



**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM  
BOARD MEETING AGENDA**

<b>Friday October 4, 2019 10:00 A.M.</b>	<b>PERS 11410 SW 68<sup>th</sup> Parkway Tigard, OR</b>
--------------------------------------------------	-----------------------------------------------------------------

	ITEM	PRESENTER
<b>A. Administration</b>		
1.	Board Meeting Minutes a. July 26, 2019 Regular Board Meeting b. August 16, 2019 Supplementary Meeting for Administrative Rule Discussion	SHENOY
2.	Director’s Report a. Board Orientation Manual b. Forward-Looking Calendar c. OPERF Investment Report d. Budget Execution Report	OLINECK
3.	Agency Strategic Plan Update	OLINECK
<b>B. Administrative Rulemaking</b>		
1.	Notice of Rules to Implement 2019 Legislation	VAUGHN
2.	Notice of Retirement Installment Fund and Retirement Allocation Fund Rules	
<b>C. Action and Discussion Items</b>		
1.	Milliman Actuarial Contract Renewal	MARBLE
2.	SB 1049 Implementation Update	ELLEDGE-RHODES
3.	Employer Incentive Fund Participation	SOSNE
4.	Member & Employer Survey Results	ROSSMAN, CARSON
5.	Final Adoption of Valuation Methods & Assumptions including Assumed Rate of Return	MILLIMAN
6.	December 31, 2018 System-wide Valuation Results	MILLIMAN

Public testimony will be taken on action items at the Chair’s discretion.

Please submit written testimony to [PERS.Board@state.or.us](mailto:PERS.Board@state.or.us) (three days in advance of the meeting is preferred.)

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

**2019 Meetings:** December 6\*  
**2020 Meetings:** January 31, March 30\*, May 29, July 31\*, October 2, December 4\*  
 \*Audit Committee planned for post-Board meeting

# OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING MINUTES

July 26, 2019

(Amended October 11, 2019 as specified at the October 4, 2019 Board meeting)

## **Board members present:**

Chair Sadhana Shenoy, Stephen Buckley, Christelle deAsis, and Steve Demarest were present. Vice Chair Lawrence Furnstahl attended by phone.

## **Staff present:**

Alyse Greer, Anne Marie Vu, Colin Campi, Dean Carson, Elizabeth Rossman, Greg Gabriel, Jason Stanley, Jordan Masanga, Katie Brogan, Kevin Olineck, Marjorie Taylor, MaryMichelle Sosne, Neil Jones, Richard Horsford, Roger Smith, Sam Paris, Stephanie Vaughn, Yvette Elledge-Rhodes

## **Others present:**

Aruna Masly, Brian Harrington, Courtney Johnson, David Barenberg, Debra Grabler, Deborah Tremblay, Douglas Berg, Frank Goulard, GayLynn Bath, Gina Turner, Jacob Arnold, James Strong, Jack Liang, Jardon Jaramillo, Jeff Gudman, Jeff Kenfo, Jennifer Cooperman, Jennifer Olson, John Borden, Josh Eggleston, Kali Leinenbauch, Karl Cheng, Matt Larrabee, Michelle Kunec-North, Nancy Brewer, Patrick Heath, Peter Wong, Scott Preppernau, Scott Winkels, Shawn Cross, Tahni Fagerberg, Ted Sickinger, Tim Collier, Trudy Vidal, Wendy Stefani

A.1.a. Exhibit 1 is the meeting sign in sheet.

Chair Sadhana Shenoy called the meeting to order at 10:00 a.m.

## **ADMINISTRATION**

### **A.1. MEETING MINUTES OF MAY 31, 2019**

Board member Demarest moved to approve the minutes submitted from the May 31, 2019 PERS Board meeting. Board member Buckley seconded the approval of the minutes. The motion passed unanimously.

### **A.2. DIRECTOR'S REPORT**

Director Kevin Olineck presented the Director's Report. Olineck welcomed Richard Horsford, CFO, to the agency, and thanked Tamie Dohrman, interim CFO, for her service. He announced that the meetings are recorded, and from this meeting forward, the audio recordings will be posted on the PERS website for public access.

Olineck noted the report highlights budget items that were approved for the 19-21 biennium. He also highlighted some agency success stories, including information security program accomplishments.

The OPERF investment report for the periods ending June 2019 showed earnings of 7.88%.

The budget execution report showed a projected positive variance of 4.5% of the operating budget.

Chair Shenoy requested clarification on the 11% increase to the operating budget. Olineck stated that 8% is due to increased state charges. The other 3% are normal budget increases to maintain current service levels.

### A.3. OSGP ADVISORY COMMITTEE APPOINTMENTS

Roger Smith, Program Manager for OSGP, presented.

Smith made a request to the Board to appoint Christine Valentine to the Oregon Savings Growth Plan (OSGP) Advisory Committee. This appointment fills an unexpired vacancy triggered by a resignation.

Vice Chair Furnstahl motioned to appoint Christine Valentine to fill the unexpired OSGP Advisory Committee position. Board member Buckley seconded. The motion passed unanimously.

### ADMINISTRATIVE RULEMAKING

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

Vaughn provided an update on the rules that will need to be implemented as a result of the Legislative session. These are typically brought forward in one packet, which will happen again this year, with the exception of rules related to SB1049. SB1049 has been divided into five topics with different implementation dates. The employer programs are being addressed first.

There will need to be a special Board meeting in August for Administrative Rulemaking for SB1049 rules. The meeting will give notice of permanent rulemaking for employer programs and side account rules, adopt temporary rules for employer programs, and establish the date to open the application cycle for the employer incentive fund.

### B.1. ADOPTION OF RECEIPT DATE RULE

Vaughn presented modifications to the Receipt Date Rule, OAR 459-005-0220. The modifications to the Receipt Date rule adds a category for electronic submissions of data made through PERS Online Member Services. A rulemaking hearing was held June 25, 2019, at 2:00 p.m. at PERS headquarters in Tigard. No members of the public attended. The public comment period ended July 2, 2019, at 5:00 p.m. No public comment was received.

Board member deAsis motioned to adopt modifications to the Receipt Date rule, as presented. Board member Demarest seconded. The motion passed unanimously.

### ACTION AND DISCUSSION ITEMS

#### C.1. 2019 LEGISLATIVE SESSION REVIEW AND 2019-21 BUDGET UPDATE

##### C.1.A. SESSION OVERVIEW AND 2020 PREVIEW

Marjorie Taylor, Senior Policy Advisor, presented.

Taylor provided an update the bills that impact PERS statutes that were approved by the legislature and Governor. There were two bills that are technical changes, two bills that are changes in terminology, and five which result in program changes. Taylor outlined the bills resulting in program changes.

### C.1.B. SB1049 IMPLEMENTATION UPDATE

Yvette Elledge-Rhodes, Deputy Director, presented.

Elledge-Rhodes gave an update on SB1049 implementation. The current focus is the development of materials to help members and employers understand the impacts of the legislation. The project team is focused on getting the external resources that are necessary. This includes project management, external quality assurance, information technology applications, and staffing.

### C.1.C. 2019-21 BUDGET

Greg Gabriel, Senior Analyst, presented.

Gabriel gave an update on the 2019-21 PERS Agency Budget. House Bill 5032, the PERS agency budget, was approved by the House and Senate before the end of session on June 30, 2019. The operating budget is \$61.7 million, or 60.7% above the 2017-19 Legislatively Approved Budget of \$101.7 million. This increase can be attributed to the passage of Senate Bill 1049, which approves a one-time expenditure of \$39.1 million for implementation costs.

### C.2. VALUATION METHODS AND ASSUMPTIONS INCLUDING ASSUMED RATE OF RETURN

Written public testimony on item C.2. from Douglas Berg of Eugene, A.1.a, exhibit 2., was received by the board.

Scott Preppernau and Matt Larrabee of Milliman presented. The presentation reviewed the recommended changes to actuarial methods and assumptions so they can complete the 2018 system valuation.

Each Board member provided their rationale of what assumed rate of return they believed the Board should adopt. This process allowed for a more fulsome discussion on this particular actuarial assumption, given its impact on the overall actuarial valuation.

Board member Demarest motioned to adopt, on a preliminary basis, the recommended changes to the actuarial methods and assumptions as presented by Milliman in the 2018 Experience Study. Vice Chair Furnstahl seconded. The motion passed unanimously.

Board member Demarest motioned to set the assumed rate at 7.2%. Vice Chair Furnstahl seconded. Chair Shenoy, Vice Chair Furnstahl and board member Demarest voted for the motion. Board members Buckley and deAsis voted against the motion. The motion passed.

### C.3. PRELIMINARY ADOPTION OF ASSUMED RATE RULE

Vaughn presented the modifications to the Assumed Rate Rule: OAR 459-007-0007. This rule must be modified to reflect the assumed rate determined by the Board and specify the effective date for implementation of the rate for PERS transactions. Note that an adopted rule is not effective until it is filed with the Secretary of State. While staff is seeking adoption of the rule with the assumed rate today, staff will not file the adopted rule until 30 days after the report required by SB 1049 (2019) is submitted to the legislature.

A rulemaking hearing was held June 25, 2019, at 2:00 p.m. at PERS headquarters in Tigard. No members of the public attended. The public comment period ended July 2, 2019, at 5:00 p.m. No public comment was received.

Buckley motioned to adopt modifications to the Assumed Rate rule, including the assumed rate percentage approved at today's board meeting. Board member Demarest seconded. The motion passed unanimously.

Chair Shenoy adjourned the board meeting at 12:06 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Kevin Olineck", is written above the printed name.

Kevin Olineck, Director

**PUBLIC RECORD: This form will be posted on the intranet and accessible to the public.**

PERS Board Meeting Sign-in

July 26, 2019, 10:00am

*Please print legibly.*

Name <b>PRINT LEGIBLY</b>	Organization
GayLynn Bath	Univ. of OR
Jack Liang	Washington County
John Bolder	Leg. fiscal.
DOUGLAS BERG	NONE
Patrick Heath	DAS - CFO
J.iff Gudman	Lake Oswego
Jacob Arnold	OSDA
Jaroon Janniro	PGE
Tim Collier	TVFR
Debra Grabler	
Scott Piepperman	Milliman
SHAWN Cross	CITY OF LAKE OSWEGO
Deborah Tremblay	OJD
Chriskille deAsis	Board.
Steve Buech	Board.
David Baronberg	SAIF
Mourtney JOHNSON	SAIF
Matt Lavabee	Milliman

PERS Board Meeting Sign-in

July 26, 2019, 10:00am

*Please print legibly.*

<b>Name</b> <b>PRINT LEGIBLY</b>	<b>Organization</b>
James Strong	DOJ
Karl Cheng	OST
Jennifer Cooperman	City of Portland
Brad Warrington	Benefit Consultant
Jennifer Olson	GRS
Tuesday Vidal	DAS
Jeff Jenko	Multnomah County
Steve DeMarest	BOARD
Nancy Brewer	Corvus
Michelle Kuncic - North	City of Portland
ARUNYA MASUR	BH
Josh Eggleston	City of Salem
Kali Leinenbach	City of Salem
Pat Cully	Hyam
Frank Goulard	pcc
Tahmi Fagerberg	City of Gresham
Wendy Stefanu	Voya
PETER WONGS	PAMPLIN MEDIA GROUP

**PUBLIC RECORD: This form will be posted on the intranet and accessible to the public.**

PERS Board Meeting Sign-in

July 26, 2019, 10:00am

*Please print legibly.*

<b>Name</b> <b><i>PRINT LEGIBLY</i></b>	<b>Organization</b>
Gina Turner	PSU
Scott Winkels	LDC



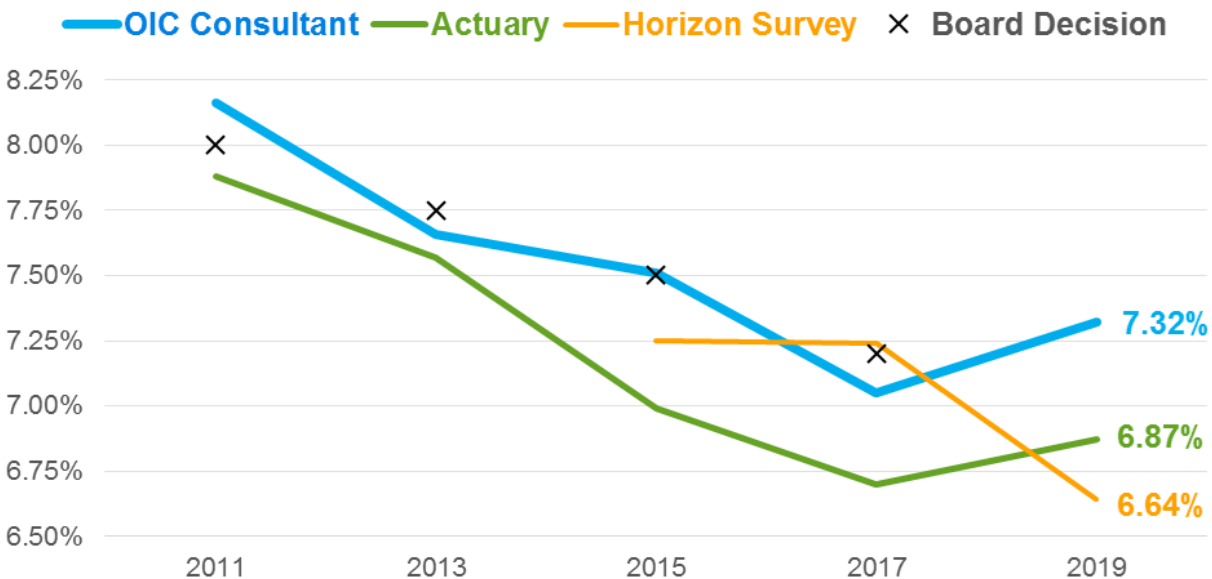
## Testimony to the PERS Board for its July 26, 2019 Meeting

My name is Douglas Berg, from Eugene. You may recall I addressed you at your May 31 meeting, at which time I offered you an alternative method for setting your assumed rate of return for PERS investments. I suggested that instead of relying on the guesswork of attempting to predict future returns, you look back at what OPERF has actually returned over a long period and set your rate of return to reflect those actual returns.

After my remarks, your actuaries made a presentation that showed three guesses for future returns by three different organizations. This chart shows those guesses:

# Investment Return 50<sup>th</sup> Percentile Outlooks

This work product was prepared for discussion purposes only and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Any recipient of this work product who desires professional guidance should engage qualified professionals for advice appropriate to its own specific needs. 18



With all due respect to Milliman, this chart is not very helpful except to underscore my point that trying to guess future returns is an exercise in futility. The guesses have a wide range, almost 0.7 percent. What are you supposed to do with this chart, throw a dart at it to select a return? There is no methodology suggested.

Actual OPERF returns over the latest period that includes a full economic cycle (2008-2018), now stand at 5.49 percent, after a very poor 2018. In May, I suggested you lower your assumed rate into the mid-6's. After factoring in 2018, we now know the rate should be even lower, perhaps somewhere between the current 5.49 percent and the 6.01 percent earned in the 2008-2017 time period.

To deviate much from this range will render your entire rate-setting process an exercise in fantasy and will once again cause employer rates to be set at a level that will not lower the unfunded liability.

Additionally, with rates set far too low to support ever-increasing pension payments, OPERF runs the risk of entering a financial death-spiral. A simple spreadsheet derived from data in recent Milliman reports shows that if OPERF returns an average of 6 percent annually, and you hold system-wide employer rates at the current 17.73 percent as far as the eye can see, OPERF does not provide the returns to support pension payments until 2055. Rates much lower than this risk depleting OPERF.

So, I strongly urge you finally to find the courage to set the assumed rate at a level that corresponds to OPERF's long-range performance, as described above.

Sincerely,

Douglas Berg  
Eugene, OR 97405  
206-353-2350  
bergdw@icloud.com

# OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING MINUTES

August 16, 2019

## **Board members present:**

Chair Sadhana Shenoy, Vice Chair Lawrence Furnstahl, Stephen Buckley, Christelle deAsis, and Steve Demarest attended by phone.

## **Staff present:**

Brenda Ansorge, Joli Whitney, Kevin Olineck, Marjorie Taylor, MaryMichelle Sosne, Sam Paris, Stephanie Vaughn, Yong Yang

## **Others present:**

Don Hudson, Gene Bentley, Roger Davies, Bob Burket, Jennifer Olson, Jack Liang, Josh Eggleston, Kali Leinenbach, and Scott Winkels. Jardon Jaramillo attended by phone.

A.1.a. Exhibit 1 is the meeting sign in sheet.

Chair Sadhana Shenoy called the meeting to order at 9:00 a.m.

## **ADMINISTRATIVE RULEMAKING**

This special board meeting was convened for administrative rulemaking for SB1049 rules. The meeting will give notice of permanent rulemaking for employer programs and side account rules, adopt temporary rules for employer programs and establish the date to open application cycle for employer incentive fund.

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

### **1. ADOPTION OF TEMPORARY RULES AND NOTICE OF PERMANENT RULEMAKING – EMPLOYER PROGRAMS AND SIDE ACCOUNT RULES**

Vaughn presented modifications for the Temporary Adoption and Notice of Rulemaking for Employer Programs Rules: OAR 459-007-0530 - Crediting Earnings to Employer Lump Sum Payments; OAR 459-009-0084 - Employer Unfunded Actuarial Liability Lump-Sum Payments with an Actuarial Calculation; OAR 459-009-0086 - Employer Unfunded Actuarial Liability Lump-Sum Payments, Generally; OAR 459-009-0091- Unfunded Actuarial Liability Resolution Program; and OAR 459-009-0092 - Employer Incentive Fund Program.

The Employer Incentive Fund (EIF) has a current appropriation of \$100 million. The temporary rule incorporates a match percentage of 25% for qualifying employer lump sum contributions. If the board decides a different match percentage is more appropriate, the board may adopt the temporary rules with a different match percentage.

Once the \$100 million has been allocated, a wait list would be started as employer applications come in. If employers fail to make a payment, they would lose the matching payment fund and we would go to the first person on the wait list.

Marjorie Taylor updated the board on the communications to employers about the application window. The program will be available to everyone by the end of the year.

MaryMichelle Sosne outlined the application process and requirements.

A rulemaking meeting will be held October 29, 2019, at 2:00 p.m. at PERS headquarters in Tigard. The public comment period will end October 29, 2019, at 5:00 p.m.

Vice Chair Furnstahl motioned to adopt new temporary rules regarding the administration of the Employer Incentive Fund Program and the UAL Resolution Program, as well as temporary modifications to the Employer Side Account Rules, as presented. Board member Demarest seconded. The motion passed unanimously.

## 2. ESTABLISH DATE TO OPEN APPLICATION CYCLE FOR EMPLOYER INCENTIVE FUND

Senate Bill 1566 (2018) established the EIF to encourage employers to make additional lump-sum payments into side accounts by providing matching funds for qualifying employer lump-sum payments. PERS has received a General Fund appropriation of \$100 million to the EIF for the 2019-2021 biennium to match employer lump-sum payments.

The temporary rule requires the board to declare the date upon which the application cycle shall open, and the total amount of funds available for matching employer UAL lump-sum payments during the application cycle. Staff recommended opening the application cycle September 3, 2019; only the 200% UAL employers will be able to apply for the first 90 days, and the application process will open to all employers beginning on December 2, 2019.

Board member Stephen Buckley motioned to establish a date of September 3, 2019, to open the first Employer Incentive Fund Program application cycle to allocate and pay the \$99,999,000 currently available in matching funds. Board member deAsis seconded. The motion passed unanimously.

Chair Shenoy adjourned the board meeting at 9:42 a.m.

Respectfully submitted,



Kevin Olineck, Director

**PUBLIC RECORD: This form will be posted on the intranet and accessible to the public.**

PERS Board Meeting Sign-in

August 16, 2019, 9:00am

*Please print legibly.*

Name <i>PRINT LEGIBLY</i>	Organization
Don Hudson	City of Tualatin
Gregory Denilky	Retiree
Roger Dawes	Washington County
Bob Burket	Port of Portland
Jennifer Olson	SDAD
Jack Liang	Washington County
Josh Eggleston	City of Salem
Kali Leinenbach	City of Salem
Scott Walters	LDC

**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**DIRECTOR'S REPORT**

KEVIN OLINECK, DIRECTOR

**OCTOBER 2019**

This Director's Report tries to encapsulate, at a high level, noteworthy changes that have taken place since the last board meeting, while highlighting staff accomplishments.

**WELCOME JARDON!**

**A NEW MEMBER JOINS PERS BOARD**

On behalf of PERS staff, I'd like to welcome Jardon Jaramillo as the newest member of the PERS Board. As with all other board members, PERS staff look forward to working with Jardon and supporting him as he assumes his role as a member of both the PERS Board and Audit Committee.

Both I, and the rest of the PERS staff, are very appreciative of the supportive role that Christelle DeAsis played, both as a PERS Board Member and Audit Committee Chair.



*Jardon Jaramillo, newest member of the PERS Board.*

**SENATE BILL 1049 (SB 1049)**  
**IMPLEMENTATION UPDATE**

As will be described within agenda item C.2., the agency continues to work diligently to implement the five major components of the bill. Having the special board meeting mid-August enabled the agency to gain momentum in providing employers with the ability to apply,

beginning September 3, for matching funds from the Employer Incentive Fund. We'll provide you with a verbal update as to early take-up rates.

We are in the process of acquiring temporary space to house approximately 60 project resources, both staff and contractors. Our Procurement section is working with the Department of Administrative Services to try to obtain a building near headquarters.

I'd like to publicly express my appreciation for the support that we are receiving from numerous state agencies in assisting us in procurement, facilities acquisition, human resources, and other project-related activities. Without their assistance, we would not be as well positioned for success as we are.

**AGENCY HIGHLIGHTS**  
**AND ACCOMPLISHMENTS**

I want to continue to highlight where PERS staff have not only made great progress with standard operational initiatives, but also made significant progress on strategic initiatives. The following are initiatives that deserve to be highlighted, with staff publicly acknowledged for their efforts.

**CALLBACK FEATURE**

In June, the Member Information Center added a callback solution (called Fonolo) for our members, which will deliver the response speed they need and for which there is demand. As of mid-August, PERS has saved 75,000 minutes of hold time, where our members did not have to sit on hold waiting for a counselor. This is 52 days and two hours of our members' time; this savings of members' time is expected to grow exponentially as we continue using this tool.

Fonolo's In-Call Rescue solution gives members the option of a call-back rather than waiting on hold. Members simply "press 1 for a call-back," while Fonolo holds their place in the queue. Agent training on the solution was minimal, since a Fonolo call appears just like a regular inbound call.

The callback solution addresses several issues, as follows:

1. From implementation to mid-August, we have reduced our abandoned call rate by 12%.

2. Comparing abandon rates between 2017 QTR2 and 2019 QTR2, we managed to reduce the abandon rate by 6.6%, and our ability to answer calls 'within 2 minutes' increased by 2%.
3. We have experienced a 10.47% drop in our abandonment rate in the first quarter of experience with the new functionality.
4. This resource will give members the ability to schedule a callback when call volume is high and wait times are lengthy. Callbacks can defer calls until volumes are more manageable. It also helps reduce the number of repeat callers, further reducing spikes in volume.
5. Fonolo will satisfy the numerous requests we get from members on our surveys: that they would like to be able to schedule a callback, at a time convenient for them.
6. Reducing the number of angry callers, due to hold time, has reduced the likelihood of member complaints about hold times. This, in turn, has lowered our handle times and improved agent efficiency.
7. Internally, employee satisfaction has improved as well, as staff workload is better balanced and more members express satisfaction with the service received.

The Member Information Center will still encounter high volumes and, on some days, lengthy queue times. But, with the implementation of this tool, members will now have a choice when that occurs, giving them back the time they would spend on hold, and allowing our teams to continue to offer their full attention and service to every member with whom they engage.



**FILENET UPGRADE**

PERS completed a major upgrade to our IBM FileNet electronic content management system in June. This is a highly complex system, providing electronic workflow to all business units. It is the single point of member source documents, which integrates with our imaging system and provides storage with record management solutions of member and internal business records.

This is the first FileNet upgrade with Information Services Division (ISD) staff handling the entire upgrade of this system and associated imaging components. Previous upgrades required the support of an IBM Business partner to manage and complete the majority of the work, which averaged 18 months in duration. Staff completed this complex upgrade in less than 12 months, putting into place a new platform architecture with new user interfaces and advanced functionality.

This very successful project deployed with minimal impact to our business units. ISD staff have developed a more intimate knowledge and understanding of the current system, making them more effective as we drive forward with supporting business process.



**NAGDCA Award for Oregon Saving Growth Plan (OSGP)**

PERS has been awarded a 2019 Leadership Award from the National Association of Government Defined Contribution Administrators Inc. (NAGDCA), which recognizes "the brightest ideas and most innovative solutions" in helping public employees save more for retirement. PERS and OSGP won the award in recognition of PERS/OSGP Expo '18, which was held at the Salem Convention Center last October to celebrate National Retirement Security Week. PERS and OSGP also won NAGDCA Leadership Awards recognizing the Expos in 2017 and 2018, in addition to receiving separate participant education and communication awards from NAGDCA in 2013 and 2015. The 2019 PERS Expo will take place October 9 in Salem.



Kathy Gannon (left), OSGP Program Coordinator, and Brian Merrick, the OSGP relationship manager for Voya, display the NAGDCA Leadership Award.



# Board Orientation Manual

## Updated September 2019

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**Public Employees Retirement System**  
**11410 SW 68th Parkway**  
**Tigard, OR 97223**  
  
<https://oregon.gov/PERS>



## Objective

PERS staff created this orientation manual as a resource to assist you in your role as a PERS Board Member and trust fund fiduciary. The manual contains links to various online resources including relevant statutes, reference materials, financial, and actuarial information. It also includes an organizational structure view as well as contact information for senior PERS staff.

We hope these materials are of assistance to you. Please do not hesitate to contact staff if you have any questions with regard to the materials.

## Overview

The Oregon Legislature is the “plan sponsor” for PERS, the system. The legislature determines the benefit structure for participating public employees. Those benefits have been modified over time, beginning with the inception of the Plan in 1945 to establish benefits now known as Tier One; the creation of the Tier Two program for employees starting in 1996; the Oregon Public Service Retirement Program (OPSRP) for employees that started work after August 28, 2003; and the creation of the Individual Account Program (IAP), an account-based benefit for all PERS members, starting in 2004.

The legislature also established PERS, the Agency, to administer the retirement system in partnership with more than 900 public employers, including school districts, special districts, cities, counties, community colleges, universities, and state agencies. PERS is required to administer the retirement system for participating public employers, and must follow all relevant state and federal laws when determining and administering benefits.

PERS engages with over 367,000 current and former public employees or their beneficiaries, and maintains important data about their public employment service, salaries, and other information. PERS also administers a health insurance program for retirees (PERS Health Insurance Program or PHIP) and a 457(b) voluntary deferred compensation program (Oregon Savings Growth Plan).

## PERS Programs

The Agency is responsible for the administration of the following programs:

1. The defined benefit pensions for Tier One, Tier Two, and OPSRP members
2. The Individual Account Program (IAP), an account-based benefit, for all PERS members employed after January 1, 2004
3. The PERS Health Insurance Program (PHIP), including the Retirement Health Insurance Account and the Retiree Health Insurance Premium Account
4. The Oregon Savings Growth Plan (OSGP), a voluntary deferred compensation program for employees of eligible participating employers

## Overview of the Board’s Role

The Board of the Oregon Public Employees Retirement System (PERS) is responsible for formulating policies that govern the administration of the Public Employees Retirement Fund and System, approve actuarial valuation results and resultant employer contribution rates, as well as approve required changes to plan rules. In the discharge of these responsibilities, PERS board members serve the state of Oregon, its citizens, and trust fund beneficiaries including over 900 participating employers, current and retired public employees, school district employees as well as local government employees. As trustees of the Public Employees Retirement Fund, the PERS Board has a responsibility to manage and administer the system as set forth by law. The Board also monitors the plan for compliance with federal laws.

## Appointment of Director and Consultants

The Board appoints a Director and retains consultants.

The Director serves at the discretion of the Board and is responsible for the PERS administrative staff. The Board delegates operating or administrative functions to the Director and provides governance oversight of those operating and administrative functions. It is important the Board observes the distinction between the policymaking and monitoring roles of the board and the administrative and management functions delegated to the Director, staff, and external service providers.

Consultants include:

- Actuary;
- Legal counsel (Department of Justice as required by statute);
- Medical advisor; and
- Health insurance consultant.

## PERS Board Member Information

The legislature has delegated authority to the PERS Board of Trustees to administer the system. The Board is composed of five members who administer retirement (service and disability), death, and retiree health insurance benefits.

Statute specifies Board membership as:

- Three people with experience in business management, pension management, or investing who are not members of the PERS system;
- One person who is either an employee of the state in a management position or a person who holds an elective office in the governing body of a participating public employer other than the state; and
- One person representing public employees and retirees.

Board Member Bios: <https://www.oregon.gov/pers/Pages/Board/PERS-Board-Members.aspx>

Board Meeting Schedule: <https://www.oregon.gov/pers/Pages/Board/PERS-Board-Information.aspx>

## Statutory Authority & Requirements

PERS' role and mandates are established in Oregon Revised Statutes Chapters 238 and 238A and through various pieces of legislation. Chapter 238 covers Tier One and Tier Two benefits, while Chapter 238A covers the Oregon Public Service Retirement Plan (OPSRP) and the Individual Account Program (IAP).

- Chapter 238 [https://www.oregonlegislature.gov/bills\\_laws/ors/ors238.html](https://www.oregonlegislature.gov/bills_laws/ors/ors238.html)  
Board members should pay particular attention to ORS238.600 – 238.670, which define the administration of PERS and the Fund.
- Chapter 238A [https://www.oregonlegislature.gov/bills\\_laws/ors/ors238A.html](https://www.oregonlegislature.gov/bills_laws/ors/ors238A.html)  
Board members should pay particular attention to ORS238A.050, and ORS238A.450-46060, which covers administration of the plan and the ability for the PERS Board to make rules respecting OPSRP as well as the parameters within which these rules can be made.
- Oregon Administrative Rules – Chapter 459  
<https://secure.sos.state.or.us/oard/displayChapterRules.action?selectedChapter=148>  
Board members should pay particular attention to Chapter 459, Division 1 - Procedural Rules, and Division - 5 Administration.

## Legislative Process

During legislative sessions, bills are introduced by various entities, including PERS, that impact PERS administration or benefits. As part of the implementation process, PERS staff present for Board approval, any needed changes to Oregon Administrative Rules or suggested legislation for consideration during a subsequent session.

## Overview of PERS the System and PERS the Agency

An overview of PERS, the System, and PERS, the Agency, was done by Director Kevin Olineck, who presented to the Capital Construction Sub-Committee in the 2019 session:

February 15, 2019: [http://oregon.granicus.com/MediaPlayer.php?clip\\_id=25811](http://oregon.granicus.com/MediaPlayer.php?clip_id=25811)

March 1, 2019: [http://oregon.granicus.com/MediaPlayer.php?clip\\_id=26018](http://oregon.granicus.com/MediaPlayer.php?clip_id=26018)

March 8, 2019: [http://oregon.granicus.com/MediaPlayer.php?clip\\_id=26102](http://oregon.granicus.com/MediaPlayer.php?clip_id=26102)

March 29, 2019: [http://oregon.granicus.com/MediaPlayer.php?clip\\_id=26395](http://oregon.granicus.com/MediaPlayer.php?clip_id=26395)

May 10, 2019: [http://oregon.granicus.com/MediaPlayer.php?clip\\_id=26860](http://oregon.granicus.com/MediaPlayer.php?clip_id=26860)

## Actuarial Information

One very important aspect of the Board's work is to make decisions regarding the funding status of the Fund. The primary vehicle to do so is through work done by the Board's actuary, currently Milliman. There are four primary actuarial reports/analyses done that provide the Board the information necessary to make funding decisions. The results of these reports/analyses feed into the results of the others, in a linear fashion; they are shown below in the order in which the Board works through each, in a two-year cycle.

The Board has established a two-year cycle for completing actuarial valuations. The analysis and valuations done in an odd-numbered year (i.e., 2019, with results as of December 31, 2018) are deemed to be "advisory" valuations, in that the results project out what the funding status is and what the employer rates may be for the next biennium. These results allow employers an opportunity to understand what their contribution rates may be, in order to appropriately budget for them. In the even-numbered years (i.e., 2020, with results as of December 31, 2019) the actuarial results are formally accepted by the Board and the next biennium's employer contribution rates are set based on those results.

