



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

**Monday**  
**March 30, 2020**  
**9:00 A.M.**

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

ITEM	PRESENTER
<b>A. Administration</b>	
1. <a href="#">January 31 Board Meeting Minutes</a>	SHENOY
2. <a href="#">Director's Report</a>	OLINECK
a. <a href="#">Forward-Looking Calendar</a>	
b. <a href="#">OPERF Investment Report</a>	
c. <a href="#">Budget Execution Report</a>	
3. <a href="#">Oregon Investment Council Performance Review</a>	SKJERVEM
<b>B. Administrative Rulemaking</b>	
1. <a href="#">Update on SB 1049 Member Contribution Redirect Rules</a>	VAUGHN
2. <a href="#">Notice of Internal Revenue Code Limitations Rules</a>	
3. <a href="#">Notice of SB 1049 Member Choice Rules</a>	
<b>C. Action and Discussion Items</b>	
1. <a href="#">PERS Health Insurance Plan Reserve Policy</a>	CHAVEZ
2. <a href="#">Final 2019 Earnings Crediting and Reserving</a>	HORSFORD, MARBLE
3. <a href="#">SB 1049 Implementation Update</a>	ELLEDGE-RHODES
4. <a href="#">Review of 2020 Legislative Session</a>	TAYLOR
5. <a href="#">Legislative Concept Proposals – 2021 Session</a>	TAYLOR, VAUGHN
6. <a href="#">2021-2023 Budget Development</a>	GABRIEL, HORSFORD
7. <a href="#">Rate Collaring Approach</a>	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/>

**2020 Meetings:** 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

January 31, 2020

## **Board members present:**

Chair Sadhana Shenoy, Stephen Buckley, Steve Demarest, and Jardon Jaramillo were present. Vice Chair Lawrence Furnstahl attended by phone just prior to item C.2. He arrived and attended in person during the presentation of Item C.3.

## **Staff present:**

Amanda Marble, Anne Marie Vu, Dean Carson, Elizabeth Rossman, Jason Stanley, Jordan Masanga, Katie Brogan, Kevin Olineck, Marjorie Taylor, MaryMichelle Sosne, Matt Graves, Richard Horsford, Sam Paris, Stephanie Vaughn, Susannah Bodman, Yvette Elledge-Rhodes

## **Others present:**

Aruna Masih, Brendan Waikus, Christi Kent-Adair, Claire Havener, David Moore, David Shick, Deborah Tremblay, GayLynn Bath, Jeff Gudman, Josh Eggleston, Jeremy Whittlesey, Kali Leinenbach, Kevin Grainey, Matt Larrabee, Nate Carter, Robert Burket, Scott Preppernau, Scott Winkles, Tahni Fagerberg, Tim Collier

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

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

## **ADMINISTRATION**

### **A.1. MEETING MINUTES OF DECEMBER 6, 2019**

Board member Buckley suggested Item B.5., in regards to the adoption of SB 1049 program rules in the December 6, 2019 meeting minutes, be updated to clarify that all of the Employer Program Rules were adopted.

The minutes will be changed from “Board member Jaramillo motioned to adopt new rules regarding the administration of the Employer Incentive Fund Program and the UAL Resolution Program, as well as modifications to the Employer Side Account Rules, as presented” to the updated “Board member Jaramillo motioned to adopt the Employer Program Rules, as presented.”

Board member Buckley moved to approve the minutes from the December 6, 2019 PERS Board meeting, with the suggested amendment. Board member Jaramillo seconded the approval of the minutes. The motion passed unanimously.

### **A.2. DIRECTOR’S REPORT**

Director Kevin Olineck presented the Director’s Report. The Director’s Report contains information on other activities that the organization is working on that do not appear on the agenda.

Olineck presented the forward looking calendar. The 2020 board meetings will continue to begin at 9:00 a.m.

The Oregon Public Employees Retirement Fund (OPERF) returns, for the period ending December 31, 2019, were 13.56%. At the last Oregon Investment Council (OIC) meeting,

Rukaiyah Adams stepped down as Board Chair and John Russell was appointed as Chair. Kevin shared his appreciation for the work the former chair did on the Oregon Investment Council. Sadhana also thanked her for her services.

The budget execution report shows a positive variance of 6.3% of the operational budget for the closed out 2017-19 biennium. PERS Board reviewed the budget and requested clarifications on several items, including Health Insurance and Security and Continuity expenses.

Jason Stanley, Chief Compliance Audit and Risk Officer, presented the transactions of PERS Director Kevin Olineck for the period of July 1, 2018, through June 30, 2019 (Item A.2.d.). This is an annual report required by the Oregon Accounting Manual. There were no unusual or inappropriate transactions. Board member Buckley moved to approve and delegate the Director's expenses to the PERS Deputy Director or the PERS Chief Compliance Audit and Risk Officer. Board member Jaramillo seconded. The motion passed unanimously.

### **ADMINISTRATIVE RULEMAKING**

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

#### **B.1. ADOPTION OF ALTERNATE DEATH BENEFIT RULE**

Vaughn presented Notice of Rulemaking for Alternate Death Benefit Rule: OAR 459-014-0040, Valid Request for Distribution of Pre-Retirement Death Benefits. Board member Jaramillo moved to adopt modifications to the Alternate Death Benefit rule, as presented. Board member Buckley seconded. The motion passed unanimously.

#### **B.2. ADOPTION OF WORK AFTER RETIREMENT RULES**

Vaughn presented First Reading of Work After Retirement Rules to Implement 2019 Legislation: 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. Board member Demarest moved to adopt modifications to the Work After Retirement rules, as presented. Board member Jaramillo seconded. The motion passed unanimously.

### **ACTION AND DISCUSSION ITEMS**

#### **C.1. LEGISLATIVE SESSION PREVIEW/UPDATE**

Marjorie Taylor, Senior Policy Advisor presented.

Taylor shared that reporting requirements for House Bill 5032 (2019), the PERS agency budget, SB 1049 (2019), SB 1566 (2018), and board action related to Preliminary Earnings Crediting are all in process or have been met.

Legislative concepts for 2021 are in the early stages of development. There are several concepts PERS is considering. Upon PERS Board approval at the March meeting, DAS and the Governor's Office will review agency requests for legislation and determine which will move forward to

Legislative Counsel for drafting. Taylor provided updates on seven possible bills.

No board action was required.

### C.2. IAP TDF UPDATE

Yvette Elledge-Rhodes, Deputy Director presented.

Elledge-Rhodes' update included IAP TDF Implementation background, project end date, budget, project activities, and member communications.

No board action was required.

### C.3. SB 1049 IMPLEMENTATION UPDATE AND HB 5032 BUDGET NOTE REPORT

Yvette Elledge-Rhodes, Deputy Director presented.

Elledge-Rhodes gave an update on the five individual projects that make up the SB 1049 implementation program. Due to the short timeframes, minimum viable products (MVP) are being deployed to meet the legislative mandates, even if this means that, initially, semi-automated solutions will be implemented. Long-term sustainable solutions will be delivered afterwards.

She highlighted program activities that have been completed, or are in process, since December 2019.

PERS staff will continue to update the board as project implementation continues throughout the next year.

Board member Demarest commented that he agrees that PERS has reached its resource capacity limit and that this is having an impact on morale. PERS has been given mandates that stretch the agency beyond its capabilities. He expressed concern for the members' ability to make up the redirect with voluntary contributions. Olineck noted that the compressed timeline is the largest obstacle in implementing this legislation.

No board action was required.

### C.4. EMPLOYER INCENTIVE FUND PARTICIPATION AND SB 1566 REPORTING

MaryMichelle Sosne, Actuarial Business Specialist presented.

Sosne gave an update on the Employer Incentive Fund (EIF) and SB 1566 reporting. By close of business December 2, 2019, all funds were matched to employer commitments. PERS processed applications from 117 employers.

As required by Senate Bill 1566(2018), PERS filed a report with the Legislative Fiscal Office (Attachment A), providing the status of the Employer Incentive Fund, the School Districts Unfunded Liability Fund and the Unfunded Actuarial Liability Resolution Program as of January 2020.

No board action was required.

C.5. PRELIMINARY 2019 EARNINGS CREDITING AND RESERVING

Richard Horsford, Chief Financial Officer, and Amanda Marble, Financial Reporting Manager, presented the preliminary rates for 2019.

Vice Chair Furnstahl moved to adopt the preliminary crediting of earnings as presented for calendar year 2019, subject to final adoption at the March 30, 2020 PERS Board meeting. Board member Jaramillo seconded. The motion passed unanimously.

Staff will prepare and present the required report to the Joint Legislative Committee on Ways and Means. Any comments received from the committee will be presented to the board, prior to the final crediting decision, at its meeting on March 30, 2020.

C.6. UPDATE REFLECTING ON EARNINGS THROUGH DECEMBER 31, 2019

Scott Preppernau and Matt Larrabee of Milliman presented a preliminary estimate of system-wide December 31, 2019 results, updated with year-end 2019 returns published by Oregon State Treasury.

Chair Shenoy adjourned the PERS Board meeting at 10:31 a.m.

Respectfully submitted,



Kevin Olineck, Director

PERS Board Meeting Sign-in

January 31, 2020, 9:00am

*Please print legibly.*

Name <i>PRINT LEGIBLY</i>	Organization
Nate Carter	DOJ
Jeremy Whittey	EWEB
Gay Lynn Bath	Univ. of Oregon
Christi Kent-Adair	SAIF
Tom Collier	TVFR
Deborah Tremblay	OTD
Scott Preppernau	Milliman
Matt Larrabee	Milliman
Brendan Waters	PEPPER SANDLER
Josh Eggleston	City of Salem
Kali Keinenbach	City of Salem
Jeff Gudman	Loh. Oswego
Tahni Fagerberg	City of Gresham
Bob Burket	PORT OF PORTLAND
CLAIRE HAVENER	TVFR
DAVID MOORE	TIGARD-TUALATU SD
David Shick	TVWD
ARENA MASSIT	BLT

PERS Board Meeting Sign-in

January 31, 2020, 9:00am

*Please print legibly.*

<b>Name</b> <i>PRINT LEGIBLY</i>	<b>Organization</b>
Scott Winkels	LDC
Kevin Graney	SAIF

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

KEVIN OLINECK, DIRECTOR

## MARCH 2020

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.

### SENATE BILL 1049 (SB 1049) IMPLEMENTATION UPDATES

Work continues on implementing elements of all five projects associated with SB 1049. More detailed SB 1049 bill implementation reports, on the overall program and projects, will be provided in the board packet.

### AGENCY HIGHLIGHTS AND ACCOMPLISHMENTS

*I want to continue to highlight where PERS staff members 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 mentioned, with staff publicly acknowledged for their efforts.*

#### OPERF RELATIVE RANKING

Pensions & Investments magazine's annual ranking shows Oregon PERS as the 21st overall largest pension plan and 17th largest public sector pension plan in the United States, based on Assets Under Management (total assets as of September 30, 2019, which include the DB, IAP and OSGP assets). Our ranking remains the same as the prior year.

#### CHIEF FINANCIAL OFFICE'S ACCOUNTS RECEIVABLE HONOR ROLL CERTIFICATE

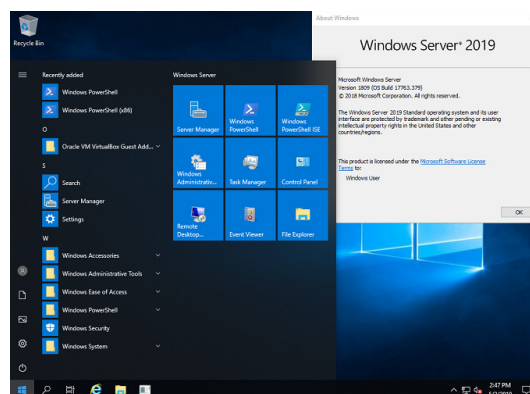
PERS Financial Services Division staff, who are responsible for our Accounts Receivable earned, for the first time, earned the Department of Administrative Services Chief Financial Office's Accounts Receivable Honor Roll Certificate for fiscal year 2019. The Certificate is awarded to state agencies that submit timely and accurate account receivable reports. Achievement of this recognition is due primarily to staff's efforts to diligently track and report account receivable activities.

### ENTERPRISE ARCHITECTURE PLATFORM

The Information Services Division (ISD) recently completed a significant change to our enterprise architecture platform, with the implementation of JBOSS EAP 7.1. This move to a Service Oriented Architecture (SOA) helps address limitations within our old architecture, and addresses both short and long-term concerns as noted below:

- Enables PERS to build new services and rebuild old failing services, separate from the legacy application code, thereby evolving the jClarety application as needed without a costly lift, as compared to a full pension solution replacement.
- Allows for a lightweight, flexible architecture that is easier to manage and enhanced to meet modern application environments.
- JBOSS EAP 7 is built for performance and flexibility in modern application environments.
- Provides OPERS the ability to reshape the overly complex legacy jClarety application to a sustainable SOA similar to other jClarety users, such as Texas Teachers Retirement System.
- Provides staff the ability to create an automated environment build and configuration scripts to create stable, maintainable, repeatable automated jClarety environments. It will now take 2 hours to build a test environment, versus weeks.
- New DevOps automated processes will greatly enhance future mobility of the jClarety application to offsite data centers, disaster recovery, and cloud containers.

Additionally, ISD staff upgraded our Application and Web Server platforms from Windows Server 2008 to the Windows Server 2019 version, and also upgraded many other critical system elements as part of this release, including a Java upgrade.



Windows Server 2019, sourced from Microsoft.



**PLAN SPONSOR MAGAZINE FINALIST**

Following along with my remarks in the December 2019 Director’s Report, PERS is a finalist for the 2020 Plan Sponsor of the Year award. We were one of three finalists in the “Public DC category.” Our submission was focused on PERS Expo 2019 and about the work that PERS and OSGP do to get people to enroll in OSGP. We are invited to the award celebration/dinner, when actual winners are announced, in New York City on Monday, June 29. Roger Smith, Manager of OSGP, will represent us there. Roger will also attend the PLANSPONSOR national conference in Orlando, Florida, to participate in a moderated panel discussion.



Sourced from PLANSPONSOR.com.

**PANDEMIC TABLE TOP EXERCISE**

As part of regular updates to our continuity management practices, PERS recently completed a Pandemic/Epidemic tabletop exercise. The exercise was developed to test the viability of the Pandemic Plan. Attendees were invited to represent the agency from hands-on key staff to staff that would be impacted during a pandemic event. Using the Pandemic Plan and their current knowledge, attendees assessed how to accomplish the following objectives, developed for this exercise:

- Objective 1: Determine how to sustain essential functions
- Objective 2: Assess your unit and available staff
- Objective 3: Review how staff will receive communications
- Objective 4: Identify preventative measures to lower spread of illness

As with all continuity management exercises, staff were able to identify both processes that worked well, and areas that needed further refinement. Given the Coronavirus outbreak, conducting an exercise that takes into account situations like those encountered with the outbreak, has allowed the Agency to be much better prepared during this time, in our operating area.

The next quarterly exercise will be focused on our Crisis Communications Plan and processes. The Crisis Communications Plan is an essential element of continuity management, given that a triggering of our continuity plan, for any reason, has a high dependency on ensuring we are communicating timely, and appropriately, with our staff and all affected stakeholders.

**SECRETARY OF STATE (SOS) IT AUDIT FOLLOW-UP**

In October 2018, The Secretary of State Audits Division released report 2018-32 titled, “Severe Deficiencies in Disaster Recovery Program and Insufficient Information Technology Planning Pose Substantial Risks to Beneficiaries and the State,” which included 16 recommendations.

The Audits Division just recently completed their follow-up on the 16 recommendations, with their report forming a part of the Audit Committee Agenda. Their review showed that they believe eight of the recommendations are fully implemented, five are partially implemented and three are not implemented. Of the three recommendations not yet implemented, two of these relate to PERS putting in place a project portfolio management tool. This initiative was suspended due to SB 1049, and the associated DAS directive PERS received to not implement any non-essential projects. The third recommendation not implemented is dependent on the agency putting in place our backup data center technology (scheduled to be complete by end of June) and then running a full disaster recovery exercise.

Agency staff have made great strides in maturing our processes and addressing the identified items.

**SUPPORTING OUR COMMUNITY**

Over the past few months, there was one significant agency-wide initiative to support less fortunate members of the community.

In February, PERS kicked off staff participation in the month long Governor’s Food Drive. PERS’ food drive coordinator, Al Smith, and his team focused on fundraisers that wouldn’t tax staff resources, in light of the agency’s focus on Senate Bill 1049. Total funds raised, via payroll deduction, as well as fundraisers, totaled \$15,225 which exceeded our goal and was our best result to date. Each building also had food collection boxes set up and staff donated 555 pounds of food.

## PERS Board Meeting Forward-Looking Calendar

### **Friday, April 24, 2020 1:00pm**

Special Meeting to deal with SB 1049 Rulemaking

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

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

### **Tuesday, June 23, 2020**

Special Meeting to deal with SB 1049 Rulemaking

### **Friday, July 31, 2020\***

Propose 2021 Board Meeting Dates  
Approve 2021-2023 Agency Request Budget  
CEM Benchmarking Cost Effectiveness Presentation  
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 JAN-2020

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%	\$ 26,428,157	33.7%	(1.71)	13.72	2.40	10.13	12.71	8.49	9.13	9.66
Private Equity	13.5-21.5%	17.5%	\$ 17,429,039	22.2%	0.39	11.90	14.64	15.68	13.22	12.00	13.14	13.39
<b>Total Equity</b>	<b>45.0-55.0%</b>	<b>50.0%</b>	<b>\$ 43,857,196</b>	<b>55.9%</b>								
Opportunity Portfolio	0-3%	0%	\$ 1,673,326	2.1%	1.07	8.53	7.32	7.19	7.40	6.58	7.64	8.63
<b>Total Fixed</b>	<b>15-25%</b>	<b>20.0%</b>	<b>\$ 16,397,504</b>	<b>20.9%</b>	<b>1.90</b>	<b>9.53</b>	<b>5.88</b>	<b>4.73</b>	<b>4.37</b>	<b>3.42</b>	<b>3.23</b>	<b>4.76</b>
Risk Parity	0.0-2.5%	2.5%	\$ -	0.0%								
Real Estate	9.5-15.5%	12.5%	\$ 8,749,219	11.2%	(0.09)	6.54	7.67	8.34	8.58	8.32	9.90	9.66
Alternative Investments	7.5-17.5%	15.0%	\$ 7,749,138	9.9%	(1.01)	(2.40)	(2.44)	1.02	2.43	0.87	2.21	
Cash w/Overlay	0-3%	0%	\$ 36,416	0.0%	0.29	3.16	2.77	2.28	2.00	1.70	1.39	1.22
<b>TOTAL OPERF Regular Account</b>		<b>100.0%</b>	<b>\$ 78,462,799</b>	<b>100.0%</b>	<b>(0.19)</b>	<b>10.00</b>	<b>5.79</b>	<b>9.11</b>	<b>9.67</b>	<b>7.56</b>	<b>8.29</b>	<b>9.03</b>
OPERF Policy Benchmark					0.63	11.90	6.41	9.88	10.63	8.32	8.94	9.47
Value Added					(0.81)	(1.90)	(0.62)	(0.77)	(0.96)	(0.76)	(0.65)	(0.44)

Target Date Funds

2,707,820

TOTAL OPERF Variable Account

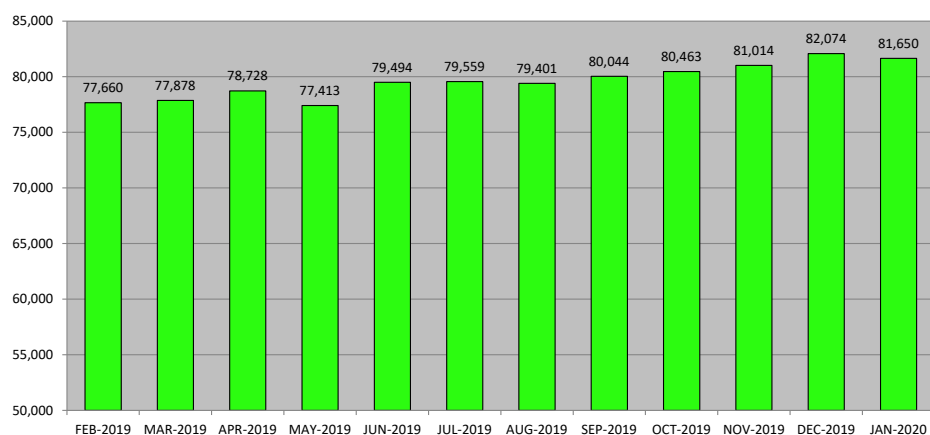
\$ 479,352

	(1.32)	15.66	3.52	10.99	12.95	8.78	9.16	9.60
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Asset Class Benchmarks:

Russell 3000	(0.11)	20.53	8.54	13.82	15.75	11.85	13.49	13.82
OREGON MSCI ACWI EX US IMI NET	(2.74)	9.94	(2.22)	7.56	9.65	5.16	4.63	5.40
MSCI ACWI IMI NET	(1.32)	15.30	3.14	10.60	12.58	8.39	8.80	9.22
RUSSELL 3000+300 BPS QTR LAG	3.19	14.86	13.77	17.41	17.65	14.45	16.88	16.80
OREGON CUSTOM FI BENCHMARK	1.86	9.00	5.65	4.45	3.89	3.02	2.81	3.86
OREGON CUSTOM REAL ESTATE BENCHMARK	0.42	4.56	6.06	6.49	7.08	8.33	9.12	9.65
CPI +4%	0.72	6.58	6.09	6.11	6.23	6.07	5.70	5.79
91 Day Treasury Bill	0.13	2.22	2.08	1.70	1.36	1.10	0.80	0.59

**Total OPERF NAV**  
(includes Variable Fund assets)  
One year ending JAN-2020  
(\$ 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.

