audit, and Risk Division.

Ultimately, the Ways and Means Committee recommended that PERS return to the May Emergency Board for the IAP Administration request, but all other requests were approved for final action during the February legislative session.



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February 2, 2018

TO: Members of the PERS Board

FROM: Amanda Marble, Financial Reporting Coordinator  
Mary Dunn, Chief Administration Officer

SUBJECT: 2017 Preliminary Earnings Crediting and Reserving

### OVERVIEW

- Action: Preliminarily allocate 2017 earnings.
- Reason: ORS 238.670(5) requires PERS to submit a preliminary proposal to the appropriate legislative committee at least 30 days before making a final decision on earnings crediting.
- Subject: Crediting earnings for calendar year 2017 to the PERS Fund's accounts and reserves.

The PERS Board is charged with crediting the earnings from the PERS Fund each calendar year. Some of those allocations are directed by statute or rule; the balance are at the PERS Board's discretion.

### EARNINGS ALLOCATIONS DIRECTED BY STATUTE OR RULE

The following reserves and accounts are allocated earnings by applicable statute or rule. In compliance with these restrictions, the preliminary earnings allocation reflects the following:

1. **Administrative Expenses:** PERS administrative costs are funded by earnings when they are sufficient, as they were in 2017 (ORS 238.610(1)). As directed by House Bill 4155 (2014 Regular Session), the administrative costs to comply with Governmental Accounting Standards Board (GASB) 68 reporting standards were \$142,577, and will be recovered from earnings on employer's contributions.
2. **Health Insurance Accounts:** These accounts are created as part of the PERS Fund and directed by statute to be credited with actual earnings or losses, less the expense related to the administration of the programs (ORS 238.410(7); 238.415(4); 238.420(4)). For 2017, the preliminary crediting rate for these accounts is estimated to be 13.67% for RHIA, 8.91% for RHIPA, and 0.69% for SRHIA (invested in the Treasury Short-Term Fund).
3. **Employer Lump Sum Payment Accounts:** These accounts are credited with actual earnings or losses of the PERS Fund Regular Account less administrative expenses, as authorized by ORS 238.225. For 2017, the preliminary crediting rate for these accounts is estimated to average 16.48%.
4. **Variable Annuity Account:** This account is credited with earnings and losses on its distinct asset allocation of the PERS Fund. The Variable Annuity Account is only invested in equities and therefore its earnings are discrete from those of the more diversified PERS Fund Regular Account. For 2017, preliminary Variable Annuity Account earnings are estimated to be 26.45%

5. **Individual Account Program (IAP):** These member accounts are credited with actual earnings or losses of the PERS Fund Regular Account as required by ORS 238A.350 (1). Preliminary IAP earnings for 2017 are estimated to be 14.45% after deducting IAP expenses.
6. **Tier One Rate Guarantee Reserve:** This reserve, established under ORS 238.255(1), is used to fund crediting of the assumed rate to Tier One member regular accounts when earnings are more than the assumed rate. Because earnings on Tier One member regular accounts for 2017 exceed the assumed rate, those excess earnings will be credited to Tier One Rate Guarantee Reserve, resulting in a remaining balance of \$512.5 million.

#### CONTINGENCY RESERVE ALLOCATION

Senate Bill 1067(2017) limits Board crediting of funds to the Contingency Reserve; specifically, "...the board may not credit further amounts to the reserve account if the amounts in the reserve account exceed \$50 million."

Accordingly, at the December 1, 2017 meeting, the PERS Board adopted a Contingency Reserve funding level of \$50 million, with \$2.5 million earmarked for resolving employer insolvencies. As of December 31, 2017, the balance of the Contingency Reserve above \$50 million was moved to the Benefits in Force Reserve.

As the current balance of the Contingency Reserve is \$50 million, the staff recommends no additional allocation at this time.

#### 2017 PRELIMINARY ALLOCATIONS

The PERS Board's Annual Earnings Crediting rule (see OAR 459-007-0005, Attachment 3) directs the crediting to the Judge and Tier Two member regular accounts, as well as the OPSRP Pension Program, Benefits in Force, and Employer reserves. Staff recommends the following allocations be adopted preliminarily by the PERS Board:

**Non-Discretionary Allocations:** Credit administrative expenses, health insurance accounts, employer lump sum accounts, variable annuity accounts, and accounts in the Individual Account Program in the manner described above. Credit Tier One member regular accounts with the assumed earnings rate (7.50%) in effect during 2017.

**Judge Member Accounts:** Credit Judge Member Accounts with the assumed earnings rate (7.50%) in effect during 2017.

**Tier Two Member Regular Accounts:** Tier Two member regular accounts usually are credited with a proportional share of available PERS Fund Regular Account earnings, which will result in a preliminary rate of 15.12%.

**Benefits in Force and Employer Reserves:** Credit the Benefits in Force and Employer Reserves evenly with the remaining available PERS Fund Regular Account earnings. The preliminary crediting rate to those accounts is 15.12%.

It is worth noting that over the past two years, the net excess earnings over the assumed rate of 7.50% credited to the Benefits in Force, Employer, and OPSRP Pension reserves was \$3,581.7 million.



**BOARD ACTION – PRELIMINARY EARNINGS CREDITING**

The Board’s options for 2017 preliminary earnings crediting include:

1. Pass a motion to “adopt the preliminary crediting of earnings as presented for calendar year 2017, subject to final adoption at the April 2, 2018 PERS Board meeting.”
2. Pass a motion preliminarily allocating 2017 earnings in a different proportion, subject to final adoption at the April 2, 2018 PERS Board meeting.

**STAFF RECOMMENDATION**

Staff recommends the Board choose Option #1.

**NEXT STEPS**

Preliminary Earnings Crediting: Once the Board makes its preliminary allocation, staff will prepare and present the required report to the Joint Legislative Committee on Ways and Means. Any comments received from the committee will be presented to the Board prior to the final crediting decision at its meeting on April 2, 2018.

This preliminary action and the resulting report to the Legislature do not prohibit the PERS Board from changing its final decision, such as if new information becomes available. If the Board makes a significant change from its preliminary decision, staff will report the Board’s actions to the Legislature.