From the July 26, 2019 Milliman presentation to the PERS Board:

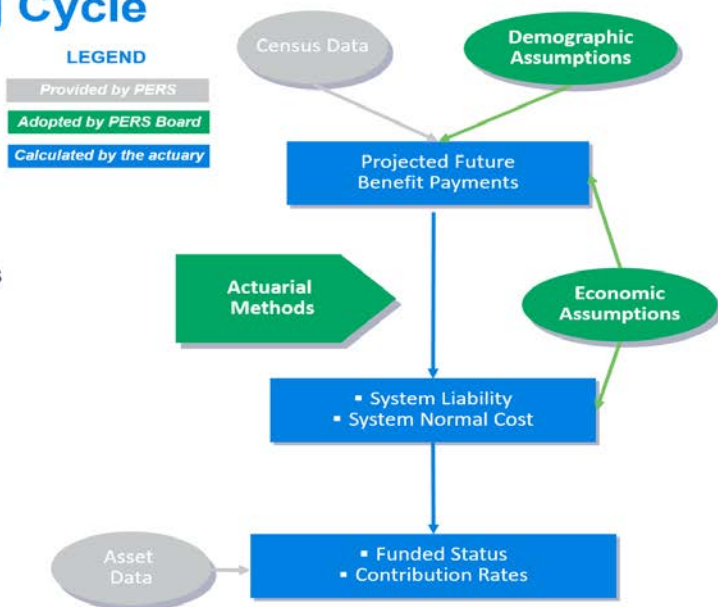
## Valuation Process and Timeline

- Actuarial valuations are conducted annually
  - Alternate between "rate-setting" and "advisory" valuations
  - The next valuation as of 12/31/2018 will be advisory
- Board adopts contribution rates developed in rate-setting valuations, and those rates go into effect 18 months subsequent to the valuation date

Valuation Date	Employer Contribution Rates
12/31/2015	July 2017 – June 2019
12/31/2017	July 2019 – June 2021
12/31/2019	July 2021 – June 2023

## Two-Year Rate-Setting Cycle

- **July 2019: Assumptions & methods adopted by Board in consultation with the actuary**
- October 2019: System-wide 12/31/18 actuarial valuation results
- December 2019: Advisory 2021-2023 employer-specific contribution rates
- July 2020: System-wide 12/31/19 actuarial valuation results
- September 2020: Disclosure & adoption of employer-specific **2021-2023 contribution rates**



1. Overview of Actuarial Methods and Assumptions (May 2019 Board meeting)  
On a biennial basis, the actuary presents a comprehensive view of what assumptions and methodologies were used in the previous actuarial valuation and how close the actual results were with respect to the assumptions. This is a precursor to having a discussion with the Board around what assumptions and methodologies may have to change in future valuations.  
<https://www.oregon.gov/PERS/Pages/Financials/Actuarial-Presentations-and-Reports.aspx>
2. Approval of Actuarial Methods and Assumption including Assumed Rate Setting (July 2019 Board meeting)  
In order to ensure that the Board has taken into account all appropriate external factors when doing an actuarial valuation, the actuaries take the Board through an actuarial assumption and valuation method-setting exercise. This establishes the basis upon which an actuarial evaluation can be conducted.  
[https://www.oregon.gov/pers/Documents/Board%20Presentation\\_7-25-2019.pdf](https://www.oregon.gov/pers/Documents/Board%20Presentation_7-25-2019.pdf)
3. Actuarial Valuation Results and Employer Contribution Rate Setting (Advisory or Actual) (October 2019 Board meeting)  
Based on the revised assumption set and methodologies, the actuary presents the Board with the actuarial results that shows the funded status of the plan (showing results with and without side accounts). It is the Boards' responsibility to set employer contribution rates for each biennium (i.e. 2019-21). The actuary provides both a detailed analysis of each participating employer and the calculations that go into establishing their individual contribution rates and a summary of all 900+ employer contribution rates.  
<https://www.oregon.gov/PERS/Pages/Financials/Previous-Years.aspx>
4. Financial modeling (December 2019 Board meeting)  
The actuary tests various data and assumptions to depict system funded status and employer rates into the future under steady and variable return models.

## Budget Information

The Agency operates on a two-year (biennial) budget, with the current budget going from July 1, 2019, to June 30, 2021. While the Board approves the Agency's budget request to the Governor, as presented by the Director, there

is a process whereby the legislature, through the Ways & Means Committee and, ultimately, the Governor, approves the budget. This includes not only the operating and capital expenditures for that two-year period, but also the payments out of the Fund for ongoing pension payments, as well as termination disbursements. Staffing is also “managed” through a legislative process whereby the agency staff is approved as part of the budgetary process and any subsequent shifts or classification changes must be approved by the legislature on either a temporary or permanent basis.

Once approved, the Agency provides a regular update to the Board on its financial position relative to the approved biennial budget. During the interim between legislative sessions, the Agency has the ability to appear before budget committees to request additional funds to be able to appropriately resource (either funds or staff) unforeseen items that arise over the course of the biennium. Examples include changes to statute that necessitate technology system changes or to hire staff to administer legislative directives on an ongoing basis.

Current 2019-2021 Budget: <https://www.oregon.gov/PERS/Pages/Financials/PERS-Budgets.aspx>

As background, Director Olineck presented the 2019-2021 Agency Budget Request to the General Government Subcommittee on Ways and Means in a series of meetings February 21, and 25-27, and May 28, 2019. Materials for the presentations and bill (House Bill 5032) are available here:

<https://olis.leg.state.or.us/liz/2019R1/Measures/Overview/HB5032>

Videos are available below:

- February 21 - [http://oregon.granicus.com/MediaPlayer.php?view\\_id=6&clip\\_id=25904](http://oregon.granicus.com/MediaPlayer.php?view_id=6&clip_id=25904)
- February 25 - [http://oregon.granicus.com/MediaPlayer.php?view\\_id=6&clip\\_id=25935](http://oregon.granicus.com/MediaPlayer.php?view_id=6&clip_id=25935)
- February 26 - [http://oregon.granicus.com/MediaPlayer.php?view\\_id=6&clip\\_id=25956](http://oregon.granicus.com/MediaPlayer.php?view_id=6&clip_id=25956)
- February 27 - [http://oregon.granicus.com/MediaPlayer.php?view\\_id=6&clip\\_id=27031](http://oregon.granicus.com/MediaPlayer.php?view_id=6&clip_id=27031)
- May 28 - [http://oregon.granicus.com/MediaPlayer.php?view\\_id=6&clip\\_id=27031](http://oregon.granicus.com/MediaPlayer.php?view_id=6&clip_id=27031)

## **Comprehensive Annual Financial Report (CAFR)**

The Agency is required by statute to prepare, on an annual basis, a CAFR. It is a very detailed report that provides the reader with an in-depth view of the financial status of both the organization as well as the Fund.

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

## **Oregon Savings Growth Plan (OSGP)**

PERS also administers the Oregon Savings Growth Plan, a voluntary deferred compensation 457(b) program for state and local government employees. It is important to note there is an Advisory Committee that works with the staff who administer the OSGP. The Oregon Savings Growth Plan Advisory Committee (OSGPAC) is comprised of state, local government, and retired Oregon Savings Growth Plan (OSGP) representatives. The OSGPAC is responsible for having an overall understanding of the OSGP and advises the PERS Board on all aspects of the OSGP, including but not limited to:

- OSGP’s fee structure and procedures;
- State and federal legislative issues relative to the administration of OSGP;
- Administration of the catch-up and the financial hardship provisions in Section 457 of the Internal Revenue Code;
- Ways and means to inform and educate eligible employees about OSGP;
- Expressed desires of eligible employees related to OSGP; and
- Actuarial characteristics of eligible employees.

Additionally, when directed by the Oregon Investment Council (OIC), the OSGPAC shall study and advise the PERS Board on the following:

- Investment programs, including options and providers; and
- Information furnished by the OIC or the State Treasurer concerning the types of available investments, the respective balance of risk and return of each investment, and the administrative costs associated with each investment. <https://www.oregon.gov/pers/OSGP/Pages/index.aspx>

## **PERS Health Insurance Plan (PHIP)**

PHIP offers health insurance coverage for retired members, their spouses, and dependents who meet the eligibility requirements. When planning their retirement, members are encouraged to review all health coverage options available to determine the best option for their families. PHIP contracts with four different health plans and two dental plans. All health plans include prescription drug coverage. In selecting a PHIP health plan, a member must maintain a permanent residence (not mailing address) within a health plan's service area and reside in the United States.

It is important to note there is an Advisory Committee that works with the staff who administer PHIP. The PERS Health Insurance Program (PHIP) Advisory Committee can best be described as participant representation. It provides information and advice to PHIP, as well as providing a forum for feedback and an opportunity for interaction on matters concerning PHIP. These matters, among others, include administration, cost containment, plan design, health insurance trends, proposed legislation, alternatives to traditional coverage, and recommendations for PERS Board position on health insurance issues. The PHIP Advisory Committee consists of up to five retiree members, selected to reflect a cross section of participants which include Medicare and non-Medicare members. One member serves as a liaison to the PERS Board; this member is an active PERS Board member, designated by the PERS Board Chair.

- Medicare:  
PHIP requires all Medicare-eligible members and eligible dependents to be enrolled in both Medicare Parts A and B.  
Medicare Supplement - Moda  
Medicare Advantage (MA Plans) - Kaiser Permanente, Moda, PacificSource, Providence
- Non-Medicare:  
PHIP offers HMO, POS, and PPO plans for non-Medicare participants. Retirees may select either the \$500 deductible Core Value plan or the \$1,000 deductible Select Value plan option.  
Traditional HMO - Kaiser Permanente  
HMO with deductible - Kaiser Permanente  
POS - PacificSource  
PPO - Moda, Providence
- Dental:  
Members can enroll in either dental plan regardless of their medical plan selection. However, for Kaiser Permanente dental, members must reside in the Kaiser Permanente dental plan service area.  
HMO - Kaiser Permanente  
PPO - Delta Dental of Oregon  
<https://www.oregon.gov/pers/RET/Pages/PHIP.aspx>

## **Oregon Investment Council (OIC)**

The Oregon Investment Council (OIC) is responsible for the investment of the Oregon Public Employee Retirement Fund (~\$76.7 Billion as of 7/31/19). Periodically, there have been joint meetings between the OIC and the PERS Board to discuss items such as the interplay between the long-term assumed rate of return used in actuarial valuations and the assumed rate of return benchmark set by the OIC. As of 2019, the PERS long-term assumed rate of return is 7.2%, whereas the OIC benchmark rate of return is 7.3%.

<https://www.oregon.gov/treasury/invested-for-oregon/pages/oregon-investment-council.aspx>

<https://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Public-Employees-Retirement-Fund.aspx>

<https://www.oregon.gov/treasury/invested-for-oregon/Documents/Invested-for-OR-OIC-INV/Invested-for-OR-OIC-INV-1203--Statement-of-Investment-Objectives-and-Policy-Framework.pdf>

## PERS Stakeholders

Legislative Advisory Committee – Statute requires the PERS Board to act as policy advisor to the Legislative Assembly on legislative proposals for changes to PERS benefits. It also requires the Board to appoint a committee to advise the Board on those proposals. The committee must include an equal number of members representing labor and management. This committee is not currently active.

*Employer Groups:* the following groups represent a significant majority PERS-participating public employers:

- Association of Oregon Counties
- League of Oregon Cities
- Oregon School Boards Association
- Special Districts Association of Oregon

*PERS Coalition* – Includes, but is not limited to, members from the following labor/union groups:

- Oregon State Fire Firefighters Council
- Service Employees International Union (SEIU)
- American Federations of State, County, and Municipal Employees (AFSCME)
- Oregon Nurses Association
- Oregon Education Association (OEA)

## PERS Executive and Organizational Structure

The agency day-to-day activities are managed by the Director and the Executive Leadership Team. PERS has a Deputy Director as well as an Executive in charge of each division within the organization. Additionally, given the interplay between the Agency and different legislative bodies, there is also a Senior Policy Advisor, who reports directly to the Director.

### Director – Kevin Olineck

[kevin.olineck@state.or.us](mailto:kevin.olineck@state.or.us)

503-603-7695

Kevin was appointed Director of the Public Employees Retirement System (PERS) effective July 16, 2018. He is responsible for administration of the statewide retirement system, serving more than 367,000 members, retirees, and beneficiaries. Prior to joining PERS, Olineck was a senior executive with British Columbia Pension Corporation as well as Alberta Pension Services, two of the largest public sector pension administrators in Canada. Olineck has a degree in Public Administration from the University of Saskatchewan, his Certified Employees Benefits Specialist (CEBS) designation as well as his Institute of Corporate Governance, Directors (ICD.D) designation.



### Deputy Director – Yvette Elledge-Rhodes

[yvette.s.elledge@state.or.us](mailto:yvette.s.elledge@state.or.us)

503-603-7685

Yvette Elledge-Rhodes currently serves as the Deputy Director at the Public Employees Retirement System (PERS), where she has worked for over 30 years. PERS administers defined benefit and defined contribution retirement programs for about 95% of the public employees in Oregon. Yvette is passionate about ensuring that all PERS members are provided with best-in-class service and is always looking for ways to improve the member experience. She is responsible for overseeing the project management office, strategic planning, procurement, human resources, facilities, and communications. Yvette serves on the Executive Leadership Team and has held a variety of jobs at PERS. This breadth of experience gives her the ability to understand the agency from multiple perspectives. Originally from Hawaii, Yvette left the islands to attend Oregon State University, where she received her Bachelor of Science degree.



**Chief Information Officer – Jordan Masanga**

**[jordan.masanga@state.or.us](mailto:jordan.masanga@state.or.us)**

**503-603-7702**

In his 16th year at Oregon PERS, Jordan Masanga is leading the agency in a digital transformation journey that will usher in new business capabilities and technology. As Chief Information Officer, Mr. Masanga leads a 70-person IT organization that manages and administers Oregon’s Public Employees Retirement System. Prior to Oregon PERS, Mr. Masanga help start-up a company in the music industry and was VP of Engineering at ADC Telecomm Broadband Division, where he led an engineering organization consisting of 5 domestic and international offices. In total, Mr. Masanga has over 30 years of experience in software engineering and information technology. Mr. Masanga holds a Bachelor’s degree in Computer Technology & Technical Communication from Bowling Green State University.



**Chief Audit & Risk Officer – Jason Stanley**

**[jason.m.stanley@pers.state.or.us](mailto:jason.m.stanley@pers.state.or.us)**

**503-603-7504**

Jason has served the State of Oregon for over 23 years. He started at PERS in 2006 as the Chief Audit Executive, overseeing the Internal Audit function for the agency. In 2015, Jason’s role expanded to become the Chief Compliance, Audit, and Risk Officer. In addition to Internal Audit, he now also administers the Risk and Security Section, which is responsible for the Continuity Management Program and Information Security Program, and the Policy Analysis and Compliance Section, which is responsible for coordinating policies and rules and handling the agency’s appeals and contested cases. He has an accounting degree from Portland State University and is licensed as a Certified Public Accountant and Certified Fraud Examiner.



**Assistant Chief Operations Officer – Sam Paris**

**[sam.paris@pers.state.or.us](mailto:sam.paris@pers.state.or.us)**

**503-603-7654**

Sam Paris started at PERS in 2004 and currently serves as the Assistant Chief Operations Officer. He has managed teams that have handled forms processing, estimates, employer reporting, and project coordination. In his current role, he is responsible for the daily operations of the three pension plans, Oregon Savings Growth Plan (OSGP) deferred compensation plan, PERS Health Insurance Plan (PHIP) retiree health insurance program, and the State Social Security Program. Sam graduated from Oregon State University with a degree in Business Administration.





**Chief Financial Officer – Richard Horsford**

**Richard.Horsford@pers.state.or.us**

**503-431-8970**

Richard Horsford joined PERS in July 2019. Richard brings with him a wealth of financial leadership experience. He has spent over 19 years working in the social services sector for not-for-profit organizations such as Catholic Charities of Oregon and Cedar Sinai Park, a senior living and care organization based in Portland. Richard graduated with a degree in accounting from State University of New York College at Oswego, New York.



**Senior Policy Advisor – Marjorie Taylor**

**marjorie.taylor@state.or.us**

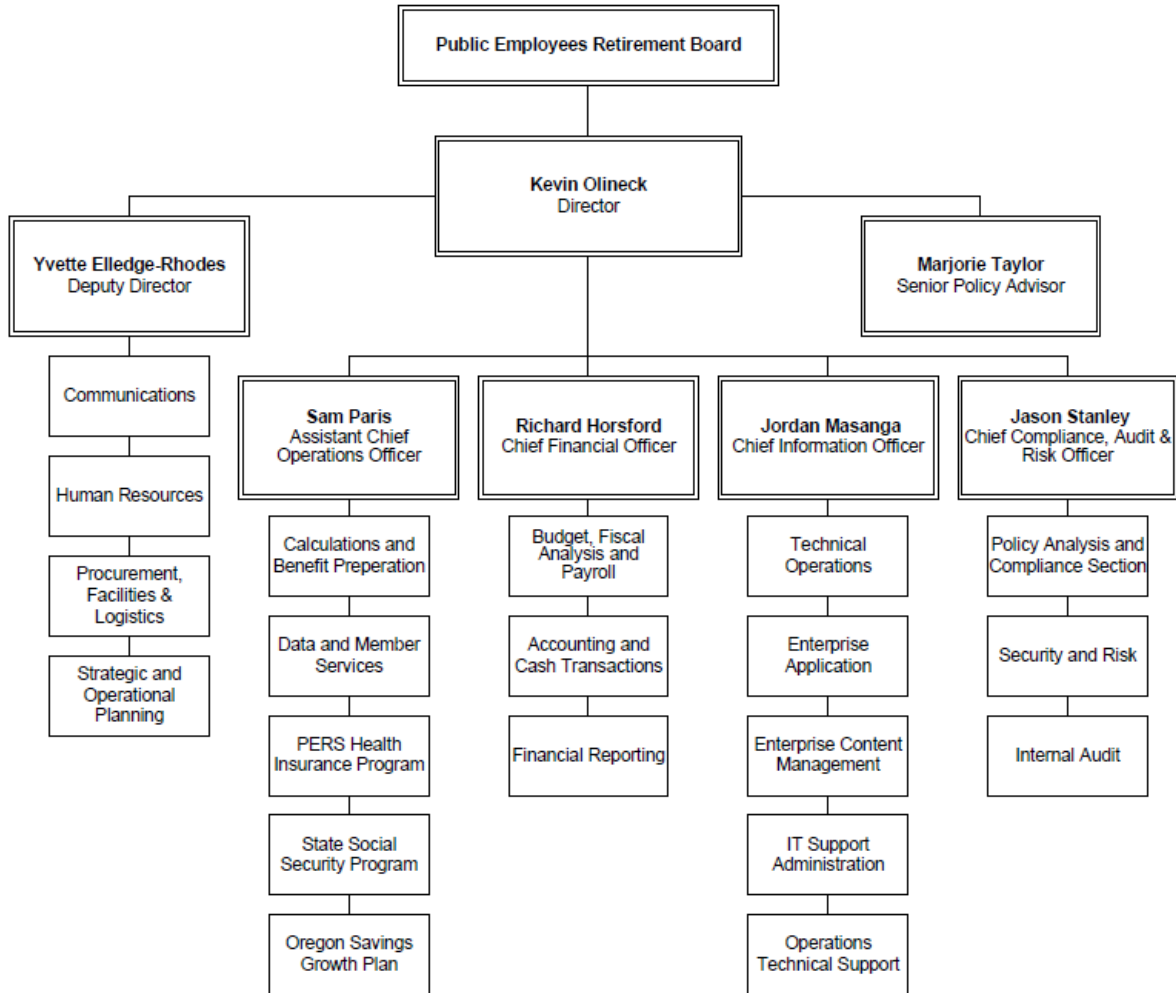
**503-431-8902**

Marjorie has navigated the legislative process in Oregon since 1997. She spent more than 10 years with the Oregon Legislative Assembly as non-partisan committee staff facilitating passage of legislation on a variety of topics. Before joining PERS in September 2012, Marjorie was the Legislative Coordinator at the Oregon Department of Administrative Services, interacting with all state agencies and the Governor’s Office on bill drafting and analysis during sessions. At PERS, she communicates on a regular basis with employer and member stakeholder groups, the Governor’s Office, legislative offices, and Board members about PERS proposals and member issues. Marjorie has degrees in Geology and Earth Sciences from the University of Oregon and West Chester University of Pennsylvania.



## Proposed Organizational Structure

The Director is responsible for defining the organizational structure, as well as the resourcing for the organization. The proposed organizational structure, set out below, is under review, with the expectation that it will be approved in the 2020 Legislative Session.



## 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 Values

Honoring your public service through secure retirement benefits.

### Core Values

Service-Focus  
 Accountability  
 Integrity

### Operating Principles

Professional  
 Accurate  
 Judicious  
 Information Security

## **PERS Strategic Plan**

PERS staff prepare, and the Board approves, a five-year strategic plan that sets out high-level goals and objectives that the Agency wants to deliver on.

<https://www.oregon.gov/pers/Documents/Strategic-Plan.pdf>

## **PERS Outcome-Based Management System (POBMS)**

PERS has developed an outcome-based management system to gauge its progress on Key Goals with defined Outcome Measures. The results of the Agency with respect to the outcome measures are reported to the Board twice a year, at the June and December Board meetings. The following is a link to the latest results:

<https://www.oregon.gov/pers/Documents/Board-Meetings/2019/Board-Packet-5-31-19.pdf#page=13>

## **Other Resources**

- PERS by the Numbers:
  - <https://www.oregon.gov/PERS/Documents/General-Information/PERS-by-the-Numbers.pdf>
- State of Oregon Overview of Boards, Commissions & Small Entities Training Manual
  - <https://www.oregon.gov/das/HR/Documents/BC.pdf>
- Training/Education iLearn Access
  - <https://www.oregon.gov/OGEC/Pages/training.aspx>
- DAS - CHRO - Overview of Boards, Commissions, & Small Entities Training
  - <https://ilearn.oregon.gov/contentdetails.aspx?id=03E988BBE99D4A3B8DFAFD8AC9E72FBA>
- OGEC – Overview of Oregon Ethics Law
  - <https://ilearn.oregon.gov/ContentDetails.aspx?id=9794EBA1E80C48A2BCE9C45F9F8275C1>
- DAS - CHRO - Preventing Sexual Harassment Required Training
  - <https://ilearn.oregon.gov/ContentDetails.aspx?id=FC303BA6BC29479DB7BACCEDB97EA343>

## PERS Board Meeting Forward-Looking Calendar

### **Friday, December 6, 2019\***

Board Governance Assignments  
Board Scorecard Report on Agency Performance Measures  
Agency Strategic Plan Update  
CEM Benchmarking Cost Effectiveness Presentation  
Valuation Update and Financial Modeling Results  
Adoption of Actuarial Equivalency Factor Tables

### **Friday, January 31, 2020**

Annual Report of Director's Financial Transactions  
Legislative Preview/Update  
Preliminary Earnings Crediting and Reserving

### **Monday, March 30, 2020\***

Legislative Session Review  
Final Earnings Crediting and Reserving  
Agency Budget Preview for Next Biennium

### **Friday, May 29, 2020**

Board Scorecard Report on Agency Performance Measures  
Retiree Health Insurance Plan Renewals and Rates  
Agency Budget Development for Next Biennium

### **Friday, July 24, 2020\***

Propose 2021 Board Meeting Dates  
Approve 2021-2023 Agency Request Budget  
Presentation of December 31, 2019 System Valuation

### **Friday, October 2, 2020**

Legislative Update and Agency-Requested Legislative Concepts  
Member and Employer Survey Results  
Actuarial Valuation and Adoption of 2021-2023 Employer Contribution Rates

### **Friday, December 4, 2020\***

Board Governance Assignments  
Board Scorecard Report on Agency Performance Measures  
Approval to File Agency-Requested Legislative Concepts  
Financial Modeling Presentation

\*Audit Committee planned for post-Board meeting

Returns for periods ending JUL-2019

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	27.5-37.5%	32.5%	\$ 26,464,983	34.5%	15.75	1.34	6.37	10.17	7.46	6.78	10.36	9.98
Private Equity	13.5-21.5%	17.5%	\$ 16,786,023	21.9%	5.25	13.83	15.82	15.34	12.41	11.83	12.92	14.56
<b>Total Equity</b>	<b>45.0-55.0%</b>	<b>50.0%</b>	<b>\$ 43,251,006</b>	<b>56.4%</b>								
Opportunity Portfolio	0-3%	0%	\$ 1,709,554	2.2%	2.05	3.86	5.59	6.75	6.19	5.63	8.26	10.42
<b>Total Fixed</b>	<b>15-25%</b>	<b>20.0%</b>	<b>\$ 16,040,066</b>	<b>20.9%</b>	6.41	7.39	3.63	2.75	3.11	2.89	3.07	5.28
Risk Parity	0-2.5%	2.5%	\$ -	0.0%								
Real Estate	9.5-15.5%	12.5%	\$ 8,237,910	10.7%	3.15	5.49	7.29	7.25	8.18	9.13	10.30	9.87
Alternative Investments	7.5-17.5%	15.0%	\$ 7,440,289	9.7%	0.08	(1.79)	0.92	4.08	3.53	1.97	2.18	
Cash w/Overlay	0-3%	0%	\$ 10,148	0.0%	2.18	3.17	2.35	1.96	1.71	1.48	1.26	1.15
<b>TOTAL OPERF Regular Account</b>		<b>100.0%</b>	<b>\$ 76,688,974</b>	<b>100.0%</b>	8.32	5.53	7.39	8.73	7.29	6.93	8.79	9.67
<b>OPERF Policy Benchmark</b>					8.56	6.22	7.67	9.27	7.70	7.46	9.29	9.90
Value Added					(0.24)	(0.68)	(0.28)	(0.54)	(0.41)	(0.53)	(0.50)	(0.23)

Target Date Funds

2,385,339

TOTAL OPERF Variable Account

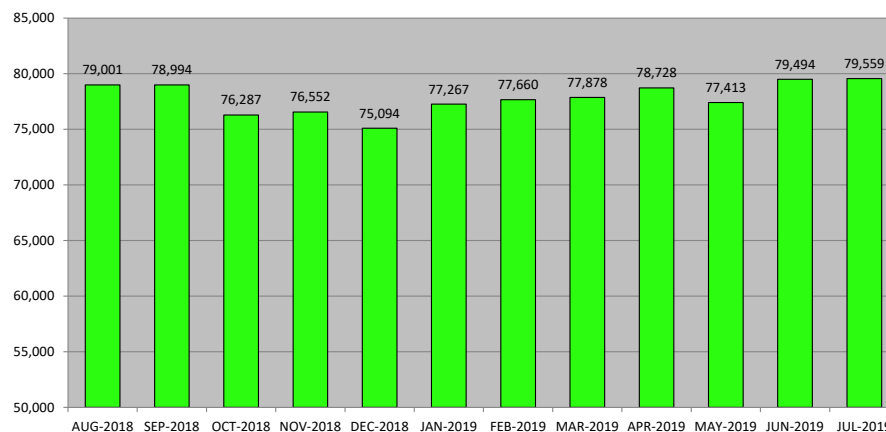
\$ 484,886

16.61	2.43	6.90	10.34	7.74	6.83	10.13	9.78
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Asset Class Benchmarks:

Russell 3000	20.48	7.05	11.62	13.11	10.88	10.96	13.87	13.98
OREGON MSCI ACWI EX US IMI NET	12.04	(2.97)	1.50	6.99	3.97	2.24	6.15	5.67
MSCI ACWI IMI NET	16.42	2.05	6.51	9.92	7.31	6.43	9.76	9.42
RUSSELL 3000+300 BPS QTR LAG	0.78	12.08	14.77	17.47	13.58	14.00	16.24	19.57
OREGON CUSTOM FI BENCHMARK	6.09	7.35	3.53	2.37	2.81	2.61	2.60	3.90
OREGON CUSTOM REAL ESTATE BENCHMARK	3.00	6.18	6.71	7.10	8.20	9.09	9.59	8.48
CPI +4%	4.48	5.88	6.47	6.24	5.89	5.55	5.69	5.80
91 Day Treasury Bill	1.43	2.34	1.89	1.44	1.13	0.91	0.67	0.51

**Total OPERF NAV**  
(includes Variable Fund assets)  
One year ending JUL-2019  
(\$ in Millions)



<sup>1</sup>OIC Policy revised April 2019.

<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  
Mailing Address:  
P.O. Box 23700  
Tigard, OR 97281-3700  
888-320-7377  
TTY (503) 603-7766  
[www.oregon.gov/pers](http://www.oregon.gov/pers)

October 4, 2019

TO: Members of the PERS Board  
FROM: Greg Gabriel, Senior Financial Analyst  
SUBJECT: October 2019 Board Report

### 2019-21 OPERATING BUDGET

Operating expenditures for July 2019 and preliminary expenditures for August 2019 were \$3,160,205 and \$3,449,244, respectively. Final expenditures for August closed in the Statewide Financial Management System (SFMS) on September 20, 2019, and will be included in the December 2019 report to the Board.

- To date, the Agency has expended a total of \$6,609,449 or 5.9% of PERS' legislatively adopted operations budget of \$112,537,248.
- At this time, the Agency's projected positive variance is (\$333,191). This is due to projected salary increases and cost-of-living adjustments not yet budgeted.
- SB 1049 expenditures for July 2019 and preliminary August were \$0 and \$0. To date the Agency has not expended any of the legislatively adopted budget of \$39,059,714.

### 2017-19 OPERATING BUDGET

Operating expenditures for June 2019 and remaining expenditures paid through August 2019 were \$3,762,659 and \$2,912,431 respectively. The current projected positive variance is \$3,355,650 or approximately 3.3% of the operations budget.

To date, the Agency has expended a total of \$95,294,365 or 93.7% of PERS' adjusted legislatively approved operations budget of \$101,657,012. PERS will continue to pay invoices for goods received and for services rendered as of June 30, 2019, in the following months up until December 31, 2019.

### 2019-21 NON-LIMITED BUDGET

The adopted budget includes \$12,504,627,192 in total estimated non-limited budget expenditures. Non-limited budget expenditures include benefit payments, health insurance premiums, and third-party administration payments for both the PERS Health Insurance Program and the Individual Account Program (IAP).