Returns for periods ending FEB-2020

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%	\$ 24,400,590	31.9%	(10.09)	1.35	(0.07)	6.04	10.29	5.40	7.74	8.57
Private Equity	13.5-21.5%	17.5%	\$ 17,345,755	22.7%	1.38	14.29	14.39	16.07	13.49	12.22	13.30	13.50
<b>Total Equity</b>	<b>45.0-55.0%</b>	<b>50.0%</b>	<b>\$ 41,746,345</b>	<b>54.6%</b>								
Opportunity Portfolio	0-5%	0%	\$ 1,679,344	2.2%	2.06	7.69	7.59	7.34	8.24	6.65	7.79	8.68
<b>Total Fixed</b>	<b>15-25%</b>	<b>20.0%</b>	<b>\$ 16,254,776</b>	<b>21.3%</b>	<b>3.37</b>	<b>10.87</b>	<b>7.03</b>	<b>4.99</b>	<b>4.71</b>	<b>3.68</b>	<b>3.38</b>	<b>4.86</b>
Risk Parity	0.0-2.5%	2.5%	\$ -	0.0%								
Real Estate	9.5-15.5%	12.5%	\$ 8,819,837	11.5%	1.59	7.57	7.96	8.69	9.02	8.75	10.16	9.73
Alternative Investments	7.5-17.5%	15.0%	\$ 7,882,501	10.3%	(1.91)	(2.81)	(3.74)	0.65	1.99	0.57	2.11	
Cash w/Overlay	0-3%	0%	\$ 19,387	0.0%	0.56	3.17	2.88	2.32	2.06	1.75	1.42	1.24
<b>TOTAL OPERF Regular Account</b>		<b>100.0%</b>	<b>\$ 76,402,189</b>	<b>100.0%</b>	<b>(2.45)</b>	<b>6.64</b>	<b>5.22</b>	<b>7.85</b>	<b>9.07</b>	<b>6.57</b>	<b>7.91</b>	<b>8.71</b>
<b>OPERF Policy Benchmark</b>					<b>(1.41)</b>	<b>9.30</b>	<b>5.99</b>	<b>8.68</b>	<b>10.13</b>	<b>7.39</b>	<b>8.61</b>	<b>9.17</b>
Value Added					<b>(1.05)</b>	<b>(2.67)</b>	<b>(0.77)</b>	<b>(0.83)</b>	<b>(1.06)</b>	<b>(0.82)</b>	<b>(0.69)</b>	<b>(0.46)</b>

Target Date Funds

2,676,002

TOTAL OPERF Variable Account

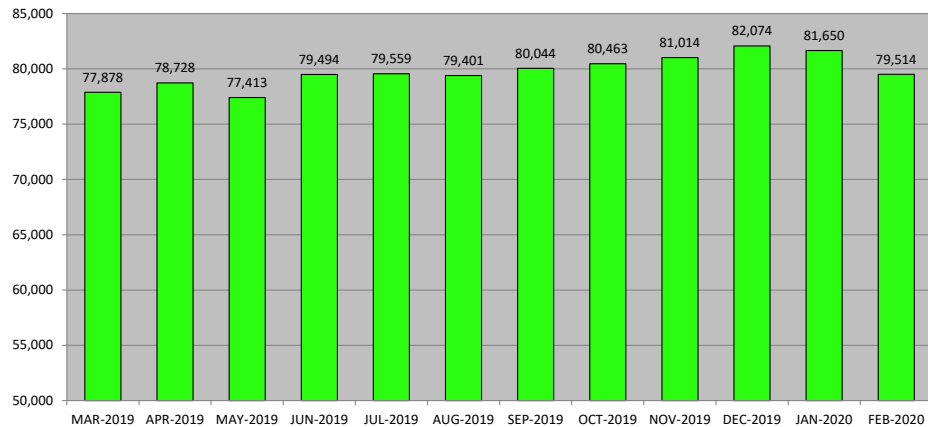
\$ 435,423

(9.22)	3.48	1.39	6.97	10.75	5.83	7.84	8.53
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Asset Class Benchmarks:

Russell 3000	(8.29)	6.90	5.97	9.28	13.31	8.72	11.90	12.48
OREGON MSCI ACWI EX US IMI NET	(10.60)	(0.89)	(4.02)	3.98	7.62	2.33	3.51	4.52
MSCI ACWI IMI NET	(9.40)	3.00	0.96	6.53	10.35	5.40	7.46	8.14
RUSSELL 3000+300 BPS QTR LAG	6.48	24.46	14.25	18.64	18.58	15.17	17.41	17.17
OREGON CUSTOM FI BENCHMARK	3.47	10.55	6.86	4.78	4.23	3.37	2.99	3.98
OREGON CUSTOM REAL ESTATE BENCHMARK	0.85	4.47	5.96	6.64	7.20	8.42	9.19	9.70
CPI +4%	1.32	6.42	6.00	6.10	6.28	6.03	5.61	5.82
91 Day Treasury Bill	0.28	2.18	2.11	1.73	1.40	1.13	0.82	0.61

**Total OPERF NAV**  
(includes Variable Fund assets)  
**One year ending FEB-2020**  
(\$ 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)

March 30, 2020

TO: Members of the PERS Board  
FROM: Greg Gabriel, Budget Officer  
SUBJECT: March 2020 Board Report

### 2019-21 OPERATING BUDGET

Operating expenditures for January 2020, preliminary expenditures for February 2020, and preliminary expenditures for March 2020 are \$4,285,209, \$3,539,614, and \$4,127,281 respectively. Final expenditures for March will close in the Statewide Financial Management System (SFMS) on April 17 and will be included in the May 2020 report to the Board.

- Through March 13, 2020, the agency has expended a total of \$35,275,145 or 31.3% of PERS' legislatively adopted operations budget of \$112,657,461.
- The agency has \$525,791 in unscheduled expenditure limitation related to Package 106.
- At this time, the agency's projected variance is \$484,519.
- SB 1049 expenditures for January, preliminary February, and preliminary March were \$1,138,998, \$359,492, and \$1,658,987 respectively. As of March 13, the agency has expended \$2,704,057 of the legislatively adopted budget of \$39,059,714.

### 2019-21 NON-LIMITED BUDGET

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

- Preliminary Non-Limited expenditures through March 13, 2020 are \$3,858,781,276.

### FEBRUARY 2020 LEGISLATIVE SESSION

PERS requested an upward reclassification of an existing permanent full-time Operations and Policy Analyst 3 position to a permanent full-time Principal Executive Manager F position. This reclassification would have moved an Actuarial Services Coordinator position to an Associate Actuary position, which would serve as the manager over the Actuarial Services Section.

PERS requested a technical adjustment to move \$11.5 million Other Funds expenditure limitation, for the School District Unfunded Liability Fund that is budgeted under the Financial and Administrative Services Division, to a recently established Employer Resolution Program structure.

These requests were approved by Ways and Means in House Bill 5204; however the bill was not approved before adjournment so the provisions are not in effect.

A.2.c. Attachment – 2019-21, SB1049 Agency-wide Budget Execution Summary Analysis

# PERS Monthly Budget Report

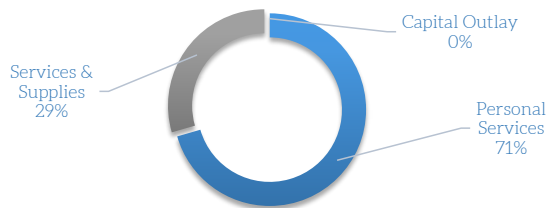
2019-21 Agency-wide Budget Execution  
Preliminary Summary For the Month of March 2020

## Limited - Operating Budget

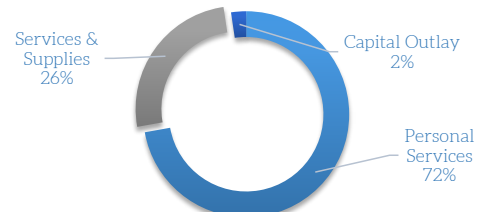
### 2019-21 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2019-21 LAB	Variance
Personal Services	24,876,085	55,517,101	80,393,186	77,726,803	(2,666,383)
Services & Supplies	10,399,060	19,568,553	29,967,613	32,231,536	2,263,923
Capital Outlay	0	1,812,143	1,812,143	2,173,331	361,188
Unscheduled				525,791	525,791
<b>Total</b>	<b>35,275,145</b>	<b>76,897,797</b>	<b>112,172,942</b>	<b>112,657,461</b>	<b>484,519</b>

### Actual Expenditures



### Projected Expenditures



### Monthly Summary

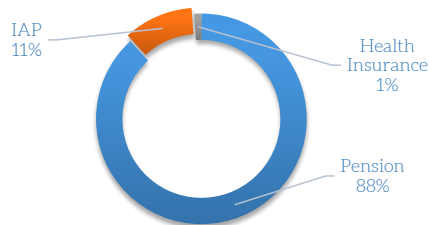
Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	3,091,038	3,366,273	275,236	3,553,726	3,265,712
Services & Supplies	448,575	1,358,322	909,747	1,485,580	1,151,091
Capital Outlay	0	0	0	0	106,597
<b>Total</b>	<b>3,539,613</b>	<b>4,724,596</b>	<b>1,184,983</b>	<b>5,039,306</b>	<b>4,523,400</b>

## Non-Limited Budget

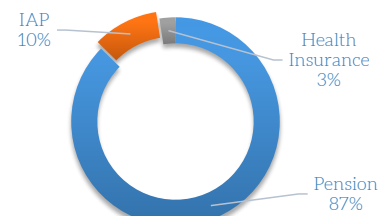
### 2019-21 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	3,403,390,104	6,975,807,632	10,379,197,736	10,347,780,673	(31,417,063)
IAP	412,598,803	813,603,617	1,226,202,420	1,423,365,167	197,162,747
Health Insurance	42,792,369	197,577,479	240,369,848	733,481,352	493,111,504
<b>Total</b>	<b>3,858,781,276</b>	<b>7,986,988,728</b>	<b>11,845,770,004</b>	<b>12,504,627,192</b>	<b>658,857,188</b>

### Actual Expenditures



### Projected Expenditures



# SB 1049 Budget Report

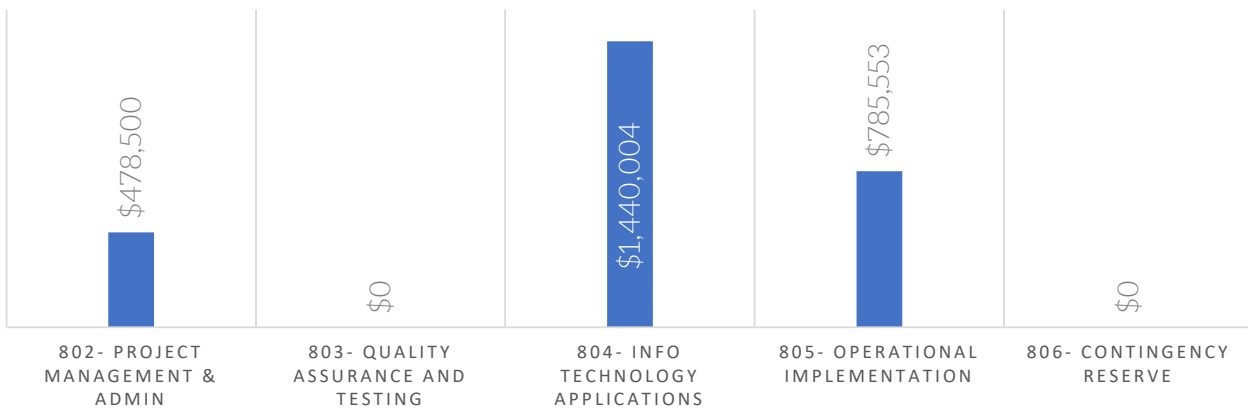
## Preliminary Summary Budget Analysis

For The Month of March 2020

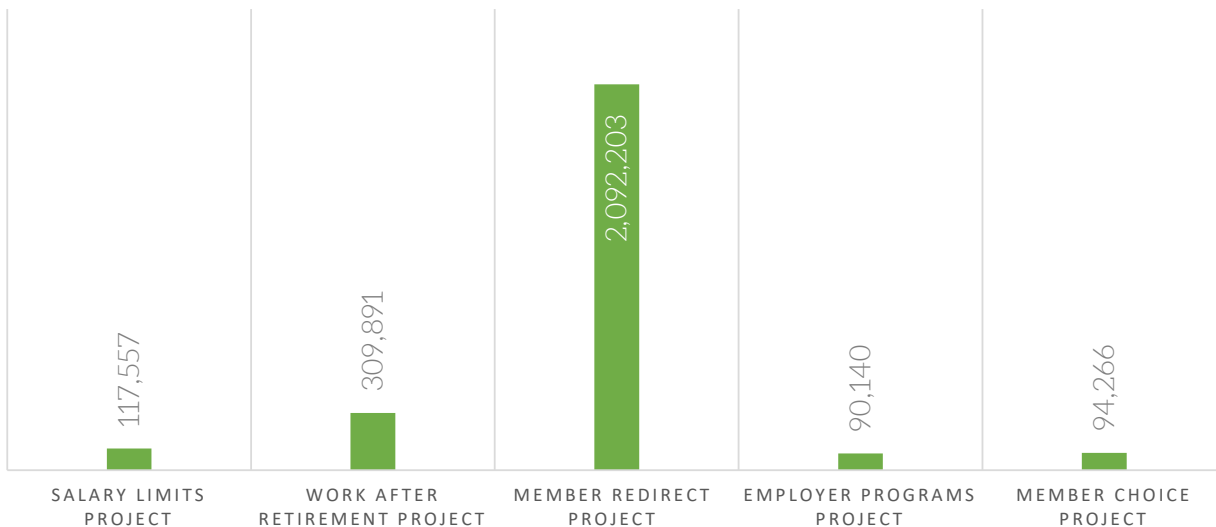
### Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2019-21 LAB	Variance
Personal Services	352,413	4,575,030	4,927,443	5,646,497	719,054
Services & Supplies	2,181,847	12,733,416	14,798,907	33,413,217	18,614,310
Capital Outlay	169,797		169,797		(169,797)
<b>Total</b>	<b>2,704,057</b>	<b>17,308,446</b>	<b>19,896,147</b>	<b>39,059,714</b>	<b>19,163,567</b>

### EXPENDITURES BY PACKAGE



### EXPENDITURES BY PROJECT



# 2019 and Cumulative Investment Performance

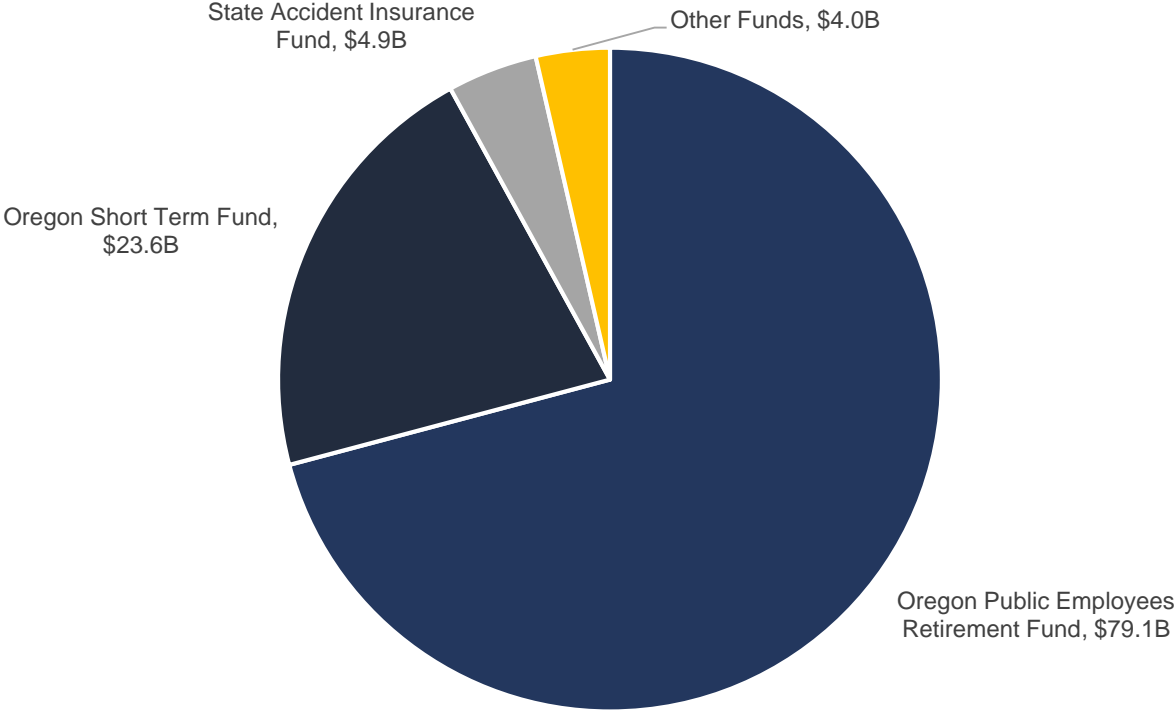
**John D. Skjervem**  
Chief Investment Officer



OREGON  
STATE  
TREASURY



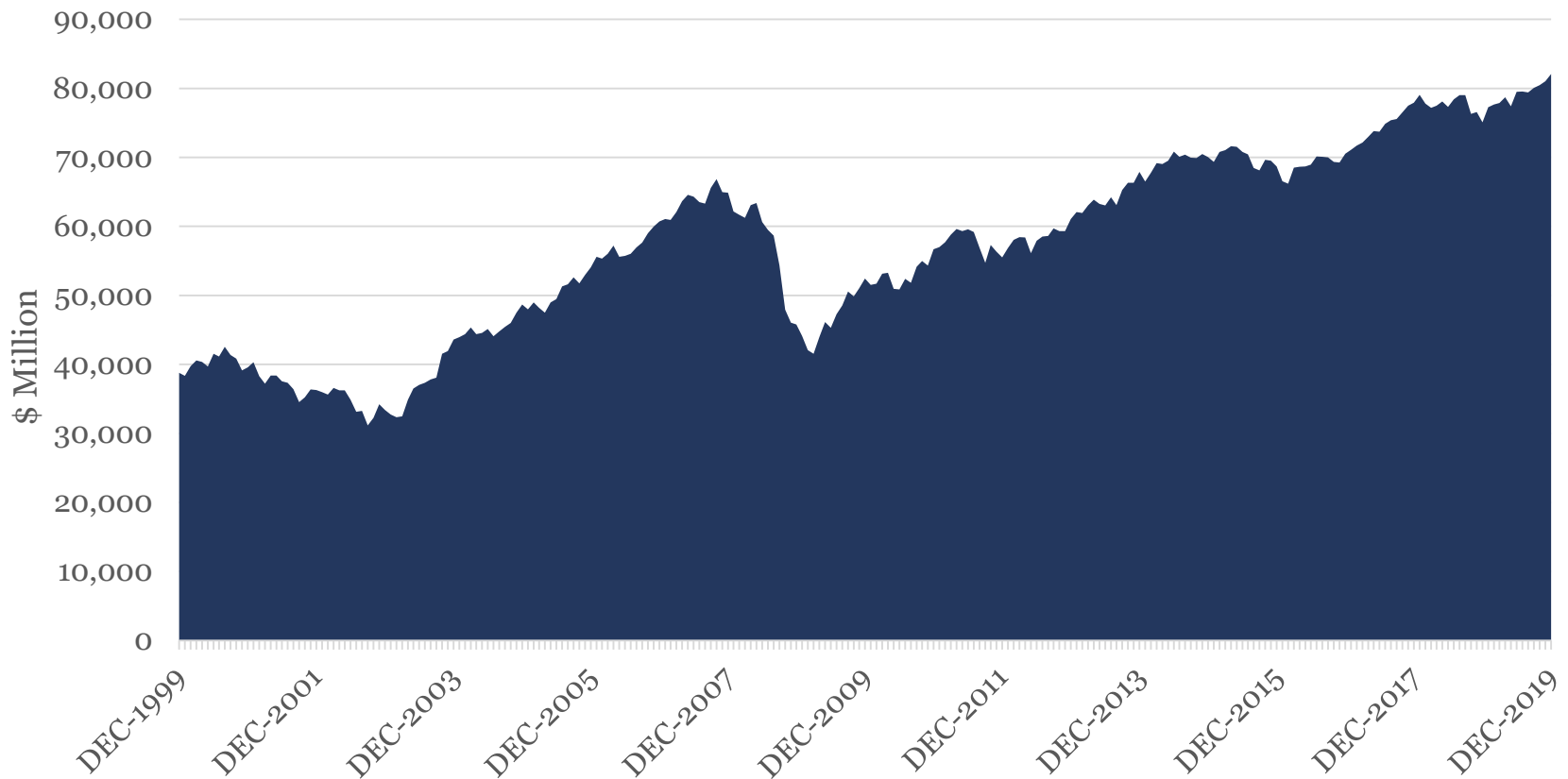
# Oregon State Treasury Assets Under Management (as of December 31, 2019)



