



OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

BOARD MEETING AGENDA

Friday September 29, 2023 9:00 a.m.		PERS 11410 SW 68 th Parkway Tigard, OR	
ITEM		PRESENTER	
A. Administration			
1.	July 28, 2023, PERS Board Meeting Minutes	SHENOY	
2.	Director's Report	OLINECK	
	a. Forward-Looking Calendar		
	b. OPERF Investment Report		
	c. Budget Execution Report		
3.	Board Self-Evaluation Survey verbal update	SHENOY	
B. Administrative rulemaking			
1.	Notice of Reemployment of a Retired Member of OPSRP rules	VU, VAUGHN	
2.	Adoption of Retirement Benefit rules	CHANDLER, VAUGHN	
C. Action and discussion items			
1.	PERS Modernization Program update	CRAVEN	
2.	PERS Member and Employer Survey results	ROSSMAN, ARMATAS, LOCKWOOD	
3.	Oregon Savings Growth Plan administrative fee increase	HORSFORD	
4.	Final adoption of valuation methods and assumptions including assumed rate of return	OLINECK	
5.	Adoption of Assumed Rate OAR	VAUGHN	
6.	Board Funding Policy review	OLINECK	
7.	December 31, 2022 system-wide valuation results	MILLIMAN	

The PERS Board members, meeting presenters, and the public have the option to attend this meeting in person or remotely. Visit <https://www.oregon.gov/pers/Pages/Board/PERS-Board-Information.aspx> for options. This meeting will be recorded. An audio recording of the meeting will be available on the PERS website following the meeting.

Public testimony or comment will be taken on action items at the Chair's discretion. Written testimony/comment must be submitted to pers.board@pers.oregon.gov. Requests to provide oral testimony/comment must also be submitted to pers.board@pers.oregon.gov.

All written testimony/comment and requests to provide oral testimony/comment should be submitted three days or more in advance of the meeting. Three days allows testimony/comment to be processed by staff, included in the PERS board materials, and considered by board members.

NOTE: During its meetings, the PERS Board addresses the PERS program as a whole, not an individual member's benefits. If you have a specific concern about how PERS administers your individual benefits, please call PERS Member Services at 888-320-7277 or follow the PERS appeal process as outlined in OAR 459-001-0030.

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

2023 Meetings: December 1*
2024 Meetings: February 2, April 1*, May 31, July 26*, October 4, December 6*
 *Audit Committee planned for post-Board meeting

September 29, 2023
PERS Board meeting agenda

Administration

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OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING MINUTES

July 28, 2023

Board members present:

Chair Sadhana Shenoy, Stephen Buckley, Jardon Jaramillo, Suzanne Linneen, and John Scanlan attended in the PERS Boardroom.

Staff present:

Kevin Olineck, Heather Case, Katie Brogan, Richard Horsford, Shane Perry, Stephanie Vaughn, Yong Yang, and Yvette Elledge-Rhodes attended in the PERS Boardroom.

Akiko Yoshida, Alex Gaub, Alyse Greer, Anne Marie Vu, April Chapman, Colin Campi, Daniel Rivas, David Larson, Elizabeth Rossman, Janice Richards, Jonathan Yost, Jordan Masanga, Katie Davis, Liz DeClue, Neil Jones, Phuongnam Tran, Rebecca Craven, Susie Bodman, and Troy Phillips attended virtually.

Others present:

Matt Larrabee, Scott Preppernau, Jeff Gudman, and Peter Wong attended in the PERS Boardroom.

Alija Radoncic, Anne Willis, Aruna Masih, Carol Samuels, Christina Stephens, David Williams, Debra Day, Dee-dra Kleve, Gay Lynn Bath, John Kevin Balaod, Julie Coatney, Kali Leinenbach, Katie Kicza, Megan Daniels, Michelle Lisper, Nate Carter, Odalis Aguilar Aguilar, Richard Thorpe, Ruth Nelson, Shauna Tobiasson, Steven Demarest, and Tan Cao attended virtually.

Chair Shenoy called the meeting to order at 9:01 a.m.

ADMINISTRATION

A.1. MEETING MINUTES OF JUNE 2, 2023

Vice Chair Buckley moved to approve the minutes as presented from the June 2, 2023, PERS Board meeting as presented. Board Member Scanlan seconded the approval of the minutes. The motion passed unanimously.

A.2. DIRECTOR'S REPORT

Director Kevin Olineck presented the Director's Report, which is a summary of items for the board to be aware of, and the forward-looking calendar. He noted that the forward-looking calendar lists the 2024 PERS Board meeting dates.

The Oregon Public Employees Retirement Fund (OPERF) returns, for the period ending June 30, 2023, were 3.35%.

Operating expenditures for May and preliminary expenditures for June are \$4,523,912 and \$6,719,620, respectively.

Through July 7, 2023, the agency has expended a total of \$113,146,074 or 89.4% of PERS' legislatively approved operations budget of \$126,596,362. At this time, the agency's projected variance is \$6,456,445 or 5.1%.

Olineck reviewed the meeting agenda. Chair Shenoy acknowledged that PERS is already ahead on the listed Governor's expectations. Vice Chair Buckley noted that the experience study provides a better indication of what retirees generally receive at retirement.

ADMINISTRATIVE RULEMAKING

B.1. INTRODUCTION OF POLICY COORDINATORS

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

Vaughn introduced the Policy Analysis and Compliance Section (PACS) Policy Coordinators, Anne Marie Vu, Melanie Chandler, and Yong Yang. The policy coordinators draft PERS' Administrative Rules and provide policy guidance to the agency.

B.2. NOTICE OF RETIREMENT BENEFIT RULES

Stephanie Vaughn, PACS Manager, and Melanie Chandler, PACS Policy Coordinator, presented Notice of Rulemaking for Retirement Benefits Rules OAR 459-013-0060, and Payment of Retirement Benefits OAR 459-075-0170, Payment of OPSRP Pension Program Benefits.

A rulemaking hearing will be held remotely on August 29, 2023. The rule is scheduled to be brought before the PERS Board for adoption at the September 29, 2023, board meeting.

B.3. ADOPTION OF OPSRP EARNINGS CREDITING RULE

Stephanie Vaughn, PACS Manager and Yong Yang, PACS Policy Coordinator, presented Adoption of Oregon Savings Growth Plan (OSGP) Self-Directed Brokerage Option Rule OAR 459-050-0120, Self-Directed Brokerage Option.

A rulemaking hearing was held remotely on June 28, 2023, at 2:00 p.m. The public comment period ended July 3, 2023, at 5:00 p.m. No public comment was received.

Vice Chair Buckley moved to adopt the changes to OAR 459-050-0120 as presented. Board Member Jaramillo seconded the motion. The motion passed unanimously.

B.4. ADOPTION OF REQUIRED MINIMUM DISTRIBUTION RULES

Stephanie Vaughn, PACS Manager, and Yong Yang PACS Policy Coordinator, presented Notice of Required Minimum Distribution Rules, OAR 459-005-0560, Required Minimum Distributions, Generally, OAR 459-005-0570, Required Minimum Distributions, Individual Account Program (IAP), and OAR 459-050-0300 Required Minimum Distribution Requirements.

A rulemaking hearing was held remotely on June 28, 2023, at 2:00 p.m. The public comment period ended July 3, 2023, at 5:00 p.m. No public comment was received.

Board Member Jaramillo moved to adopt the changes to OAR 459-005-0560; OAR 459-005-0570; OAR 459-050-0300 as presented. Board Member Scanlan seconded the motion. The motion passed unanimously.

ACTION AND DISCUSSION ITEMS

C.1. LEGISLATIVE UPDATE

a. Session overview and 2024 preview

Heather Case, Senior Policy Advisor, presented an update on the bills passed by the Legislature during the 2023 legislative session. Over 200 bills were tracked by agency staff. Agency implementation meetings have begun. PERS' three agency bills passed with few or no amendments.

No board action was required.

b. 2023-25 budget

Richard Horsford, Chief Financial Officer, presented a 2023-25 PERS Agency Budget Update (House Bill (HB) 5033).

C.2. SENATE BILL 1049 UPDATE

Yvette Elledge-Rhodes, Deputy Director, presented.

Elledge-Rhodes reviewed the ongoing activities of the individual projects that make up the Senate Bill 1049 Implementation Program. She highlighted program activities that have been completed or are in process since the last update to the board. Program health is in red status.

No board action was required.

C.3. VALUATION METHODS AND ASSUMPTIONS INCLUDING ASSUMED RATE OF RETURN

Scott Preppernau and Matt Larrabee of Milliman presented. The presentation reviewed the potential changes to actuarial methods and assumptions so they can complete the 2022 system valuation.

Each board member provided their rationale of what assumed rate of return they believed the board should adopt. All board members supported keeping the rate at 6.9%.

Board Member Linneen moved to adopt, on a preliminary basis, the recommended changes to the actuarial methods and assumptions as set out by Milliman, our consulting actuaries, in the Executive Summary of the 2022 Experience Study. Board Member Scanlan seconded the motion. The motion passed unanimously.

Vice Chair Buckley moved to adopt, on a preliminary basis, the assumed rate at 6.9%. Board Member Linneen seconded the motion. The motion passed unanimously.

C.4. NOTICE OF ASSUMED RATE OAR

Stephanie Vaughn, PACS Manager, presented notice of Rulemaking for Assumed Rate Rule OAR 459-007-0007, Assumed Rate.

A rulemaking hearing will be held remotely on August 29, 2023, at 2:00 p.m. The public comment period ends September 4, 2023, at 5:00 p.m. The rule is scheduled to be brought before the PERS Board for adoption at the September 29, 2023, board meeting.

Chair Shenoy adjourned the PERS Board meeting at 10:49 a.m.

Respectfully submitted,



Kevin Olineck, Director

September 29, 2023
PERS Board meeting agenda

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Director's Report

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Kevin Olineck, Director



Overview

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.

Highlights

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

Agency initiatives and accomplishments

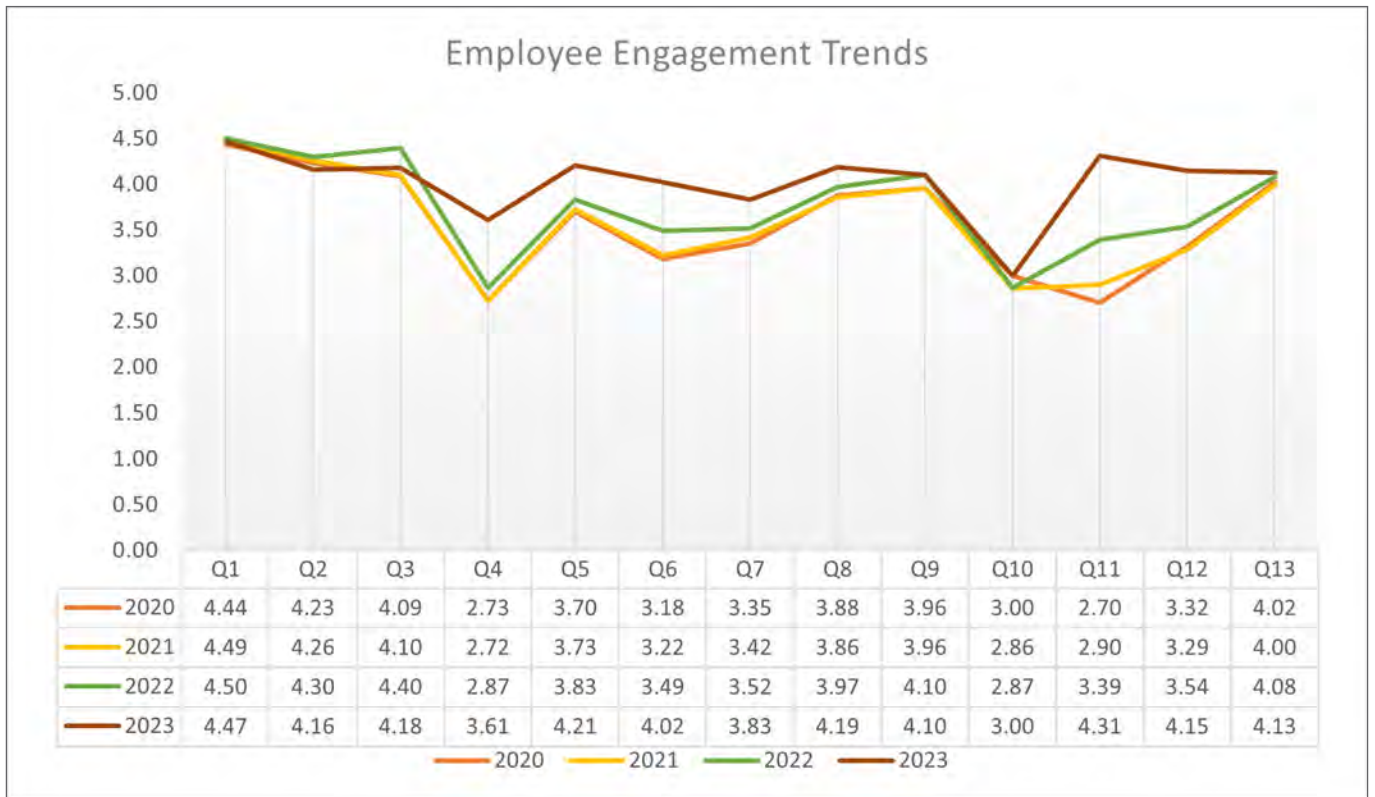
National Association of Government Defined Contribution Administrator's (NAGDCA) Award The Oregon Savings Growth Plan (OSGP) has been selected as a recipient of a 2023 Leadership Recognition Award by the National Association of Government Defined Contribution Administrators, Inc. (NAGDCA). The NAGDCA Awards Committee reviewed all the nominations and chose the top projects in each of the five categories to receive an award. The Leadership Award recognizes public sector defined contribution

plans for their outstanding achievement in Participant Education and Communication.

This was related to communications efforts surrounding the implementation of a percent-of-pay option for participants. Previously, participants could contribute to OSGP by choosing a dollar amount of their annual salary but were unable to choose a percentage of their annual salary. The campaign had two parts to it, beginning with reaching current OSGP participants that are still working. The second part of the campaign targeted unenrolled state employees that were eligible for OSGP and used the same materials with updated wording that encouraged enrollment. The overall goal for this campaign was to introduce percent-of-pay selection and start to see participants make the switch from dollar contributions to percent contributions. More than 1,000 participants made the switch in the first several months of implementation.

Employee Survey results In late August, we conducted the fifth-annual PERS Employee Engagement Survey. The response rate was 84%, one percent lower than last year. This year, in alignment with Governor Kotek's Agency Expectations, we contracted with Gallup to conduct the survey. This will allow for comparisons between all state agencies moving forward, with PERS being the first agency to conduct its survey through this resource. We are also working with Gallup to provide the management team with a more robust analysis than has been the case in the past when we hosted the survey ourselves, including more relevant industry and sector comparators.

As noted in the chart on the following page, we had increases in ten of the thirteen questions. The three questions with reduced scores did not have significant reductions in scoring.

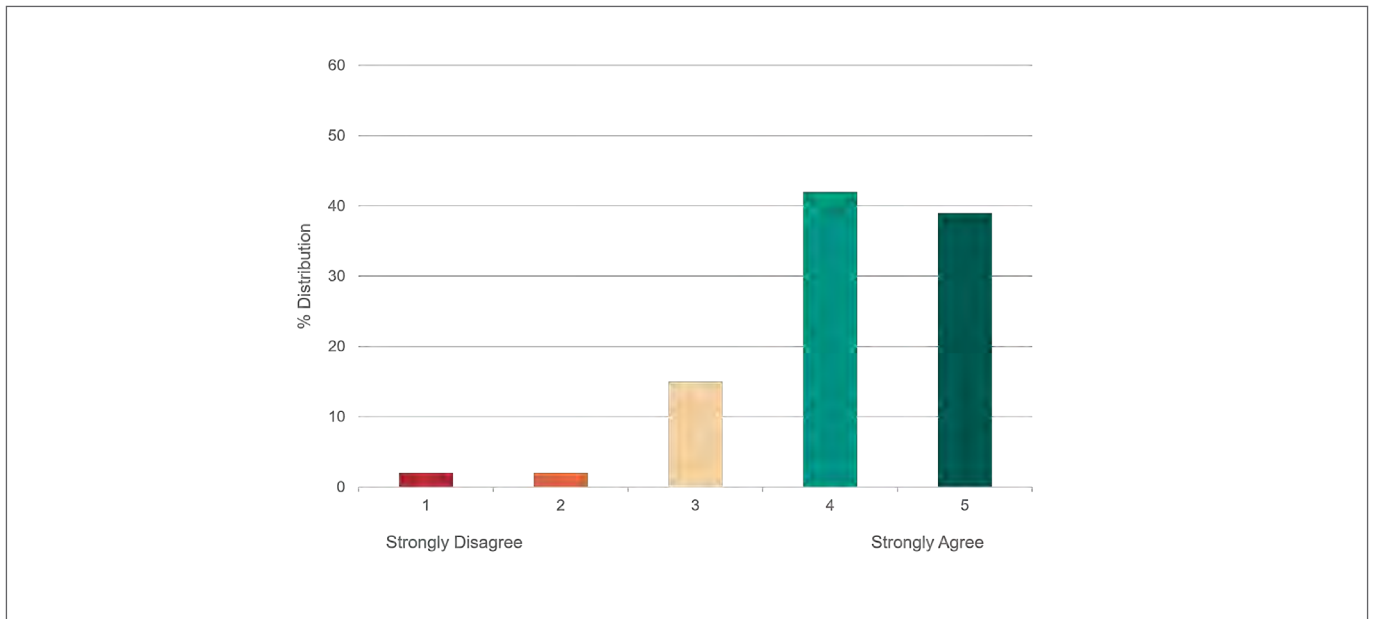


	2020	2021	2022	2023	Delta	
Q1	4.44	4.49	4.50	4.47	-0.03	Do you know what is expected of you at work?
Q2	4.23	4.26	4.30	4.16	-0.14	Do you have the materials and equipment to do your work right?
Q3	4.09	4.10	4.40	4.18	-0.22	At work, do you have the opportunity to do what you do best every day?
Q4	2.73	2.72	2.87	3.61	0.74	In the last seven days, have you received recognition or praise for doing good work?
Q5	3.70	3.73	3.83	4.21	0.38	Does your supervisor, or someone at work, seem to care about you as a person?
Q6	3.18	3.22	3.49	4.02	0.53	Is there someone at work who encourages your development?
Q7	3.35	3.42	3.52	3.83	0.39	At work, do your opinions seem to count?
Q8	3.88	3.86	3.97	4.19	0.22	Does the mission/purpose of our agency make you feel your job is important?
Q9	3.96	3.96	4.10	4.10	0.00	Are your fellow employees committed to doing quality work?
Q10	3.00	2.86	2.87	3.00	0.13	Do you have a best friend at work? Versus Do you have friends at work?
Q11	2.70	2.90	3.39	4.31	0.92	In the last six months, has someone at work talked to you about your progress?
Q12	3.32	3.29	3.54	4.15	0.61	In the last year, have you had opportunities to learn and grow?
Q13	4.02	4.00	4.08	4.13	0.05	Please rate how satisfied you are as an employee at PERS.

Based on Gallup's recommendation, we removed the Net Promotor Score (NPS) question. Through this partnership, we learned that while the NPS is a measure of employee's satisfaction with, and loyalty to, their organization, it is not a valid predictor of employee engagement and should not be treated as such. Gallup recommended we ask a similar question: "On a five-point

scale, where 5 means extremely satisfied and 1 means extremely dissatisfied, how satisfied are you with your agency as a place to work?"

The results showed a mean score of 4.13 with the following distribution:



Education efforts for employer reporters In late 2021, PERS Employer Service Center (ESC), the Communications Section, and Agency Training launched a concerted effort to improve upon employer-provided educational materials and ensure the ease in which they can be accessed. We believe that the education and training we provide our employers is critical to building capabilities, trust, and confidence. As a result of this intentional effort to improve employer-reporting education, several different deliverables have been produced or are in the works:

- The Employer Reporting Guide series is a collection of twenty-eight instructional manuals that are specific and provide process direction on reporting needs and requirements. Twelve of these guides have already been published and the remaining sixteen are under development with the goal to publish by end of 2023 or early in 2024.
- Instructor-led courses are being revamped and will be ready in late 2023. These courses will shift to five live webinars that are consistent and supplemented with companion materials.
- The first of a series of bitesize instructional videos was recently published to the PERS website and provides users a brief “how to” visual for key reporting processes.

- A collection of new employer-reporter materials is offered and includes, but is not limited to, a welcome guide, beginner employer training manual, and an overview of PERS benefits.
- A training and education platform will be established using Workday Learning. This platform will provide learners with an interactive curriculum that is easy to navigate and always accessible.

We look forward to the improvements in training and education that the above products will yield.

Member education videos Early in 2022, the Member Education Team, looking for ways to improve upon the services we provide, began an effort to develop and create ‘topic-specific’ content, with a main focus on video format.

Over the course of a couple of months, the team developed over 30 ‘scripts,’ for short presentations that focused exclusively on topics such as tax remedy, final average salary, withdrawals, and retirement steps.

In September of 2022, we contracted with a vendor who had supported our previous expo efforts and understood what we hoped to accomplish. With input

from the Member Information Center, as well as member feedback, five topics were selected for videos.

- Retirement Eligibility
- Retirement Options for OPSRP Members
- Retirement Options for Tier1/Tier2 Members
- Purchases
- Withdrawals

PERS Communications had a developed style and look aligned with our agency’s brand, which made the creative decisions simple. Using the content the team had created, scripts and storyboarding were created, and after editing and enhancement meetings with PERS Communications and our vendor, we uploaded these five videos in June of this year.

Since then, these videos have been viewed thousands (3400+) of times. Retirement Eligibility has seen the most views — over 1800 and increasing. In addition to these new videos, we redid our instructional video on how to complete a service retirement application. Member Services directs and encourages members to these videos, hopefully helping them better understand and prepare for their retirement.

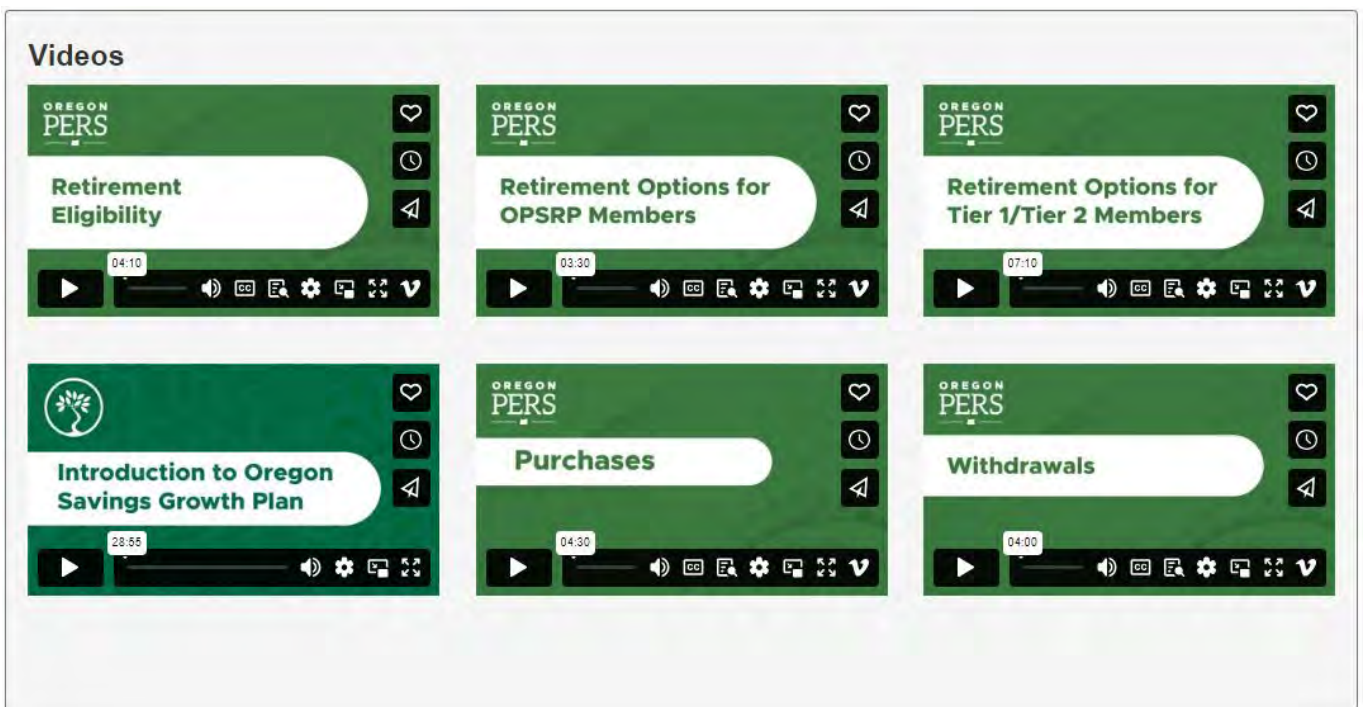
Member comments reflect both an appreciation for these videos and topic suggestions for future videos:

The pre-retirement videos and on-line events were well done. Regarding the on-line sessions, being able to view all the comments and responses from the experts was very helpful. I was skeptical that on-line would provide the learning experience I needed, but it did!

More information provided in short video formats would cut down on representatives having to answer the same questions repeatedly.

Please consider making a video that shows how it (PERS) works (accruals, how its paid, when its paid, what you can do in various stages of life/employment to ensure that you are on track to be successful, etc.).

Acknowledging this feedback and these requests and recognizing a continued commitment to improving access and understanding to all our members about their PERS benefits, we will continue to add to these resources. Additional videos, journey maps, new presentation topics, and website content are all tools and methods we will look to provide and use in the future.





PERS Expo The PERS Expo, taking place on October 10 and 11, is taking a bold new direction with this year's signature event. With over 120 employees voting, the winning theme for this year's event is "Destination: Retirement." We will use this new theme to guide how we help members explore their retirement possibilities, discover invaluable insights, and chart their course toward a rewarding post-work life.

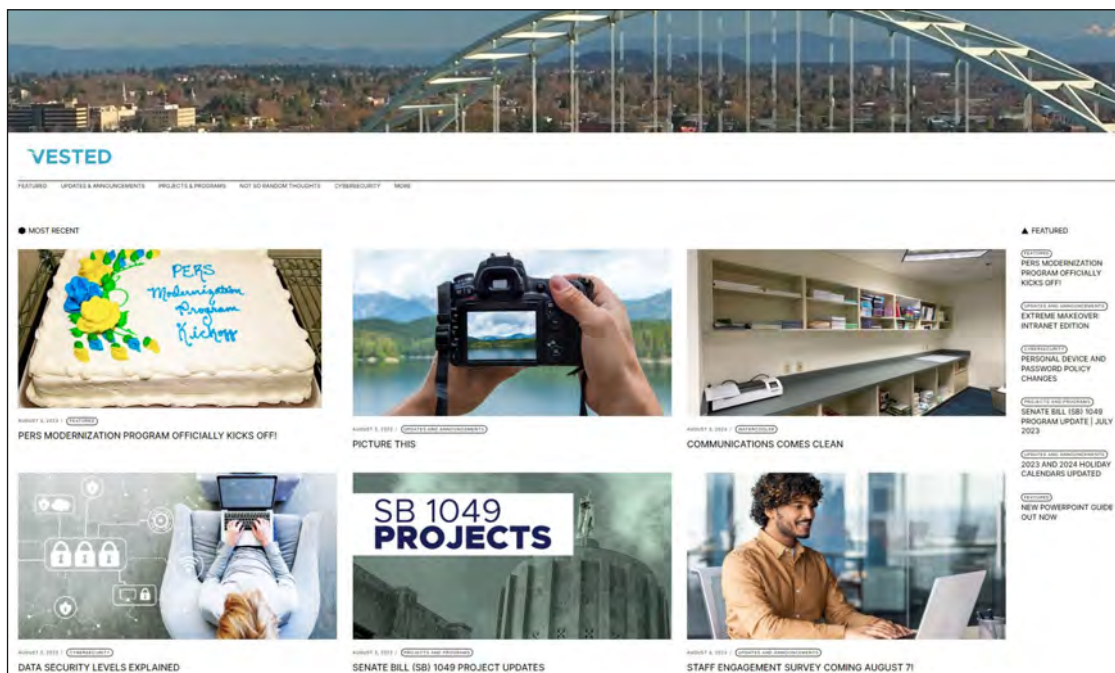
"Destination: Retirement" promises to be an informative experience, focusing on providing attendees with a comprehensive road map toward a well-deserved and fulfilling retirement.

At the PERS Expo, members gain access to an array of informative sessions, engaging workshops, and

downloadable materials—all tailored to help them navigate the path to a successful retirement. Whether they are just starting their public service career or approaching the end, "Destination: Retirement" offers something for everyone, providing practical knowledge, expert advice, and valuable resources to inform their retirement choices.

Together, our team helps provide members with the tools they need to navigate a retirement path to fulfillment and financial security.

Vested Beginning July 2023, our internal newsletter, *The Monthly Contribution* evolved into *Vested*, a fresh and innovative new digital platform. *Vested* is a major transformation in how PERS shares news, updates, and valuable insights from stakeholders throughout the agency. This transition from our previous magazine-style layout to a digital format brings numerous benefits to our Communications Team and our staff, including easy access to previous announcements, more efficient processes to publish stories, and increased multimedia integrations. Accessing the latest articles, announcements, and employee spotlights is now more convenient than ever.