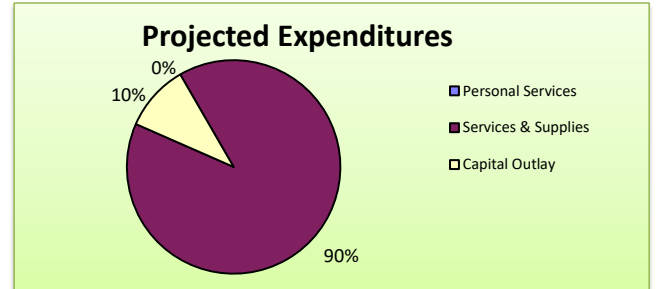
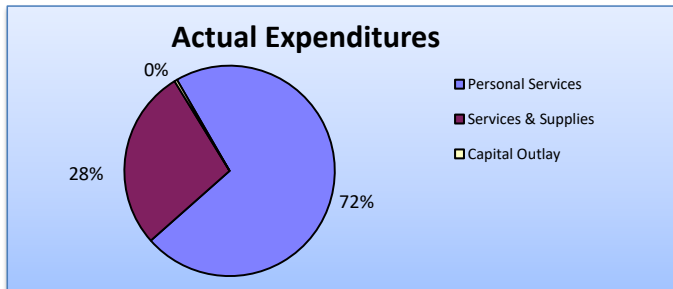
A.2.c. Attachment 1 – 2017-19, 2019-21 Agency-wide Budget Execution Summary Analysis

**2017-19 Agency-wide Budget Execution  
Summary Budget Analysis  
Preliminary Summary For the Month of August 2019**

**Limited - Operating Budget**

**2017-19 Biennial Summary**

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2017-19 LAB	Variance
Personal Services	68,422,666	0	68,422,666	73,511,089	5,088,423
Services & Supplies	26,469,203	2,703,686	29,172,889	26,851,571	(2,321,318)
Capital Outlay	402,496	303,311	705,807	1,294,352	588,545
<b>Total</b>	<b>95,294,365</b>	<b>3,006,997</b>	<b>98,301,362</b>	<b>101,657,012</b>	<b>3,355,650</b>



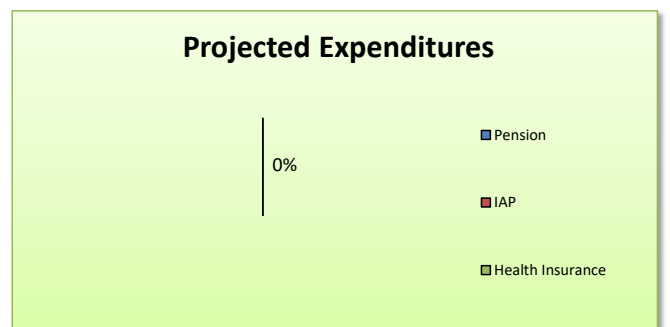
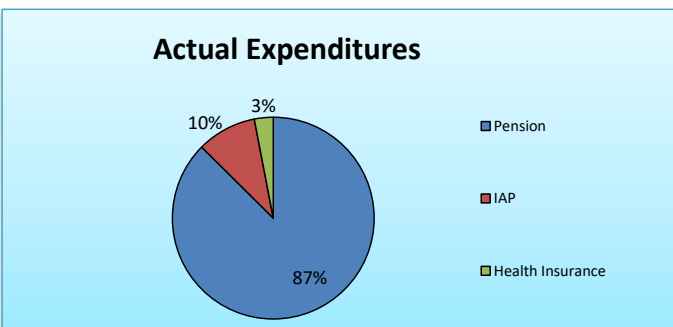
**Summary of activity after AY 17/19 close**

Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	196,203	0	(196,203)	2,850,944	0
Services & Supplies	2,716,228	2,703,686	(12,541)	1,102,883	112,654
Capital Outlay	0	303,311	303,311	16,771	12,638
<b>Total</b>	<b>2,912,431</b>	<b>3,006,997</b>	<b>94,566</b>	<b>3,970,598</b>	<b>125,292</b>

**Non-Limited Budget**

**2017-19 Biennial Summary**

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	9,554,401,368	0	9,554,401,368	9,222,000,000	(332,401,368)
IAP	1,043,591,128	0	1,043,591,128	1,056,900,000	13,308,872
Health Insurance	330,481,613	0	330,481,613	815,271,000	484,789,387
<b>Total</b>	<b>10,928,474,109</b>	<b>0</b>	<b>10,928,474,109</b>	<b>11,094,171,000</b>	<b>165,696,891</b>

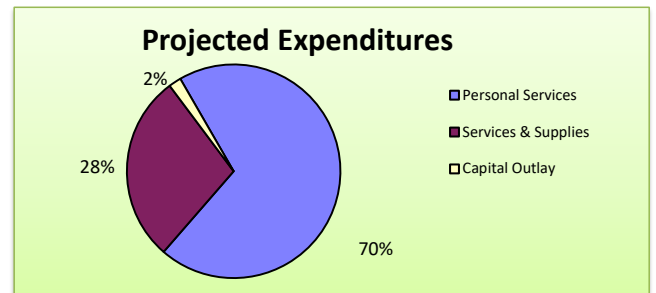
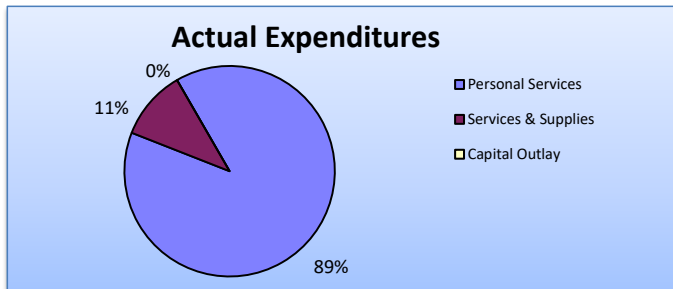


**2019-21 Agency-wide Budget Execution  
Summary Budget Analysis  
Preliminary Summary For the Month of August 2019**

**Limited - Operating Budget**

**2019-21 Biennial Summary**

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2019-21 LAB	Variance
Personal Services	5,901,393	74,088,118	79,989,511	77,606,589	(2,382,922)
Services & Supplies	708,056	30,160,729	30,868,785	32,757,328	1,888,543
Capital Outlay	0	2,012,143	2,012,143	2,173,331	161,188
<b>Total</b>	<b>6,609,449</b>	<b>106,260,990</b>	<b>112,870,439</b>	<b>112,537,248</b>	<b>(333,191)</b>



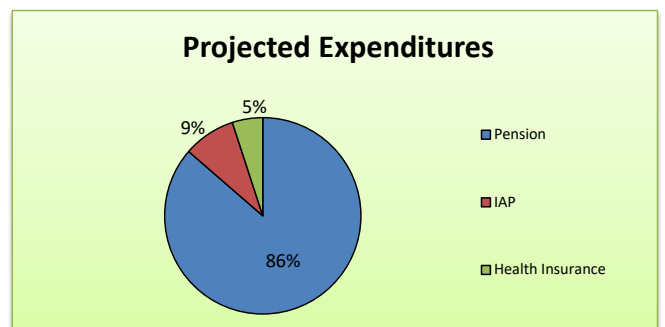
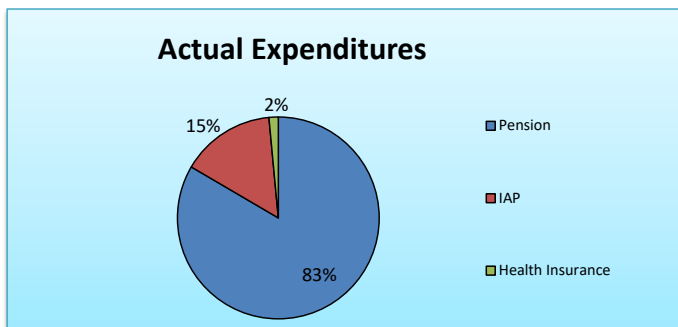
**Monthly Summary**

Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	2,962,069	3,179,911	217,842	2,950,696	3,367,642
Services & Supplies	487,175	702,130	214,955	354,028	1,370,942
Capital Outlay	0	0	0	0	91,461
<b>Total</b>	<b>3,449,244</b>	<b>3,882,041</b>	<b>432,797</b>	<b>3,304,724</b>	<b>4,830,045</b>

**Non-Limited Budget**

**2019-21 Biennial Summary**

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	461,729,901	9,934,623,431	10,396,353,332	10,347,780,673	(48,572,659)
IAP	83,475,782	990,003,419	1,073,479,201	1,423,365,167	349,885,966
Health Insurance	8,231,724	577,369,889	585,601,613	733,481,352	147,879,739
<b>Total</b>	<b>553,437,407</b>	<b>11,501,996,739</b>	<b>12,055,434,146</b>	<b>12,504,627,192</b>	<b>449,193,046</b>







# Oregon

Kate Brown, Governor

## Public Employees Retirement System

Headquarters:  
11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR  
Mailing Address:  
P.O. Box 23700  
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October 4, 2019

TO: Members of the PERS Board  
FROM: Kevin Olineck, Director  
SUBJECT: 2018-2023 Strategic Plan Update

### BACKGROUND

The PERS Strategic Plan covers the 2018-2023 time period. Given the strategic plan has been in effect for one year, the Executive Leadership Team (ELT) thought it prudent to provide the Board with a report on progress made to date, as well as review whether the strategic goals and/or objectives remain relevant.

Some areas of the plan did not need revision, as the initiatives were still in development; others were already completed, so they can be deleted; still other areas needed to reflect revised strategies as areas emerged as needing attention. Additionally, the ELT thought it important to note to board members where some initiatives have been stalled due to resource constraints given the agency's need to focus on the implementation of SB 1049.

We have also noted, at the bottom of the report, specific "compliance" areas that require attention and commensurate resourcing. ELT will be adding in a new strategic plan pillar, "Enterprise Risk Management," given the heightened sensitivity and awareness levels around risk management generally, as well as information security and continuity management specifically.

We would ask the Board review the strategic plan update with a view to ensuring that the strategic pillars, goals, and objectives continue to be both comprehensive and relevant.

### 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 those 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 2021-23 Agency Request Budget.

Based on today's discussion, at the December 6, 2019 Board meeting, we will present an updated strategic plan. Subsequently, at the March 2020 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 review at the May 29, 2020 meeting, with final Board approval sought at the July 24, 2020 meeting.

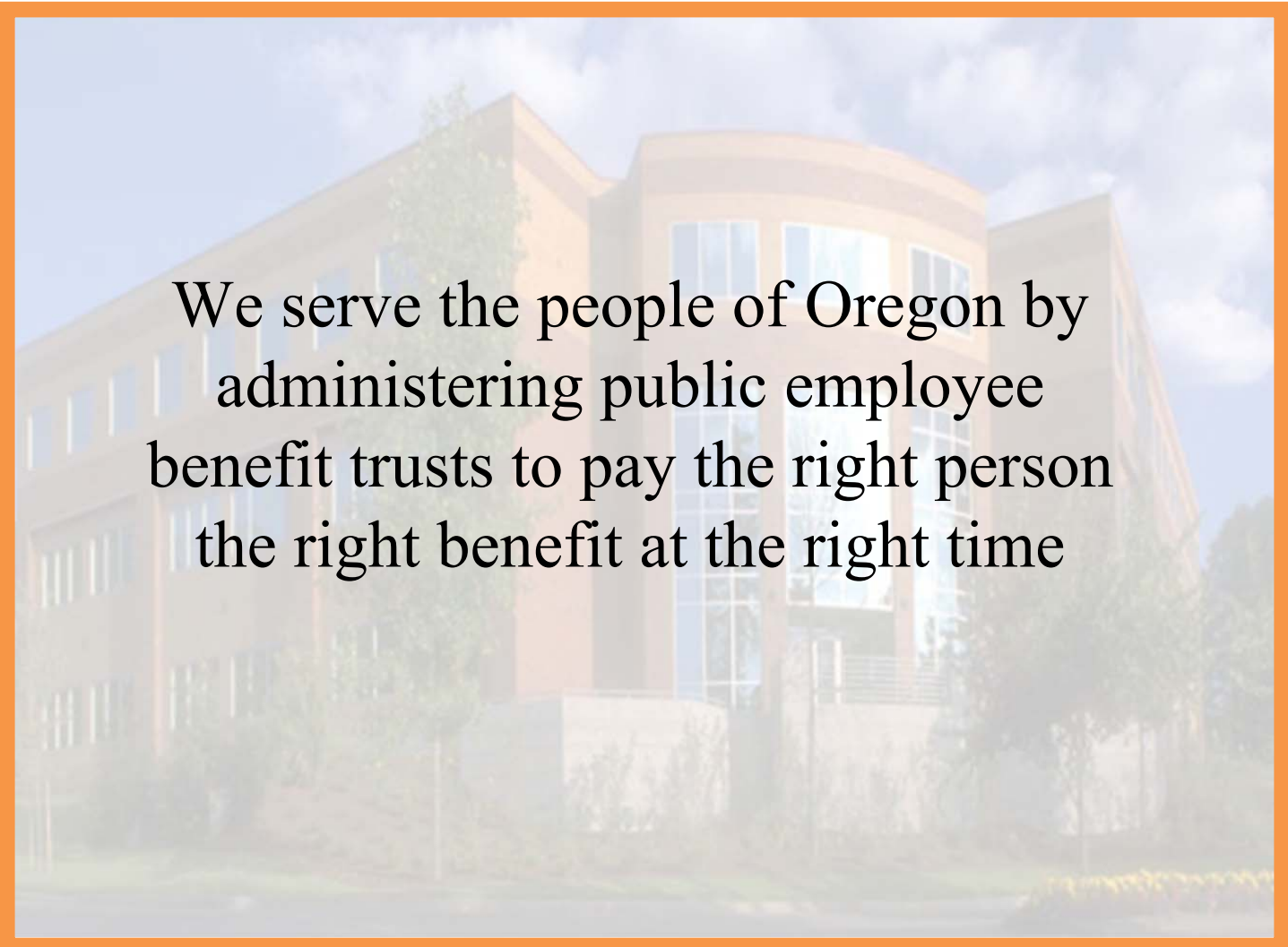
A.3. Attachment 1 – *Strategic Plan 2018-23*  
A.3. Attachment 2 – *Strategic Plan Update*

# 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.



# Strategic Plan Pillars

	Goals	Objectives	
<b>Organizational Management &amp; Development</b>	Goal 1 Objective 1	Develop and support a culture of workforce excellence and effective leadership practices.	Define and communicate PERS' measures of workforce excellence and desired leadership practices, consistent with organizational needs and strategic priorities.
	Goal 1 Objective 2	Develop and support a culture of workforce excellence and effective leadership practices.	Develop and implement hiring, training, and performance management practices that support a culture of workforce and leadership excellence.
	Goal 2 Objective 1	Foster and enhance transparency, relevancy, and employee satisfaction with internal communications.	Develop and implement an inclusive internal communications strategy to build a knowledgeable, engaged workforce.
	Goal 3 Objective 1	Complete POBMS integration throughout the agency.	Fully develop team scorecards to measure performance and drive strategy decisions.
	Goal 3 Objective 2	Complete POBMS integration throughout the agency.	Normalize POBMS-related methods throughout the agency.
<b>Member Services &amp; Communications</b>	Goal 1 Objective 1	Engage members throughout their careers so they are better prepared for retirement.	Develop tools and profiles relevant to members at different life and career stages.
	Goal 1 Objective 2	Engage members throughout their careers so they are better prepared for retirement.	Brand PERS as a retirement education and planning resource.
	Goal 2 Objective 1	Improve members' online experience and access to secure content.	Enhance and modernize Online Member Services (OMS) with more electronic transactions and view into workflow progress.
	Goal 2 Objective 2	Improve members' online experience and access to secure content.	Launch new education tools and resources valuable to the member journey from hire to retire.
<b>Data Reliability</b>	Goal 1 Objective 1	Establish members as the primary quality check-point on their date of record.	Target specific data for remediation to allow members to more meaningfully review the content.
	Goal 1 Objective 2	Establish members as the primary quality check-point on their date of record.	Educate members on the use and limitations of OMS legacy data.
	Goal 2 Objective 1	Ensure data remains static after it is used in a transaction or payment.	Lock submitted data for each calendar year.
	Goal 2 Objective 2	Ensure data remains static after it is used in a transaction or payment.	Lock legacy data for each calendar year.
	Goal 3 Objective 1	Provide staff access to consistent, prompt, and reliable data reports.	Define all data terms and map data as it relates to technical and business needs and usage.
	Goal 3 Objective 2	Provide staff access to consistent, prompt, and reliable data reports.	Provide staff a data reporting structure that allows the use to derive and customize data reports.
<b>Information Governance &amp; Technology</b>	Goal 1 Objective 1	Improve management of agency information by standardizing processes and procedures.	Stand up an Enterprise Information Management Governance program that supports industry standards.
	Goal 1 Objective 2	Improve management of agency information by standardizing processes and procedures.	Establish and implement information repository standards for the management of the information governance program across the enterprise.
	Goal 2 Objective 1	Improve IT efficiency and responsiveness to business operational changes.	Re-architect core applications in ORION as independent, discrete business services.
	Goal 2 Objective 2	Improve IT efficiency and responsiveness to business operational changes.	Architect, plan and design the PERS Production Data Center migration.
	Goal 3 Objective 1	Improve workforce environment and prepare for and attract the next generation of technical talent.	Transform Information Services Division (ISD) working environment to encourage collaboration and innovation.
	Goal 3 Objective 2	Improve workforce environment and prepare for and attract the next generation of technical talent.	Attract and retain IT talent at PERS.
<b>Financial Management</b>	Goal 1 Objective 1	Enhance and improve productivity, reduce manual processes, and accurately and quickly respond to legislative and stakeholder needs.	Increase efficiency, improve communications, and reduce manual work.
	Goal 1 Objective 2	Enhance and improve productivity, reduce manual processes, and accurately and quickly respond to legislative and stakeholder needs.	Standardize financial data organization and reduce manual reconciliation between systems to improve accuracy and responsiveness to legislative and stakeholder needs.
	Goal 1 Objective 3	Enhance and improve productivity, reduce manual processes, and accurately and quickly respond to legislative and stakeholder needs.	Evaluate and implement electronic filing and paperless processes to effectively and promptly respond to inquiries and efficiently process transactions.
	Goal 2 Objective 1	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.	Ensure financial operations has the appropriate staffing to provide timely and accurate services to all stakeholders.
	Goal 2 Objective 2	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.	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.

Strategic Plan Pillars	Objectives	Still valid?	Percentage Complete	Resources/Plans		Comments
				In Place for 2019-2021?	Required for 2021-2023?	
<b>Organizational Management &amp; Development</b>	Goal 1 Objective 1	Y	Strategy 1 – 25% Strategy 2 – 25% Strategy 3 – 0%	Constrained	N	Strategy 1 – We have a detailed plan to perform a variety of assessments to collect data and understand the agency’s desired competencies to achieve workforce excellence. To conduct this work effectively, resources (managers and staff) are needed and currently, SB 1049 takes precedence. Strategy 2 – Once data is collected, a change management communication plan will be developed to support workforce excellence and expectations at all levels of the organization. Strategy 3 – As a result of Strategy 2, we will measure the results of the change management plan.
	Goal 1 Objective 2	Y	Strategy 1 – 25% Strategy 2 – 15% Strategy 3 – 0%	Y Y Y	N	Strategy 1 – This strategy reflects work completed in Goal 1. Through succession planning efforts, we have identified new work that involves aligning hiring, professional development, and performance management practices with the Strategic Plan. This work is in progress. Strategy 2 – We have identified standards to improve our practices of effective hiring, training, and performance management. We still need to continue our progress and institutionalize changes in this area. This includes sustained training in Workday; leveraging LinkedIn and career fairs for recruiting; introducing new performance management standards to leadership. Strategy 3 – With pending enterprise changes (COE) and other performance management modeling initiatives, HR intends to support agency needs through deliberate training, coaching, and supporting new management practices. Many of these initiatives will be established with the desired outcome to increase employee engagement.
	Goal 2 Objective 1	Y	Strategy 1 – 75% Strategy 2 – 30%	Constrained	Y	Strategy 1 – Need to transition to new web content management software for communications and leadership modeling that will be used for improved team/department communications. Strategy 2 – Due to SB 1049, the project to transition the intranet to a better content management platform is on hold. Initial planning complete.
	Goal 3 Objective 1	Y	Strategy 1 - 100% Strategy 2 – 20% Strategy 3 – 0%	Constrained	N	Strategy 1 – POBMS Council and ELT have communicated expectations around the value of POBMS. Strategy 2 – Training dependent on ability to revise team scorecards. Resources constrained by SB 1049 implementation. Strategy 3 – Looking at using BI Publisher to enhance reporting capabilities. Need to implement team scorecards and cascading measures.
	Goal 3 Objective 2	Y	Strategy 1 - 100% Strategy 2 – 0% Strategy 3 – 0%	Constrained	N	Strategy 1 – Management has “normalized” POBMS at the enterprise level (QTRs). Need to develop cascading measures. Strategy 2 – Formal problem solving efforts are not tracked and communicated. Need to understand how these efforts would be integrated into Enterprise Portfolio Management. Strategy 3 – Need to understand how these efforts would be integrated into Enterprise Portfolio Management.
<b>Member Services &amp; Communications</b>	Goal 1 Objective 1	Y	30%	Y	N	We have lightly targeted different demographics in GovDelivery, but just now getting more complete information to help make current tools more robust and allow us to identify new tools.
	Goal 1 Objective 2	Y	50%	Y	N	Branding developed and transitioning all corporate materials to new brand underway. As we expand our visibility, through better tools, outreach and cross-branding, we will continue to promote the fact that we aren’t only here to educate people right before they retire, but all along their journey.
	Goal 2 Objective 1	Y	15%	N	Y	Strategies not yet accomplished as POP 105 (Member Communications and Self-Service Platform) was not approved in 2019-21; retain objective in Strategic Plan and resubmit for 2021-23.
	Goal 2 Objective 2	Y	20%	Constrained	Y	New tools launched to enhance member services; additional tools chosen to improve education (Vyond), but resources constrained by SB 1049 implementation.
<b>Data Reliability</b>	Goal 1 Objective 1	Y	15%	Constrained	N	Additional data analytics required to help identify and prioritize our efforts. Resources constrained by SB 1049 implementation.
	Goal 1 Objective 2	Y	0%	Constrained	N	Additional data analytics required to help identify and prioritize our efforts. Resources constrained by SB 1049 implementation.
	Goal 2 Objective 1	Y	25%	N	Y	Operational work has been completed, but system updates are required to reach goal.
	Goal 2 Objective 2	Y	10%	Constrained	Y	Policy work is in progress to identify and simplify internal data reviews. Additional work is required to determine if the agency should continue this effort. Resources constrained by SB 1049.
	Goal 3 Objective 1	Y	75%	Constrained	N	PERS Data Warehouse has been deployed. Additional efforts will be done through operational initiatives. Resources constrained by SB 1049 implementation.
	Goal 3 Objective 2	Y	60%	Constrained	N	A Central Data Management portal has been deployed for end users. Additional efforts will be done through operational initiatives. Resources constrained by SB 1049 implementation.
<b>Information Governance &amp; Technology</b>	Goal 1 Objective 1	Y	60%	Y	N	Both Strategies are now operational; the following actions move to an operational focus: evaluate other IG integration solutions; and plan and implement other IG integration solutions.
	Goal 1 Objective 2	Y	20%	Y	N	Both Strategies are now operational; the following actions move to an operational focus: implement email retention solutions; implement ECMS business structures; implement ECMS business repositories; and implement ECMS enterprise search.
	Goal 2 Objective 1	Y	0%	N	Y	Defined Actions not accomplished as POP 109 (Business Innovation Program) was not approved in 2019-21 budget; retain objective in Strategic Plan and resubmit for 2021-23. The division still needs to accomplish the following: resolve key issues affecting ORION administration, performance, maintainability, and sustainability to prepare for modernization; externalize business rules from core applications; create applications programming interfaces for ORION; analyze commercial off-the-shelf solutions; and re-architect current infrastructure to utilize solutions independent from on-premise data center.
	Goal 2 Objective 2	Y	15%	Constrained	Y	Planning in progress, but completion of the implementation project deferred to spring 2021. The current projects being planned are as follows: migrate ORION infrastructure to SDC (co-located); migrate applications to ETS (hosted); use case analysis; PDCM design and planning; and hybrid cloud business case.
	Goal 3 Objective 1	Y	28%	N	N	5 of 7 actions in progress, 2 complete. Balancing resource availability with agency priorities. Currently, we have the following actions in progress: deploy MS 365; define open environment; solicit staff feedback; align with agency strategy; and create flexible staff locations.
	Goal 3 Objective 2	Y	33%	N	N	6 of 9 actions in progress, 3 complete. Balancing resource availability with agency priorities. Currently, we have the following actions in progress: Action 3.2.1a, develop IT Intern-to-Hire Program; Action 3.2.1b, identify ISD Outreach Coordinator; Action 3.2.1c, identify intern opportunities; Action 3.2.1d, periodically select IT interns; Action 3.2.2a, develop graduate IT hiring path; and Action 3.2.2b, identify graduate opportunities.
<b>Financial Management</b>	Goal 1 Objective 1	Y		N	Y	Will be requesting funds in 2021-23 biennium to engage a consultant to assist in identifying potential new technology solutions.
	Goal 1 Objective 2	Y		N	Y	Will be requesting funds in 2021-23 biennium to engage a consultant to assist in identifying potential new technology solutions.
	Goal 1 Objective 3	Y	50%	Constrained	Y	Currently implementing international EFT, will start efforts to promote EFT.
	Goal 2 Objective 1	Y		Y	N	Work with HR to build out appropriate staffing model.
	Goal 2 Objective 2	Y		Y	N	Work with HR to build out appropriate training model.
<b>Compliance</b>	Internal Audit Work	N/A		Y		Internal Audit will be conducting complete review of outstanding audit recommendations and presenting updated plan to Audit Committee in December 2019.
	External Audit Work	To be added				Secretary of State Audit released October 2018. 9 of 16 recommendations complete as of June 30, 2019, 4 in progress with remaining 3 to be completed by expected completion dates.
	Enterprise Risk Management (ERM)	Component under ERM		N		POP 106 (Security and Risk Management Program) had a request for an ERM resource within the POP, but was not approved in 2019-21. Working with LFO to secure this resource during the biennium so that the agency can build out the ERM program.
	Information Security	N/A		Y		POP 106 (Security and Risk Management Program) had information security funding within it. Working on fulfilling budget request so that funding is released to agency.
	Budget Notes	N/A		Y		SB 1049 – reporting at February 2020 session is only current budget note.
	Building Maintenance	N/A		Y		POP 107 (Deferred Maintenance Plan) approved in 2019-21 budget. Requires a dedicated PM to assist Procurement & Facilities to accomplish this in biennium.



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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October 4, 2019

TO: Members of the PERS Board

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

SUBJECT: Notice of Rulemaking for Rules to Implement 2019 Legislation:  
 OAR 459-005-0525, *Ceiling on Compensation for Purposes of Contributions and Benefits*  
 OAR 459-009-0070, *Actuarial Pooling of Employer Liability*  
 OAR 459-017-0060, *Reemployment of Retired Members*  
 OAR 459-075-0300, *Reemployment of a Retired Member of the OPSRP Pension Program*  
 OAR 459-050-0001, *OSGP Definitions*  
 OAR 459-076-0045, *Cessation of Disability Benefits Upon Reaching Normal Retirement Age*

### OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Implement 2019 legislation impacting PERS.
- Policy Issue: None identified.

### BACKGROUND

The 2019 Oregon Legislature enacted several PERS-related bills which require rulemaking:

**Senate Bill 1049** (Chapter 355, Oregon Laws 2019), became effective June 11, 2019. Rules to implement different sections of the bill will be presented for notice over the course of several Board meetings, based on the effective dates of the bill sections. At this time we are presenting rule amendments for two portions of the bill: the definition of salary; and new work after retirement provisions.

Definition of Salary: SB 1049 changed the definition of “salary” for PERS purposes, creating a new limitation on subject salary used for PERS benefit calculations and contributions. Currently, salary limits exist for all programs according to federal law. Tier Two and OPSRP salary is limited for all plan purposes (i.e. contributions and benefits); Tier One is limited only for contributions. SB 1049 establishes a salary limit for all programs that is lower than the federal limits. For calendar years beginning on or after January 1, 2020, the annual subject salary taken into account for purposes of determining contributions and calculating final average salary (FAS) for all PERS members may not exceed \$195,000 in a calendar year. The proposed rule modifications incorporate the salary limitation for calendar year 2020 and are necessary to ensure compliance with the statutory limits on the amount of annual salary allowed for determining contributions and for calculating final average salary.

Work After Retirement (for members): Current PERS statutes allow retired members to return to work for a PERS-participating employer so long as they work less than a certain number of hours during a calendar year (less than 1,040 hours for Tier One and Tier Two retirees, or 600 hours for OPSRP retirees). As retired members, such persons continue to receive PERS retirement benefits, but do not accrue any new retirement benefits for post-retirement employment. However, if the retiree meets or exceeds the maximum hours of retiree employment in a calendar year, PERS will cancel the member’s retirement and return the retiree to active member status.

Over time, special statutory exceptions to these hour limits have been adopted that allow qualifying Tier One/Tier Two retirees who work for certain employers or in certain positions to exceed those limits and work unlimited hours. However, currently, no statutory exceptions exist for OPSRP retirees, requiring different treatment of members depending on their membership. SB 1049 (2019) simplifies the current “work after retirement” framework by allowing retirees in all programs to work unlimited hours for PERS-participating employers during calendar years 2020-2024, while continuing to receive their retirement benefits. The bill effectively lifts the 1,040-hour limit for Tier One/Tier Two retirees, and the 600-hour limit for OPSRP retirees during the five-year period. Note that SB 1049’s unlimited hours provision does not apply to early retirees unless they are hired by a PERS-participating employer more than six months after their effective retirement date. An early retiree is a member who retires before they reach normal retirement age, usually on a reduced service retirement allowance. If an early retiree does not meet the bona fide retirement requirement, then they are not allowed to work unlimited hours for a PERS-participating employer and remain subject to the current hourly limits and exceptions.

Work After Retirement (for employers): Currently, employers do not pay any PERS contributions on the amounts paid to reemployed retirees. As a financing modification under SB 1049, in addition to the employer contributions currently paid under ORS 238.225 based on active members’ salary, public employers will be required to make an additional payment of employer contributions on the wages of any retired PERS member that they employ.<sup>1</sup> The additional payment of employer contributions will be based on the same net employer contribution rate that employers pay for their active members.

These additional contribution payments made on the retiree’s wages will benefit the public employer who is making those contributions, by helping to reduce the employer’s projected future UAL. Net employer contribution rates are established for single employers, or for groups of employers who have been pooled for contribution rate purposes. This means additional contribution payments made by an individual employer will be applied to the employer’s individual UAL, while additional contribution payments made by a pooled employer will be applied to the employer’s rate pool’s UAL.

**Senate Bill 576** (Chapter 152, Oregon Laws 2019), is effective January 1, 2020. SB 576 created a new work after retirement exemption that allows a Tier One or Tier Two retired member to work unlimited hours as a special campus security officer commissioned by a public university, or a security officer for a community college, without impacting their retired member status. For

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<sup>1</sup> This means that employer contributions will be required for wages of any retired member employed by the participating public employer, including if the retired member is employed in a non-qualifying position (including temporary and part-time positions), or is working limited or unlimited hours after retirement (whether under Senate Bill 1049 or under other statutory provisions).

calendar years 2020 to 2024, the use of this new statutory exception will not be necessary, because a retiree who qualifies for this narrow exception would also qualify for SB 1049’s broader allowance. However, as a permanent statutory amendment, this exception will apply to calendar years in which SB 1049 does not apply.

**House Bill 2118** (Chapter 57, Oregon Laws 2019), is effective September 29, 2019. HB 2118 updated Consumer Price Index (CPI) references to align with the current applicable CPI, the West Region CPI for All Items. One reference to the discontinued CPI is updated in OAR 459-076-0045.

**House Bill 2972** (Chapter 496, Oregon Laws 2019), became effective upon passage on June 25, 2019. HB 2972 created a new work after retirement exemption that allows a Tier One or Tier Two retired member who is employed by the Harney County Health District as a person licensed, registered, or certified to provide health services to work unlimited hours without impacting their status as a retired member. For calendar years 2020 to 2024, the use of this new statutory exception will not be necessary, because a retiree who qualifies for this narrow exception would also qualify for SB 1049’s broader allowance. However, as a permanent statutory amendment, this exception will apply to calendar years in which SB1049 does not apply.

**House Bill 3146** (Chapter 213, Oregon Laws 2019), is effective January 1, 2020. HB 3146 replaced the term “inmate” with “adult in custody” throughout Oregon laws. One use of the term is updated in OAR 459-050-0001.

#### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held October 29, 2019, at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends November 5, 2019, 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, changes are necessary to bring the rules in line with changes or additions to statute made by the 2019 legislature.

**Benefit:** Updates the rules to reflect recent legislative changes and provides clarification on the agency’s administration of work after retirement.

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

#### RULEMAKING TIMELINE

October 3, 2019	Staff began the rulemaking process by filing a Notice of Rulemaking with the Secretary of State.
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Notice – Rules to Implement 2019 Legislation

10/4/19

Page 4 of 4

October 4, 2019	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.
October 4, 2019	PERS Board notified that staff began the rulemaking process.
October 29, 2019	Rulemaking hearing to be held at 2:00 p.m. at PERS in Tigard.
November 5, 2019	Public comment period ends at 5:00 p.m.
December 6, 2019	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 October 29, 2019, 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 December 6, 2019 Board meeting.

- B.1. Attachment 1 - 459-005-0525, *Ceiling on Compensation for Purposes of Contributions and Benefits*
- B.1. Attachment 2 - 459-009-0070, *Actuarial Pooling of Employer Liability*
- B.1. Attachment 3 - 459-017-0060, *Reemployment of Retired Members*
- B.1. Attachment 4 - 459-075-0300, *Reemployment of a Retired Member of the OPSRP Pension Program*
- B.1. Attachment 5 - 459-050-0001, *OSGP Definitions*
- B.1. Attachment 6 - 459-076-0045, *Cessation of Disability Benefits Upon Reaching Normal Retirement Age*

**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) This administrative rule shall be construed consistently with the requirements of  
4 the Internal Revenue Code (IRC) Section 401(a)(17) relating to the limitation on annual  
5 compensation allowable for determining contribution and benefits under ORS Chapters  
6 238 and 238A.