**Attachments:**

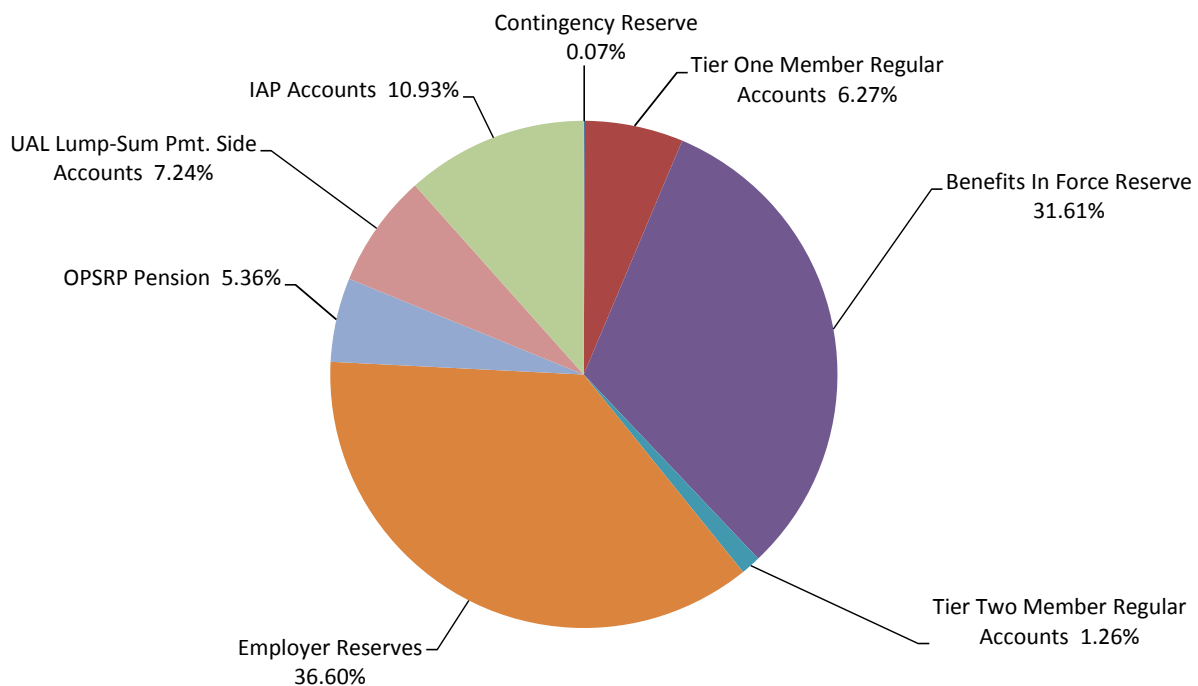
- C.3. Attachment 1 – Preliminary 2017 Accounts and Reserves Crediting
- C.3. Attachment 2 – ORS 238.670 – Reserve Accounts in Fund
- C.3. Attachment 3 – OAR 459-007-0005 – Annual Earnings Crediting Rule

## Oregon Public Employees Retirement System Preliminary 2017 Crediting and Reserving

(All dollar amounts in millions)

	Reserves Before Crediting	2017 Crediting	Reserves After Crediting	2017 Rates
Contingency Reserve	\$50.0	-	\$50.0	N/A
Tier One Member Regular Accounts	3,993.6	299.5	4,293.1	7.50%
Tier One Rate Guarantee Reserve	180.8	331.7	512.5	N/A
Benefits In Force Reserve	21,049.8	3,183.2	24,233.0	15.12%
Tier Two Member Regular Accounts	837.7	126.7	964.4	15.12%
Employer Reserves	24,372.8	3,685.6	28,058.4	15.12%
OPSRP Pension	3,560.6	548.8	4,109.4	15.41%
*UAL Lump-Sum Pmt. Side Accounts	4,764.1	785.3	5,549.4	Various
*IAP Accounts	7,769.9	1,123.3	8,893.2	14.45%
<b>Total</b>	<b>\$66,579.3</b>	<b>\$10,084.1</b>	<b>\$76,663.4</b>	

### 2017 Reserve Balances After 2017 Crediting



\*Informational only. Not affected by Board reserving or crediting decisions.  
IAP accounts receiving installments have already received 2017 earnings.

**ORS 238.670 Reserve accounts in fund.** (1) At the close of each calendar year in which the earnings on the Public Employees Retirement Fund equal or exceed the assumed interest rate established by the Public Employees Retirement Board under ORS 238.255, the board shall set aside, out of interest and other income received through investment of the Public Employees Retirement Fund during that calendar year, such part of the income as the board may deem advisable, not exceeding seven and one-half percent of the combined total of such income, which moneys so segregated shall remain in the fund and constitute therein a reserve account. The board shall continue to credit the reserve account in the manner required by this subsection until the board determines that the reserve account is adequately funded for the purposes specified in this subsection. Such reserve account shall be maintained and used by the board to prevent any deficit of moneys available for the payment of retirement allowances, due to interest fluctuations, changes in mortality rate or, except as provided in subsection (3) or (4) of this section, other contingency. In addition, the reserve account may be used by the board for the following purposes:

(a) To prevent any deficit in the fund by reason of the insolvency of a participating public employer. Reserves under this paragraph may be funded only from the earnings on employer contributions made under ORS 238.225.

(b) To pay any legal expenses or judgments that do not arise in the ordinary course of adjudicating an individual member's benefits or an individual employer's liabilities.

(c) To provide for any other contingency that the board may determine to be appropriate.

(2) At the close of each calendar year, the board shall set aside, out of interest and other income received during the calendar year, after deducting the amounts provided by law and to the extent that such income is available, a sufficient amount to credit to the reserves for pension accounts and annuities varying percentage amounts adopted by the board as a result of periodic actuarial investigations. If total income available for distribution exceeds those percentages of the total accumulated contributions of employees and employers, the reserves for pensions and annuities shall participate in such excess.

(3) The board may set aside, out of interest and other income received through investment of the fund, such part of the income as the board considers necessary, which moneys so segregated shall remain in the fund and constitute one or more reserve accounts. Such reserve accounts shall be maintained and used by the board to offset gains and losses of invested capital. The board, from time to time, may cause to be transferred from the reserve account provided for in subsection (1) of this section to a reserve account provided for in this subsection such amount as the board determines to be unnecessary for the purposes set forth in subsection (1) of this section and to be necessary for the purposes set forth in this subsection.

(4) The board may provide for amortizing gains and losses of invested capital in such instances as the board determines that amortization is preferable to a reserve account provided for in subsection (3) of this section.