PERS BOARD MEETING FORWARD-LOOKING CALENDAR

Friday, December 1, 2023*

Board Scorecard Report on agency performance measures
Senate Bill 1049 update
PERS Strategic Plan update
Valuation update and financial modeling results
Adoption of actuarial equivalency factor tables

Friday, February 2, 2024

PERS Modernization Program update
Preliminary earnings crediting
2024 legislative preview and 2025 legislative concepts

Monday, April 1, 2024*

Senate Bill 1049 update
Final earnings crediting
Board approval to file 2025 legislative concepts
Agency Budget preview
Oregon Investment Council annual review
Oregon Savings Growth Plan report out

Friday, May 31, 2024

PERS Modernization Program update
Agency Budget development
Board Scorecard Report on agency performance measures
PERS Health Insurance Program (PHIP) renewals and rates
PHIP report out
Review Board Education Policy and training

Friday, July 26, 2024*

Senate Bill 1049 update
Approval to submit Agency Request Budget
CEM Benchmarking presentation

Friday, October 4, 2024

PERS Modernization Program update
Board adoption of Actual Employer Rates
Legislative update (if needed)
PERS Strategic Plan update
Member and Employer Survey results

Friday, December 6, 2024*

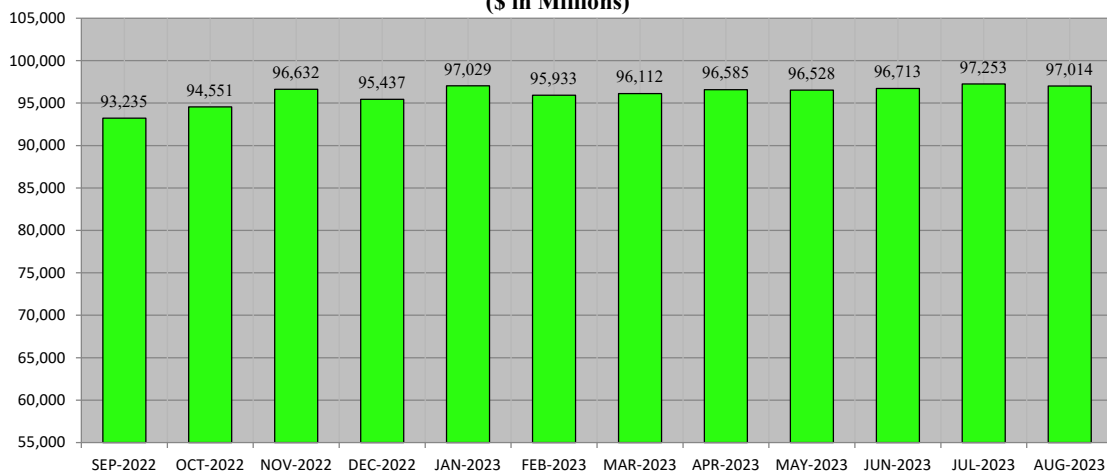
Senate Bill 1049 update
Presentation of legislative concept drafts before filing
Board Scorecard Report on agency performance measures

**Audit and Risk Committee planned for post-board meeting*

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
TOTAL OPERF Regular Account			\$ 93,308,726		3.86	3.83	2.68	9.52	8.36	7.59	8.56	8.27
<i>OPERF Policy Benchmark</i>					8.28	5.85	0.68	7.34	7.82	7.29	8.41	8.37
Value Added					(4.42)	(2.02)	2.00	2.19	0.54	0.29	0.15	(0.10)
<i>Oregon 70/30 Reference Benchmark</i>					10.05	8.76	(3.67)	3.78	6.08	5.31	6.59	6.49
Public Equity	22.5-32.5%	27.5%	\$ 15,222,812	16.3%	12.08	13.81	(1.04)	9.25	9.62	7.14	9.38	8.70
<i>MSCI ACWI IMI Net</i>					14.20	13.33	(2.57)	7.29	9.27	7.04	9.10	8.42
Private Equity	17.5-27.5%	20.0%	\$ 26,303,416	28.2%	5.67	4.45	5.97	18.25	14.99	14.70	15.65	14.12
<i>Russell 3000+300 Bps Qtr Lag</i>					23.57	12.21	4.24	18.82	14.95	14.38	16.29	15.73
Total Equity	45.0-55.0%	47.5%	\$ 41,526,228	44.5%								
Total Fixed	20-30%	25.0%	\$ 22,203,288	23.8%	2.86	0.59	(4.84)	(2.93)	(0.70)	1.22	1.09	1.91
<i>Oregon Custom Fixed Income Benchmark</i>					1.37	(1.19)	(6.43)	(4.13)	(1.69)	0.40	0.38	1.27
Real Estate	9.0-16.5%	12.5%	\$ 13,590,545	14.6%	(6.57)	(5.26)	10.46	11.18	8.66	8.15	8.49	9.65
<i>Oregon Custom Real Estate Benchmark</i>					(10.14)	(8.52)	8.19	7.18	5.91	5.89	6.46	8.04
Real Assets	2.5-10.0%	7.5%	\$ 8,714,185	9.3%	2.97	5.27	12.53	13.74	9.47	6.87	7.46	5.19
<i>CPI +4%</i>					6.18	7.80	10.16	9.92	8.76	8.16	7.66	6.86
Diversifying Strategies	2.5-10.0%	7.5%	\$ 4,588,717	4.9%	1.66	8.04	11.99	10.48	3.25	2.03	1.72	2.81
<i>HFRI FOF: Conservative Index</i>					3.09	4.13	2.25	5.53	4.68	4.06	4.08	3.55
Opportunity Portfolio	0-5%	0%	\$ 2,678,964	2.9%	10.12	10.13	8.37	14.60	11.64	9.80	9.49	8.82
<i>Opportunity Custom Benchmark</i>					7.06	9.05	11.32	11.04	9.86	9.24	8.72	7.91
Cash w/Overlay	0-3%	0%	\$ 6,799	0.0%	3.36	4.33	1.86	1.36	1.56	1.90	1.77	1.47
<i>91 Day Treasury Bill</i>					3.13	4.25	2.29	1.55	1.48	1.65	1.49	1.07
Target Date Funds			\$ 3,463,929									
TOTAL OPERF Variable Account			\$ 241,750									
					14.32	13.64	(2.27)	7.60	9.58	7.36	9.45	8.76

Total OPERF NAV
(includes Variable Fund assets)
One year ending AUG-2023

(\$ in Millions)



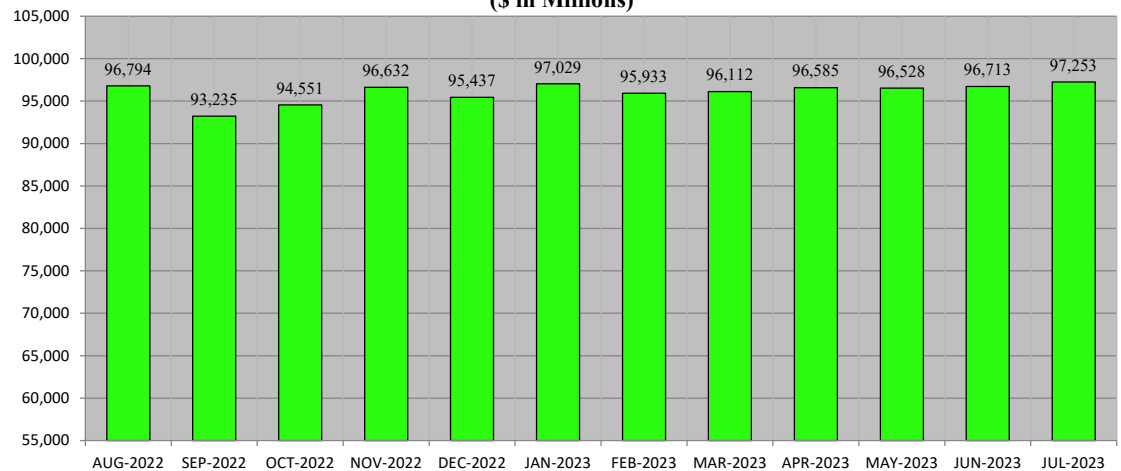
¹OIC Policy revised April 2023.

²Includes impact of cash overlay management.

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

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
TOTAL OPERF Regular Account			\$ 93,456,720		3.79	2.28	4.28	10.58	8.48	7.88	8.59	8.15
<i>OPERF Policy Benchmark</i>					8.69	3.35	1.68	8.66	7.90	7.56	8.49	8.29
Value Added					(4.90)	(1.07)	2.61	1.92	0.57	0.32	0.10	(0.14)
<i>Oregon 70/30 Reference Benchmark</i>					12.47	7.44	(1.81)	5.91	6.40	5.94	6.95	6.54
Public Equity	22.5-32.5%	27.5%	\$ 16,312,838	17.5%	14.58	12.44	1.15	11.88	9.49	7.81	9.78	8.72
<i>MSCI ACWI IMI Net</i>					17.58	12.54	0.08	10.48	9.37	7.87	9.61	8.50
Private Equity	17.5-27.5%	20.0%	\$ 26,179,504	28.0%	4.34	0.22	9.49	20.13	15.52	15.18	15.44	13.97
<i>Russell 3000+300 Bps Qtr Lag</i>					20.01	2.81	4.21	20.39	14.56	14.06	15.80	15.39
Total Equity	45.0-55.0%	47.5%	\$ 42,492,343	45.5%								
Total Fixed	20-30%	25.0%	\$ 21,653,462	23.2%	3.19	(1.23)	(4.73)	(2.97)	(0.03)	1.41	1.15	1.89
<i>Oregon Custom Fixed Income Benchmark</i>					2.02	(3.37)	(6.16)	(4.10)	(0.94)	0.66	0.46	1.27
Real Estate	9.0-16.5%	12.5%	\$ 13,295,175	14.2%	(7.85)	(5.24)	10.91	10.42	8.89	8.20	8.18	9.38
<i>Oregon Custom Real Estate Benchmark</i>					(9.26)	(6.24)	9.38	7.32	6.24	6.23	6.60	8.14
Real Assets	2.5-10.0%	7.5%	\$ 8,866,526	9.5%	5.31	9.62	15.62	15.27	9.77	7.63	8.59	5.69
<i>CPI +4%</i>					5.37	7.29	10.03	9.87	8.64	8.08	7.61	6.83
Diversifying Strategies	2.5-10.0%	7.5%	\$ 4,534,001	4.9%	0.46	8.67	11.57	9.87	3.07	1.73	1.55	2.75
<i>HFRI FOF: Conservative Index</i>					2.50	3.80	2.27	5.73	4.47	4.01	4.08	3.46
Opportunity Portfolio	0-5%	0%	\$ 2,598,624	2.8%	7.98	9.28	8.08	15.09	11.40	9.85	9.39	8.57
<i>Opportunity Custom Benchmark</i>					7.47	9.87	11.87	11.45	10.07	9.43	8.86	8.00
Cash w/Overlay	0-3%	0%	\$ 16,589	0.0%	2.89	3.88	1.63	1.23	1.53	1.86	1.72	1.42
<i>91 Day Treasury Bill</i>					2.66	3.95	2.07	1.40	1.42	1.60	1.42	1.02
Target Date Funds			\$ 3,541,361									
TOTAL OPERF Variable Account			\$ 254,844									
					17.68	12.86	0.37	10.80	9.68	8.19	9.96	8.86

Total OPERF NAV
(includes Variable Fund assets)
One year ending JUL-2023
(\$ in Millions)



¹OIC Policy revised April 2023.

²Includes impact of cash overlay management.

³For 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

Tina Kotek, Governor

Public Employees Retirement System

Headquarters

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September 29, 2023

TO: Members of the PERS Board
 FROM: Gregory R. Gabriel, Budget Officer
 SUBJECT: September 2023 Budget Report

2023-25 OPERATING BUDGET

Operating expenditures for July, August, and preliminary expenditures for September are \$4,032,239, \$4,913,348, and \$10,285,122 respectively. Final expenditures for September will close in the Statewide Financial Management System on October 13 and will be included in the December 2023 report to the board.

- Through September 8, 2023, the agency has expended a total of \$8,945,587 or 6.6% of PERS' legislatively approved operations budget of \$135,781,649.
- At this time, the agency's projected variance is \$6,992,755 or 5.2%.
- Core Retirement Systems Applications (CRSA) expenditures for July, August and preliminary expenditures for September are \$342,934, \$564,512, and \$601,456 respectively. As of September 8, the agency has expended \$907,446 or 3.1% of the legislatively approved budget of \$29,704,845.
- At this time, the CRSA projected variance is \$6,796,354 or 22.9%.

2021-23 OPERATING BUDGET

Operating expenditures paid July through September 2023 were \$2,714,761. The current projected positive variance is \$6,177,463 or approximately 4.9% of the operations budget.

To date, the agency has expended a total of \$119,770,593 or 94.6% of PERS' legislatively approved operations budget of \$126,596,362. PERS will continue to pay invoices for goods received and for services rendered as of June 30, 2023, in the following months through December 31, 2023.

2023-25 NON-LIMITED BUDGET

The adopted budget includes \$13,523,120,517 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 and the Individual Account Program.

- Non-Limited expenditures through September 8, 2023, are \$1,103,352,244.

A.2.c. Attachment 1 – 2021-23, 2023-25 CRSA, Agency-Wide Budget Execution Summary Analysis

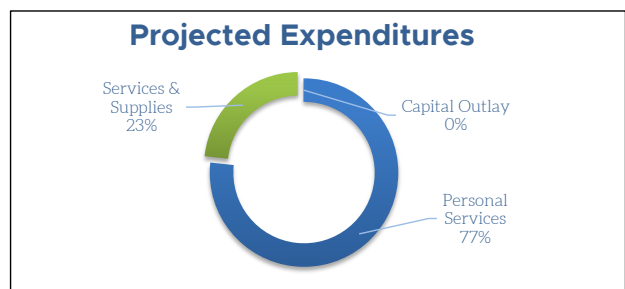
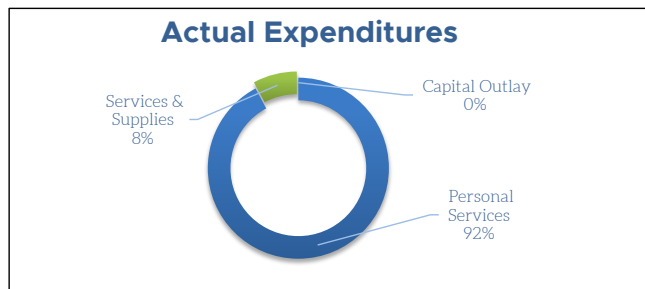
PERS Monthly Budget Report

2023-25 Agency-Wide Budget Execution
Summary for the Month of September 2023

Limited - Operating Budget

2023-25 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2023-25 LAB	Variance
Personal Services	8,244,085	91,918,776	100,162,861	98,372,912	(1,789,948)
Services & Supplies	701,502	27,779,531	28,481,033	35,770,734	7,289,701
Capital Outlay	0	145,000	145,000	1,638,003	1,493,003
Total	8,945,587	119,843,307	128,788,894	135,781,649	6,992,755



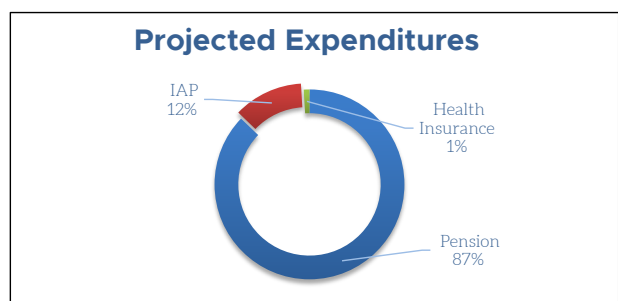
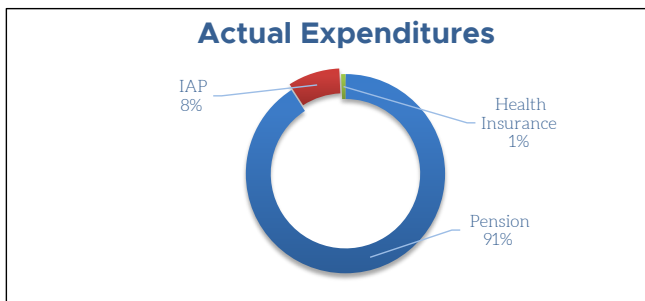
Monthly Summary

Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	3,981,299	4,125,698	144,399	8,244,085	3,996,469
Services & Supplies	6,260,398	6,491,650	231,251	701,502	1,207,806
Capital Outlay	43,425	45,000	1,575	0	6,304
Total	10,285,122	10,662,348	377,226	8,945,587	5,210,578

Non-Limited Budget

2023-25 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	1,002,665,569	10,631,637,901	11,634,303,470	11,823,032,167	188,728,697
IAP	92,916,926	1,485,850,333	1,578,767,259	1,482,829,663	(95,937,596)
Health Insurance	7,769,749	122,267,940	130,037,689	217,258,687	87,220,998
Total	1,103,352,244	12,239,756,174	13,343,108,418	13,523,120,517	180,012,099



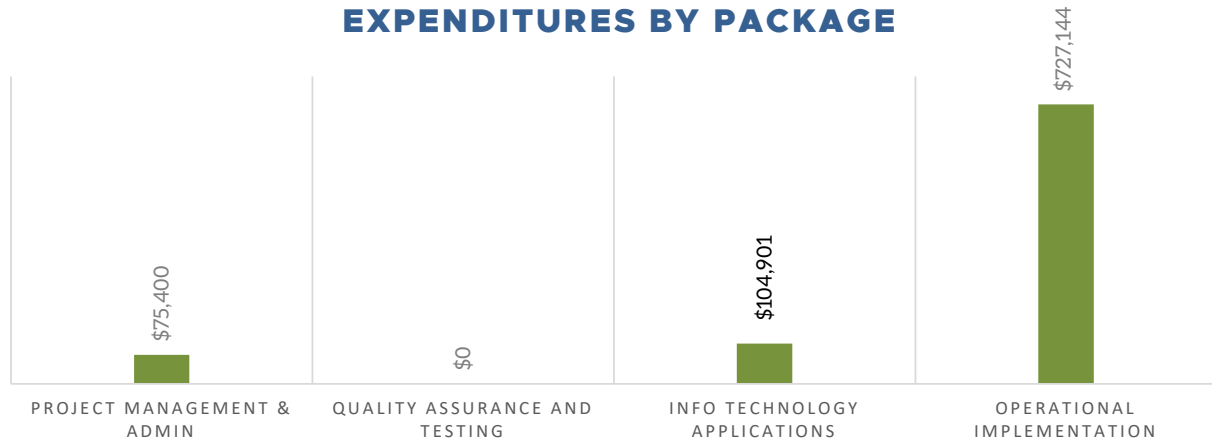
Core Retirement Systems Application

Summary Budget Analysis
Preliminary for the Month of September 2023

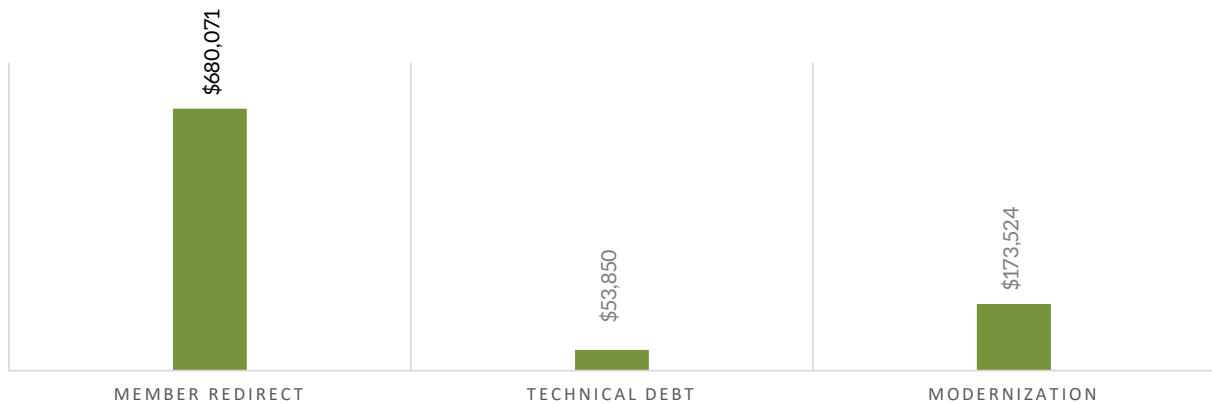
Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2023-25 LAB	Variance
Personal Services	553,139	7,616,511	8,169,650	6,866,475	(1,303,175)
Services & Supplies	354,307	14,384,534	14,738,841	22,838,370	8,099,529
Capital Outlay					
Total	907,446	22,001,045	22,908,491	29,704,845	6,796,354

EXPENDITURES BY PACKAGE



EXPENDITURES BY PROJECT



PERS Monthly Budget Report

2021-23 Agency-Wide Budget Execution Summary for 2021 - 2023

Limited - Operating Budget

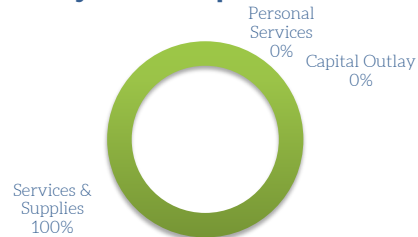
2021-23 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2021-23 LAB	Variance
Personal Services	87,977,580	0	87,977,580	91,033,361	3,055,781
Services & Supplies	31,698,298	648,306	32,346,604	34,094,093	1,747,489
Capital Outlay	94,715	0	94,715	1,468,908	1,374,193
Unscheduled				0	0
Total	119,770,593	648,306	120,418,899	126,596,362	6,177,463

Actual Expenditures



Projected Expenditures



Fiscal Year 2024 To Date

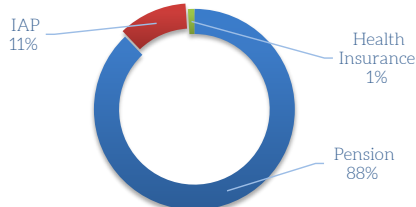
Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	83,435	83,435	0	3,620,435	3,966,667
Services & Supplies	2,558,055	2,558,055	(1)	1,318,502	1,259,021
Capital Outlay	73,271	73,271	0	1,129	75,000
Total	2,714,761	2,714,761	(1)	4,940,066	5,300,688

Non-Limited Budget

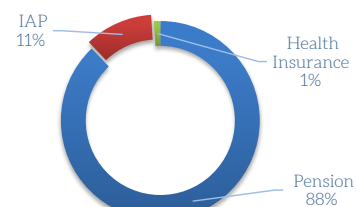
2021-23 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	11,232,480,112	0	11,232,480,112	11,215,517,678	(16,962,434)
IAP	1,417,603,192	0	1,417,603,193	1,298,603,848	(118,999,345)
Health Insurance	132,492,364	0	132,492,364	372,492,067	239,999,703
Total	12,782,575,668	1	12,782,575,669	12,886,613,593	104,037,924

Actual Expenditures



Projected Expenditures



September 29, 2023
PERS Board meeting agenda

Administration

1. July 28, 2023, PERS Board Meeting Minutes
2. Director's Report
 - a. Forward-Looking Calendar
 - b. OPERF Investment Report
 - c. Budget Execution Report
3. Board Self-Evaluation Survey verbal update

September 29, 2023
PERS Board meeting agenda

Administrative rulemaking

1. Notice of Reemployment of a Retired Member of OPSRP rules
2. Adoption of Retirement Benefit rules



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September 29, 2023

TO: Members of the PERS Board

FROM: Anne Marie Vu, Research Policy Coordinator, Policy Analysis and Compliance Section
Stephanie Vaughn, Manager, Policy Analysis and Compliance Section

SUBJECT: Notice of Rulemaking for Reemployment of a Retired Member of the OPSRP Pension Program Rule

OAR 459-075-0300 *Reemployment of a Retired Member of the OPSRP Pension Program*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Provide clarification on impact of early retirees exceeding work after retirement restrictions.
- Policy Issue: None identified.

BACKGROUND

This rule provides guidance on PERS administration when retired members of the OPSRP Pension Program return to work for a PERS-participating employer. PERS continues to operate under the simplified current “work-after-retirement” framework created by Senate Bill 1049 (2019) that allows most retirees in all programs to work unlimited hours for PERS-participating employers during calendar years 2020-2024, while continuing to receive their retirement benefits. However, to comply with federal regulations, PERS carves out an exception for early retirees which only allows them to work unlimited hours if they have a bona fide retirement.¹

The rule already explains that an early retiree who does not have a bona fide retirement may not be employed in a qualifying position or work 600 hours or more in a calendar year within six months of their effective retirement date. However, it does not clearly explain the consequences if an early retiree fails to comply with these restrictions. These proposed rule amendments provide such clarification.

Section (2)(c) clarifies that if an early retiree returns to active membership within six months of their effective retirement date, PERS will cancel their retirement retroactively, as if it had not occurred. The member will reestablish active membership effective the date of hire into the qualifying position. The active member will have to repay all retirement benefits that they received. This requirement is already provided in the corresponding administrative rule for Tier One and Tier Two retirees in OAR 459-017-0060.

¹ An early retiree is a member who retires before they reach normal retirement age, usually on a reduced service retirement allowance.

Section (2)(b) clarifies that if the early retiree returns to active membership after six months or more have passed from their effective retirement date, their retirement will only be canceled effective the first of the month in which the member was hired into the qualifying position. They will be allowed to keep retirement benefits paid before the calendar month in which the member was hired into the qualifying position.

Other amendments include removing the word “net” from section (7) of the rule to be consistent with how the term “contribution” is used in OAR 459-009-0070, updating the sunset provisions to comply with House Bill 2296, which extended Senate Bill 1049’s work after retirement allowances through calendar year 2034, and removing the language from section (8) which was already addressed in section (9). The removal of the language from section (8) also resulted in some numbering changes.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held remotely on October 24, 2023, at 2:00 p.m. The public comment period ends October 31, 2023, at 5:00 p.m.

LEGAL REVIEW

The attached 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.

Benefit: These amendments provide early retirees with notice of the potential financial consequences of returning to active membership within six months of their effective retirement date.

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

RULEMAKING TIMELINE

September 29, 2023	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
September 29, 2023	PERS Board notified that staff began the rulemaking process.
October 1, 2023	Secretary of State publishes the notice in the Oregon Administrative Rules Database. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
October 24, 2023	Rulemaking hearing to be held remotely at 2:00 p.m.
October 31, 2023	Public comment period ends at 5:00 p.m.

December 1, 2023

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 remotely on October 24, 2023. The rule is scheduled to be brought before the PERS Board for adoption at the December 1, 2023, board meeting.

B.1. Attachment 1 – OAR 459-075-0300 *Reemployment of a Retired Member of the OPSRP Pension Program*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 75 – OPSRP Pension Program**

1 **459-075-0300**

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

3 (1) For purposes of this rule, “bona fide retirement” means that the retired member
4 has been absent from service with all participating employers and all employers in a
5 controlled group with a participating employer for at least six full calendar months
6 between the effective date of retirement and the date of hire.

7 (2) If a retired member of the OPSRP Pension Program who is receiving monthly
8 pension payments is employed by a participating public employer in a qualifying
9 position:

10 (a) The member reestablishes active membership effective the date of hire.

11 (b) If the member has been retired for six or more calendar months:

12 (A) The member’s retirement is canceled effective the first of the month in which the
13 member was hired.

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

17 (c) ~~The member reestablishes active membership effective the date the member was~~
18 ~~hired.]~~ If the member has been retired for less than six calendar months:

19 (A) PERS will cancel the member’s retirement retroactively, as of the member’s
20 effective date of retirement.

1 **(B) All retirement benefits received by the member, including benefits received**
2 **prior to the member’s date of hire into the qualifying position, must be repaid to**
3 **PERS in a single payment.**

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

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

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

12 (4) A retired member of the OPSRP Pension Program who is hired by a participating
13 public employer in a non-qualifying position may receive pension payments or a lump
14 sum payment under ORS 238A.195 without affecting the member’s status as a retired
15 member, provided the period or periods of employment worked as a retired member total
16 less than 600 hours in a calendar year.

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

20 (A) If the member retired under the provisions of ORS 238A.185 and was retired for
21 six or more calendar months before returning to work for a PERS participating employer,
22 the member’s retirement benefits shall end and the member shall reestablish active

1 membership as of the date the position becomes qualifying under subsection (a) of this
2 section.

3 (B) If the member retired under the provisions of ORS 238A.185 and was retired for
4 less than six calendar months before returning to work for a PERS participating
5 employer, the member’s retirement shall be canceled and the member shall reestablish
6 active membership as of the date **of hire into the qualifying position** *[the position*
7 *becomes qualifying under subsection (a) of this section]*.

8 (b) If a position becomes qualifying under subsection (a) of this section, the retired
9 member is subject to the provisions of sections (2) and (3) of this rule.

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

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

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

17 (B) The member received a lump sum payment under ORS 238A.195 and repaid the
18 benefit amount under subsection (3)(b) of this rule.

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

1 (A) At initial retirement, the member received a lump sum payment under ORS
2 238A.195 and was not required to repay the benefit amount under subsection (3)(a) of
3 this rule; or

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

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

9 (6) A member who is retired for service maintains the member’s status as a retired
10 member of the system and does not accrue additional benefits during the period of
11 employment. A retired member may not participate in the pension program or the
12 Individual Account Program as an active member, except as provided by ORS 238A.250
13 or 237.650.

14 (7) For calendar years 2020 through ~~2024~~2034, a public employer employing a
15 retired member shall apply the employer’s *[net]* contribution rate for its covered payroll
16 to the wages paid to the retired member. The public employer shall make a payment to
17 the Public Employees Retirement Fund in that amount. This payment is in addition to the
18 employer’s contribution required under ORS 238A.220 and will be applied to the
19 employer’s liabilities, including pension benefit costs and retiree medical benefit costs.

20 *[(8) For calendar years 2020 through 20324, the limitations on employment in*
21 *section (4) of this rule do not apply to a retired member unless the member retired under*
22 *the provisions of ORS 238A.185 and does not have a bona fide retirement.]*

1 ~~(9)8~~ For calendar years 2020 through ~~[2024]2034~~, if a member retired under the
2 provisions of ORS 238A.185 and does not have a bona fide retirement, the member is
3 subject to the limitations on employment provided in sections (2), (3), and (4) of this
4 rule, and the repayment obligations provided in sections (2) and (3) of this rule.

5 ~~(10)9~~ Sections 7~~[,]~~ and 8~~[, and 9]~~ of this rule are repealed effective January 2,
6 ~~[2025]2035~~.

7 Statutory/Other Authority: ORS 238A.450 & ORS 238.630

8 Statutes/Other Implemented: ORS 238A.245 & 2019 OL, Ch. 355, Sec. 37

September 29, 2023
PERS Board meeting agenda

Administrative rulemaking

1. Notice of Reemployment of a Retired Member of OPSRP rules
2. Adoption of Retirement Benefit rules



Oregon

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September 29, 2023

TO: Members of the PERS Board

FROM: Melanie Chandler, Research Policy Coordinator, Policy Analysis and Compliance Section
Stephanie Vaughn, Manager, Policy Analysis and Compliance Section

SUBJECT: Adoption of Retirement Benefits Rules

OAR 459-013-0060 *Payment of Retirement Benefits*
OAR 459-075-0170 *Payment of OPSRP Pension Program Benefits*

OVERVIEW

- Action: Adoption of changes to Retirement Benefits Rules.
- Reason: Clarify how PERS administers the conversion of survivorship retirement benefits to single life (Option 1) retirement benefits in event of death or divorce.
- Policy Issue: None identified.

BACKGROUND

Tier One and Tier Two members have 13 retirement options, including a 100% survivorship option (Option 2) and a 50% survivorship option (Option 3). Options 2A and 3A provide similar benefits as Options 2 and 3, but provide that, if the member's beneficiary should die before the member, or the beneficiary is the member's spouse and they divorce after member's retirement, the member may elect to convert ("pop-up") their benefit to a single life benefit (Option 1). In both scenarios, the change to the higher Option 1 benefit is not processed until PERS has been notified in a format acceptable to PERS.

OPSRP members have five retirement options, including similar pop-up options. An OPSRP member who elects to receive a conditional joint and survivor pension may convert their benefit to the single life option if the member's beneficiary dies after the member retires or the marriage relationship with the beneficiary is terminated after the member retires.

Administration of pop-up requests is generally straightforward; however, staff has identified two aspects where clarification of PERS' application of the statutes would benefit members and beneficiaries. First, in order to convert a member's benefit to the higher paying Option 1 or Single Life Option, PERS must receive the member's request prior to the member's date of death. Second, in order for PERS to comport with federal law, in cases where the conversion is triggered by the termination of the member's marriage, a member is only eligible to convert their benefit if the member was married to the beneficiary on the member's date of retirement.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held remotely on August 22, 2023, at 2:00 p.m. No members of the public attended. The public comment period ended September 5, 2023, at 5:00 p.m. No public comment was received.

LEGAL REVIEW

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

IMPACT

Mandatory: No.

Benefit: Updates the rules to reflect current agency practice and provides clarification for members.

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

RULEMAKING TIMELINE

July 28, 2023	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
July 28, 2023	PERS Board notified that staff began the rulemaking process.
August 1, 2023	Secretary of State published the notice in the Oregon Administrative Rules Database. Notice was sent to employers, legislators, and interested parties. Public comment period began.
August 22, 2023	Rulemaking hearing was held remotely at 2:00 p.m.
September 5, 2023	Public comment period ended at 5:00 p.m.
September 29, 2023	Board may adopt the rule modifications.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “adopt the changes to Retirement Benefits Rules as presented.”
2. Direct staff to make other changes to the rules or explore other options.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

B.2. Attachment 1 – OAR 459-013-0060 *Payment of Retirement Benefits*
B.2. Attachment 2 – OAR 459-075-0170 *Payment of OPSRP Pension Program Benefits*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 13 – Retirement Benefits**

1 **459-013-0060**

2 **Payment of Retirement Benefits**

3 (1) Retirement benefits shall be payable each month as of the first day of the month
4 following the effective date of retirement.

5 (a) When the first day of the month falls on a weekend or a PERS holiday, retirement
6 benefits processed through electronic funds transfer shall be payable on the last PERS
7 working day of the prior month.

8 (b) At the time of death, accrued benefits shall be payable as provided under OAR
9 459-014-0050(4).

10 (2) If a retiree elects to receive more than one installment payment as provided under
11 ORS 238.305(4), the subsequent installment payments will be paid on the anniversary of
12 the first day of the month that the initial installment payment was made.

13 (3) Notwithstanding section (1) of this rule, retirement benefits payable on January 1
14 shall always be paid in the month of January.