7 (2) For purposes of this rule:

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 for calendar years before 2020. The limit on annual compensation  
 5 taken into account for purposes of determining contributions or benefits under ORS  
 6 Chapter 238 or 238A for eligible participants shall be measured on a calendar year  
 7 basis, and shall not exceed \$195,000 per calendar year beginning in 2020.

8 (4) For noneligible participants, the annual compensation taken into account for  
 9 purposes of determining contributions or benefits under ORS Chapters 238 and 238A  
 10 shall be measured on a calendar year basis, and shall not exceed ~~[\$280,000]~~ \$195,000 per  
 11 calendar year beginning in ~~[2019]~~ 2020.

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

14 *[(b)]*(5) A *[noneligible]* participant employed by two or more agencies or  
 15 instrumentalities of a PERS participating employer in a calendar year, whether  
 16 concurrently or consecutively, shall have all compensation paid by the employer  
 17 combined for determining the allowable annual compensation under this rule.

18 *[(c)]*(6) PERS participating employers shall monitor annual compensation and  
 19 contributions to assure that reports and remitting are within the limits established by this  
 20 rule and IRC Section 401(a)(17).

21 *[(5)]*(7) For a *[noneligible]* participant, Final Average Salary under ORS 238.005  
 22 with respect to Chapter 238 and under 238A.130 with respect to Chapter 238A shall be  
 23 calculated based on the amount of compensation that is allowed to be taken into account  
 24 under this rule.



1 *[(6) Notwithstanding sections (4) and (5) of this rule, if the Final Average Salary as*  
2 *defined in ORS 238.005 with respect to Chapter 238 and as defined in 238A.130 with*  
3 *respect to Chapter 238A is used in computing a noneligible participant's retirement*  
4 *benefits, the annual compensation shall be based on compensation paid in a 12-month*  
5 *period beginning with the earliest calendar month used in determining the 36 months of*  
6 *salary paid. For each 12-month period, annual compensation shall not exceed the*  
7 *amount of compensation that is allowable under this rule for the calendar year in which*  
8 *the 12-month period begins.]*

9 *[(7)](8)* With respect to ORS Chapter 238, creditable service, as defined in 238.005,  
10 shall be given for each month that an active member is paid salary or wages and  
11 allowable contributions have been remitted to PERS, or would be remitted but for the  
12 annual compensation limit in *[IRC Section 401(a)(17)]* [this rule](#). With respect to Chapter  
13 238A, retirement credit as determined in 238A.140, shall be given for each month that an  
14 active member is paid salary or wages and allowable contributions have been remitted to  
15 PERS, or would be remitted but for the annual compensation limit in *[IRC Section*  
16 *401(a)(17)]* [this rule](#).

17 [\(9\) Beginning in 2020, the limitation on annual compensation under sections \(3\)](#)  
18 [and \(4\) of this rule will be indexed by cost-of-living adjustments in subsequent years](#)  
19 [as provided in the Consumer Price Index for All Urban Consumers, West Region](#)  
20 [\(All Items\), as published by the Bureau of Labor Statistics of the United States](#)  
21 [Department of Labor.](#)

22 *[(8) The provisions of this rule are effective on January 1, 2004.]*

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

24 Stats. Implemented: ORS chapters 238 & 238A

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 009 – PUBLIC EMPLOYER**

1 **459-009-0070**

2 **Actuarial Pooling of Employer Liability**

3 (1) Definitions. Definitions as used in this rule:

4 (a) “Actuarial Surplus” means the excess of the fair market actuarial value of assets  
5 over the actuarial liabilities.

6 (b) “Consolidation” means the uniting or joining of two or more political  
7 subdivisions into a single new successor political subdivision.

8 (c) “Liability” or “Liabilities” means any costs assigned by the Board to a specific  
9 employer or to a pool of employers to provide PERS benefits.

10 (d) “Local government” shall have the same meaning as in subsection (f) of this  
11 section.

12 (e) “Merger” means the extinguishment, termination and cessation of the existence  
13 of one or more political subdivisions by uniting with and being absorbed into another  
14 political subdivision.

15 (f) “Political subdivision” means any city, county, municipal or public corporation,  
16 any other political subdivision as provided in Oregon Law, or any instrumentality thereof,  
17 or an agency created by one or more political subdivisions to provide themselves  
18 governmental service. Political subdivision does not mean a school district or a  
19 community college.

20 (g) “Pooled” or “pooling” means the combining or grouping of public employers  
21 participating in PERS for the purposes of determining employer liability for retirement or  
22 other benefits under ORS Chapter 238.

1            (h) “School district” means a common school district, a union high school district, or  
2 an education service district, including chartered schools authorized under Oregon law.

3            (i) “Transition Unfunded Actuarial Liabilities or Surplus” means the unfunded  
4 actuarial liability or actuarial surplus, attributed to an individual employer for the period  
5 of time the employer was not participating in a pool, prior to entry into the Local  
6 Government Rate Pool or the State and Local Government Rate Pool.

7            (j) “Unfunded Actuarial Liabilities” or “UAL” means the excess of the actuarial  
8 liabilities over the fair market actuarial value of assets.

9            (2) Two employer pools. In accordance with ORS 238.225 and only for the purposes  
10 of determining the amounts that are actuarially necessary to adequately fund the benefits  
11 provided by the contributions of PERS participating employers, employers will be pooled  
12 as a single employer as follows:

13            (a) The State and Local Government Rate Pool, which consists of the following  
14 employers:

15            (A) The State of Oregon, excluding the state judiciary under ORS 238.500;

16            (B) All community colleges; and

17            (C) All political subdivisions which elect to join the pool; or

18            (b) The School District Pool, which consists of all school districts of the state.

19            (3) The Local Government Rate Pool established as of January 1, 2000, and certified  
20 by the Board on June 12, 2001, for political subdivisions was dissolved as of December  
21 31, 2001.

22            (4) Political subdivision participation. Political subdivisions may elect to participate  
23 in the State and Local Government Rate Pool by the adoption of a resolution or ordinance

1 by the governing body of the political subdivision and submitting a copy of the resolution  
2 or ordinance to the Board. The effective date of the election is established as follows:

3 (a) If the election is received, in accordance with OAR 459-005-0220, by December  
4 31, 2001, the political subdivision will join the pool effective January 1, 2002. Its liability  
5 as a member of the pool, from the effective date of entering the pool, will be based on the  
6 actuarial valuation period beginning on January 1, 2002; or

7 (b) If the election is received, in accordance with OAR 459-005-0220, on or after  
8 January 1, 2002, the political subdivision will join the pool effective the first day of the  
9 next actuarial valuation period following the date of receipt of the election.

10 (c) Prior to entering the pool, any unfunded actuarial liabilities or surplus of such  
11 employers will be actuarially accounted for as provided in section ~~[(9)](10)~~ of this rule.

12 (d) Participation in the pool, as provided in this section ~~[(4) of this rule]~~, is  
13 irrevocable by the employer.

14 (e) Political subdivisions that do not elect to participate in the State and Local  
15 Government Rate Pool, as provided in this section ~~[(4) of this rule]~~, shall be regarded as  
16 individual employers for actuarial purposes.

17 (5) Employer rates. The basis for any actuarial computation required under ORS  
18 238.225 or this rule will be the actuarial report on PERS prepared in accordance with  
19 ORS 238.605.

20 (6) In determining the amounts to be paid to PERS by a public employer pooled as  
21 provided in section (2) of this rule, the PERS consulting actuary will express those  
22 amounts as a rate or percentage of PERS covered payroll.

1 (7) In determining the amounts to be paid to PERS by employer participants in the  
2 Local Government Rate Pool, the State and Local Government Rate Pool, and the School  
3 District Pool, the PERS Board will issue rate(s) representing the amount necessary to  
4 provide benefits as provided in ORS 238.225, for all members of that pooled group. The  
5 rates, at a minimum, shall include:

6 (a) Rates representing the amount necessary to provide benefits as provided in ORS  
7 238.225, for all Tier One and Tier Two police officer and firefighter members of that  
8 pooled group.

9 (b) Rates representing the amount necessary to provide benefits as provided in ORS  
10 238.225, for all Tier One and Tier Two general service members of that pooled group.

11 (c) In addition to the rate(s) in this section, the State of Oregon will be charged the  
12 additional amount necessary to fund the Retiree Health Insurance Premium Account as  
13 provided in ORS 238.415(5).

14 **(8) A public employer employing a retired member shall apply the employer's**  
15 **net contribution rate for its active members to the wages paid to the retired**  
16 **member, and shall make a payment to the Public Employees Retirement Fund. This**  
17 **payment is in addition to the employer's contribution required under ORS 238.225**  
18 **or 238A.220.**

19 **(a) Retired member wages will not be included in covered payroll for purposes**  
20 **of determining the employer's contribution rate.**

21 **(b) The additional payment shall be applied to the rate pool's unfunded**  
22 **actuarial liability.**

1 (c) If the employer has a side account established under ORS 238.229, any side  
2 account rate offset that applies to the employer’s contribution rate for its active  
3 members will be applied to the employer’s contribution rate for its retired  
4 members.

5 ~~[(8)]~~(9) For each participant in the State and Local Government Rate Pool:

6 (a) Each employer’s police officer and firefighter payroll as reported for the actuarial  
7 valuation will be multiplied times the rate described in subsection (7)(a) of this rule;

8 (b) Each employer’s general service payroll as reported for the actuarial valuation  
9 will be multiplied times the rate described in subsection (7)(b) of this rule.

10 (c) By dividing the sum of the amounts in subsections (a) and (b) of this section by  
11 the employer’s total payroll as reported for the actuarial valuation, a composite employer  
12 contribution rate is derived, which will be the basis for the employer contributions.

13 ~~[(9)]~~(10) Unfunded actuarial liabilities or surplus.

14 (a) If a political subdivision elected to join the Local Government Rate Pool  
15 described in section (3) of this rule, any transition unfunded actuarial liabilities or surplus  
16 as of December 31, 1999, will remain part of the actuarial calculation of employer costs  
17 for the individual political subdivision, until fully amortized, and will not be pooled with  
18 other public employers. However, the political subdivision will continue to be pooled for  
19 the purpose of funding the resulting unfunded actuarial liabilities associated with the  
20 Local Government Rate Pool from January 1, 2000 to December 31, 2001.

21 (b) If a political subdivision elects to join the State and Local Government Rate Pool  
22 as provided in section (4) of this rule, any transition unfunded actuarial liabilities or  
23 surplus as of the day immediately preceding the effective date of entering the pool will

1 remain part of the actuarial calculation of employer costs for each individual political  
2 subdivision, until fully amortized, and will not be pooled with other public employers in  
3 the State and Local Government Rate Pool.

4 (c) The pooled unfunded actuarial liability or surplus for the community colleges and  
5 the State of Oregon as of December 31, 2001, will remain part of the actuarial calculation  
6 of employer costs for community colleges and the State of Oregon combined until fully  
7 amortized, and will not be pooled with any political subdivision.

8 (d) Any unfunded actuarial liability or surplus for the State and Local Government  
9 Rate Pool that accrues during a valuation period occurring after December 31, 2001, will  
10 become part of the actuarial calculation of employer costs for only those employers who  
11 participated in the pool during that valuation period.

12 (e) Any unfunded actuarial liabilities or surplus of individual employers being  
13 amortized as provided for in subsection [(9)](a), [(9)](b), or [(9)](c) of this [rule]  
14 [section](#), will be amortized based on the Board’s adopted assumed earnings rate and  
15 amortization period. If at the end of the amortization period a surplus remains, the surplus  
16 will continue to be amortized as determined by the Board.

17 (f) If the PERS Board should change the assumed earnings rate, as it applies to ORS  
18 238.255, in effect at the time of the amortization provided for in subsection [(9)](a),  
19 [(9)](b), or [(9)](c) of this [rule] [section](#), the actuary will recalculate the remaining  
20 liability or surplus being amortized using the new assumed earnings rate. The  
21 amortization period provided in subsection [(9)](e) [of this section](#) will not change due to  
22 this recalculation.

1        ~~[(10)]~~(11) Employer UAL lump-sum payment. If an employer elects to make a UAL  
 2 lump-sum payment to offset the unfunded actuarial liabilities under subsection  
 3 ~~[(9)]~~(10)(a), ~~[(9)]~~(b), ~~[(9)]~~(c), or ~~[(9)]~~(d) of this rule, or as provided under ORS  
 4 238.225(8), the payment shall be made in accordance with ORS 238.225 and OAR 459-  
 5 009-0084.

6        ~~[(11)]~~(12) New employers and integrations. Political subdivisions entering PERS, as  
 7 provided in ORS 238.015(3), 238.035, or 238.680, will be pooled upon election to join  
 8 the State and Local Government Rate Pool as follows:

9        (a) To join the pool upon entering PERS, the election as well as the methods and  
 10 effective date of entry, must be included in the coverage agreement or contract of  
 11 integration. If the election is made after the effective date of joining PERS, the political  
 12 subdivision will join the pool effective the first day of the next actuarial valuation period  
 13 following the date of receipt of the election.

14        (b) An election completed by an integrating employer or a partially integrated  
 15 employer will apply to all current and future groups of employees who are integrated into  
 16 PERS by the employer. Upon entering the respective pool, any unfunded actuarial  
 17 liabilities or surplus of such employers will be actuarially accounted for as provided in  
 18 section ~~[(9)]~~(10) of this rule.

19        ~~[(12)]~~(13) Dissolution of an employer or non-participating employer. In the event a  
 20 public employer is dissolved, no longer has PERS eligible employees, or is no longer  
 21 eligible to participate in PERS, the employer or its successor will be required to make the  
 22 contributions necessary to fund any remaining unfunded actuarial liability, as provided  
 23 for in subsection ~~[(9)]~~(10)(a), ~~[(9)]~~(b), or ~~[(9)]~~(c) of this rule, for PERS benefits. The



1 Board will determine the method and amount of funding this unfunded actuarial liability  
2 or the return of any surplus, as well as the determination of the employer’s successor.

3 ~~[(13)]~~(14) Consolidation of political subdivisions. In the event a political  
4 subdivision consolidates with another political subdivision, the succeeding employer will  
5 determine the status in the pool by election into the pool.

6 (a) If the succeeding employer has not elected to join the pool as of the effective date  
7 of the consolidation, the following will occur:

8 (A) The pooled and non-pooled assets, liabilities, and employees of the former  
9 employers will continue as they were prior to the consolidation;

10 (B) Any unfunded actuarial liability or surplus of the former employers as of the  
11 effective date of the consolidation will be combined and assumed by the succeeding  
12 employer;

13 (C) New hires will not be pooled; and

14 (D) If the succeeding employer consists of pooled and non-pooled employees,  
15 separate payrolls must be maintained for each and reported to PERS.

16 (E) At any time after the consolidation, the succeeding employer may elect to join  
17 the pool and the effective date will be the first day of the next actuarial valuation period  
18 following the date of receipt of an election.

19 (b) If the succeeding employer elects to join the pool as of the effective date of the  
20 consolidation, the following will occur:

21 (A) Any non-pooled assets, liabilities, and employees of the former employers will  
22 be added to the pool;

1 (B) Any unfunded actuarial liability or surplus of the former employers as of the  
2 effective date of the consolidation will be combined and assumed by the succeeding  
3 employer and provided for as in subsection ~~[(9)]~~(10)(a) or ~~[(9)]~~(b) of this rule; and

4 (C) New hires will be pooled.

5 (c) The succeeding employer must join the pool as of the effective date of the  
6 consolidation if it consists of only pooled employers. Any unfunded actuarial liability or  
7 surplus of the former employers as of the effective date of the consolidation will be  
8 combined and assumed by the succeeding employer.

9 ~~[(14)]~~(15) Merger of political subdivisions. In the event a political subdivision  
10 merges with another political subdivision, the status of the surviving employer in the pool  
11 depends on its status prior to the merger.

12 (a) If the surviving employer was not in the pool and has not elected to join the pool  
13 as of the effective date of the merger, the following will occur:

14 (A) The pooled and non-pooled assets, liabilities, and employees of the former  
15 employers will continue as they were prior to the merger;

16 (B) Any unfunded actuarial liability or surplus of the former employers as of the date  
17 of the merger will be transferred to the surviving employer;

18 (C) New hires will not be pooled; and

19 (D) If the surviving employer consists of pooled and non-pooled employees, separate  
20 payrolls must be maintained for each and reported to PERS.

21 (E) At any time after the merger, the surviving employer may elect to join the pool  
22 and the effective date will be the first day of the next actuarial valuation period following  
23 the date of receipt of an election.

1 (b) If the surviving employer was in the pool as of the effective date of the merger,  
2 the following will occur:

3 (A) Any non-pooled assets, liabilities, and employees of the former employers will  
4 be added to the pool as of the effective date of the merger;

5 (B) Any unfunded actuarial liability or surplus of the former employers as of the  
6 effective date of the merger will be transferred to the surviving employer and provided  
7 for in subsection ~~[(9)]~~(10)(a) or ~~[(9)]~~(b) of this rule; and

8 (C) New hires will be pooled.

9 ~~[(15)]~~(16) In the event of any legal mandates or changes adopted by the Board:

10 (a) If the change provides for an increased or decreased benefit to police officer and  
11 firefighter members, but is not applicable to general service members, the PERS Board  
12 will direct the actuary to attribute the cost or savings of the change to the rate indicated in  
13 subsection (7)(a) of this rule.

14 (b) If the change provides for an increased or decreased benefit to general service  
15 members, but is not applicable to police officer or firefighter members, the PERS Board  
16 will direct the actuary to attribute the cost or savings of the change to the rate indicated in  
17 subsection (7)(b) of this rule.

18 **(17) Section (8) of this rule is repealed effective January 2, 2025.**

19 Stat. Auth.: ORS 238.650

20 Stats. Implemented: 2005 OL, Ch. 808, Sec. (12), (13), (14), ORS 238.225 &

21 238.605, **2019 OL, Ch. 355, Sec. 35 & 37**

**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) A retired member may be employed under ORS 238.082 by a participating  
6 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 \$17,640; 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 \$46,920.

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]* [hire](#) is more than six months after the member’s effective retirement date,  
7        and 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 (i) The retired member is employed as a special campus security officer  
4 commissioned by a public university and meets the requirements under section 5,  
5 chapter 152, Oregon Laws 2019.

6 (j) The retired member is employed as a security officer for a community  
7 college and meets the requirements under section 5, chapter 152, Oregon Laws  
8 2019.

9 (k) The retired member is employed by Harney County Health District as a  
10 person licensed, registered or certified to provide health services and meets the  
11 requirements under section 2, chapter 496, Oregon Laws 2019.

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

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

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

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

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

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

1 (A) PERS will cancel the member’s retirement.

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

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

8 (iii) If the member received a single lump sum payment under ORS 238.305(4) or  
9 238.315, the member is entitled to the payment provided the payment was dated on or  
10 before the last day of the month in which the limitations were exceeded.

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

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

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

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

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

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

22 (C) The member will reestablish active membership effective the date the member  
23 was reemployed.

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

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

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

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

11        (9) If a member has been retired for service for more than six calendar months and is  
12 reemployed in a qualifying position by a participating employer under the provisions of  
13 238.078(1):

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

16        (b) The member will reestablish active membership on the date the member is  
17 reemployed.

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

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



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

5            (d) If the member elected a partial lump sum option under ORS 238.305(2), the last  
6 monthly service retirement allowance payment to which the member is entitled is for the  
7 month before the calendar month in which the member is reemployed. The last lump sum  
8 or installment payment to which the member is entitled is the last payment due before the  
9 date the member is reemployed. Upon subsequent retirement, the member may not  
10 choose a different benefit payment option unless the member has repaid to PERS in a  
11 single payment an amount equal to the lump sum and installment benefits received and  
12 the earnings that would have accumulated on that amount.

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

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

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

1        (A) If the member repays PERS as described in this subsection the member's  
2 account will be rebuilt as required by ORS 238.078 effective the date that PERS receives  
3 the single payment.

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

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

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

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

11        (ii) The member's retirement benefit will be calculated based on the member's  
12 periods of active membership after the member's initial effective retirement date.

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

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

16        (ii) The member's retirement benefit will be calculated based on the member's  
17 periods of active membership before and after the member's initial effective retirement  
18 date.

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

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

22        (10) If a member has been retired for less than six calendar months and is  
23 reemployed in a qualifying position by a participating employer under the provisions of  
24 238.078(2):

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

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

5           (c) The member will reestablish active membership effective the date the member is  
6 reemployed.

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

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

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

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

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

21          (a) Upon request by PERS, a participating employer must certify to PERS that a  
22 retired member has not exceeded the number of hours allowed under ORS 238.082 and  
23 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) Accumulated unused sick leave reported by an employer to PERS upon a  
7 member's retirement, as provided in ORS 238.350, may not be made available to a  
8 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, 2023.

11       **(17) A member who is retired for service maintains their status as a retired**  
12 **member of the system, and does not accrue additional benefits during the period of**  
13 **employment. A retired member may not participate in the pension program or the**  
14 **Individual Account Program as an active member, unless provided by other**  
15 **provisions of law.**

16       **(18) For calendar years 2020 through 2024, a public employer employing a**  
17 **retired member shall apply the employer's net contribution rate for its active**  
18 **members to the wages paid to the retired member, and shall make a payment to the**  
19 **Public Employees Retirement Fund. This payment is in addition to the employer's**  
20 **contribution required under ORS 238.225. The additional payment will be applied**  
21 **to the individual employer's unfunded actuarial liability if the employer is not**  
22 **participating in a pool, or the unfunded actuarial liability of the employer's rate**  
23 **pool if the employer is a member of a pool established under ORS 238.227.**

1 (19) For calendar years 2020 through 2024, the limitations on employment in  
2 section (2) of this rule do not apply to a retired member unless the retired member  
3 retired under the provisions of ORS 238.280(1), (2), or (3), and the member’s date of  
4 hire is less than six months from the member’s effective retirement date as provided  
5 under section 35, chapter 355, Oregon Laws 2019.

6 (20) For calendar years 2020 through 2024, if the member retired under the  
7 provisions of ORS 238.280(1), (2), or (3), and the member’s date of hire is less than  
8 six months after the member’s effective retirement date, the member is subject to  
9 the limitations on employment in section (2) of this rule, unless the retired member  
10 qualifies for one of the exceptions provided in sections (3) and (4) of this rule.

11 (21) Sections (18), (19), and (20) of this rule are repealed effective January 2,  
12 2025.

13 Stat. Authority: ORS 238.650

14 Stats. Implemented: ORS 238.078, ORS 238.082, ORS 238.088, ORS 238.092, ORS  
15 399.075, 2007 OL Ch. 499 & 774, 2015 OL Ch. 108 & 475 & 2018 OL Ch. 48, 2019 OL  
16 Ch. 355

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 075 – OPSRP PENSION PROGRAM**

1 **459-075-0300**

2 **Reemployment of a Retired Member of the OPSRP Pension Program**

3 (1) If a retired member of the OPSRP Pension Program who is receiving monthly  
4 pension payments is employed by a participating public employer in a qualifying  
5 position:

6 (a) The member's retirement is canceled effective the first of the month in which the  
7 member was hired.

8 (b) The last pension payment the member is entitled to receive is for the month  
9 before the calendar month in which the member was hired. A member who receives  
10 benefits to which he or she is not entitled must repay those benefits to PERS.

11 (c) The member reestablishes active membership effective the date the member was  
12 hired.

13 (2) If a retired member of the OPSRP Pension Program who received a lump sum  
14 benefit in lieu of a small pension under ORS 238A.195 is employed by a participating  
15 public employer in a qualifying position, the member reestablishes active membership  
16 effective the date of hire.

17 (a) If the member was hired after the date of the payment, the member is not required  
18 or permitted to repay the benefit amount.

19 (b) If the member was hired on or before the date of the payment, the member must  
20 repay the gross benefit amount.

21 (3) A retired member of the OPSRP Pension Program who is hired by a participating  
22 public employer in a non-qualifying position may receive pension payments or a lump

1    sum payment under ORS 238A.195 without affecting the member’s status as a retired  
2    member, provided the period or periods of employment worked as a retired member total  
3    less than 600 hours in a calendar year.

4            (a) If, by reason of hours of service performed by the retired member, the non-  
5    qualifying position becomes qualifying in a calendar year, the position is qualifying  
6    effective the later of the first day of the calendar year or the date of hire.

7            (b) If a position becomes qualifying under subsection (a) of this section, the retired  
8    member is subject to the provisions of sections (1) and (2) of this rule.

9            (4) A retired member who reestablishes active membership may, at subsequent  
10    retirement, elect any option provided in ORS 238A.180 and 238A.190, subject to the  
11    provisions of ORS 238A.195.

12           (a) The member’s subsequent retirement benefit will be calculated based on the  
13    member’s periods of active membership before and after the member’s initial effective  
14    retirement date if at the initial retirement:

15            (A) The member received a monthly pension; or

16            (B) The member received a lump sum payment under ORS 238A.195 and repaid the  
17    benefit amount under subsection (2)(b) of this rule.

18           (b) The member’s subsequent retirement benefit will be calculated based on the  
19    member’s periods of active membership after the member’s initial effective retirement  
20    date if:

21            (A) At initial retirement, the member received a lump sum payment under ORS  
22    238A.195 and was not required to repay the benefit amount under subsection (2)(b) of  
23    this rule; or

1            (B) The member is required to repay the benefit amount under subsection (2)(b) of  
2 this rule and, as of the effective retirement date of the member’s subsequent retirement,  
3 the member has not repaid the benefit amount.

4            (c) The member’s subsequent retirement benefit will be calculated using the actuarial  
5 equivalency factors in effect on the effective retirement date of the subsequent retirement.

6            (5) A member who is retired for service maintains the member’s status as a  
7 retired member of the system and does not accrue additional benefits during the  
8 period of employment. A retired member may not participate in the pension  
9 program or the Individual Account Program as an active member, unless provided  
10 by other provisions of law.

11           (6) For calendar years 2020 through 2024, a public employer employing a  
12 retired member shall apply the employer’s net contribution rate for its active  
13 members to the wages paid to the retired member. The public employer shall make  
14 a payment to the Public Employees Retirement Fund in that amount that is in  
15 addition to the employer’s contribution required under ORS 238A.220.

16           (7) For calendar years 2020 through 2024, the limitations on employment in  
17 section (3) of this rule do not apply to a retired member unless the member retired  
18 under the provisions of ORS 238A.185, and the member’s date of hire is less than  
19 six months from the member’s effective retirement date, as provided under section  
20 37, chapter 355, Oregon Laws 2019.

21           (8) For calendar years 2020 through 2024, if a member retired under the  
22 provisions of ORS 238A.185, and the member’s date of hire is less than six months



1 after the member’s effective retirement date, the member is subject to the  
2 limitations on employment in section (3) of this rule.

3 (9) Sections 6, 7, and 8 of this rule are repealed effective January 2, 2025.

4 Stat. Auth.: ORS 238A.450

5 Stats. Implemented: ORS 238A.245, 2019 OL, Ch. 355, Sec. 37

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 050 – DEFERRED COMPENSATION**

1 **459-050-0001**

2 **Definitions**

3 The words and phrases used in this Division have the same meaning given them in  
4 ORS 243.401 — 243.507 and ORS 293.701 — 293.820. Specific and additional terms are  
5 defined as follows unless the context requires otherwise.

6 (1) “Advisory Committee” means the committee established pursuant to ORS  
7 243.505 and appointed by the Board.

8 (2) “Alternate Payee” shall have the same meaning as provided in ORS  
9 243.507(9)(a).

10 (3) “Alternate Payee Account” means a separate account created under ORS 243.507  
11 in the name of an alternate payee pursuant to a court order.

12 (4) “Alternate Payee’s Award” is the portion of a participant’s Deferred  
13 Compensation Account, Designated Roth Account, or a combination of both, awarded to  
14 an alternate payee by a court order, and includes the creation of separate account(s) in the  
15 fund in the name of the alternate payee.

16 (5) “Alternate Payee Release” means a written statement signed by the alternate  
17 payee and received by the Deferred Compensation Program. An alternate payee release  
18 may pertain to any of the matters set forth in subsections (5)(a) through (5)(c) of this rule,  
19 may authorize the release of information, and direct the Deferred Compensation Program  
20 to send information to a named person at a specified address.

21 (a) Pertaining to the alternate payee’s interest in the participant’s Deferred  
22 Compensation Account and the Designated Roth Account;

1 (b) Pertaining to the alternate payee’s account(s) and distribution(s) if separate  
2 account(s) have been created in the name of the alternate payee; or

3 (c) Pertaining to award information contained in any draft or final court order in  
4 regard to the alternate payee on record with the Deferred Compensation Program.

5 (6) “Board” shall have the same meaning as provided in ORS 243.401(1).

6 (7) “Committee” shall have the same meaning as provided in section (1) of this rule.

7 (8) “Court Order” means a court decree or judgment of dissolution of marriage,  
8 separation, or annulment, or the terms of any court order or court approved marital  
9 property settlement agreement, incident to any court decree or judgment of dissolution of  
10 marriage, separation, or annulment.

11 (9) “Deferred Compensation Account” means the participant’s individual account in  
12 the Deferred Compensation Plan as defined in ORS 243.401(5) that is made up of pre-tax  
13 employee contributions and earnings.

14 (10) “Deferred Compensation Advisory Committee” shall have the same meaning as  
15 provided in section (1) of this rule.

16 (11) “Deferred Compensation Contract” shall have the same meaning as provided in  
17 ORS 243.401(3).

18 (12) “Deferred Compensation Investment Program” shall have the same meaning as  
19 provided in ORS 243.401(4).

20 (13) “Deferred Compensation Manager” means the person appointed by the Director  
21 to serve as the Manager of the Deferred Compensation Program of the Public Employees  
22 Retirement System.

1 (14) “Deferred Compensation Plan” shall have the same meaning as provided in  
2 ORS 243.401(5).

3 (15) “Deferred Compensation Program” means a program established by the State of  
4 Oregon and administered under policies established by the Public Employees Retirement  
5 Board that has as its purposes the deferral of compensation to eligible employees.

6 (16) “Designated Roth Account” means a participant’s individual account in the  
7 Deferred Compensation Program that is made up of Designated Roth Contributions,  
8 eligible rollovers and earnings.

9 (17) “Designated Roth Contribution” means any elective deferral which would  
10 otherwise be excludable from gross income of an employee under section 457(b) of the  
11 Internal Revenue Code and the employee designates as not being so excludable under  
12 section 402A of the Internal Revenue Code.

13 (18) “Disclosure Statement” means the statement, required by ORS 243.450, that  
14 describes the probable income and probable safety of money deferred.

15 (19) “Domestic Relations Order” means a judgment, decree or court order made  
16 pursuant to a state’s domestic relations law that creates or recognizes the existence of an  
17 alternate payee’s right, or assigns to an alternate payee the right, to receive all or a  
18 portion of a participant’s Deferred Compensation Account, Designated Roth Account, or  
19 a combination of both, or benefit payments.

20 (20) “Draft Court Order” means an Order as described in section (8) of this rule  
21 which contains proposed language for the division of a Deferred Compensation Account,  
22 Designated Roth Account, or a combination of both, and has been prepared but not  
23 approved or signed by the court or has not been filed with the court clerk.

1 (21) “Eligible Employee” shall have the same meaning as ORS 243.401(6) for an  
2 employee of the state, or as provided in the plan description of a local government  
3 deferred compensation plan, and shall exclude persons who are *[inmates]* adults in  
4 custody of any prison or detention facility operated by the state or local government, and  
5 persons who are employed by contract with a private sector business.

6 (22) “Enrollment Form” means a contract between the eligible employee and the  
7 plan sponsor which defines the circumstance, responsibilities and liabilities of both  
8 parties relating to the participation of the employee in the Deferred Compensation  
9 Program.

10 (23) “Estimate” means a projection of distributions prepared by staff. An estimate is  
11 not a guarantee or promise of actual distributions that eventually may become due and  
12 payable.

13 (24) “Final Court Order” means a court order or judgment that has been signed by a  
14 judge and shows the stamp of the court clerk or trial court administrator, indicating the  
15 order is a certified copy of the original record on file with the court.

16 (25) “Fund” shall have the same meaning as provided in ORS 243.401(7).

17 (26) “Local Government” shall have the same meaning as provided in ORS  
18 243.401(8).

19 (27) “Local Government Deferred Compensation Contract” means a written contract  
20 between a local government and an eligible employee of that local government that  
21 provides for deferral of income for service currently rendered, as defined in the  
22 established policy of the local government.

1            (28) “Local Government Deferred Compensation Plan” shall have the same meaning  
2 as provided in ORS 243.401(9).

3            (29) “Manager” shall have the same meaning as provided in section (13) of this rule.

