

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



Employer Advisory Group

January 15, 2021



Agenda

Director's Office update

Legislative update

Senate Bill 1049 update

Communications update

Rate collaring/financial modeling

Additional Items

- Valuation report
- OPSRP First Wage Clean-Up update
- Employer reporting
- Open discussion and questions

Director's Office Update

- **Status of PERS amid COVID-19**
 - Building continues to be closed to public.
 - All meetings continue to be held virtually.
 - Majority of staff continue to work remotely.
- **New “PERS by the Numbers” published**
- **Agency budget update**
- **December 4, 2020, board meeting**
- **OIC presentation at March 29, 2021, board meeting**
- **Legislative update**

Senate Bill 1049 Update

Member Choice

Work After Retirement






Salary Limit

Member (IAP) Redirect

Employer Programs





Senate Bill (SB) 1049 Implementation Road Map

2019-2021 Biennium


	2019						2020						2021										
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
 Employer Programs	<ul style="list-style-type: none"> 7/1/19 – Effective Date 9/3/19 – Employer Incentive Fund (EIF) Application #1 Opens 11/27/19 – EIF Application #1 Closes 12/2/19 – EIF Application #2 Opens 						<ul style="list-style-type: none"> 8/6/20 – Employer Rate Projection Tool (ERPT) Assessment Complete 12/1/20 – EIF Application #2 Closes 3/30/21 – Work Package (WP) 1 Migrate and Adapt ERPT →• 6/17/21 – WP2 ERPT Stakeholder Acceptance and Deployment →• 																
 Salary Limit							<ul style="list-style-type: none"> 12/24/19 – Work Package (WP) 1 – Short Term 1/1/20 – Effective Date 1/24/20 – WP2 Post 2020 Salary Limit – Long Term 						<ul style="list-style-type: none"> 11/19/20 – WP3 User Screens to Record Annual Salary Limit – Long Term 5/13/21 – WP4 Proration Reports and Workflow – Long Term →• 5/28/21 – Project Close →• 										
 Work After Retirement							<ul style="list-style-type: none"> 12/19/19 – Work Package (WP) 1 Retiree Wages Suspended – Short Term 1/1/20 – Effective Date 						<ul style="list-style-type: none"> 11/19/20 – WP2 New Wage Codes with General Ledger (GL) Integration – Long Term 5/13/21 – WP3 Retro Rate Change – Long Term →• 										
 Member Redirect							<ul style="list-style-type: none"> 6/18/20 – Work Package (WP) 1 Employee Pension Stability Account Set Up/Batch/General Ledger – Short Term 7/1/20 – Effective Date 						<ul style="list-style-type: none"> 9/22/20 – Voluntary Contributions Initial Functionality – Long Term 10/30/20 – WP2.2 IAP Forecaster Tool – non-jClarety – Long Term 11/19/20 – Voluntary Contributions Final Functionality Release – Long Term 1/21/21 – WP5.2 Online Member Services User Interface – Long Term →• 1/26/21 – WP2 TIED SSIS – Non-jClarety – Long Term →• 3/23/21 – WP3 EPSA Earnings – Long Term 6/24/21 – WP4 EPSA Maintenance – Long Term →• 										
 Member Choice							<ul style="list-style-type: none"> 10/23/19 – Project Kick Off 5/15/20 – Member Annual Statements (MAS) Flyer Communication →• 8/19/20 – Member Choice Notification →• 						<ul style="list-style-type: none"> 8/20/20 – Work Package (WP) 1 Online Member Services (OMS) Changes Deployed 9/1-30/20 – Election Period 1/1/21 – Effective Date 3/23/21 – WP2 OMS & jClarety Enhancements – Long Term →• 5/1/21 – Member Choice reflected in MAS →• 6/24/21 – WP3 Earnings Rates and Validation Updates – Long Term →• 										

Revised: December 11, 2020

2021-2023 Biennium

PROJECTS	2021						2022												2023						
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	
 Employer Programs		• 7/16/21 – Project Close																							
 Work After Retirement					• 8/11/21 – Project Close																				
 Member Redirect																									
 Member Choice		• 8/4/21 – Project Close																							

2023-2025 Biennium

PROJECTS	2023						2024												2025						
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	
 Member Redirect																									

Revised: December 11, 2020

Senate Bill 1049 Update

Member Choice for IAP Target-Date Funds (TDF)

- Member Choice TDF election choices made September 1–30, 2020, effective January 1, 2021.
 - Election visible on IAP.voya.com in mid-January.
- Member will not see gains or losses associated with election until member annual statement in the year following the effective year.
- Election window for 2022 TDF election choice opens September 1–30, 2021.