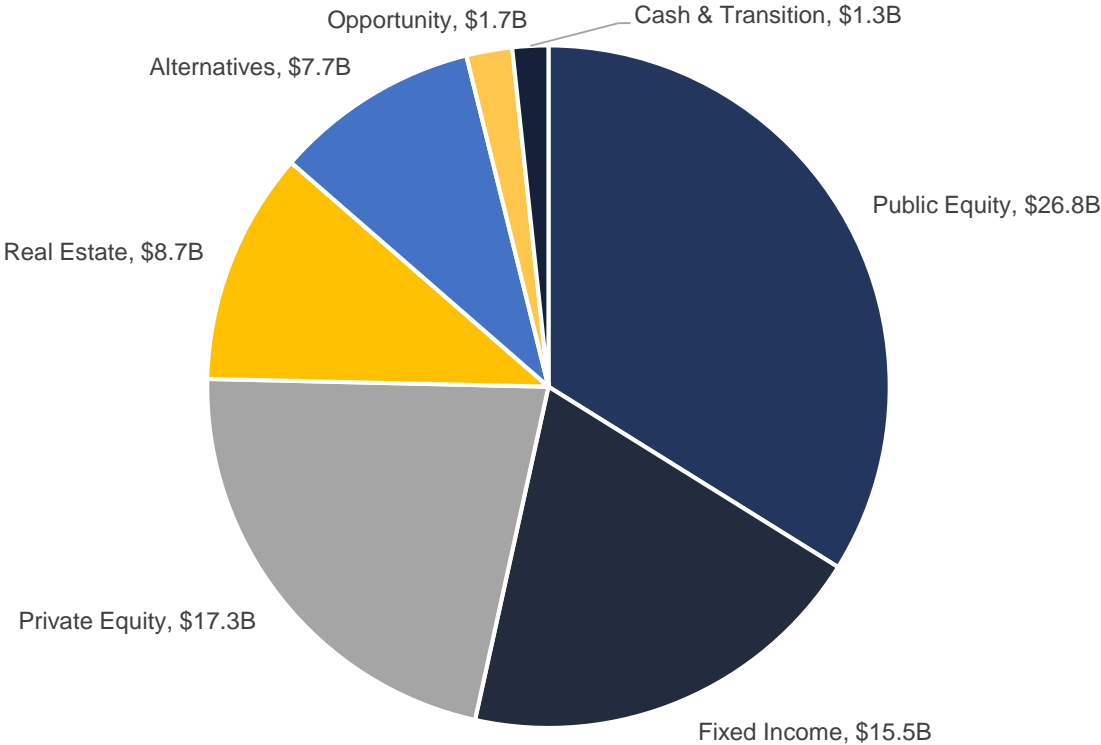
Total Assets: \$111.6 billion



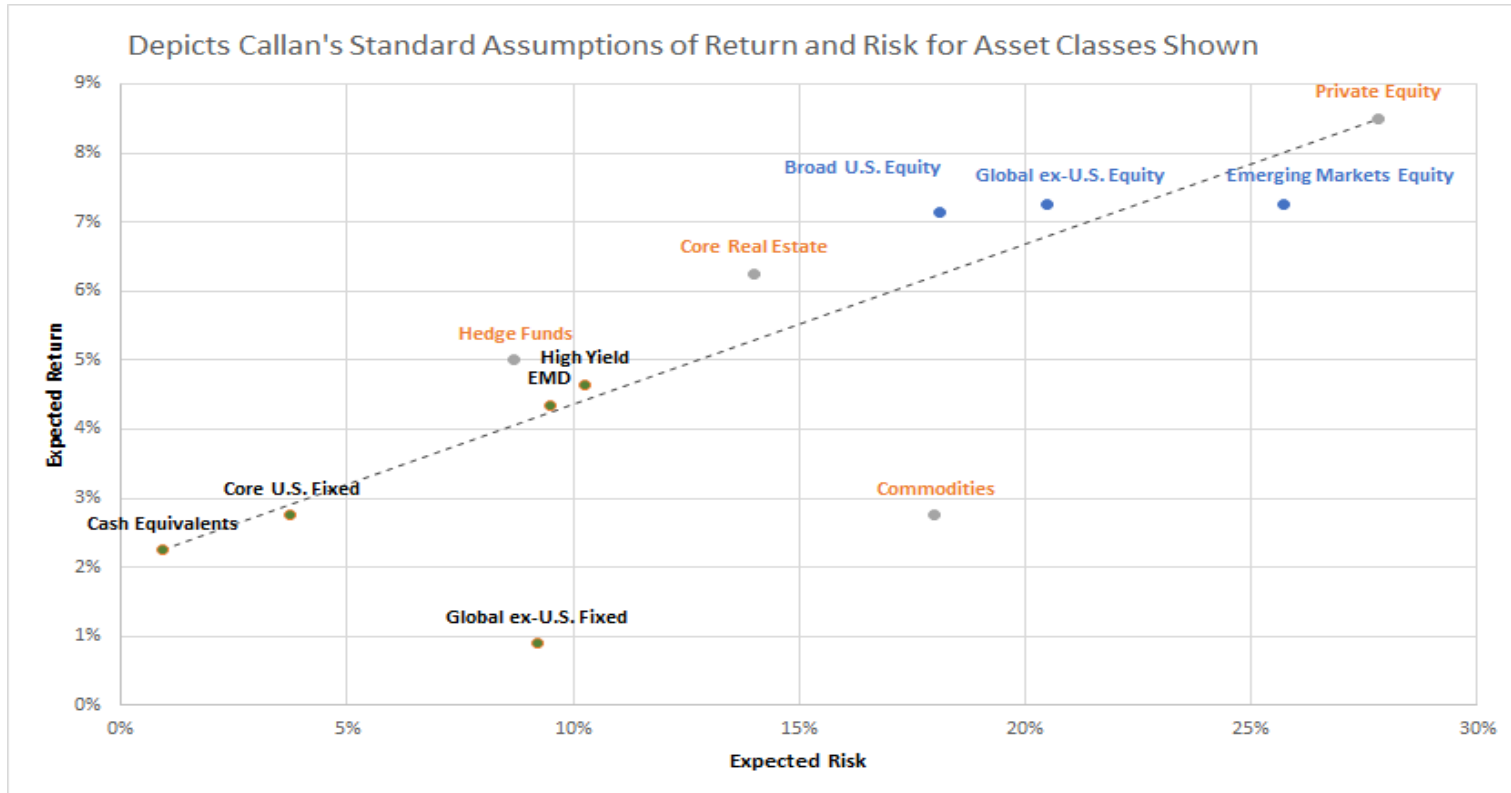
# OPERF 20-Year Net Asset Value History



# Oregon Public Employees Retirement Fund Asset Allocation (Asset values as of December 31, 2019)



# Relationship Between Risk and Return



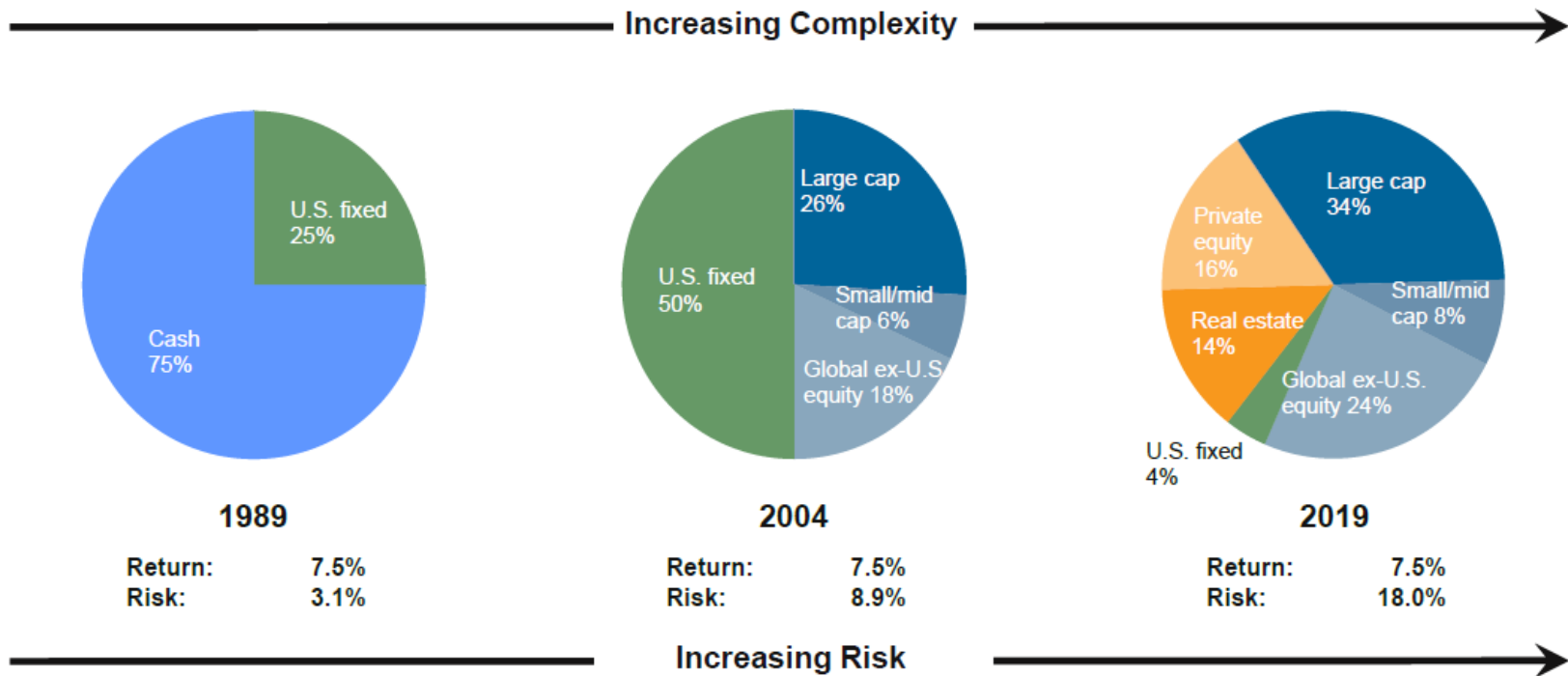
Modern portfolio theory assumes investors are risk averse.

- Given a choice between two assets with the same level of return, an investor will select the asset with a lower level of risk.
- The risk premium demanded by investors provides evidence of risk aversion.

*For example, investors demand a greater return from private equity over public equity for the increased risk they believe they are assuming.*

Source: Callan LLC; January 2020 OIC Meeting Materials.

# Expected Portfolio Returns Over Past 30 Years



- In 1989, Callan’s expectations for cash and broad U.S. fixed income were 6.80% and 9.35%, respectively.
- 15 years later, an institutional investor would have needed half of its portfolio invested in public equities to achieve a 7.5% expected return, nearly tripling the corresponding expected volatility relative to 1989 levels.
- By 2019, an institutional investor is required to allocate 96% of its capital to growth assets in order to earn a 7.5% expected return while assuming almost **6x** the expected volatility relative to 1989 levels.
- Bottom line: total portfolio risk required to achieve a 7.5% return nearly sextupled, from 3.1% in 1989 to 18% in 2019.

Source: Callan LLC; January 2020 OIC Meeting Materials.

# OPERF Investment Performance

## (as of December 31, 2019)

Annualized Return	1-Year	3-Year	5-Year	7-Year	10-Year	20-Year
Russell 3000	31.02%	14.57%	11.24%	14.38%	13.42%	6.39%
S&P 500	31.49%	15.27%	11.70%	14.73%	13.56%	6.06%
Russell 2000	25.52%	8.59%	8.23%	11.65%	11.83%	7.59%
MSCI ACWI ex-US IMI	21.63%	9.84%	5.71%	5.65%	5.21%	3.96%
MSCI Emerging Markets	18.42%	11.57%	5.61%	3.26%	3.68%	6.82%
Bloomberg Barclays U.S. Aggregate	8.72%	4.03%	3.05%	2.72%	3.75%	5.03%
Fund Performance (Net of Fees)	1-Year	3-Year	5-Year	7-Year	10-Year	20-Year
<b>OPERF (Ranking<sup>1</sup>)</b>	<b>13.56% (99)</b>	<b>9.60% (34)</b>	<b>7.54% (12)</b>	<b>8.62% (21)</b>	<b>8.91% (9)</b>	<b>6.70% (1)</b>
Domestic Equity	28.99%	12.67%	10.23%	13.46%	12.77%	6.42%
International Equity	22.61%	10.81%	6.75%	6.92%	6.49%	5.03%
Fixed Income	8.84%	4.21%	3.24%	2.96%	4.75%	5.86%
Private Equity	11.10%	15.48%	11.92%	13.08%	13.34%	11.45%
Real Estate	7.25%	8.44%	8.61%	9.99%	9.53%	10.22%

<sup>1</sup> Relative to Wilshire Trust Universe Comparison Service (TUUS) Public Funds > \$10 Billion peer group. Percentile rankings based on estimated gross returns for Fund and peer group.

# 2018/19 OPERF Investment Performance Comparison

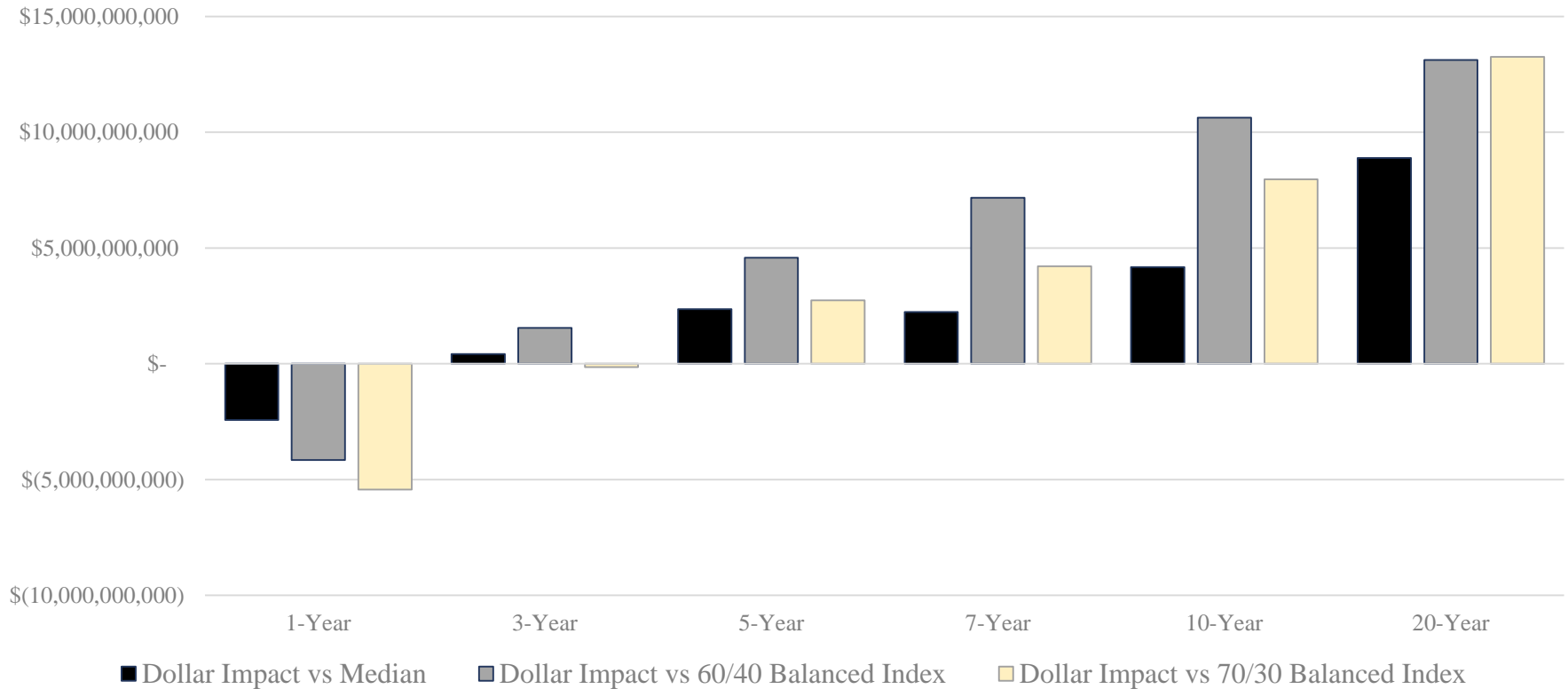
As of December 31, 2018						
Annualized Return	1-Year	3-Year	5-Year	7-Year	10-Year	20-Year
S&P 500	-4.38%	9.26%	8.49%	12.70%	13.12%	-4.38%
MSCI ACWI ex-US IMI	-14.76%	4.39%	0.84%	5.07%	6.97%	-14.76%
Bloomberg Barclays U.S. Aggregate	0.01%	2.06%	2.52%	2.10%	3.48%	0.01%
Fund Performance	1-Year	3-Year	5-Year	7-Year	10-Year	20-Year
<b>OPERF (Ranking<sup>1</sup>)</b>	<b>0.48% (9)</b>	<b>7.49% (9)</b>	<b>6.33% (5)</b>	<b>8.72% (1)</b>	<b>9.46% (1)</b>	<b>0.48% (9)</b>

As of December 31, 2019						
Annualized Return	1-Year	3-Year	5-Year	7-Year	10-Year	20-Year
S&P 500	31.49%	15.27%	11.70%	14.73%	13.56%	6.06%
MSCI ACWI ex-US IMI	21.63%	9.84%	5.71%	5.65%	5.21%	3.96%
Bloomberg Barclays U.S. Aggregate	8.72%	4.03%	3.05%	2.72%	3.75%	5.03%
Fund Performance	1-Year	3-Year	5-Year	7-Year	10-Year	20-Year
<b>OPERF (Ranking<sup>1</sup>)</b>	<b>13.56% (99)</b>	<b>9.60% (34)</b>	<b>7.54% (12)</b>	<b>8.62% (21)</b>	<b>8.91% (9)</b>	<b>6.70% (1)</b>

<sup>1</sup> Relative to Wilshire Trust Universe Comparison Service (TUUS) Public Funds > \$10 Billion peer group. Percentile rankings based on estimated gross returns for Fund and peer group.

# OPERF Performance Impact in \$\$\$ (as of December 31, 2019)

Estimated Contribution to Total Return



**Notes:**

OPERF vs Median reflects gross performance compared to TUCS Universe Median > \$10 Billion. OPERF vs Balanced Portfolios reflects net performance. The 60/40 Balanced Portfolio consists of 60% MSCI IMA, 40% Bloomberg Barclays Aggregate. The 70/30 Balanced Portfolio consists of 70% MSCI IMA, 30% Bloomberg Barclays Aggregate.





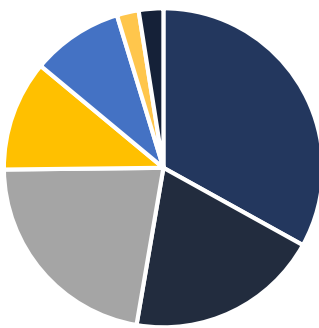
# OPERF Investment Fee Comparison (2018)

OPERF is a large and complex institutional investment fund. Compared to its U.S. public pension peers, OPERF has a much higher allocation to “Alternative” investments (e.g., Private Equity, Private Real Estate, Infrastructure, Ag, Timber, etc.), and a lower allocation to traditional investments in listed equities (i.e., stocks) and fixed income securities (i.e., bonds).

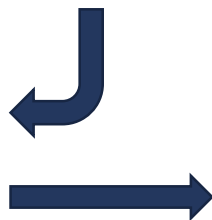
CEM Benchmarking, a global investment cost and benchmark consultant for institutional asset owners, applied the *median fee* of its Global Leaders composite to OPERF’s asset allocation in order to estimate a *Cost Benchmark* that adjusts for OPERF’s more complex asset allocation model. This adjustment enables a true, apples-to-apples cost comparison.

When this adjustment is applied, **CEM concludes that OPERF’s costs are below median relative to its Global Leaders peer group.**

OPERF Asset Allocation



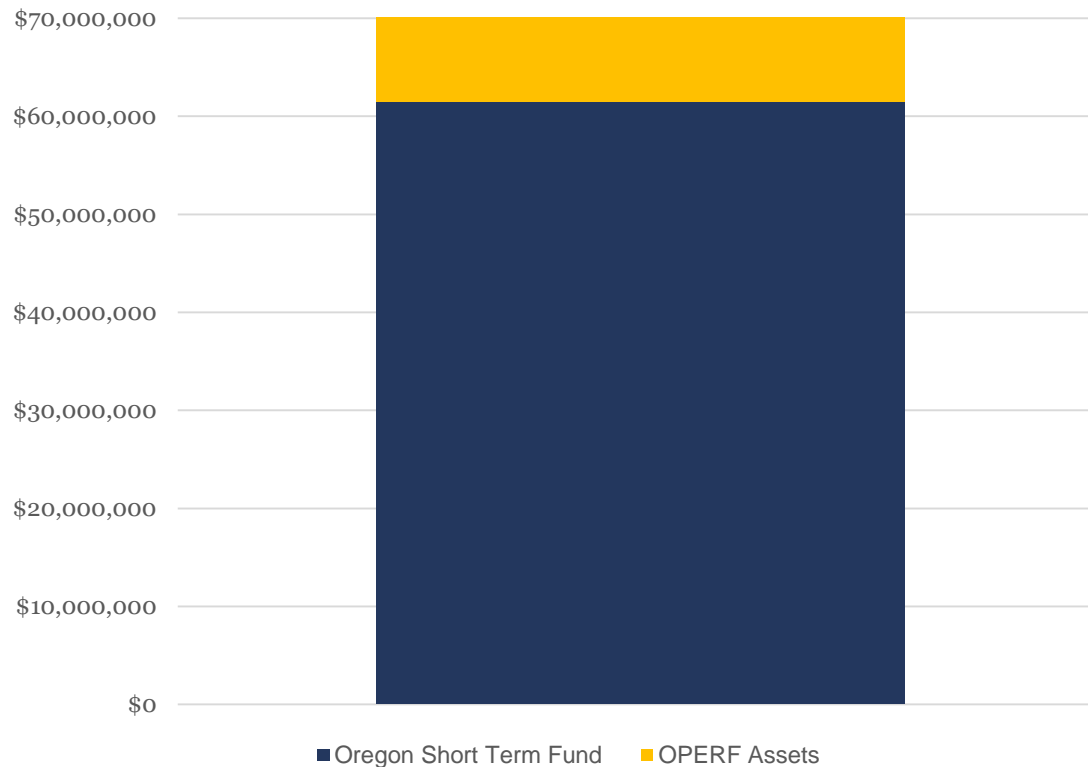
CEM Benchmarking Median Fees



	Millions	bps
Cost Benchmark	\$586	77.5
OPERF’s Total Investment Costs	\$577	76.4
<b>OPERF’s Cost Savings</b>	<b>+\$9</b>	<b>+1.2</b>

# Cost Savings

Estimated Fee Savings from Internal Management Activities January 1, 2016 to December 31, 2019

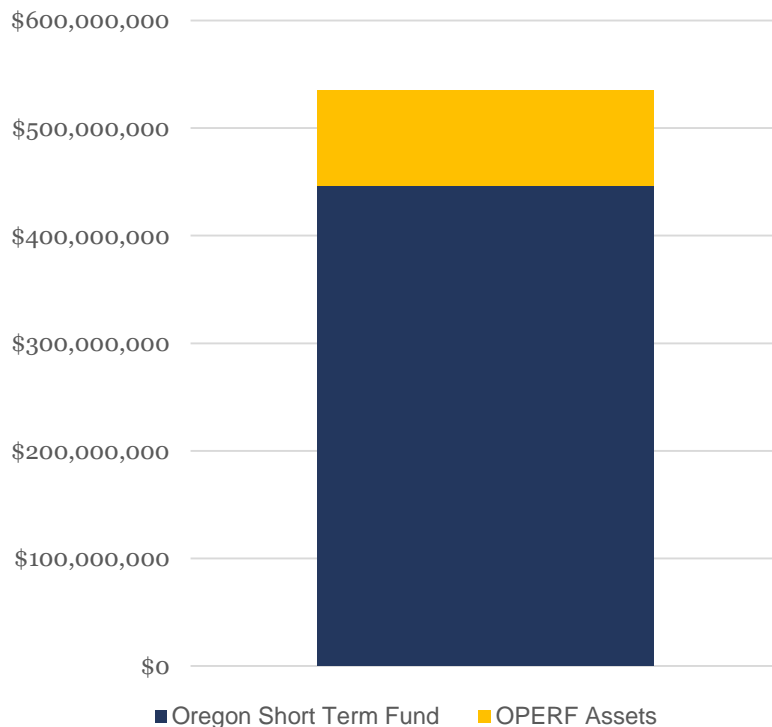


Savings achieved as a result of insourcing initiatives have roughly doubled from 2015 to today, and now exceed \$2 million per month. **These net, fee-related savings from internal management activities totaled roughly \$75 million since January 2016.**



# Investment Performance Value Add (\$\$\$s)

Estimated Dollar Contribution Versus Benchmark January 1, 2016 to December 31, 2019

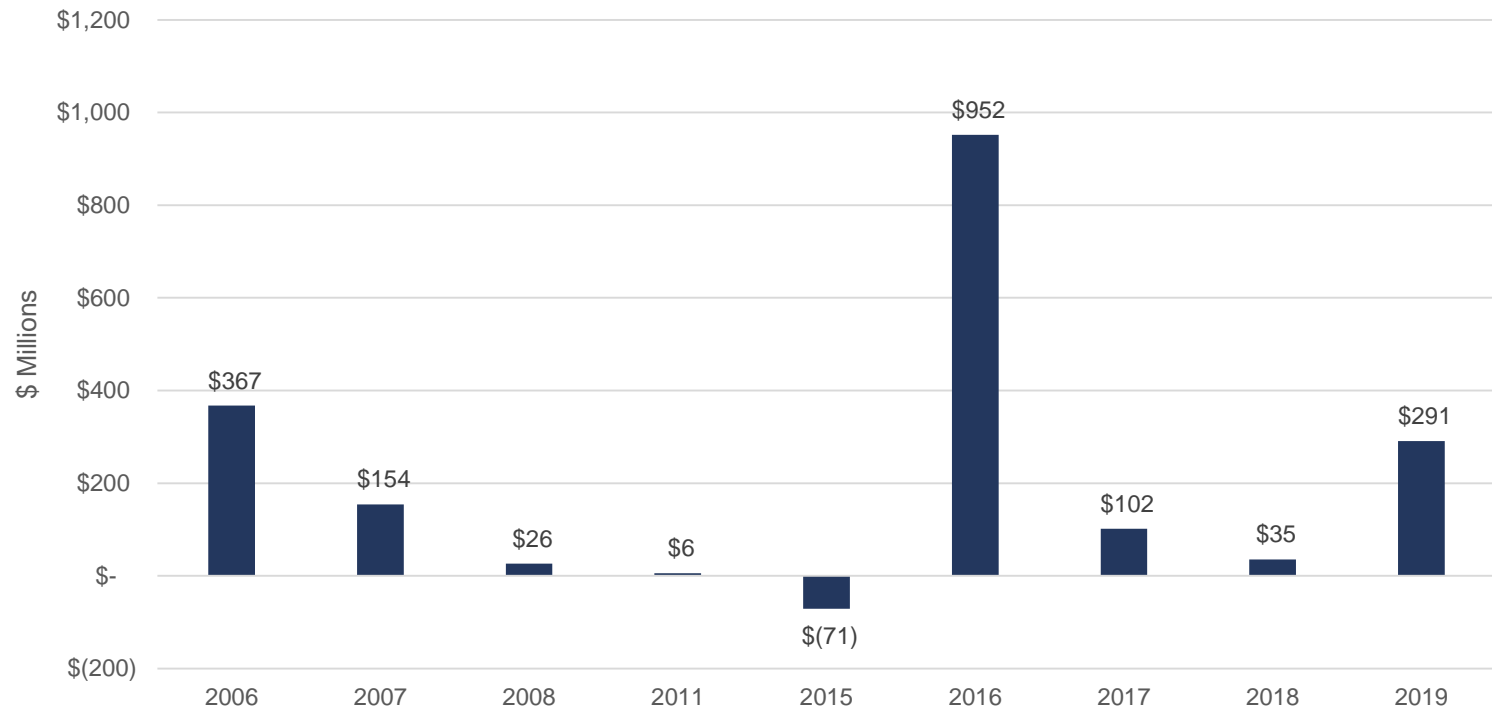


In OPERF, the net value add from internal management (i.e., the incremental OPERF funding attributable to investment performance in excess of corresponding benchmarks) has been **\$88 million** over the past four years.