4            (30) “OIC” means the Oregon Investment Council created by ORS 293.706.

5            (31) “Participant” means a person defined in either ORS 243.401(10) or 243.401(13)  
6 participating in one or more deferred compensation plans under ORS 243.401 to 243.507,  
7 either through current or past deferrals or compensation.

8            (32) “Participant’s Release” means a written statement signed by a deferred  
9 compensation plan participant and received by the Deferred Compensation Program. A  
10 participant’s release may pertain to any of the matters set forth in subsections (a) through  
11 (c) of this section, may authorize the release of information, and direct the Deferred  
12 Compensation Program to send information to a named person at a specified address.

13            (a) Pertaining to the participant’s Deferred Compensation Account and Designated  
14 Roth Account;

15            (b) Pertaining to the participant’s distribution(s); or

16            (c) Pertaining to award information contained in any draft or final court order in  
17 regard to the participant on record with the Deferred Compensation Program.

18            (33) “Participating Local Government” shall have the same meaning as provided in  
19 ORS 243.401(11).

20            (34) “Payroll Disbursing Officer” means:

21            (a) The person authorized by the state to disburse moneys in payment of salaries and  
22 wages of employees of a state agency; or

1 (b) The person authorized by a local government to disburse money in payment of  
2 salaries and wages of employees of that local government.

3 (35) “PERS” shall have the same meaning as provided in ORS 243.401(14).

4 (36) “Plan Sponsor” means a public employer that establishes an eligible deferred  
5 compensation plan as defined in Section 457 of the Internal Revenue Code and which  
6 enters into an agreement with PERS to participate in the Deferred Compensation  
7 Program.

8 (37) “Program” shall have the same meaning as provided in section (15) of this rule.

9 (38) “Public Employees Retirement Board” shall have the same meaning as provided  
10 in ORS 243.401(1).

11 (39) “Public Employer” means the state or a local government as defined in ORS  
12 243.401(8).

13 (40) “Qualified Domestic Relations Order” or “QDRO” means a domestic relations  
14 order that has been reviewed and determined to be qualified by the Deferred  
15 Compensation Program Manager.

16 (41) “Solicitation of Offers from Vendors” means a notice to potential vendors of  
17 investment services prepared by the OIC informing the potential vendor of the needs of  
18 the Deferred Compensation Investment Program and notice that the OIC will accept  
19 offers from qualified vendors to sign a contract with the State of Oregon providing for the  
20 vendors’ acceptance of deposits under the terms and conditions of the contract.

21 (42) “Staff” means any employee of the Public Employees Retirement System, who  
22 has been appointed in accordance with ORS 238.645.

1        (43) “State Agency” means every state officer, board, commission, department or  
2 other activity of state government.

3        (44) “State Deferred Compensation Plan” shall have the same meaning as provided  
4 in ORS 243.401(12).

5        (45) “Vendor” means an entity offering investment or other service related to  
6 investment of deferred compensation pursuant to a contract with the State of Oregon.

7        [Publications: Publications referenced are available from the agency.]

8        Stat. Auth: ORS 243.470

9        Stats. Implemented: ORS 243.401 - ORS 243.507



**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 076 – OPSRP DISABILITY BENEFIT**

1 **459-076-0045**

2 **Cessation of Disability Benefits Upon Reaching Normal Retirement Age**

3 (1) If a member who is receiving an OPSRP disability benefit reaches normal  
4 retirement age, as defined in ORS 238A.160, disability benefits will cease as of the first  
5 of the following month.

6 (2) The disability benefit will not automatically convert to a retirement benefit upon  
7 the member reaching normal retirement age. The member must apply for service  
8 retirement benefits before receiving them. In order to receive a service retirement benefit  
9 beginning in the month in which a disability benefit ceases under section (1) above, the  
10 member must:

11 (a) Complete the applicable Service Retirement application(s); and

12 (b) Submit the application(s) to PERS at least 92 days before the first of the month in  
13 which the disability benefit ceases under section (1). In no case will a service retirement  
14 benefit become payable during a month in which a member receives a disability benefit  
15 or earlier than the first of the month in which an application was submitted.

16 (3) The OPSRP retirement pension benefit will be based on:

17 (a) The adjusted salary as set forth in section (4) of this rule; and

18 (b) The total retirement credit accrued, set forth in section (5) of this rule.

19 (4) The salary the member was receiving immediately prior to leaving active  
20 employment as a result of disability will be adjusted for the cost-of-living for each year  
21 after the member left employment and before the member's effective date of service  
22 retirement.

1 (a) Cost-of-living adjustments will be based on the *[Portland-Salem, OR-WA CPI]*  
2 Consumer Price Index for All Urban Consumers, West Region (All Items), as  
3 published by the Bureau of Labor Statistics of the United States Department of  
4 Labor and may not exceed a two percent increase or decrease for any year.

5 (b) Cost-of-living adjustments will be made only for calendar years in which the  
6 member received an OPSRP disability benefit for at least six months during a calendar  
7 year.

8 (5) Retirement credit. A member receiving OPSRP disability benefits will accrue  
9 retirement credit, as well as hours of service credit toward vesting, for the entire period of  
10 disability until:

11 (a) The member is no longer disabled; or

12 (b) The member reaches normal retirement age.

13 (6) The retirement credit will accrue under the same employment classification in  
14 which the member was immediately employed prior to becoming disabled.

15 (7) A member who is receiving disability benefits who reaches normal retirement  
16 age and has not applied for a service retirement will become an inactive member on the  
17 first of the month following the month in which they reach normal retirement age.

18 Statutory/Other Authority: ORS 238A.450

19 Statutes/Other Implemented: ORS 238A.155 & 238A.235



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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October 4, 2019

TO: Members of the PERS Board

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

SUBJECT: Notice of Rulemaking for Retirement Allocation Fund and Retirement Installments Fund Rules:  
 OAR 459-007-0001, *Definitions*  
 OAR 459-007-0005, *Annual Earnings Crediting*  
 OAR 459-007-0330, *Crediting Earnings for IAP Account Installment Payments*  
 OAR 459-007-0335, *Crediting Earnings for IAP Account Pre-Retirement Death Benefit Payments*  
 OAR 459-080-0015, *Investment of IAP Account Balance*

### OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Address complications in the administration of earnings crediting for the retirement allocation fund in the IAP.
- Policy Issue: None identified.

### BACKGROUND

A Target-Date Fund (TDF) investment structure for IAP member accounts was adopted by the Oregon Investment Council (OIC) on September 20, 2017. During the April 1, 2019 PERS Board meeting, the OIC reported a discrepancy of 1.15% between the actual investment performance rate and the preliminary crediting rate for the retirement allocation fund.

In addition to being the default investment option for IAP members who have reached age 65, the retirement allocation fund is currently also the target-date fund from which IAP installment payments are made when a member chooses an installment payment option upon retirement. Installment payments are credited with earnings on a monthly basis, whereas the target-date funds have annual earnings crediting. This mismatch in operational requirements and needs created the earnings crediting discrepancy reported by the OIC at the April Board meeting. Specifically, installment payments require liquid, short-term cash disbursement, but the retirement allocation fund still has a large equity component that is not designed for efficient and accurate short-term earnings crediting.

PERS staff has worked closely with the OIC and is now proposing as an administrative solution a new Retirement Installments Fund (RIF) that is separate and apart from the TDFs. The RIF will be used specifically for making IAP installment payments and any residual pre-retirement death benefits. The RIF will receive monthly earnings crediting and will not be a designated TDF. This means that accounts in the RIF will not be able to elect to move their accounts to one of the TDFs. Separating those accounts receiving monthly earnings crediting from the accounts receiving annual earnings crediting will simplify the administration of monthly earnings

crediting and should prevent the discrepancy we experienced with the 2018 annual earnings crediting for the retirement allocation fund.

### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held October 29, 2019, at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends November 5, 2019, 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: No, the Board need not adopt the rule modifications.

Benefit: Simplify the administration of the RAF and accounts receiving monthly earnings crediting.

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

### RULEMAKING TIMELINE

October 3, 2019	Staff began the rulemaking process by filing a Notice of Rulemaking with the Secretary of State.
October 4, 2019	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.
October 4, 2019	PERS Board notified that staff began the rulemaking process.
October 29, 2019	Rulemaking hearing to be held at 2:00 p.m. at PERS in Tigard.
November 5, 2019	Public comment period ends at 5:00 p.m.
December 6, 2019	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 October 29, 2019, at 2:00 p.m. at PERS headquarters in Tigard. The rules are scheduled to be brought before the PERS Board for adoption at the December 6, 2019 Board meeting.

B.2. Attachment 1 - 459-007-0001, *Definitions*

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

B.2. Attachment 3 - 459-007-0330, *Crediting Earnings for IAP Account Installment Payments*

B.2. Attachment 4 - 459-007-0335, *Crediting Earnings for IAP Account Pre-Retirement Death Benefit Payments*

B.2. 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 designated  
4 by the Oregon State Treasury when it determines the investment allocation for all the  
5 target date funds.

6 **(11) “Retirement installments fund” means the fund so designated by the**  
7 **Oregon State Treasury and is separate and apart from target date funds.**

8 ~~[(11)]~~(12) “Target date fund” means a fund with an investment allocation that is  
9 aligned with the member’s birth year.

10 ~~[(12)]~~(13) “Tier One Member Rate Guarantee Reserve” and “Rate Guarantee  
11 Reserve” mean the reserve referenced in ORS 238.255(1) that enables the Board to credit  
12 earnings at or above the assumed rate under the conditions specified in 238.255.

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

20 Stat. Auth.: ORS 238.650

21 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). Losses on Individual Account Program target date  
8 funds shall be increased by a pro rata share of administrative expenses. After  
9 administrative expenses, each Individual Account Program account shall be credited with  
10 the earnings or losses of the specific target date fund to which the account is allocated.  
11 except for account balances allocated to the retirement installments fund which  
12 shall be credited with earnings or losses on a monthly basis.

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

19 (8) Contingency Reserve.

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



1 Reserve and the Contingency Reserve shall be credited to the Contingency Reserve to the  
2 level at which the Board determines it is adequately funded for the purposes specified in  
3 ORS 238.670(1).

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

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

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

18       (11) Tier One regular accounts. All remaining earnings attributable to Tier One  
19 regular accounts and the Tier One Rate Guarantee Reserve shall be credited to Tier One  
20 member regular accounts at the assumed rate in any year in which the conditions set out  
21 in ORS 238.255 have not been met. Crediting under this subsection shall be funded first  
22 by all remaining earnings attributable to Tier One regular accounts and the Tier One Rate  
23 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 **459-007-0330**

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]* installments fund when a  
5 retiree elects 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 fund’s  
11 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]* installments fund. Earnings  
17 will be credited monthly using the latest monthly change rate beginning with the first of  
18 the 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 007 – EARNINGS AND INTEREST DISTRIBUTION**

1 **459-007-0335**

2 **Crediting Earnings for IAP Account Pre-Retirement Death Benefit 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]* installments fund.

5 (2) When a beneficiary or beneficiaries receive(s) pre-retirement death benefit  
6 payments under ORS 238A.410, earnings will be credited in the manner specified in this  
7 rule.

8 (a) For payments made in the first month of distribution:

9 (A) If earnings for the calendar year before the date of distribution(s) have not been  
10 credited, earnings for that year shall be credited based on the member’s target date fund’s  
11 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 first month of distribution, any remaining account balance from a  
16 deceased non-retired member’s IAP account will be moved to the retirement *[allocation]*  
17 installments fund. Earnings for the remaining account balance will be credited monthly  
18 using the latest monthly change rate beginning with the first of the month after the first  
19 month of distribution.

20 Stat. Auth.: ORS 238A.450

21 Stats. Implemented: ORS 238A.350 & 238A.410

**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 459-007-  
5 0001(10).

6 **(b) “Retirement installments fund” has the same meaning as defined in OAR**  
7 **459-007-0001(11).**

8 ~~[(b)](c)~~ “Target date fund” has the same meaning as defined in OAR 459-007-  
9 0001~~[(11)](12)~~.

10 (2) Each member’s IAP account balance will be invested in one of the target date  
11 funds based upon the member’s birth year, except as provided in sections (4) and (5) of  
12 this rule.

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

19 (4) **During the month** ~~[W]~~**w**hen a retired member who elected IAP installment  
20 payments reestablishes active membership, the member’s **remaining** IAP account  
21 balance and any new IAP contributions will be allocated in the retirement ~~[allocation]~~  
22 **installments** fund. **Beginning on the first day of the following month, the member’s**

1 remaining IAP account balance and any new IAP contributions will be allocated to  
2 a target date fund based on the member's birth year unless the member made a  
3 timely choice for a different target date fund.

4 (5) Except as otherwise provided in this paragraph, a deceased non-retired member's  
5 IAP account will be distributed from the member's target date fund. Once the account has  
6 been processed for distribution, any balance that remains at the end of the month in which  
7 the first distribution is made will be allocated to the retirement *[allocation]* installments  
8 fund as of the first of the following month. All remaining distributions will be made from  
9 the retirement *[allocation]* installments fund.

10 Stat. Auth.: ORS 238A.450

11 Stats. Implemented: ORS 238A.050 & OL 2018, Ch. 118



# Oregon

Kate Brown, Governor

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October 4, 2019

TO: Members of the PERS Board  
FROM: Amanda Marble, Financial Reporting Manager  
Kevin Olineck, Director  
SUBJECT: Milliman Actuarial Contract Renewal

### OVERVIEW

PERS' actuarial services contract with Milliman will terminate December 31, 2019, unless the PERS Board takes specific action to extend the contract. This contract took effect on January 1, 2015, and has been in effect for the initial four-year term. The contract allows for an extension of additional one- or two-year periods, for a total term not-to-exceed 10 years.

### BACKGROUND

Milliman became the PERS Actuary, replacing Mercer, in January 2012, as a result of Mercer assigning their contractual obligation to Milliman. Mercer had decided that they would no longer provide services to public sector entities. Subsequently, Milliman was awarded the current contract, through an RFP process, with an initial four-year term.

Oregon House Bill 4163 requires the Secretary of State to have an independent actuarial firm conduct a review of Milliman's work. The independent firm examined the reasonableness and consistency of the full assumption set used with the December 31, 2017 actuarial report. This review was to determine if the assumptions proposed were the best possible assumptions based on an asset/liability study and an attribution analysis. While PERS has yet to receive a final version of the report, the findings of the draft report show that the body of work completed by Milliman, for the PERS Board, is consistent with generally accepted actuarial standards and practices and the work reviewed generally complies with the Contractual Statement of Work. A copy of the final report will be provided to the Board at the December meeting, along with comments and analysis from both the Agency as well as Milliman).

### RECOMMENDATION

Staff recommends that the Board extend the Milliman contract for an additional two-year period. Staff makes this recommendation based on the following:

1. Milliman has performed more than adequately under the current contract.
2. Changing actuaries at this time would result in a significant disruption in PERS' ability to deliver critical and timely information to the Board, Legislature, and other stakeholders. The learning curve required for a new actuary may not allow for the same level of timeliness or

accuracy that can be provided by Milliman. This is particularly important, given that SB1049 implementation has significant agency impacts on the actuarial front. There has also been turnover in the already-small Actuarial Services area of PERS, where a longstanding Actuarial Analysis Coordinator has retired; consequently, we will need to rely on Milliman more than usual to assist.

3. There is a scarcity of actuarial firms that: a) have the level of expertise required to properly support PERS, the system, as well as the agency, b) have a local presence, and; c) have the corporate capacity to take on substantial Indemnification and Liability contractual obligations. Consequently, should the Board decide to move forward with an RFP for actuarial services, that decision would need to be made a minimum of 12 to 15 months prior to the end of the term of the contract to allow for a comprehensive transition of information and data, should a new firm be chosen.

### BOARD OPTIONS

The Board may:

1. Pass a motion to extend the current actuarial services contract with Milliman to December 31, 2021; or
2. Direct staff to make changes to these terms or explore other options.

### STAFF RECOMMENDATION

Staff recommends the Board approve the contract renewal as presented in Option #1.





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October 4, 2019

TO: Members of the PERS Board  
FROM: Yvette Elledge-Rhodes, Deputy Director  
SUBJECT: SB 1049 Implementation Update

Senate Bill 1049 was signed into law by the Governor on June 11, 2019. PERS staff continue to focus on building an implementation plan that will allow us to complete work in an efficient and effective manner.

### **PROGRAM/PROJECT PLANNING**

The SB 1049 Implementation Program will be managed as one comprehensive program with the following five individual projects. All projects will go through the OSCIO stage gate process.

Project	Effective Date	Status
SB 1049 Program		Stage Gate 1 approval received 9/13/19
Employer Programs Project	Effective 7/1/2019	Employer Incentive Fund applications being accepted
Salary Limit Project	Effective 1/1/2020	Business elaboration meetings in process
Work After Retirement Project	Effective 1/1/2020	Beginning business elaboration
Member Redirect Project	Effective 7/1/2020	Project Charter in progress; beginning business elaboration
Member Choice Project	Effective 1/1/2021	Not yet started

### **Highlighted activities completed or in progress:**

- Program and project governance established
  - Steering committee, core team, and sub-teams
  - Routine meetings with Legislative Fiscal Office
  - OSCIO oversight integrated within program
- Project planning activities
  - Program kick-off meeting held 8/28/19
  - Project charters, risk analysis and identification, schedules
  - Change management and internal communications plans
- Acquiring resources
  - External architects, developers, and project managers onsite
  - Permanent and limited duration staff recruitments
  - Identification of a leased space
  - Independent quality assurance vendor

SB 1049 Implementation Update

10/4/2019

Page 2 of 2

- OSCIO Stage Gate process requirements
  - Documents for Stage Gate 1
- Budget structure and reporting
  - Ensure stakeholders feel informed
- Communications
  - Weekly external stakeholder meeting
  - Enhanced employer and member communications via external website and GovDelivery

Attached to this Board memo is our biweekly program dashboard, sent to our external stakeholders. PERS staff will continue to update the Board as project implementation continues throughout the next year.

C.2. Attachment 1, *Bi-weekly Program Dashboard*

# SB1049 Implementation Program

**Overall Status:**  
9/13/2019-9/27/2019



Key Accomplishments through 9/13/2019	Activities Planned through 9/27/2019
<ul style="list-style-type: none"> <li>Finalized program charter and business case</li> <li>iQMS RFQ meeting held to discuss the evaluation panel</li> <li>iQMS RFQ extended from 9/16 to 9/18</li> <li>Test case management tool (QMetry) train the trainer session held</li> <li>Four new locations targeted and visited for project building lease</li> </ul>	<ul style="list-style-type: none"> <li>Obtain the Stage Gate 1 memo endorsement</li> <li>Develop program and project schedules</li> <li>Publish new internal project poster</li> </ul>

Milestones	% Comp	Finish	Explanation / Actions Needed / Issues / Resolution
On board Contracted Project Management Resource #2	100%	9/13/2019	Second PM from LanceSoft started on September 3 <sup>rd</sup> .
Finalize Baseline ORION Architecture	100%	9/13/2019	
Program Business Case and Charter Finalized	100%	9/13/2019	Finalized documents submitted to OSCIO
Program building lease signed	0%	TBD	The lease for the first building was lost unexpectedly. See project location risk.
Project Charters Finalized	75%	9/27/2019	Draft project charters submitted to OSCIO on 9/13/2019

Issues/Risks	Mitigation/Action Plans
<b>Project Location:</b> The amount of new staff and contractors required for SB1049 Program work exceeds the capacity available at all current building locations and a new location is not available in time for the new resources.	The lease for the first building location was lost unexpectedly. New locations are currently being evaluated along with alternative plans. Critical capacity won't be reached until November.
<b>PMO Cultural Change:</b> Based on best practices added additional roles that may not be well understood throughout the agency.	Role clarification, process mapping, and additional meetings are underway to address confusion and concerns from PERS staff.
<b>Staffing Risk:</b> Slow onboarding or the inability to hire enough new staff or contractors may impact program/project schedules.	Currently the agency has not posted or filled critical project roles of Product Owners needed for elaboration activities that have begun.

# SB1049 Employer Programs Project

**Overall Status:**  
9/13/2019-9/27/2019



Key Accomplishments through 9/13/2019	Activities Planned through 9/27/2019
<ul style="list-style-type: none"> <li>Opened inaugural EIF application period for employers with UAL exceeding 200% of payroll.</li> <li>Received 41 applications in the first two weeks</li> <li>Approved 31 applications.</li> <li>\$14,190,946.59 proposed in EIF matching funds</li> <li>Submitted final draft of Project Charter and Scope Statement to OSCIO for feedback</li> </ul>	<ul style="list-style-type: none"> <li>Continue to receive EIF applications from employers</li> <li>Continue developing timelines in MS Project</li> <li>Continue developing As Is and To Be processes</li> <li>Continue developing project management plan and initial risk assessment</li> <li>Establish new general fund to receive EIF allotment</li> <li>Submit EIF fund allotment request to LFO</li> </ul>

Milestones	% Comp	Finish	Explanation / Actions Needed / Issues / Resolution
Open EIF Application cycle for employers with UAL exceeding 200% of payroll.	100%	9/3/2019	The inaugural application period opened seamlessly. The majority of the applications submitted were on the first day of eligibility.
Sent GovDelivery EIF Status update with links to all Employer Incentive Fund application information and expectations for how often status will be updated	100%	9/9/2019	PERS will update the EIF webpage weekly with the amount of funds matched, allocated, and the funds remaining.
Complete Project Charter and Scope Statement	75%	9/6/2019	The project charter is still under review for final feedback. Anticipate that the charter will not be complete until next week.
Working with PERS Enterprise Architecture Team to submit request for employer rate projection tool services to PERS procurement	75%	9/13/19	The Procurement Request is in final signature gathering phase.

Issues/Risks	Mitigation/Action Plans
<b>Stakeholder Communications:</b> Some stakeholder's communication needs are not met.	
<b>Stakeholder Expectations:</b> Some stakeholders expectations are not clearly communicated or identified.	
<b>Complexity of Effort:</b> The forecasted amount of work, timing, and complexity is inaccurate or assumptions made that are off base.	

# SB1049 Work After Retirement Project

**Overall Status:**  
9/13/2019-9/27/2019



Key Accomplishments through 9/13/2019	Activities Planned through 9/27/2019
<ul style="list-style-type: none"> <li>Established project team.</li> <li>Submitted vision document to ISD/EAS.</li> <li>Project Charter draft completed.</li> <li>Project Kick Off Meeting.</li> <li>Began business elaboration.</li> <li>Creation of Project Dashboard.</li> <li>Developed project status report.</li> </ul>	<ul style="list-style-type: none"> <li>Begin business elaboration.</li> <li>Begin technical analysis and evaluation</li> <li>Refine project status report.</li> <li>Develop project activities and timeline.</li> <li>Create timelines on MS Project.</li> <li>Develop project business case, project management plan, and initial risk assessment.</li> </ul>

Milestones	% Comp	Finish	Explanation / Actions Needed / Issues / Resolution
Established project team	100%	8/27/2019	
Project Kick Off Meeting	100%	8/29/2019	
Create Project Charter	50%		
Business elaboration completion	0%		Business elaboration will provide programming details to the technical development team. These details will be used when the technical development team begins their evaluations.
Create timeline on MS Project	0%		

Issues/Risks	Mitigation/Action Plans
<b>Staffing Constraint:</b> Slow onboarding may impact program/project schedules.	
<b>System Programming Constraint:</b> Business elaboration began after Software Development Life Cycle target start date. Time for normal Software Development Life Cycle process is condensed.	Software Development Life Cycle impact will be discussed.

# SB1049 Salary Limits Project

**Overall Status:**  
9/13/2019-9/27/2019



Key Accomplishments through 9/13/2019	Activities Planned through 9/27/2019
<ul style="list-style-type: none"> <li>Established project team.</li> <li>Submitted vision document to ISD/EAS.</li> <li>Project Charter draft completed.</li> <li>Project Kick Off Meeting.</li> <li>Began business elaboration.</li> <li>Creation of Project Dashboard.</li> <li>Developed project status report.</li> </ul>	<ul style="list-style-type: none"> <li>Complete business elaboration.</li> <li>Begin technical analysis and evaluation</li> <li>Refine project status report.</li> <li>Develop project activities and timeline.</li> <li>Create timelines on MS Project.</li> <li>Develop project business case, project management plan, and initial risk assessment.</li> </ul>

Milestones	% Comp	Finish	Explanation / Actions Needed / Issues / Resolution
Established project team	100%	8/27/2019	
Project Kick Off Meeting	100%	8/29/2019	
Create Project Charter	50%		
Business elaboration completion	0%		Business elaboration will provide programming details to the technical development team. These details will be used when the technical development team begins their evaluations.
Create timeline on MS Project	0%		
Issues/Risks			Mitigation/Action Plans
<b>Staffing Constraint:</b> Slow onboarding may impact program/project schedules.			Team roles and responsibilities discussions are being shortened and time outside of meetings is being utilizing for review. Team questions and concerns will be address in a series of meetings.
<b>System Programming Constraint:</b> Business elaboration began after Software Development Life Cycle target start date. Time for normal Software Development Life Cycle process is condensed.			Software Development Life Cycle impact will be discussed.

# SB1049 Member Redirect Project

**Overall Status:**  
9/13/2019-9/27/2019



Key Accomplishments through 9/13/2019	Activities Planned through 9/27/2019
<ul style="list-style-type: none"> <li>Development of Project Charter and submission to Business Owner for edits.</li> <li>Initial Risk Assessment.</li> <li>Schedule Development Meeting.</li> <li>Touch Base Meeting with Business Owner.</li> </ul>	<ul style="list-style-type: none"> <li>Schedule Meeting with Architectural Team to discuss process flows and system requirements.</li> <li>Continue the development of project schedule.</li> <li>Receive Project Charter from OSCIO for approval.</li> </ul>

Milestones	% Comp	Finish	Explanation / Actions Needed / Issues / Resolution
Creation of MS Project Timeline	50%	9/6/2019	Submitting timeline on 9/13.
Project Scope Statement	75%	9/13/2019	Will be completed this week during Project Charter Meeting.
Creation of Project Charter	75%	9/13/2019	First edition will be submitted 9/13.
Elaboration meetings	0%	10/15/2019	Gather Business Requirements.
User Stories-Acceptance Criteria	0%	11/20/2019	Finalizing Requirements.

Issues/Risks	Mitigation/Action Plans
<b>Staffing Constraint:</b> Slow onboarding may impact program/project schedules.	Team roles and responsibilities discussions are being shortened and time outside of meetings is being utilizing for review. Team questions and concerns will be address in a series of meetings. Utilizing only team members that will be focused on project during meetings.
<b>Complexity of Effort:</b> The forecasted amount of work, timing, and complexity of coding onto the ORION System. Approximately 86 Use cases. Aggressive Timelines.	Defining Minimal Viable Product to determine the scope and complexity of forecasted work and coding.
<b>Staffing Risk:</b> Slow onboarding or the inability to hire enough new staff or contractors may impact project schedules.	Currently the agency is not able to fill all required Business Analyst and Subject Matter Expert contracted positions. Required work is either being assigned to internal staff project managers if critical or delayed if not.



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October 4, 2019

TO: Members of the PERS Board

FROM: MaryMichelle Sosne, Actuarial Business Specialist

SUBJECT: Senate Bill 1049: Employer Programs

### OVERVIEW

Senate Bill 1049 was signed into law by the Governor on June 11; effective upon signing were several employer programs that both require and incentivize employers to proactively manage their contribution rates.

### EMPLOYER INCENTIVE FUND

Employers who have made a lump-sum payment, from non-borrowed funds, of at least \$25,000 since June 2, 2018, to establish a new side account or as a payment into an existing side account, are eligible for a 25% match from the Employer Incentive Fund (subject to the limitations stated in statute).

On August 16, 2019, PERS presented OARs 459-009-0091 and 459-009-0092 in a special board meeting; these OARs are used to administer the Unfunded Actuarial Resolution Program (UALRP) and the Employer Incentive Fund (EIF), respectively. PERS opened the Employer Incentive Fund to employers with a UAL exceeding 200% of payroll on September 3, 2019. Per statute, these employers are allowed exclusive access to apply for EIF funds for the first 90 days of every EIF application cycle.

As of September 13, 2019, PERS has approved 31 EIF applications from 29 total employers (two employers applied for matching funds for two eligible payments). PERS has matched \$14,190,946.59 from the EIF and employers have indicated new lump-sum payments of \$46,379,606.54<sup>1</sup>. PERS has received applications from 11 special districts, nine school districts, three charter schools, three cities, two counties and one education service district.<sup>2</sup>

PERS will open the Employer Incentive Fund to all employers on December 2, 2019. The application period will remain open until all allocable money is allocated and all payment from employers is received, or until the application end date of August 31, 2020.

<sup>1</sup> This number does not include side account amounts established prior to EIF. This figure will also change once transition liabilities are deducted.

<sup>2</sup> School District Pool: 13; State and Local Government Pool: 10; Independent Employers: 6



One impact of the EIF process is an increased awareness among employers of their transition liabilities. Transition liabilities are assessed to employers upon joining the SLGRP when their UAL as a percentage of payroll is higher than the pool's; in lieu of the pool absorbing the excess UAL, the employer is charged separately as a transition liability. The transition liability is amortized over 18 years, but can be paid off at any time, and must be paid prior to an employer establishing a side account. As a result of EIF applications, some employers are learning about this rate for the first time and understanding the options they have to reduce or eliminate the liability altogether.

In 2018-2019, prior to launching the EIF, PERS received \$35,170,251 in transition liability payments by employers both wanting to reduce their rate and ensure they were able to participate in EIF. In the first week of the EIF being open, PERS is expecting a transition liability payment total of \$1,949,998 from approved employers<sup>3</sup>.

### UNFUNDED ACTUARIAL LIABILITY RESOLUTION PROGRAM

Proof of participation in the Unfunded Actuarial Liability Resolution Program (UALRP) is a prerequisite for an employer qualifying for EIF matching funds. PERS has reviewed peer programs that are similar to the UALRP and is incorporating ideas into the iterative rollout of the program. To satisfy the UALRP requirement for the Employer Incentive Fund application, the last two questions on the application require the employer to: 1) use PERS' employer rate projection tool to understand how a side account may affect their rates over the next 20 years; and 2) to utilize their valuation to identify their current funded status, combined valuation payroll, and UAL as a percentage of payroll. PERS staff are currently developing further employer rate education content to add to the UALRP website.

Additionally, PERS is working to procure an improved employer projection tool to assist employers with creating funding plans. The future tool is expected to allow employers to adjust for actual experience; adjust the projection start date; estimate rates without transition liability, transition surplus, and pre-SLGRP liabilities; and provide greater flexibility when estimating rates with side accounts.

### DEFERRED RATE OFFSET

The PERS Board adopted modifications to OAR 459-009-0084 and 459-009-0086 on August 16, 2019, to allow employers making a lump-sum payment exceeding \$10 million or more to defer their rate offset beyond the standard 12 months. PERS will work with Milliman to determine the appropriate way to calculate rate offsets for these types of side accounts; due to their complexity and statutory requirements, the standard side account calculation will not suffice. We will also determine how state agency side accounts will be calculated, given state agencies are currently treated as one single entity.

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<sup>3</sup> This number is based on the 12/31/17 valuation, and each employer will require an actuarial calculation for payoff of their transition liability.



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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October 4, 2019

TO: Members of the PERS Board  
FROM: Elizabeth Rossman and Dean Carson, PERS Communications Section  
SUBJECT: 2019 Member & Employer Satisfaction Survey Results

In 2005, the Legislature required all agencies to survey for standardized customer service performance measures and report results in their budget presentations. In accordance with this requirement, PERS conducted annual satisfaction surveys for members and employers in May 2019.

PERS' 2019 results show a decline in satisfaction from members and employers since 2018, but show fairly similar overall member results with 2017—another year with major legislative discussions around PERS. However, non-retiree satisfaction increased compared with 2017.