Impact to employers

- Share information with members.

Senate Bill 1049 Update

Work After Retirement

- On December 15, more than 74,000 suspended 07 wage codes were automatically changed to wage code 17.
- This modified more than 96% of suspended records (remaining records will be updated by ESC staff).
- Final work package will be delivered May 13, 2021.

Impact to employers

- Suspended records have posted.
- Employers have been invoiced for contributions on retiree wages from 2020.

Senate Bill 1049 Update

Salary Limit

- Effective January 1, 2020.
- Salary used in benefit calculations capped at \$195,000 (indexed annually).
- Members who terminate mid-year have their salary prorated.

Impact to employers

- Successfully deployed new functionality November 20, 2020.
- Using CPI, annual limit for 2021 has increased to \$197,730, effective January 1, 2021.
- Leveraging new functionality deployed and new limit; records now suspend if new limit is exceeded.

Senate Bill 1049 Update

Member (IAP) Redirect

- Effective July 2020.
- Part of 6% member contribution goes to Employee Pension Stability Account rather than IAP.
 - 2.5% for Tier One/Tier Two.
 - 0.75% for OPSRP.

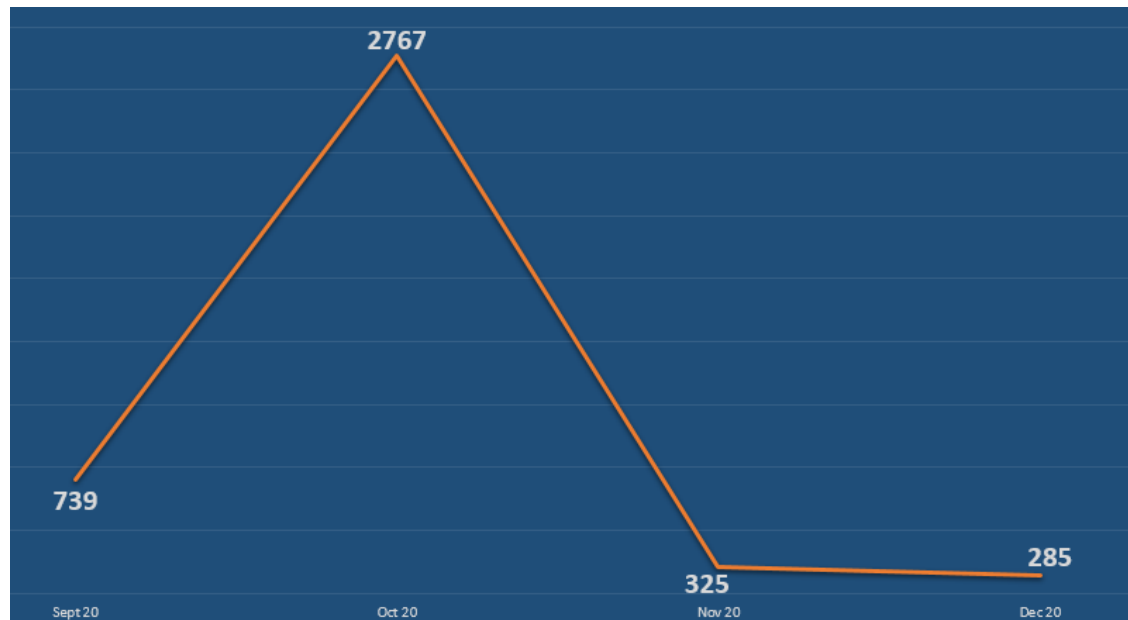
Impact to employers

- Updated monthly redirect salary threshold: \$2,535.
- Effective: January 1, 2021.

Senate Bill 1049 Update

Member (IAP) Redirect

- Voluntary contribution elections.
- Retroactive voluntary contribution election.
 - Retroactive window closed: October 31, 2020.



Senate Bill 1049 Update

Member (IAP) Redirect

- Prior year earnings on voluntary contributions.
 - Long-term plan: data locking.
 - Short-term plan: invoicing.