OSTF investors have realized a net benefit of approximately **\$447 million** during that same period.

# Improved Data Quality

Estimated Historical Dollar Impact of Issues Handled by OST Operations Staff



Improved data integrity controls and oversight activities have led to the identification of more than **\$2.1 Billion** in investment performance and asset valuation discrepancies, including a one-time material increase in OPERF's reported investment performance from 0.26% to 1.39% in the second quarter of 2016. The overall estimated impact from this particular one-time performance reporting error equated to more than **\$790 million**.



# IAP Target Date Funds

## Performance Summary as of 12/31/2019

2019 IAP TDF PERFORMANCE			
Fund	3 Month	1 Year	Since Inception
TDF RETIREMENT FUND	1.97	9.84	5.00
TDF 2020	2.03	10.49	5.21
TDF 2025	3.32	13.58	6.20
TDF 2030	3.91	14.74	6.68
TDF 2035	3.77	14.19	6.74
TDF 2040	3.47	14.01	6.56
TDF 2045	4.84	16.75	6.95
TDF 2050	4.84	16.78	6.96
TDF 2055	4.83	16.90	7.03
TDF 2060	4.83	16.93	7.07

Source: State Street



# OREGON STATE TREASURY

Tobias Read  
Oregon State Treasurer

350 Winter St NE, Suite 100  
Salem, OR 97301-3896

[oregon.gov/treasury](http://oregon.gov/treasury)



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March 30, 2020

TO: Members of the PERS Board  
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section  
SUBJECT: Update on Rulemaking for SB 1049 Member Redirect

### BACKGROUND

During the 2019 Legislative Session, the Oregon Legislature passed SB 1049, which makes significant amendments to ORS Chapters 238 and 238A. The Member Redirect section of the bill directs that, effective July 1, 2020, a portion of the standard six percent mandatory member contribution will be directed to a new Employee Pension Stability Account (EPSA) when the funded status of the plan is below 90% (including side accounts) and the member's monthly salary is more than \$2,500 (indexed for inflation). When those conditions are met, 2.5% of Tier 1 and Tier 2 members' subject salary will be redirected to the EPSA and 0.75% of OPSRP members' subject salary will be redirected to the EPSA.

For members subject to the Member Redirect, SB 1049 provides the members the option to make voluntary after-tax contributions to their regular IAP in the amount that is redirected to the EPSA. This option is available only when the mandatory member contributions have been redirected to the EPSA, and only in the amount redirected. Voluntary contributions cannot be "picked up" by employers, which means they will always be made after-tax and must be separately tracked in the member's IAP account.

Once the funded status of the plan is 90% or greater, member contributions will be deposited at the full 6% contribution level into members' regular IAP accounts. The redirect, or non-redirect, of member contributions will be based on the funded status of the plan, as determined in a rate setting valuation, and will be applicable until the next rate setting valuation.

### NEXT STEPS

Staff had intended to notice the administrative rules associated with Member Redirect at the March Board meeting and adopt at the May Board meeting. However, the Member Redirect provision has required substantial elaboration, as it touches many different aspects of plan administration. The Member Redirect project team is actively working to accommodate having an EPSA for each eligible active member with the ability to transmit and record appropriate contributions to the account effective July 1, 2020. We anticipate that this process will result in a significant number of administrative rules being edited and drafted and brought to this board for notice and approval in the coming weeks. In order to provide staff as much time as possible to work through the initial implementation before the July 1, 2020 effective date, we will be presenting the rules at a special Board meeting in late April, and adopting at another special Board meeting in late June.



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

Headquarters:  
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[www.oregon.gov/pers](http://www.oregon.gov/pers)

March 30, 2020

TO: Members of the PERS Board  
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section  
SUBJECT: Notice of Rulemaking for Internal Revenue Code Limitations Rules:  
OAR 459-005-0545, *Annual Addition Limitation*  
OAR 459-080-0250, *IAP Account Installments*  
OAR 459-080-0500, *Limitation on Contributions*

### OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Update rules to reflect the 2020 Internal Revenue Code (IRC) annual compensation limitations for retirement contributions and benefits.
- Policy Issue: None identified.

### BACKGROUND

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

The proposed rule modifications incorporate these federal adjustments for calendar year 2020 and are necessary to ensure compliance with the federal limits on the amount of annual compensation allowed for determining contributions and benefits.

### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held April 28, 2020, at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends May 5, 2020, at 5:00 p.m.

### LEGAL REVIEW

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

### IMPACT

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

Impact: Clarifies the limits for contributions and benefits under federal law for calendar year 2020.

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



RULEMAKING TIMELINE

March 30, 2020	Staff began the rulemaking process by filing a Notice of Rulemaking with the Secretary of State.
March 30, 2020	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.
March 30, 2020	PERS Board notified that staff began the rulemaking process.
April 28, 2020	Rulemaking hearing to be held at 2:00 p.m. at PERS in Tigard.
May 5, 2020	Public comment period ends at 5:00 p.m.
May 29, 2020	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 April 28, 2020, 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 May 29, 2020 PERS Board meeting.

- B.2. Attachment 1 - 459-005-0545, *Annual Addition Limitation*
- B.2. Attachment 2 - 459-080-0250, *IAP Account Installments*
- B.2. Attachment 3 - 459-080-0500, *Limitation on Contributions*

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

1 **459-005-0545**

2 **Annual Addition Limitation**

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

6 (2) Except as otherwise provided in this rule, a member’s annual additions to PERS  
7 for any calendar year after ~~2018~~ 2019 may not exceed ~~[\$56,000]~~ \$57,000 (as adjusted  
8 under IRC Section 415(d)).

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

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

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

17 (b) With respect to any eligible participant, the annual addition limitation in section  
18 (2) of this rule shall not be applied to reduce the amount of permissive service credit to an  
19 amount less than the amount that could be purchased under the terms of the plan as in  
20 effect on August 5, 1997. As used in this subsection, the term “eligible participant”  
21 includes any individual who became an active member before January 1, 2000.

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

5            (a) The payment shall be allocated as an annual addition to the calendar year to  
6 which it relates; and

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

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

11           (B) If the amount in paragraph (A) of this subsection is not reasonably certain, the  
12 member's average compensation from the participating employer during the 12-month  
13 period immediately preceding the period of service in the Armed Forces (or, if shorter,  
14 the period of employment immediately preceding the period of service in the Armed  
15 Forces).

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

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

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

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

1    **459-080-0250**

2    **IAP Account Installments**

3       (1) Definitions.

4       (a) “Anniversary date” means the first day of the calendar month of the date of  
5   distribution of the first installment payment.

6       (b) “Date of distribution” has the same meaning as defined in OAR 459-007-0001(7).

7       (c) “Estimated Life Expectancy” means the member’s life expectancy as determined  
8   by the applicable IRS mortality table.

9       (d) “Payout Period” means the span of years over which the member elects to receive  
10  installment payments under section (2) of this rule.

11      (2) Upon retirement, a member of the individual account program who elects to  
12  receive the amounts in the member’s employee and employer accounts in installments  
13  under ORS 238A.400(2) shall designate the number of years over which the installments  
14  are to be paid, selecting a period of 5, 10, 15, or 20 years, or a period equal to the  
15  member’s estimated life expectancy. The member may also request that installments be  
16  made on a monthly, quarterly, or annual basis.

17      (3) Account balances will be adjusted each month in accordance with OAR 459-007-  
18  0330.

19      (a) The amount of each 5-, 10-, 15-, or 20-year installment will be determined by  
20  dividing the member's adjusted balance by the number of remaining installment payments.

21      (b) The installment amount for the member's estimated life expectancy will be  
22  determined once a year by dividing the member's adjusted balance on the anniversary date

1 by the member's remaining estimated life expectancy, which amount will then be paid  
2 monthly, quarterly, or annually.

3 (4) If a member requests installments under section (2) of this rule, but the amount of  
4 the requested installment would be less than \$200 as determined at the time of the initial  
5 request, the frequency and Payout Period of the installment payment will be modified so  
6 that the amount of the installment is at least \$200. If the member's account balance is  
7 \$1,000 or less at the time of the initial request, the member will not be eligible for  
8 installments and the balance will be paid in a lump sum.

9 (5) Notwithstanding the Payout Period selected by the member under section (2) of  
10 this rule, any distribution will be adjusted to comply with the required minimum  
11 distribution requirements of 26 U.S.C. 401(a)(9) and regulations implementing that  
12 section[, *as in effect on December 31, 2013*].

13 (6) Members who elect a five year Payout Period or a lump sum payment may elect to  
14 directly roll over any portion of their IAP installment or lump sum payment to an eligible  
15 retirement plan subject to the limitations in OAR 459-005-0595.

16 (7) Members who elect a 10-, 15-, or 20-year, or an estimated life expectancy Payout  
17 Period cannot elect to have any portion of their installment payments rolled over.

18 (8) Members who are subject to the required minimum distribution requirements  
19 referenced in section (5) of this rule may only roll over that portion of their installment or  
20 lump sum payments that exceeds required minimum distribution requirements.

21 Stat. Auth.: ORS 238A.450

22 Stats. Implemented: ORS 238A.400

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

1 **459-080-0500**

2 **Limitation on Contributions**

3 (1) For purposes of this rule, “annual addition” has the same meaning given the term  
4 in 26 U.S.C. 415(c)(2).

5 (2) Except as otherwise provided in this rule, the annual addition to a member  
6 account for any calendar year may not exceed [~~\$56,000~~] \$57,000 effective January 1,  
7 [~~2019~~] 2020.

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

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

12 (b) For the purpose of determining the amount of the payment under this section, the  
13 member’s compensation shall be determined under OAR 459-080-0100(3)(d).

14 Stat. Auth.: ORS 238A.450

15 Stats. Implemented: ORS 238A.370



# Oregon

Kate Brown, Governor

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March 30, 2020

TO: Members of the PERS Board  
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section  
SUBJECT: Notice of Rulemaking for SB 1049 Member Choice Rule:  
OAR 459-080-0015, *Investment of IAP Account Balance*

### OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Update rule to implement Member Choice provision of Senate Bill 1049 (2019).
- Policy Issue: None identified.

### BACKGROUND

In September 2017, the Oregon Investment Council (OIC) adopted a new Target Date Fund (TDF) investment strategy for the Individual Account Program (IAP), effective January 1, 2018. During the 2018 Legislative Session, the Oregon Legislature enacted House Bill 4159 (codified as 238A.420) which, among other things, allowed a PERS member with an IAP account to elect the TDF of their choice (Member Choice), effective January 1, 2019, unless the Office of the State Treasurer determined that legal or fiduciary standards prohibit the implementation of Member Choice. The State Treasurer did determine that implementation of Member Choice, as outlined in House Bill 4159, was prohibited and Member Choice was put on hold.

During the 2019 Legislative Session, the Oregon Legislature enacted Senate Bill 1049, which includes provisions that amend the Member Choice statutory language in 238A.420 to address the concerns raised by the State Treasurer. The newly amended Member Choice is effective January 1, 2021.

PERS is amending OAR 459-080-0015 to implement Member Choice as provided in Senate Bill 1049. The rule will now provide members with an opportunity to make an election to have their entire non-retired IAP account balance invested in a target date fund of their choice (as opposed to the default target date fund based on their year of birth) once every calendar year. A member may make one election each calendar year from January through September. A valid election made by a member in a calendar year will be effective January 1 of the following calendar year.

### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held April 28, 2020, at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends May 5, 2020, 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, but statute authorizes the board to update its rules as necessary to implement Member Choice.

Impact: Clarifies the administration of Member Choice.

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

### RULEMAKING TIMELINE

March 30, 2020	Staff began the rulemaking process by filing a Notice of Rulemaking with the Secretary of State.
March 30, 2020	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.
March 30, 2020	PERS Board notified that staff began the rulemaking process.
April 28, 2020	Rulemaking hearing to be held at 2:00 p.m. at PERS in Tigard.
May 5, 2020	Public comment period ends at 5:00 p.m.
May 29, 2020	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 April 28, 2020, 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 May 29, 2020 PERS Board meeting.

B.3. Attachment 1 - 459-080-0015, *Investment of IAP Account Balance*



**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 459-  
7 007-0001(11).

8 (c) “Target date fund” has the same meaning as defined in OAR 459-007-0001(12).

9 **(d) “Valid election” means a member election, received by PERS no later than**  
10 **September 30 of a calendar year, to have their IAP account balance invested in a**  
11 **target date fund of their choice that can be administered by PERS and will take**  
12 **effect on January 1 of the following calendar year.**

13 (2) Each member’s IAP account balance will be invested in one of the target date  
14 funds based upon the member’s birth year, except as provided in sections (4), *[and]* (5),  
15 **and (6)** of this rule.

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

1            (4) During the calendar year when a retired member who elected IAP installment  
2 payments reestablishes active membership, the member’s remaining IAP account balance  
3 and any new IAP contributions will be allocated in the retirement installments fund.  
4 Beginning on the first day of the following calendar year, the member’s remaining IAP  
5 account balance and any new IAP contributions will be allocated to a target date fund  
6 based on the member’s birth year unless the member made a *[timely choice]* valid  
7 election for a different target date fund under section (6) of this rule.

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

14            (6) Each calendar year from January through September, a member with a  
15 non-retired IAP account may make one valid election.

16            (a) A valid election made under this section cannot be changed or canceled.

17            (b) In the event a member submits more than one election in a calendar year,  
18 PERS will only consider the valid election with the earliest receipt date.

19            Stat. Auth.: ORS 238A.450

20            Stats. Implemented: ORS 238A.050, OL 2019, Ch. 355, Sec. 2, & OL 2018, Ch. 118



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March 30, 2020

TO: Members of the PERS Board  
FROM: Karen Chavez, Manager, PERS Health Insurance Program (PHIP)  
SUBJECT: Summary of Proposed PHIP Reserves Conceptual Design

### OVERVIEW

- Action: PHIP proposes to reduce the amount of reserves being held over a period of approximately 7-11 years using the conceptual design model.
- Reason: With the current reduced revenue base under the minimum premium arrangement, PHIP no longer needs to hold the same levels as were previously required.

### BACKGROUND

In June 2013, a formal policy regarding PERS Health Insurance Program Reserves was adopted with a subsequent revision made in August 2016. That policy addressed the required reserves that PHIP needed to hold to satisfy contractual requirements under a minimum premium program that PHIP held with one of its' Contracted Health Plans (CHP). The policy also addressed how reserve amounts in excess of the contractually required amounts would be reviewed annually to determine if a portion of the excess reserves should be used to subsidize rates during the annual rate-setting process. Any such use of reserves would be included in the recommendations provided to the PERS Board for approval.

Reserve levels have accumulated over time from the operation of the PERS Health Insurance Program. These reserves were primarily built from better-than-expected financial results under the minimum premium arrangement PHIP held with MODA Health Plan and Delta Dental of Oregon. Without the minimum premium arrangement most, if not all of these funds, would have been kept by MODA in lieu of being available to stabilize premium rates. The amount of PHIP revenue under the minimum premium program has been dramatically reduced from \$122,000,000 to \$24,000,000 with only the Delta Dental of Oregon benefit plan remaining under this arrangement beginning January 1, 2019. As such, PHIP can significantly reduce the amount of reserves being held. With the reduction in revenue under the minimum arrangement, the required reserves have decreased from \$41,000,000 to \$8,000,000.

A relatively small amount of reserves was built from rate surcharges applied to premiums under several of the other CHPs. These surcharges were added due to PHIP management and consultants concerns that those programs were aggressively priced and could result in future rate

volatility. This rate volatility would be in direct conflict to the PHIP Rate Setting Policy which strives for stability of premiums. In addition, there have been some rate savings not anticipated when final rates were set, which specific CHPs voluntarily agreed to return to PHIP.

The reserve balance as of December 31, 2019 is approximately \$94,000,000. Total annual PHIP premium across all CHP's for calendar year 2020 is expected to be nearly \$242,000,000.

SUMMARY OF PROPOSED PHIP RESERVE CONCEPTUAL DESIGN BEGINNING  
JANUARY 1, 2021

1. The estimated year end reserve cash balance will be established as of December 31 of the most recently completed contract year. (For example, the 2021 rate setting would use fund balance as of 12/31/19.)
2. Contractually required reserves will be restricted from use in determining rate credits.
3. Additional restricted reserves for a) internal PHIP costs, b) TPA costs and c) consulting fees will be established in the event that the PHIP program is terminated.
4. In order to avoid creating future rate instability, reserves, less those restricted items noted in #2 and #3 above, will be used to provide credits to member rates beginning January 1, 2021 by applying the following principles:
  - a. Rate credits will be applied across CHP's and benefit plans to closely resemble the source of the reserves.
  - b. Rate credits will not be used to reduce renewal rates from the current year rates unless all CHP rates generate reductions.
  - c. Rate credits will not exceed a 7% reduction from the requested rate.
  - d. Rate credits will not be used to change the rank order of requested CHP rates by plan (i.e., the rank from lowest to highest of requested rates will not be changed).
  - e. PHIP can decide not to apply rate credits for CHP plans that have not demonstrated over a 2-3 year period the ability to be self-sustaining and competitive long-term.
  - f. PHIP staff and consultants will annually present the proposed use in the upcoming rate setting cycle that best meets the goals of reducing the unrestricted reserve balance.
  - g. In order to minimize administration, any rate credit or surcharge will be applied at the same percentage of the adult and child rate.
5. There may be future instances where PHIP staff and consultants recommend the application of rate surcharges to a particular plan or plans, due to a concern about overly aggressive pricing that could result in future rate volatility. Under those circumstances, section 4 (c, e, f and g) above will apply.
6. In order to avoid rate shock, resulting from the final spend down of unrestricted reserves, the following represents an example of potential year-to-year rate credits based on recent projections:

	Modeled Credits By Year		
	7 years	9 years	11 years
2021	-7.00%	-5.00%	-5.00%
2022	-7.00%	-5.00%	-5.00%
2023	-7.00%	-5.00%	-5.00%
2024	-6.00%	-5.00%	-5.00%
2025	-5.00%	-5.00%	-4.00%
2026	-3.80%	-4.00%	-4.00%
2027	-2.00%	-4.00%	-3.00%
2028	n/a	-2.00%	-2.00%
2029	n/a	-1.35%	-1.50%
2030	n/a	n/a	-0.75%
2031	n/a	n/a	-0.60%

**BOARD OPTIONS**

The PERS Board may:

1. Review the PHIP Reserve Conceptual Design proposal to reduce the amount of reserves being held over a period of approximately 7-11 years. PHIP staff would like the board to recommend one of the three options (7 years, 9 years, 11 years) for inclusion into the 2021 Rate Setting recommendation.
2. Direct staff to make other changes or explore other options.

**STAFF RECOMMENDATION**

Staff recommends the PERS Board review the PHIP Reserve Conceptual Design and models above and provide guidance as to their preferred option. At the May board meeting, staff will bring a final recommendation to adopt the preferred option, with this option being incorporated into the proposed PHIP 2021 Rate setting recommendation.



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Kate Brown, Governor

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March 30, 2020

TO: Members of the PERS Board  
FROM: Richard Horsford, Chief Financial Officer  
Amanda Marble, Financial Reporting Manager  
SUBJECT: 2019 Final Earnings Crediting and Reserving

### OVERVIEW

- Action: Allocate 2019 final earnings crediting
- Subject: Crediting earnings for calendar year 2019 to the PERS Fund's accounts and reserves

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

### 2019 FINAL ALLOCATIONS

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

#### **Non-Discretionary Allocations**

##### **1. Tier One Member Regular Accounts Reserve and Judge Member Accounts**

Credit Tier One member regular accounts and Judge member accounts with the assumed earnings rate (7.20%) in effect during 2019.

**Tier One Rate Guarantee Reserve:** This reserve, established under ORS 238.255(1), is used to fund crediting of the assumed rate to Tier One member regular accounts when earnings are less than the assumed rate. Because earnings on Tier One member regular accounts for 2019 exceed the assumed rate, those excess earnings will be credited to Tier One Rate Guarantee Reserve, resulting in a remaining balance of \$492.0 million.

##### **2. Tier Two Member Regular Accounts**

Credit Tier Two member regular accounts with a proportional share of available PERS Fund Regular Account earnings, which will result in a final rate of 13.27%.

##### **3. Benefits-in-Force and Employer Reserves**

Credit the Benefits-in-Force and Employer Reserves evenly with the remaining available PERS Fund Regular Account earnings, which will result in a final rate of 13.27%.

##### **4. OPSRP Pension Plan Member Accounts**

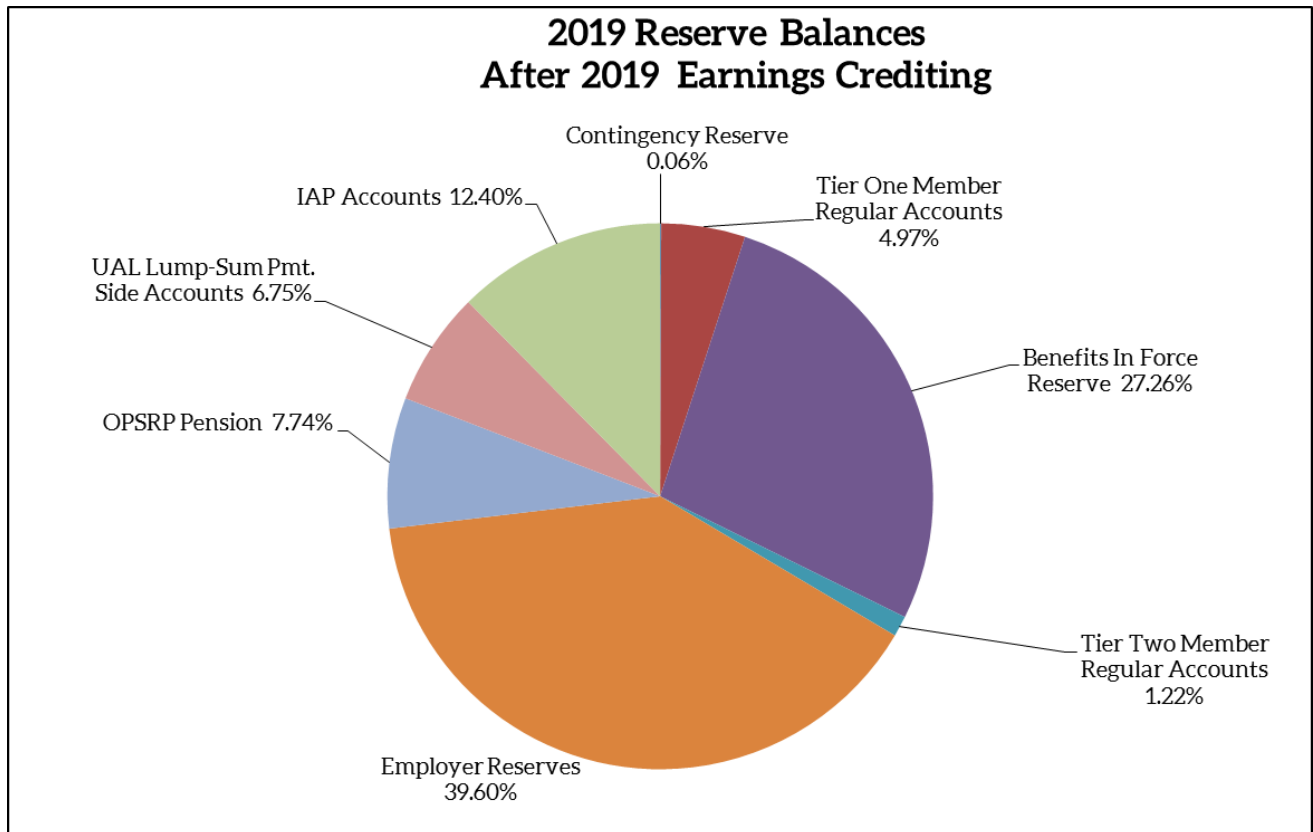
OPSRP member accounts usually are credited with a proportional share of available PERS Fund Regular Account earnings, which will result in a final rate of 13.35%.