### SATISFACTION SURVEYS: KEY PROCESS CHANGES

PERS recognizes the need for more actionable feedback from non-retired members, as we have seen retiree satisfaction stay relatively consistent in recent years (*see Figure 6*), and as we have found non-retiree feedback to be more helpful when planning communications and process improvements. Taking these things into consideration, PERS' communications and leadership decided to make two major changes to our annual satisfaction surveys:

1. **Discontinued retiree paper version.** Since the surveys began, PERS included a print copy of the Member Satisfaction Survey in the August edition of *Perspectives*, which is mailed to all retirees. The following factors were considered and implemented in making this change.
  - Non-retired members could only take the survey through SurveyMonkey (online), which skewed response rates, favoring retirees who were able to take it online or via hardcopy.
  - Not only did the massive influx of paper responses (usually 2,000-3,000 mailed responses) cause a significant workload increase in tabulation and follow-up, but paper retiree responses were less likely to have ratings or feedback on the PERS website and other digital communication channels.
  - By focusing on online responses, we are able to get a better balance of retiree and non-retiree feedback, and receive more actionable comments and satisfaction ratings to help us into the future.
  - Retirees (and non-retired members) were informed of the 2019 survey in the April 2019 editions of *Perspectives*, including a prompt to sign up for GovDelivery notifications to be alerted when the survey was available.
2. **Moved survey dissemination from August to May.** Recognizing that school employees are PERS' largest membership group, the decision was made to move the annual satisfaction surveys to the month of May, when more non-retired members would likely be checking email and paying attention to information regarding their retirement plan. The month of May was chosen to follow tax season and precede summer vacations. However, the agency did recognize the survey would therefore fall during the mailing of Member Annual Statements and during the 2019 legislative session, both which could (and did) have a material impact on ratings.

## Member/Employer Satisfaction Survey Results

10/4/2019

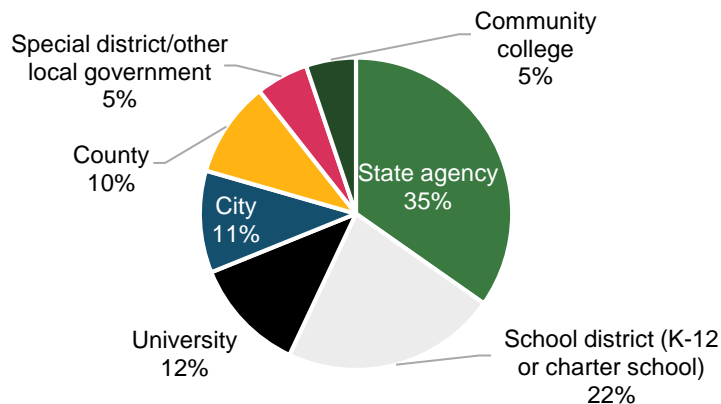
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In addition to alerting members in the April 2019 *Perspectives* newsletters, providing survey links on the PERS website and Online Member Services (OMS), and having a prompt printed on 2018 Member Annual Statement envelopes (sent mid-May 2019), PERS emailed GovDelivery notices to 32,200 members and 4,800 employers, and sent follow-up reminders throughout the month of May. While GovDelivery continues to be successful in reaching engaged PERS members and employers, we recognize that work needs to continue to get stakeholders opting in to the email service.

Analysis shows that moving the surveys to online-only and conducting them in May was a success.

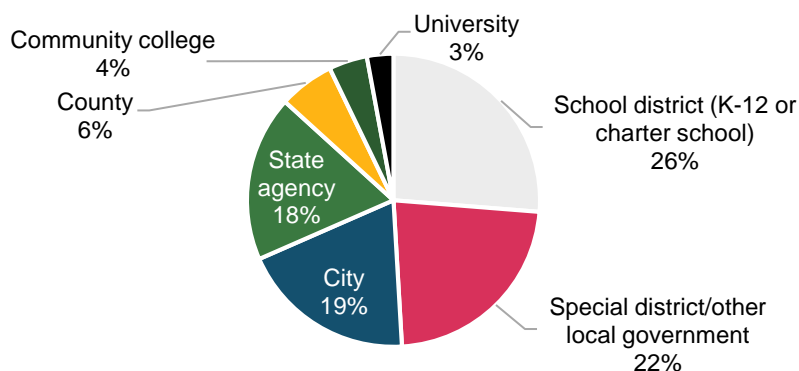
- We received 5,010 total member responses (a statistically insignificant decrease from 5,177 online responses last year, but an increase from 4,642 total responses in 2017).
- Non-retirees accounted for 44% of all 2019 responses (2,212 total), up from slightly over 28% in 2018 and 24% in 2017.
- A new question, “What type of PERS-covered employer do you work for?” was added to the Member Satisfaction Survey to begin tracking our success in reaching school employees. 2019 results show 22% of non-retiree responses were from school employees, second to state agencies (35%).

Figure 1: Breakdown of 2019 Member Satisfaction Survey responses (non-retirees)

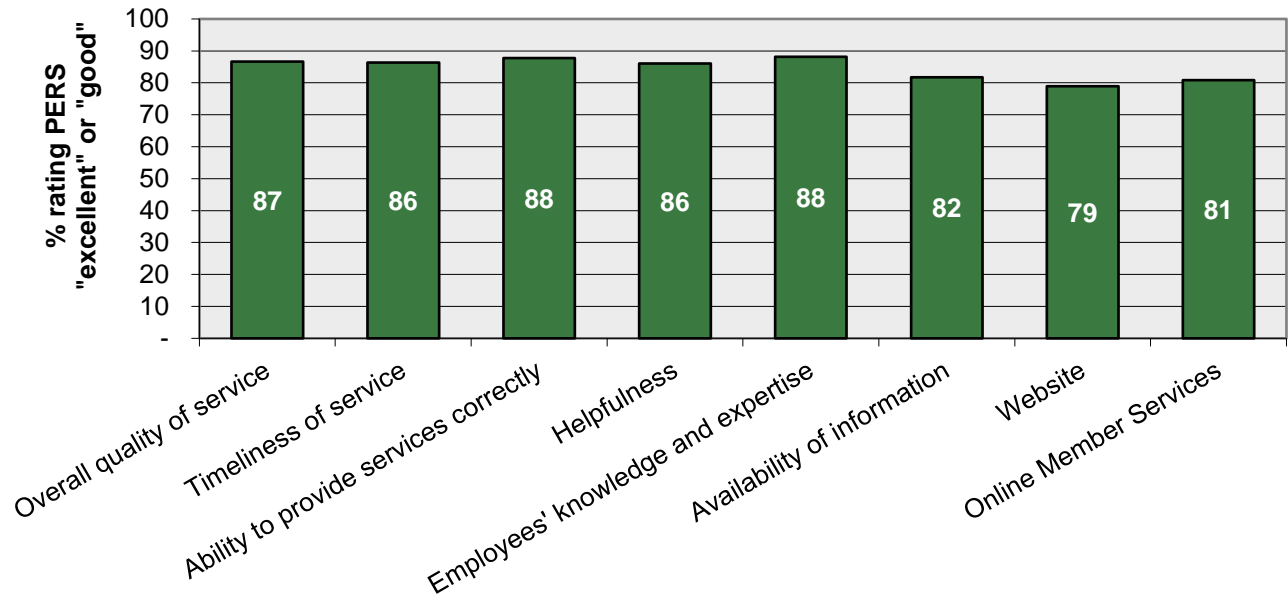


We received 377 Employer Satisfaction Survey responses (up from 320 in 2018), with school districts providing the majority (26% or 99 responses, up from 22% or 71 responses in 2018).

Figure 2: Breakdown of 2019 Employer Satisfaction Survey responses

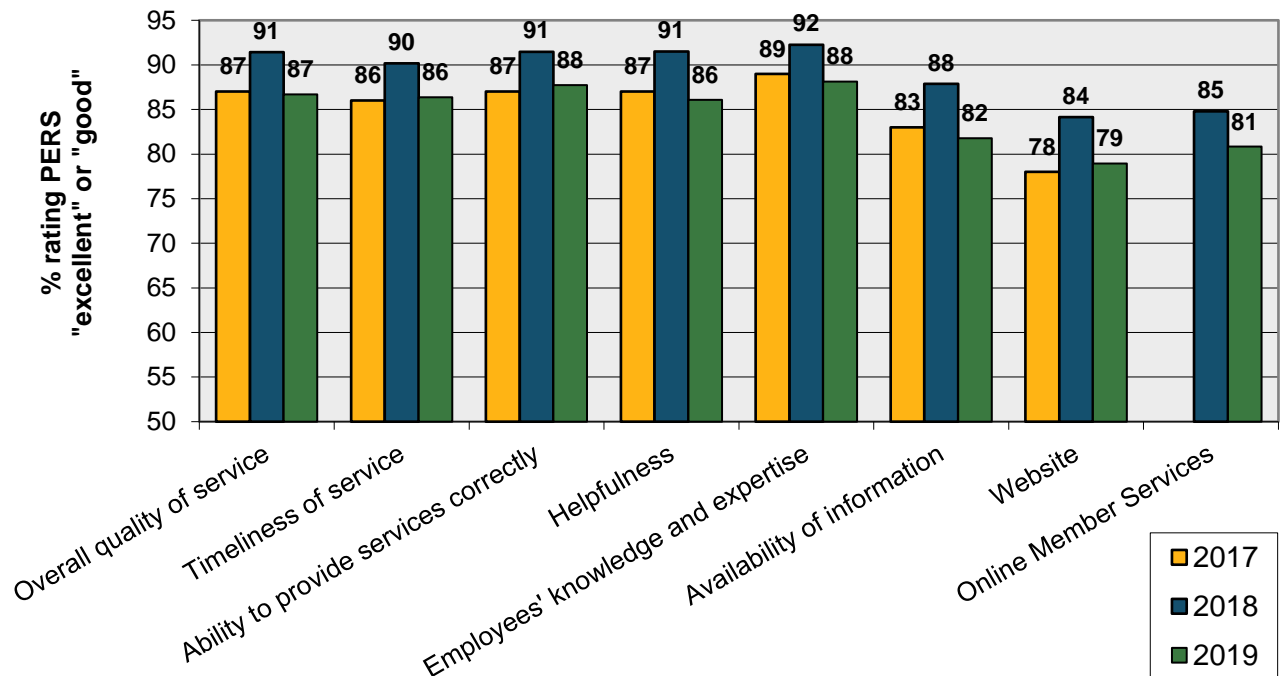


**MEMBER SATISFACTION SURVEY: 2019 SATISFACTION RATINGS (Figure 3)**



State measures do not include "Don't Know." Results have been re-baselined to exclude those responses.

**COMPARISON OF OVERALL 2017-2019 MEMBER RESULTS (Figure 4)**



### COMPARISON OF 2017-2019 NON-RETIRED VS. RETIRED MEMBER RESULTS

Continuing changes made in the 2018 memo, we are only including 2017-2019 results for comparison, given that 2016 and earlier surveys had fewer than 2,000 total responses, and primarily reflected retiree satisfaction ratings. With PERS' success in increasing non-retiree response rates, it is notable to separate non-retired and retired member results on a year-by-year basis.

Figure 5: 2017-2019 Member Satisfaction Survey ratings: Non-retired members

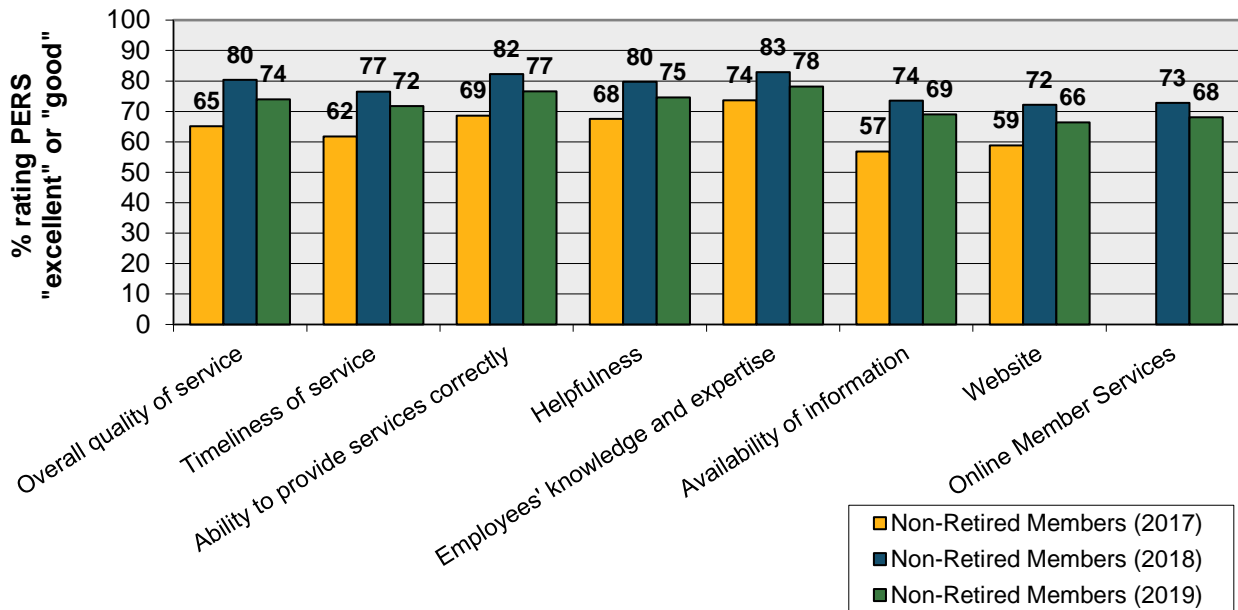
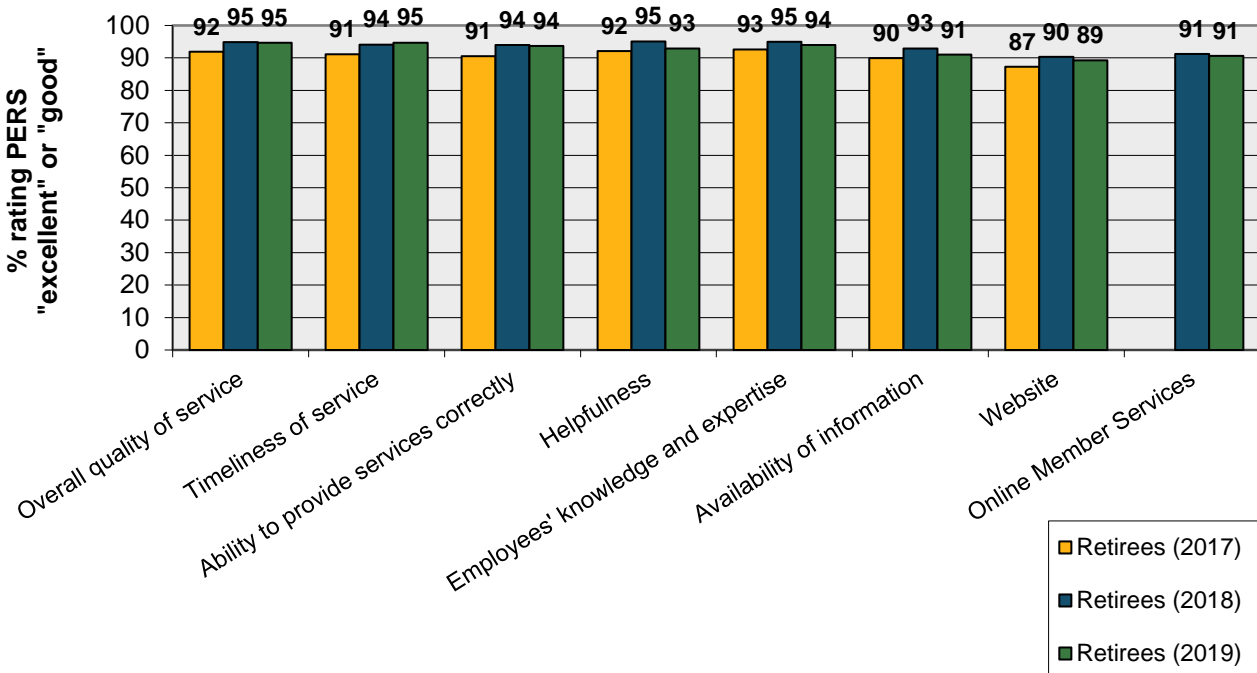


Figure 6: 2017-2019 Member Satisfaction Survey ratings: Retirees



While overall satisfaction ratings dipped from 2018 to 2019 (mostly driven by the increase in non-retiree responses), analyzing member comments (further explained below) shows that a sizeable majority of negative feedback—especially around “availability of information” and “helpfulness”—could be related to PERS’ inability to comment on the then-proposed changes under SB 1049. From comments and timing, we can extrapolate that ratings also fell due to members seeing their first annual investment returns under the IAP Target-Date Fund model, which were mostly negative as of December 31, 2018.

However, comparing both overall and non-retiree member satisfaction ratings from 2017 to 2019 offers a more stable analysis period, as both occurred during years with significant legislative discussions. Isolating non-retiree satisfaction ratings actually shows a significant increase in satisfaction between 2017 and 2019, including an over 8% increase in overall quality of service, a 12% increase in availability of information, 10% increase in timeliness, and over 7% increases in ability to provide services correctly the first time, helpfulness, and website. Adding in retiree responses, we see that overall 2017 versus 2019 ratings were all less than +/- 1% different in comparison (2019 showed slight increases in timeliness, ability to provide services correctly the first time, and website), with only “availability of information” showing a 1.21% decrease.

When considering all of this data, it is important to remember that these surveys are a point-in-time analysis, and only capture feedback from that time (in this case, making them subject to prevailing moods generated during a legislative session or while reviewing annual statements). The increase in the percentage of non-retiree responses does illustrate the ongoing wide gap between non-retiree and retiree satisfaction, which has to be considered, especially as the agency works to implement SB 1049.

## **KEY MEMBER ISSUES AND SUGGESTIONS**

Outside of the legislatively required satisfaction ratings, a key portion of PERS’ survey consists of questions used since 2017 as part of a CEM Member Engagement peer research group that focuses on retirement security and other satisfaction ratings. Since we knew the survey would be conducted during the legislative session, PERS added a disclaimer to the CEM questions section, which stated, *“PERS, the agency, administers the retirement system in partnership with more than 900 public employers. The Oregon Legislature is the “plan sponsor” for PERS, the system, and determines the benefit structure for public employees.”* We included this statement in an effort to mitigate the confusion that members exhibit regarding PERS, “the system,” and PERS, “the agency.” Despite our efforts to only gather information as it relates to the agency—to focus on areas where we may be able to improve—it was still evident from the comments that there is not always clear understanding of this difference. Unfortunately, the most common issues brought up by members indicate communication challenges that cannot be solved by agency improvements alone.

PERS chose to only include one comment box in the survey to help members focus their feedback and decrease qualitative analysis. Over 900 members included comments on the survey.

### **1. Target-Date Funds and SB 1049**

The vast majority of comments in the survey dealt with two issues that are outside the agency’s control: IAP Target-Date Fund returns and active “PERS reform” discussions in the Oregon Legislature.

### *Target-Date Funds*

PERS members received their first Member Annual Statements reflecting the Oregon Investment Council's change from a one-size-fits-all investment approach to an age-based, target-date funds (TDF) approach in May 2019, with investment returns as of December 31, 2018. In addition to PERS member discontent that they did not have a choice in the move to the TDF structure, all but two TDFs received negative investment returns in 2018. By the time the PERS Board approved earnings crediting and PERS sent out 2018 statements, the market (and underlying PERS investments) had significantly improved, so many members were further frustrated or confused by the reported investment returns. Despite GovDelivery communications and website content reminding members that investment returns are credited annually, to allow for employer reporting requirements, this first set of TDF returns upset many members and accounted for the vast majority of negative comments in our survey feedback.

#### Example comment:

*“Switching IAP to Target Date Funds was foolish and should have been voted on ... IAP lost money during one of the greatest market rebounds in U.S. history. Whomever is managing this should be immediately removed! Its [sic] our money!”*

### *Legislative discussions*

The CEM peer questions on the survey include two that may be helpful in planning for long-term communications and member engagement strategies. These are as follows:

- I have confidence my retirement is secure with PERS.
- PERS sends communications relevant to my needs.

Due to active discussions around SB 1049 when the survey was conducted, many members, even those that did understand the dichotomy between PERS “the agency” versus the “plan sponsor,” shared fears and concerns about changes to their (current or future) benefits. The agency is in a no-win position with regard to legislative discussions—until a bill passes, we cannot comment since we do not know the final impact. The survey responses showed that even retirees do not have a clear understanding that, based on current policy, their benefits cannot be impacted by most legislative changes.

#### Example comments:

*“I live in fear that PERS will get taken away. I worked hard in a field that didn't pay well in order to not have to worry about retirement.”*

*“I trust PERS, I have zero confidence in the legislature to protect my interests.”*

*“I know you are at the mercy of legislators and you would rather not provide information for the risk of it being inaccurate. However, it is difficult to plan for retirement when information on PERS benefits is so vague.”*

### **Resolution:**

As PERS works to implement SB 1049, we are doing our best to make clear what changes do and do not impact certain member groups. In addition, PERS leadership recognizes we need to state, upfront, what we can and cannot say with regard to legislative discussions or other policy changes. While the agency cannot speculate, we realize we can do a better job of helping members

understand the role of PERS, the agency, as a retirement education resource. As part of this push to provide more clarity and promote better understanding among our members, we are hiring a Member Communications Specialist to increase the support of these key communications.

The results also make clear that, while mentioning the role of the Oregon Legislature as the “plan sponsor” in the survey made a slight improvement, more work needs to be done to ensure members understand that PERS does not play a role in the investment side of the equation. Especially as IAP Member Choice is implemented under SB 1049, we recognize that we, and the Oregon State Treasury, need to increase our partnership in member education. Significant communication is also planned to make members aware that future TDF investment choices they make in fall 2020 will not go into effect until the 2021 calendar year, meaning most non-retired members will not actually see their IAP TDF choice until the statement they receive in spring 2022.

## 2. Call Wait Time

Despite significant efforts made by the Member Information Center (MIC) to become fully staffed, and their across-the-board improvements that have lowered average call wait time, this area was again a common complaint in the 2019 survey. However, this was primarily due to the survey being conducted in May, when wait times averaged 25 minutes. With significant questions and concerns about Member Annual Statements (especially from members confused by or dissatisfied with IAP TDF returns), coupled with increased calls because of active legislative discussions around PERS, these events accounted for many members sharing frustration about wait times.

### **Resolution:**

As soon as the legislative session concluded, there was a slight drop in call volume, and since then, the MIC has improved call wait times to under five minutes (August 2019 data). This is compared with an almost 16-minute average wait time in August 2018, when last year’s satisfaction survey was conducted. In addition, due to a partnership between the MIC and PERS’ Information Services Division, a new call-back feature, called Fonolo, was recently added to our call center. After a four-minute wait (the amount of time is programmable), members can now request to receive a call back, or even schedule a call back for a time and date convenient to them. This new feature has allowed the MIC to further decrease call wait times, reduce call abandonment (a 12% reduction from the end of June to the end of August 2019), and increase member satisfaction.

Aside from the wait times, when members reach our call agents, they are often very satisfied, as was seen in many survey comments this year.

### Example comments:

*“My experience with PERS has always been positive. The people I speak with are helpful, answering questions and guiding in the right direction toward retirement. The biggest complaint I have is the wait time to reach one of these folks.”*

*“I call PERS member services when I needed to redo my withholding. I have always been treated with EXTREME KINDNESS, courtesy, helpfulness. I often marveled aloud to whoever was taking my call that the volume of calls have been very high, yet, none of them showed that they are tired or rushed me through!! Thank YOU for your EXCELLENT, PROFESSIONAL, CONSISTENT SERVICE!”*



### **3. Online Access and Resources**

PERS members continue to express some dissatisfaction with Online Member Services (PERS' online pension account access), the fact that there is separate online access to their IAP, and PERS' lack of digital form/submission solutions. With more recent retirees having worked in the digital age, we anticipate requests for better online functionality to continue.

Example comments:

*"I wish the PERS Online Member Services portal was set up to do things like change beneficiaries...I'm able to do that through my other retirement account with TIAA. I don't understand why that's not an option with PERS."*

*"Statements should be updated and distributed electronically on a monthly basis like any other retirement plan offers."*

*"In this day and age, I feel that the website is difficult to navigate and the security is outdate[d]. There are easier and more efficient ways to set up websites so that we can have easier acces[s] to our information."*

#### **Resolution:**

Although PERS has not received legislative funding for improvements to OMS, or to administer the IAP "in house," which would allow for a unified online member portal; and since SB 1049 will focus necessary technology efforts toward administering the legislative changes, PERS will continue to work toward making incremental improvements to solve some member challenges.

While separate from the secure OMS portal, as part of supporting SB 1049 and the increased communications needs that implementation will entail, we are hiring a limited duration Webmaster to help make current website messaging more engaging and better organized. This person will also be tasked with transitioning the PERS website to the most current, and more modern and member-friendly, version of the state website template; we hope to begin this transition project in early 2020.

## 2019 EMPLOYER SATISFACTION SURVEY

This was the 13th year we surveyed employers on a variety of topics.

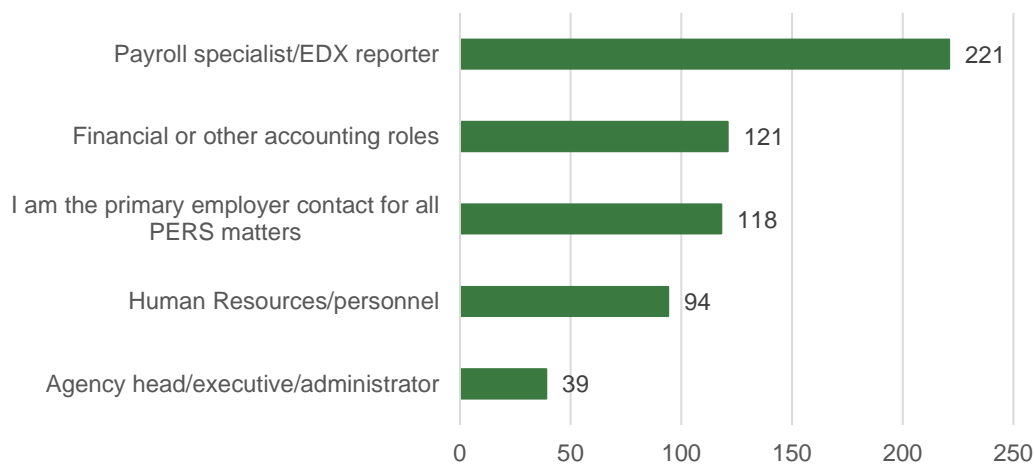
In January 2019, all employer email communication was moved from an email listserv to GovDelivery; May 2019 information about the employer survey was therefore only promoted through GovDelivery, the PERS website, and the PERS Employer Newsletter.

Beginning in 2018, we expanded our efforts to seek feedback from *all* employer contacts—not just from payroll specialists and EDX reporters, but also other human resources staff, financial officers, and agency heads—to receive a broader sample of input on employer satisfaction outside of data reporting.

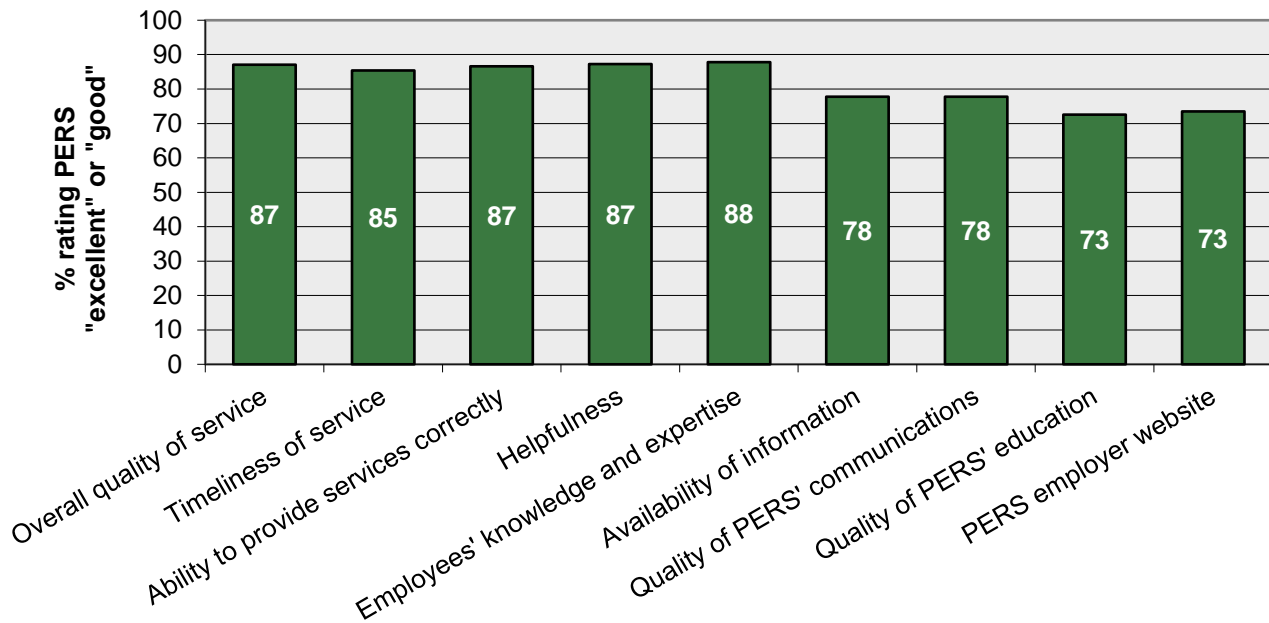
In 2019, we received 377 total responses, up from 320 in 2018. Payroll specialists continue to provide the vast majority of responses (*see Figure 7*).

It is also important to note that over 30 respondents in 2019 did not answer a job function question. With the transition to GovDelivery, some outside stakeholders may have opted into PERS employer emails, and a few comments on the survey helped us realize that those members should not have taken the survey, based on the nature of how they interact with the Employer Service Center (or if they interact at all); these responses may have affected some of the results. Recognizing this, we will work to refine the survey audience prior to next year's dissemination.

Figure 7: Breakdown of 2019 Employer Satisfaction Survey respondents (344 respondents)

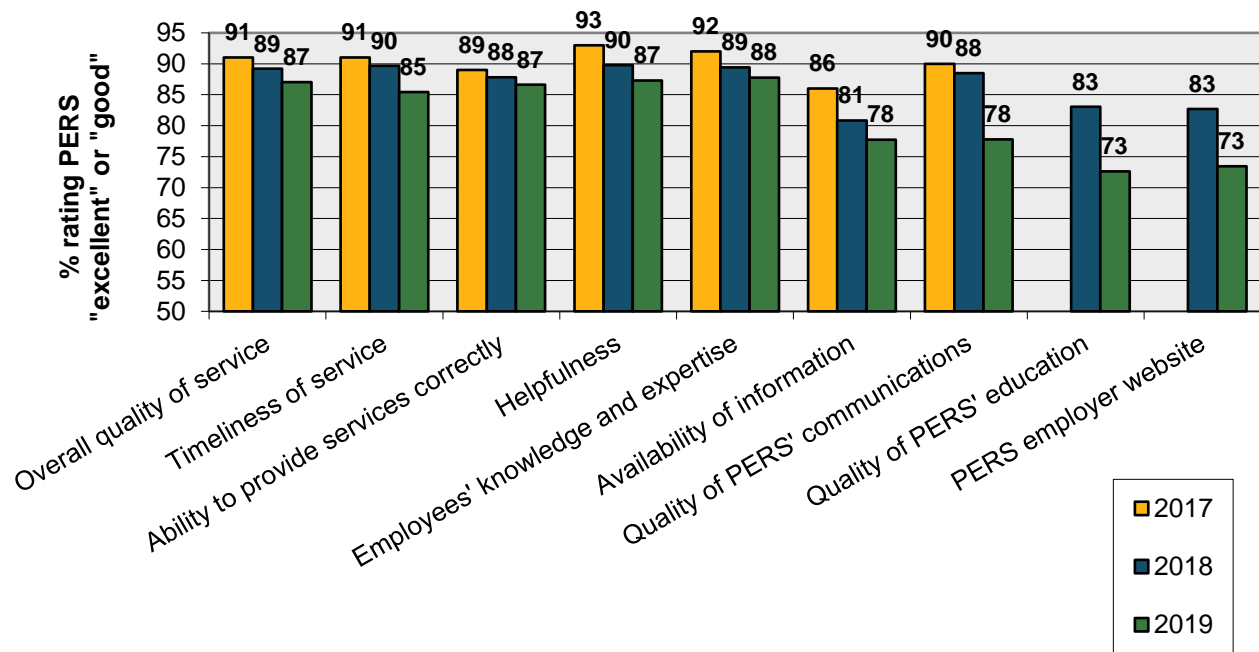


**2019 EMPLOYER SATISFACTION RATINGS (Figure 8)**



State measures do not include "Don't Know." Results have been re-baselined to exclude those responses.