15 **(4) A retired member who is eligible to convert their service retirement**
16 **allowance as described in ORS 238.305(6), 238.305(7) or 238.325(3) must submit a**
17 **request to convert their benefit before the retirement benefit can be increased to the**
18 **higher paying Option 1 benefit. The request must be in a format approved by PERS**
19 **and received by PERS prior to member’s date of death. To be eligible to convert**
20 **their benefit pursuant to the termination of a marriage, the member and the**
21 **beneficiary must have been married on the member’s effective date of retirement.**

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 75 - OPSRP Pension Program**

1 **459-075-0170**

2 **Payment of OPSRP Pension Program Benefits**

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

4 (a) "Benefit recipient" means an OPSRP Pension Program member, surviving
5 beneficiary or alternate payee who is entitled to receive a retirement benefit under the
6 OPSRP Pension Program.

7 (b) "Non-survivorship benefit" means a lifetime benefit that is paid to an eligible
8 benefit recipient and ends after death.

9 (c) "Survivorship benefit" means a survivor monthly pension benefit that is paid to a
10 surviving beneficiary after an OPSRP Pension Program member's death.

11 (2) An OPSRP monthly pension benefit **shall be payable each month as of the first**
12 **day of the month following the effective date of retirement.***[accrues on the first day of*
13 *the calendar month and shall be paid to the benefit recipient on the first day of the*
14 *following month.]*

15 **(a) When the first day of the month falls on a weekend or a PERS holiday,**
16 **retirement benefits processed through electronic funds transfer shall be payable on**
17 **the last PERS working day of the prior month.**

18 **(b) At the time of death, benefits accrued by the member or alternate payee**
19 **before their death, less any outstanding invoice amounts, will be paid to the**
20 **designated beneficiary pursuant to ORS 238A.190 or, in the event there is no**

1 designated beneficiary at the time of member or alternate payee’s death, to the
2 member or alternate payee’s estate.

3 (3) Notwithstanding section (2) of this rule, retirement benefits payable on
4 January 1 shall always be paid in the month of January.

5 ~~[(3)]~~(4) When~~[If]~~ a benefit recipient who is receiving an OPSRP pension dies
6 ~~[during a calendar month]:~~

7 (a) Benefit payments end on the first day of the month in which the benefit
8 recipient dies pursuant to ORS 238A.180.~~[Non-survivorship benefits shall accrue on~~
9 ~~the first day of the month of death and shall be paid to the deceased member or deceased~~
10 ~~alternate payee on the first day of the following month.]~~

11 (b) Survivorship benefits payable to a beneficiary are effective ~~[shall accrue]~~ on
12 the first day of the month after the last payable OPSRP pension benefit to a deceased
13 member or deceased alternate payee.

14 (5) Notwithstanding section (2) of this rule, retirement benefits payable on
15 January 1 shall always be paid in the month of January.

16 ~~[(4)]~~(6) If the member or alternate payee is entitled to receive a cash-out of a small
17 benefit under ORS 238A.195, the benefit accrues on the member’s or alternate payee’s
18 effective retirement date and shall be paid to the member or alternate payee.

19 (7) A retired member who is eligible to convert their service retirement
20 allowance as described in ORS 238A.190(3) must submit a request to convert their
21 benefit before the retirement benefit can be increased to the higher paying Single
22 Life Option benefit. The request must in a format approved by PERS and received

1 by PERS prior to member's date of death. To be eligible to convert their benefit
2 pursuant to the termination of a marriage, the member and the beneficiary must
3 have been married on the member's effective date of retirement.

4 Statutory/Other Authority: ORS 238A.450

5 Statutes/Other Implemented: ORS 238A.180, 238A.185, 238A.190 & 238A.195

Action and discussion items

1. PERS Modernization Program update
2. PERS Member and Employer Survey results
3. Oregon Savings Growth Plan administrative fee increase
4. Final adoption of valuation methods and assumptions including assumed rate of return
5. Adoption of Assumed Rate OAR
6. Board Funding Policy review
7. December 31, 2022 system-wide valuation results



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Tina Kotek, Governor

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September 29, 2023

TO: Members of the PERS Board
 FROM: Rebecca Jensen Craven, Modernization Program Director
 SUBJECT: PERS Modernization Program Update

BACKGROUND

The PERS Modernization Program is a multi-biennial effort to reimagine and evolve the deployment of our business capabilities via our people, processes, and technologies in order to meet our member and PERS-participating employer needs into the future. The Program's \$9,573,073 budget for the 2023-25 biennium was approved by the Legislature as part of the PERS budget bill, House Bill 5033. The program previously received \$800,000 in the 2021-23 Legislatively Approved Budget and \$3,797,797 in funds granted at the June 2022 Emergency Board.

CURRENT ACTIVITIES

Current program activities are focused on detailed planning for 2023-25 priorities and continued refinement of the program road map through 2031.

Recent key accomplishments and areas of progress include:

- *Agency-wide training and information sharing activities:* The PERS Modernization Program held a hybrid kickoff meeting for management and impacted staff on July 11, 2023, where teams conducting initiation and planning work were introduced. The program also sponsored an all-managers Organizational Change Management (OCM) training on August 15, 2023, to establish baseline knowledge of OCM practices.
- *Hiring for program-funded positions:* The last position provided for in June 2022 Emergency Board funding was filled as of September 11, 2023. The PERS Modernization Program and other agency sections that received positions in the 2023-25 biennial budget for modernization support are in the process of having available positions approved for recruitment.
- *Workstream establishment and refinement:* Workstreams do not deliver program benefits themselves, but support delivery of benefits through components by enabling ongoing support work for the duration of the program. To better align with anticipated support work needed throughout the program's lifecycle, the program has established the following workstreams:
 - Enterprise Architecture and Process Mapping Support
 - Data and Analytics
 - Development and Operations
 - OCM and Training
 - Security

- *Start of Telephony Modernization Project initiation:* The PERS Modernization Program Steering Committee approved the assignment of resources to initiation activities for the program's first project, the Telephony Modernization Project. This project will replace the agency's legacy telephony technology and begin the process of modernizing the agency's call center and phone-based engagement processes. Further modernization work related to telephony is expected to occur as part of the Client Relationship Management (CRM) System Implementation Project in 2025-27. Initiation activities include conducting and documenting the project's business case process and determining the detailed scope of work for the project.
- *Establishing and maintaining contractual relationships for 2023-25:* PERS staff are working diligently to conclude work on contractual planning efforts that began in early 2023 as well as determining needed contractual support for the 2023-25 biennium. Contract execution for independent quality management services (iQMS) and enterprise architecture support is expected in Fall 2023. The PERS Modernization Program has also contracted for research and analysis support services through Gartner and Info-Tech to assist with program and project decision making.

C.1. Attachment 1 – *Modernization Program Status Report*





Modernization Program

Status Report

Kevin Olineck, Executive Sponsor
Rebecca Craven, Program Director
Joli Whitney, Program Manager

PROGRAM INFORMATION

The PERS Modernization Program is a multi-biennia initiative comprised of a variety of projects focused on transforming the core pension administration and supporting systems and eliminating the current need for and reliance on off-line tools and workarounds. Through this transformation, opportunities to improve business processes will be realized and PERS will be in a better position to deliver the agency’s mission to “pay the right person, the right benefit, at the right time.” It is currently scoped to run from July 1, 2022, through June 30, 2031.

Color key		on track
		delayed
		needs significant adjustment
		not yet started

Overall program status health:



Governance

Governance is not clearly defined with our stakeholders and is impacting progress to develop foundational program documentation. Meeting held on 8/29/23-clarifying charter under review.

Schedule

Overall program schedule will not be planned until scope is further defined.

Scope

Scope is not yet defined. Scope statement is in development with Modernization Steering Committee.

Budget

The Program 2023-25 budget request was approved. Program Team is evaluating impact of delayed procurements on other planned activities in 23-25 budget.

Modernization Program

- **Program definition/development**
 - Future State Visioning Work Group continued to develop process to conduct Future State Visioning sessions for PERS Modernization Program projects
 - First Executive Steering Committee meeting held on 8/29/23. Charter under committee review for feedback through 9/15/23.
- **Architecture definition/development**
 - Statement of Architecture Work for 23-25 in development.
 - Business Process Management evaluating and prioritizing best practices and gap analysis recommendations received from consultant.
- **Organizational Change Management (OCM) and Communications**
 - OCM Training developed and provided for all PERS managers and identified PERS Modernization Program supporting staff delivered on 8/15/23.
 - 8/15 training was recorded and made available for all other staff on the PERS Modernization Program intranet page.
- **Contracting activities**
 - Continued meeting with integrated quality management system (iQMS) vendor Gartner to develop statement of work.
 - Gartner selected as enterprise architecture consulting services vendor. Statement of work in development.
 - iServer 365 Upgrade request for quote (RFQ) posted and closed 8/23/23. One vendor responded.
- **Budget**
 - PERS 2023-2025 Agency Budget including PERS Modernization Program (POP 103) approved. Budget allocations are under evaluation as we anticipate there will be adjustments needed to reflect changes in work plans based on resource impacts of Senate Bill (SB) 1049 Implementation Program schedule delays and Initial iQMS Risk Assessment procurement delays.

PROGRAM PROJECTS AND COMPONENTS

Component establishment and project initiation activities will be listed here as they are developed.

Modernization Program

BUDGET					
Expenses	Budget	Actual to Date	Projections	Total	Variance
Program Staff	\$3,406,073	\$197,658	\$3,771,426	\$3,969,084	(\$563,011)
Client Relationship management	\$1,255,000			\$-	\$1,255,000
Data and Analytics	\$1,300,000	\$-	\$71,055	\$71,055	\$1,228,945
Development and Operations	\$1,102,000			\$-	\$1,102,000
Architecture	\$950,000	\$62,475	\$887,525	\$950,000	\$-
Independent Quality Management Srvs	\$950,000			\$-	\$950,000
Hybrid Integration Platform	\$400,000			\$-	\$400,000
Telephony	\$210,000		\$210,000	\$210,000	\$-
Project Total	\$9,573,073	\$260,133	\$4,940,006	\$5,200,139	\$4,372,934
Average Monthly Spend (Burn Rate)	\$398,878	\$10,838.87	\$8,750.00	\$8,750.00	\$-

ROAD MAP

This section is a placeholder for an appropriate view of the current program road map. This view will focus on program-level activities, including components, workstreams, and important events/milestones.

Executing component projects will be depicted at a high level in this section but have their own detailed scope/schedule reporting within the program status report.

BENEFITS DELIVERY/SCOPE

Program scope is defined in terms of delivery of benefits. Once measurable benefits are finalized and documented in the program's benefits register, this section will be populated with reporting on a relevant subset of the benefits contained in the register to emphasize changes to benefits (target changes, additions to/deletions from benefits register, etc.) and any progress made on benefits delivery during the reporting period.

Modernization Program

PROGRAM RISKS AND MITIGATION

Risk #3 Internal Staffing- Limited, loss of, or inexperienced resources: Limited specialized resources, resource shifting, and competing priorities pull dedicated project resources, a key resource leaves PERS or is out for an extended period, and/or staff experience levels are inadequate.

- Mitigation: Work with SB 1049 and PERS operational project managers and managers to ensure resource allocations are reasonable. Develop process for reviewing resource allocations across all major projects. Coordinate training opportunities as appropriate. The enterprise architecture consulting RFQ is a mitigation of the inexperience portion of this risk.

Risk #8 Critical resources allocated to higher priority work: Critical resources are allocated to SB 1049 and other agency top priority work, impacting availability for PERS' modernization work.

- Mitigation: Clearly identify shared resources and work closely with SB 1049 Program management to plan around peaks and mitigate impacts. As agency continues to adopt enterprise-wide effort-based project schedules, this risk will be further mitigated. Current challenges are related to workload for procurement teams and the hiring and onboarding plan for a new SB 1049 Product Owner.

Risk #10 Stakeholder communication: Some stakeholder's communication needs are not met.

- Mitigation: iServer Upgrade procurement request is in process. The cloud version of this tool is accessible to a much wider audience and will provide visibility into architecture documentation.

Risk #12 Insufficient "as is" business documentation: Much of the planning work needed for Modernization depends on accurate and thorough documentation of system and process current state.

- Mitigation: Enterprise Architecture consulting procurement in process to support PERS Enterprise Architecture Team develop and deliver The Open Group Architecture Framework (TOGAF) documentation and an active contract is in place supporting the Business Process Management Team with business process mapping a gap analysis and best practices recommendations for addressing the documentation needs.

Risk #16 Inability to document future state architecture — Documentation does not provide required information to sufficiently depict future state or the current phase.

- Mitigation: iServer and TOGAF training has been delivered. iServer upgrade, and enterprise architecture consulting procurements in process to provide teams with tools and skills needed to document architecture in a detailed manner.

Risk #29 Insufficient allocations in program budget subcategories — The subcategory allocations in the legislatively approved budget may insufficiently fund the projects or activities for which they were allocated.

- Mitigation: Developing request for budget reallocation to be considered at 2024 legislative session.

Modernization Program

PROGRAM ISSUES AND CORRECTIVE ACTION PLANS

Issue #7 – Realized risk #5, external stakeholder expectations: Some stakeholder’s expectations are not clearly communicated or identified.

Update: Previous efforts to clarify roles and expectations for proactive communication and interaction between the agency and stakeholders with oversight responsibilities for the program were unsuccessful as all parties did not attend. The chartering of this anticipated governance process is key to the development of the PERS Modernization Program Governance Plan which will describe how decisions will be made and communicated to our various stakeholders involved in governance.

We engaged with our external stakeholders to discuss governance at a meeting in late August.

- Resolution Strategy: Mitigate - The Program Director will continue to reach out to our stakeholders to hear and understand their expectations for involvement in program governance and communication. This issue will be resolved when we document a program governance plan that is mutually reviewed and accepted by our external oversight stakeholders. The charter for this group is under review and feedback through 9/15/23.
- Estimated resolution date: 9/30/23.

Issue #8 – Realized risk #1, procurement delays: Coordination with vendor, DAS Procurement. EIS and/or DOJ cause delays or inability to conduct planned activities within specific timeline.

Update: The procurement activities in process are iQMS Services, Enterprise Architecture (EA) Consulting and iServer 365 Upgrade. The EA Consulting and iServer Upgrade are mitigation strategies for Risks #3 (Inexperienced Resources), #10 (Stakeholder Communication), #12 (Insufficient As-Is Business Documentation), #16 (Inability to Document Future State Architecture) and #20 (Lack of a Documented Tailored TOGAF Framework)

- Resolution Strategy: Accept - The final contract execution activities planned have taken so long to coordinate that they are no longer possible to execute this biennium. Further evaluation to determine whether EA Consulting and iServer 365 Upgrade is possible to be addressed in the 2023/2025 Budget is in process. Statement of work development is in process with EA consulting vendor in August and the iServer 365 Upgrade vendor terms and conditions are under review at DOJ.
- Estimated resolution date: 9/30/23.

Action and discussion items

1. PERS Modernization Program update
2. PERS Member and Employer Survey results
3. Oregon Savings Growth Plan administrative fee increase
4. Final adoption of valuation methods and assumptions including assumed rate of return
5. Adoption of Assumed Rate OAR
6. Board Funding Policy review
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September 29, 2023

TO: Members of the PERS Board
 FROM: John Lockwood, Member Services Manager
 Brandon Armatas, Data Services Manager
 Elizabeth Rossman, Enterprise Communications Manager
 SUBJECT: 2023 PERS Member and Employer Satisfaction Survey Results

OVERVIEW

In 2005, the Legislature required all agencies to survey for standardized customer service performance measures and report results in their budget presentations. In continued accordance with this requirement, PERS conducted annual satisfaction surveys for members and employers in May 2023. As in previous years, PERS informed members and employers about the survey through the April 2023 member newsletter, *Perspectives*; the May monthly employer newsletter, *Employer News*; and on the PERS website, using a news blurb on multiple pages and pop-up reminders.

2023 MEMBER SATISFACTION SURVEY KEY FINDINGS

- 7,731 total responses (2,313 total non-retirees, 30% of respondents; 5,418 retirees, 70% of respondents).
- Percent rating PERS' overall quality of service as "excellent" or "good": 88.1% (93.8% among retirees, 71.6% among non-retirees).
- Primary communication channel: GovDelivery emails (e.g., an initial May 1 email to more than 47,960 contacts, as well as follow-up messaging).
- Overall, PERS' 2023 results for members showed a 3.0% increase in satisfaction in overall quality of service over 2022's 85.01%.

2023 EMPLOYER SATISFACTION SURVEY KEY FINDINGS

- 326 total responses (versus 504 last year, a decrease of 35%).
- Percent rating PERS' overall quality of service as "excellent" or "good" = 87%.
- Primary communication channel: GovDelivery emails (four emails sent throughout May to 8,067 employer contacts).
- Overall satisfaction: Increased 1% over last year's 86%.

ANALYSIS AND RESULTS

Included with this memo is a presentation outlining the key survey results, analysis, and discussion of themes from member and employer comments. PERS' managers will highlight key data and proposed solutions for their respective areas during the presentation to the board.

C.2. Attachment 1 - *PERS Member Satisfaction Survey and Employer Satisfaction Survey presentation*

PERS Member Satisfaction Survey and PERS Employer Satisfaction Survey

Member Services
Employer and Data Services
Communications

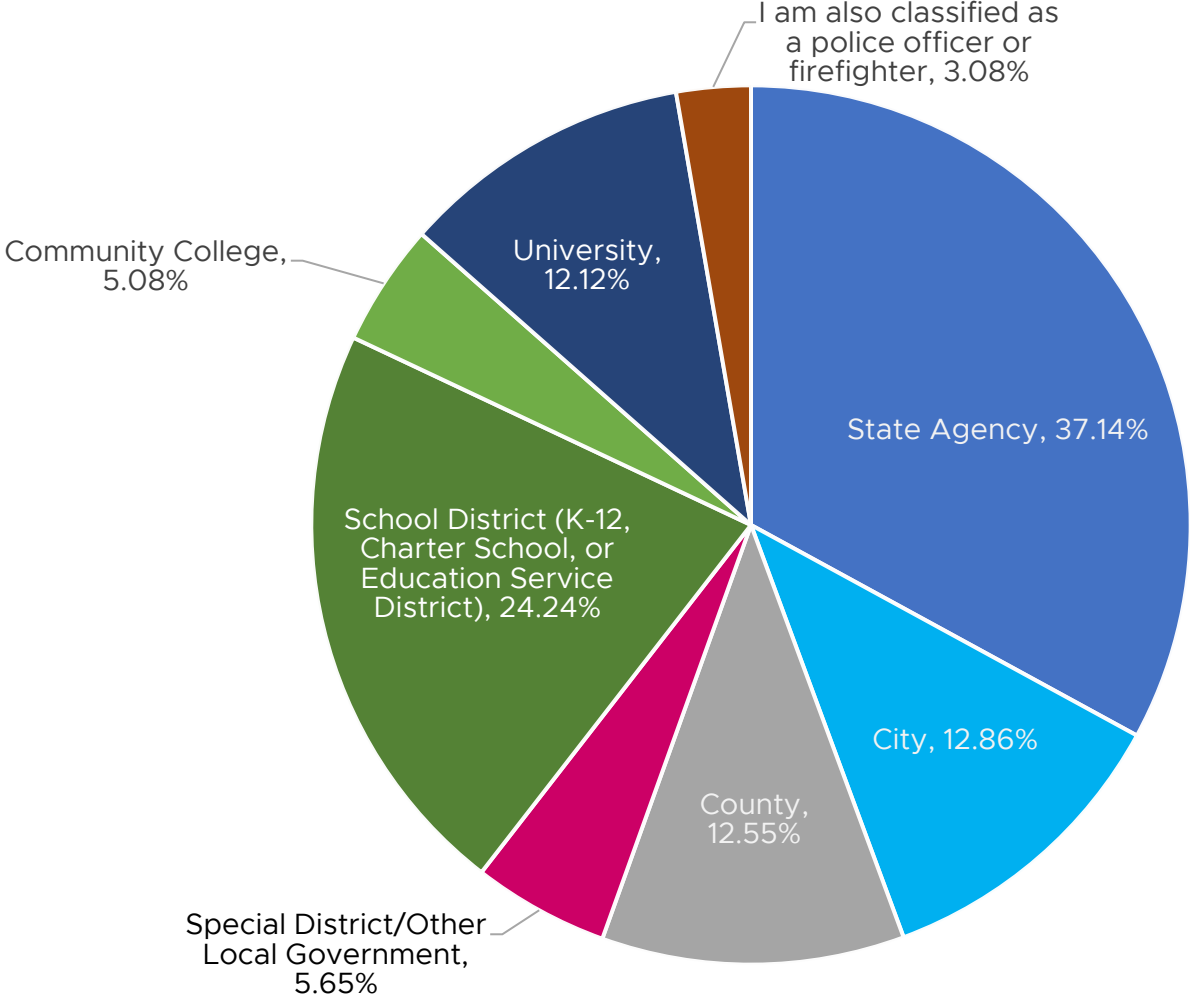
2023 Member Satisfaction Survey

John Lockwood, Member Services

- Overview
- Year-over-year performance
- Member comments
- Themes of member satisfaction

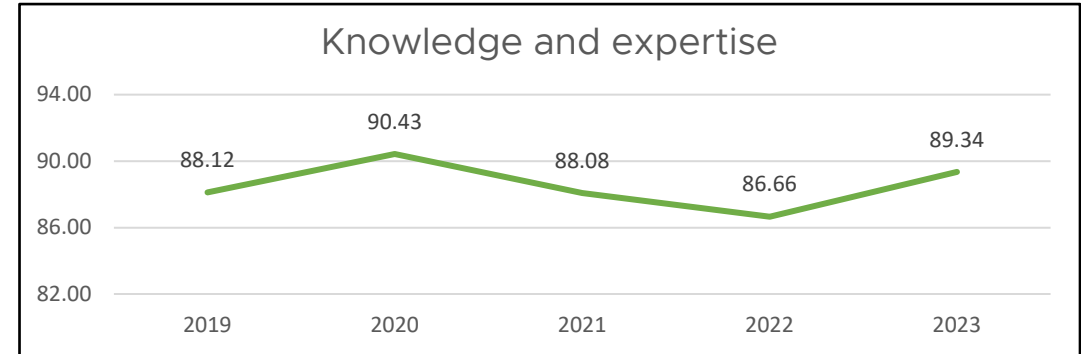
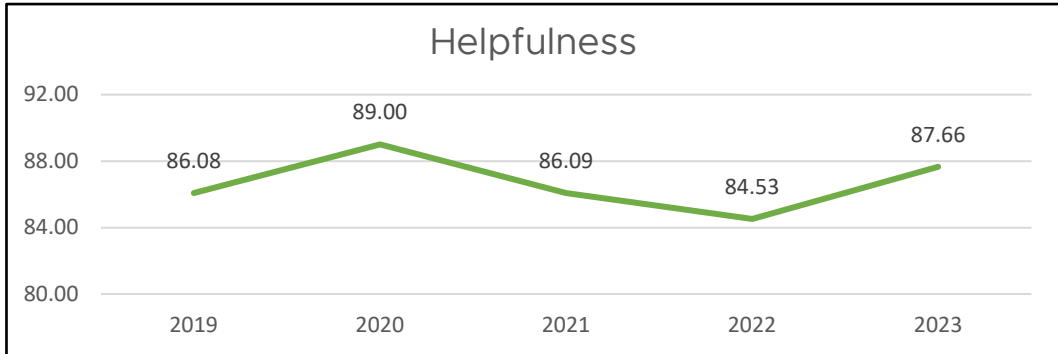
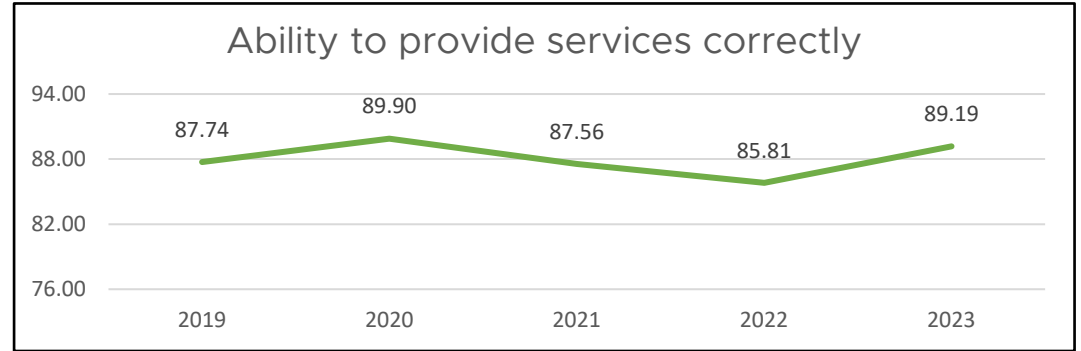
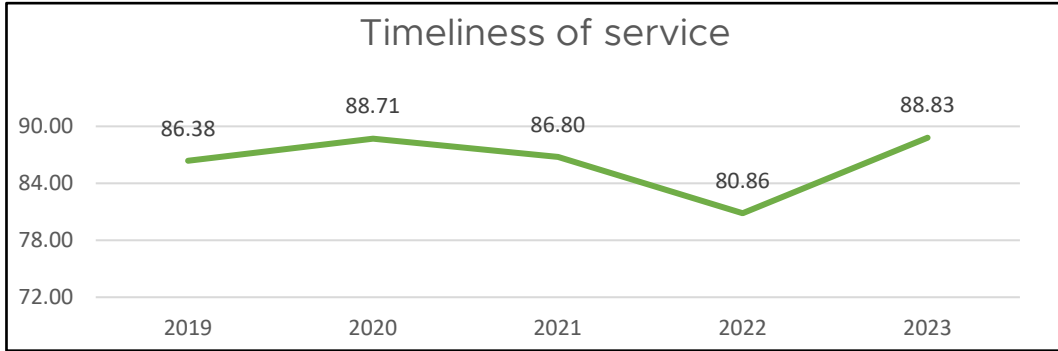
2023 Member Satisfaction Survey

Where nonretired members work



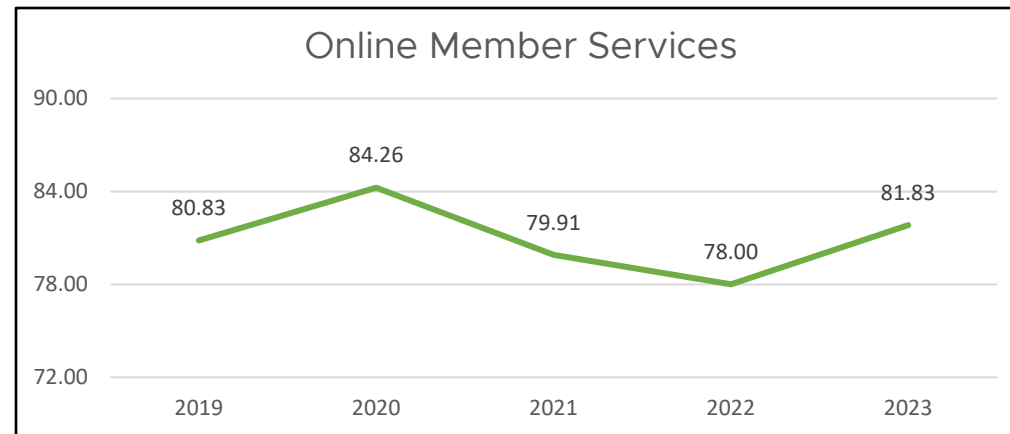
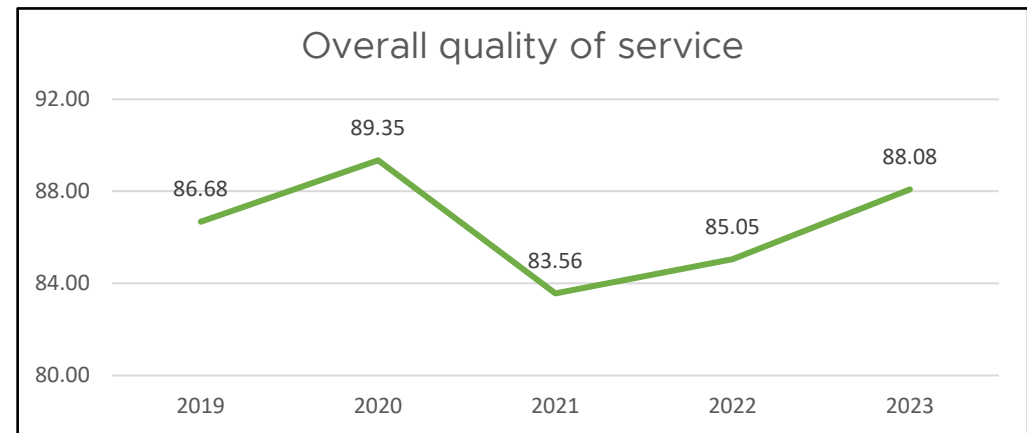
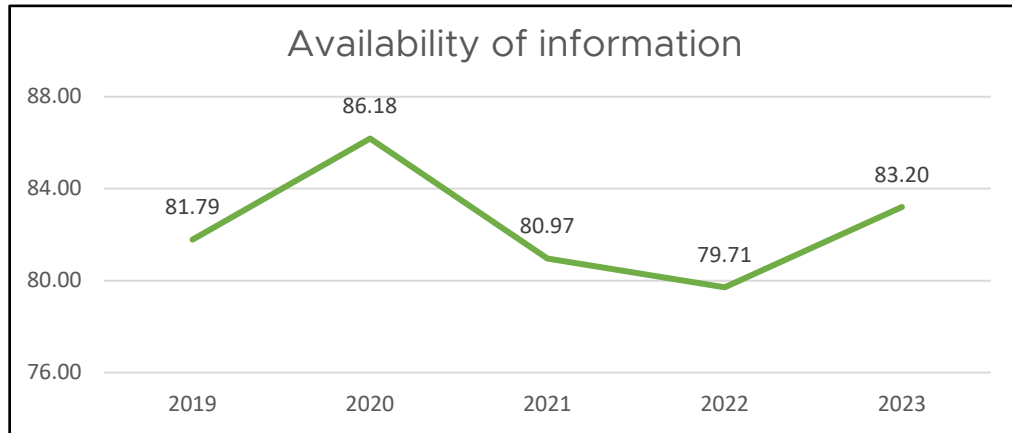
2023 Member Satisfaction Survey

2019–2023 year-over-year performance



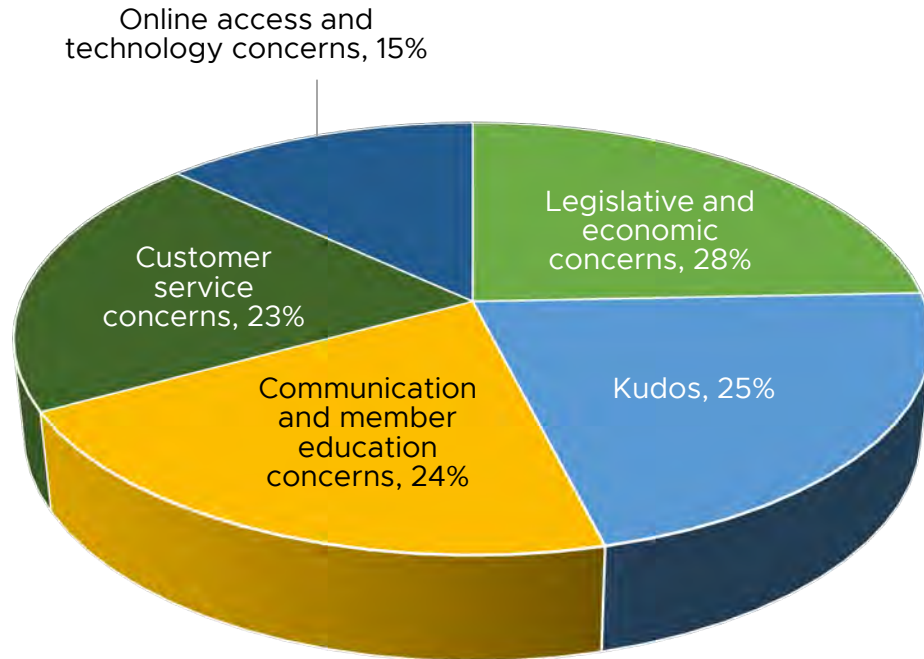
2023 Member Satisfaction Survey

2019–2023 year-over-year performance



2023 Member Satisfaction Survey

Member comments



Summary

- 1,682 responders.
- 2,036 total responses.
- Legislative and economic concerns made up 28% of responses.
- Kudos were the second most frequent comment, with 25% of responses.
- Concerns around communication, member education, customer service, and online access/technology made up the remaining responses.