(5) At least 30 days before crediting any interest and other income received through investment of the Public Employees Retirement Fund to any reserve account in the fund, the board shall submit a preliminary proposal for crediting to the appropriate legislative review agency, as defined in ORS 291.371 (1), for its review and comment. [Formerly 237.281; 2001 c.945 §5]

**OAR 459-007-0005****Annual Earnings Crediting**

- (1) For purposes of this rule, “remaining earnings” means earnings available for distribution to a particular account or reserve after deduction of amounts required or authorized by law for other purposes.
- (2) Except as otherwise specified in this division, earnings on all accounts and reserves in the Fund shall be credited as of December 31 of each calendar year in the manner specified in this rule.
- (3) Health insurance accounts. All earnings attributable to the Standard Retiree Health Insurance Account (SRHIA), Retiree Health Insurance Premium Account (RHIPA) or Retirement Health Insurance Account (RHIA) shall be credited to the account from which they were derived, less administrative expenses incurred by each account, as provided in ORS 238.410, 238.415 and 238.420, respectively.
- (4) Employer lump sum payments. All earnings or losses attributable to the employer lump sum payment accounts established under ORS 238.229 shall be credited to the accounts from which they were derived.
- (5) Member variable accounts. Earnings on the Variable Annuity Account shall first be used to pay a pro rata share of administrative expenses in accordance with ORS 238.260(6). If the annual earnings from the Variable Annuity Account are insufficient to pay for the pro rata share of administrative expenses, those administrative expenses shall be paid from earnings on other accounts within the Public Employees Retirement Fund (PERF), if available. If earnings from those accounts within the PERF are insufficient to pay for the administrative expenses, those expenses shall be paid from employer accounts as required by ORS 238.610. All remaining earnings or losses attributable to the Variable Annuity Account shall be credited to the participants of that account, as provided under 238.260(6) and (7)(b).
- (6) Individual Account Program accounts. Earnings on the Individual Account Program accounts shall first be used to pay a pro rata share of administrative expenses in accordance with ORS 238A.350(1). If the Individual Account Program experiences a loss, the loss shall be increased to pay a pro rata share of administrative expenses. All remaining earnings or losses attributable to the Individual Account Program shall be credited to the participant accounts of that program, as provided under 238A.350.
- (7) Administrative expenses. Earnings attributable to Tier One regular accounts, the Tier One Rate Guarantee Reserve, Tier Two member regular accounts, judge member regular accounts, the OPSRP Pension Program reserve, employer contribution accounts, the Contingency Reserve, the Benefits-in-Force Reserve and the Capital Preservation Reserve shall first be used to pay the system’s remaining administrative expenses under ORS 238.610.
- (8) Contingency Reserve.
  - (a) In any year in which total earnings on the Fund equal or exceed the assumed rate, an amount not exceeding seven and one-half percent of remaining earnings attributable to Tier One regular accounts, the Tier One Rate Guarantee Reserve, Tier Two regular accounts, Judge member regular accounts, the OPSRP Pension Program reserve, the Benefits-in-Force Reserve, employer contribution accounts, the Capital Preservation Reserve and the Contingency Reserve shall be credited to the Contingency Reserve to the level at which the Board determines it is adequately funded for the purposes specified in ORS 238.670(1).
  - (b) The portion of the Contingency Reserve allowed under ORS 238.670(1)(a) for use in preventing a deficit in the fund due to employer insolvency may only be credited using earnings attributable to employer contribution accounts.

(9) Tier One Member Rate Guarantee Reserve. All remaining earnings attributable to Tier One regular accounts, the Tier One Member Rate Guarantee Reserve, Judge member regular accounts, the Benefits-in-Force Reserve, and the Contingency Reserve may be credited to the Tier One Member Rate Guarantee Reserve established under ORS 238.255(1).

(10) Capital Preservation Reserve. Remaining earnings attributable to the Tier Two member regular accounts, Judge member regular accounts, OPSRP Pension Program reserve, employer contribution accounts, the Benefits-in-Force Reserve, the Contingency Reserve and the Capital Preservation Reserve may be credited from those sources to one or more reserve accounts that may be established under ORS 238.670(3) to offset gains and losses of invested capital.

(11) Tier One regular accounts. All remaining earnings attributable to Tier One regular accounts and the Tier One Rate Guarantee Reserve shall be credited to Tier One member regular accounts at the assumed rate in any year in which the conditions set out in ORS 238.255 have not been met. Crediting under this subsection shall be funded first by all remaining earnings attributable to Tier One regular accounts and the Tier One Rate Guarantee Reserve, then moneys in the Tier One Rate Guarantee Reserve.

(12) Judge member regular accounts. All remaining earnings attributable to Judge member regular accounts shall be credited to all active and inactive Judge member regular accounts at the Judge member rate. Crediting under this subsection shall be funded first by all remaining earnings attributable to the Judge member regular accounts and the Tier One Rate Guarantee Reserve, then moneys in the Tier One Rate Guarantee Reserve.

(13) Tier Two member regular accounts. All remaining earnings or losses attributable to Tier Two member regular accounts shall be credited to all active and inactive Tier Two member regular accounts under ORS 238.250.

(14) OPSRP Pension Program Reserve. Remaining earnings attributable to the OPSRP Pension Program Reserve, the Contingency Reserve, and the Capital Preservation Reserve may be used to credit the OPSRP Pension Program reserve.

(15) Benefits-in-Force Reserve. Remaining earnings attributable to the Benefits-in-Force Reserve, the Contingency Reserve, the Capital Preservation Reserve and employer contribution accounts, in that order, shall be used, to the extent available, to credit the Benefits-in-Force Reserve with earnings up to the assumed rate for that calendar year in accordance with ORS 238.670(2).

(16) Employer contribution accounts. All remaining earnings attributable to employer contribution accounts shall be credited to employer contribution accounts.

(17) Remaining earnings. Any remaining earnings shall be credited to accounts and reserves in the Fund at the Board's discretion.

Stat. Auth.: ORS 238.650, 238A.450

Stats. Implemented: ORS 238, 238A.350

Hist.: PERS 8-2004, f. & cert. ef. 4-15-04; PERS 18-2005(Temp), f. & cert. ef. 10-26-05 thru 4-19-06; PERS 1-2006, f. & cert. ef. 2-1-06; PERS 4-2009, f. & cert. ef. 4-6-09; PERS 9-2012, f. & cert. ef. 5-24-12



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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February 2, 2018

TO: Members of the PERS Board  
FROM: Steven Patrick Rodeman, Executive Director  
SUBJECT: Strategic Plan Updates

### BACKGROUND

PERS developed a five-year strategic plan to cover the period from 2015-2020. As we approached the middle of that span, and as we prepare for the agency's upcoming budget request, the Executive Leadership Team (ELT) thought that this was an opportune time to update the five-year plan. Some areas of the plan did not need revision, as the initiatives were still in development; others were already completed, so they could be deleted; still other areas needed to reflect revised strategies as we have thought more about the associated goals; and, lastly, some areas emerged as needing attention.

Attached are memos from the ELT members who sponsor areas of the plan that were either significantly revised or added. The last attachment is the updated plan, with highlights of the areas that have changed from the most recent prior version. Some of the more minor changes were just incorporated into this document, without separate supporting memos.