<b>Oregon Public Employees Retirement System Final 2019 Crediting and Reserving</b>				
(All dollar amounts in millions)				
	Reserves Before Crediting	2019 Crediting	Reserves After Crediting	2019 Rates
<b>Tier One Member Regular Accounts</b>	3,295.5	237.3	3,532.8	7.20%
<b>Tier One Rate Guarantee Reserve</b>	257.6	234.4	492.0	N/A
<b>Tier Two Member Regular Accounts</b>	871.5	115.7	987.2	13.27%
<b>Benefits In Force Reserve</b>	19,483.9	2,586.5	22,070.4	13.27%
<b>Employer Reserves</b>	28,296.3	3,756.3	32,052.6	13.27%
<b>OPSRP Pension</b>	5,526.1	738.1	6,264.2	13.35%
<b>*IAP Accounts, as a whole</b>	8,885.0	1,155.6	10,040.6	13.00%
<b>*UAL Lump-Sum Pmt. Side Accounts</b>	4,797.3	667.9	5,465.2	Various**
<b>Contingency Reserve</b>	50.0	-	50.0	N/A
<b>Total</b>	<b>\$71,463.2</b>	<b>\$9,491.8</b>	<b>\$80,955.0</b>	

\*Informational only. Not affected by Board reserving or crediting decisions.

IAP accounts receiving installments have already received 2019 earnings.

\*\* The average of the various final earnings rates is 13.92%



**EARNINGS ALLOCATIONS DIRECTED BY STATUTE OR RULE**

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

- 5. Individual Account Program (IAP):** These member accounts are credited with actual earnings or losses of the PERS Fund Regular Account as required by ORS 238A.350 (1). The overall final IAP earnings for 2019 are 13.00% after deducting IAP expenses. The table below illustrates the IAP earnings by tranche.

<b>Oregon Public Employees Retirement System</b>				
<b>Final IAP TDF Earnings</b>				
(All dollar amounts in thousands)				
<b>TDF Fund</b>	<b>Reserves Before Crediting</b>	<b>2019 Crediting</b>	<b>Reserves After Crediting</b>	<b>2019 Rates</b>
<b>RAF Fund</b>	229,673.0	21,103.1	\$250,776.1	9.18%
<b>2020 Fund</b>	796,601.9	83,989.5	880,591.4	10.54%
<b>2025 Fund</b>	1,381,407.6	180,318.8	1,561,726.4	13.05%
<b>2030 Fund</b>	1,611,355.4	219,995.4	1,831,350.8	13.65%
<b>2035 Fund</b>	1,718,483.5	223,668.2	1,942,151.7	13.01%
<b>2040 Fund</b>	1,419,997.2	180,290.0	1,600,287.2	12.69%
<b>2045 Fund</b>	1,004,471.0	149,123.9	1,153,594.9	14.84%
<b>2050 Fund</b>	507,172.0	71,761.8	578,933.8	14.14%
<b>2055 Fund</b>	180,204.9	22,281.0	202,485.9	12.36%
<b>2060 Fund</b>	35,655.1	3,057.7	38,712.8	8.57%
<b>Total</b>	<b>\$8,885,021.6</b>	<b>\$1,155,589.4</b>	<b>\$10,040,611.0</b>	

Beginning January 1, 2020, IAP Installment accounts were transitioned from the Retirement Allocation Fund (RAF) into their own tranche, called Retirement Installments Fund (RIF). This modification was to address complications in the administration of earnings crediting. Adjustments were made for the changes in earnings to ensure the installment accounts will be credited the full amount of earnings due.

- 6. Employer Lump Sum Payment Accounts:** These accounts are credited with actual earnings or losses of the PERS Fund Regular Account less administrative expenses, as authorized by ORS 238.225. For 2019, the average final crediting rate for these accounts is 13.92%.
- 7. Health Insurance Accounts:** These accounts are created as part of the PERS Fund and directed by statute to be credited with actual earnings or losses, less the expense related to the administration of the programs (ORS 238.410(7); 238.415(4); 238.420(4)). For 2019, the final crediting rate for these accounts are 13.45% for RHIA, 10.74% for RHIPA, and 1.62% for SRHIA (invested in the Treasury Short-Term Fund).



<b>Oregon Public Employees Retirement System Health Insurance Accounts Final Rates</b>	
<b>Health Insurance Fund</b>	<b>2019</b>
RHIA	13.45%
RHIPA	10.74%
SRHIA *	1.62%

\* Invested in the Treasury Short-Term Fund

**8. Variable Annuity Account:** This account is credited with earnings and losses on its distinct asset allocation of the PERS Fund. The Variable Annuity Account is only invested in equities and therefore its earnings are discrete from those of the more diversified PERS Fund Regular Account. For 2019, the final Variable Annuity Account earnings is 28.80%.

**Administrative Expenses:** PERS administrative costs are funded by earnings when they are sufficient, as they were in 2019 (ORS 238.610(1)). As directed by House Bill 4155 (2014 Regular Session), the administrative costs to comply with Governmental Accounting Standards Board (GASB) 68 and 75 reporting standards were \$23,351, and will be recovered from earnings on employer’s contributions.

#### **CONTINGENCY RESERVE ALLOCATION**

ORS 238.670 (1) to limit the Board’s crediting of funds to the Contingency Reserve; specifically, “...the board may not credit further amounts to the reserve account if the amounts in the reserve account exceed \$50 million.”

As the current balance of the Contingency Reserve is \$50 million, with \$2.5 million earmarked for resolving employer insolvencies. The staff recommends no additional allocation at this time.

#### **BOARD ACTION – FINAL EARNINGS CREDITING**

The board’s options for 2019 final earnings crediting include:

1. Pass a motion to “adopt the final crediting of earnings as presented for calendar year 2019.”
2. Pass a motion adopting an alternative final allocation of 2019 earnings.

#### **STAFF RECOMMENDATION**

Staff recommends the PERS Board choose Option #1.



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March 30, 2020

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 completing work in an efficient and effective manner.

### PROGRAM/PROJECT IMPLEMENTATION

The SB 1049 Implementation Program is being managed as one comprehensive program, with the following five individual projects. All projects are going through the Enterprise Information Services (EIS) stage gate process.

Project	Effective Date	Project Health and Status
SB 1049 Program		Program health: Yellow All schedules have not been baselined and resource availability is having an impact. Program team has been focusing efforts on schedule development, program, and project planning documentation required for Stage Gate 3 endorsements.
Employer Programs Project	Effective 7/1/2019	Project health: Green All EIF funds were allocated to employers in early December 2019. The UAL Resolution Program is under development; two focus groups held to get employer feedback.
Salary Limit Project	Effective 1/1/2020	Project health: Yellow Work Package (WP)1 and WP2 deployed. Schedule risk for WP3 and WP4; working through required deliverables.
Work After Retirement Project	Effective 1/1/2020	Project health: Green WP1 completed December 2019. Construction in process for WP2.
Member Redirect Project	Effective 7/1/2020	Project health: Yellow Project Charter: Stage Gate 3 Conditional Approval received; short term schedule finalized. WP1A construction completed; WP1B and WP1D under construction. Release dates for Voluntary Contribution work packages under review.

Member Choice Project	Effective 1/1/2021	Project health: Yellow Unavailable technical resources are impacting progress on requirements, costs, schedule and business case.
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**Highlighted activities completed or in progress since January 2020:**

- Program and project activities
  - iQMS activities
    - Gartner completed the initial risk assessment
      - Staff developing action plans to address recommendations
    - Gartner completed the Quality Standards, Quality Management Plan, and QMS Work Plan deliverables
  - Seeing some key resource impacts
  - COVID-19 impact will be monitored and mitigated, if possible
- Resources
  - Projects fully staffed
  - Deloitte resources contracted to review current capacity of Program Director / Advisor, Application Delivery Lead, Quality Assurance (QA) Program Test Coordinator roles and assist in those roles as appropriate
  - Staff recruitments; 43 total positions
    - Eight positions critical to project all filled
    - 35 operational positions (2 on hold)
      - Drafting/planning recruitment – 7
      - Active Recruitments – 4
      - Hired - 22
- EIS Stage Gate process requirements
  - Program level Stage Gate Two documents were completed in mid-January
  - Stage Gate Three progress is nearly complete for the program and for the Member Redirect project recently received conditional approval. Member Choice is the only other project that may have to go through the entire state gate process.
- Budget structure and reporting
  - Presented at the Joint Legislative Committee on Information Management Technology on February 24, 2020
  - Continuing monthly meetings with the Chief Financial Office, Legislative Fiscal Office, and the Governor’s office
- Communications
  - Internal communication activities have focused on keeping staff informed via:
    - PERS Intranet and newsletters
    - Director’s blog
    - Various change management activities
  - External Communications activities include:
    - Continued updates to the PERS website
    - Targeted GovDelivery emails to employers, members
    - May edition of the *Perspectives*

- Special inserts for Annual Statements
- New videos for members
- OGFOA conference

### **PROGRAM/PROJECT BUDGET**

The budget information is contained within Page 3 of the attachment to agenda item A.2.c. PERS staff will continue to update the board as project implementation continues throughout the year.

### **OPERATIONS IMPACT**

SB 1049 has impacted PERS' normal operations. Multiple staff have moved from operations to work on the project, and the managers have back-filled resources or are in the process of doing so. Lengthy on-boarding and training can further impact services to members and employers, but managers are mitigating with tools such as overtime and temporary help.

C.3. Attachment 1 – *Monthly Project Status Report and Roadmap*

# SB 1049 Implementation Program

**Status Report for March 20, 2020**

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

**Program information:**

**Program start:** July 1, 2019 | **Program end:** December 31, 2021

**Subprojects**

Project 1: Employer Programs

- Project start: July 1, 2019 | Project end September 4, 2020
- Project status: **Yellow**

Project 2: Work After Retirement (WAR)

- Project start: July 1, 2019 | Project end: August 6, 2021
- Project status: **Green**

Project 3: Salary Limit

- Project start: July 1, 2019 | Project end: September 30, 2020
- Project status: **Yellow**

**Program statement:**

SB 1049 is comprehensive legislation intended to address the increasing cost of funding Oregon’s Public Employees Retirement System (PERS), reduce system Unfunded Actuarial Liability (UAL) obligations, and provide relief to escalating contribution rate increases for public employers. Implementation will occur across five subprojects.

Project 4: Member Redirect

- Project start: July 1, 2019 | Project end: December 31, 2021
- Project status: **Yellow**

Project 5: Member Choice

- Project start: October 23, 2019 | Project end: TBD
- Project status: **Yellow**

For details regarding individual project status, please refer to the respective project section(s) below.

**Overall program status: Yellow**

Project teams have been focusing on developing and deploying the short-term solutions for each project in order to meet the legislative mandates. Two projects’ short-term solutions were successfully deployed on time in December, 2020, and two more are progressing on-schedule. Afterwards, teams are focusing efforts on the long-term, more sustainable solutions. Member Choice planning activities are well underway.

Several risks have been added to the program and projects due to the COVID-19 pandemic. Social distancing is introducing communication and collaboration challenges that are being addressed to help keep the programs and projects on track. The teams are creating plans to address if personnel should become unavailable due to COVID-19, or if the PERS offices are temporarily closed due to the virus. The environment is rapidly changing due to COVID-19 and the program and projects are actively trying to mitigate the associated risks and issues.

Program remains yellow due to lack of baselined project schedules. Project schedules are nearing completion. Member Redirect and Member Choice schedules are in review with their teams. Salary Limit expects to begin reviews by 3/27/2020.

# SB 1049 Implementation Program

**Status Report for March 20, 2020**

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

**Budget health: Green**

The SB 1049 Implementation Program is currently within the budget allocated by the Legislature.

29560- SB 1049 Implementation Program by Project				
Other Funds Lmt	Budget	Projections	Actual to Date	Remaining
Salary Limit Project	\$ 1,254,174	\$ 969,500	\$ 156,034	\$ 128,640
Work After Retirement Project	\$ 1,581,114	\$ 1,214,500	\$ 331,646	\$ 34,968
Member Redirect Project	\$ 31,836,719	\$ 28,182,457	\$ 2,282,961	\$ 1,371,301
Employer Programs Project	\$ 2,059,375	\$ 600,950	\$ 101,018	\$ 1,357,407
Member Choice Project	\$ 2,328,332	\$ 1,098,033	\$ 105,143	\$ 1,125,156
<b>Total</b>	<b>\$ 39,059,714</b>	<b>\$ 32,065,440</b>	<b>\$ 2,976,801</b>	<b>\$ 4,017,473</b>

**Schedule Health: Yellow**

Program-level activities have been baselined, and project schedules are in the process of being baselined.

**Scope health: Green**

The program scope is understood and has been incorporated into program-level plans and schedules.

Project scope is well defined for the Employer Programs, Work After Retirement (WAR), and Salary Limit projects. Member Redirect long-term scope is being refined in March, 2020, per the project schedule. The Member Choice charter has been approved and business case is in process.

Quality Assurance activities:

- Program is assessing recommendations from iQMS Deliverable D1.1.1 Project Risk Assessment Report- Initial, creating new risks and action items and executing against them.
- iQMS Deliverable 2.1 Quality Standards Operational Report was completed on 2/21/2020 and accepted 3/17/2020.
- iQMS Deliverable 2.2 Quality Checklists for Task 3.1 Deliverables is due 4/7/2020.
- iQMS Deliverable 2.3 Quality Management Plan was completed on 2/21/2020 and accepted 3/17/2020.
- iQMS Deliverable 2.4 Baseline QMS Work Plan was completed on 2/21/2020 and accepted 3/17/2020.

Emerging concerns/needs/impacts:

- COVID-19 - Impact from practicing COVID-19 social distancing is increasing strain on project communications and coordination. This is impacting the program and all projects.
- Resource constraints - resources working on multiple SB 1049 projects is constraining availability for individual projects.

# SB 1049 Implementation Program

## Status Report for March 20, 2020

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

### Program Risks and Mitigation

Listed below are the most critical risks for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [SB 1049 Program Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
45	<b>COVID-19: Loss of staff due to illness.</b> Key personnel or support staff become unavailable	Identify scenarios for key personnel and plan staff backups, re-distribution of workload, etc.	Planning activities are actively underway
46	<b>COVID-19: Loss of productivity if staff need to work remotely.</b> Staff collaboration and productivity could be reduced if a significant number of SB 1049 staff need to work outside the Barbur building for an extended period of time	Ensure that staff working SB 1049 have laptops and secure remote access is available. Increase distribution of team collaboration tools like Teams and GoTo Meeting so meetings can be conducted remotely.	A significant number of staff are already working remotely. So far activities are remaining on track, though coordination of activities is more difficult
13	<b>Organizational or Process Changes:</b> The project requires new or significantly changed organizational processes or culture in order to succeed	Update and communicate the program's RACI Chart and organizational charts; clarify program roles and responsibilities	Updates to organizational charts and RACI are in process.

### Program Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [SB 1049 Program Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
5	<b>Realized risk #44: All Project Schedules have not been Baselined:</b> Project schedules have not been baselined prior to requirements and development work	WAR's schedule has been baselined. Member Redirect and Member Choice schedules are in team review. Salary Limit expects to begin reviews 3/27/2020.	04/09/2020

# SB 1049 Implementation Program

Status Report for March 20, 2020

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

Program Schedule



## Senate Bill (SB) 1049 Implementation Road Map

	2019						2020						2021																
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
<b>Employer Programs</b>	<ul style="list-style-type: none"> <li>7/1/19 – Effective Date</li> <li>9/3/19 – Employer Incentive Fund (EIF) Application #1 Opens</li> </ul>						<ul style="list-style-type: none"> <li>11/27/19 – EIF Application #1 Closes</li> <li>12/2/19 – EIF Application #2 Opens</li> </ul>						<ul style="list-style-type: none"> <li>7/16/20 – Employer Rate Projection Tool Complete</li> <li>8/31/20 – Unfunded Actuarial Liability Resolution Program (UALRP) Launch</li> <li>9/3/20 – EIF Application #2 Closes</li> <li>9/4/20 – Project Close</li> </ul>																
<b>Salary Limit</b>							<ul style="list-style-type: none"> <li>12/24/19 – Work Package (WP) 1 Short Term</li> <li>1/1/20 – Effective Date</li> <li>1/24/20 – WP2 (Post 2020 Salary Limit) Long Term</li> </ul>						<ul style="list-style-type: none"> <li>6/17/20 – WP3 (User Screens) Long Term</li> <li>9/17/20 – WP4 (Proration in jClarety) Long Term</li> <li>9/30/20 – Project Close</li> </ul>																
<b>Work After Retirement</b>							<ul style="list-style-type: none"> <li>12/19/19 – Work Package (WP) 1 (Retiree Wages Suspended) Short Term</li> <li>1/1/20 – Effective Date</li> </ul>						<ul style="list-style-type: none"> <li>4/21/21 – WP3 (OPSRP Return to Work Defect &amp; Retro Rate Changes) Long Term →</li> <li>10/22/20 – WP2 (New Wage Codes with General Ledger (GL) Integration) Long Term</li> <li>8/6/21 – Project Close</li> </ul>																
<b>Member Redirect</b>							<ul style="list-style-type: none"> <li>6/30/20 – Work Package (WP) 1 Release (Employee Pension Stability Account Set Up/Batch/ General Ledger) – Short Term</li> <li>7/1/20 – Effective Date</li> </ul>						<ul style="list-style-type: none"> <li>9/30/20 – Voluntary Contributions Capture Elections Release – Long Term</li> <li>11/30/20 – Voluntary Contributions Final Functionality Release – Long Term</li> <li>3/1/21 – WP1 Release – Long Term</li> <li>5/30/21 – WP2 Release – Long Term</li> <li>8/30/21 – WP3 Release – Long Term →</li> <li>12/30/21 – WP4 Release – Long Term →</li> <li>12/31/21 – Project Close →</li> </ul>																
<b>Member Choice</b>	<ul style="list-style-type: none"> <li>10/23/19 – Project Kick Off</li> </ul>						<ul style="list-style-type: none"> <li>5/15/20 – Member Annual Statements (MAS) Flyer Communication</li> <li>8/14/20 – Member Choice Notification</li> <li>8/14/20 – Online Member Services (OMS) Changes Deployed</li> <li>9/1-30/20 – Election Period</li> </ul>						<ul style="list-style-type: none"> <li>3/31/21 – Data prepared for MAS</li> <li>5/1/21 – Member Choice reflected in MAS</li> <li>1/1/21 – Effective Date</li> <li>1/17/21 – Report changes to Voya</li> </ul>																

3/20/20



**Project information: Employer Programs**

**Project start:** July 1, 2019 | **Project end:** September 4, 2020  
**Project Manager:** Joli Whitney

**Project objective:**

The Employer Programs section of SB 1049 expands the requirements for the Employer Incentive Fund (EIF); and appropriates \$100 million from the General Fund to the Employer Incentive Fund; directs net proceeds from Oregon Lottery Sports betting to the Employer Incentive Fund; allows participating public employers who make larger than \$10 million deposits to side accounts to determine when they wish to have these funds included in their employer rate assessment; and requires all public employers to participate in the Unfunded Actuarial Liability Resolution Program (UALRP).

**Overall project status: Yellow**

**Project Narrative:** The project team hosted two of the three scheduled employer focus groups to help build the Unfunded Actuarial Liability Resolution Program (UALRP). Unfortunately the last group was canceled as it was scheduled following the Governor’s March 12 COVID-19 orders. Phone interviews will be conducted with those who were unable to attend in person and have volunteered to participate. The Business Case for the Employer Rate Projection Tool was approved by the SB 1049 Steering Team on February 28. The approved solution is to obtain the employer rate projection tool from CalPERS and modify to meet the needs of the Oregon system. Travel plans have been underway to receive the tool from CalPERS. Currently this is targeted for late April but could change to accommodate the evolving restrictions around COVID-19. The Employer Incentive Fund (EIF) is still in waitlist only status. At last count there are 41 employer applications on the waitlist for a fund matching opportunity that may become available should other employers decline or are unable to meet their side account deposit commitments.

**EIF:**

**EIF Application Window #1**

(Employers with UAL greater than 200% of payroll only)

- Opened 9/3/2019
- 61 applications were approved
- Closed 11/27/2019

**EIF Application Window #2:**

(All Employers eligible to apply)

- Opened 12/2/2019
- 56 applications have been approved to date
- Application period will close 9/3/2020

**Waitlist**

- 41 employers are currently on the waitlist

**Oregon Lottery Sports betting**

- The incomplete legislative session did not have the opportunity to resolve the Lottery’s fund transfer roadblock
- COVID-19 related closures of large public gatherings has canceled most sports betting opportunities
- Revenues from sports betting were already substantially less than originally estimated

# SB 1049 Implementation Program

Status Report for March 20, 2020

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

**Budget health: Green**

Employer Programs is currently within the budget allocated by the Legislature.

29560 SB 1049 - Employer Programs Project				
Expenses	Budget	Projections	Actual to Date	Remaining
<b>*Personal Services - PERS</b>	\$ 463,000	\$ 174,000	\$ 288,345	\$ 655
General Overhead Allocation	\$ 252,138	\$ 185,000	\$ 66,799	\$ 339
Personal Services - SB 1049	\$ 521,485	\$ 260,000	\$ 19,193	\$ 242,292
Office Expenses	\$ 5,000	\$ 4,000	\$ 77	\$ 923
IT Professional Services	\$ 1,100,000	\$ 147,950	\$ 9,066	\$ 942,984
Professional Services	\$ 170,752	\$ -	\$ -	\$ 170,752
IT Expendable Prop	\$ 10,000	\$ 4,000	\$ 5,883	\$ 117
SB 1049 Expenses	\$ 2,059,375	\$ 600,950	\$ 101,018	\$ 1,357,407
<b>Project Total</b>	<b>\$ 2,522,375</b>	<b>\$ 774,950</b>	<b>\$ 389,363</b>	<b>\$ 1,358,062</b>
*Not included in SB 1049 Expenses				

**Schedule Health: Yellow**

The project schedule was baselined on January 10, 2020

Some project activities are now behind schedule due to travel delays. As we understand more about the impact of new COVID-19 restrictions in the coming weeks the schedule will be updated with new information.