**COMPARISON OF 2017-2019 EMPLOYER RESULTS (Figure 9)**



As with previous years, lower overall satisfaction ratings may be impacted by a small sample size, as well as receiving more targeted feedback from non-payroll staff at PERS-participating employers. Because our Employer Service Center primarily works with payroll staff, other employer contacts we have not significantly engaged with may be more dissatisfied.

While employer satisfaction has trended down, those employer reporters that have established good relationships with their Employer Service Center representatives did comment on their level of satisfaction:

*“Having the ability to contact my PERS representative and ask questions or get a reminder on how to process an employee record is invaluable. I'm pleased with the dedication and resourcefulness of the PERS Team and usually have my questions answered the day I ask.”*

Some data indicate that dips in “availability of information” and other communications ratings may have been impacted by SB 1049 discussions, as well as the lack of information PERS was able to share (until SB 1049 was passed and analyzed) around the Employer Incentive Fund, originally passed under Senate Bill 1566 (2018). Many employers were frustrated by the lack of clear and definitive communications and guidelines in the past year, which was necessary while PERS waited for Employer Rate Relief Programs to be modified under SB 1049.

In addition, PERS’ inability to correct issues like password resets and employer statements (this is discussed in more detail below) continue to frustrate employers and drag ratings down. Although our focus is currently on the implementation of SB 1049, we will be looking for ways to remediate things like this, as applicable, while we improve other processes and resources necessary for implementation. If such things are not possible, we will still continue to gather requirements, with an eye toward further modernization, piggybacking on what technology improvements are made as part of our current efforts.

Related to one of the communications areas surveyed, we have anecdotal feedback from employers on the Employer Advisory Group (EAG), expressing appreciation for PERS’ communications around SB 1049 thus far. In an ongoing effort to make our communications more relevant and useful to PERS-participating employers, the agency recently decided to include EAG members in the final review of draft documents around the Salary Limit and Work After Retirement SB 1049 changes prior to publication on the PERS website in early August 2019. A number of employers appreciated our efforts to explain complex, technical information and include them in the process. Employer (and member stakeholder) feedback was valuable in creating communications materials that met their needs.

PERS also took advantage of a key opportunity to reset and expand employer communication efforts with our launch of the Employer Incentive Fund, which is primarily focused on reaching an employer group with whom PERS, the agency, as not always directly engaged and communicated. A GovDelivery email announcing the launch of the Employer Incentive Fund, including five web pages created to summarize the application process, answer questions, and explain the UAL Resolution Program, was opened by 45% of employer contacts and 24% clicked on a link within the email. These are significantly high engagement rates for public sector communications efforts. This effort, and others that have transpired since, demonstrate areas where we can immediately work to better support our employers by providing information that is relevant and clear.

More work will be done to gather specific employer feedback—especially those non-payroll staff that we do not regularly engage with—through the EAG, by continuing to follow up regarding the Employer Incentive Fund, and through other targeted outreach efforts in 2019 and 2020.

Furthermore, while the current focus of our Employer Service Center is on data reporting and working with payroll specialists, PERS' Strategic Plan and SB 1049 communications requirements demonstrate the need to expand PERS' engagement and communications with our employers. To this end, PERS' Communications section is hiring an Employer Communications Specialist, who will collaborate and support agency partners who work with employers, attend EAG meetings and interface with PERS-participating employers, and support the section's (and agency's) need for strategic and robust employer communications.

## **KEY EMPLOYER ISSUES AND SUGGESTIONS**

An analysis of comments throughout the Employer Satisfaction Survey show a few key themes and suggestions.

### **1. Challenges and confusion with EDX and understanding employer statements**

Over 50% of employers requested additional education, training, or resources around the most complicated aspects of PERS employer reporting: using EDX and understanding employer statements (invoices from PERS). The most common request was "Short EDX how-tos on common reporting practices," followed by "Understanding employer statements (invoices from PERS)." Many employers continued to express frustration with the static format of employer statements, which does not allow them to easily reconcile data, and with an ongoing issue where employers are being locked out of EDX and cannot reset their password without contacting an employer representative. While the EDX system requires employer passwords to expire every 90 days for security reasons, the online notification and warning messages to alert employers are unclear.

Example comments:

*"Something needs to be done about EDX. We get locked out at least once per month and when the administrator is also locked out we are unable to do anything."*

*"Employer statements are confusing; a description of each section would be helpful (still confused about side accounts and RHIA after reading announcement)."*

*"More help to create a template to submit EDX reports would be helpful."*

### **Resolution:**

PERS recognizes that employer statements are not user-friendly, and many employers have a hard time easily interpreting the information they need. Under the requirements of SB 1049, both employer statements and EDX reporting will likely need to be revised to some extent, and we will seek to make whatever improvements we can, during the implementation, to try to solve longstanding employer technology issues. System updates set to be in place by the end of 2019 will hopefully make improvements with the notification issue around password resets, better clarifying and communicating how employers can reset their own passwords. We will continue to work with employers and further analyze the enhancements to ensure they are successful.

As with other areas of system changes required by SB 1049, what we cannot do during implementation will nevertheless be considered as a future requirement. We must continue to be aware of employers' needs during implementation, and can hopefully more seamlessly deploy those changes at a later date.

## **2. Improved education and training**

After separating quality ratings on “PERS’ communications” versus “PERS’ education” for employers in the 2018 survey, there was a 10 percentage point drop in both categories from 2018 to 2019. PERS eliminated in-person spring and fall PERS education and training sessions after 2016, because attendance was declining in favor of more specialized classes and working one-on-one with employers. However, employers who had participated in these events are very positive about them. The ratings also indicate the gap between those who are engaged and work well with their employer representatives and those that cannot access or are not aware of the resources PERS provides.

Example comment:

*“PERS employees are helpful when I have emailed or called. I do miss the employee trainings that used to happen around the state. It was a good review, a chance to ask questions, and network with other employers. Overall, employer training is lacking.”*

### **Resolution:**

Especially in light of SB 1049 and the new requirements that will be needed for employer reporting around each aspect of the bill, PERS is planning on conducting outreach meetings during 2020. We recognize employers’ desire for in-person meetings and trainings to supplement our online employer reporting resources. An increased partnership between the Employer Service Center (data reporting) and Actuarial Services (financial) will also lead to better understanding among our employer account representatives on how to answer or direct financial questions. More work is also planned to enhance existing online trainings, both to ensure new reporters are adequately trained and to offer refresher courses for PERS reporting.

Our enhanced efforts to communicate with financial/accounting contacts and agency heads through the Employer Incentive Fund, and continued attendance and relationship-building with the EAG, will also allow us to receive more targeted feedback on how we can improve communications across-the-board. As mentioned above, PERS is also hiring a dedicated Employer Communications Specialist this fall. That person’s role will be to collaborate in establishing an agency-wide employer communications and engagement strategy—both understanding and improving how we communicate with a wider group of employers and recommending internal enhancements so that teams such as the Employer Service Center and Actuarial Services can continue to better work together in support of PERS-participating employers.



# PERS Board Meeting

## OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Presented by:

**Matt Larrabee, FSA, EA**

**Scott Preppernau, FSA, EA**

October 4, 2019

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# Introduction

- Today we will review summary valuation results for:
  - Tier 1/Tier 2 & OPSRP retirement programs
  - Retiree Health Insurance Account (RHIA), and
  - Retiree Health Insurance Premium Account (RHIPA)
- Formal, detailed results will be presented in our forthcoming December 31, 2018 System-Wide Actuarial Valuation Report
- Results are advisory in nature
  - Indicate where 2021 – 2023 contribution rates would be if set today
  - Assess program funded status and unfunded actuarial liability (UAL)
- All work is based on:
  - Asset levels and member demographics at year-end 2018
  - Updates to methods and assumptions from the 2018 Experience Study
- PERS will deliver employer-specific advisory reports this fall



# Valuation Process and Timeline

- Actuarial valuations are conducted annually
  - Alternate between “rate-setting” and “advisory” valuations
  - This valuation as of 12/31/2018 is advisory
- Board adopts contribution rates developed in rate-setting valuations, and those rates go into effect 18 months subsequent to the valuation date

Valuation Date	Employer Contribution Rates
12/31/2015	July 2017 – June 2019
12/31/2017	July 2019 – June 2021
12/31/2019	July 2021 – June 2023

# Two-Year Rate-Setting Cycle

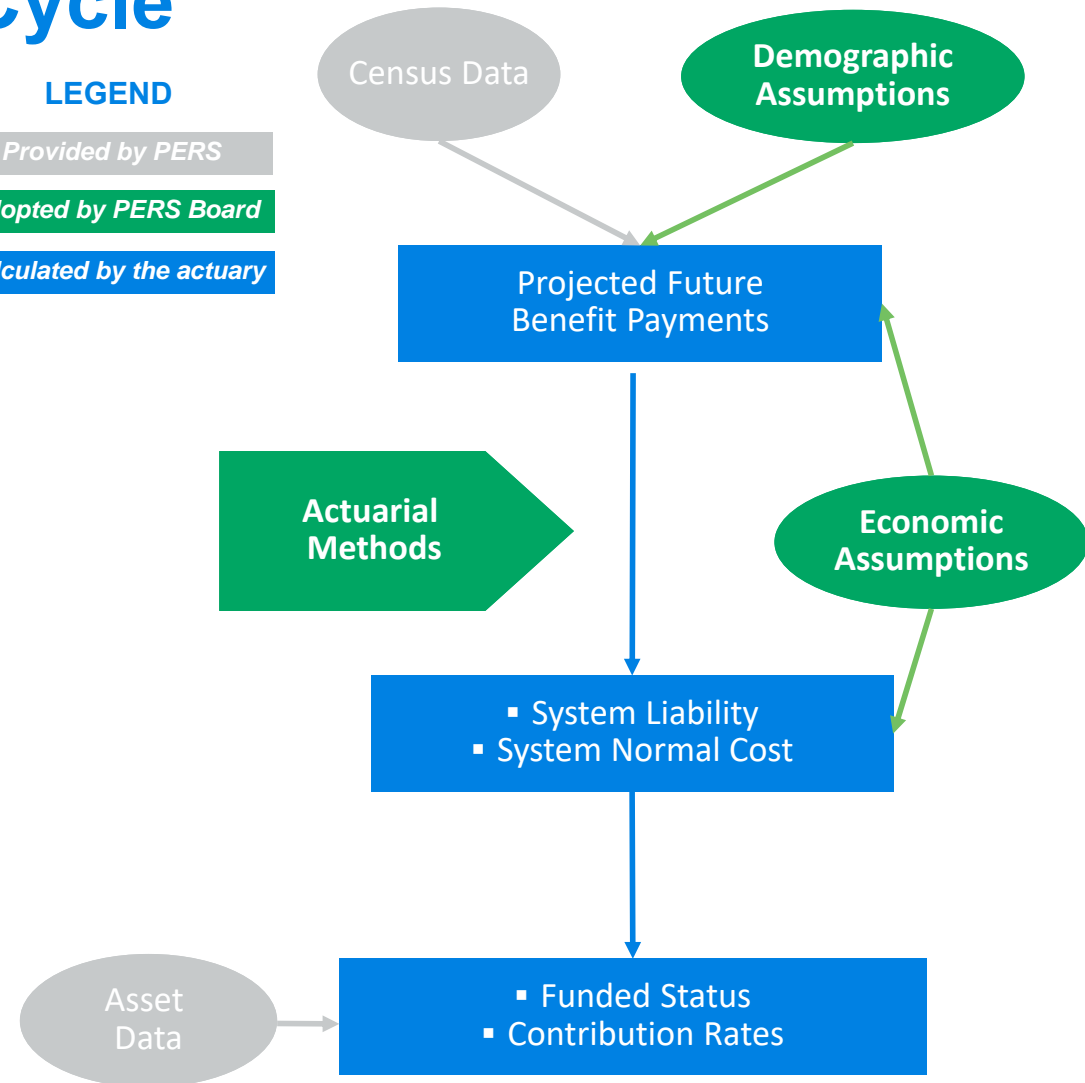
## LEGEND

*Provided by PERS*

*Adopted by PERS Board*

*Calculated by the actuary*

- July 2019: Assumptions & methods adopted by Board in consultation with the actuary
- October 2019: System-wide 12/31/18 actuarial valuation results**
- December 2019: Advisory 2021-2023 employer-specific contribution rates
- July 2020: System-wide 12/31/19 actuarial valuation results
- September 2020: Disclosure & adoption of employer-specific **2021-2023 contribution rates**



# Board Objectives - Methods & Assumptions

- Transparent
- Predictable and stable rates
- Protect funded status
- Equitable across generations
- Actuarially sound
- GASB compliant

Some of the objectives can conflict, particularly in periods with significant volatility in investment return or projected benefit levels. Overall system funding policies should seek an appropriate balance between conflicting objectives.

# Changes Since the Last Valuation

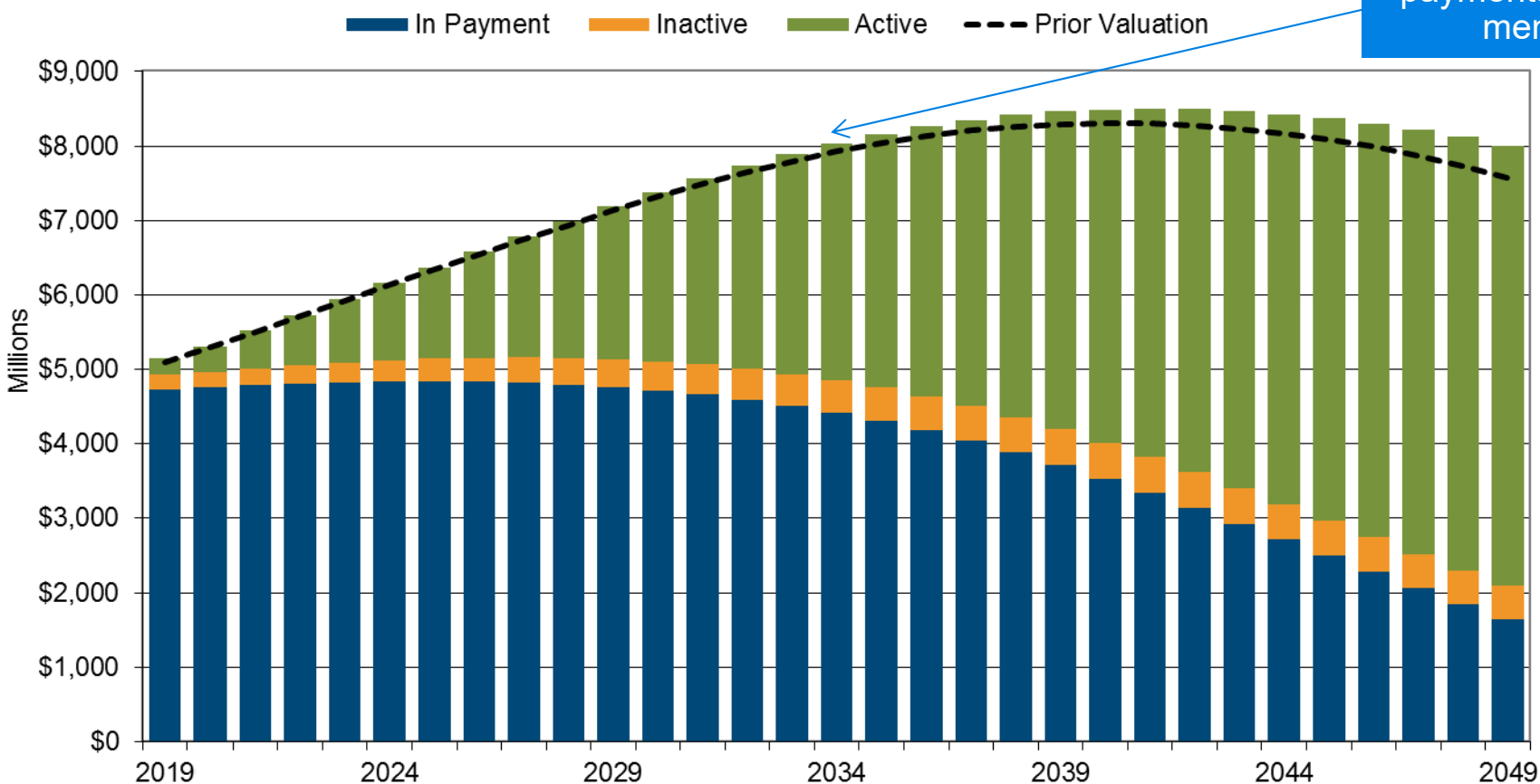
- The 12/31/2017 rate-setting actuarial valuation developed 2019-2021 contribution rates
- Since the 12/31/2017 rate-setting valuation:
  - The PERS Board adopted new assumptions and methods from the 2018 Experience Study
  - 2018 asset returns were less than assumed, with an actual single-year return of approximately +0.5%
    - Year-to-date returns through August 2019 of +8.87% are **not** reflected in this advisory valuation, but will be reflected in next year's rate-setting valuation
  - System payroll increased nearly 7.50%
  - Senate Bill 1049 signed into law in June 2019
    - Made a number of changes, many centered on funding/financing of the System's benefits

# Senate Bill 1049

- SB 1049 provisions relevant to valuation and funding:
  - Redirects portion of member contribution to fund DB benefits starting in July 2020
  - Employer contributions paid for rehired retirees effective January 2020
  - One-time re-amortization of Tier 1/Tier 2 UAL over 22 years
  - Salary for benefits limited to \$195,000 (indexed) starting in 2020
    - Only change affecting DB benefits; projected effect is small at system level
- Of these, Tier 1/Tier 2 UAL re-amortization has biggest impact on advisory 2021-23 contribution rates
- Rates shown in this presentation are “total” rates
  - Presuming member contribution redirection serves as an offset to employer rates, actual employer-paid 2021-2023 rates could be lower

# Projected Benefit Payments

Tier 1/Tier 2 & OPSRP Expected Benefit Payments  
by status as of 12/31/2018



By 2034, projected to be \$8 billion in benefit payments to current members

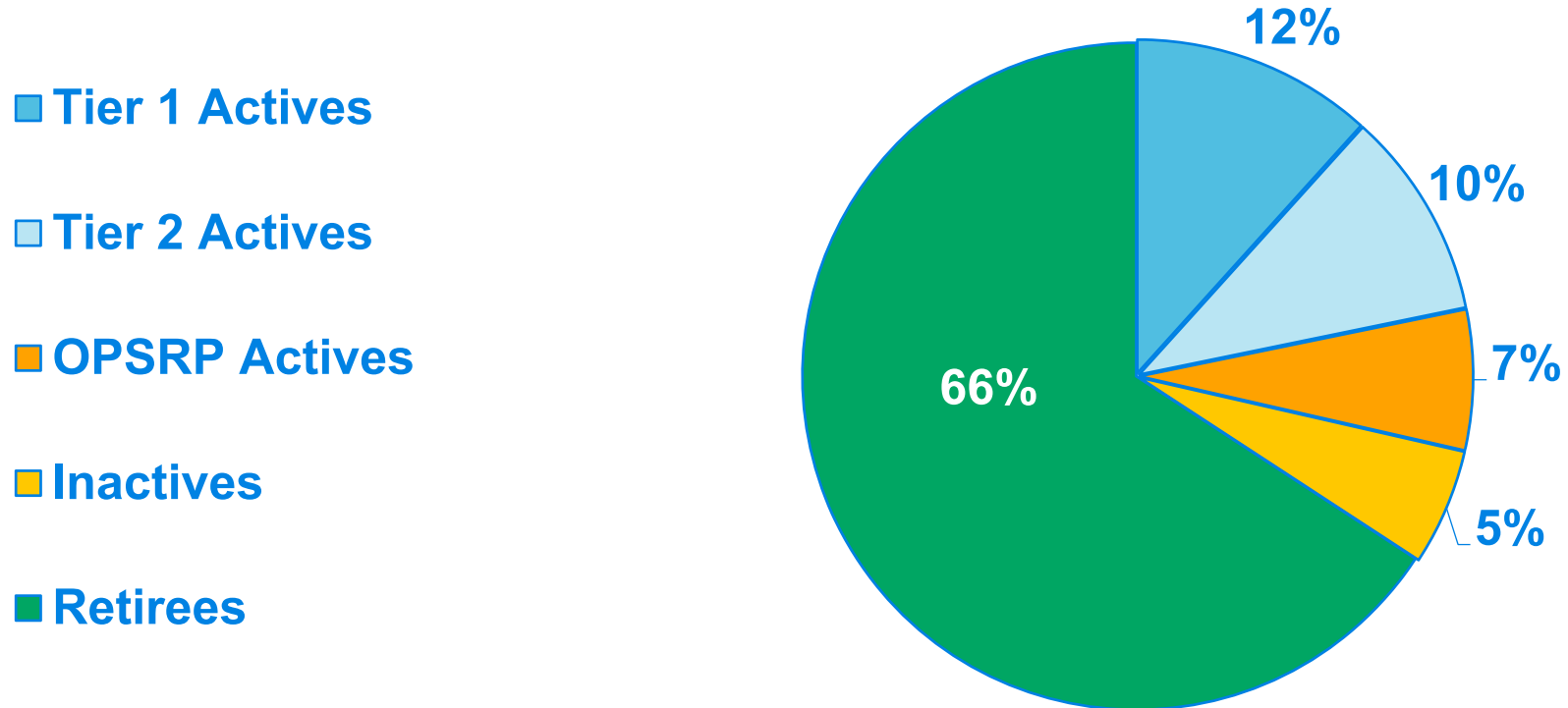
As illustrated by the dotted line, projected benefit payments did not change significantly between the prior and current actuarial valuation

# Funded Status & Unfunded Actuarial Liability (UAL)

<b>System-total Pension Funded Status (\$ billions)</b>			
<i>Valuation date:</i>	12/31/2016	12/31/2017	12/31/2018
<i>Assumed return:</i>	7.20%	7.20%	7.20%
Actuarial liability	\$ 81.0	\$ 84.1	\$86.6
Assets (excluding side accounts)	<u>55.7</u>	<u>61.8</u>	<u>59.6</u>
<b>UAL (excluding side accounts)</b>	<b>\$ 25.3</b>	<b>\$ 22.3</b>	<b>\$27.0</b>
<b>Funded status (excluding side accounts)</b>	<b>69%</b>	<b>73%</b>	<b>69%</b>
Side account assets	<u>\$ 5.4</u>	<u>\$ 5.6</u>	<u>\$5.2</u>
<b>UAL (including side accounts)</b>	<b>\$ 19.9</b>	<b>\$ 16.7</b>	<b>\$21.8</b>
<b>Funded status (including side accounts)</b>	<b>75%</b>	<b>80%</b>	<b>75%</b>

# Division of Actuarial Accrued Liability by Category

## 12/31/2018 Tier 1/Tier 2 and OPSRP Actuarial Liability



Accrued Actuarial Liability represents the present value of projected future benefits allocated to service performed through December 31, 2018



## Sources of 2018 UAL (Excl. Side Account) Change

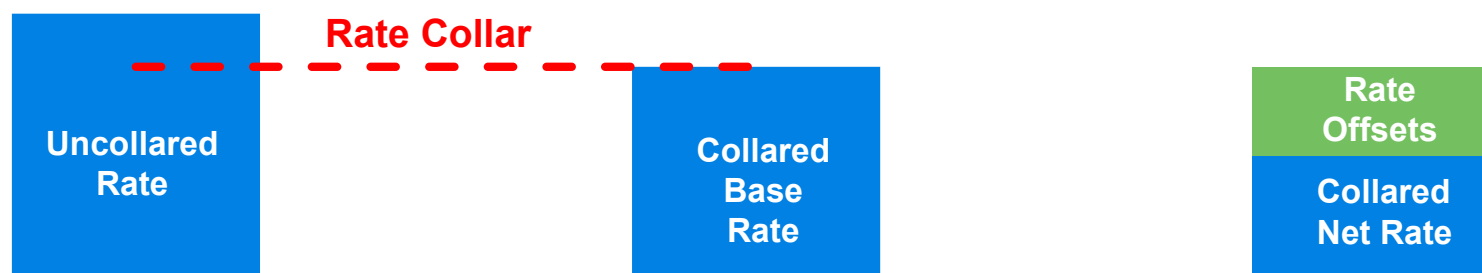
(\$ billions)	UAL Increase
Expected UAL increase/(decrease) during 2018	\$0.5
2018 actual investment performance	4.0
Net effect of plan and assumption changes	(0.1)
Actual demographic experience different than assumed	<u>0.3</u>
Total	\$4.7

- The **expected UAL increase/(decrease)** is the change, based on 12/31/2017 valuation results, projected to occur during 2018 if actual 2018 experience followed that valuation's assumptions; this is primarily due to the effects of the rate collar and timing of employer rate increases
- The 2018 investment loss reflects actual 2018 OPERF returns of approximately +0.5% compared to the assumed 7.20% return
- The increase due to actual demographic experience different than assumed was largely the result of individual member salary increase experience

## Tier 1/Tier 2 Rate Pool Funded Status and UAL

<b>(\$ billions)</b> <i>totals may not add due to rounding</i>	<b>SLGRP</b>	<b>School Districts</b>
Actuarial liability	\$43.1	\$29.9
Assets (excluding side accounts)	<u>29.4</u>	<u>20.8</u>
<b>UAL (excluding side accounts)</b>	<b>\$13.8</b>	<b>\$ 9.1</b>
<b>Funded status (excluding side accounts)</b>	<b>68%</b>	<b>70%</b>
Projected 2019 payroll	\$ 6.3	\$ 3.5
Assets to payroll ratio (excl. side accounts)	4.6x	5.9x
UAL to payroll ratio (excl. side accounts)	2.2x	2.6x
Side account assets	\$ 2.4	\$ 2.7
<b>UAL (including side accounts)</b>	<b>\$11.4</b>	<b>\$ 6.3</b>
<b>Funded status (including side accounts)</b>	<b>74%</b>	<b>79%</b>

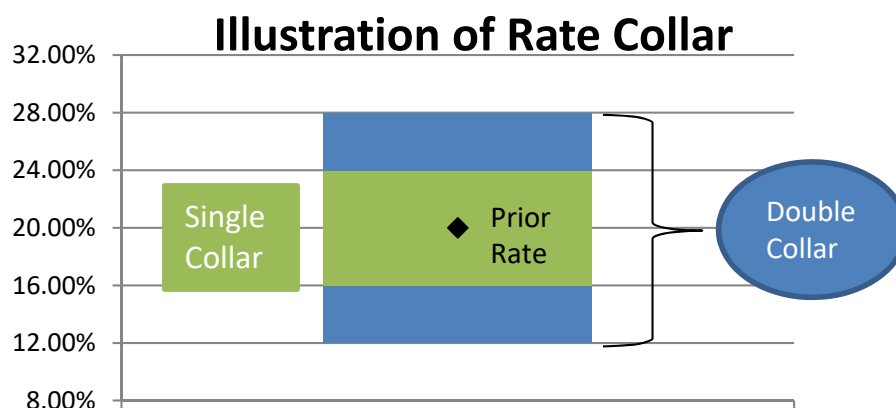
# Overview of Rate Calculation Structure



- The ***uncollared rate*** is the theoretical contribution rate to reach 100% funded status over a specified amortization period if:
  - Contributions at that rate started on the actuarial valuation date, and
  - Actual future experience mirrors the actuarial valuation's assumptions
  - The normal cost rate does not change in subsequent years
- The rate collar sets a biennium's ***collared base rate***, limiting the base rate change when there is a large change in the uncollared rate
- Employers pay the ***collared net rate***, which can differ from the collared base rate due to adjustments that fall into two major categories
  - Side account rate offsets for employers with side accounts
  - SLGRP charges/offsets (e.g., Transition Liability/Surplus)

# Current Rate Collar Design

- The maximum change typically permitted by the rate collar is:
  - 20% of the rate currently in effect (3% of payroll minimum collar width)
- If funded status is 60% or lower, the width of the rate collar doubles
  - 40% of rate currently in effect (6% of payroll minimum collar width)
- If the funded status is between 60% and 70%, the rate collar's width is pro-rated between the single-collar and double-collar widths



- Collars limit the biennium to biennium increase in the UAL Rate for each individual employer (or experience-sharing pool, if applicable)

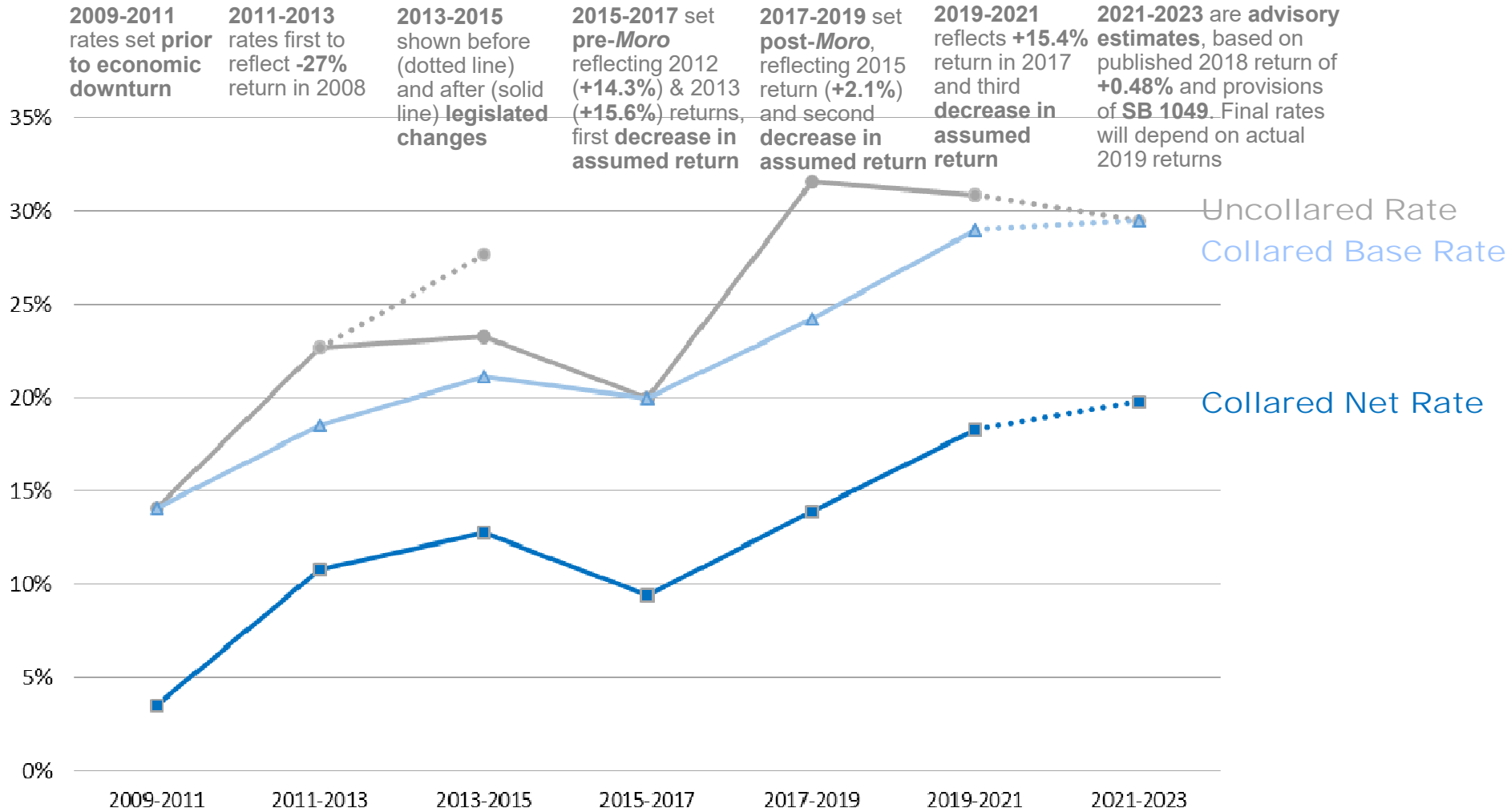
# Effect of 2019 Returns on Final 2021-23 Rates

- The advisory valuation uses 12/31/2018 assets and liabilities
  - For the two large Tier 1/Tier 2 experience-sharing rate pools, advisory 2021-23 rates show projected increases in the collared base and net contribution rates, and project that the rate collar will not be limiting the size of those increases
- Final 2021-23 rates will be based on assets and liabilities as of 12/31/2019, including actual 2019 investment returns
- Through August 31, OPERF year-to-date regular accounts returns are +8.87%
  - If returns above the long-term average return assumption of 7.20% continue to year-end, actual 2021-23 increases for the two large rate pools likely will be lower than those shown in this year's advisory employer reports
  - If actual year-to-date 2019 returns do not persist and end up near or below the assumed return at year-end, the actual 2021-2023 rate increases could be larger than those shown in this year's advisory employer reports