### NEXT STEPS

The strategic plan forms the foundation for the agency's resource allocation priorities. Those initiatives in the plan that will have moved to the front of the agency's priorities in the next biennium, and that require additional resources to be accomplished, will form the basis for policy option packages that staff will present to the PERS Board as part of the agency's 2019-21 Agency Request Budget. At the Board's April 2, 2018 meeting, we will present information on the business cases we have developed to support these budget requests. The actual draft requests will be submitted to the Board for its review at its June 1, 2018 meeting, with final Board approval sought at the August 3, 2018 meeting.

- C.4. Attachment 1 – *Strategic Plan Update – Member Services and Communications*
- C.4. Attachment 2 – *Strategic Plan Update – Information Governance and Technology*
- C.4. Attachment 3 – *Strategic Plan Update – Financial Management*
- C.4. Attachment 4 – *Strategic Plan 2018-2023*



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February 2, 2018

TO: Members of the PERS Board  
 FROM: Yvette Elledge-Rhodes, Deputy Director  
 SUBJECT: Strategic Plan Updates – Member Services & Communications

With the successful conversion of the PERS website to the new state templates, we realized that other areas in the Member Services and Communication section of the strategic plan also needed updating to more closely align with current initiatives. In addition to hiring a Member Education and Communications Director, our strategies have evolved over the past 2 years as we continue to develop our member services and education. Below are brief descriptions and the reasons behind the change.

### **Focus Area: Member Relations – Strategies in Objective 2**

To best capture member feedback and actual practice, we have simplified the strategies of Objective 2: “Brand PERS as a retirement education and planning resource.” We recognize that our branding and marketing plan will require collaboration not only with employers — who must be a partner in getting all employees to be aware of PERS resources — but also other stakeholders, including the Oregon Savings Growth Plan and PERS Health Insurance Program. We also changed the listing of specific portals to “communication channels” to allow for flexibility and to meet member needs.

### **Focus Area: Quality Delivery Methods – Goal and Objective 1 and 2**

Enhancing Online Member Services continues to be a key objective for PERS, but it is not the only online experience members have. Because the PERS website was modernized in April 2017 using new state templates, we also refreshed Objective 2 to be “Launch new education tools and resources valuable to the member journey from hire to retire.” We want to continuously improve the PERS website and other education channels, and also create a new member education webinar program and be able to adapt to member and stakeholder feedback in the future.



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February 2, 2018

TO: Members of the PERS Board  
FROM: Jordan Masanga, Chief Information Officer  
SUBJECT: Strategic Plan Updates – Information Governance and Technology

### **Overall Title – Information Governance and Technology**

The original title read “Information Governance, Security, and Technology”. The term “Security” was removed as the transition to the Agency’s Information Security Program is in the implementation phase.

### **Focus Area: Information Governance Practices**

The original focus area used to read “IT Governance and Management Model”. Changes were made to this focus area to remove specific reference to IT and to broaden the scope more to “Information” governance. Changes to this area’s Goal, Objectives, and Strategies were made to better align with the change in the focus area.

### **Focus Area: ORION Business Modernization**

The original focus area read “Agile Technology System”. This revised focus area better reflects the agency’s need to make preliminary changes to eventually successfully re-architect the ORION system. The revised objectives and strategies focused on the need to re-architect the core applications within ORION to meet future technological changes and business needs. This also addressed the need for the preparation and execution of migrating the PERS Production Data Center to the State Data Center in Salem.

### **Focus Area: IT Digital Transformation**

This new focus area addresses the division’s need to attract the next generation of technical talent, improve and retain existing and future talent at PERS, and encourage better collaboration and innovation within the working environment of ISD.

### **Focus Areas: Information Security and Disaster Recovery**

These focus areas were removed from the plan as the agency is in the midst of implementation.





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February 2, 2018

TO: Members of the PERS Board  
FROM: Mary Dunn, Chief Administration Officer  
SUBJECT: Strategic Plan Updates – Financial Management Strategic Initiative

### BACKGROUND

In November, PERS began review of the current strategic plan and determining the evolution of these strategic initiatives since inception of the plan and over the next five years. This review provided an opportunity for divisions to enhance or add to existing strategic initiatives. As the conversation around the strategic goals began, PERS wanted to ensure that financial management was specifically included in the upcoming iteration. As a result, we created a new strategic initiative to ensure financial operations grows and evolves along with the rest of the agency. To create this initiative, we utilized an inclusive team of staff and management to ensure we are addressing the most prominent and impactful needs.

### SUMMARY OF THE FINANCIAL MANAGEMENT STRATEGIC INITIATIVE

We have two focus areas for this strategic initiative:

- Technology Upgrades and System Integration
- Financial Management Resource Development

Currently, our financial management processes require significant manual intervention due to poor data, absent technology, or stand-alone systems that don't interface. We're fortunate to have an amazing staff that has made this work for decades. In an effort to improve our productivity and have greater flexibility to respond to legislative and stakeholder needs, we want to evaluate and improve our technical infrastructure. Primarily, we are attempting to automate manual processes, enhance ORION and its interactions with financial management systems, and convert to predominately paperless processes and electronic filing.

In recent years, we have had substantial changes in the Financial and Administrative Services Division (FASD) due to changes in financial reporting standards, compliance requirements, investment strategies, and legislation. However, as these demands grew and became more intensive, we have not expanded our staff nor have we been able to provide support to assist with these massive changes. Over the next 5 years, we want to ensure we have the appropriate resources to perform the financial accounting, reporting, budgeting, analysis, and forecasting required ensuring compliance and delivering exceptional service to our stakeholders. In addition to being staffed appropriately, we want to ensure our staff's professional development is standardized and funded, while metrics are developed to ensure we deliver on our promise to invest in them as much as we are investing in technology.