**Scope health: Yellow**

The full scope of modifying the CalPERS Employer Rate Projection tool into PERS environment is not fully understood and is not incorporated into detailed project plans

**Quality Assurance activities:**

- None at this time

**Emerging concerns/needs/impacts:**

- The economic impacts of the COVID-19 pandemic will have significant impact on whether employers are financially capable of making a side account deposit. This, coupled with the significant losses experienced in OPERF investment accounts will likely negate any reductions in UAL experienced so far.

# SB 1049 Implementation Program

Status Report for March 20, 2020

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

## High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [Employer Programs Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
7	<b>Business needs, requirements, and scope</b> - The business needs, requirements and scope are missing or not clearly defined.	Discovery of missing or poorly defined need/requirement/scope may lead to items which will be addressed through the change request management process as documented in the change request management plan.	The scope for the CalPERS tool is not fully understood. This will not be resolved until we have the opportunity to hands-on evaluate the tool. We are researching alternate methods to receive the code line besides an in person hand-off.
24	<b>EIF Funding Uncertainty</b> - unclear funding schedule and shifting legislative priorities, leave employers unwilling or unable to participate in EIF and UALRP.	Upfront communication regarding funding status and any new opportunities as quickly as they become available	

## Project Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [Employer Programs Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
2	<b>COVID-19 Travel and Group Restrictions</b> - changes to meetings or travel restrict or delay plans to engage with stakeholders or meet with partners	Although we can meet with stakeholders through electronic methods, these restrictions have postponed our trip to CalPERS to collect their employer rate projection tool prototype. We are currently evaluating other alternatives to receive this tool. The trip has been tentatively scheduled for the end of April. Delivery of the tool may impact the current project end date if these restrictions persist and a viable alternative to receive the tool is not implemented.	4/30/2020

# SB 1049 Implementation Program

**Status Report for March 20, 2020**

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

**Project Schedule Deliverables and Milestones**

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
Baseline Project Schedule	100%	1/9/2020	1/10/2020	
Finalize Project Business Case	100%	1/29/2020	2/28/2020	.
Evaluate CalPERS tool	0%	5/6/2020	5/6/2020	This date is in jeopardy due to COVID-19 restrictions impacting travel to CalPERS
Receive EIS Endorsement Memo	0%	1/31/2020	5/18/2020	This delay will not impact the critical path.
Employer Rate Projection Tool Complete	0%	6/30/2020	6/30/2020	COVID-19 restrictions have impacted planned trip to CalPERS to receive tool prototype. It is too early to know how long this trip may be delayed.
Launch UALRP	0%	8/31/2020	8/31/2020	
EIF Application Closes (Window #2)	0%	9/3/2020	9/3/2020	

\*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late

## Status Report for March 20, 2020

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

### Project information: Work After Retirement (WAR)

**Project start:** July 1, 2019 | **Project end:** August 6, 2021

**Project Manager:** Susan K. Mundell

**Overall project status:** **Green**

**Project Narrative:** The project schedule has been baselined with a 2-month earlier project end date than reported before. Development and Unit Testing of Work Package 2: New Wage Codes with GL Integration is underway. To-Be Architecture documentation is being finalized. The scope for Work Package 3: OPSRP Return to Work Issue and Retro Rate Change has been further clarified resulting in the 2-month savings.

### Work Packages:

#### Work Package 1: Short-term Iterative Incremental Solution (IIS)

- Suspend 07 Service Retiree Wage Codes
- Successfully deployed 12/19/2019

#### Work Package 2: Long-term New Wage Codes with G/L Integration

- Development and Unit Testing are underway. They are scheduled for completion by 8/17/2020
- Deployment scheduled for 10/22/2020

### Project objective:

Effective January 1, 2020, the Work After Retirement (WAR) sections of SB 1049 allow most service retirees to work unlimited hours for PERS participating employers in calendar years 2020-2024 while retaining their retirement benefit. It also requires employers to pay employer contributions on retirees' salary during that period.

#### Work Package 3: OPSRP Return to Work Issue and Retro Rate Change

- OPSRP Return to Work Defect: DTL2-07 posting adds an active status to a retiree segment that has to be manually removed.
- Retro Rate Change: Modification of SD610 Batch Job requires significant testing.
- Development is scheduled to begin 10/28/2020
- Deployment scheduled for 4/21/2021

# SB 1049 Implementation Program

**Status Report for March 20, 2020**

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

**Budget health: Green**

WAR is currently within the budget allocated by the Legislature.

29560 SB 1049 - Work After Retirement (WAR) Project				
Expenses	Budget	Projections	Actual to Date	Remaining
*Personal Services - PERS	\$ 1,214,174	\$ 800,000	\$ 405,434	\$ 8,740
General Overhead Allocation	\$ 504,275	\$ 367,000	\$ 133,598	\$ 3,677
Personal Services - SB 1049	\$ 133,253	\$ 94,000	\$ 38,385	\$ 868
Office Expenses	\$ 2,194	\$ 500	\$ 97	\$ 1,597
IT Professional Services	\$ 931,392	\$ 750,000	\$ 154,029	\$ 27,363
IT Expendable Property	\$ 10,000	\$ 3,000	\$ 5,536	\$ 1,464
SB 1049 Total Expenses	\$ 1,581,114	\$ 1,214,500	\$ 331,645	\$ 34,969
<b>Project Total</b>	<b>\$ 2,795,288</b>	<b>\$ 2,014,500</b>	<b>\$ 737,079</b>	<b>\$ 43,709</b>
*Not included in SB 1049 expenses				

**Schedule Health: Green**

The schedule was baselined on 2/25/2020.

**Scope health: Green**

The Scope for Work Package 3: OPSRP Return to Work Issue and Retro Rate Change has been clarified. The elaboration and Business Requirements Document is complete, the business and technical user stories have been entered into JIRA and the backlog refinement has been completed.

Quality Assurance activities:

- Pre- Quality Check Point (QCP) reviews & final QCP's have been completed for contractual deliverables D1.0.6 Contractor Support Log, D1.4.1 Final Acceptance Turnover Report, & D2.1.1 Final System Design Report.

Emerging concerns/needs/impacts:

- COVID-19 - This issue is forcing staff to learn to work remotely. There is a high-level risk recorded regarding concerns of loss of productivity as staff learn to use the on-line meeting tools and are not encouraged to meet in a face-to-face setting. A second high-level risk continues with concerns about loss of resources due to illness, caring for someone who is ill or forced office closure.

# SB 1049 Implementation Program

Status Report for March 20, 2020

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

## High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [WAR Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
52	<b>Competing SB 1049 Resources:</b> Critical resources are involved in multiple concurrent SB 1049 project, limiting availability for individual projects.	Careful coordinated schedule planning and priorities within the Program and all projects; affected staff are setting priorities and working overtime if needed. Business Owner or Program Business Owner may reassign other staff to help cover absences or help offset extreme workload periods.	The team discusses this in our weekly team meetings to ensure things are still under control.
54	<b>Technology Technical Debt:</b> Programming decisions made for jClarety cut over from RIMS can affect programming decisions today.	Reviewing options at this time. 1. Look for a code path that does not rely on the application. 2. Determining how many OPSRP retirees have returned to WAR eligible employment. 3. Determining how adding the application to the system may negatively affect the system.	OPSRP Service retirees did not get applications put into jClarety until 2013. The current code for WP1 & WP2 requires the application to be loaded into jClarety. The Technical Team will need to research, most likely during construction, how to make the code work for these retirees. There are 700 OPSRP Retirees in the system without applications.
55	<b>Processing Activities/Tasks:</b> Activities and tasks associated on project conflict and/or collide with normal day-to-day processes.	Monitor the time required by the SB staff to manage the operations emergency. Ensure that does not negatively affect the schedule.  Schedule non-critical work for after the SB priority work is complete.	3/5/2020: SD20 & 21 failed resulting in 4 SB staff having to drop their SB work to review the batch error. Two full business days were required to do this issue review. OTS requirements for a SB report has been delayed due to this issue. Batch failure also kept developers out of their sandboxes while the system was updating.

## Project Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [WAR Weekly Status Report](#)

There are no current issues on this project.

# SB 1049 Implementation Program

Status Report for March 20, 2020

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

## Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP1 Specification Document Updates Complete	100%	1/10/2020	1/10/2020	
OTS Report Deliverables for WP2 Completed	100%	1/17/2020	1/17/2020	
Phase Closure Complete	100%	1/17/2020	1/17/2020	
Business Requirements WP2 Completed	100%	1/21/2020	1/21/2020	
WAR OAR Adoption (PERS Board Meeting)	100%	1/31/2020	1/31/2020	
Stage Gate 2-3 Endorsement Memo Received	100%	2/3/2020	2/3/2020	
Technical Requirements WP2 Complete	100%	2/20/2020	2/20/2020	
Baselined Project Schedule	100%	2/25/2020	2/25/2020	
To-Be Architecture Documented	0%	3/5/2020		Final Reviews are in progress. No expected impact to critical path.
Business Requirements WP3 Completed	0%	9/22/2020		
Technical Requirements WP3 Completed	0%	9/29/2020		
WP2- User Acceptance Testing Complete	0%	10/02/2020		
WP2- Deployment	0%	10/22/2020		
WP2 - Phase Closure Complete	0%	12/17/2020		
WP3 - Deployment	0%	4/22/2021		
WP3 - Phase Closure Complete	0%	6/4/2021		
WAR Project Complete	0%	8/6/2021		

\*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late



### Project information: Salary Limit

Project start: 7/01/ 2019 | Project end: 9/30/2020

Project Manager: Bruce Rosenblatt

### Project objective:

Effective January 1, 2020, SB 1049 redefines “salary” which changes the method that Final Average Salary, and contributions for members with subject salary greater than \$195,000, are calculated. This is a limit on salary for plan purposes, and not a salary cap.

The redefinition impacts the data and business processes used by separate teams at PERS, including Benefit Calculations, Member Estimates, Data Verifications, Employer Data Reporting, and Account Data Reviews and Reporting. Salary Limit will be indexed annually to the Consumer Price Index.

### Overall project status: **Yellow**

**Project Narrative:** Reports for Tier 1/Tier 2, and Oregon Public Service Retirement Plan (OPSRP) now include impacted members and their employers, which completes Work Package 1. The 2020 Limit is deployed, completing Work Package 2. Work Package 3 creates input screens to record future Salary Limit and effective dates, and provides the foundation to add Tier 1 members to the Salary Limit initiative.

Work Package 4 automates the proration processes, and addresses partial year proration.

Project Status is yellow due to lack of baselined schedule. Estimate for development exceeds the original project completion date. Business teams have focused on refining specific requirements so that technical teams can contribute to define how these feature requests will be fulfilled. Collaboration is underway.

### Work Packages:

#### Work Package 3: Adding self-service screens to jClarety system to record annual changes and effective dates

- Revised High Level Estimate based on requirements that include status tracking and approvals
- Completed Business Requirements Document, defining user stories and acceptance criteria
- Began technical elaboration on how to implement the use cases and acceptance criteria, leading to a revised schedule
- Work Package 3 technical development will continue concurrently with Work Package 4 requirements elaboration

- Continued enhanced Communications to employers and members, by improving visibility on websites, and anticipating employer inquiries through Employer Service Center team

#### Work Package 4 – Proration of annual salary

- Working on strategizing and initiating elaboration meetings in accordance the recent COVID-19 protocols
- Planned proration workflow charts to document manual business processes for full year and partial year proration
- Facilitated discussions with the Policy and Compliance Section to clarify policy questions for future technical elaboration

# SB 1049 Implementation Program

**Status Report for March 20, 2020**

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

**Budget health: Green**

Salary Limit Project is currently within the budget allocated by the Legislature.

29560 SB 1049 - Salary Limit				
Expenses	Budget	Projections	Actual to Date	Remaining
*Personal Services - PERS	\$ 423,000	\$ 123,000	\$ 298,945	\$ 1,055
General Overhead Allocation	\$ 252,138	\$ 185,000	\$ 66,799	\$ 339
Personal Services - SB 1049	\$ 130,947	\$ 110,000	\$ 19,193	\$ 1,754
Services and Supplies	\$ 1,089	\$ 500	\$ 240	\$ 349
IT Professional Services	\$ 860,000	\$ 670,000	\$ 64,266	\$ 125,734
IT Expendable Prop	\$ 10,000	\$ 4,000	\$ 5,536	\$ 464
SB 1049 Total Expenses	\$ 1,254,174	\$ 969,500	\$ 156,034	\$ 128,640
<b>Project Total</b>	<b>\$ 1,677,174</b>	<b>\$ 1,092,500</b>	<b>\$ 454,979</b>	<b>\$ 129,695</b>
*Not included in SB 1049 Expenses				

**Schedule Health: Yellow**

- Schedule not baselined. Will create draft baseline schedule by 3/26/2020 and target completion by 4/9/2020
- To baseline the schedule, the business teams completed requirements for Work Package 3, enabling screen and data analysis, and drafting of the Functional Design Specification
- Business teams are elaborating requirements for Work Package 4, so developers can deliver an accurate deployment schedule

**Scope health: Green**

- Work Package 3 defines use cases and acceptance criteria for posting the annual salary limit, and has been approved by the Business Owner
- Work Package 4, automating proration, began requirements elaboration this month and will continue through April

Quality Assurance activities:

- Preparing to submit baseline schedule through QCP review process in the next week

Emerging concerns/needs/impacts:

- Construction and testing of WP3 and WP4 may extend project completion beyond 9/30/2020
- Increased call volume observed as operations teams address unique member questions

# SB 1049 Implementation Program

Status Report for March 20, 2020

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

## High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [Salary Limit Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
53	Features identified during elaboration for Work Package 3 extend timeline, scope, and resources required	Capture all requirements and then prioritize with the technical and business teams	Work Package 3 added status tracking and approvals, to improve system controls
55	Project Communications require educating members	Provide Salary Limit information to Communications Team, and review content with subject matter experts	Employers Tools now easier to locate on the website, with detailed instructions and previous year limits chart

## Project Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [Salary Limit Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
3	High Level Estimate (HLE) exceeds the project end date	Technical review of Business Requirements is underway for Work Package 3, posting annual salary limit into jClarety	3/26/2020
4	Baseline schedule not complete	Baseline schedule available after Quality Check Point (QCP), when business requirements for Work Package 4 are defined	4/09/2020

# SB 1049 Implementation Program

Status Report for March 20, 2020

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

## Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP2 - Posting 2020 Salary Limit- jClarety- complete	100%		1/08/2020	
WP2 - User Acceptance Testing complete	100%		1/15/2020	
WP2 - Quality Gate complete	100%		1/21/2020	
WP2 - Production Deployment released	100%		1/23/2020	
WP3 - High Level Estimate (HLE)	100%		2/20/2020	
WP3 - Business Requirements Document (BRS) Complete	100%		3/13/2020	
WP4 - Business Requirements Document (BRS) Complete	0%		4/08/2020	Defining features and functions
WP3 - User Acceptance Testing (UAT) Complete	0%		6/09/2020	
WP4 - User Acceptance Testing (UAT) Complete	0%		9/16/2020	Analyzing workflow
Project Complete	0%		9/30/2020	

\*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late

### Project information: Member Redirect

Project start: July 1, 2019 | Project end: 12/31/2021

Project Manager: Chris Yu

### Overall project status: **Yellow**

**Project Narrative:** There will be two production releases for Voluntary Contributions. The Capture election release will be 9/30/2020, which will allow users to access the Voluntary Contribution Election and can chose to participate in Voluntary Contributions. The remaining Voluntary Contribution functionality will be released by 11/30/2020, which will allow retroactive invoicing and reporting. The short-term work packages are proceeding without issue. The project status is yellow because the short-term project schedule has not been baselined; however, the short-term project schedule was submitted for Quality Check Point (QCP) review on 3/19/2020 and the schedule will be baselined after approval.

### Work Packages:

#### Work Package 1A: Employee Pension Stability Account Setup (Short-Term)

- Construction began on 1/14/2020
- Construction completed on 2/13/2020
- User Testing completed 3/6/2020
- Work Package release due on 6/30/2020

#### Work Package 1B: Individual Account Program Redirect (Short-Term)

- Construction began on 2/6/2020
- Construction due on 3/31/2020
- User Testing due on 5/6/2020
- Work Package release due on 6/30/2020

### Project objective:

Effective July 1, 2020 this section of the bill redirects a portion of member contributions to a new Employee Pension Stability Account (EPSA) when the funded status of the plan is below 90% and the member's monthly salary is more than \$2,500.

#### Work Package 1D: General Ledger Setup for Individual Account Program Redirect (Short-Term)

- BRD completed on 2/13/2020
- Construction due on 4/7/2020
- User Testing due on 4/22/2020
- Work Package release due on 6/30/2020

#### Work Package VC1: Voluntary Contribution (Long-Term)

- Business Rules Document (BRD) VC1.2 Completed on 3/6/2020
- BRD VC1.3 Completed on 3/13/2020
- BRD VC1.4 due on 4/17/2020
- Work Package VC1.1 release due on 9/30/2020

### Long-term Work Packages:

- Work Package 1 due on 3/1/2021
- Work Package 2 due on 5/30/2021
- Work Package 3 due on 8/30/2021
- Work Package 4 due on 8/30/2021

# SB 1049 Implementation Program

**Status Report for March 20, 2020**

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

**Budget health: Green**

Member Redirect is currently within the budget allocated by the Legislature. In addition the Development Resources (WOC DASPS-1638-19) Amd 2 was approved through 12/2021.

29560 SB 1049 - Member Redirect Project				
Expenses	Budget	Projections	Actual to Date	Remaining
*Personal Services - PERS	\$ 456,634	\$ 115,000	\$ 337,625	\$ 4,009
General Overhead Allocation	\$ 3,782,063	\$ 2,750,000	\$ 1,001,984	\$ 30,079
Personal Services - SB 1049	\$ 5,127,767	\$ 4,363,499	\$ 287,891	\$ 476,377
Office Expense	\$ 426,890	\$ 133,958	\$ 1,254	\$ 291,678
IT Professional Services	\$ 22,100,000	\$ 20,825,000	\$ 903,258	\$ 371,742
IT Expendable Property	\$ 400,000	\$ 110,000	\$ 88,573	\$ 201,427
SB 1049 Total Expenses	\$ 31,836,720	\$ 28,182,457	\$ 2,282,961	\$ 1,371,302
<b>Project Total</b>	<b>\$ 32,293,354</b>	<b>\$ 28,297,457</b>	<b>\$ 2,620,586</b>	<b>\$ 1,375,311</b>

**Schedule Health: Yellow**

The short term project schedule needs to be baselined. The Project Manager submitted the short-term schedule for QCP on 3/19/2020

**Scope health: Green**

The project scope is currently understood for short term activities. The project team will discuss the timeline, scope and resources for the long-term work packages beginning the week of 3/23/2020.

Quality Assurance activities:

- The Quality Gate for Work Package 1A (EPSA Setup) will be complete on 5/27/2020
- The Quality Gate for Work Package 1B (IAP Redirect Job) will be complete on 5/27/2020
- The Quality Gate for Work Package 1D (General Ledger Setup) will be complete on 5/27/2020
- The Quality Gate for Work Package VC1.1 (Capture Elections) will be complete on 8/21/2020

Emerging concerns/needs/impacts: /

- Voluntary Contributions will have 2 production releases and will need to be closely monitored to ensure they are done by the end of the year.

# SB 1049 Implementation Program

Status Report for March 20, 2020

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

## High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [Member Redirect Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
1	<b>OMS System Downtime-</b> OMS may not be available to members who try to access during late night/early morning hours.	Monitor OMS with communication with the project team and escalate to the CIO when appropriate	Due to the number of remote users, this will be monitored for another month and addressed on 4/16/2020
2	<b>WPVC1 Release Dates:</b> There are 2 different release dates for this work package and there is a risk of complications that could delay each release of 9/30/2020 and 11/30/2020.	Ensure that all project milestones are on track and complete for Voluntary Contributions	All of the BRDs are either complete or on track. Construction will begin in April 2020

## Project Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [Member Redirect Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
1	<b>Risk #28: Schedule Delay:</b> The project schedule is not created in time or lacks sufficient quality to effectively plan and execute the project.	The Pre-QCP punch list was completed by the project team on 2/28/20. The Project Manager updated the project schedule with the updates from the punch list. The short-term schedule was submitted for QCP on 3/12/2020.	3/23/2020

# SB 1049 Implementation Program

Status Report for March 20, 2020

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

## Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP1A-User Testing Complete	100%		3/6/2020	
WPVC1.2 - BRD Complete	100%		3/9/2020	
WPVC1.3 - BRD Complete	100%		3/13/2020	
WP1B - IAP Redirect Construction Complete	0%		3/31/2020	
D6.1.1 - System Design Spec Draft	0%		4/1/2020	
D6.3.1 - Functional Design Spec Draft	0%		4/1/2020	
WP1B - EPSA Processing Construction Complete	0%		4/6/2020	
WP1D - G/L Setup IAP Redirect Construction Complete	0%		4/9/2020	
WP1A - Quality Gate Complete	0%		5/27/2020	
WP1B - Quality Gate Complete	0%		5/27/2020	
WPID - Quality Gate Complete	0%		5/27/2020	
WP1A - Release Date	0%		6/30/2020	
WP1B - Release Date	0%		6/30/2020	
WP1D - Release Date	0%		6/30/2020	
WPVC1.1 - Release Date	0%		9/30/2020	
WPVC1.2 - Release Date	0%		11/30/2020	
WPVC1.3 - Release Date	0%		11/30/2020	
WPVC1.4 - Release Date	0%		11/30/2020	

\*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late



### Project information: Member Choice

Project start: October 23, 2019 | Project end: TBD

Project Manager: Joli Whitney

### Project objective:

The Member Choice sections of SB 1049 give members a say in how their Individual Account Program (IAP) accounts will be invested. Members' regular IAP accounts are currently allocated to Target-Date Funds (TDF) based on their year of birth. Beginning with calendar year 2021, members will be able to elect a TDF other than the default TDF.

### Overall project status: **Yellow**

**Project Narrative:** The Business Requirement Document (BRD) for the first work package was delivered on March 4. The team moved several features to the second work package to provide a more streamlined first work package and ensure members will be able to log in to Online Member Services (OMS) on September 1 to make their optional TDF election. A PERS-experienced contracted business systems analyst resigned just as they were scheduled to onboard to the project. A new resource will likely need additional time for training which is not yet built into the schedule. With the uncertainty around resources and scope, the Member Choice business case was not completed as planned. With the first work package refinement and the confirmation that the solution will meet the deadline, the Steering Team affirmed on that the proposed OMS solution is still the path forward. Now that this solution has been affirmed, final updates are being made to the business case and is on track to be approved by March 27. The project schedule is in team review and will be finalized and baselined after the business case is approved.

### Work Packages:

#### WP1: Member Election (Short Term Solution )

- OMS Election Ability
- jClarety UI
  - Inquiry
  - Data Entry/override
- Voya
  - Provide requirements to Voya for changes needed to websites

#### WP2- Offline Tools and Processes

- Offline tools (OTS)
- TDF History modifications and SSIS
- Voya Reports
  - Modification of sweep
  - Reporting member choices to Voya

#### WP3- jClarety Updates

- Add IAP Earnings Rate table to jClarety
- DOB validation CRs for jClarety employer reporting
- Offline tools

#### WP4- Maintenance & Enhancement TDF Ownership

- Transfer TDF history records from Voya to PERS
  - PERS will report the TDFs to Voya on a yearly basis for Voya to post to member IAP record

# SB 1049 Implementation Program

## Status Report for March 20, 2020

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

**Budget health: Green**

Member Choice Project is currently within the budget allocated by the Legislature.