2023 Member Satisfaction Survey

Member comments

Category	# Responders	% Responders	Takeaway
Legislative and economic concerns	476	28%	476 responders (28%) expressed legislative and economic concerns. Concerns in this category include the investment of PERS funds, the economy, legislative changes, and the general political environment.
Kudos	417	25%	417 responders (25%) expressed kudos, or appreciation for PERS benefits, staff, and/or services.
Communication and member education concerns	398	24%	398 responders (24%) expressed communication and member education concerns. Concerns in this category include not being able to find information on the PERS website, mass member publications/communications not being adequate or clear, and feeling members don't understand their benefits, the retirement process, etc.
Customer service concerns	385	23%	385 responders (23%) expressed customer service concerns. Concerns in this category include long call wait times and difficulty reaching staff, lack of consistency in information received from staff, call agents not being friendly, and issues not being resolved.
Online access and technology concerns	250	15%	250 responders (15%) expressed online access and technology concerns. Concerns in this category include a lack of personal account information and services available to members via OMS, availability/accuracy of online estimate tools, and the inconvenience of having a separate login for Pension, IAP, and OSGP accounts.
N/A	110	7%	110 responders (7%) did not specify any concerns or kudos.
Total Responses	2,036*		
Total Responders	1,682		

**Some responders provided multilayered comments, for example, expressing both kudos and customer service concerns. These are counted as multiple responses.*

2023 Member Satisfaction Survey

Themes of member satisfaction

Customer service solutions

From 2022 member survey presentation

Action steps

- To improve wait time when contacting PERS, we added busiest phone times to website.
- Added option to schedule a return phone call.
- Working on adding communications about status throughout retirement process.

Progress and outcomes

- **Timeliness of service:** 8% improvement.
- **Web messaging:** who to contact, how, and when is best time.
- **Callback service:** almost 26,000 took advantage of callback system, saving more than 1/2 million minutes/9,574 hours/398 days of their time.
- **Process communication:** trigger emails – OPSRP and soon Tier One and Two.

Member feedback

I have found the overall quality of service growing both professionally and comprehensively improving!!

2023 Member Satisfaction Survey

Themes of member satisfaction

Member education solutions

From 2022 member survey presentation

Action steps

- Improve explanation of difficult retirement process.
- Provide more clear, concise direction and understandable forms; online checklists and resources to guide and assist; and Retirement Application Assistance Sessions and presentations, both virtual and in-person.
- Continue to offer virtual retirement sessions.
- Member Services remains available and committed to working with individual members.

Progress and outcomes

- **Improvement in availability of information:** New website – clear pathways – organized, understandable, and searchable.
- **Increased collaboration:** Monthly Comms and Member Services meeting – Intake and Review/Education Team.
- **Videos:** Six new videos, covering more complex and specific PERS topics – Eligibility, Options, Withdrawals, Purchases, Service Retirement Application (SRA)-completion guide.
- **Education Team:** In-person and virtual offerings continue – 75/25 Retirement Application Assistance Sessions (RAAS) – 55/45 presentations.
- **Member Information Center:** Improvement in helpfulness, knowledge and expertise, and correct and high-quality service – more than 200,000 calls.

2023 Member Satisfaction Survey

Themes of member satisfaction

<p>“Every contact, in person and via phone with PERS staff has been so helpful. PERS staff (are) so knowledgeable, helpful, kind, explain, answer questions, concerns. Exceptional staff. Thank you!!”</p>	<p>“On the occasion that I did have to contact customer service, the wait time on hold was REALLY long. But once I got Spencer on the phone, she was amazing.”</p>
<p>“I had a scheduled phone meeting with one of your counselors, and he was almost unbelievably helpful! A+ there. Your system as a whole, though, is outdated and not user friendly. Print and fax or mail? Why can't I ask for retirement estimates simply via email?”</p>	<p>“Everyone at PERS was helpful in my transition to retirement. The pre-retirement videos and on-line events were well done. Regarding the on-line sessions, being able to view all the comments and responses from the experts was very helpful. I was skeptical that on-line would provide the learning experience I needed, but it did! -Thank you very much.”</p>

2023 Member Satisfaction Survey

Themes of member satisfaction

Key quote

“... I am very impressed with the people I had helping me. Pamela and Armie were great, and I just thought I would let you know because it is not often when you get really good help. Even though it took a while for me to talk to someone, once I got someone on the phone, **you couldn't ask for better help**, and I just wanted to tell you that. So, thank you for having Pamela and Armie around for us. I just really appreciate it. Thank you!”

2023 Member Satisfaction Survey

Themes of member satisfaction

Future efforts

- **Consistency** – year over year, little deviation in feedback and scores.
- Maintain current **world-class standards** while continually seeking improvement opportunities.
- Refine and improve **member forms**, instructions, procedures, and communication.
- Continue to seek ways to **inform and keep members engaged** – website, direct electronic communications, marketing, newsletters, employer benefit fairs.
- Retirement education and assistance – continue to market the value of **education sessions** and one-on-one application assistance; PERS Expo 2023, and beyond.
- Modernization – participate and **advocate for members** and PERS throughout upcoming modernization efforts.

2023 Member Satisfaction Survey

Questions or comments

Any questions for Member Services?

Thank you!



2023 Employer Satisfaction Survey

Brandon Armatas, Employer and Data Services

- Overview
- Year-over-year performance
- Ratings
- Comments

2023 Employer Satisfaction Survey

Overview

Conducted annually to measure how employers rate PERS on aspects such as:

- Online resources, including instructional documents.
- Ease of working with PERS.
- PERS Employers website, including navigation and ease of finding information.
- Employer training sessions and tools.
- Customer service.



Sent to broad range of targeted participants, including EDX reporters, HR specialists, budget professionals, and agency heads.

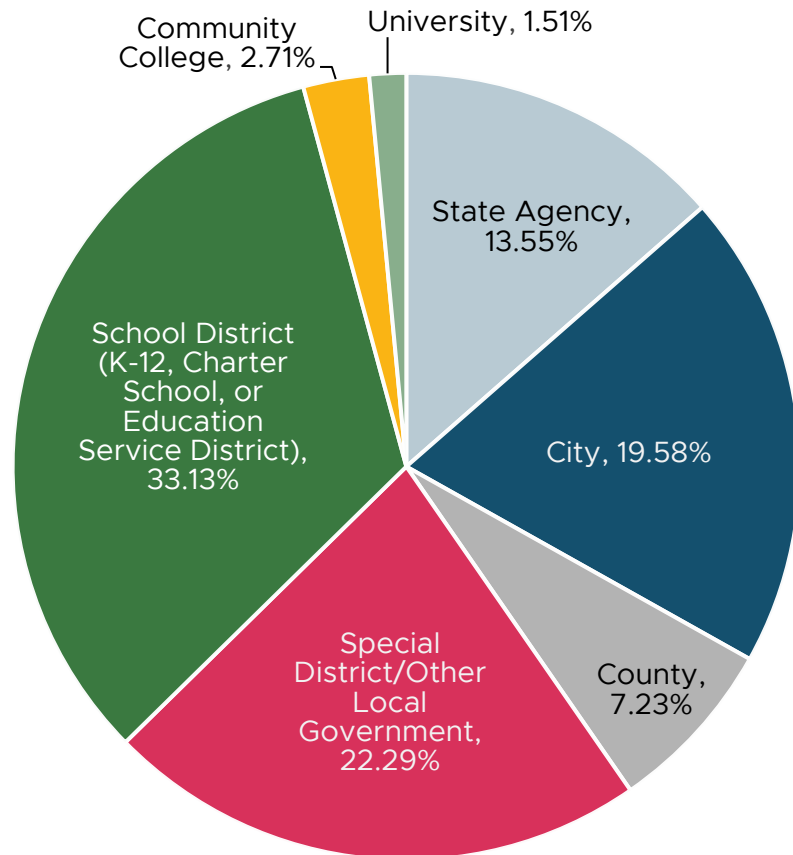
Provides PERS feedback on:

- Where opportunities exist.
- What employers believe should be focus of our improvement efforts.

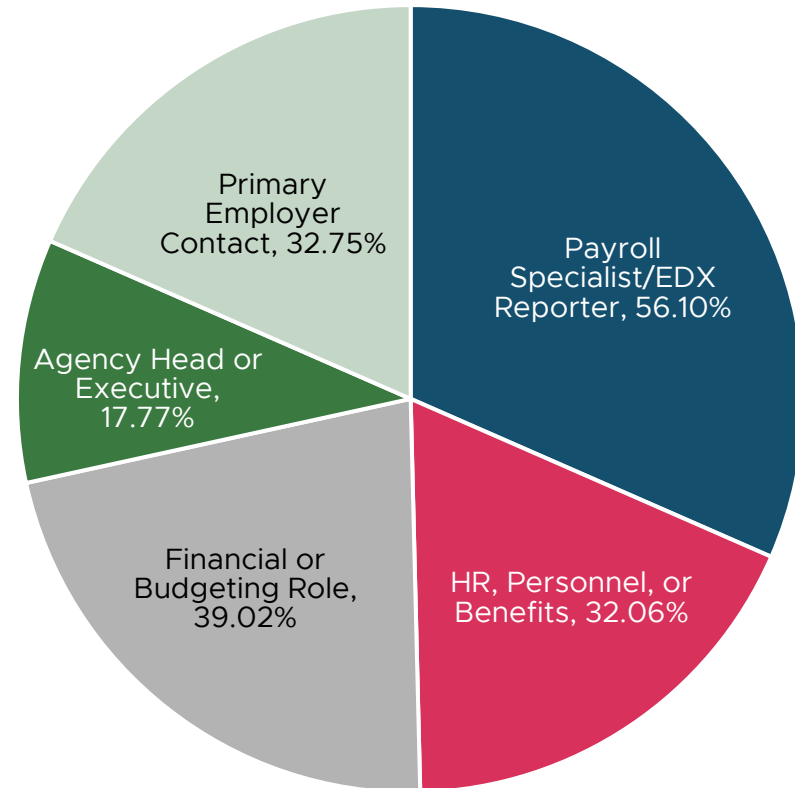
2023 Employer Satisfaction Survey

Employer types and roles

Employer category

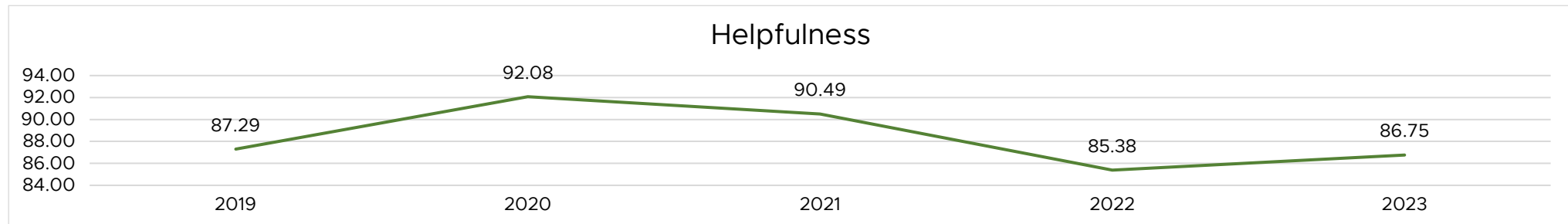
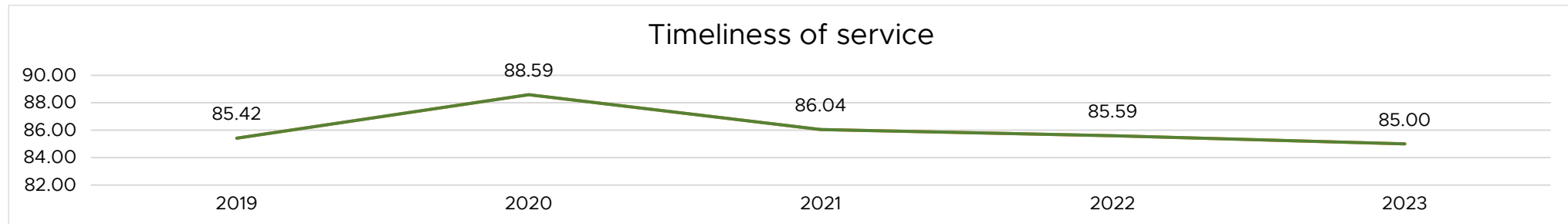
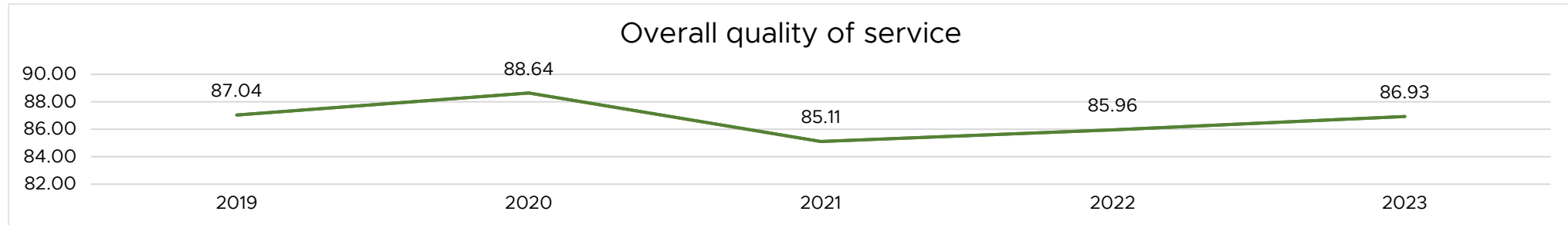


Job function



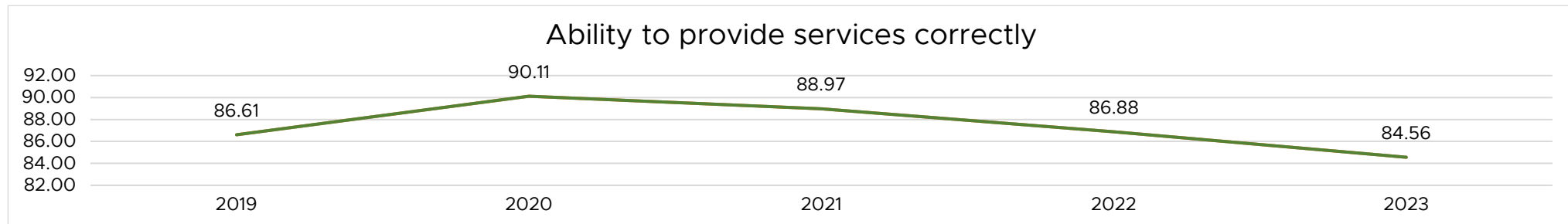
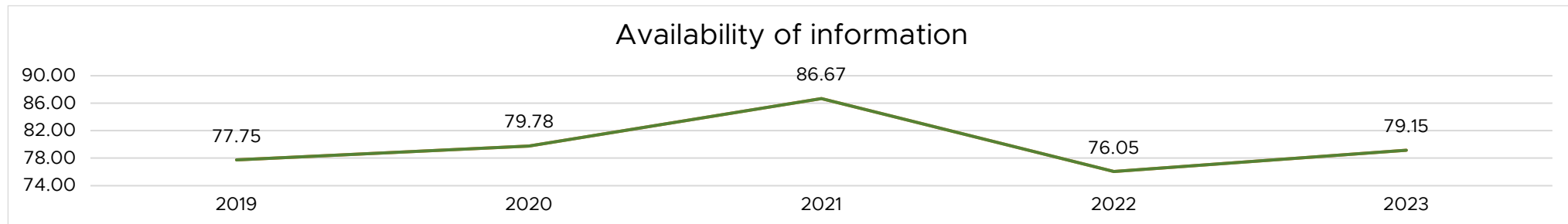
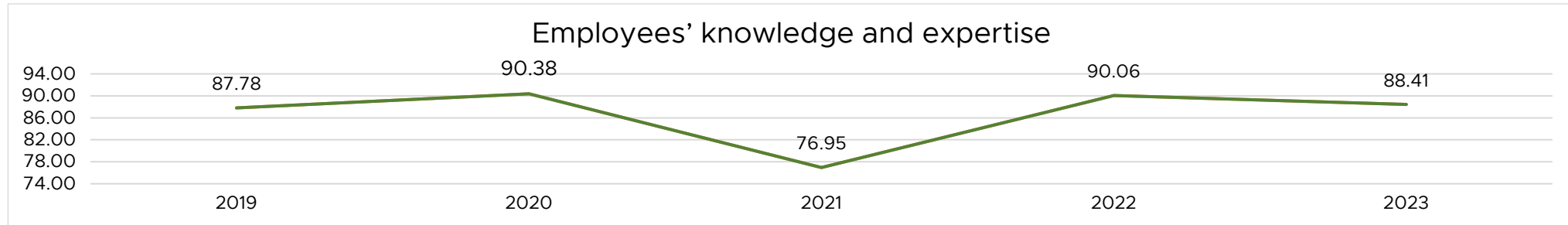
2023 Employer Satisfaction Survey

2019–2023 year-over-year performance



2023 Employer Satisfaction Survey

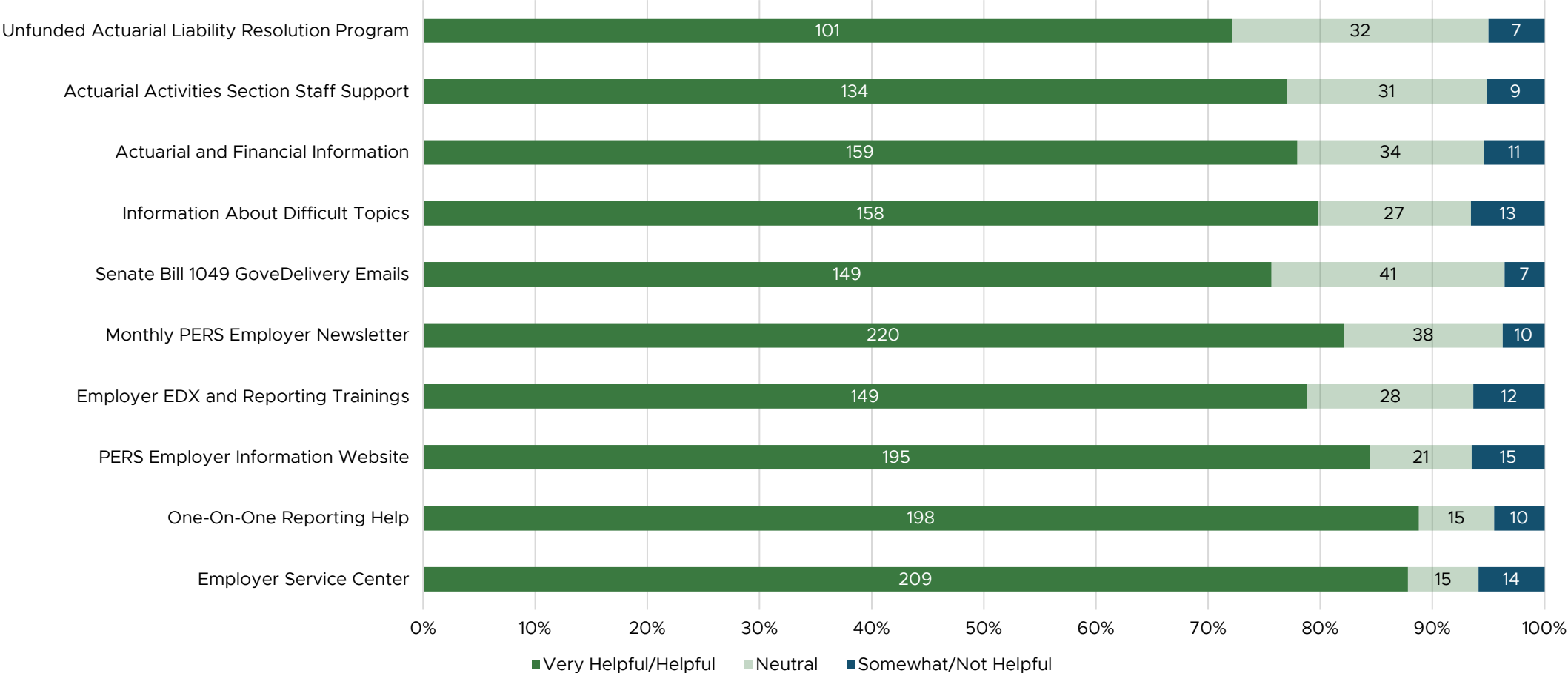
2019–2023 year-over-year performance



2023 Employer Satisfaction Survey

Employer resource ratings

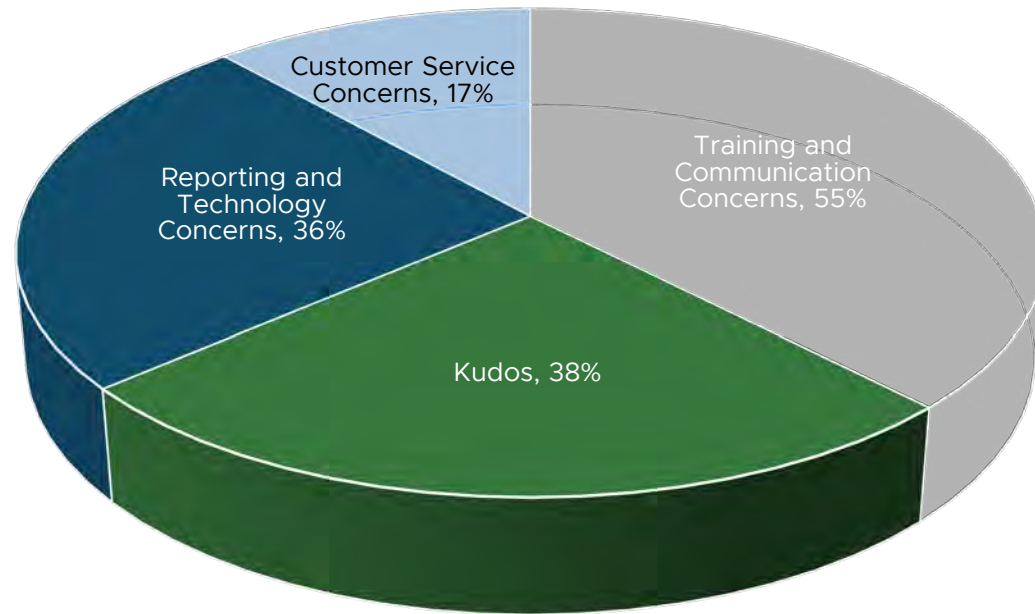
How helpful are the following?



2023 Employer Satisfaction Survey

Employer comments

Summary



- 42 responders left comments.
- 61 total responses.
- Concerns about “training and communication” received the most comments with 55% of total responses.
- Issues with “reporting and technology” made up 36% of the comments.
- 38% of the comments were kudos and appreciation for PERS staff and/or services.

Percentages do not equal 100% because responders commented in more than one category.

2023 Employer Satisfaction Survey

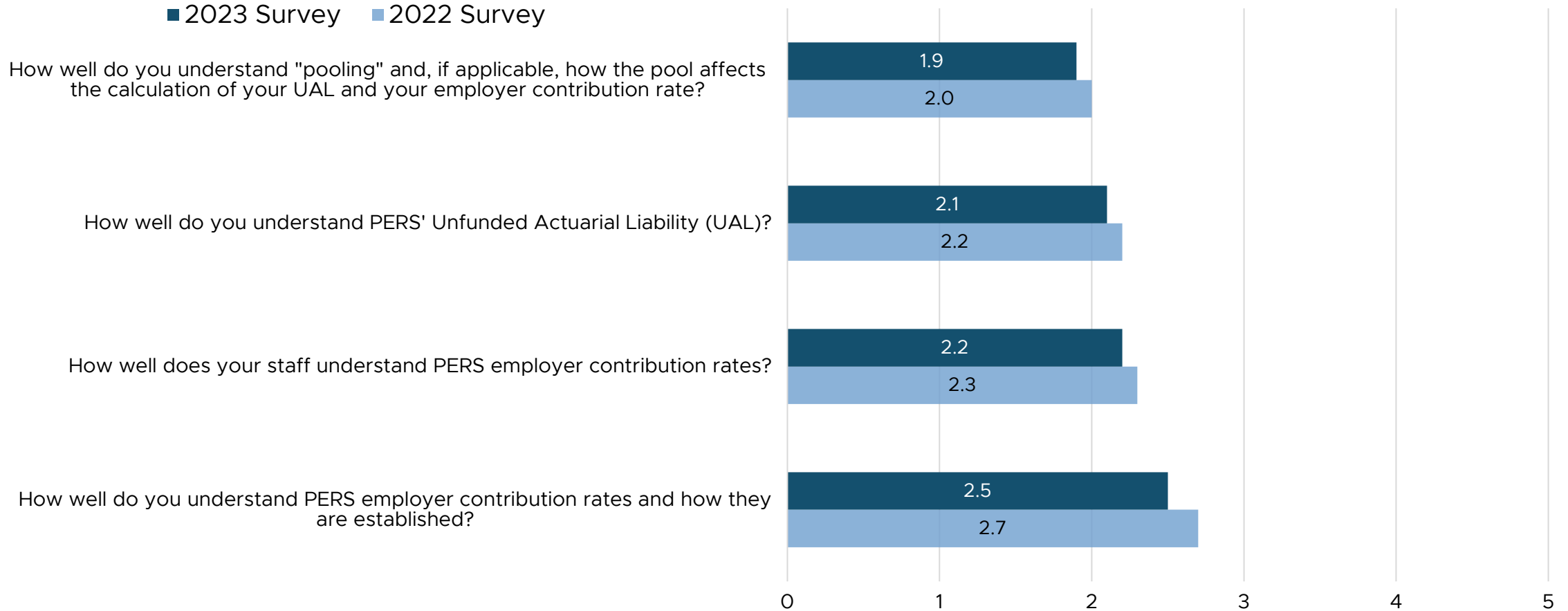
Employer comments

Area of concern	# Responders	% Responders	Takeaway
Training and communication concerns	23	55%	23 responders (55%) expressed training and communication concerns. Concerns in this category include wanting more training available and not knowing what training is available.
Kudos	16	38%	16 responders (38%) expressed kudos, or appreciation for PERS staff and/or services.
Reporting and technology concerns	15	36%	15 responders (36%) expressed reporting and technology concerns. Concerns in this category include challenges with employer reporting and a desire for updated features in EDX.
Customer service concerns	7	17%	7 responders (17%) expressed concerns with customer service. Concerns in this category include the accuracy and timeliness of responses to employer inquiries.
Total responses	61*		
Total responders	42		

**Some responders provided multilayered comments, for example, expressing both kudos and customer service concerns. These are counted as multiple responses.*

2023 Employer Satisfaction Survey

Understanding of contribution rate



* Average rating on scale of one (no understanding) to five (expert understanding)

2023 Employer Satisfaction Survey

Feedback themes

While we've taken steps in the right direction, opportunities for growth persist.

“Training and education” was highlighted as the primary opportunity in more than 50% of the comments. Topics included in the comments were:

- Resource availability and navigation.
- Improved training materials.
- How to understand rates.
- The need for training.
- Preference for in-person training.

2023 Employer Satisfaction Survey

Feedback themes

Many comments with constructive feedback also acknowledge improvements.

Comments validate the concerted effort PERS has made to improve the employer experience:

User manuals have improved. Were very cumbersome 6 months ago.

Love the new PERS statements. Next step on new statement, can we add an option to download into Excel?

I do think that PERS communication is getting better. I know about more changes before they hit my statement. That is very helpful.

2023 Employer Satisfaction Survey

Steps in the right direction

<p style="text-align: center;">Employer guides</p> <ul style="list-style-type: none">▪ 28 employer reporting guides replacing previous outdated and overloaded materials.▪ UALRP educational guides available, including <i>Guide to Financial Modeling</i> and <i>Guide to Understanding Unfunded Actuarial Liability (UAL)</i>.	<p style="text-align: center;">Instructor-led trainings</p> <ul style="list-style-type: none">▪ Replacing the previous two instructor courses with a series of five new offerings.▪ Will be conducted via live webinars to improve flexibility and accessibility.▪ Companion materials will supplement the trainings.
<p style="text-align: center;">Additional materials</p> <ul style="list-style-type: none">▪ Improved employer statements.▪ How-to videos.▪ Facelifted employer website.▪ Implementation of fixes and platform for future improvements to Employer Rate Projection Tool.	<p style="text-align: center;">Learning platform</p> <ul style="list-style-type: none">▪ Migrating learning options and materials to the Workday platform.<ul style="list-style-type: none">• Will improve accessibility and provide insights into the outcomes of training and education.

2023 Employer Satisfaction Survey

Appreciation

“My employer representative has been very helpful. I really appreciate all the time she has spent answering my questions.”

“Everyone I contact for PERS EDX help is helpful, efficient, and is easily contacted.”

“Excellent service from all PERS staff.”

“Our School Rep is awesome ... very knowledgeable and helpful.”

“Just a ‘Great Thanks’ for the services!!!”

2023 Employer Satisfaction Survey

Questions or comments

Any questions for Employer and Data Services?

Thank you!



2023 Member and Employer Surveys Communications-Related Responses

Elizabeth Rossman, Agency Communications

- Member communications
- Employer communications

Member communications

Relevant-information scores (members)

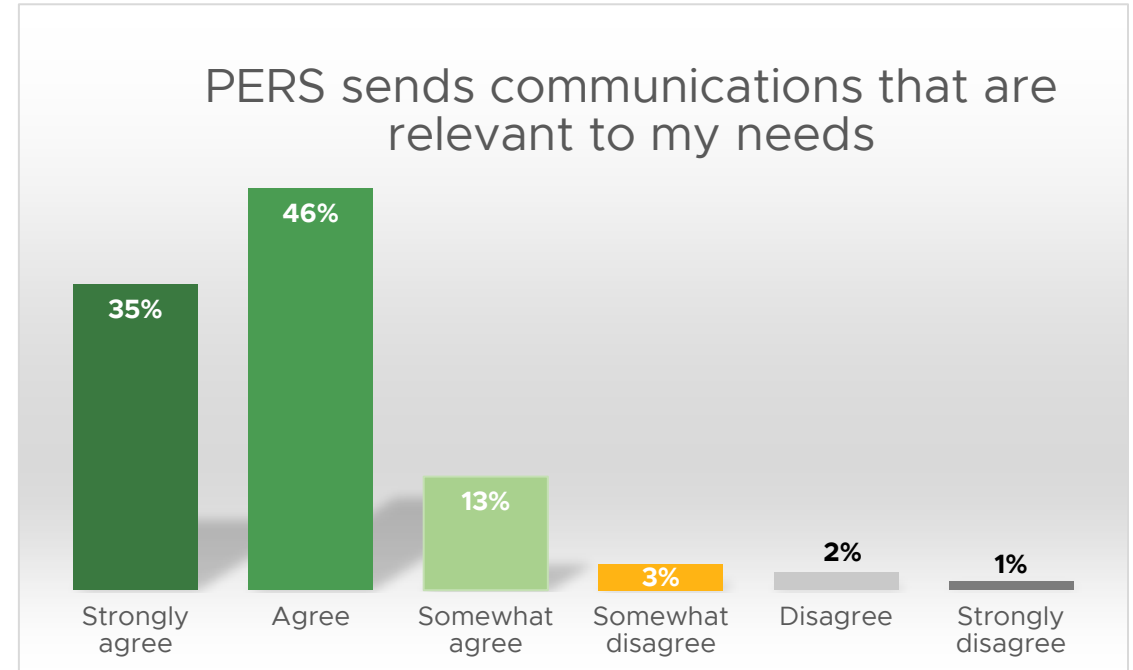
2023

94% strongly agree + agree + somewhat agree
6% strongly disagree + disagree + somewhat disagree

2022

93% strongly agree + agree + somewhat agree
8% strongly disagree + disagree + somewhat disagree

(Neutral scores not included; percentages rounded.)