Impact to employers

- For now, PERS is using existing processes.
- When employer is notified of employee's voluntary contribution, withhold that amount.
- Employer is not responsible for determining whether employee meets requirements or minimum salary.

Senate Bill 1049 Update

Employer Programs

Employer Rate Projection Tool

- The current tool will be updated by early February.
- We anticipate new tool to be delivered in July 2021.

UAL Resolution Program

- Website updates to make locating the guides easier.
- “Guide to Understanding Your Valuation” currently being edited.
- Next up: “Guide to Understanding Unfunded Actuarial Liability.”

Communications

Employer website recent updates

Updated information

- Increased 2021 Salary Limit (full year and partial year).
- Higher salary requirement for Member Redirect.
- New Work After Retirement wage codes.

New Work After Retirement wage codes		
To comply with SB 1049, PERS updated the wage codes used to report retiree hours in EDX.		
Wage codes		
07	Retired/No Contributions	Used to report service retiree wages prior to 1-1-2020 and disability retired members returning to work.
17	Retiree Wage - ER Rate	Used to report a service retiree who has a pay date of 1-1-2020 or later
18	Negative Adjustment Retiree Wage-ER Rate	Used to negatively adjust Retiree Wage-ER Rate wages for a service retiree who has a pay date of 1-1-2020 or later

Excerpt from www.oregon.gov/pers/EMP/Pages/Work-After-Retirement.aspx

Communications

Employer website recent updates

Improved organization

Sidebar upgraded


+	CONTACT US
+	EDX
+	EMPLOYER NEWS & PUBLICATIONS
+	OREGON GOVERNING LAWS & RULES
+	EMPLOYER TRAINING & EDUCATION
	TRAINING SCHEDULE
	QUICK REFERENCES & GUIDES
	PERS RETIREMENT PLANS
	RATE-RELIEF PROGRAMS
+	FORMS
+	RATES & BUDGETING
+	EMPLOYER ADVISORY GROUP

Quick links added

SB 1049 Quick Links

OVERVIEW

[Get the big picture](#)

[Print or download a summary for employers](#) 

[Read the Oregon Legislature's overview of the bill](#)

[Read information for PERS members](#)

[Sign up for text alerts and emails from PERS](#)

WORK AFTER RETIREMENT

[Employer overview](#)

[Employer webpage](#)

[PERS employer contribution rates](#)

[Work After Retirement info for retirees](#)

SALARY LIMIT

[Employer overview](#)

[Partial-year calculations and examples](#)

Related pages listed

Employer Rate Relief Programs

[>Employer Rate Relief Programs](#)

[>Unfunded Actuarial Liability Resolution Program webpage](#)

[>Side Accounts webpage](#)

[>Rate-Projection Tool](#)

[>UALRP Educational Guides](#)

The Employer Incentive Fund, UAL Resolution Program, and amortization options for side accounts of \$10 million or more are three programs established by the Oregon Legislature to help PERS-participating employers reduce their contribution rates in the future.

Work After Retirement

[>Work After Retirement webpage](#)

If you choose to hire (or continue employing) any PERS service retiree during 2020 through 2024, most of those retirees (note the exceptions on the [Work After Retirement webpage](#)) can work an unlimited number of hours in those calendar years while continuing to receive their pension benefit.

Communications

Employer website future updates

2021 upgrade

- Upgrading PERS website to most current version of state agency templates available.

Upcoming

- This spring, reach out to stakeholders, including some employers, to solicit focus group participation.
 - Focus group participants will perform online card sorting as part of process for moving to new website.
 - This will allow Communications to discover how people understand and categorize information related to member and employer topics.