29560 SB 1049 - Member Choice Project Budget				
Expenses	Budget	Projections	Actual to Date	Remaining
*Personal Services - PERS	\$ 325,000	\$ 90,000	\$ 232,995	\$ 2,005
General Overhead Allocation	\$ 252,138	\$ 184,000	\$ 66,799	\$ 1,339
Personal Services - SB 1049	\$ 569,354	\$ 500,000	\$ 19,193	\$ 50,161
Office Expenses	\$ 500	\$ 250	\$ 114	\$ 136
IT Professional Services	\$ 1,500,000	\$ 413,283	\$ 13,501	\$ 1,073,216
IT Expendable Prop	\$ 6,340	\$ 500	\$ 5,536	\$ 304
SB 1049 Total Expenses	\$ 2,328,332	\$ 1,098,033	\$ 105,144	\$ 1,125,155
<b>Project Total</b>	<b>\$ 2,653,332</b>	<b>\$ 1,188,033</b>	<b>\$ 338,139</b>	<b>\$ 1,127,160</b>
*Not included in SB 1049 Expenses				

**Schedule Health: Green**

Schedule is under development. Schedule will be finalized and baselined after the business case is approved.

**Scope health: Green**

Scope is well understood

Quality Assurance activities:

- Schedule QCP review is in progress, due 3/24/2020
- Business Case review is in progress, due 3/25/2020
- Multiple Business Requirements Documents (BRD) are in review and due within the next few weeks

Emerging concerns/needs/impacts:

- None at this time

# SB 1049 Implementation Program

Status Report for March 20, 2020

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

## High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [Member Choice Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
3	<b>Internal Staffing:</b> Resource shifting, competing priorities, or over allocation impact the availability of dedicated project resources, or a key resource leaves PERS or is out for an extended period, and/or staff experience levels are inadequate	Sharing of resource load, assistance from program level perspective. May need to add temp staff	
17	<b>Competing SB 1049 Resources:</b> Critical resources are involved in multiple concurrent SB 1049 projects, limiting availability for individual projects	Careful coordinated schedule planning with Program Manager and Member Redirect Project Manager; affected staff are setting priorities and working overtime if needed. Business Owner or Program Business Owner may reassign other staff to help cover absences or help offset extreme workload periods.	

## Project Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [Member Choice Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
4	<b>Vendor or Contractor Staff:</b> Work orders for contracted resources are not finalized within scheduled timelines and/or contracted staff experience levels are inadequate.	This risk was raised to an issue last week when a planned contracted resource resigned just as they were onboarding. Work is underway to bring in a new resource as quickly as possible.	3/30/2020

# SB 1049 Implementation Program

Status Report for March 20, 2020






Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

## Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
Project Charter Approved	100%		1/22/2020	
Finalize Project Team	100%		2/14/2020	
Project Business Case Approved	0%		2/26/2020	No expected impact to critical path
Receive Stage Gate 2 Endorsement Memo from EIS	0%		2/28/2020	No expected impact to critical path
Baseline Project Schedule	0%		3/5/2020	No expected impact to critical path
TDF Insert in 2019 Member Annual Statements	0%		5/15/2020	
Approval Final OARs	0%		5/29/2020	
Member Communication About Member Choice	0%		8/3/2020	
WP1 Release	0%		8/14/2020	
Member Choice Election Period Opens	0%		9/1/2020	
Member Choice Election Period Closes	0%		9/30/2020	
Member Choice TDFs Effective	0%		1/1/2021	

\*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late

# Senate Bill (SB) 1049 Implementation Road Map

	2019						2020												2021											
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
 <b>Employer Programs</b>	<ul style="list-style-type: none"> <li>7/1/19 – Effective Date               <ul style="list-style-type: none"> <li>9/3/19 – Employer Incentive Fund (EIF) Application #1 Opens</li> </ul> </li> </ul>						<ul style="list-style-type: none"> <li>11/27/19 – EIF Application #1 Closes</li> <li>12/2/19 – EIF Application #2 Opens</li> </ul>						<ul style="list-style-type: none"> <li>7/16/20 – Employer Rate Projection Tool Complete</li> <li>8/31/20 – Unfunded Actuarial Liability Resolution Program (UALRP) Launch</li> <li>9/3/20 – EIF Application #2 Closes</li> <li>9/4/20 – Project Close</li> </ul>																	
 <b>Salary Limit</b>							<ul style="list-style-type: none"> <li>12/24/19 – Work Package (WP) 1 Short Term</li> <li>1/1/20 – Effective Date               <ul style="list-style-type: none"> <li>1/24/20 – WP2 (Post 2020 Salary Limit) Long Term</li> </ul> </li> </ul>						<ul style="list-style-type: none"> <li>6/17/20 – WP3 (User Screens) Long Term</li> <li>9/17/20 – WP4 (Proration in jClarety) Long Term</li> <li>9/30/20 – Project Close</li> </ul>																	
 <b>Work After Retirement</b>							<ul style="list-style-type: none"> <li>12/19/19 – Work Package (WP) 1 (Retiree Wages Suspended) Short Term</li> <li>1/1/20 – Effective Date</li> </ul>						<ul style="list-style-type: none"> <li>4/21/21 – WP3 (OPSRP Return to Work Defect &amp; Retro Rate Changes) Long Term →</li> <li>10/22/20 – WP2 (New Wage Codes with General Ledger (GL) Integration) Long Term</li> <li>8/6/21 – Project Close</li> </ul>																	
 <b>Member Redirect</b>							<ul style="list-style-type: none"> <li>6/30/20 – Work Package (WP) 1 Release (Employee Pension Stability Account Set Up/Batch/ General Ledger) – Short Term</li> <li>7/1/20 – Effective Date</li> </ul>						<ul style="list-style-type: none"> <li>9/30/20 – Voluntary Contributions Capture Elections Release – Long Term</li> <li>11/30/20 – Voluntary Contributions Final Functionality Release – Long Term</li> <li>3/1/21 – WP1 Release – Long Term</li> <li>5/30/21 – WP2 Release – Long Term</li> <li>8/30/21 – WP3 Release – Long Term →</li> <li>12/30/21 – WP4 Release – Long Term →</li> <li>12/31/21 – Project Close →</li> </ul>																	
 <b>Member Choice</b>	<ul style="list-style-type: none"> <li>10/23/19 – Project Kick Off</li> </ul>						<ul style="list-style-type: none"> <li>5/15/20 – Member Annual Statements (MAS) Flyer Communication</li> <li>8/14/20 – Member Choice Notification</li> <li>8/14/20 – Online Member Services (OMS) Changes Deployed</li> <li>9/1-30/20 – Election Period</li> <li>1/1/21 – Effective Date               <ul style="list-style-type: none"> <li>1/17/21 – Report changes to Voya</li> </ul> </li> </ul>																							

3/20/20



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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March 30, 2020

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

### 2020 REGULAR SESSION

The 2020 Regular Legislative Session adjourned Thursday, March 5. During the session, PERS made required reports related to Preliminary Earnings Crediting, Senate Bill 1566 (2018), and implementation of Senate Bill 1049 (2019). We also followed the progress of six policy bills that would have had an impact on PERS statutes or programs if they had been approved by the legislature and Governor.

### AGENCY REPORTS

On February 11, in front of the General Government Subcommittee of Ways and Means, PERS presented the required report on board action related to Preliminary Earnings Crediting. Final Earnings Crediting action taken by the board will also be reported to the legislature. At that meeting, we also presented the report on the implementation of employer programs, required by SB 1566 (2018), including updates on the School Districts Unfunded Liability Fund, Employer Incentive Program, and the Unfunded Actuarial Liability Resolution Program. Meeting materials and analysis from the Legislative Fiscal Office are [available online](#).

House Bill 5032 (2019), the PERS agency budget bill, included direction to report to the Joint Committee on Information Management and Technology and the Joint Committee on Ways and Means during the Legislative Session in 2020 on the implementation of Senate Bill 1049 (2019). We collaborated with the technology offices and the Chief Financial Office at the Department of Administrative Services (DAS) on the required report. PERS presented to the Joint Committee on Information Management and Technology on February 24. A broad spectrum of meeting materials and analysis from the Legislative Fiscal Office are [available online](#).

### 2020 LEGISLATION

Six bills that would have had an impact on PERS statutes or programs were considered by various committees during session. Although they were not ultimately approved by the legislature and Governor during the 2020 Regular Session, it is probable that the concepts will be reintroduced during a subsequent session. The bills we followed were:

<b>Bill Number</b>	<b>Relating Clause</b>	<b>Of Interest to PERS</b>
<a href="#">SB 1522A</a>	Relating to Education	An amendment to the original bill included provisions of SB 634 (2019) that would have clarified that income paid to certain OPSRP members working for charter schools should be treated as income for PERS purposes.
<a href="#">SB 1528A</a>	Relating to connection to federal tax law	This perennial bill, introduced by Legislative Revenue, would have updated the calendar year in PERS statutes however, the 2020 version of the “reconnect bill” also acknowledged the impact of the 2019 SECURE Act and new minimum age for Required Minimum Distributions (RMD).
<a href="#">SB 1576</a>	Relating to judicial marshals	This is a redraft of SB 187 (2019) which would have included the judicial marshals of the Judicial Branch (three employees) in the definition of “police” for PERS purposes.
<a href="#">HB 4108B</a>	Relating to salary under Public Employees Retirement System	This is a redraft of HB 2646 (2019) which clarified the definition of salary for OPSRP members who are prison chaplains.
<a href="#">HB 4057</a>	Relating to gambling on college athletics	Monitored due to potential impact to Oregon Lottery Scoreboard revenue stream to the Employer Incentive Fund.
<a href="#">HB 4153A</a>	Relating to limitations on gambling using personal electronic devices	Monitored due to potential impact to Oregon Lottery Scoreboard revenue stream to the Employer Incentive Fund.

#### WAYS and MEANS ACTIONS

PERS was included in provisions of two end-of session bills: [HB 4163A](#), the program change bill; and [HB 5204A](#), the budget reconciliation bill. Combined, these bills would have: provided direction on reporting progress on SB 1049 implementation in September 2020 and the 2021 legislative session; moved funds from the School Districts Unfunded Liability Fund to the Employer Incentive Fund; established Lottery Fund limitation for the Employer Incentive Fund; reclassified a position to an Associate Actuary; modified the formula for calculating excess unclaimed property interest for the School Districts Unfunded Liability Fund; and expanded reporting requirements related to the preliminary earnings crediting report.

If the legislature is convened for a Special Session before 2021, then these provisions and others may be considered at that time.



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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March 30, 2020

TO: Members of the PERS Board  
FROM: Marjorie Taylor, Senior Policy Director  
Stephanie Vaughn, Manager, Policy Analysis & Compliance Section  
SUBJECT: Legislative Concept Proposals – 2021 Session

### **2021 LEGISLATIVE SESSION – AGENCY LEGISLATIVE CONCEPT REQUESTS**

The Governor’s Office, in partnership with state agencies and the Department of Administrative Services, requests drafts of legislation and agency bill introduction before the beginning of each odd-year session. PERS traditionally presents legislative proposals to the Board for consideration and acknowledgment before we submit requests into the greater review process.

A package of possible agency legislative concepts was included for review in the January 31, 2020 Board packet. PERS has refined the list of requests and we propose the following for consideration and drafting.

### **SENATE BILL 1049 (2019) – TECHNICAL FIXES**

SB 1049 (2019) is a complex and comprehensive piece of legislation. Since June 2019, PERS has been working through evaluation and implementation of the different provisions of SB 1049. During 2019 legislative discussions, PERS acknowledged that we may need to refine portions of SB 1049 to more effectively implement the legislative intent of the measure. As PERS continues to work through implementation, additional revisions may be identified during the legislative concept drafting process; however the following changes are proposed for the following programs:

#### **Work After Retirement**

- Clarify that early retirees must be absent from all PERS employment for six months to be eligible to work unlimited hours for a PERS-participating employer.
- Remove language regarding Social Security standards.
- Standardize Work After Retirement provisions for all retirees who are elected/appointed to public office.

#### **IAP Redirect**

- Remove unclear “vested” terminology.
- Add the Employee Pension Stability Account (EPSA) to redeposit language for voluntary and mandatory redeposits.
- Clarify the meaning of “accrued after July 1, 2020” for members who retire under Money Match calculation.

#### **Employer Incentive Fund (EIF)/UAL Resolution Program**

- Clarify availability of revenue sources as a qualification for application cycles of the EIF.
- Remove references to improving employer funded status in the UAL Resolution Program.



- Provide clarification regarding when revenue from Oregon Scoreboard will be transferred to PERS.

**Coordination between SB 1049 and HB 2417 (2019)**

- Clarify that new EPSA accounts will be used to fund a portion of the new alternative pre-retirement death benefit for Tier One/Two members.

**TREATMENT of COMMON-LAW EMPLOYEES**

In June 2019, the Oregon Supreme Court decided *Eugene Water and Electric Board v. Public Employees Retirement Board (EWEB)*. The case asked whether a person who is considered a common-law employee of a PERS-participating employer, but is paid by a third party, is “in the service of a public employer” for purposes of PERS membership. The Court concluded that PERS membership was limited to employees on a participating employer’s payroll and did not include individuals considered to be common-law employees.

The Court’s decision in *EWEB* to link “service” to being on an employer’s payroll reversed PERS’ longstanding interpretation and administration of statute. For nearly 30 years, PERS’ administrative rules have provided that common-law employees are considered “employees” for purposes of PERS membership and retirement benefits. PERS began including language regarding common-law employees in rule to provide clarity in response to concerns that employers could attempt to avoid PERS contributions through misuse of independent contractor classifications. The *EWEB* decision to limit eligible employees to those on a participating employer’s payroll highlights these concerns and creates a potential long-term risk to the PERS fund.

PERS recommends statutory clarification of the definition of “employee” (or “eligible employee” in OPSRP terminology) to explicitly include common-law employees as defined under IRS standards. This solution would not affect the scope of employee/independent contractor classifications, nor affect employers’ ability to use the services of independent contractors, but instead would clarify that the source of a person’s payroll is not the exclusive factor to be considered in determining whether an individual is an “employee” for purposes of PERS membership. This proposal does not change PERS’ business operations and instead explicitly aligns statute with the way PERS has understood and administered the system for decades.

**INDIVIDUAL ACCOUNT PROGRAM (IAP) and PRIOR YEAR EARNINGS (PYE)**

Currently, when employers are late with PERS IAP contributions for their members, there is no statutory provision that allows PERS to charge for past earnings on the late contributions. The policy and practice of charging employers for earnings on late IAP contributions was formally adopted by the PERS Board upon staff recommendation in 2006 while establishing rules for the IAP remediation project. However, that adopted policy and practice were not actually reflected in the administrative rules that were updated at the time.

IAP accounts have been credited with annual earnings after we “close the books” for a given calendar year. Inevitably, some contributions are posted to member accounts after the calendar year has closed, due to an employer’s late reporting, subsequent revisions to the member’s service record, or discovering oversights in previous reports.

When these late contributions are finally posted to a member’s IAP account, the question of earnings that should be credited generates the following alternatives:

- (A) Post member contributions from their employers without earnings;
- (B) Calculate imputed earnings and charge the employer; or
- (C) Calculate imputed earnings and charge a generic account (established to hold gains, losses, adjustments, prior forfeitures, etc.)

There is no statutory support for the current agency practice of collecting earnings from employers for late IAP contributions. The practice was formally reviewed and adopted by the PERS Board in 2006. However, statute provides that employers who make delinquent payments can be charged interest on the total amount of contributions at one percent per month (or fraction thereof) but that the fee is used to pay for administrative expenses of the system. PERS has not applied this statutory interest penalty against employers, and this penalty may not be paid to member IAP accounts.

Members are likely to have an expectation that employers make IAP contributions in a timely manner and that earnings be credited appropriately to their accounts. Therefore, PERS recommends legislation to reflect the current practice of collecting earnings on late contributions from employers, to be made to member IAP accounts.

### **ORIGINALLY PROPOSED – JANUARY 31, 2020 BOARD MEMO**

At the January 31, 2020 Board meeting, staff presented a variety of possible legislative concepts to be considered for the 2021 session. After additional conversations and consideration, PERS chooses not to focus on the following, but offer assistance to stakeholders if they would like to move forward with part or all of these concepts:

#### **Technical Fix Bill - Tax Remedy Bill - Judges**

**Judge Members and Tax Remedy** - Judges are eligible for PERS benefits, but when the legislature eliminated tax remedy payments for non-resident retirees, statutory references in the Judge Program statutes were not updated to reflect that elimination. However, PERS is currently removing the tax remedy from the benefits of judge members whose benefits are not subject to Oregon income tax.

#### **Technical Fix Bill - Tax Remedy Bill – Equation Issues**

1. **Tax Remedy Calculation – Multiplier** - An argument has been raised, that statute requires PERS to apply a multiplier of 109.89 percent against the retirement allowance to determine the amount of tax remedy payable. This argument has been rejected by the Oregon Court of Appeals, however it would be helpful to amend and clarify this in statute.
2. **Tax Remedy Calculation – Denominator** - It has been argued in trial court that the denominator (total number of years of creditable service *during which the pension income was earned*) for the tax remedy ratio should not include any years of PERS service after the establishment of the IAP. While PERS successfully argued that all years of service should be included in the denominator for the purpose of calculating the tax remedy, clarifying this in statute will prevent any future challenges.

#### **Technical Fix Bill – Pre-Retirement Death**

1. **Eliminate Time Limit for Notification to PERS of a Tier 1/Tier 2 Pre-Retirement Death. (Fix for HB 2417)** - HB 2417 (2019) established a new pre-retirement death benefit for Tier 1/Tier 2 members, but only to those who notify PERS “no later than 60 days after the date of death of the member.” Often, PERS is not notified of a member death within 60 days of the date of death.
2. **Pre-retirement Death – Payout of IAP under Small Estate Affidavits** - Currently, PERS is authorized to pay out a pre-retirement death benefit to the person who filed a small estate affidavit

however, this same authority is not provided for PERS to pay out an IAP account balance in the event of pre-retirement death.

- 3. Pre-Retirement Death Benefits for Intestate Cases** - When a member dies without designating a beneficiary, statutes that provide the order of priority of who may receive Tier One/Two pension benefits and IAP death benefits for the deceased member are inconsistent. PERS was seeking to harmonize the pre-retirement death pension benefit payout standards for intestate cases.

#### **Technical Fix Bill - OPSRP Retirement/Disability Eligibility**

- 1. OPSRP Retirement Credit/Disability for School Employees** - Currently, an OPSRP member who is an educational employee, is required to have active membership in 10 or more calendar years to qualify for non-duty disability benefits; however, to be eligible to receive retirement credit at service retirement for their period of disability, the member is required to have 10 years of retirement credit. While this “active membership” standard potentially provides disability benefits to school employees with less than 10 years of retirement credit, there is no corresponding standard for school employees to receive retirement credit for their period of disability at service retirement. PERS proposed to resolve the disparity between active membership in 10 calendar years versus 10 years of retirement credit for the purposes of disability benefits for school employees.
- 2. OPSRP P&F Retirement Eligibility** - In order for an OPSRP P&F member to qualify for an unreduced retirement benefit at 60 years of age (or 53 years of age with 25 years of retirement credit), statute requires that a member work in a P&F position continuously, for a period of not less than five years, immediately preceding the effective date of retirement. If an OPSRP member takes *any* time between their last day of employment and effective retirement date they may lose their eligibility to retire under P&F timing. PERS proposed to modify statute to allow for the unreduced benefit so long as the P&F position was the member’s last PERS-participating employment before retirement and they’ve met the five year requirement for P&F.
- 3. OPSRP Disability/Early Retiree Overlap Period** - Statute requires that an OPSRP disability benefit be paid until the member is no longer disabled or until the member reaches *normal* retirement age. Normal retirement age for an OPSRP member is 65 years of age (60 for a P&F member). However, the *earliest* retirement age for a service retirement benefit is 55 years of age for a non-P&F member and 50 years of age for a P&F member. It is possible that a member could attempt to “double dip” by applying for an early service retirement while continuing to draw an OPSRP disability benefit. If that attempt is made, PERS does not have statutory authority to refuse the request.

#### **Stand Alone Fee Bill - Increase Divorce Fee in Statute or Allow PERS to Set Through OAR**

**Background** – Statute prohibits PERS from charging more than \$300 total administrative expenses and related costs incurred in obtaining data or making calculations related to divorce decrees. This fee was established in 1993, but the actual cost of administration is currently near \$1,300 and PERS processes approximately 1,000 decrees per year. PERS would have increased the fee in statute or eliminated the fee and requested authority to set one in rule.

#### **Stand Alone Bill - Increase the Threshold for Minimum Monthly Pension Benefit Payments**

**Background** – For administrative efficiency, the legislature established a minimum benefit amount to qualify for a monthly benefit payment. A retiring PERS member who is due a monthly benefit payment of \$200 or less is paid a single lump sum that represents the actuarial value of the member’s monthly benefit. The \$200 threshold was last changed in 2001, when it was increased from \$30. PERS would have proposed a more administratively feasible minimum benefit payment for consideration.

### **NEXT STEPS**

Upon Board approval of the 2021 package of draft requests, they will be filed with the Department of Administrative Services and Governor's Office for review and further consideration. Over the summer, Legislative Counsel will prepare bill drafts for review and comment. PERS stakeholders and the board will have an opportunity to review bill drafts, and final agency requests for introduction are due to DAS and the Governor's Office before December 18, 2020.

### **BOARD OPTIONS**

The PERS Board may:

1. Pass a motion to "recommend approval of submitting requests to DAS for drafting Legislative Concepts for the 2021 session."
2. Direct staff to explore other options.

### **STAFF RECOMMENDATION**

Staff recommends the PERS Board choose Option 1.

- Reason: This is the first step in a long journey for drafting, revisions, introduction, and promoting legislative policy priorities for the 2021 session. The Governor's Office, DAS, and stakeholders will also provide guidance to the agency throughout this process.



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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March 30, 2020

TO: Members of the PERS Board  
FROM: Richard Horsford, Chief Financial Officer  
Greg Gabriel, Budget Officer  
SUBJECT: 2021-23 Budget Development

### OVERVIEW

The 2021-23 State Agency Budget Kick-Off Meeting occurred March 17, 2020. Agencies received guidance regarding budget preparation for the upcoming biennium. As the management team reviewed current needs, a primary theme that emerged was addressing increasing complexities. This theme is evident in ever increasing complexities of the overall pension system, technologies, risk environments, and continuous development of a workforce that is equipped to effectively address the needs of the organization.