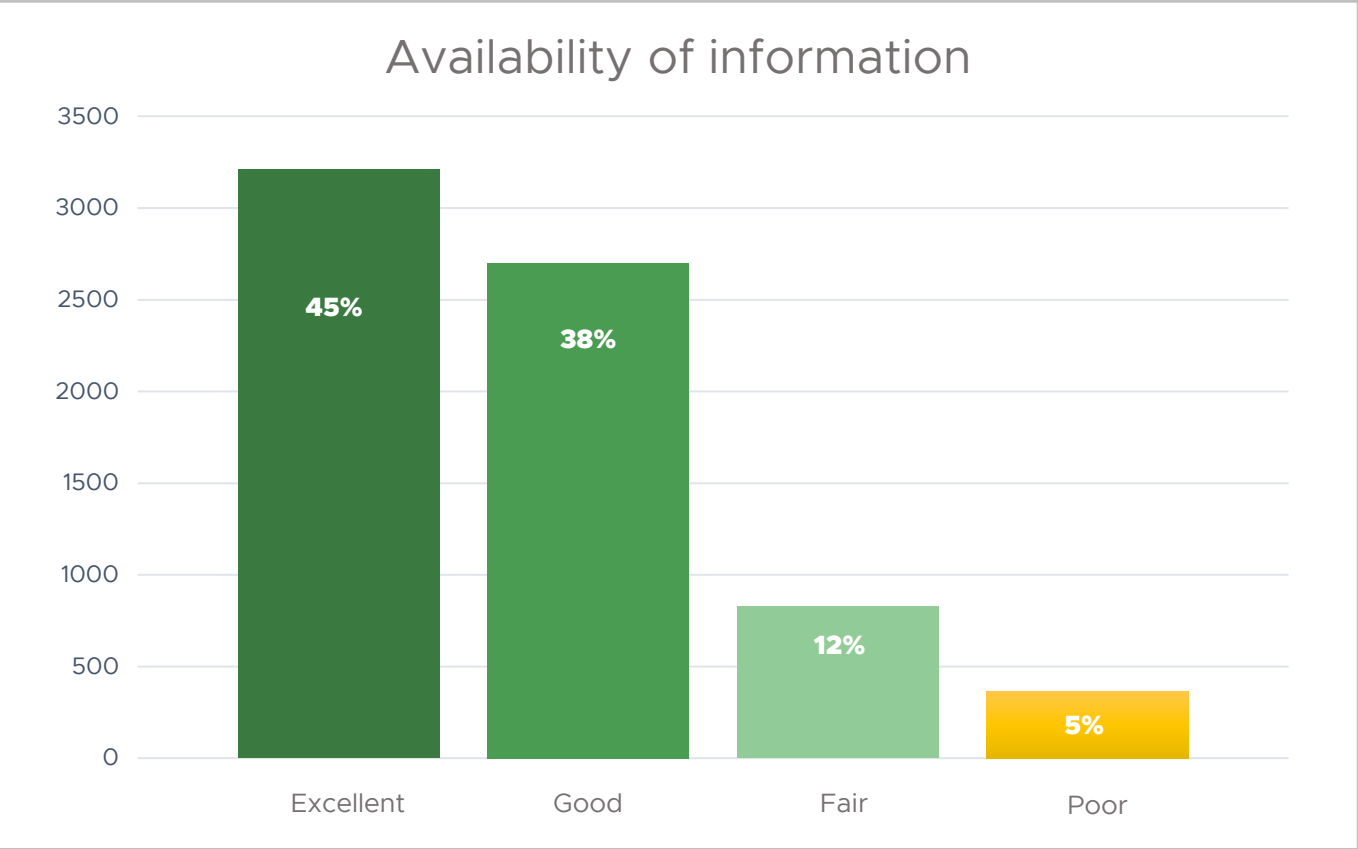
Member communications

Availability of information scores (members)

2023
83% excellent + good
17% fair and poor

2022
80% excellent + good
20% fair and poor

(Percentages rounded.)



Member communications

Website scores (members)

Rated before website was redeveloped, but ratings still improved.

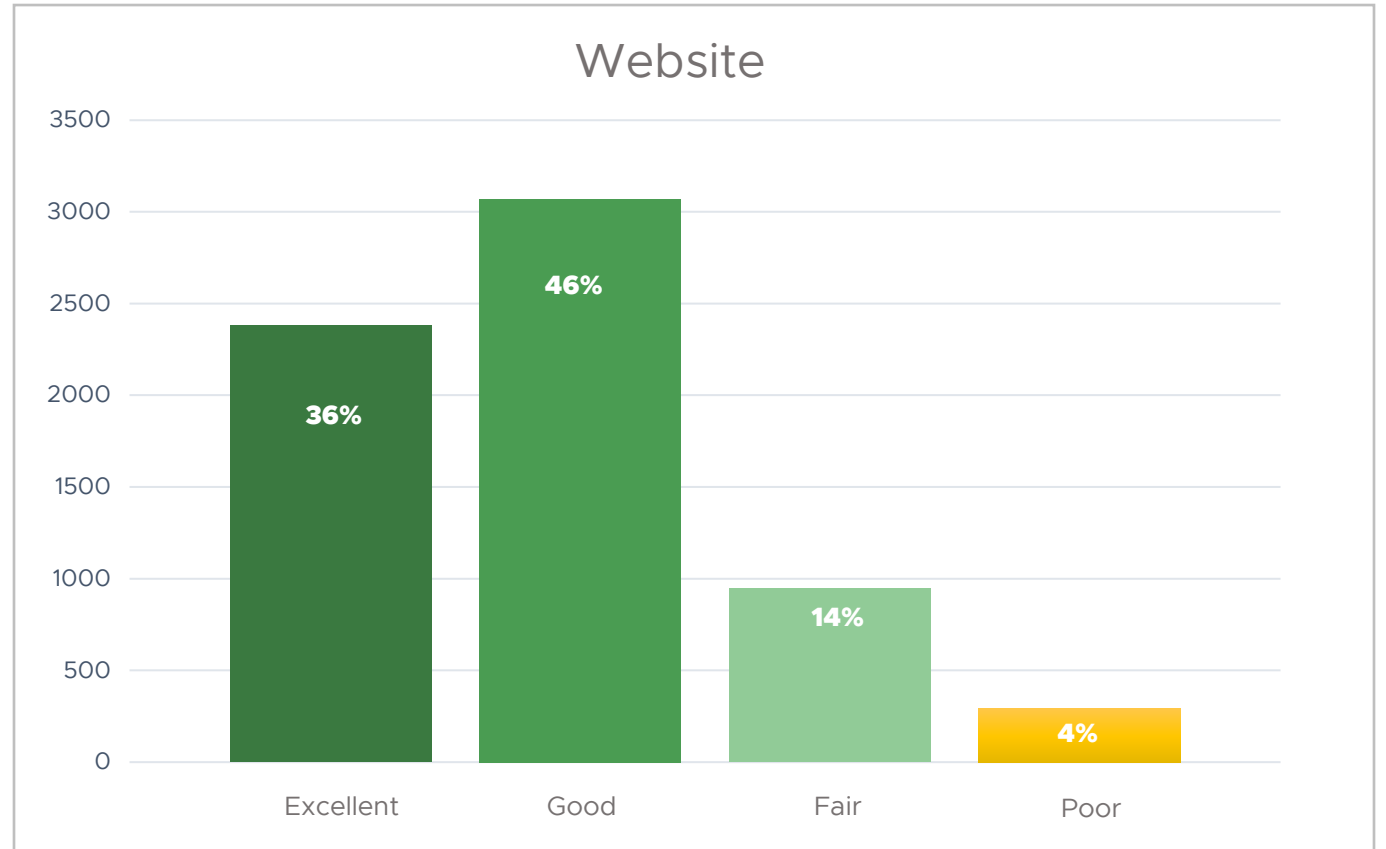
2023

82% excellent + good
18% fair and poor

2022

79% excellent + good
21% fair and poor

(Percentages rounded.)



Member communications Concerns

24% of members who commented are concerned that:

- Mass member publications and communications are not adequate.
- Explanations of retirement benefits and retirement process are not clear enough.



Member communications

Comments

Comment	Solutions
<p>“Even with the very good materials on the website, it still is hard to know exactly what will be paid at the time of retirement. Good job on answering everyone's questions! I am not confident in reaching out because I don't know if there are enough resources for people like me who are close to retirement but not ready to make a final decision on the delivery of retirement benefits.”</p>	<ul style="list-style-type: none">▪ Continue to review and refine content on the website and in emails and other correspondence with members.▪ Continue to support members knowing who to contact about their individual account needs, and how.<ul style="list-style-type: none">▪ New informational video.
<p>“Both the PERS and the OMS websites have a wealth of information available, sometimes it can be difficult to find the specific pieces of information that I am looking for.”</p>	<ul style="list-style-type: none">▪ Redeveloped website that uses a new organizational structure based directly off user feedback to help make items easier to find. <p><i>Continued</i></p>

Member communications

Comments

Comment	Solutions
<p>“I feel an initial ‘dumbed down’ correspondence would have been nice when I first started with PERS, so I could understand PERS on my paystub and what my options were as far as making additional contributions. I was fortunate to be able to attend a workshop recently and things were made clearer and I could ask questions, but I still feel a little in the dark ...”</p>	<ul style="list-style-type: none">▪ Expand our demographic targeting capabilities under the PERS Modernization Program.▪ Continue to create multimedia website content to support members at various stages in their career, both to enhance our website offerings and to fill gaps that we will have until we have better capabilities through modernization.

Member communications

Additional solutions

Action steps

- ✓ Increase the number of members on the **mailing list**.
 - Encourage them to sign up for GovDelivery so they receive *Perspectives* and announcements.
 - Continue including reminders in employer communications, too.
 - Communications began a targeted campaign to increase subscriptions in late March 2023. Increased topic subscriptions by more than 12% in Q2.
- ✓ Continue to work on **informing employers** about member issues so they can inform and assist their employees.
- ✓ We are using member feedback as we continuously **review and refine content** on the newly launched website, providing member-friendly overviews, formats, and navigation.

Member communications

Legislative and economic concerns

28% of commenters concerned about:

- Investment of PERS funds.
- Economy.
- Legislative changes.
- General political environment.



Member communications

Comments

Comment	Solutions
“After receiving my PERS statement this last week and losing money this last year does not make me feel very confident.”	<ul style="list-style-type: none">▪ Continue to educate members about how to understand their statements and how Treasury works to invest in the fund.<ul style="list-style-type: none">▪ Help members know where to follow their accounts.▪ Continue to help members understand what PERS does as opposed to Treasury.▪ May explore different timing for annual surveys.
“Always worried some new legislature is going to decrease something in my PERS or change some rules before I retire.”	<ul style="list-style-type: none">▪ Continued sharing of legislative information via website and email in collaboration with PERS sections.

Member communications

Comments

Comment	Solutions
<p>“As a Tier 2 member, I am deeply troubled by the changes made to my IAP contribution as a result of SB 1049. This is costing me thousands of dollars yearly, and it directly contradicts the promises made previously; this undercuts my faith in the PERS system ...”</p>	<ul style="list-style-type: none">▪ Continued sharing of legislative information via website and email in collaboration with PERS sections.▪ Continued member education as to what areas PERS has oversight, as opposed to the legislature.
<p>“Concerned about what the legislature will do to my pension.”</p>	<ul style="list-style-type: none">▪ Continued sharing of legislative information via website and email in collaboration with PERS sections.▪ Continued member education as to what areas PERS has oversight, as opposed to the legislature.

Member communications

Legislative and economic solutions

Action steps

- Develop expanded communications to help members **understand the roles** of the Oregon Legislature, Treasury, and PERS the agency, including columns in the member newsletter and email collaborations with Treasury.
- Work with the agency's senior policy advisor on efforts to educate members about what they can do when they have legislative concerns.
- Over the course of this new biennium, make the legislative portion of the website more robust, since we see continued concerns in this area.



Member communications Participation

“PERS wants to improve our communications, website, and educational materials. If you are willing to be contacted for other follow-up surveys, to provide feedback in the future, or to receive communications about key PERS events, please provide your contact information below. Your information will not be provided to anyone outside of PERS for any reason.”

Responses: 2,036



Employer communications

Employer newsletter scores

Sent monthly to about 8,000 subscribers.

2023

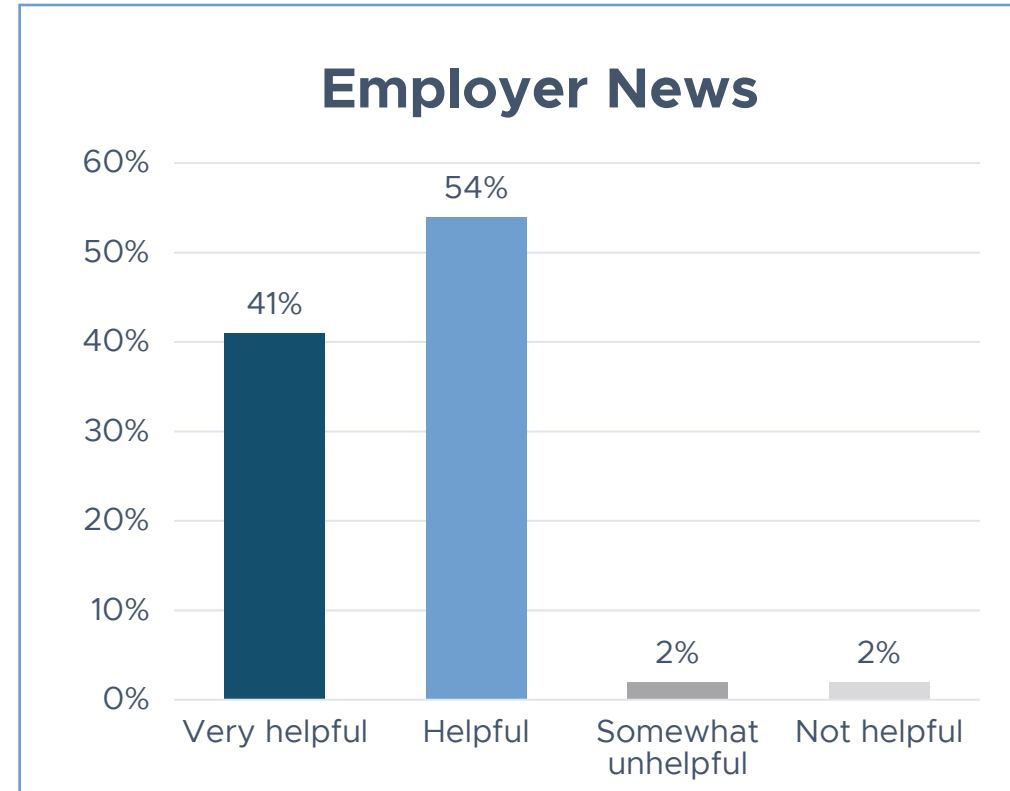
95% very helpful + helpful

4% somewhat helpful + not helpful

2022

95% very helpful + helpful

5% somewhat helpful + not helpful



(N/A excluded, percentages rounded.)

Employer communications

PERS website

Rated before website was redeveloped, but ratings still slightly improved.

2023

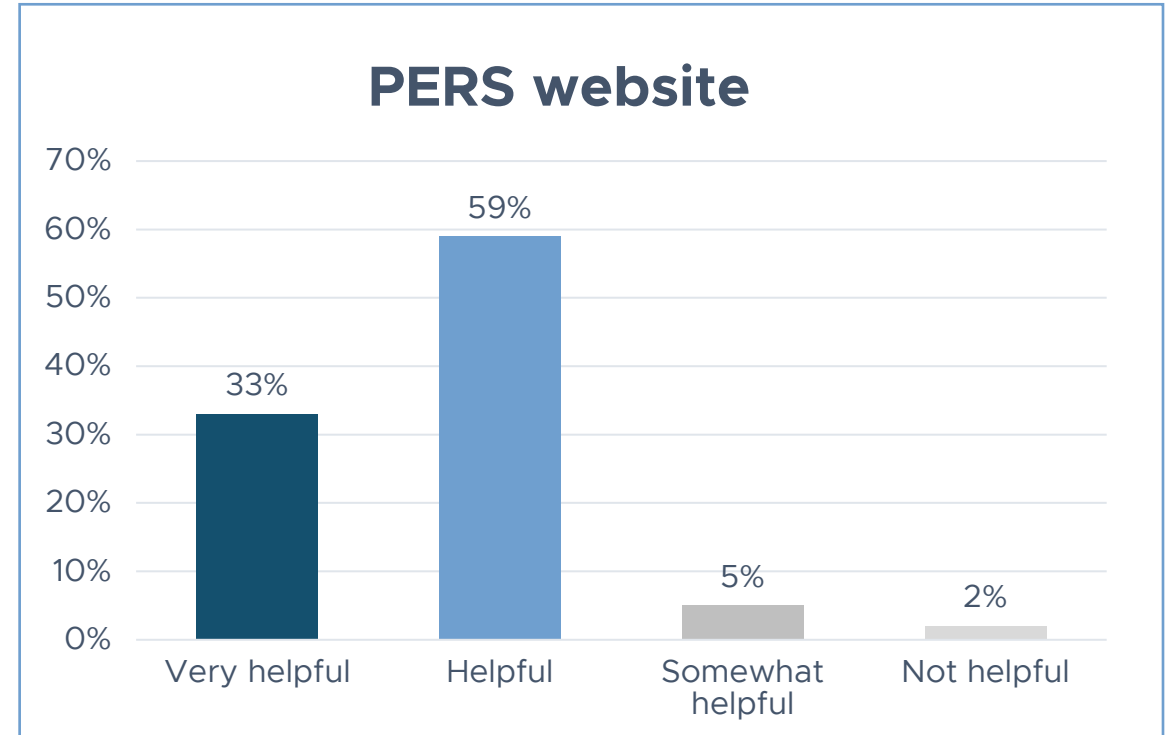
92% very helpful + helpful

7% somewhat helpful + not helpful

2022

89% very helpful + helpful

11% somewhat helpful + not helpful



(N/A excluded, percentages rounded.)

Employer communications

Information about difficult topics

Difficult topics include reporting a leave, calculating unused sick leave, and understanding disability benefits.

2023

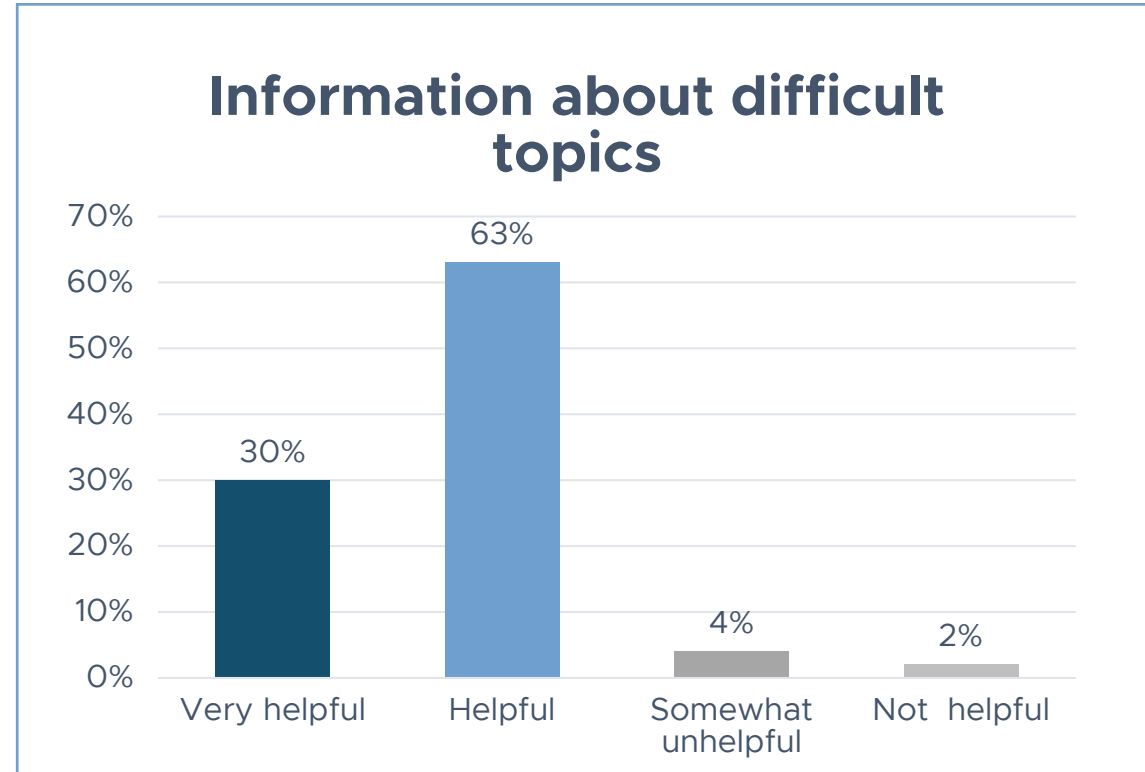
93% very helpful + helpful

6% somewhat helpful + not helpful

2022

92% very helpful + helpful

8% somewhat helpful + not helpful



(N/A excluded, percentages rounded.)

Employer communications

Information about difficult topics

Status of guides about difficult topics



Employer communications

UALRP guides

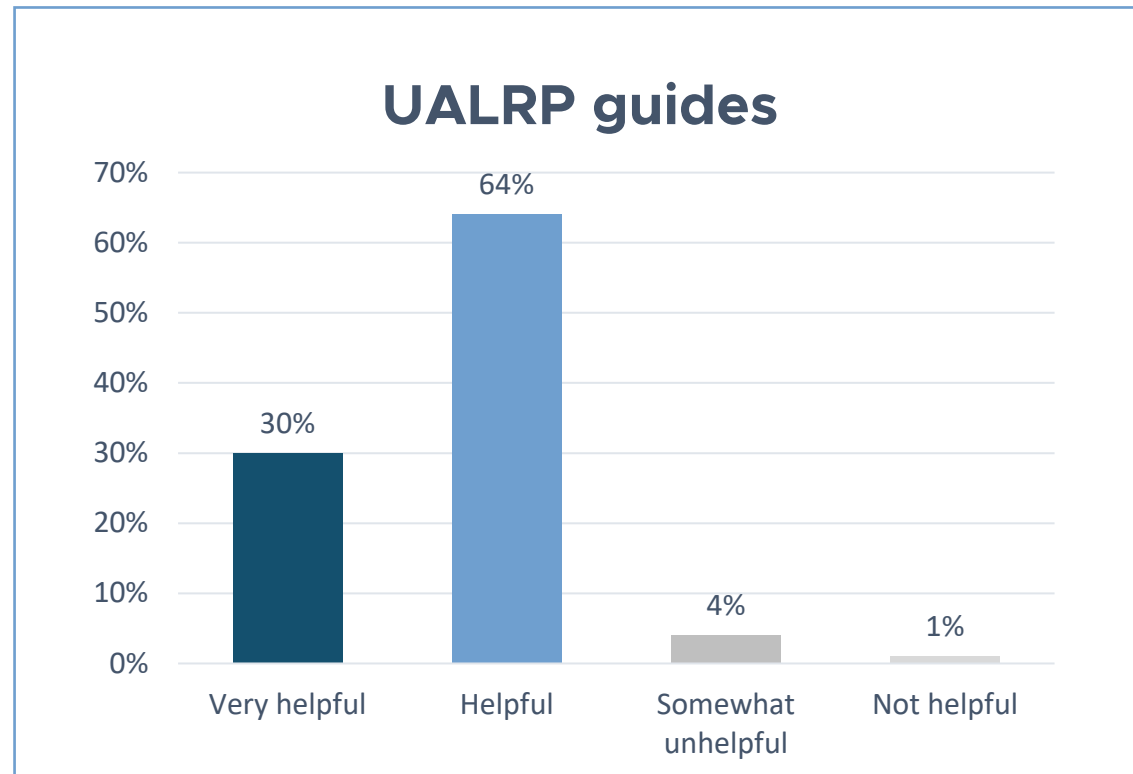
Series of five guides offered as part of the Unfunded Actuarial Liability Resolution Program (UALRP).

2023

94% very helpful + helpful
5% somewhat helpful + not helpful

2022

90% very helpful + helpful
10% somewhat helpful + not helpful



(N/A excluded, percentages rounded.)

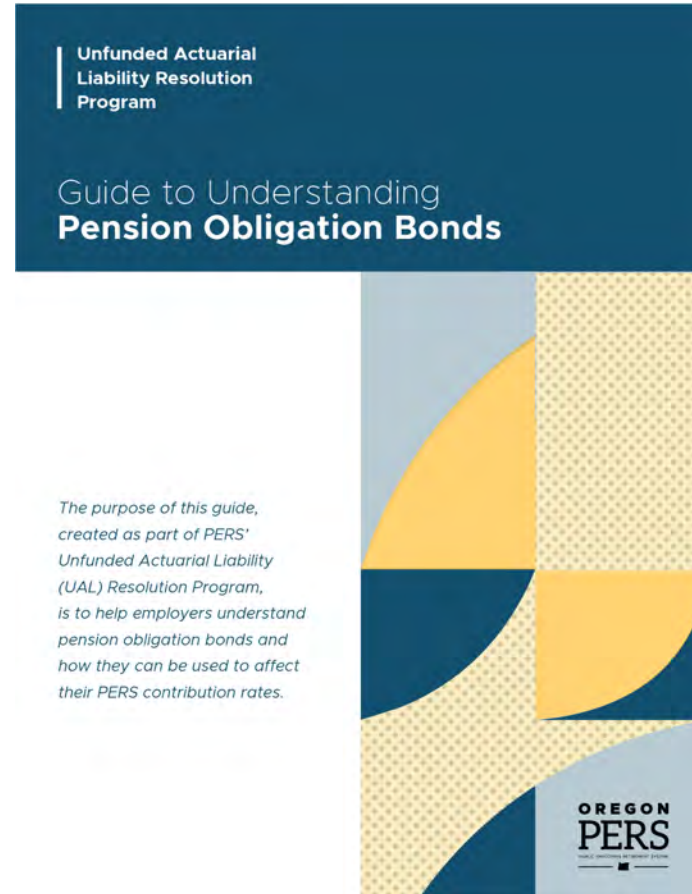
Employer communications

UALRP guides

Status of UALRP guides

All guides being updated for 2024.

New guide, *Guide to Pension Obligation Bonds*, releasing in 2023.



Employer communications

Comments

Comment	Solutions
<p>“Provide more information on reporting errors when they appear. It can be confusing to correct them.”</p>	<ul style="list-style-type: none"> ▪ Employer reporting guide 6, <i>Correcting Suspended Records</i>.
<p>“Streamline the statements. and have online help that is easier to search & find. sometimes I just need to know which code to report. online help is vague and very jargoned.”</p>	<ul style="list-style-type: none"> ▪ “Wage Codes” quick reference guide. ▪ “Status Codes” quick reference guide. ▪ “Glossary” quick reference guide.
<p>“It is exceedingly difficult to find the information I need on the website or PERS manual and most of the time I end up going to my employer support specialist with the question.”</p>	<ul style="list-style-type: none"> ▪ <i>PERS Manual</i> being replaced with employer reporting guides. ▪ Upgraded website has new webpages covering more topics.

Continued

Employer communications

Comments

Comment	Solutions
<p>“I would like to know ways to affect the employer contribution rate. As I said before, we do not assess or collect taxes, so money is very, very tight. We have to save wherever we can. These days we spend more money on State mandates than we do on our residents. That is not right.”</p>	<ul style="list-style-type: none"> ▪ <i>Guide to Understanding Your Rate.</i> ▪ Rate-Relief Programs webpage. ▪ Controlling Costs webpage. <ul style="list-style-type: none"> • Will include <i>How to (Potentially) Decrease Your PERS Costs</i> guide (planned for 2024).
<p>“Staff are much better versed in technical knowledge of EDX than PERS policy/programming. It is easier to get an answer to a question like ‘why is this report suspending?’ than ‘is [uncommon benefit/situation] subject or non-subject salary?’”</p>	<p>With input from SMEs PERS-wide, the employer reporting guides provide a resource for staff as well as employers, increasing knowledge and consistency.</p>

Continued

Employer communications

Comments

Comment	Solutions
<p>“Although the basics seem accessible, and the resources online are being refreshed, I feel like I do not have the ability to learn or retain or reference more about the slightly unique situations.</p> <p>“The resources online all to be current and easily searchable. A quick tool that helps troubleshoot simple errors.”</p>	<ul style="list-style-type: none">▪ New employer reporting guides.▪ Index of topics and where to find them (coming soon).▪ New EDX Troubleshooting webpage.

Employer communications

Kudos

“User manuals have improved. Were very cumbersome 6 months ago.”

“I do think that PERS communication is getting better. I know about more changes before they hit my statement. That is very helpful. Thank you.

“Communication is very important. It is very nice to know what is happening before it happens. Thank you for those of you that are communicating in advance.”

2023 Member Satisfaction Survey

Questions or comments

Any questions for Communications?

Thank you!



Action and discussion items

1. PERS Modernization Program update
2. PERS Member and Employer Survey results
3. Oregon Savings Growth Plan administrative fee increase
4. Final adoption of valuation methods and assumptions including assumed rate of return
5. Adoption of Assumed Rate OAR
6. Board Funding Policy review
7. December 31, 2022 system-wide valuation results



Oregon

Tina Kotek, Governor

Public Employees Retirement System

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www.oregon.gov/pers

September 29, 2023

TO: Members of the PERS Board
 FROM: Richard Horsford, Chief Financial Officer
 Subject: Oregon Savings Growth Plan Administration Fee Increase

OVERVIEW

- Current Oregon Savings Growth Plan (OSGP) fees are insufficient to cover actual costs, therefore an increase in the administration fee charged to OSGP from 0.12% to 0.135% of net assets value, effective January 1, 2024, has been proposed.
- OAR 459-050-0025 section 2a directs the OSGP Advisory Committee to advise the PERS Board regarding Program fee structure.
- On August 16, 2023, the OSGP Advisory Committee reviewed this proposal and voted to recommend the fee increase to the PERS Board of Trustees while also requesting additional reporting regarding administrative costs be reported to the committee in the future.

BACKGROUND

Under the current process, PERS charges OSGP a fixed percentage administrative fee. This fee funds an administrative fee reserve account which is used to cover actual costs of both PERS administration and third-party (Voya) costs. In 2018 this fixed percentage was reduced from 0.17% to 0.12%. This change was the result of a new Voya contract that now charges a fixed percentage plus a fee-for-service amount that is paid from the PERS fee collected. Although this change was expected to cause actual costs to exceed the PERS fee, excess reserves had accumulated over time and the PERS rate was left unchanged as a method to reduce the excess reserves. As of 2023, excess reserves have been depleted, therefore staff is recommending an increase in the rate to fully fund expected actual costs.

Historical Administrative Fees rates are as follows:

DATE	VOYA	PERS	TOTAL
2006		0.22%	0.22%
2010	0.10%	0.08%	0.18%
2014	0.10%	0.07%	0.17%
2018	0.05%	0.07%	0.12%
Proposed	0.05%	0.085%	0.135%

BOARD OPTIONS

The PERS Board may:

1. Approve an increase in total administrative fees of 0.015% from the current 0.12% rate to the 0.135% of net assets value proposed rate.
2. Direct Staff to explore cost cutting measures that could be obtained by reducing services.

STAFF RECOMMENDATION

The OSGP Advisory Committee and staff recommend the PERS Board choose Option #1.

Action and discussion items

1. PERS Modernization Program update
2. PERS Member and Employer Survey results
3. Oregon Savings Growth Plan administrative fee increase
4. Final adoption of valuation methods and assumptions including assumed rate of return
5. Adoption of Assumed Rate OAR
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September 29, 2023

TO: Members of the PERS Board
 FROM: Kevin Olineck, Director
 SUBJECT: Adoption of Assumptions and Methodologies

OVERVIEW

Action: Final adoption of valuation methods and assumptions.