Rate Collaring/Financial Modeling

Rate Collaring

- PERS applies a "rate collar" as part of rate-setting process, as discussed in March and July Board meetings
- With the December 31, 2019 valuation, rate collar is not currently limiting rates for the large rate pools
 - Collared and uncollared rates are equal

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Rate Collaring/Financial Modeling

Overview of Rate Calculation Structure



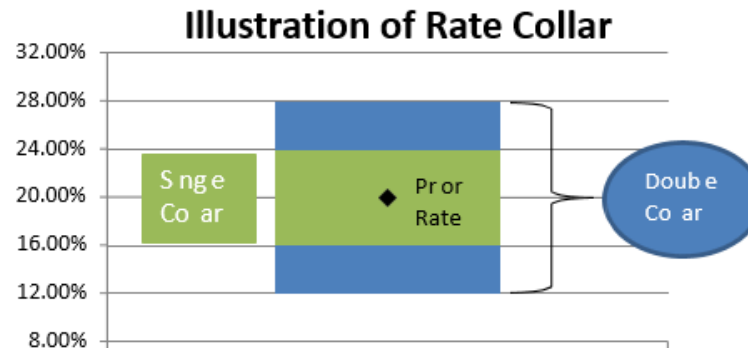
- The **uncollared total rate** is the theoretical contribution rate to reach 100% funded status over a specified amortization period if:
 - Contributions at that rate started on the actuarial valuation date, and
 - Actual future experience mirrors the actuarial valuation's assumptions, and
 - The normal 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 Collaring/Financial Modeling

Width of the Rate Collar - Current Structure

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



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

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Rate Collaring/Financial Modeling

Rate Collaring

- As discussed in prior Board meetings, today's financial modeling includes illustration of potential modifications to the collar structure
 - For this purpose, our model treats the entire system as one employer, with the rate pool calculated separately for Tier 1/Tier 2 and OPSRP at the system level
- Illustrations are for informational purposes, no decisions anticipated today
 - Any change to rate collar structure would be adopted with review of actuarial methods and assumptions with next year's experience study
 - If changes are made, Board could consider distinguishing between treatment of Tier 1/Tier 2 rate collar for large rate pools (SLGRP, School District) vs. independent employers
- Alternatives modeled:
 - Elimination or modification of the "double collar" component
 - Rate collar defined as a fixed percent of payroll (4% for Tier 1/Tier 2, 1% for OPSRP), rather than as a percentage of the current rate
 - Rate collar defined as a fixed percent of payroll (4% for Tier 1/Tier 2, 1% for OPSRP), AND rates are not allowed to decrease unless funded status (excluding side accounts) is greater than 90%

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Rate Collaring/Financial Modeling