# Comments on Advisory 2021 – 2023 Rates

- No single employer pays the system-wide average rate
  - Individual employer rates reflect either rate pool or independent employer-specific results, not the system-wide average
  - Relative proportion of Tier 1/Tier 2 vs. OPSRP payroll also varies by employer
- Employers in a rate pool do not pay the pool average rate
  - Actual rates reflect employer-specific side account rate offsets and/or any remaining SLGRP charges/offsets
  - SLGRP normal cost rates are specific to an employer's workforce mix of member tier and job classification
- Rates shown do not include the effects of:
  - Individual Account Plan (IAP) contributions
  - Rates for the RHIA & RHIPA retiree healthcare programs
  - Debt service payments on pension obligation bonds

# School District Weighted Total Pension-Only Rates



Assumed Return:

8.00%

8.00%

8.00%

7.75%

7.50%

7.20%

7.20%



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# Uncollared Total Pension Rates – School Districts

Excludes Retiree Health Care, IAP Contributions, Rate Collar, Side Accounts

	12/31/2017 Valuation 2019 – 2021 Final Rates			12/31/2018 Valuation 2021 – 2023 Advisory Rates		
	Payroll		Weighted Average <sup>1</sup>	Payroll		Weighted Average <sup>1</sup>
	Tier 1 / Tier 2	OPSRP		Tier 1 / Tier 2	OPSRP	
Total Normal Cost	13.79%	8.40%	10.75%	13.63%	8.70%	10.65%
Tier 1/Tier 2 UAL	18.66%	18.66%	18.66%	17.05%	17.05%	17.05%
OPSRP UAL	<u>1.45%</u>	<u>1.45%</u>	<u>1.45%</u>	<u>1.76%</u>	<u>1.76%</u>	<u>1.76%</u>
<b>Uncollared Rate</b>	<b>33.90%</b>	<b>28.51%</b>	<b>30.86%</b>	<b>32.44%</b>	<b>27.51%</b>	<b>29.46%</b>
<b>Increase</b>				<b>(1.46%)</b>	<b>(1.00%)</b>	<b>(1.40%)</b>

*The pool-average collared base and net rates for 2021-2023 are shown on subsequent slides*

*Rates shown on this slide are “total” rates, and do not incorporate any potential treatment of redirected member contributions commencing July 2020 as an offset*

<sup>1</sup> Weighting based on the pool’s payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date



# Collared Pension Base Rates – School Districts

Excludes Retiree Health Care & IAP Contributions, Side Account Offsets

	12/31/2017 Valuation 2019 - 2021 Final Rates			12/31/2018 Valuation 2021 - 2023 Advisory Rates		
	Payroll			Payroll		
	Tier 1 / Tier 2	OPSRP	Weighted Average <sup>1</sup>	Tier 1 / Tier 2	OPSRP	Weighted Average <sup>1</sup>
<b>Uncollared Rate</b>	<b>33.90%</b>	<b>28.51%</b>	<b>30.86%</b>	<b>32.44%</b>	<b>27.51%</b>	<b>29.46%</b>
Collar Limitation	<u>(1.93%)</u>	<u>(1.93%)</u>	<u>(1.93%)</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
<b>Collared Base Rate</b>	<b>31.97%</b>	<b>26.58%</b>	<b>28.93%</b>	<b>32.44%</b>	<b>27.51%</b>	<b>29.46%</b>
<b>Increase</b>				<b>0.47%</b>	<b>0.93%</b>	<b>0.53%</b>

*If actual 2019 investment returns are near assumption, final 2021 – 2023 base rates are anticipated to be similar to advisory 2021 – 2023 base rates shown in this presentation*

*Rates shown on this slide are “total” rates, and do not incorporate any potential treatment of redirected member contributions commencing July 2020 as an offset*

<sup>1</sup> *Weighting based on the pool’s payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date*



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# Collared Pension Net Rates – School Districts

Excludes Retiree Health Care & IAP Contributions

	12/31/2017 <sup>1</sup> Valuation 2019 – 2021 Final Rates			12/31/2018 <sup>1</sup> Valuation 2021 – 2023 Advisory Rates		
	Tier 1 / Tier 2	Payroll OPSRP	Weighted Average <sup>2</sup>	Tier 1 / Tier 2	Payroll OPSRP	Weighted Average <sup>2</sup>
<b>Collared Base Rate</b>	<b>31.97%</b>	<b>26.58%</b>	<b>28.93%</b>	<b>32.44%</b>	<b>27.51%</b>	<b>29.46%</b>
Side Account (Offset)	<u>(10.66%)</u>	<u>(10.66%)</u>	<u>(10.66%)</u>	<u>(9.67%)</u>	<u>(9.67%)</u>	<u>(9.67%)</u>
<b>Collared Net Rate</b>	<b>21.31%</b>	<b>15.92%</b>	<b>18.27%</b>	<b>22.77%</b>	<b>17.84%</b>	<b>19.79%</b>
<b>Increase</b>				<b>1.46%</b>	<b>1.92%</b>	<b>1.52%</b>

*Rates vary by employer, as only some employers have side accounts*

*Changes in side account offsets are not collared; actual 2019 returns above assumption would increase the offset, decreasing the net rate*

*Rates shown on this slide are “total” rates, and do not incorporate any potential treatment of redirected member contributions commencing July 2020 as an offset*

<sup>1</sup> For this exhibit, adjustments are assumed not to be limited due to an individual employer reaching a 0.00% contribution rate

<sup>2</sup> Weighting based on the pool’s payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date



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# School Districts Rate Summary

## Weighted Average Total Rates (Tier 1/Tier 2 and OPSRP)

	Final 2019 - 2021	Advisory 2021 - 2023	Increase
Uncollared Base Rate	30.86%	29.46%	(1.40%)
Collared Base Rate	28.93%	29.46%	0.53%
Collared Net Rate	18.27%	19.79%	1.52%

- The advisory collared base rate for School Districts is equal to the uncollared base rate
- The uncollared base rate decrease was primarily due to the re-amortization of Tier 1/Tier 2 UAL per SB 1049, partially offset by 2018 asset returns below long-term assumption
- The collared base rate increase was driven by the existence of a “collared off” rate increase in the prior biennium, an outcome of the scheduled systematic rate modifications to amortize the UAL over time if future experience follows assumptions

# SLGRP Rate Summary

## Weighted Average Total Rates (Tier 1/Tier 2 and OPSRP)

	Final 2019 - 2021	Advisory 2021 - 2023	Change
Uncollared Base Rate	28.30%	27.93%	(0.37%)
Collared Base Rate	23.62%	27.93%	4.31%
Collared Net Rate	17.94%	22.55%	4.61%

- The SLGRP's advisory collared base rate is equal to the uncollared base rate
- The uncollared base rate decrease was primarily due to the re-amortization of Tier 1/Tier 2 UAL per SB 1049, partially offset by 2018 asset returns below long-term
- The collared base rate increase was driven by the existence of a "collared off" rate increase in the prior biennium, an outcome of the scheduled systematic rate modifications to amortize the UAL over time if future experience follows assumptions

# System-Wide Rate Summary

## Weighted Average Total Rates (Tier 1/Tier 2 and OPSRP)

	Final 2019 - 2021	Advisory 2021- 2023	Change
Uncollared Base Rate	29.22%	28.58%	(0.64%)
Collared Base Rate	25.23%	28.39%	3.16%
Collared Net Rate	18.32%	22.00%	3.68%

- System-wide rates are the payroll-weighted average of rates for School Districts, the SLGRP, and independent employers
- At a system-wide level the advisory uncollared base rate is 0.19% higher than the collared base rate, reflecting that some independent employers are projected to have their 2021-2023 rate increases limited by the rate collar
- The collared base rate increase was driven by the existence of a “collared off” rate increase in the prior biennium, an outcome of the scheduled systematic rate modifications to amortize the UAL over time if future experience follows assumptions

# Projected 2021-2023 Total Contributions

(\$ millions)	Projected 2019-21 Payroll*	(A) Projected 2019-21 Contribution	Projected 2021-23 Payroll*	(B) Projected 2021-23 Total Contribution	(B - A) Projected Total Contribution Increase
State Agencies	\$6,600	<b>\$1,135</b>	\$7,070	<b>\$1,565</b>	<b>\$430</b>
School Districts	7,335	<b>1,310</b>	7,860	<b>1,520</b>	<b>210</b>
All Others	<u>8,535</u>	<u><b>1,560</b></u>	<u>9,140</u>	<u><b>2,080</b></u>	<u><b>520</b></u>
Total	\$22,470	<b>\$4,005</b>	\$24,070	<b>\$5,165</b>	<b>\$1,160</b>

- Projected 2019-21 contribution increased by \$40 million compared to prior estimate (based on 12/31/2017 valuation) as a result of larger-than-expected increase in system payroll.
- Collared net rates are used to project 2021-2023 contributions
  - Projections do not reflect the effects of 2019 investment returns

\* Assumes total payroll grows at 3.50% annually based on 12/31/2018 active member census. The collared net rate applied to this payroll reflects the projected change over time in payroll composition as new OPSRP members are hired to replace retiring Tier 1/Tier 2 members.

# Factors Driving the Projected Contribution Increase

- The projected \$1.2 billion 2021 - 2023 total contribution increase consists of:
  - System-wide average collared net rate increase of 3.68% -- \$0.9 billion
    - Includes impact on average contribution rate of projected change over time in payroll distribution between Tier 1/Tier 2 and OPSRP
  - Projected system payroll growth between biennia -- \$0.3 billion
    - Assumed system payroll growth of 3.5% per year / 7.1% per biennium means the collared net rate increase is applied to a larger payroll base
    - Assumes no change in payroll distribution between Tier 1/Tier 2 and OPSRP
- Presuming the redirected member contributions serve to offset employer contribution rates in the 2021-2023 biennium, the effective increase to employers would be reduced
  - An estimate of this effect is shown on the next slide

# Projected Split of 2021-2023 Total Contributions

(\$ millions)	(A) Projected 2019-21 Contribution	(B) Projected 2021-23 Total Contribution	(C) Estimated Member Redirected Contributions*	(B - C) Projected 2021-23 Employer Contribution	(B - C - A) Projected Employer Contribution Increase
State Agencies	\$1,135	\$1,565	\$80	\$1,485	<b>\$350</b>
School Districts	1,310	1,520	95	1,425	<b>115</b>
All Others	<u>1,560</u>	<u>2,080</u>	<u>110</u>	<u>1,970</u>	<u><b>410</b></u>
Total	\$4,005	\$5,165	\$285	\$4,880	<b>\$875</b>

\* Reflects member redirection of 2.5% of payroll for Tier 1 and Tier 2, and 0.75% for OPSRP, only on salary exceeding an annual rate of \$30,000 (indexed). To estimate the effect of the indexed salary limit, it was assumed that 97% of Tier 1/Tier 2 and 90% of OPSRP salary was subject to redirection.



# 12/31/2018 Retiree Health Care Valuations

- Two separate health care benefit subsidies are valued:
  - RHIA provides a \$60 per month subsidy toward healthcare premiums for Medicare-eligible Tier 1/Tier 2 retirees
  - RHIPA provides Tier 1/Tier 2 state employees who retire prior to age 65 with an alternative to PEBB coverage until they reach Medicare eligibility
- OPSRP retirees are not eligible for either subsidy
- RHIA and RHIPA benefits historically have been less well funded than Tier 1/Tier 2 & OPSRP benefits
  - To help address that, in July 2009 the Board shortened the UAL amortization period to ten years to improve funded status over less time
  - The first ten year amortization base reflected outstanding UAL as of December 31, 2007
  - Rates reflecting the shorter amortization were first effective July 2011

# 12/31/2018 Retiree Health Care Valuations

- RHIA and RHIPA liabilities combined are less than 1% of the pension liability
- The combination of a shorter amortization period and recent experience gains has improved the RHIA funded status to over 100%
  - The original ten year amortization base from December 31, 2007 has expired, and the net RHIA UAL rate is now negative
- RHIPA warrants continued monitoring, as funded status is near 60% and subsidy payments are sensitive to actual participation levels

# 12/31/2018 Retiree Health Care Valuations

## UAL and Advisory 2021-23 Contribution Rates

	RHIA		RHIPA*	
	12/31/2017	12/31/2018	12/31/2017	12/31/2018
Actuarial Liability	\$ 438	\$ 412	\$ 70	\$ 63
Assets	<u>554</u>	<u>571</u>	<u>30</u>	<u>39</u>
UAL	\$ (116)	\$ (159)	\$ 40	\$ 24
Funded Status	126%	139%	43%	61%
Normal Cost Rate	0.06%	0.05%	0.12%	0.11%
UAL Rate	<u>0.00%</u>	<u>0.00%</u>	<u>0.27%</u>	<u>0.22%</u>
Total Rate	0.06%	0.05%	0.39%	0.33%

\* State Agencies, OUS, and State Judiciary are the only employers who pay RHIPA rates

# Contribution Rate & Funded Status Projections

- In December, we will return with contribution rate and funded status projections based on this valuation
  - That analysis will use the latest year-to-date investment return information at the time the projections are made
- Projections will be developed using two types of models
  - Steady return
    - Straight lines reflecting steady future actual investment returns
  - Variable return
    - Probability distributions reflecting a wide variety of noisy scenarios for possible actual future investment returns
    - The modeling will include updates to the risk metrics we have used in projection studies conducted in previous years

# Wrap Up / Next Steps

- Between now and the December meeting, we will:
  - Assist PERS in preparing financial reporting schedules
  - Develop updated actuarial equivalence factors for 2020
  - Issue system-wide and employer-specific actuarial valuation reports
- At the December meeting, we will:
  - Provide listings of employer-specific advisory 2021-2023 contribution rates
  - Present updated actuarial equivalence factors proposed for adoption
  - Update long-term contribution rate and funded status projections



# Appendix

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# Certification

This presentation summarizes key preliminary results of an actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2018, for the Plan Year ending December 31, 2018. The results are preliminary in nature and may not be relied upon to, for example, prepare the System’s Consolidated Annual Financial Report (CAFR). The reliance document will be the forthcoming formal December 31, 2018 System-Wide Actuarial Valuation Report.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System’s staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the System.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan’s funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. Our annual financial modeling presentation to the PERS Board should be referenced for additional analysis of the potential variation in future measurements. Our forthcoming December 31, 2018 Actuarial Valuation Report will provide additional discussion of the System’s risks. The PERS Board has the final decision regarding the appropriateness of the assumptions.

Actuarial computations presented in this report are for purposes of presenting advisory contribution rates consistent with the adopted funding policy the System. The computations prepared for other purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System’s funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the plan provisions described in the appendix of this report. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



This work product was prepared for discussion purposes only and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Any recipient of this work product who desires professional guidance should engage qualified professionals for advice appropriate to its own specific needs.

# Certification

Milliman's work is prepared solely for the internal business use of the Oregon Public Employees Retirement System. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

- (a) The System may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.
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No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The actuaries are independent of the plan sponsors. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.



# Data Exhibits

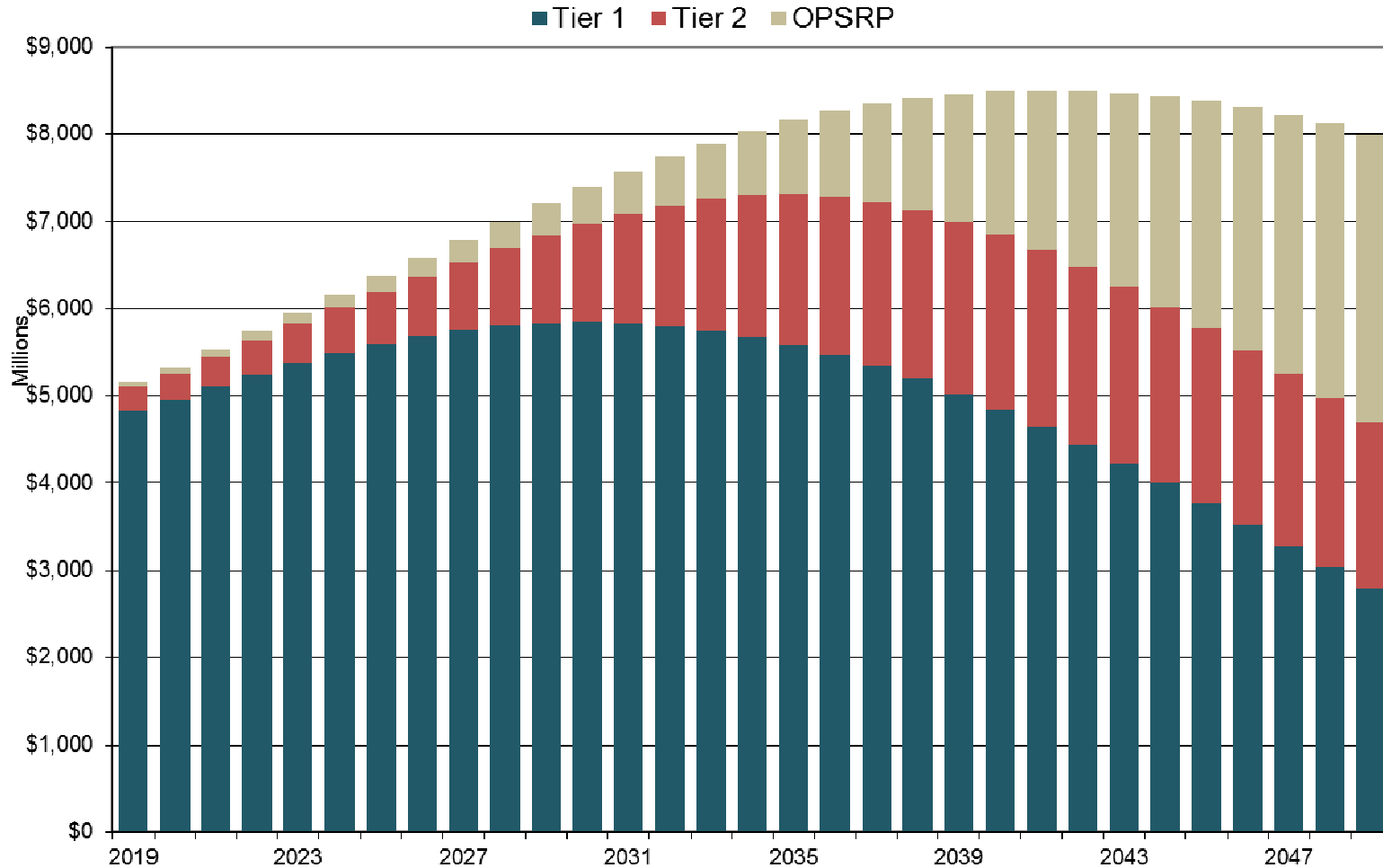
	December 31, 2018			December 31, 2017	
	Tier 1	Tier 2	OPSRP	Total	Total
<b>Active Members</b>					
Count	20,058	34,088	122,617	176,763	173,002
Average age	56.5	51.7	42.9	46.1	46.2
Average total service	25.9	17.8	6.5	10.9	10.9
Average prior year covered salary	\$81,481	\$73,656	\$52,159	\$59,632	\$56,939
<b>Inactive Members<sup>1</sup></b>					
Count	12,226	14,789	18,930	45,945	45,703
Average age	60.2	54.2	47.7	53.1	53.0
Average monthly deferred benefit	\$2,116	\$774	\$416	\$983	\$1,007
<b>Retired Members and Beneficiaries<sup>1</sup></b>					
Count	128,742	14,892	5,259	148,893	144,982
Average age	72.7	67.8	67.1	72.0	71.7
Average monthly benefit <sup>2</sup>	\$2,902	\$1,066	\$511	\$2,634	\$2,586
<b>Total Members</b>	<b>161,026</b>	<b>63,769</b>	<b>146,806</b>	<b>371,601</b>	<b>363,687</b>

<sup>1</sup> Inactive and Retiree counts are shown by lives within the system. In other words, a member is counted once for purposes of this exhibit, regardless of their service history for different rate pools. This contrasts with the method used to count inactive participants in some of the later exhibits of this report.

<sup>2</sup> The average monthly benefit reflects an estimated adjustment for the effect of the Supreme Court decision in *Moro v. State of Oregon* for records that were not already adjusted in the data provided.

# Projected Benefit Payments by Tier

Tier 1/Tier 2 & OPSRP Expected Benefit Payments  
by Tier as of 12/31/2018



This work product was prepared for discussion purposes only and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Any recipient of this work product who desires professional guidance should engage qualified professionals for advice appropriate to its own specific needs.

## Funded Status and UAL by Program

Pension Funded Status (\$ billions) at 12/31/2018 <i>totals may not add due to rounding</i>			
	Tier 1/Tier 2	OPSRP	Combined
Actuarial liability	\$79.8	\$6.7	\$86.6
Assets (excluding side accounts)	<u>\$54.8</u>	<u>\$4.8</u>	<u>\$59.6</u>
UAL (excluding side accounts)	\$25.0	\$2.0	\$27.0
Funded status (excluding side accounts)	69%	71%	69%
Side account assets			<u>\$5.2</u>
UAL (including side accounts)			\$21.8
Funded status (including side accounts)			75%

# Uncollared Total Pension Rates – SLGRP Average

Excludes Retiree Health Care, IAP Contributions, Rate Collar, Side Accounts

	12/31/2017 2019- 2021 Final			12/31/2018 2021- 2023 Advisory		
	Payroll			Payroll		
	Tier 1 / Tier 2	OPSRP	Weighted Average <sup>1</sup>	Tier 1 / Tier 2	OPSRP	Weighted Average <sup>1</sup>
Normal Cost	15.83%	8.92%	11.74%	15.78%	9.22%	11.60%
Tier 1/Tier 2 UAL	15.11%	15.11%	15.11%	14.57%	14.57%	14.57%
OPSRP UAL	<u>1.45%</u>	<u>1.45%</u>	<u>1.45%</u>	<u>1.76%</u>	<u>1.76%</u>	<u>1.76%</u>
<b>Uncollared Rate</b>	<b>32.39%</b>	<b>25.48%</b>	<b>28.30%</b>	<b>32.11%</b>	<b>25.55%</b>	<b>27.93%</b>
<b>Increase</b>				<b>(0.28%)</b>	<b>0.07%</b>	<b>(0.37%)</b>

*The pool-average advisory collared net rates which employers would be charged are shown on subsequent slides*

*Rates shown on this slide are “total” rates, and do not incorporate any potential treatment of redirected member contributions commencing July 2020 as an offset*

*Rates vary, sometimes widely, for employers in the SLGRP*

<sup>1</sup> Weighting based on the pool’s payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date.

# Collared Pension Base Rates – SLGRP Average

Excludes Retiree Health Care & IAP Contributions, Side Account Offsets

	12/31/2017 <sup>1</sup> Valuation 2019 – 2021 Final Rates			12/31/2018 <sup>1</sup> Valuation 2021 – 2023 Advisory Rates		
	Tier 1 / Tier 2	Payroll OPSRP	Weighted Average <sup>2</sup>	Tier 1 / Tier 2	Payroll OPSRP	Weighted Average <sup>2</sup>
<b>Uncollared Rate</b>	<b>32.39%</b>	<b>25.48%</b>	<b>28.30%</b>	<b>32.11%</b>	<b>25.55%</b>	<b>27.93%</b>
Collar Limitation	<u>(4.68%)</u>	<u>(4.68%)</u>	<u>(4.68%)</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
<b>Collared Base Rate</b>	<b>27.71%</b>	<b>20.80%</b>	<b>23.62%</b>	<b>32.11%</b>	<b>25.55%</b>	<b>27.93%</b>
<b>Increase</b>				<b>4.40%</b>	<b>4.75%</b>	<b>4.31%</b>

*If actual 2019 investment returns are near assumption, final 2021 – 2023 base rates are anticipated to be similar to advisory 2021 – 2023 base rates shown in this presentation*

*Rates shown on this slide are “total” rates, and do not incorporate any potential treatment of redirected member contributions as an offset.*

<sup>1</sup> For this exhibit, adjustments are assumed not to be limited due to an individual employer reaching a 0.00% contribution rate.

<sup>2</sup> Weighting based on the pool's payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date

# Collared Pension Net Rates – SLGRP Average

Excludes Retiree Health Care & IAP Contributions

	12/31/2017 <sup>1</sup> Valuation 2019 – 2021 Final Rates			12/31/2018 <sup>1</sup> Valuation 2021 – 2023 Advisory Rates		
	Tier 1 / Tier 2	Payroll OPSRP	Weighted Average <sup>2</sup>	Tier 1 / Tier 2	Payroll OPSRP	Weighted Average <sup>2</sup>
<b>Collared Base Rate</b>	<b>27.71%</b>	<b>20.80%</b>	<b>23.62%</b>	<b>32.11%</b>	<b>25.55%</b>	<b>27.93%</b>
Side Account (Offset)	(4.99%)	(4.99%)	(4.99%)	(4.66%)	(4.66%)	(4.66%)
SLGRP Charge/(Offset)	<u>(0.69%)</u>	<u>(0.69%)</u>	<u>(0.69%)</u>	<u>(0.72%)</u>	<u>(0.72%)</u>	<u>(0.72%)</u>
<b>Collared Net Rate</b>	<b>22.03%</b>	<b>15.12%</b>	<b>17.94%</b>	<b>26.73%</b>	<b>20.17%</b>	<b>22.55%</b>
<b>Increase</b>				<b>4.70%</b>	<b>5.05%</b>	<b>4.61%</b>

*Rates vary by employer, sometimes significantly, as only some employers have side accounts and the SLGRP charge/(offset) varies by employer*

*Changes in side account offsets are not collared; actual 2019 returns above assumption would increase the offset, lowering the net rate*

<sup>1</sup> For this exhibit, adjustments are assumed not to be limited due to an individual employer reaching a 0.00% contribution rate.

<sup>2</sup> Weighting based on the pool's payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date

# Uncollared Total Pension Rates – System-Wide

## Excludes Retiree Health Care, IAP Contributions, Rate Collar, Side Accounts

	12/31/2017 2019 - 2021 Final			12/31/2018 2021 – 2023 Advisory		
	Payroll			Payroll		
	Tier 1 / Tier 2	OPSRP	Weighted Average <sup>1</sup>	Tier 1 / Tier 2	OPSRP	Weighted Average <sup>1</sup>
Normal Cost	15.27%	8.92%	11.59%	15.19%	9.22%	11.46%
Tier 1/Tier 2 UAL	16.18%	16.18%	16.18%	15.36%	15.36%	15.36%
OPSRP UAL	1.45%	1.45%	1.45%	1.76%	1.76%	1.76%
<b>Uncollared Rate</b>	<b>32.90%</b>	<b>26.55%</b>	<b>29.22%</b>	<b>32.31%</b>	<b>26.34%</b>	<b>28.58%</b>
<b>Increase</b>				<b>(0.59%)</b>	<b>(0.21%)</b>	<b>(0.64%)</b>

*Rates shown on this slide are “total” rates, and do not incorporate any potential treatment of redirected member contributions commencing July 2020 as an offset*

<sup>1</sup> Weighting based on the pool’s payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date.

# Collared Pension Base Rates – System-Wide

## Excludes Retiree Health Care & IAP Contributions, Side Account Offsets

	12/31/2017 2019 - 2021 Final			12/31/2018 2021 – 2023 Advisory		
	Payroll			Payroll		
	Tier 1 / Tier 2	OPSRP	Weighted Average <sup>1</sup>	Tier 1 / Tier 2	OPSRP	Weighted Average <sup>1</sup>
<b>Uncollared Rate</b>	<b>32.90%</b>	<b>26.55%</b>	<b>29.22%</b>	<b>32.31%</b>	<b>26.34%</b>	<b>28.58%</b>
Collar Limitation	(3.99%)	(3.99%)	(3.99%)	(0.19%)	(0.19%)	(0.19%)
<b>Collared Base Rate</b>	<b>28.91%</b>	<b>22.56%</b>	<b>25.23%</b>	<b>32.12%</b>	<b>26.15%</b>	<b>28.39%</b>
<b>Increase</b>				<b>3.21%</b>	<b>3.59%</b>	<b>3.16%</b>

*Increases that will be effective July 2021 may be limited by the collar for some employers*

<sup>1</sup> Weighting based on the pool's payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date.



# Collared Pension Net Rates – System-Wide

## Excludes Retiree Health Care & IAP Contributions

	12/31/2017 <sup>1</sup> 2019 - 2021 Final			12/31/2018 <sup>1</sup> 2021 – 2023 Advisory		
	Payroll		Weighted Average <sup>2</sup>	Payroll		Weighted Average <sup>2</sup>
	Tier 1 / Tier 2	OPSRP		Tier 1 / Tier 2	OPSRP	
<b>Collared Base Rate</b>	<b>28.91%</b>	<b>22.56%</b>	<b>25.23%</b>	<b>32.12%</b>	<b>26.15%</b>	<b>28.39%</b>
Side Account (Offset)	(6.51%)	(6.51%)	(6.51%)	(5.97%)	(5.97%)	(5.97%)
SLGRP Charge/(Offset)	(0.40%)	(0.40%)	(0.40%)	(0.42%)	(0.42%)	(0.42%)
<b>Collared Net Rate</b>	<b>22.00%</b>	<b>15.65%</b>	<b>18.32%</b>	<b>25.73%</b>	<b>19.76%</b>	<b>22.00%</b>
<b>Increase</b>				<b>3.73%</b>	<b>4.11%</b>	<b>3.68%</b>

*Rates vary by employer, as only some employers have side accounts*

*Changes in side account offsets are not collared*

- 1 For this exhibit, adjustments are assumed not to be limited due to an individual employer reaching a 0.00% contribution rate.*
- 2 Weighting based on the pool's payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date*

# Retirement System Risks

- Oregon PERS, like all defined benefit plans, is subject to various risks that will affect future plan liabilities and contribution requirements, including:
  - **Investment risk:** the potential that investment returns will be different than expected
  - **Demographic risks:** the potential that mortality experience, retirement behavior, or other demographic experience for the plan population will be different than expected
  - **Contribution risk:** the potential that actual future contributions will be materially different than expected, for example if there are material changes in the System's covered payroll
- The results of an actuarial valuation are based on one set of reasonable assumptions, but it is almost certain that future experience will not exactly match the assumptions.
- Further discussion of plan risks and historical information regarding plan experience are shown in our annual actuarial valuations. In addition, our annual financial modeling presentation to the PERS Board illustrates future outcomes under a wide range of future scenarios reflecting variation in key risk factors.

# Actuarial Basis

## Data

We have based our calculation of the liabilities on the data supplied by the Oregon Public Employees Retirement System and summarized in the data exhibits on the preceding slides.

Assets as of December 31, 2018, were based on values provided by Oregon PERS reflecting the Board's earnings crediting decisions for 2018.

## Methods / Policies

*Actuarial Cost Method:* Entry Age Normal, adopted effective December 31, 2012.

*UAL Amortization:* The UAL for OPSRP, and Retiree Health Care as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed 16 year period for OPSRP and a closed 10 year period for Retiree Health Care. For the Tier 1/Tier 2 UAL, the amortization period was reset at 20 years as of December 31, 2013. Senate Bill 1049 was signed into law in June 2019 and requires a one-time re-amortization of Tier 1/Tier 2 UAL over a closed 22 year period at the December 31, 2019 rate-setting valuation which will set actuarially determined contribution rates for the 2021-2023 biennium. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over the amortization period (20 years for Tier 1/Tier 2, 16 years for OPSRP, 10 years for Retiree Health Care) from the odd-year valuation in which they are first recognized.

# Actuarial Basis

## Methods / Policies (cont'd)

*Contribution rate stabilization method:* Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) are confined to a collar based on the prior contribution rate (prior to application of side accounts, pre-SLGRP liabilities, and 6 percent Independent Employer minimum). The new contribution rate will generally not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the prior contribution rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funded percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

*Expenses:* Tier 1/Tier 2 administration expenses are assumed to be equal to \$32.5M, while OPSRP administration expenses are assumed to be equal to \$8.0M. The assumed expenses are added to the respective normal costs.

*Actuarial Value of Assets:* Equal to Market Value of Assets excluding Contingency and Tier 1 Rate Guarantee Reserves. The Tier 1 Rate Guarantee Reserve is not excluded from assets if it is negative (i.e. in deficit status).

## Assumptions

Assumptions for valuation calculations are as described in the 2018 Experience Study for Oregon PERS and presented to the PERS Board in July 2019.

## Provisions

Provisions valued are as detailed in the forthcoming 2018 Valuation Report.