NEXT STEPS

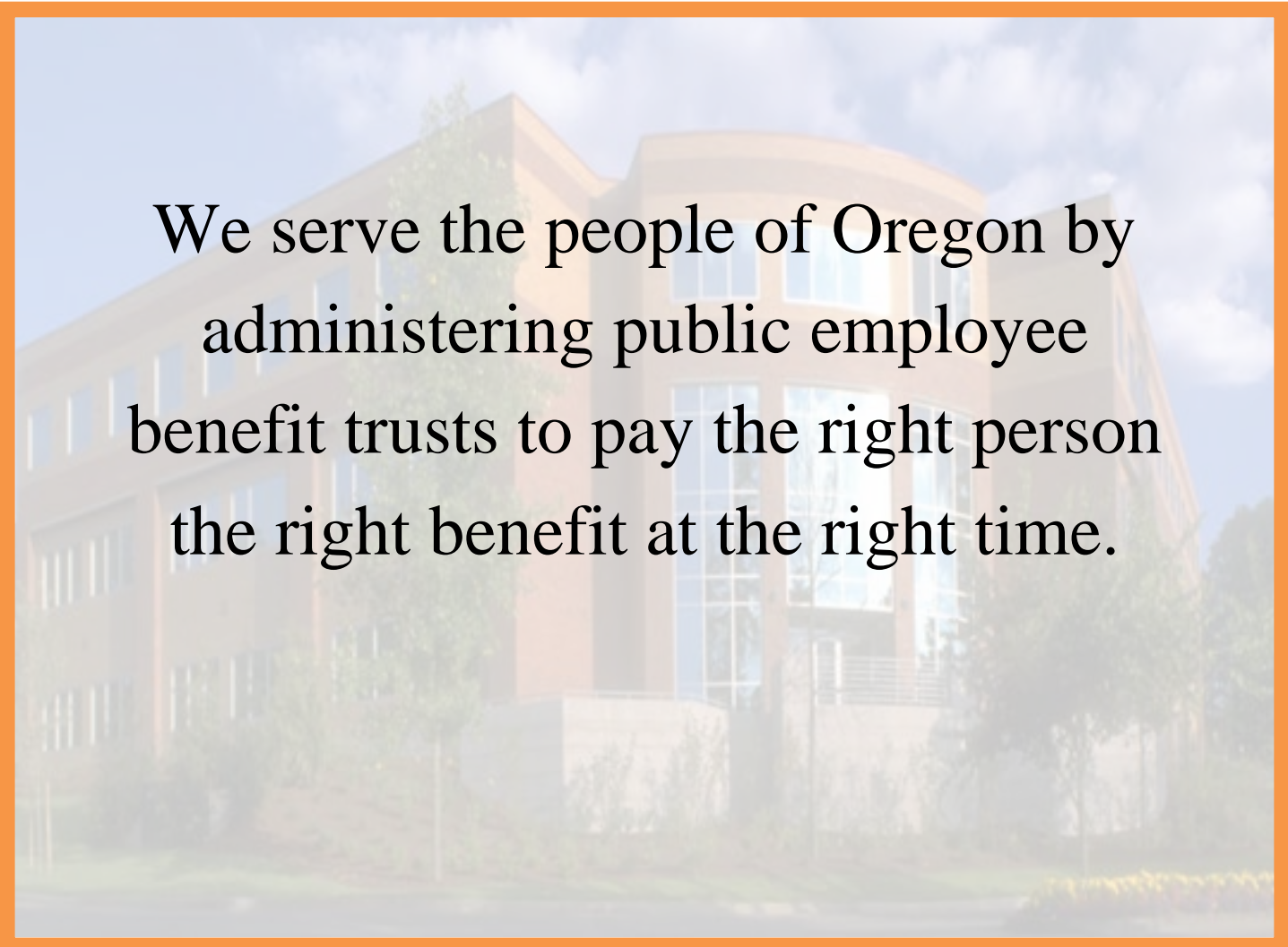
We are currently developing milestones in the process to execute these initiatives. Once we have divisional approval of these milestones, we will develop work plans, timelines, and a communication strategy. We will continue our efforts of inclusivity by ensuring we have staff input and participation in addition to management. Looking ahead, we expect to introduce new agency-level performance measures as well as developing cascaded measures. We anticipate that this planning will result in a business case to support a policy option package to be submitted for your consideration as part of the agency's 2019-21 budget.

# Oregon Public Employees Retirement System



## 2018-2023 Strategic Plan

## Mission Statement



We serve the people of Oregon by administering public employee benefit trusts to pay the right person the right benefit at the right time.

# Shared Vision

Honoring your public service through secure retirement benefits.

# Core Values

## **Service-Focus**

We work together to meet the needs of others with dependability, professionalism, and respect.

## **Accountability**

We take ownership for our decisions, actions, and outcomes.

## **Integrity**

We inspire trust through transparency and ethical, sound judgment.

# Operating Principles

## **Professional**

We are responsive, respectful, and sensitive to the needs of our members, employers, and staff.

## **Accurate**

We ensure data integrity and provide consistent, dependable information and benefits.

## **Judicious**

We use sound judgment and prudent, principled decision-making in upholding our fiduciary responsibility.

## **Information Security**

We are constantly vigilant to safeguard confidential information.

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# Introduction

This strategic plan looks to a five-year horizon and answers the questions: If we are to become better at delivering on our mission, where will we, as an agency, be able to improve over this time? The strategic focus areas that we identified derive from a comprehensive review of organizational challenges and strengths, thoughtful consideration of stakeholder needs and perspectives, and the provocative and insightful conversations that we engage in regularly as we strive to foster a climate of consistent improvement and build upon our strengths in achieving our vision. The first such plan was published for 2015-2020, and this version updates the focus areas for the next five years.

The plan articulates ambitious goals to achieve through 2023 within these focus areas, with specific, achievable goals and objectives related to each. The plan also links our objectives to the core outcome and process measures documented in PERS' Fundamentals Map, a key artifact in our PERS Outcome Based Management System. Our strategies to achieve these goals and objectives leverage the resources any organization has to affect change – people, process, and technology – but unifies and prioritizes the allocation of these resources to assure that they are directed consistently and productively on the highest purposes we can achieve.

Achieving the goals outlined in this strategic plan depends upon successful execution of the strategies identified, as well as regular monitoring our progress, and strategic decisions during plan implementation on how to further our progress. As such, this strategic plan is a living document, and we anticipate that changes may be necessary to achieve the goals we set forth.

PERS will use its existing strategic and operational planning function to prioritize and allocate resources for each of the strategies identified. Strategies will be executed with a variety of approaches, including problem solving, project management, breakthrough initiatives, and integration into core business practices. Specific performance metrics will be identified for tracking our progress as part of strategy initiation.

Some strategies depend on additional funding. We plan to develop and submit corresponding policy option packages with the agency's budget requests, starting with the 2019-21 budget cycle.

# Organizational Management and Development

## Introduction

This strategic priority includes goals related to three organizational management and development focus areas: workforce development, organizational communications, and PERS' Outcome-Based Management System (POBMS).

PERS' success in delivering upon our mission depends on having a highly-skilled workforce supported by leadership that sets clear policies, procedures, and performance expectations. The plan's workforce development goals and strategies recognize that this can only be achieved by continued investment in the development, implementation, and performance management of workforce and leadership best practices.

Enhancing organizational communications is also priority for PERS. Access to timely, accurate, and relevant internal information helps ensure that we, as an agency, communicate effectively with our members, employers, and stakeholders. This priority was identified by staff in PERS' employee engagement survey. Survey results indicate many staff would like greater transparency and different content regarding information relevant to their jobs; staff also noted the desire for more information on decisions and policies that could affect them.