BACKGROUND

Every two years, the PERS Board reviews and adopts actuarial assumptions to be used by the board's actuary. Over the course of the April, June, and July 2023 board meetings, the board's actuary, Milliman, presented and explained the impact of the actuarial assumptions, recommending certain revisions to those assumptions. Prior to 2019, the PERS Board would adopt the actuarial assumptions at the conclusion of Milliman's presentation. However, Senate Bill 1049 (2019) established a new standard that requires the board to "...submit a report to the Joint Committee on Ways and Means or the Joint Interim Committee on Ways and Means detailing the proposed changes and the associated, actuarially determined impact to the total liability of the system, the accrued liability of the system and employer contribution rates" at least 30 days before final adoption of the actuarial assumptions.

At the July 28, 2023, meeting, the board approved the preliminary adoption of the recommended changes to the actuarial methods and assumptions as presented by Milliman in the 2022 Experience Study. In addition, the PERS Board confirmed the plan assumed rate remain at 6.9%, which is presented for final adoption in administrative rule later in this meeting.

PERS submitted the requisite report to the Joint Committee on Ways and Means on August 2, 2023. The report was reviewed at the September meeting of the Interim Committee on Ways and Means. Consequently, final adoption of the methodologies and assumptions is now required.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to "adopt, on a final basis, the recommended actuarial methods and assumptions as presented by Milliman in the 2022 Experience Study."
2. Direct staff to explore making changes to the methods and assumptions or explore other options.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

Action and discussion items

1. PERS Modernization Program update
2. PERS Member and Employer Survey results
3. Oregon Savings Growth Plan administrative fee increase
4. Final adoption of valuation methods and assumptions including assumed rate of return
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September 29, 2023

TO: Members of the PERS Board
 FROM: Stephanie Vaughn, Manager, Policy Analysis and Compliance Section
 SUBJECT: Adoption of Assumed Rate Rule:
 OAR 459-007-0007, *Assumed Rate*

OVERVIEW

- Action: Adoption of changes to Assumed Rate Rule
- Reason: Review and establish the assumed rate beginning January 1, 2024.

BACKGROUND

The PERS Board reviews the assumed rate in odd-numbered years as part of the board's adoption of actuarial methods and assumptions. The rate is then adopted in an administrative rule. The rule reflects the 6.9% rate adopted preliminarily by the board at the July meeting.

The rule specifies that the new assumed rate will be effective for PERS transactions with an effective date of January 1, 2024, consistent with this board's policy decision from 2013 that changes to the assumed rate will be effective January 1 following the board's adoption of the new rate. This decision gives staff ample time to perform the necessary preparations and communicate with members and employers. A January 1 effective date also provides equitable treatment to all members who retire in a year that a change is adopted, no matter in which month they retire. The new assumed rate will be aligned with the new actuarial equivalency factors (AEF), which will allow for a clear effective date for all transactions that involve calculations using both the latest year-to-date rate and AEF components.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held remotely on August 22, 2023, at 2:00 p.m. The public comment period ended September 5, 2023, at 5:00 p.m. Public comment was received August 30, 2023, from Steven Demarest via email encouraging the PERS Board to increase the assumed rate to 7.0% to increase the lifetime pensions for members who retire under Money Match or Formula Plus Annuity.

LEGAL REVIEW

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

IMPACT

Mandatory: Yes, the assumed rate determined by the board must be adopted by rule and clearly describe the effective date of the assumed rate change on PERS transactions.

Benefit: The proposed rule benefits members, employers, and staff by setting forth the assumed rate and a clear effective date for implementing a change in the rate.

Cost: There are no discrete costs directly attributable to specifying the assumed rate in rule.

RULEMAKING TIMELINE

July 28, 2023	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
July 28, 2023	PERS Board notified that staff began the rulemaking process.
August 1, 2023	Secretary of State published the notice in the Oregon Administrative Rules Database. Notice was sent to employers, legislators, and interested parties. Public comment period began.
August 22, 2023	Rulemaking hearing was held remotely at 2:00 p.m.
September 5, 2023	Public comment period ended at 5:00 p.m.
September 29, 2023	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “adopt the changes to Assumed Rate Rule as presented.”
2. Direct staff to make other changes to the rules or explore other options.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

C.5. Attachment 1 – 459-007-0007, *Assumed Rate*

C.5. Attachment 2 – Public Comment - *Demarest*

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

1 **459-007-0007**

2 **Assumed Rate**

3 (1) The Board will review the assumed rate in odd-numbered years as part of the
4 Board’s review and adoption of actuarial assumptions and methods.

5 (2) The Board may adopt a change in the assumed rate at any time. A change in the
6 assumed rate is effective the first of the year following the Board’s adoption of the change.

7 (3) The assumed rate is set at 6.90 percent, effective on January 1, ~~2022~~2024.

8 Statutory/Other Authority: ORS 238.650 & 238A.450

9 Statutes/Other Implemented: ORS Chapters 238 & 238A

GEIER Chris * PERS

From: Steven DEMAREST <swdemarest@comcast.net>
Sent: Friday, September 1, 2023 1:56 PM
To: GEIER Chris * PERS
Subject: Re: Comment on OAR 459-007-0007

You don't often get email from swdemarest@comcast.net. [Learn why this is important](#)

Correction: Only Tier 1 members have regular accounts.

On 08/30/2023 12:58 PM PDT Steven DEMAREST <swdemarest@comcast.net> wrote:

This is submitted as public comment on the proposed Assumed Rate Rule, OAR 459-007-0007.

At the July 28, 2023 PERS Board meeting, all the Board members spoke well to rational reasons for going low, 6.9%, on the assumed rate. However, their reasoning was incomplete.

It is disheartening that no one on the Board mentioned or acknowledged the negative impact on PERS members by going low with the assumed rate. The lower rate will mean lower lifetime pensions for members who retire under Money Match or Formula plus Annuity in the next two years. It will mean less benefits for beneficiaries. And because of compounding, it will have a permanent negative impact on the regular accounts of Tier One and Tier Two PERS members, which in turn will have a permanent impact on retirements under Money Match and Formula plus Annuity, and on the lump sums paid in cases of Partial Pensions and withdrawals.

The current median assumed rate for peer public pension plan systems is 7.0%, and 7.0% is by far the most common assumption. PERS' actuary, Milliman, considers 7.0% to be outside the no-trespass zone, which it defined as over 7.0%. The OIC anticipates that OPERF will earn well over 7.0%. Milliman acknowledges that 6.9% is an adverse deviation.

"Actuarial Standards of Practice allow assumptions to reflect a margin for adverse deviation, *if desired*." (Milliman, Considerations in Setting the Return Assumption, 7-28-2023 PERS Board meeting. Italics added.) Why would the PERS Board desire an adverse deviation, when that unnecessary deviation comes at the cost of PERS members, and with a negative impact on the members' and their families' financial security?

The assumed rate for the next two years should be 7.0%, and I encourage the Board to adopt it.

Thank you for your consideration of public comments.

Action and discussion items

1. PERS Modernization Program update
2. PERS Member and Employer Survey results
3. Oregon Savings Growth Plan administrative fee increase
4. Final adoption of valuation methods and assumptions including assumed rate of return
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September 29, 2023

TO: Members of the PERS Board
 FROM: Kevin Olineck, Director
 SUBJECT: Board Funding Policy Review

OVERVIEW

Action: Adopt the revised Board Funding Policy

BACKGROUND

The October 2019 Secretary of State Actuarial Review entitled “A Review of the Oregon Public Employees Retirement System,” recommended management develop a single written funding policy document that incorporates the entire rate setting policy, including rate collaring. This Board Funding Policy (“Policy” in this memo) was originally adopted at the October 2020 board meeting.

Attachment 1 is the updated Policy for the board’s review and adoption. Management updated the Policy to incorporate the latest Valuation Methods and Assumptions that were adopted on a preliminary basis in July and are going through final adoption at this meeting. All changes are highlighted in yellow for ease of reference.

BOARD OPTIONS

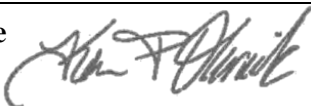
The PERS Board may:

1. Pass a motion to “adopt the Board Funding Policy, as presented.”
2. Direct staff to make other changes to the Policy or explore other options.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

C.6. Attachment 1 – *Board Funding Policy*

Oregon Public Employees Retirement System	Posted date 10/xx/2023	Number 1.03.03.01.001.POL
Signature 	Approval date 9/29/2023	Page 1 of 9
Policy:	PERS Funding	
Objective:	Explains the funding administration objectives of the PERS Board.	
References:	See the references listed at the end of this policy.	

Policy

Statutory authority

Oregon Revised Statutes Chapter 238 sets out the statutory duties of the PERS Board (“the Board” for the purposes of this document), including:

- Administer the system to create and maintain long-term stability and viability in the PERS System (“the System”) and shall act to achieve full funding for the benefits provided by the system, giving equal consideration to the interests of the public employer and the employee, to the extent that treatment does not violate the fiduciary duties of the Board.
- Publish an actuarial report at least once every two years, evaluating the system’s current and prospective assets and liabilities and its financial condition, including the mortality, disability, and other experience of the members and employers.
- Adopt actuarial equivalency factor tables at least once every two years using the best actuarial information on mortality available at the time of adoption.

Funding-policy background

A funding policy provides a transparent, dependable, and systematic process to ensure system-funding objectives are met over the long term. As fiduciaries of the System, the Board has a fundamental objective to ensure the System is adequately funded through current plan assets and future contributions and investment earnings in order to provide the benefits to the members when due.

In 2004, the Board adopted high-level objectives to assist in guiding the funding of the System as follows:

- Transparency of shortfall and funded status calculations
- Predictable and stable employer contribution rates
- Protection of the System’s funded status to enhance benefit security for members
- Equity across generations of taxpayers funding the program

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- Actuarial soundness — fully fund the System over a selected time period if assumptions are met
- Compliance with GASB (Governmental Accounting Standards Board) requirements

While the Board acknowledges there are inherent conflicts and tensions between the objectives noted above, it recognizes that funding-policy decisions should be aligned with the long-term nature of the plans and the System’s funding objectives.

The PERS funding equation

The Board, as part of this funding policy, acknowledges the fundamental equation of pension plan financing, the role various entities, including the Board, play within that equation, and the fact that the Board’s primary responsibility within the equation is to set a contribution rate that contributes to balancing this equation.

$$B = C + E$$

BENEFITS present value of earned benefits Design set by: Oregon Legislature	=	CONTRIBUTIONS employer and member funds to pay pension benefits Set by: PERS Board	+	EARNINGS future returns on invested funds Managed by: Oregon Investment Council
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Investment decisions and oversight

The Board is not charged with the investment of the PERS Fund. The Oregon Investment Council (OIC) oversees the investment and allocation of all state of Oregon trust funds, including the Oregon Public Employees Retirement Fund (OPERF). The three primary governance documents that guide the OIC are as follows:

- *Statement of OIC Investment Beliefs and Management Beliefs*
- *Statement of Funds Governance*
- *Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund*

While the Board and the OIC are separate entities and operate accordingly, there is an obvious and necessary requirement for the two entities to be aware of and informed by the other’s decisions. To that end, the Board and OIC have instituted regular joint meetings that take place in June of odd-numbered years. These meetings follow the spring OIC meeting where the OIC typically reviews and adopts the OPERF asset allocation policy, including up-to-date market expectations for future investment returns, and precedes the PERS Board meeting, where the

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Board adopts new actuarial assumptions and methodologies, including the actuarial assumed rate of return to be used in future actuarial valuations and actuarial equivalency factors.

Additionally, the PERS Director is an ex-officio member of the OIC and is charged with keeping the OIC informed of any changes to the PERS System that may impact OPERF. As an OIC member, the PERS Director also keeps the PERS Board informed of OIC policies that may impact OPERF.

Contribution rate-setting cycle

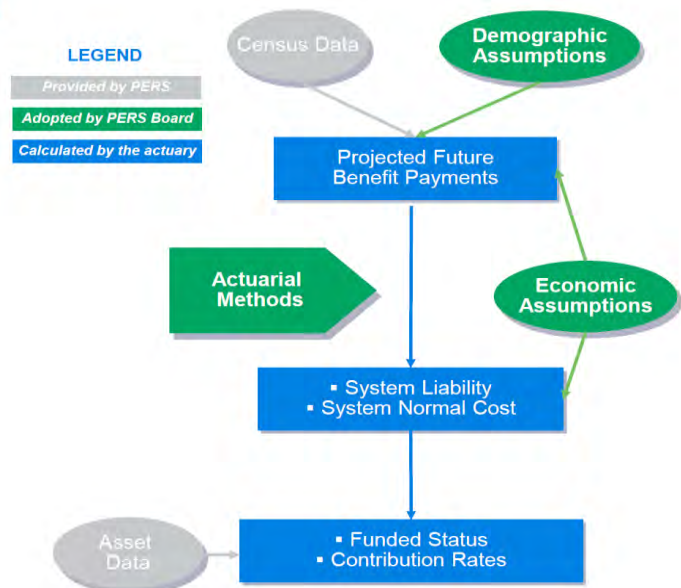
The Board has established a two-year cycle for completing actuarial valuations. The analysis and valuations done in an odd-numbered year (i.e., 2023, with results as of December 31, 2022) are deemed to be “advisory” valuations, in that they do not directly impact employer contribution rates. Instead, these results allow employers an opportunity to understand what their estimated contribution rates are in order to appropriately budget for future contributions. In the even-numbered years (i.e., 2024, with results as of December 31, 2023), the actuarial results are reviewed and formally adopted by the Board, and the next biennium’s (i.e. July 1, 2025, through June 30, 2027) employer contribution rates are set based on those results.

Biennial actuarial experience studies and adoption of actuarial assumptions and methodologies

In odd-numbered years, as part of the biennial contribution rate-setting cycle noted above, the Board, over multiple meetings, shall review, and ultimately adopt as necessary, revised actuarial assumptions and methodologies. As part of this review cycle, the consulting actuary will perform an actuarial experience study to assist the Board in reviewing the experience of the System and provide a recommendation on changes to assumptions and methodologies.

Two-Year Rate-Setting Cycle

- **July 2023: Assumptions & methods adopted by Board in consultation with the actuary**
- September 2023: System-wide 12/31/22 actuarial valuation results
- December 2023: Advisory 2025-2027 employer-specific contribution rates
- July 2024: System-wide 12/31/23 actuarial valuation results
- September 2024: Disclosure & adoption of employer-specific 2025-2027 contribution rates



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The adopted assumptions and methodologies shall remain in effect for the next two-year valuation cycle absent any subsequent action by the Oregon Legislature that would modify either the assumptions and methods or the level of projected System benefits.

Actuarial methodology

The following are the key actuarial assumptions and methodologies adopted by the Board in 2023.

Method	December 31, 2022, and December 31, 2023, Valuations
Investment Return Assumption	6.90%
Cost Method	Entry Age Normal
Funded Status	The actuarial value of assets expressed as a percentage of the actuarial accrued liability. For the purposes of this policy, funded status is determined without taking side account balances into effect.
Asset Valuation Method	Market value of assets, excluding amounts in the Contingency Reserve, Capital Preservation Reserve, and Tier One Rate Guarantee Reserve. If the Tier One Rate Guarantee Reserve is in a deficit status, the market value of assets will be reduced by the amount of deficit.
Unfunded Actuarial Liability (UAL) Amortization Method	UAL amortized using closed, layered periods as a level percent of combined Tier One/Tier Two and OPSRP payroll.
UAL Amortization Period	<p>UAL bases – closed amortization from the first rate-setting valuation in which experience is recognized.</p> <ul style="list-style-type: none"> • For the December 31, 2019, valuation only, all existing Tier One and Tier Two UALs were re-amortized over a 22-year period as per SB 1049 (2019). The closed-period amortization under Senate Bill 1049 will continue to decline and will have 20 years remaining as of the December 31, 2021, rate-setting valuation. • Future Tier One/Tier Two UAL gains or losses will be amortized over 20 years.

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	<ul style="list-style-type: none"> • OPSRP – 16 year amortization period. • RHIA/RHIPA – 10-year amortization period. When funded status is over 100% at a rate-setting valuation, amortize the actuarial surplus over Tier One/Tier Two payroll using a rolling 20-year amortization basis. Allow the resulting negative UAL rate to offset the normal cost for the program, but do not allow contribution rates below 0.0%. If either program subsequently falls below 100%, the UAL will then be amortized over the combined payroll following the existing 10-year closed, layered amortization policy. • Newly established side accounts – Aligned with the new Tier One/Tier Two base from the most recent rate-setting valuation. Employers who make lump-sum payments in accordance with the rules of OAR 459-009-0086(9) may select a shorter amortization period of either six, 10, or 16 years since the most recent rate-setting valuation. There is a lag adjustment to the amortization period to reflect the delay between when the calculation occurs and when the new rate is effective. • Newly established transition liabilities or surpluses (State and Local Government Rate Pool) – will amortize to July 1 after the scheduled end date (18 years) to align with rate change timing.
Rate Collar	<p>Change in UAL Rate contribution rate component limited to:</p> <ul style="list-style-type: none"> • 3% of payroll for Tier One/Tier Two SLGRP (State and Local Government Rate Pool) and Tier One/Tier Two School District Rate Pool. • 1% of payroll for OPSRP. • 4% of payroll for Tier One/Tier Two UAL rate of independent employers, but not less than one-third of the difference between the most recent uncollared and collared UAL rate. <p>Additionally, the UAL rate would not be allowed to decrease for a rate pool until the pool’s funded percentage, excluding side accounts, is over 87% and would not reflect the full collar width until reaching 90% funded.</p> <p>Exclude pension normal cost and RHIA and RHIPA rates from the rate-collar calculation.</p>

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Actuarially determined contributions and rate collaring

It is the Board's responsibility to determine, for the next biennium, the actuarially determined contribution rate (ADC). This contribution rate will be calculated in a manner that will fully and systematically fund the long-term costs of promised benefits, while balancing the competing funding objectives noted above.

It is important to note that, for the purposes of describing the ADC, the Board takes into account the rate-collaring process set out in the actuarial assumptions and methodologies. The ADC is then described as the collared rate. This policy for determining the ADC has been in effect since it was adopted by the Board for the December 31, 2005, actuarial valuation, which set contribution rates for the 2007-09 biennium. After an extensive review over multiple meetings, a new methodology was adopted by the Board at the July 2021 board meeting. The collared rate for an experience-sharing pool consists of the UAL rate, as limited by the rate collar, and the normal cost rate, which is not limited.

In addition to the pension contributions noted above, all employers contribute to the Retirement Health Insurance Account (RHIA). Further, state agencies and state judiciary also contribute to the Retiree Health Insurance Premium Account (RHIPA). The Board has determined that the normal cost rates of RHIA and RHIPA are charged only to Tier One/Tier Two payrolls, as only Tier One and Tier Two members are eligible for these benefits. **Any new RHIA and RHIPA UAL rates would be charged to all Tier One and Tier Two payrolls.**

Contribution-rate volatility under ADC funding can be mitigated using a number of smoothing techniques, either on the inputs (e.g., asset smoothing) or the output, which is the contribution rate (i.e., rate collaring). Asset smoothing is an actuarial method used to systematically recognize gains and losses in assets over a predetermined period of time (typically five years) to reduce the effects of market volatility and provide stability to actuarially calculated contribution levels. The net effect is the same: smoothing of contribution rates.

The Conference of Consulting Actuaries has stated that use of the rate-collaring methodology is acceptable so long as it is "supported by analysis and projections to show the effect on future funded status and future policy based contribution requirements (prior to the application of the contribution collar). There may also need to be a mechanism to ensure adequate funding following extraordinary actuarial losses." These elements are satisfied by PERS' rate-collaring methodology.

Funding risks

In order to fund the plans at an acceptable projected budgetary contribution cost over the long term, taking on a degree of investment and other funding risks is considered appropriate. The Board is responsible for determining the appropriate overall level of funding risk and determining strategies to mitigate the funding risks as needed. Examples of these strategies include performing yearly actuarial valuations, yearly stochastic financial modeling exercises, and a full experience study on a biannual basis.

The plans are impacted by a range of economic risk factors, including inflation rates and interest rates. Inflation rates can affect overall salary increases, while interest rates can impact the present value of plan liabilities and investment returns.

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Investment risk is a significant factor that affects the funding of the plans. Investment performance has a direct influence on the plans' funded status, and changes to future investment return expectations influence both the funded status and the projected level of the plans' actuarially calculated contribution rates. The Board considers the OIC's up-to-date market expectations for future investment returns, which includes investment risk, as part of their overall risk review.

Demographic risk factors for the plans include the general characteristics of the plans' populations, such as: member age, sex, marital status, expected longevity, salary progression rates, termination rates, and early retirement rates. These variables directly impact the projected pension liability, and there is a risk that the plans' demographic experience varies from the projection. While demographic factors, in general change slowly over the short term, they are important drivers of long-term plan funding risk, particularly long-term longevity factors for retiree life expectancy.

The distinction between Tier One, Tier Two, and Oregon Public Service Retirement Plan (OPSRP) membership is an important demographic risk factor, since the contribution rates paid by an employer vary by payroll type.

The risks related to having assets readily available to fund benefit payments, when needed, requires effective management of the plans' liquidity. To the extent that the average duration of the plans' liabilities is relatively long, with no immediate net cash outflow, the assets may be managed with a longer time horizon, exhibiting low liquidity and higher equity allocation. When a greater proportion of assets invested by the OIC are expected to directly support near-term benefit payments, managing the liquidity risk related to asset-liability matching will be increasingly important.

Public sector pension plans face a level of scrutiny and attention not faced by other pension plans. There is a risk that funding decisions can become unduly influenced by temporary external pressures or opinions. Adopting a funding policy establishes a solid framework for funding decisions and helps mitigate this risk.

Governance of the plans requires careful coordination between many entities – the PERS Board, OIC, and the Oregon Legislature. Authority, accountability, cost monitoring, and reporting related to the plans can be challenging given the distributed nature of the governance structure.

Confidence in the risk assessment of the plans depends on plan data, computer systems, programs, and risk models used to conduct this assessment. Confidence also depends on the transparency, understandability, and soundness of the Board's funding policy. Ensuring accuracy of plan data, systems, and models is important to mitigate risk.

Review cycle

This funding policy will be reviewed biennially as part of the odd-numbered year review of the System's actuarial assumptions and methodologies.

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Larrabee, M., and Preppernau, S. (2023). *Oregon Public Employees Retirement System: System wide valuation report (2022)*. Milliman, Inc. (Link to be included once posted)

Larrabee, M., and Preppernau, S. (2023). *Oregon Public Employees Retirement System: Valuation Methods and Assumptions*. Milliman, Inc. <https://www.oregon.gov/pers/Documents/Board-Meetings/2023/07-28-2023-Board-Packet.pdf>

Origination date: October 2, 2020
Last revision date: September 29, 2023
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SL2

Action and discussion items

1. PERS Modernization Program update
2. PERS Member and Employer Survey results
3. Oregon Savings Growth Plan administrative fee increase
4. Final adoption of valuation methods and assumptions including assumed rate of return
5. Adoption of Assumed Rate OAR
6. Board Funding Policy review
7. December 31, 2022 system-wide valuation results



Year-End 2022 Actuarial Valuation Results

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Presented by:

Matt Larrabee, FSA, EA
Scott Preppernau, FSA, EA

September 29, 2023

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Executive Summary

- The December 31, 2022 advisory valuation provides an update on System funded status and an illustration of contribution rates for the 2025-2027 biennium as if they were set by this valuation
 - Actual 2025-2027 contribution rates will be calculated in the December 31, 2023 valuation, based on asset and demographic information as of that valuation date
- **Year-end 2022** funded status is **73% excluding side accounts**, down from 80% at year-end 2021
- **Year-end 2022** funded status is **79% including side accounts**, down from 86% at year-end 2021
 - Funded status decrease primarily due to 2022 investment returns less than the long-term assumed level
- Average advisory collared **base** employer contribution rates **increased 1.68% of pay compared to the prior valuation**
 - Collared base rate increase was due to normal cost rate increases for all tiers and an OPRSP UAL amortization rate increase, driven mostly by updates to the individual member pay increase assumption
 - The collared Tier One/Tier Two UAL rate is unchanged for School Districts and nearly level for SLGRP
- Average advisory collared **net** employer contribution rates **increased 3.08% of pay**
 - Larger increase than for collared base rates since side accounts **leverage** the effect of investment returns

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 and +19% in 2009

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

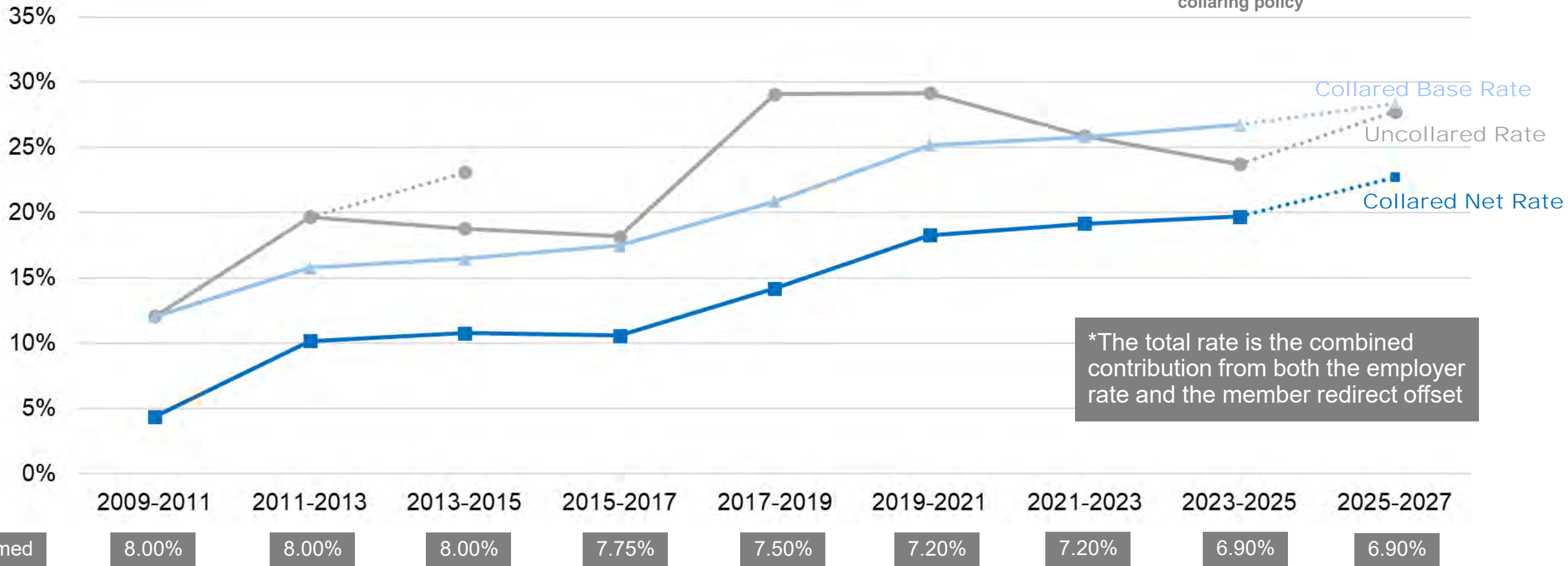
2017-2019 set post-Moro, reflecting 2015 return (+2.1%) and second decrease in assumed return

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

2021-2023 rates reflect mandated reamortization of Tier One/Tier Two UAL, biennial returns near assumption

2023-2025 rates reflect 2021 actual return of +20.05%, a fourth decrease in assumed return and an update to rate collaring policy

2025-2027 advisory rates reflect 2022 actual return of -1.55% and higher salary increase assumptions



*The total rate is the combined contribution from both the employer rate and the member redirect offset

Assumed Return:



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Funded Status & Unfunded Actuarial Liability (UAL)

System-Total Pension Funded Status (\$ billions)			
Valuation date:	12/31/2020	12/31/2021	12/31/2022
Assumed return:	6.90%	6.90%	6.90%
Actuarial liability	\$ 95.3	\$ 98.4	\$ 102.9
Assets (excluding side accounts)	<u>67.3</u>	<u>78.4</u>	<u>74.9</u>
UAL (excluding side accounts)	\$ 28.0	\$ 20.0	\$ 28.0
Funded status (excluding side accounts)	71%	80%	73%
Side account assets	<u>\$ 5.1</u>	<u>\$ 6.6</u>	<u>\$ 6.2</u>
UAL (including side accounts)	\$ 22.9	\$ 13.4	\$ 21.8
Funded status (including side accounts)	76%	86%	79%

Overview

- Today we will review summary valuation results as of December 31, 2022 for:
 - Tier One/Tier Two & OPSRP retirement programs
 - Retiree Health Insurance Account (RHIA), and
 - Retiree Health Insurance Premium Account (RHIPA)
- Formal, detailed results will be presented in our forthcoming December 31, 2022 System-Wide Actuarial Valuation Report
- Results are advisory in nature
 - Indicate where 2025 – 2027 contribution rates would be if set today
 - Assess program funded status and unfunded actuarial liability (UAL) as of December 31, 2022
- All work is based on:
 - Asset levels and member demographics at year-end 2022
 - Updates to methods and assumptions from the 2022 Experience Study
- PERS will deliver employer-specific advisory reports this fall

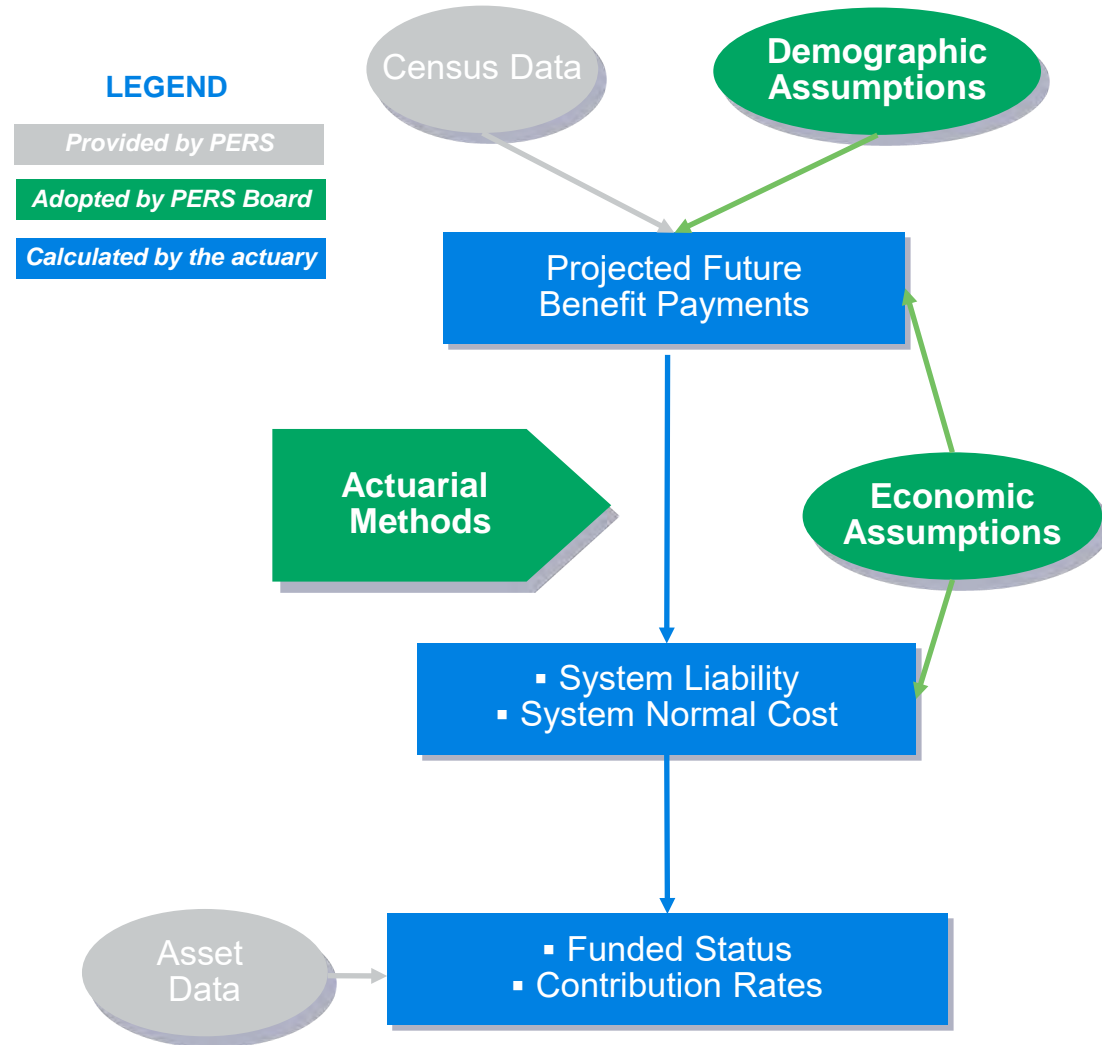
Valuation Process and Timeline

- Actuarial valuations are conducted annually
 - Alternate between “rate-setting” and “advisory” valuations
 - This valuation as of 12/31/2022 is advisory
- Board adopts contribution rates developed in rate-setting valuations, and those rates go into effect 18 months after the valuation date