### BUDGET DEVELOPMENT ACTIVITIES

The Agency Request Budget (ARB), one of three phases of budget development for the 2021-23 biennium, is officially underway. During this first phase, the agency carefully evaluates its operations and puts forth policy package requests in an effort to improve efficiency and increase value to its members. The agency is considering the following policy package requests for the 21-23 budget cycle, which would be an increase to our current operations:

Division	Staff	Position Re/class	Total
Central Admin	5		979,632
ISD	6	7	2,483,491
OD	7		976,786
CARD	1		1,862,671
SB1049			TBD
<b>Agency Request Total</b>	<b>19</b>	<b>7</b>	<b>\$6,302,580</b>
<b>DAS increase in SGSC</b>			<b>\$4,685,377</b>
<b>Estimated Budget Increase</b>			<b>\$10,987,957</b>

The proposed policy packages are to be considered preliminary as the agency is reviewing these to gain a better understanding of our future needs and will use this information to finalize our budget requests. This includes reviewing which resource requests are full-time versus limited duration as well as if there is an opportunity to offset contractor costs for full-time resources. The agency will present an updated request at the May 29, 2020 Board meeting.

Final Board approval of the 2021-23 ARB will occur during the PERS Board meeting on July 31, 2020.

### **Central Administration Division**

#### **Learning and Organizational Development: 2 Positions | \$377,524**

This request is to better prepare and align our human capital management plans to PERS' mission and strategic goals. This will enable the executive team to leverage the workforce to achieve results. The agency is requesting to hire a Learning & Organizational Development Supervisor 2 and an Organizational Change & Learning Specialist.

#### **Procurement Staffing: 2 Positions | \$349,205**

The goal of this proposal is to achieve the appropriate level of PERS' Procurement, Facilities & Logistics (PFL) unit staffing required to deliver essential services that are critical to supporting the PERS mission. The PFL staffing level continues to affect delivery of critical support to those charged with conducting the agency's business.

#### **Communications Enterprise Support: 1 Position | \$252,903**

This improvement package would allow the Communications Section to improve its support of agency operations and needs, making the section personnel more skilled and processes more efficient, while enabling the teams to produce a higher caliber of deliverables.

### **Information Services Division**

#### **Release Manager: 2 Positions | \$595,608**

Create two Release Manager positions under the Information Services Division (ISD). Release managers are responsible for the release management lifecycle, focusing on coordinating various aspects of production and projects into one integrated solution.

#### **Quality Assurance Systems Analyst: 1 Position | \$218,705**

The QA Analysts provide system and functional operational knowledge that supports both business and development during construction and transition phases of the System Development Lifecycle (SDLC).

#### **Senior Software Engineer: 1 Position | \$297,804**

This request proposes the conversion of the SB 1049 Senior Software Engineer position into a full time position. The Enterprise Application Section has relied on augmenting development staff with the use of contractors. The agency will decrease its Services and Supplies budget by the requested Personal Services amount.

#### **Position Re/class: 7 Positions | \$198,100**

Upward reclass of three Operation and Policy Analyst 2 positions to Information Systems Specialist (ISS) 5 positions; and four ISS 2 positions to ISS 4 classifications to meet the growing workload and complexity within Help Desk and imaging operations.

#### **Senior Systems Application Administrator: 1 Position | \$320,525**

The purpose of this request is to decrease contracting expenses, reduce work out of class headcount, and establish permanency of support for foundational systems. The agency will decrease its Services and Supplies budget by the requested Personal Services amount.

**Senior Systems Disaster Recovery Administrator: 1 Position | \$320,525**

Purpose is to decrease contractor spending, and have the current disaster recovery (DR) solution supported, maintained, and matured. The primary responsibilities will be maintaining the backup data center, disaster recovery plan, backups, and be the primary contact for DR related administration. The agency will decrease its Services and Supplies budget by the requested Personal Services amount.

**Modernization: 0 Positions | \$532,224**

This business case is a proposal to initiate and conduct envisioning, architecture, and planning activities for ORION Modernization.

**SB1049 Resources: 0 Positions | \$0**

This is a placeholder for possible requests related to the implementation of SB 1049.

**Operations Division**

**Education Team Enhancement: 2 Positions | \$292,182**

The purpose of this request is to increase the service offerings of Member Services' Education Team and increase customer satisfaction ratings.

**Death Unit Staffing: 2 Positions | \$266,480**

This request will more effectively address the complex workload created by an increasing number of deaths and benefits payable from multiple plans.

**Qualifying/Non-Qualifying Data Backlog: 3 Positions | \$418,124**

This is a request for staff and budgetary support within the Data Services Section to secure assistance with addressing the growing agency backlog of member data issues known as the Qualifying/Non-Qualifying (Q/NQ) population.

**Compliance, Audit and Risk Division**

**Enterprise Risk Management Program: 1 Position | \$868,671**

This proposal is intended to enhance the capabilities of the agency by implementing an Enterprise Risk Management program, which ties together strategy and business plans using risk management methodologies as one of the key decision-making criteria.

**Information Security and Continuity Program: 0 Positions | \$994,000**

PERS was granted \$638,291 in Other Funds expenditure limitation during the 2019-2021 legislative session as initial funding for operating its information security and continuity management programs. The agency was directed to return during 2021-2023 legislative session to request permanent funding for its two programs.

**Additional Budget Development Activities**

The agency continues to monitor the proposed increases in State Government Service Charges. These fees are levied to each agency by the Department of Administrative Services to cover the costs of shared services statewide. The current figure is \$15,144,121, which represents a \$4.7M increase or 45% of the current amount.



# OVERVIEW OF RATE COLLARING POLICY

## OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

**Presented by:**

**Matt Larrabee, FSA, EA**

**Scott Preppernau, FSA, EA**

March 30, 2020

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.



# Introduction

- Today's presentation provides overview and historical background on the contribution rate collar method used to determine PERS employer rates
  - For informational purposes; no Board action required
- Rate collaring was among methods and assumptions Board adopted in October 2019 to be used in calculating 2021-2023 contribution rates
- The rate collar affects the timing of when OPERF asset gains and losses, along with the effect of assumption changes, are reflected in employer contribution rates
  - Given recent market turbulence, it is important to continue to assess how the current rate collar design will function in the event of a significant downturn

# Valuation Process and Timeline

- Actuarial valuations are conducted annually
  - Alternate between “rate-setting” and “advisory” valuations
- 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
12/31/2017	→ July 2019 – June 2021
12/31/2019	→ July 2021 – June 2023
12/31/2021	→ July 2023 – June 2025

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90/102

# System-average weighted total\* pension-only rates

2009-2011  
rates set prior  
to economic  
downturn

2011-2013  
rates first to  
reflect -27%  
return in 2008

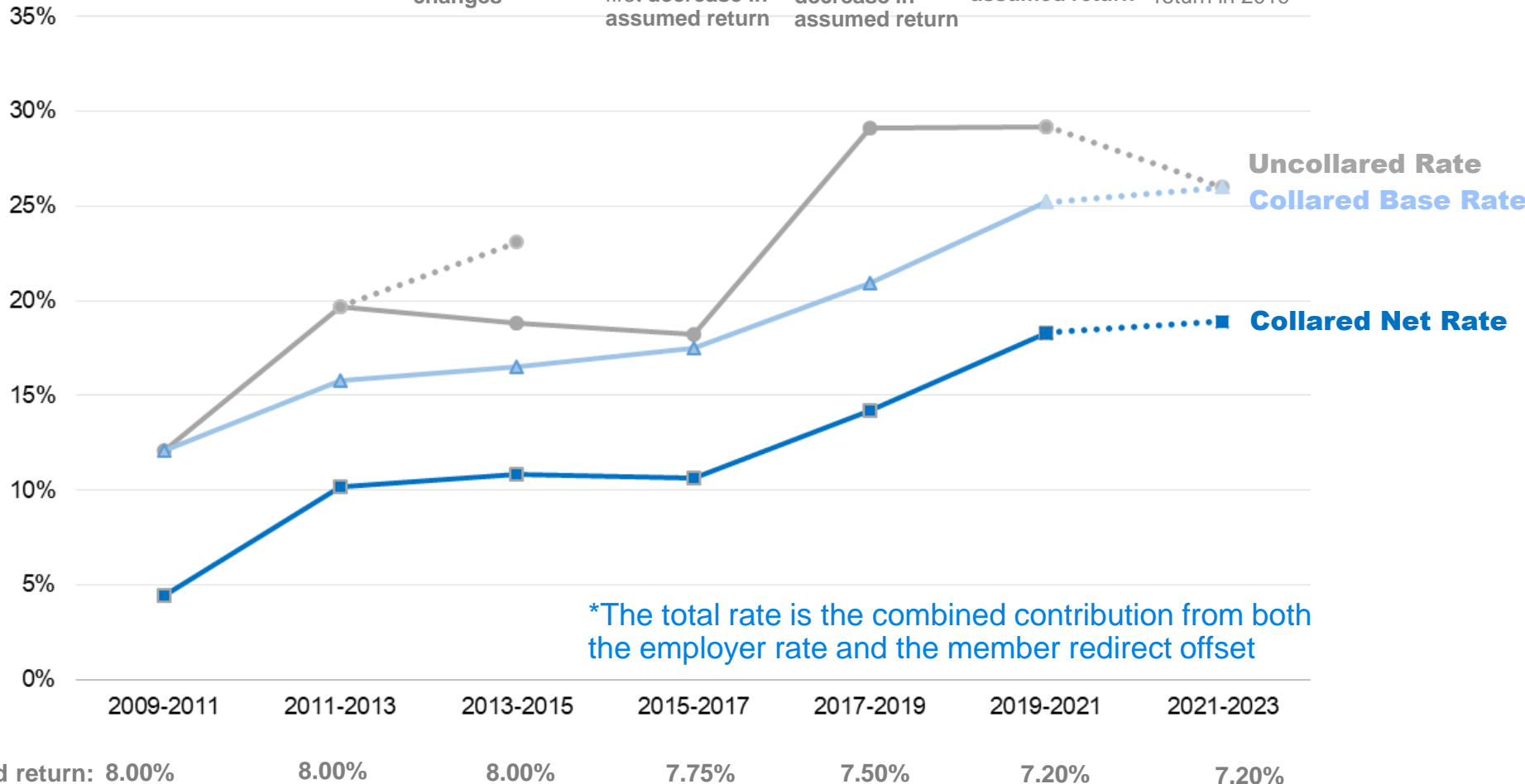
2013-2015  
shown before  
(dotted line)  
and after (solid  
line) legislated  
changes

2015-2017 set  
**pre-Moro**  
reflecting 2012  
(+14.3%) & 2013  
(+15.6%) returns,  
first decrease in  
assumed return

2017-2019 set  
**post-Moro**,  
reflecting 2015  
return (+2.1%)  
and second  
decrease in  
assumed return

2019-2021  
reflects +15.4%  
return in 2017  
and third  
**decrease in  
assumed return**

2021-2023 are preliminary  
estimates of total rates *before  
reduction for effect of SB 1049  
member redirect offset  
contributions*; reflects +13.6%  
return in 2019



Assumed return: 8.00%

8.00%

8.00%

7.75%

7.50%

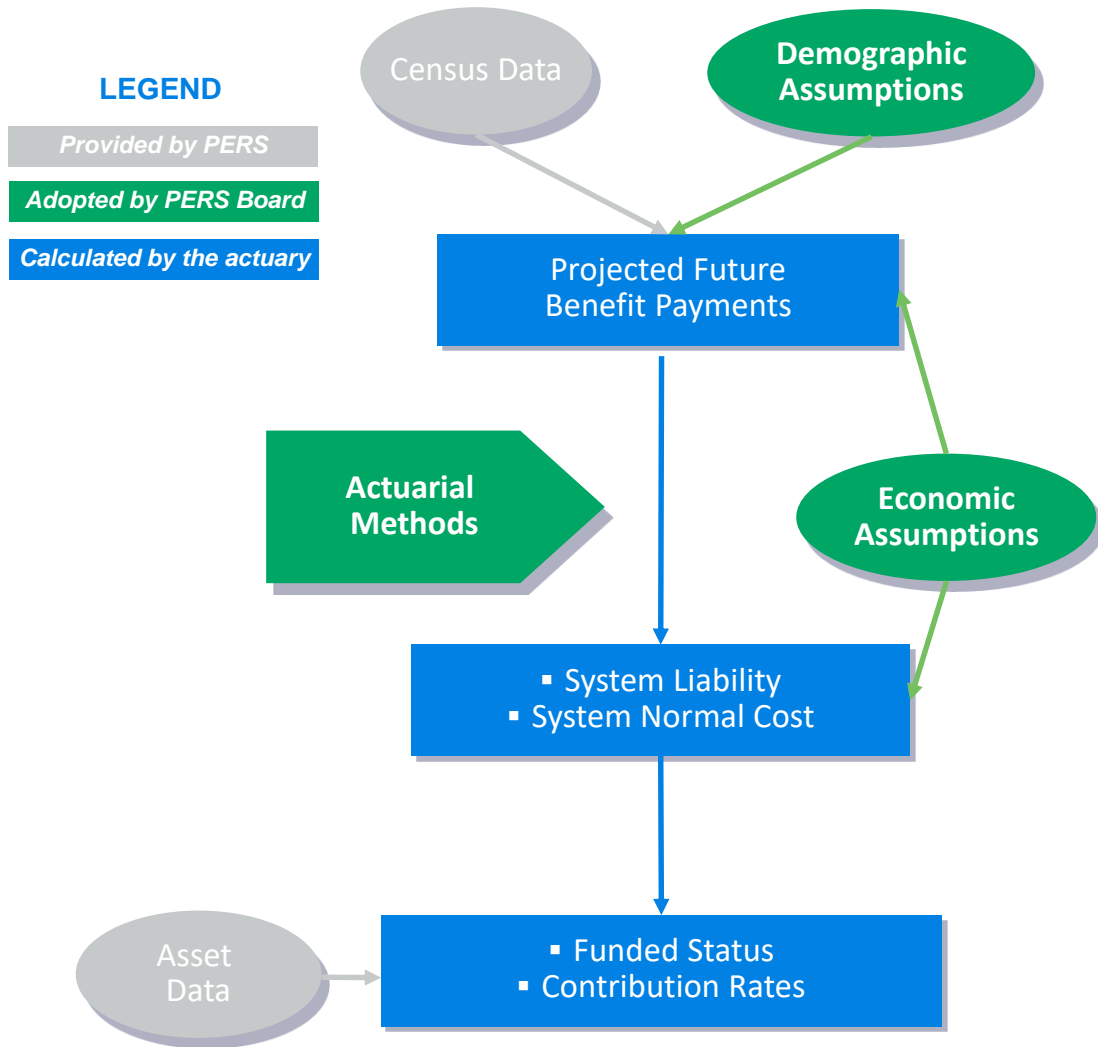
7.20%

7.20%

# What is a rate collar?

- Rate collar: an **actuarial method** to set contribution rates
- 2007-2009 rates were the first to use a rate collar methodology
  - Collar development process during 2005 and 2006 included stochastic analysis to assess the collar's robustness in addressing a wide variety of possible future investment return scenarios
- The rate collar tries to balance competing articulated Board **objectives** for actuarial methods
  - Transparent
  - Predictable and stable rates
  - Protect funded status
  - Equitable across generations
  - Actuarially sound
  - GASB compliant

# Rate-Setting Process



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93/102

# Step 1: Calculate an Uncollared Contribution Rate

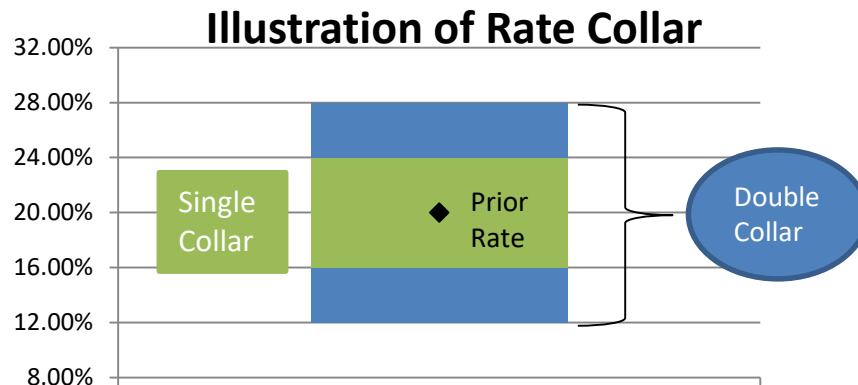
- Calculate the **uncollared contribution rate** that:
  - Avoids UAL balance materially worsening in the near-term if actual future experience matches the assumptions used in calculating the UAL
  - Systematically returns PERS to 100% funded status if future experience matches assumptions
- The uncollared rate calculation uses best currently available market data
  - Fair market value of assets (instead of a smoothed asset measure)
  - Current capital market outlooks from actuary, investment consultant to Treasury
- Ideally, the uncollared rate is a contribution level based on model practices for assumptions and methods
  - The uncollared rate weights some of the articulated Board objectives listed on slide 4 more heavily than others

## Step 2: Calculate a Collared Contribution Rate

- If uncollared rate is well above the current rate charged, the initial increase in the rate actually charged is limited (or collared) by a formula
  - The rate charged to employers in the next biennium will be partway toward the uncollared rate
- The **collared rate** can temporarily be below the uncollared rate
  - Collaring systematically spreads large increases across multiple biennia
  - Additional market data after the first collared increase is used in later calculations
- The collar width should be calibrated to balance competing objectives
  - Too wide: same as having no collar, insufficiently stable or predictable
  - Too narrow: harms funded status, generationally inequitable, actuarially unsound in some scenarios for actual future experience

# Width of the Rate Collar - Current Structure

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



- Collars are calculated at a rate pool level and limit the biennium to biennium increase in the UAL Rate for a given rate pool

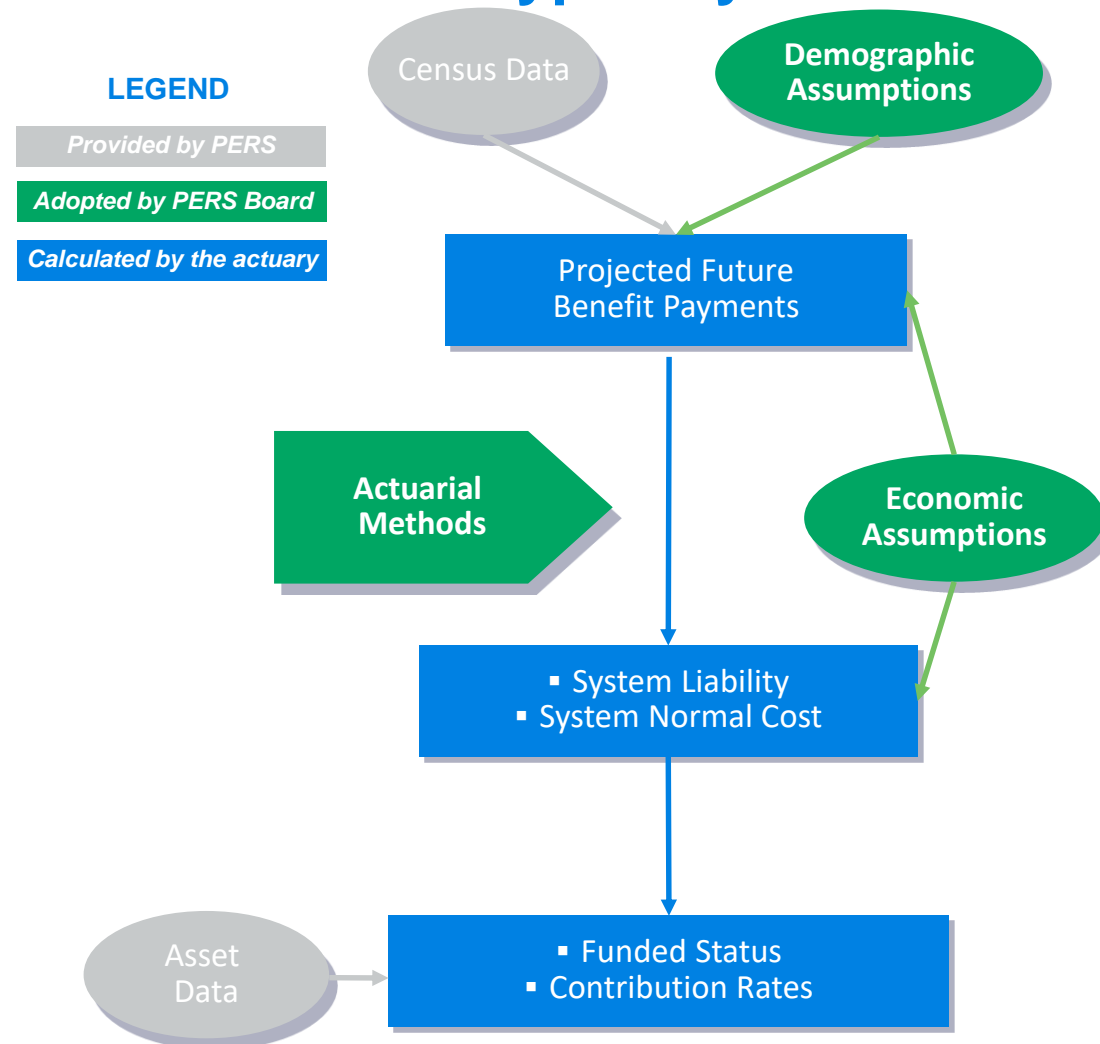


# What Has Changed Since the Collar Was Designed?

- The width of the single collar is the wider of the larger of:
  - 20% of the rate currently in effect, or
  - 3% of payroll
- When designed and adopted in 2005 – 2006 the “rate currently in effect” for most employers was below 15% of payroll, so:
  - The single collar’s width was effectively 3% of payroll, and
  - The width of a double collar was effectively 6% of payroll
- Many employers’ Tier 1/Tier 2 “rate currently in effect”, which is higher than the system average rate shown on slide 3, is now near 30% of payroll, so:
  - The single collar’s width is effectively 6% of payroll, and
  - The width of a double collar is effectively 12% of payroll
- One-time re-amortization of Tier 1/Tier 2 UAL over 22 years per SB 1049
  - Lowers the uncollared rate; delays achievement 100% funded status

# What do systems that do not use a collar typically do?

- Most systems smooth **inputs**, rather than use a rate collar which smooth **outputs**
  - This typically includes deferred systematic recognition of investment gains and losses over time
- Manage rates via selection of assumptions and methods, which can lead to:
  - Optimistic rather than prudent actuarial assumptions, particularly the investment return assumption
  - Methods, especially amortization periods, that are far from best practice
- Often, there is no calculation of a rate based on prudent assumptions, best practice methods, and current asset levels



# Wrap-up

- Rates in effect for 2021-2023 will be based on asset and liability levels as of December 31, 2019
  - System-average estimates of those rates are shown on slide 3
  - Employer rates proposed for adoption will be presented on October 2<sup>nd</sup>
- Under the standard rate-setting calendar, the effects of the current investment downturn would first be reflected in 2023-2025 rates
- Milliman can provide detailed analysis of any potential changes to the rate collar in subsequent meetings, if alternatives are identified for consideration
  - Would inform Board's next review of methods and assumptions in 2021
  - The annual financial modeling, currently slated for the December 4<sup>th</sup> meeting, would be a natural time to analyze alternatives using our variable return model that analyzes 10,000 possible scenarios for future investment returns



# Appendix

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# Certification

This presentation summarizes information provided in valuations for the Oregon Public Employees Retirement System (“PERS” or “the System”) and prior presentations to the PERS Board, including the December 2019 and January 2020 presentations to the PERS Board. Those presentations, along with the December 31, 2018 System-Wide Actuarial Valuation Report, should be referenced for additional detail on the assumptions, methods, and plan provisions underlying these results.

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. The PERS Board has the final decision regarding the appropriateness of the assumptions.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for 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.

# Certification

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.

Milliman's work is prepared solely for the internal business use of the Oregon Public Employees Retirement System. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product.

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 pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. 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.