The third focus area relates to the work of fully-integrating POBMS. The agency initiated POBMS in 2012 to improve operations and processes by engaging employees through an outcome-based approach, allowing those closest to the work to drive the improvement. Completing the integration and normalization of POBMS is important to continuing to improve performance outcomes. Employees support and benefit from POBMS because it provides a clear line of sight and a transparent approach to connect to the agency's goals and objectives and staff's role in meeting them.

**2018-23 Plan Update:** In the Focus Area of Organizational Communication, we removed the first objective from the 2015-20 plan since this has been accomplished. We will continue to survey staff as a strategy in the renumbered Objective 1 (formerly Objective 2). That objective has also changed; we added the word "inclusive" to show the need to communicate in more than one way to ensure all staff have access to key information. We also changed "improve employee satisfaction" to "build a knowledgeable, engaged workforce" to clearly state the goal of internal communication. We added two specific strategies to achieve the revised objective



# Organizational Management and Development

## Focus Area: Workforce Development

### Goal

Develop and support a culture of workforce excellence and effective leadership practices.

### Objective 1

Define and communicate PERS' measures of workforce excellence and desired leadership practices, consistent with organizational needs and strategic priorities.

#### Strategies

1. Identify the desired workforce competencies and the obstacles to achieving workforce excellence.
2. Develop a change management plan to ensure communication of the defined workforce competencies and associated measures.
3. Create an action plan to drive measurable adoption of these competencies.

#### Related measure

SP 5: Managing and Developing the Workforce

### Objective 2

Develop and implement hiring, training, and performance management practices that support a culture of workforce and leadership excellence.

#### Strategies

1. Use defined competencies for workforce excellence and leadership from Objective #1 to assess current hiring, training, and performance management practices.
2. Create standards of practice for effective hiring, training, and performance management.
3. Reinforce the use of these management practices throughout the agency through consistent review, feedback, and development.

#### Related measures

OM2: Employee Engagement

OM3: Operating Effectiveness

SP1: Communicating Internally and Externally

SP5: Managing and Developing the Workforce

SP6: Strategic and Operational Planning

# Organizational Management and Development

## Focus Area: Organizational Communication

### Goal

Foster and enhance transparency, relevancy, and employee satisfaction with **internal** communications.

### Objective 1

**Develop and implement an inclusive internal communication strategy to build a knowledgeable, engaged workforce.**

#### Strategies

1. Determine which tools and processes will lead to effective internal communications. Use staff meetings, surveys, and employee focus groups to achieve this.
2. Maximize the intranet as a communication channel

#### Related measures

OM1: Clear, Concise Communication

OM2: Employee Engagement

SP1: Communicating Internally and Externally SP5: Managing and Developing the Workforce

# Organizational Management and Development

## Focus Area: PERS Outcome-Based Management System (POBMS)

### Goal

Complete POBMS integration throughout the agency.

#### Objective 1

Fully develop team scorecards to measure performance and drive strategy decisions.

##### Strategies

1. Communicate the consistent expectation and value of POBMS and scorecard development for all staff.
2. Train the remaining staff in measures development and POBMS.
3. Complete scorecard development for divisions that do not have them at the team level.

##### Related measure

SP6: Strategic and Operational Planning

#### Objective 2

Normalize POBMS-related methods throughout the agency.

##### Strategies

1. Build a structure to support all POBMS components such as the fundamentals map; agency, division, and team scorecards; and problem-solving and breakthrough methodology.
2. Build a structure to support using the problem-solving methodology from initiation through implementation.
3. Ensure a structure is in place to support initiation and implementation of breakthroughs and alignment with the strategic plan and priorities.

##### Related measure

SP6: Strategic and Operational Planning

# Member Services and Communications

## Introduction

PERS administers public employee benefit trusts to provide retirement benefits and services to our members. In fact, all of PERS' strategic priorities ultimately support our ability to provide the services needed by members and to ensure we "pay the right person, the right benefit, at the right time." As a strategic priority, enhancing member services and communications addresses two focus areas: member relations, and quality delivery methods.

For the last decade, PERS' member education and outreach has focused primarily on those who are within two years of their effective retirement date. This just-in-time focus does not provide members with a full understanding of the need to financially prepare for retirement over their entire career. PERS recognizes that providing members with useful tools, resources, and education earlier, and throughout their careers, will better support our goal of having engaged and educated stakeholders. A key component of this education will be the need for members to augment their PERS retirement with other means, such as deferred compensation and personal savings.

Engaging and supporting our members in making informed retirement decisions engenders a broader role for PERS as a retirement education and planning resource. To be that resource, we must support members by providing the information and easy-to-use tools to track their retirement benefits. Our current tool set needs to be more accessible and include a broader array of relevant content: not only account and benefit information, but transaction status tracking. This is what our goals under quality delivery methods aim to accomplish.

2018-2023 Update: Objective 2 under the first Goal was revised to better describe our efforts to develop a PERS "brand." The second goal on Quality Delivery Methods was also revised to better define the strategies we will pursue over this time frame.

# Member Services and Communications

## Focus Area: Member Relations

### Goal

Engage members throughout their careers so they are better prepared for retirement.

### Objective 1

Develop tools and profiles relevant to members at different life and career stages.

#### Strategies

1. Identify profiles, life events, and career stages and create tailored information, resources, and tools for each profile, event, or stage.
2. Engage with, and provide relevant information to, members at known events or career stages.
3. Leverage member annual statements to vet and verify account data.

#### Related measures

OM1: Clear/Concise Communication

OM7: Member Service Satisfaction

OM10: Informed Retirement Decisions

SP1: Communicating Internally and Externally

### Objective 2

Brand PERS as a retirement education and planning resource.

#### Strategies

1. Create an identity that will personalize PERS, instill a sense of ownership (“My” PERS) among our members, and promote the agency as an accessible, comprehensive, and easy-to-use resource.
2. Develop and execute a plan to connect members to PERS through collaboration with employers and other stakeholders and the use of multiple communication channels.

#### Related measures

OM1: Clear/Concise Communication

OM7: Member Service Satisfaction

OM10: Informed Retirement Decisions

SP1: Communicating Internally and Externally

# Member Services and Communications

## Focus Area: Quality Delivery Methods

### Goal

**Improve members' online experience and access to secure content.**

#### Objective 1

**Enhance and modernize Online Member Services (OMS) with more electronic transactions and views into workflow progress.**

##### Strategies

1. Collaborate with ISD to understand issues, budgets, technical debt, and timeframes necessary to improve OMS.
2. Use member and stakeholder feedback to design and implement enhancements to OMS.

##### Related measures

OM1: Clear, Concise Communication  
OM7: Member Service Satisfaction  
OM10: Informed Retirement Decisions  
SP1: Communicating Internally and Externally

#### Objective 2

**Launch new education tools and resources valuable to the member journey from hire to retire.**

##### Strategies

1. Integrate member and stakeholder feedback on what additional educational tools and resources are needed.
2. Establish a member education webinar program and continuously improve other education channels such as the PERS website and videos.