Rate-Setting Valuation Date	Employer Contribution Rates
12/31/2019 →	July 2021 – June 2023
12/31/2021 →	July 2023 – June 2025
12/31/2023 →	July 2025 – June 2027

Two-Year Rate-Setting Cycle

- July 2023: Assumptions & methods adopted by Board in consultation with the actuary
- September 2023: System-wide 12/31/22 actuarial valuation results**
- December 2023: Advisory 2025-2027 employer-specific contribution rates
- July 2024: System-wide 12/31/23 actuarial valuation results
- September 2024: Disclosure & adoption of employer-specific **2025-2027 contribution rates**



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Guiding Objectives - Methods & Assumptions

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

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

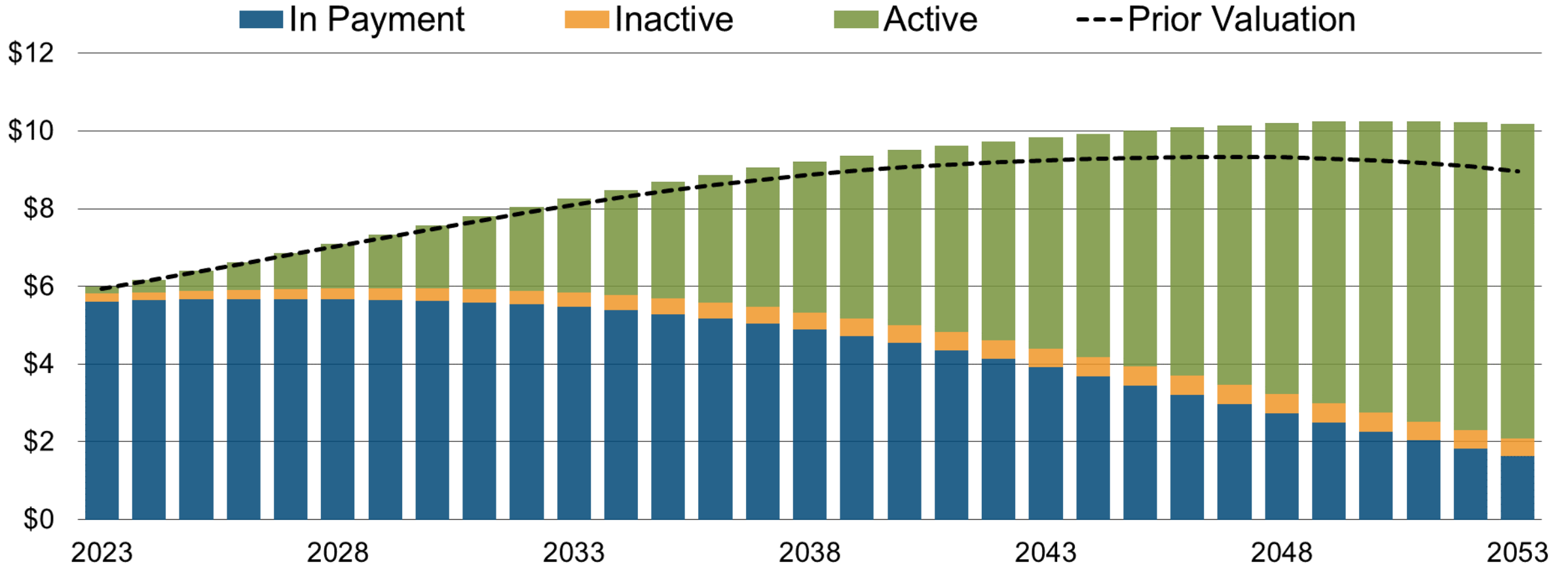
Changes Since the Last Valuation

- The 12/31/2021 rate-setting valuation developed 2023-2025 contribution rates
- Since the 12/31/2021 rate-setting valuation:
 - The PERS Board adopted new assumptions and methods from the 2022 Experience Study
 - 2022 asset returns were significantly less than the long-term assumption, with a regular account return of -1.55% compared to the assumed rate of 6.90%
 - Year-to-date returns through July 2023 of +3.79% are not reflected in this advisory valuation, but will be reflected in next year's rate-setting valuation
- System projected payroll increased over 9%

Projected Benefit Payments for Members as of 12/31/2022

Does Not Include Projected Benefit Payments for Anyone Joining OPSRP After 12/31/2022

Tier One/Tier Two & OPSRP Expected Benefit Payments by Status as of 12/31/2022 (in \$ billions)

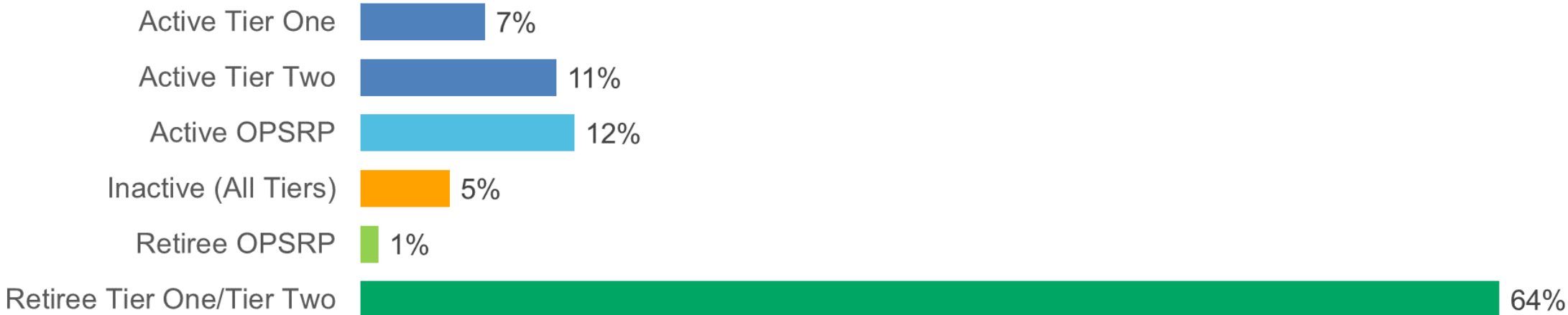


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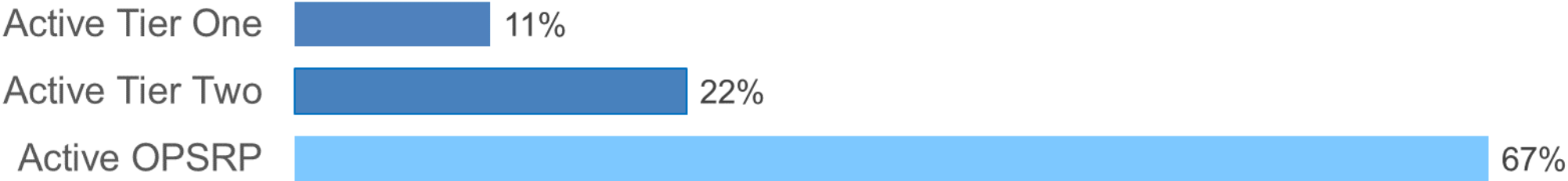
Actuarial Accrued Liability and Normal Cost by Category

12/31/2022 Tier One/Tier Two and OPSRP Actuarial Accrued Liability and Normal Cost

Actuarial Accrued Liability by Member Tier and Status on December 31, 2022



Normal Cost by Member Category on December 31, 2022



Accrued Actuarial Liability is the value of benefits allocated to service prior to 2023

Normal Cost is the value of benefits allocated to projected service during 2023

Sources of 2022 UAL (Excluding Side Accounts) Change

(\$ billions)	UAL Increase
Expected UAL increase/(decrease) during 2022	(\$ 0.6)
2022 actual investment performance	6.6
Increased salary growth assumptions	1.1
Other assumption changes	0.1
Actual demographic experience different than assumed	<u>0.8</u>
Actual UAL increase/(decrease) during 2022	\$ 8.0

- The **expected UAL increase/(decrease)** is the UAL change, based on 12/31/2021 valuation results, projected to occur during 2022 if actual 2022 experience followed that valuation's assumptions
- The 2022 investment loss (i.e., actual versus assumed return) reflects actual 2022 OPERF returns of -1.55% compared to the assumed 6.90% return
- The increase from actual demographic experience different than assumed was largely due to individual member salary increase experience during 2022 higher than the long-term assumption

Tier One/Tier Two Rate Pool Funded Status and UAL

Amounts Shown as of December 31, 2022

(\$ billions) <i>Totals may not add due to rounding</i>	SLGRP	School Districts
Tier One/Tier Two actuarial liability	\$ 48.1	\$ 32.5
Tier One/Tier Two assets (excluding side accounts)	<u>34.0</u>	<u>24.6</u>
Tier One/Tier Two UAL (excluding side accounts)	\$ 14.1	\$ 7.9
Tier One/Tier Two funded status (excluding side accounts)	71%	76%
Projected 2023 Tier One/Tier Two + OPSRP payroll	\$ 8.0	\$ 4.6
Assets to payroll ratio (excluding side accounts)	4.3x	5.3x
UAL to payroll ratio (excluding side accounts)	1.8x	1.7x
Side account assets	\$ 2.5	\$ 3.3
Tier One/Tier Two UAL (including side accounts)	\$ 11.6	\$ 4.6
Tier One/Tier Two funded status (including side accounts)	76%	86%

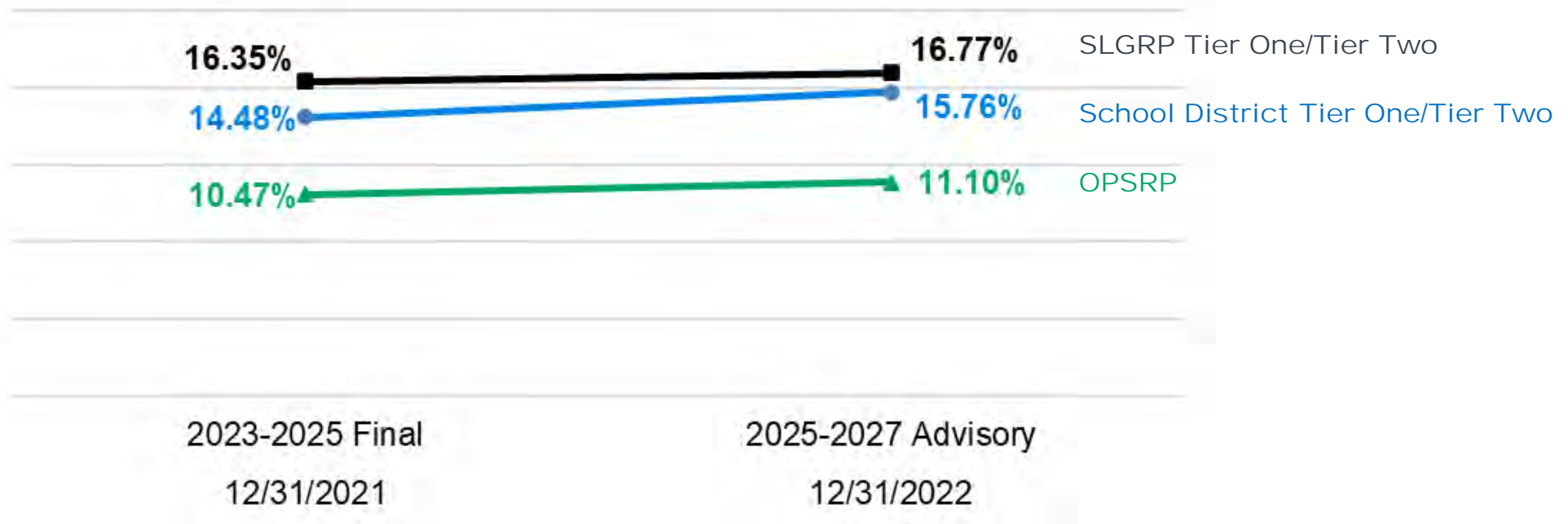
Effect of 2023 Experience on Final 2025-27 Rates

- The advisory valuation uses assets and liabilities as of 12/31/2022
 - For the two large Tier One/Tier Two experience-sharing rate pools, advisory 2025-2027 rates show projected increases in the collared base and net contribution rates
- Final 2025-2027 rates will be based on assets and liabilities as of 12/31/2023, including actual full-year 2023 investment returns and the level of system payroll as of 12/31/2023
- Through July 31, OPERF year-to-date regular account returns are +3.79%
 - If returns end the year near the long-term average return assumption of 6.90%, actual 2025-27 rate changes may be similar to those shown in this year's advisory employer reports
 - If actual year-to-date 2023 returns end up below the assumed return at year-end, the actual 2025-2027 rate increases could be larger than those shown in this year's advisory employer reports

Comments on Advisory 2025 – 2027 Rates

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

Changes in Total Normal Cost Rate

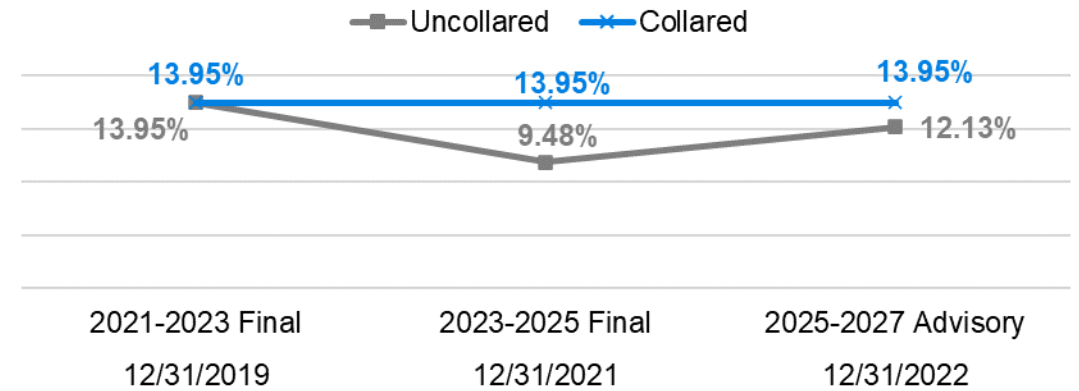


- Normal cost rates increased in the current valuation primarily due to higher future salary increase assumptions adopted with the recent experience study
 - School Districts had larger assumption increases, which led to larger normal cost change

Changes in UAL Rates

- The rate collar policy helped stabilize the level of collared UAL rates during recent pattern of investment gains followed by losses
 - Maintaining the collared 2023-2025 UAL Rate above the uncollared rate provides some cushion to absorb losses without immediately increasing rates paid by employers

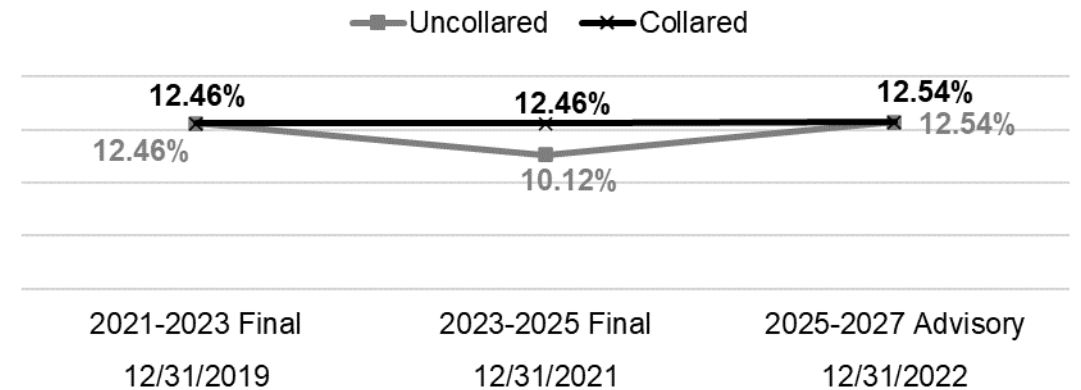
School District Tier One/Tier Two UAL Rate*



OPSRP UAL Rate

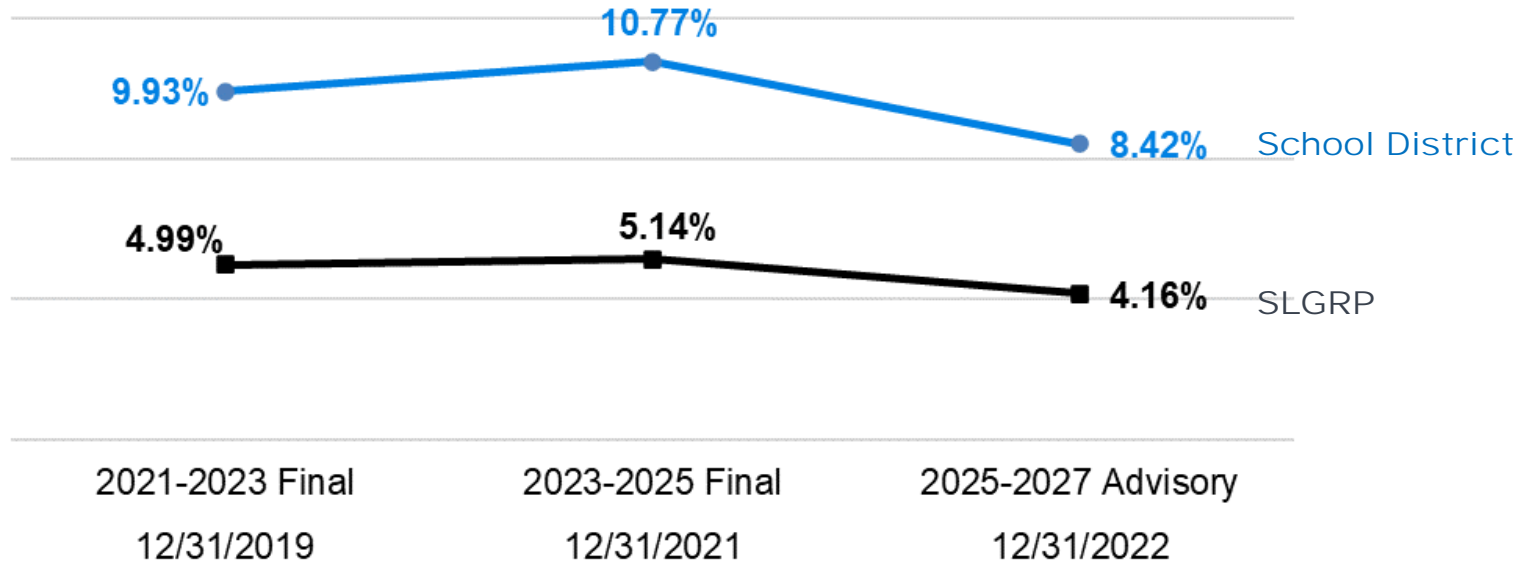


SLGRP Tier One/Tier Two UAL Rate*



*Excludes rate for Multnomah Fire District #10

Changes in Average Side Account Offset



- Average side account offset decreased in the current valuation, due to:
 - Lower than assumed investment returns in 2022
 - Higher than assumed payroll growth, which accelerates the spend-down of the side account balance using the offset rate currently in effect

School Districts Rate Summary

Weighted Average Total Rates (Tier One/Tier Two and OPSRP)

	Final 2023 - 2025	Advisory 2025 - 2027	Increase/ (Decrease)
Uncollared Total Base Rate	22.38%	26.73%	4.35%
Collared Total Base Rate	27.03%	28.55%	1.52%
Collared Base Employer Rate	25.93%	27.50%	1.57%
Collared Net Employer Rate	15.16%	19.08%	3.92%

- The uncollared total base rate increase was primarily due to investment losses, but also reflects higher recent and assumed future salary growth
- The collared total base rate for School Districts is greater than the uncollared total base rate because the collar does not allow the UAL rate to decrease when the rate pool funded status excluding side accounts is less than 87%
- The collared net employer rate increase was larger than the increase in the collared base employer rate due to the reduction in the average side account offset

SLGRP Rate Summary

Weighted Average Total Rates (Tier One/Tier Two and OPSRP)

	Final 2023 - 2025	Advisory 2025 - 2027	Increase/ (Decrease)
Uncollared Total Base Rate	23.89%	27.71%	3.82%
Collared Total Base Rate	26.41%	27.71%	1.30%
Collared Base Employer Rate	25.31%	26.66%	1.35%
Collared Net Employer Rate	19.51%	22.07%	2.56%

- The uncollared total base rate increase was primarily due to investment losses, but also reflects higher recent and assumed future salary growth
- The advisory collared total base rate for the SLGRP is equal to the uncollared total base rate
- The collared net employer rate increase was larger than the increase in the collared base employer rate due to the reduction in the average side account offset

System-Wide Rate Summary

Weighted Average Total Rates (Tier One/Tier Two and OPSRP)

	Final 2023 - 2025	Advisory 2025 - 2027	Increase/ (Decrease)
Uncollared Total Base Rate	23.73%	27.76%	4.03%
Collared Total Base Rate	26.74%	28.37%	1.63%
Collared Base Employer Rate	25.64%	27.32%	1.68%
Collared Net Employer Rate	18.61%	21.69%	3.08%

- System-wide rates are the payroll-weighted average of rates for School Districts, the SLGRP, and independent employers that do not pool their Tier One/Tier Two liability experience
- At a system-wide level, the uncollared total base rate of 27.76% is 0.61% of pay lower than the collared total base rate of 28.37%, reflecting that for some employers the rate collar prevents a decrease in the 2025-2027 UAL rate that would otherwise have occurred compared to the current level

Projected 2025-2027 Total (Employer + Member) Contributions

(\$ millions)	Projected 2023-25 Payroll*	(A) Projected 2023-25 Total Contribution	Projected 2025-27 Payroll*	(B) Projected 2025-27 Total Contribution	(B - A) Projected Total Contribution Increase / (Decrease)
State Agencies	\$ 8,360	\$ 1,820	\$ 9,395	\$ 2,160	\$ 340
School Districts	8,860	1,530	10,210	2,020	490
All Others	<u>9,910</u>	<u>2,210</u>	<u>11,040</u>	<u>2,680</u>	<u>470</u>
Total	\$27,130	\$ 5,560	\$30,645	\$ 6,860	\$ 1,300

- Collared net rates are used to project 2025-2027 contributions
 - Projections do not reflect the effects of 2023 investment returns
- Projected 2023-25 contributions increased by \$285 million compared to prior estimate (based on the 12/31/2021 valuation) as a result of a larger-than-expected increase in system payroll

* Assumes total payroll grows at 3.40% annually based on 12/31/2022 active member census. The collared net rate applied to this payroll reflects the projected change over time in payroll composition as new OPSRP members are hired to replace retiring Tier One/Tier Two members

Factors Driving the Projected Contribution Increase

- The projected \$1.3 billion 2025 - 2027 total contribution increase consists of:
 - \$0.9 billion due to system-wide average increase in collared net employer contribution rates
 - Primarily driven by 2022 investment losses along with higher liabilities due to recent and assumed future salary growth
 - Includes impact on average contribution rate of projected change over time in payroll distribution between Tier One/Tier Two and OPSRP
 - \$0.4 billion due to projected system payroll growth between 2023-2025 and 2025-2027
 - Assumed system payroll growth of 3.4% per year / 6.9% per biennium means the collared net employer rate increase is applied to a larger payroll base in non-inflation-adjusted dollars
 - Does not reflect projected change in payroll distribution between Tier One/Tier Two and OPSRP
- In 2025-2027, redirected member EPSA contributions expected to continue to pay a portion of total contribution rates
 - An estimate of this effect is shown on the next slide

Projected Split of 2025-2027 Total Contributions

(\$ millions)	Estimated 2023-25 Member Redirect Contributions*	Estimated 2025-27 Member Redirect Contributions*	Projected 2023-25 Employer Contribution	Projected 2025-27 Employer Contribution
State Agencies	\$ 90	\$ 90	\$1,730	\$ 2,070
School Districts	100	100	1,430	1,920
All Others	<u>110</u>	<u>105</u>	<u>2,100</u>	<u>2,575</u>
Total	\$ 300	\$ 295	\$ 5,260	\$ 6,565

* Reflects member redirect offset of 2.40% of payroll for Tier One and Tier Two, and 0.65% for OPSRP for 2023-25 and 2025-2027; the statutory 2.50% and 0.75% redirection levels were adjusted downward to estimate the anticipated effect of members below the statutory pay threshold who will not have contributions redirected

12/31/2022 Retiree Health Care Valuations

- Cumulative retiree health liabilities are less than 1% of the pension liability
- Two separate retiree health care benefit subsidies are valued:
 - RHIA provides a \$60 per month subsidy toward healthcare premiums for Medicare-eligible Tier One/Tier Two retirees
 - RHIPA provides Tier One/Tier Two state employees who retire prior to age 65 with an alternative to PEBB coverage until they reach Medicare eligibility
- OPSRP retirees are not eligible for either subsidy
- The combination of a shortened UAL amortization period and recent experience has improved both RHIA and RHIPA funded status to over 100%
- The Board policy applies a special amortization method when these programs are over 100% funded
 - Amortizes the actuarial surplus over Tier One/Tier Two payroll using a rolling 20-year amortization, and allows the subsequent negative UAL rate to offset the normal cost, but not below a total contribution rate of 0.0%

12/31/2022 Retiree Health Care Valuations

UAL and Advisory 2025-27 Contribution Rates

	RHIA		RHIPA*	
(\$ millions)	12/31/2021	12/31/2022	12/31/2021	12/31/2022
Actuarial Liability	\$ 369	\$ 345	\$ 46	\$ 41
Assets	<u>763</u>	<u>720</u>	<u>83</u>	<u>86</u>
UAL	\$ (394)	\$ (375)	\$ (37)	\$ (45)
Funded Status	207%	209%	180%	208%
Normal Cost Rate (Tier One/Tier Two payroll only)	0.04%	0.04%	0.09%	0.09%
UAL Rate applied to Tier One/Tier Two payroll**	<u>(0.04%)</u>	<u>(0.04%)</u>	<u>(0.09%)</u>	<u>(0.09%)</u>
Total Rate	0.00%	0.00%	0.00%	0.00%

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

** UAL Rate applied to OPSRP payroll is limited to a minimum of 0.00%

Valuation Next Steps

- Between now and the December 1, 2023 meeting we will:
 - Assist PERS in preparing financial reporting schedules
 - Prepare system-wide and employer-specific December 31, 2022 actuarial valuation reports
- At the December meeting, we will:
 - Provide listings of employer-specific advisory 2025-2027 contribution rates
 - PERS to distribute employer-specific reports to employers after the meeting
 - Update long-term contribution rate and funded status projections

Contribution Rate & Funded Status Projections

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



Appendix

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

Certification

This presentation summarizes key preliminary results of an actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2022, for the Plan Year ending December 31, 2022. The results are preliminary in nature and may not be relied upon to, for example, prepare the System’s Annual Comprehensive Financial Report. The reliance document will be the forthcoming formal December 31, 2022 System-Wide Actuarial Valuation Report.

Actuarial computations presented in this report are for purposes of presenting advisory contribution rates consistent with the adopted funding policy of 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 policy. 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.

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, member census 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.

Actuarial assumptions, including discount rates, mortality tables, and others identified in this report, and actuarial cost methods are adopted by the PERS Board, which is responsible for selecting the plan’s funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies, methods, and assumptions used in this valuation are those that have been so adopted and are described in this report. The System is solely responsible for communicating to Milliman any changes required thereto. All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which, in our professional opinion, are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System and are expected to have no significant bias . The valuation results were developed using models intended for valuations that use standard actuarial techniques. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice.

This valuation report is only an estimate of the System’s financial condition as of a single date. It can neither predict the System’s future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

Certification

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, 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 modifications to contribution calculations based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. Our annual financial modeling presentation to the PERS Board should be referenced for additional analysis of the potential variation in future measurements. Our forthcoming December 31, 2022 Actuarial Valuation Report will provide additional discussion of the System's risks. The PERS Board has the final decision regarding the selection of the assumptions and actuarial cost methods.

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 this report. No third-party recipient of Milliman's work product should rely upon this report. Such recipients should engage qualified professionals for advice appropriate to their own specific needs. No third-party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct and Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States*, published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. Assumptions related to the claims costs and healthcare trend (cost inflation) rates for the retiree healthcare program discussed in this report were determined by Milliman actuaries qualified in such matters.