##### Related measures

OM1: Clear, Concise Communication  
OM7: Member Service Satisfaction  
OM10: Informed Retirement Decisions  
SP1: Communicating Internally and Externally

# Data Reliability

## Introduction

Data reliability is the cornerstone of PERS' mission to "pay the right person the right benefit at the right time." Good, reliable data is compromised by many factors: changes in determinations of service credit, contributions, and other key retirement data elements over a member's career; changes in employer reporting and recordkeeping systems as well as retroactive changes to member data by employers; and changes in technology. Further, PERS is a complex plan, with data terms that confound comprehension by members and employers alike. All of these factors result in data that may be incomplete, inconsistent, and even missing, which in turns erodes confidence and trust in PERS by our members, employers, and the public.

To improve data reliability PERS will take a three-pronged approach. First, we will engage members as the primary quality checkpoint for their data. They are in the best position to know whether their data is valid, accurate, and complete. We will support members in fulfilling this responsibility by providing the tools and information they need. We will target specific data elements for remediation and work with members and employers to correct the data of record.

PERS has made improvements in our online services to support members' ability to review their data in the hopes that data corrections would result. Before 2011, members' only access to their data was through annual statements, written estimates, and verbal conversations with PERS staff. PERS introduced Online Member Services (OMS) in 2011 to allow members to view their data: employment history, salary details, and service credit. However, we have found that members need education about the relevancy of this data and their role in ensuring the data is ready for PERS to process. We will prioritize and target data for remediation and develop an expanded set of tools for members to access information and review their data, including more online applications and access via mobile devices.

Second, to achieve data constancy, PERS will institute new procedures to lock member data on an annual basis. This is important as data inconsistencies that are not resolved until after the member has received a benefit can disrupt their plans and come at a time after the member has made a life-altering decision to retire. Retroactive data corrections can also present a significant financial burden to employers. Any problems with a member's data should be resolved before the transaction is final.

Our third focus area for improving data reliability relates to PERS' internal data management procedures. Having access to good, reliable data is important for PERS staff, too, and our current data management structure presents many challenges that result in data that is difficult to access or inconsistent. Data management practices that contribute to internal data inconsistencies include: different methodologies used to access data; data sources are not mapped; lacking common data definitions and business context descriptions; and the need for an integrated structure to leverage existing data expertise in the agency. PERS' central data management goals derive from the 2013 central data management breakthrough and implementation of the breakthrough plan. PERS has completed a comprehensive data information gathering and cataloging effort. We are currently in the development phase of data tool and data warehouse redesign projects and a restructuring of functions and staff with the formation of a Central Data Team. The objectives identified in this plan will support completion of the central data management structure and tools.

# Data Reliability

## Focus Area: Member Accountability

### Goal

Establish members as the primary quality check-point on their data of record.

### Objective 1

Target specific data for remediation to allow members to more meaningfully review the content.

#### Strategies

1. Identify those data elements that are or may be in a member's record that are inaccurate or most likely to be misunderstood, and develop an education plan to address those elements.
2. Prioritize remediation of the most critical data elements to resolve potential misunderstandings.

#### Related measures

OP1: Managing Client Data and Services

OM10: Informed Retirement Decisions

### Objective 2

Educate members on the use and limitations of OMS legacy data.

#### Strategies

1. Leverage our existing and to-be-developed communication tools to connect members to these data issues.
2. Execute a campaign to recruit members to review and confirm data issues as they engage in activities related to their accounts.

#### Related measure

OM1: Clear, Concise Communication



# Data Reliability

## Focus Area: Data Constancy

### Goal

Ensure data remains static after it is used in a transaction or payment.

#### Objective 1

Lock submitted data for each calendar year.

##### Strategies

1. Establish the requirement to lock member data at the close of each calendar year.
2. Resolve system reporting issues that may prevent employers from completing their calendar year reports.

##### Related measure

OP1: Managing Client Data and Services

#### Objective 2

Lock legacy data after allowing employers to review and correct prior records.

##### Strategy

1. Create a staging plan to close access for employers to change currently submitted data of record over time, based on priority demographic groups and managing the volume of work required.

##### Related measure

OP1: Managing Client Data and Services

# Data Reliability

## Focus Area: Agency Data Warehouse

### Goal

Provide staff access to consistent, prompt, and reliable data reports.

### Objective 1

Define all data terms and map data as it relates to technical and business needs and usage.

#### Strategies

1. Create a data dictionary to lay the foundation for the technical framework of the data.
2. Map data on end users' screens to where it is stored and derived.
3. Redesign the data warehouse to make query process more efficient and less complex.

#### Related measure

OP1: Managing Client Data Services

### Objective 2

Provide staff a data reporting structure that allows the user to derive and customize data reports.

#### Strategies

1. Create a user-friendly data tool for end users to request and create customizable reports.
2. Create a glossary of business terms to define various contextual uses of data terms.
3. Form the Central Data Team to establish a central structure for data delivery.

#### Related measure

SP1: Communicating Internally and Externally

# Information Governance and Technology

## Introduction

PERS' information technology (IT) system provides the foundational data and information management necessary to “pay the right person the right benefit at the right time.” Our primary IT system is the Oregon Retirement Information Online Network (ORION). ORION needs to be continuously maintained and enhanced to provide necessary business functionality due to changes initiated both internally and by outside stakeholders. PERS must continuously work to optimize controls over the change management process, because it impacts efficiency and responsiveness in meeting evolving business needs.

2018-2023 Updates: This focus area has been extensively revised as strategies from the previous plan have implementation plans that are being executed or have been completed.

The Information Services Division's (ISD) updated 5-year strategic plan includes the IT systems and processes needed to support the business strategies, objectives, and goals in following focus areas:

- 1. Information Governance Practices.** This focus area is to improve the management of agency information by standardizing processes and procedure to align with technology. This includes using industry best practices for the information governance framework and establishing an information repository for managing information across the enterprise.
- 2. ORION Business Modernization.** This focus area is to enhance and resolve missing functionality, current operational issues with jClarety, and architect a “cloud-first” strategy and a versatile digital business platform.
- 3. IT Digital Transformation.** This focus area is to implement a digital strategy for attracting and retaining talent, effective open-space collaborative and innovative working environment, and providing next generation training platforms to meet the demands of digital business optimization. This IT digital transformation strategy could also transcend to the rest of the Agency as needed.

# Information Governance and Technology

## Focus Area: Information Governance Practices

### Goal

Improve management of agency information by standardizing processes and procedures.

### Objective 1

Stand up an Enterprise Information Governance Program that support industry standards.

#### Strategies

1. Adopt industry and regulatory standards and best practices as the guides for building an enterprise framework for Information Governance.
2. Implement an Enterprise Information Governance Training Program that focuses on the capture, maintenance, and retrieval of all stored information.

#### Related measure

SP3: Leveraging Technology

OM1: Clear, Concise Communication

### Objective 2

Establish and implement information repository standards for the management of the information governance program across the enterprise.

#### Strategies

1. Develop policies and processes that implement standard classifications and naming conventions for enterprise storage locations that reflect the functional activity of the information retained.
2. Develop repositories that support enterprise content with appropriate access and versioning for all agency policies, practices, and knowledge-based programs.

#### Related measure

SP3: Leveraging Technology

OP1: Managing Client Data and Services

OM1: Clear, Concise Communication

# Information Governance and Technology

## Focus Area: ORION Business Modernization

### Goal

Improve IT efficiency and responsiveness to business operational changes.

#### Objective 1

**Re-architect Core Applications in ORION as independent, discrete business services.**

#### Strategies

1. Resolve key issues that are affecting ORION's administration, performance, maintainability, and sustainability to prepare for modernization.
2. Refactor batch processes to improve maintainability and efficiency, and reduce the batch processing window.
3. Redesign logging, monitoring, and error handling systems of the batch process and core applications.
4. Explore opportunities to externalize business rules from core applications.
5. Create an application-programming interface (API) ecosystem to allow ORION to loosely integrate between applications, commercial-off-the-shelf (COTS) solutions, and external services.

#### Related measure

SP3a: # of business days in a month ORION systems are not available within the standard service window

SP3d: # of batch incidents/abends in a month

SP3h: % of time ORION systems are available during the service window

#### Objective 2

**Architect, plan, and design the PERS Production Data Center migration.**

#### Strategies

1. Migrate existing services from PERS Data Center to the State Data Center (SDC), as appropriate, with minimal disruption to ORION.
2. Research and explore opportunities between the SDC and private cloud providers as architected by the ORION Modernization.

#### Related measure

SP3: Leveraging Technology

OP1: Managing Client Data and Services

# Information Governance and Technology

## Focus Area: IT Digital Transformation

### Goal

**Improve workforce environment and prepare for and attract the next generation of technical talent.**

### Objective 1

**Transform Information Services Division (ISD) working environment to encourage collaboration and innovation.**

#### Strategies

1. Deploy innovative and collaborative tools for effective real-time communication to support teleworking and telecommuting between staff, outside contractors, and other partners.
2. Create an open-space working environment and reorganize staff to encourage collaboration, enable flexible co-location of teams by project, and reduce topical and functional silos within ISD.

#### Related measure

SP3: Leveraging Technology

SP5: Managing & Developing the Workforce

### Objective 2

**Attract and retain IT talent at PERS.**

#### Strategies

1. Build relationships and community outreach to state and community colleges to provide a clear path for IT careers at PERS and the State.
2. Initiate a formal Internship Program to graduating students as an entry into IT positions with PERS and the State.
3. Cultivate a career path to retain IT staff by encouraging innovation and investment in training.

#### Related measure

SP3: Leveraging Technology

SP5: Managing & Developing the Workforce

# Financial Management

## **Introduction- New for 2018-2023 Plan**

As the financial world continues to evolve with a focus on greater transparency and ease of use for consumers, so too must PERS develop strategies to keep pace with these changes and meet member expectations. This level of responsiveness and transparency requires investing in an enhancement to our financial management tools, resources, and knowledge. Over the past decade, PERS has been required to provide multiple pension plan options and enhancements, and the increasing demands appear likely to continue. To meet these and future needs, we need to create a financial management strategy that allows greater flexibility to pivot when legislation or members demand it. To succeed, we need to enhance and integrate our financial management systems as well as invest in professional and organizational development.

Our current financial management systems require intense manual oversight, which exposes us to quality control and duplicative work. As a result, we spend an inordinate amount of time not only verifying staff work but also verifying the data we receive. Enhancing our systems promotes efficiency, limits manual oversight, and streamlines workflows.

Additionally, we need to invest in our financial management division's professional development. As we invest in technology upgrades, we must ensure our workforce is able to meet the demands of new programs and be educated on the most up-to-date processes. This group will influence and inform the implementation of our financial strategy and we need to insure we invest the same amount of attention in their development as we have in the technology meant to assist them.

# Financial Management

## Focus Area: Technology Upgrades and System Integration

### Goal

Enhance and improve productivity, reduce manual processes, and accurately and quickly respond to legislative and stakeholder needs.

### Objective 1

Increase efficiency, improve communication, and reduce manual work.

#### Strategies

1. Enhance our current technology systems and tools to provide integration and sustainability within our existing infrastructure.
2. Secure communication with third-party administrators and vendors.
3. Ease and enhance the development of financial reporting.
4. Automate wholly manual processes and integrate them into existing infrastructure.

#### Related Measures:

OP6a: Manual Checks

### Objective 2

Standardize financial data organization and reduce manual reconciliation between systems to improve accuracy and responsiveness to legislative and stakeholder needs.

#### Strategies

1. Enhance ORION and its interactions with the General Ledger to minimize manual processes.
2. Create FASD documentation standards, including file structure and organizational management.
3. Enhance ORION to improve data accuracy and reconciliations.

#### Related Measures:

OP6e: Tax Reporting

### Objective 3

Evaluate and implement electronic filing and paperless processes to effectively and promptly respond to inquiries and efficiently process transactions.

#### Strategies

1. Convert physical records and existing paper intake to electronic filing, including introducing e-signature capability.
2. Enhance our ability to send EFT and promote its use for members, vendors, and employees.

#### Related Measures:

OP6b: Direct Deposit

SP4d: Timely Payment Processing



# Financial Management

## Focus Area: Financial Management Resource Development

### Goal

Ensure PERS has the appropriate level of professional staff to perform the financial accounting, reporting, budgeting, analysis, and forecasting required to be compliant and deliver exceptional service to our stakeholders.

### Objective 1

Ensure financial operations has the appropriate staffing to provide timely and accurate service to all stakeholders.

#### Strategies

1. Evaluate and develop a plan for the structure and staff level requirements needed, including acquiring the resources to execute such a plan.
2. Determine the staffing resources needed to support continuous process improvement, query development, systems research and testing, and tool development.

### Objective 2

Increase professional certification and training within financial operations to engage staff and prepare them for potential shifts in expectations as our processes evolve, ensuring adherence to compliance and implementation of best practices.

#### Strategies

1. Develop standardized competencies as well as a fully funded training program to ensure adoption of these new standards.
2. Determine a benchmark for the percent of certifications along with a funding plan to ensure that the benchmark is attainable.