Data Exhibits

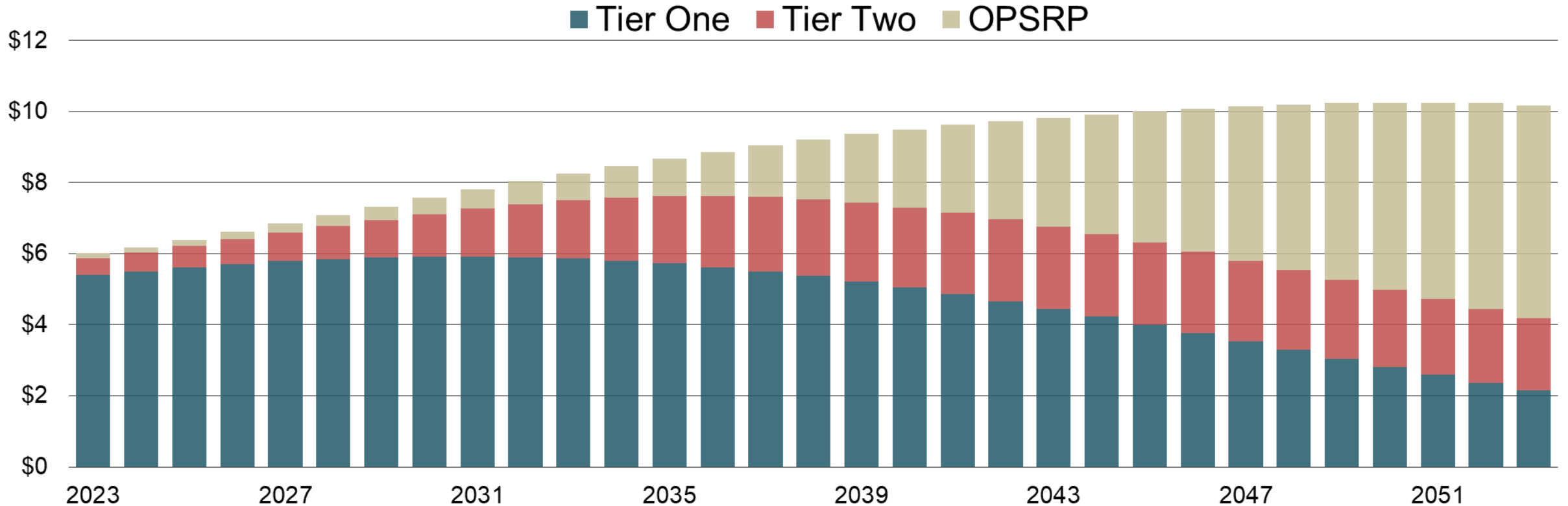
	December 31, 2022				December 31, 2021	
	Tier One	Tier Two	OPSRP	Total	Total	
Active Members						
Count	10,176	26,040	147,426	183,642	177,739	
Average Age	58.1	53.5	43.6	45.8	46.0	
Average Service	28.3	21.5	7.6	10.7	11.0	
Average prior year Covered Salary	\$ 96,476	\$ 91,552	\$ 66,360	\$ 71,601	\$ 68,120	
Inactive Members¹						
Count	8,694	13,097	30,722	52,513	50,741	
Average Age	62.6	56.1	48.4	52.7	52.8	
Average Monthly Benefit	\$ 2,459	\$ 988	\$ 520	\$ 958	\$ 959	
Retired Members and Beneficiaries¹						
Count	129,603	22,079	11,514	163,196	159,585	
Average Age	74.1	69.1	68.6	73.1	72.8	
Average Monthly Benefit	\$ 3,287	\$ 1,433	\$ 667	\$ 2,852	\$ 2,795	
Total Members	148,473	61,216	189,662	399,351	388,065	

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

Projected Benefit Payments by Tier for Members as of 12/31/2022

Does Not Include Projected Benefit Payments for Anyone Joining OPSRP After 12/31/2022

Tier One/Tier Two & OPSRP Expected Benefit Payments
by Tier as of 12/31/2022 (in \$ billions)



School District Weighted Total* Pension-Only Rates

2009-2011 rates set prior to economic downturn

2011-2013 rates first to reflect -27% return in 2008 and +19% in 2009

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

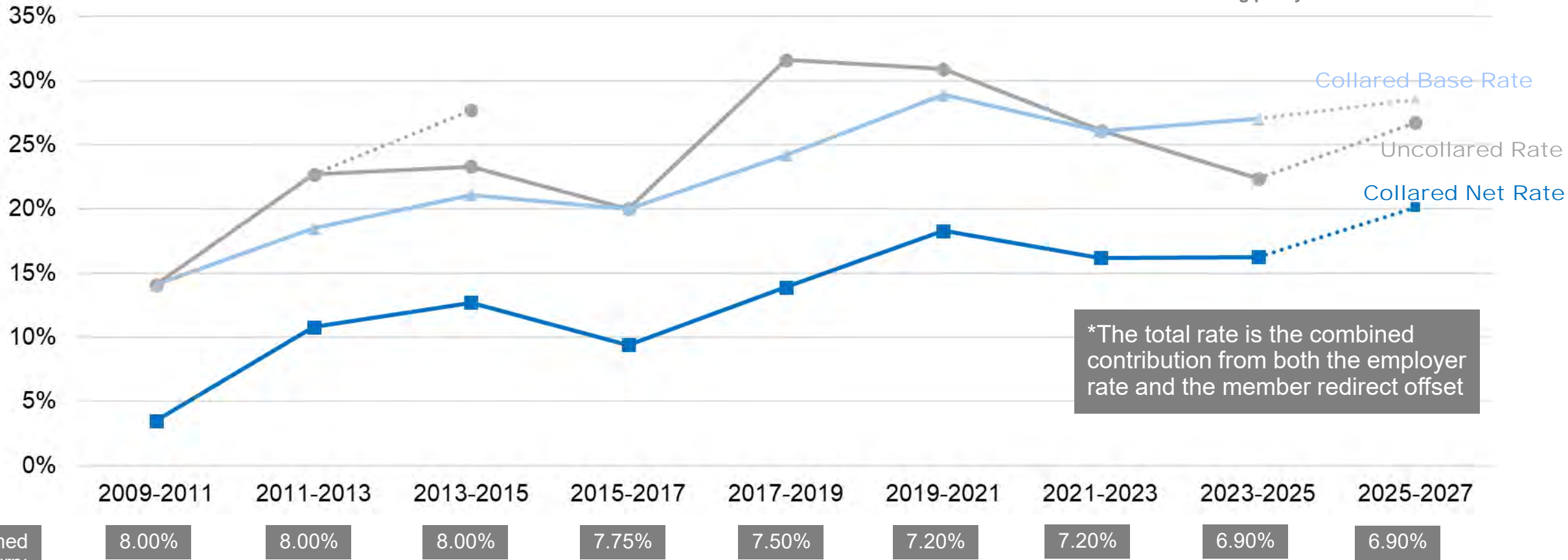
2017-2019 set post-Moro, reflecting 2015 return (+2.1%) and second decrease in assumed return

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

2021-2023 rates reflect mandated reamortization of Tier One/Tier Two UAL, biennial returns near assumption

2023-2025 rates reflect 2021 actual return of +20.05%, a fourth decrease in assumed return and an update to rate collaring policy

2025-2027 advisory rates reflect 2022 actual return of -1.55%



*The total rate is the combined contribution from both the employer rate and the member redirect offset

Assumed Return:



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SLGRP Weighted Total* Pension-Only Rates

2009-2011 rates set prior to economic downturn

2011-2013 rates first to reflect -27% return in 2008 and +19% in 2009

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

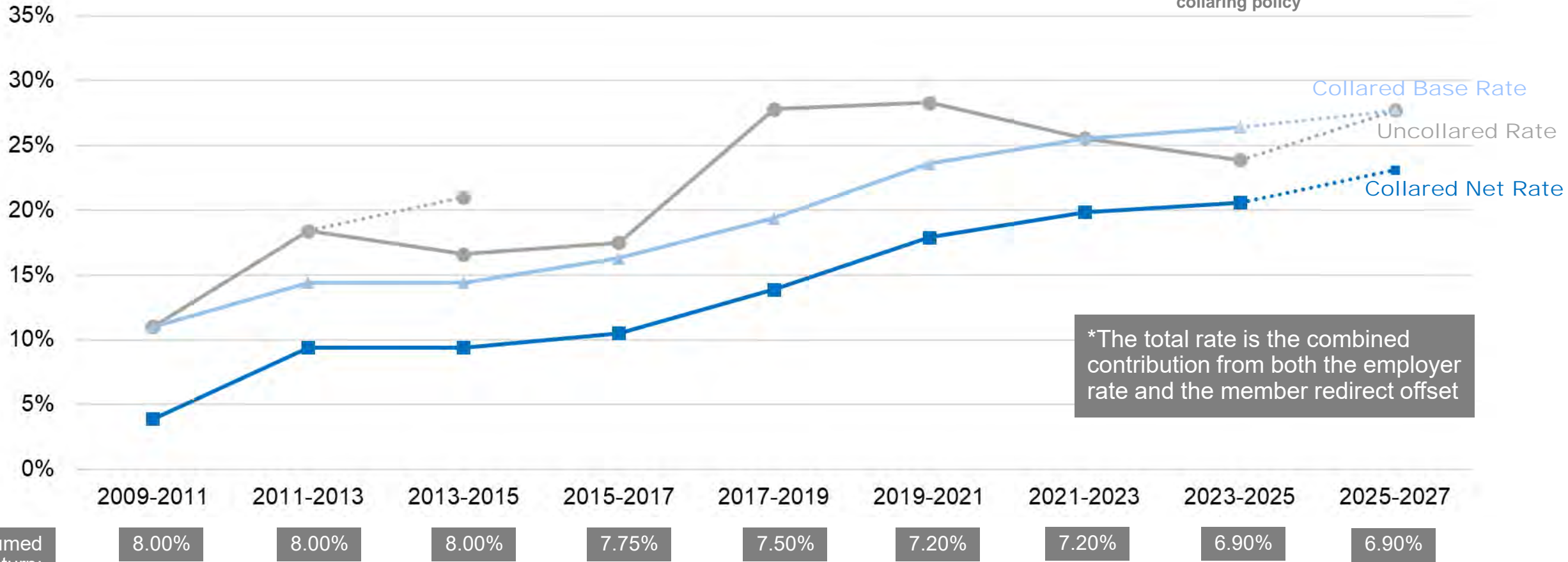
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2023-2025 rates reflect 2021 actual return of +20.05%, a fourth decrease in assumed return and an update to rate collaring policy

2025-2027 advisory rates reflect 2022 actual return of -1.55%



*The total rate is the combined contribution from both the employer rate and the member redirect offset

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Funded Status and UAL by Program

Pension Funded Status (\$ billions) at 12/31/2022 <i>totals may not add due to rounding</i>			
	Tier One/ Tier Two	OPSRP	Combined
Actuarial liability	\$ 88.4	\$ 14.5	\$ 102.9
Assets (excluding side accounts)	<u>\$ 63.8</u>	<u>\$ 11.1</u>	<u>\$ 74.9</u>
UAL (excluding side accounts)	\$ 24.6	\$ 3.5	\$ 28.0
Funded status (excluding side accounts)	72%	76%	73%
Side account assets			<u>\$ 6.2</u>
UAL (including side accounts)			\$21.8
Funded status (including side accounts)			79%

Uncollared Total Pension Rates – School Districts

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

	12/31/2021 Valuation 2023 – 2025 Final Rates			12/31/2022 Valuation 2025 – 2027 Advisory Rates		
	Tier One / Tier Two	Payroll		Tier One / Tier Two	Payroll	
		OPSRP	Weighted Average ¹		OPSRP	Weighted Average ¹
Total Normal Cost	14.48%	9.89%	11.24%	15.76%	10.55%	11.90%
Tier One/Tier Two UAL	9.63%	9.63%	9.63%	12.21%	12.21%	12.21%
OPSRP UAL	<u>1.51%</u>	<u>1.51%</u>	<u>1.51%</u>	<u>2.62%</u>	<u>2.62%</u>	<u>2.62%</u>
Uncollared Total Rate	25.62%	21.03%	22.38%	30.59%	25.38%	26.73%
Increase/(Decrease)				4.97%	4.35%	4.35%

¹ Weighting based on pool payroll levels (Tier One/Tier Two, OPSRP) as of the valuation date

The pool-average advisory collared base and net rates for 2025-2027 are shown on subsequent slides

Rates shown on this slide are “total” rates and include the member EPSA contribution component of the normal cost

Collared Total Pension Base Rates – School Districts

Excludes Retiree Health Care & IAP Contributions, Side Account Offsets

	12/31/2021 Valuation 2023 – 2025 Final Rates			12/31/2022 Valuation 2025 – 2027 Advisory Rates		
	Tier One / Tier Two	Payroll		Tier One / Tier Two	Payroll	
		OPSRP	Weighted Average ¹		OPSRP	Weighted Average ¹
Uncollared Total Rate	25.62%	21.03%	22.38%	30.59%	25.38%	26.73%
Effect of Rate Collar	<u>4.65%</u>	<u>4.65%</u>	<u>4.65%</u>	<u>1.82%</u>	<u>1.82%</u>	<u>1.82%</u>
Collared Total Base Rate	30.27%	25.68%	27.03%	32.41%	27.2%	28.55%
Increase/(Decrease)				2.14%	1.52%	1.52%

¹ Weighting based on pool payroll levels (Tier One/Tier Two, OPSRP) as of the valuation date

The 2025 – 2027 collared total base rates increased due to the combined effects of the higher recent and assumed future salary increases and the rate collar’s restriction on collared UAL rate decreases prior to satisfaction of funded status thresholds

If actual 2023 investment returns are near assumption, final 2025-2027 total base rates are anticipated to be similar to the advisory 2025-2027 total base rates shown in this presentation

Rates shown on this slide are “total” rates and include the member EPSA contribution

Collared Employer Pension Rates – School Districts

Excludes Retiree Health Care & IAP Contributions

	12/31/2021 ¹ Valuation 2023 – 2025 Final Rates			12/31/2023 ¹ Valuation 2025 – 2027 Advisory Rates		
	Tier One / Tier Two	Payroll OPSRP	Weighted Average ²	Tier One / Tier Two	Payroll OPSRP	Weighted Average ²
Collared Total Base Rate	30.27%	25.68%	27.03%	32.41%	27.20%	28.55%
Member Redirect Offset	<u>(2.40%)</u>	<u>(0.65%)</u>	<u>(1.10%)</u>	<u>(2.40%)</u>	<u>(0.65%)</u>	<u>(1.05%)</u>
Collared Base Employer Rate	27.87%	25.03%	25.93%	30.01%	26.55%	27.50%
Side Account Rate (Offset)	<u>(10.77%)</u>	<u>(10.77%)</u>	<u>(10.77%)</u>	<u>(8.42%)</u>	<u>(8.42%)</u>	<u>(8.42%)</u>
Collared Net Employer Rate	17.10%	14.26%	15.16%	21.59%	18.13%	19.08%
Increase/(Decrease)				4.49%	3.87%	3.92%

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

² Weighting based on pool payroll levels (Tier One/Tier Two, OPSRP) as of the valuation date, OPSRP's payroll weighting increased between valuation dates

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

Weighted-average net employer rates increased more than collared base employer rates, due to a decrease in the average side account offset as an outcome of low actual investment returns and high payroll growth during 2022

Uncollared Total Pension Rates – SLGRP Average

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

	12/31/2021 Valuation 2023 – 2025 Final Rates			12/31/2022 Valuation 2025 – 2027 Advisory Rates		
	Payroll		Weighted Average ¹	Payroll		Weighted Average ¹
	Tier One / Tier Two	OPSRP		Tier One / Tier Two	OPSRP	
Normal Cost	16.35%	10.47%	12.04%	16.77%	11.10%	12.43%
Tier One/Tier Two UAL	10.34%	10.34%	10.34%	12.66%	12.66%	12.66%
OPSRP UAL	<u>1.51%</u>	<u>1.51%</u>	<u>1.51%</u>	<u>2.62%</u>	<u>2.62%</u>	<u>2.62%</u>
Uncollared Total Rate	28.20%	22.32%	23.89%	32.05%	26.38%	27.71%
Increase				3.85%	4.06%	3.82%

¹ Weighting based on pool payroll levels (Tier One/Tier Two, OPSRP) as of the valuation date.

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

Rates shown on this slide are “total” rates and include the member EPSA contribution component of the normal cost

Rates vary, sometimes widely among employers in the SLGRP

Collared Total Pension Base Rates – SLGRP Average

Excludes Retiree Health Care & IAP Contributions, Side Account Offsets

	12/31/2021 ¹ Valuation 2023 – 2025 Final Rates			12/31/2022 ¹ Valuation 2025 – 2027 Advisory Rates		
	Payroll		Weighted Average ²	Payroll		Weighted Average ²
	Tier One / Tier Two	OPSRP		Tier One / Tier Two	OPSRP	
Uncollared Total Rate	28.20%	22.32%	23.89%	32.05%	26.38%	27.71%
Effect of Rate Collar	<u>2.52%</u>	<u>2.52%</u>	<u>2.52%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Collared Total Base Rate	30.72%	24.84%	26.41%	32.05%	26.38%	27.71%
Increase				1.33%	1.54%	1.30%

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

² Weighting based on pool payroll levels (Tier One/Tier Two, OPSRP) as of the valuation date

Rates shown on this slide are “total” rates and include the member EPSA contribution

Collared Employer Pension Rates – SLGRP Average

Excludes Retiree Health Care & IAP Contributions

	12/31/2021 ¹ Valuation 2023 – 2025 Final Rates			12/31/2022 ¹ Valuation 2025 – 2027 Advisory Rates		
	Tier One / Tier Two	Payroll OPSRP	Weighted Average ²	Tier One / Tier Two	Payroll OPSRP	Weighted Average ²
Collared Total Base Rate	30.72%	24.84%	26.41%	32.05%	26.38%	27.71%
Member Redirect Offset	<u>(2.40%)</u>	<u>(0.65%)</u>	<u>(1.10%)</u>	<u>(2.40%)</u>	<u>(0.65%)</u>	<u>(1.05%)</u>
Collared Base Employer Rate	28.32%	24.19%	25.31%	29.65%	25.73%	26.66%
Side Account (Offset)	(5.14%)	(5.14%)	(5.14%)	(4.16%)	(4.16%)	(4.16%)
SLGRP Charge/(Offset)	<u>(0.66%)</u>	<u>(0.66%)</u>	<u>(0.66%)</u>	<u>(0.43%)</u>	<u>(0.43%)</u>	<u>(0.43%)</u>
Collared Net Rate	22.52%	18.39%	19.51%	25.06%	21.14%	22.07%
Increase				2.54%	2.75%	2.56%

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

² Weighting based on pool payroll levels (Tier One/Tier Two, OPSRP) as of the valuation date

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

Uncollared Total Pension Rates – System-Wide

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

	12/31/2021 Valuation 2023 – 2025 Final Rates			12/31/2022 Valuation 2025 – 2027 Advisory Rates		
	Tier One / Tier Two	Payroll OPSRP	Weighted Average ¹	Tier One / Tier Two	Payroll OPSRP	Weighted Average ¹
Normal Cost	15.91%	10.47%	11.98%	16.63%	11.10%	12.45%
Tier One/Tier Two UAL	10.24%	10.24%	10.24%	12.69%	12.69%	12.69%
OPSRP UAL	1.51%	1.51%	1.51%	2.62%	2.62%	2.62%
Uncollared Total Rate	27.66%	22.22%	23.73%	31.94%	26.41%	27.76%
Increase				4.28%	4.19%	4.03%

¹ Weighting based on system-wide payroll levels (Tier One/Tier Two, OPSRP) as of the valuation date.

Rates shown on this slide are “total” rates and include the member EPSA contribution component of the normal cost

Collared Total Pension Base Rates – System-Wide

Excludes Retiree Health Care & IAP Contributions, Side Account Offsets

	12/31/2021 Valuation 2023 – 2025 Final Rates			12/31/2022 Valuation 2025 – 2027 Advisory Rates		
	Tier One / Tier Two	Payroll OPSRP	Weighted Average ¹	Tier One / Tier Two	Payroll OPSRP	Weighted Average ¹
Uncollared Total Rate	27.66%	22.22%	23.73%	31.94%	26.41%	27.76%
Effect of Rate Collar	3.01%	3.01%	3.01%	0.61%	0.61%	0.61%
Collared Total Base Rate	30.67%	25.23%	26.74%	32.55%	27.02%	28.37%
Increase				1.88%	1.79%	1.63%

¹ Weighting based on system-wide payroll levels (Tier One/Tier Two, OPSRP) as of the valuation date.

Rates shown on this slide are “total” rates and include the member EPSA contribution

Collared Employer Pension Rates – System-Wide

Excludes Retiree Health Care & IAP Contributions

	12/31/2021 ¹ Valuation 2023 – 2025 Final Rates			12/31/2022 ¹ Valuation 2025 – 2027 Advisory Rates		
	Tier One / Tier Two	Payroll OPSRP	Weighted Average ²	Tier One / Tier Two	Payroll OPSRP	Weighted Average ²
Collared Base Rate	30.67%	25.23%	26.74%	32.55%	27.02%	28.37%
Member Redirect Offset	<u>(2.40%)</u>	<u>(0.65%)</u>	<u>(1.10%)</u>	<u>(2.40%)</u>	<u>(0.65%)</u>	<u>(1.05%)</u>
Collared Base Employer Rate	28.27%	24.58%	25.64%	30.15%	26.37%	27.32%
Side Account (Offset)	(6.64%)	(6.64%)	(6.64%)	(5.38%)	(5.38%)	(5.38%)
SLGRP Charge/(Offset)	(0.39%)	(0.39%)	(0.39%)	(0.25%)	(0.25%)	(0.25%)
Collared Net Rate	21.24%	17.55%	18.61%	24.52%	20.74%	21.69%
Increase				3.28%	3.19%	3.08%

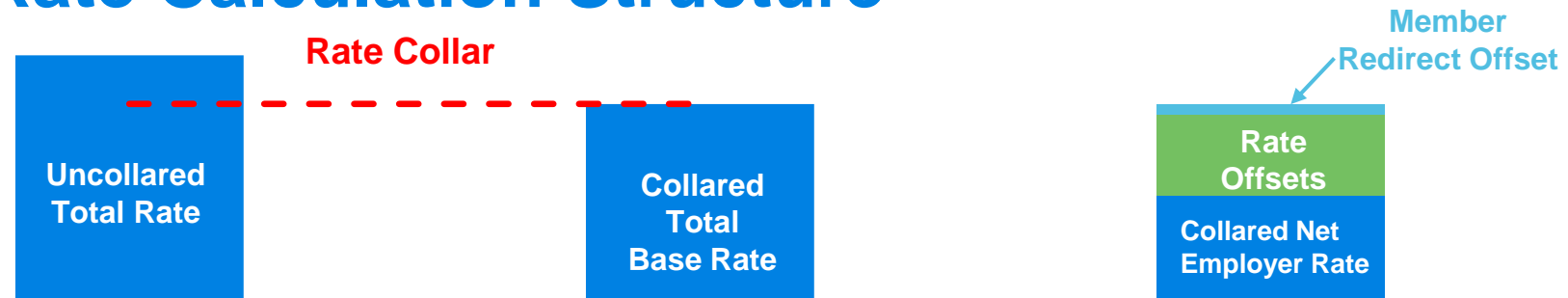
¹ For this exhibit, adjustments are assumed not to be limited due to an individual employer reaching a 0.00% contribution rate.

² Weighting based on system-wide payroll levels (Tier One/Tier Two, OPSRP) as of the valuation date

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

Changes in side account offsets are not collared

Overview of Rate Calculation Structure

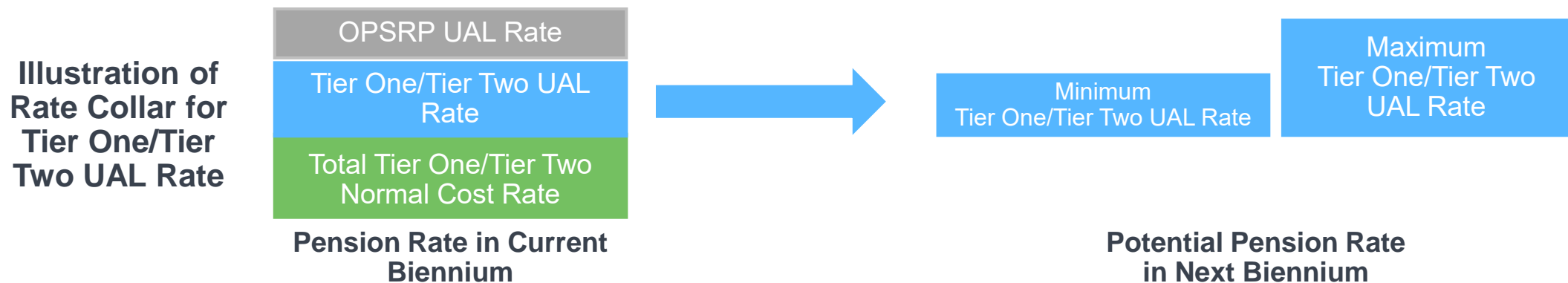


- The ***uncollared total rate*** is the theoretical contribution rate to reach 100% funded status over a specified amortization period if:
 - Contributions at that rate started on the actuarial valuation date, and
 - Actual future experience mirrors the actuarial valuation's assumptions, and
 - The normal cost rate does not change in subsequent years
- The rate collar sets a biennium's ***collared total base rate***, limiting the base rate change for a single biennium when there is a large change in the uncollared rate
- ***Member redirect offset*** reflects estimated portion of collared total base rate paid by redirected member contributions
- Employers pay the ***collared net employer rate***, which reflects the member redirect offset and any rate offset adjustments from:
 - Side account rate offsets for employers with side accounts
 - SLGRP charges/offsets (e.g., Transition Liability/Surplus)

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Rate Collar Design

- Rate collar focuses on the biennium-to-biennium change in the UAL Rate component
 - Normal Cost Rate component is always paid in full and is not subject to a rate collar limitation
- The maximum biennium to biennium change in UAL Rate permitted by the rate collar is:
 - **SLGRP and School District Pools Tier One/Tier Two UAL Rates:** 3% of pay
 - **OPSRP UAL rate:** 1% of pay
 - **Tier One/Tier Two UAL Rates of Independent Employers:** greater of 4% of pay or 1/3rd of the difference between the collared and uncollared Tier One/Tier Two UAL Rates at the last rate-setting valuation
- UAL Rate is not allowed to decrease at all unless funded status excluding side accounts is at least 87%, and a full collar width decrease is not allowed unless funded status is at least 90%



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Retirement System Risks

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

Actuarial Basis

Data

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

Assets as of December 31, 2022, were based on values provided by Oregon PERS reflecting the Board's earnings crediting decisions for 2022.

Methods / Policies

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

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

For the Retiree Health Care programs (RHIA and RHIPA), beginning with the December 31, 2021 rate-setting valuation the amortization policy when a program is over 100% funded status will be to amortize the actuarial surplus over Tier One/Tier Two payroll using a rolling 20-year amortization basis. The resulting negative UAL Rate will offset the normal cost rate for the program, but not below 0.0%. If either program subsequently fell below 100%, the UAL would be amortized over combined payroll following the 10-year closed, layered amortization policy.

Actuarial Basis

Methods / Policies (cont'd)

Contribution rate stabilization method: The UAL Rate contribution rate component for a rate pool (e.g. Tier One/Tier Two SLGRP, Tier One/Tier Two School Districts, OPSRP) is confined to a collared range based on the prior biennium's collared UAL Rate contribution rate component (prior to consideration of side account offsets, SLGRP transition liability or surplus rates, or pre-SLGRP liability rate charges or offsets).

Collar Width: the rate pool's new UAL Rate contribution rate component will generally not increase or decrease from the prior biennium's collared UAL Rate contribution rate component by more than the following amount:

- Tier One/Tier Two SLGRP and Tier One/Tier Two School District Pool: 3% of payroll
- OPSRP: 1% of payroll
- Tier One/Tier Two rates for independent employers: greater of 4% of payroll or one-third of the difference between the collared and uncollared UAL Rate at the prior rate-setting valuation. In addition, the UAL Rate will not be allowed to be less than 0.00% of payroll for any Tier One/Tier Two independent employer with a funded status (excluding side accounts) less than 100%.

UAL Rate decrease restrictions: the UAL Rate for any rate pool will not be allowed to decrease if the pool's funded status is 87% (excluding side accounts) or lower; the allowable decrease will phase into the full collar width from 87% funded to 90% funded.

Expenses: System-wide administration expenses are assumed to be equal to \$59.0M. The assumed expenses are allocated between Tier One/Tier Two and OPSRP based on projected payroll and are added to the respective normal costs.

Actuarial Value of Assets: Equal to Market Value of Assets excluding Contingency and Tier One Rate Guarantee Reserves. The Tier One Rate Guarantee Reserve is not excluded from assets if it is negative (i.e., in deficit status). The Actuarial Value of Assets includes the value of Employee Pension Stability Accounts (EPSA).

Assumptions

Assumptions for valuation calculations are as described in the 2022 Experience Study for Oregon PERS and presented to the PERS Board in July 2023.

Provisions

Provisions valued are as detailed in the forthcoming 2022 Valuation Report.

Testimony to the PERS Board
September 29, 2023

Members of the PERS Board:

I had prepared testimony containing my usual lecture to you about setting the assumed rate of return. (Original testimony below for your reference).

Then I read Milliman's 2022 Actuarial Valuation Results in your September 29 agenda.

The amount of bad news in this report is astonishing, the worst I have seen since I have been following the rate setting cycles.

- Increase in unfunded liability of \$8 billion, including \$1 billion due to the payroll increase alone
- Drop in funded status of 7%, down to 79%
- Increase of 3.08% in average advisory collared net employer contribution rates, 1.4% HIGHER than the collared base rate, due to poor returns in the side accounts and higher than assumed payroll growth accelerating the spend-down of the side account balance.
- Full year OPERF returns of -1.55%
- OPERF year-to-date regular account returns +3.79%. Unless these returns come up to 6.9% for the full year, there will be more pain to deal with when setting the final 2025-2027 rates next year.
- All of this without even reducing the assumed rate from two years ago.

These facts should give this board much to reflect upon.

Since the financial crisis, relatively good investment returns have provided PERS boards much leeway in setting the assumed rate. It allowed boards, including this board, to hold the assumed rate steady at times without triggering a crisis, even though it was never the right thing to do after 2008.

We are now in a different environment, one I have warned about many times. Just one year of bad returns, coming at a time of inflationary pressures, has erased what meager progress there was in taming the unfunded liability, underscoring how easily the system can fall into crisis.

It didn't have to be this way.

One should contemplate the different situation we would be in if the assumed rate had been reduced steadily from 2009 to now. Instead of 6.9%, the assumed rate would likely be around 6.3% coming into this year, close to OPERF's 15-year returns. The funding situation would clearly be in a lot better shape because a lot more money would have come into the system, with steady but moderate employer rate increases.

Instead, boards played politics with the assumed rate, and now the system is facing its biggest crisis since 2008.

All of this leaves this board with no good options. With both a big increase in employer rates AND a big increase in the unfunded liability, the board's dual mandate of providing predictable employer rates while managing the unfunded liability is not achievable. You now find yourself in the unique situation where anything you do will make matters worse. It's an epic mess, a culmination of years of squandered opportunities for boards to do what was right instead of what was expedient.

Of course, this situation will ease if OPERF investment returns recover soon. But while we wait, the experience of this year's situation should give everyone involved in PERS a newly chastened view of how fragile the system is and how quickly it can spiral out of control.

Douglas Berg
Eugene
206 353 2350

Here is the testimony I originally prepared for this meeting.

In my testimony submitted for your June 2 meeting, I disagreed with your actuary who characterized a cautious approach to setting the assumed rate of return as holding the rate steady. I argued that the very short period of changed financial conditions which produced radically different market outlooks from two years ago was not sufficient to justify pausing rate reductions.

In fact, one can argue the financial conditions that existed at the end of 2022, when the outlooks were done, have largely reversed. We've gone from slumping markets with a recession predicted any day to markets near new records. In short, the outlooks are badly out of date.

Bloomberg recently reported that a strategist was predicting a 4 percent annualized return on the S&P 500 over the next 10 years based on the [Shiller PE](#), a valuation measure popularized by economist Robert Shiller, for which he was awarded a Nobel prize. Contrast this with a 12 percent annualized return on the S&P 500 for the past 10 years.

The Shiller PE is a moving average of ten years of S&P 500 earnings, adjusted for inflation. It has proven to be a strong predictor of 10-year future returns of the S&P 500 going back at least to the Great Depression.

Right now, the Shiller PE stands at about 30, an exceedingly high reading on par with readings leading up to the dotcom bust and the bear markets of 2008, 2018, 2019, and 2020. The long-term median of the Shiller PE is just under 16.

It's hard to overstate the negative consequences for PERS if equities enter a decade of greatly depressed returns. A sustained, multi-year drop in returns is the worst nightmare for the system. The system would be in crisis, and very radical action would be needed to prevent the unfunded liability from soaring.

And I remind you once again that actual PERS returns from 2008 to now are still below 6.5 percent per year.

Why do I keep reminding you about returns for this particular time period? I contend this is the only relevant period the board should be considering. It was the 2008 market crash that created the outsized unfunded liability that has defied meaningful reduction for 15 years.

And why has there been so little success for so long? There's only one answer: PERS Boards have not lowered the assumed rate of return to a level that creates meaningful amortization of the liability.

So once again, I urge an extra dose of caution in setting the assumed rate. It's still way too early to pause rate reductions based on arguably out-of-date outlooks, a Shiller PE that is in the stratosphere, and an assumed rate of return that is still significantly higher than OPERF's 15-year returns.

You should reduce the rate one more time and see where you stand in two years.

From: [m.h](#)
To: [PERS BOARD](#)
Subject: PERS COLAs inadequate
Date: Monday, September 25, 2023 4:05:23 PM

Dear Oregon PERS Board,

As a Tier 1 retiree living in a time of high inflation, I feel that PERS COLAs are designed to be inadequate. For example, the 1.2% COLA unfairly takes advantage of elderly and disabled people by using the funds in these beneficiaries' PERS accounts, and persistently not providing a realistic COLA. This seems to fit the definition of elder financial abuse, doesn't it?

I am also concerned that the PERS Board prefers the lower assumed rate for active member funds on the low side at 6.9 percent when a higher assumed rate of 7% could easily be adopted, as earnings are predicted to exceed the higher assumed rate, as stated by Demarest's comment.

From my perspective, the Oregon Legislature seems to want Oregon PERS retirees to go broke at the same time that Oregon has a record high kicker fund. I would appreciate PERS' perspective on how this is happening.

Thank you.

Melissa Hartley