Collar Alternatives Modeled

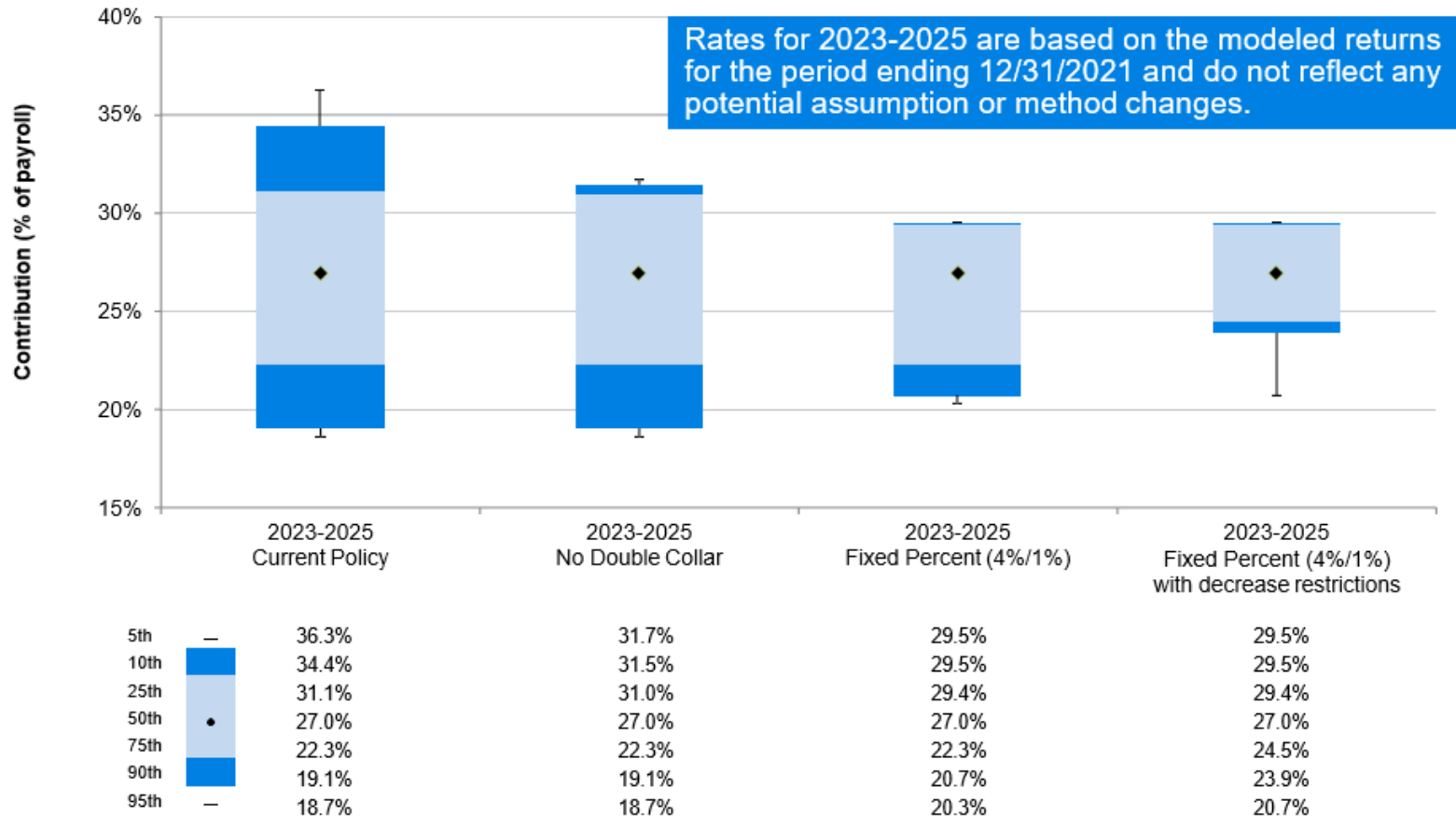
- Current Policy
 - Single collar is greater of 3% of pay or 20% of current rate
 - Rate collar widens gradually to double collar based on funded status thresholds
- No double collar
 - Same as current policy, except only "single collar" is used
- Fixed percent (4%/1%)
 - Rate collar defined as a fixed percent of payroll (4% for Tier 1/Tier 2, 1% for OPSRP), rather than as a percentage of the current rate
- Fixed percent (4%/1%) with decrease restrictions
 - Rate collar defined as a fixed percent of payroll (4% for Tier 1/Tier 2, 1% for OPSRP), AND rates are not allowed to decrease unless funded status (excluding side accounts) is greater than 90%

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Rate Collaring/Financial Modeling

Employer Collared Base Pension Rates (System Average)

2023-2025 Biennium under different collar policies



Rate Collaring/Financial Modeling

12/31/2038 Funded Status (Excluding Side Accounts)

Under different collar policies, at end of modeled period

12/31/2038 Funded Status (excluding side accounts)				
Collar Method:	Current	No Double Collar	Fixed Percent (4%11%))	Fixed Percent (4%11%) w/ decrease restrictions
75 th Percentile	118%	118%	121%	127%
50 th Percentile	89%	89%	89%	93%
25 th Percentile	70%	70%	68%	70%

In scenarios near the 50th and 75th percentiles, biennial investment returns frequently are near or above assumption. In some of those scenarios, the first three policies allow a decrease in the subsequent contribution rate while the fourth policy does not allow a decrease until the funded status threshold is satisfied.



Rate Collaring/Financial Modeling

Variable Return Model Stress Test

- Can use the "stress test" results to illustrate the effect of alternative collar policies:

Likelihood of Event Occurring at Some Point in Next 20 Years				
Collar Method:	Current	No Double Collar	Fixed Percent (4%11%)	Fixed Percent (4%11%) w/ decrease restrictions
Funded Status (Excluding Side Accounts) > 100%	57%	56%	56%	58%
Funded Status (Excluding Side Accounts) < 60%	64%	64%	63%	61%
Funded Status (Excluding Side Accounts) < 40%	12%	13%	15%	14%

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Rate Collaring/Financial Modeling

Variable Return Model Stress Test

- Can use the "stress test" results to illustrate the effect of alternative collar policies:

Likelihood of Event Occurring at Some Point in Next 20 Years				
Collar Method:	Current	No Double Collar	Fixed Percent (4%11%))	Fixed Percent (4%11%) w/ decrease restrictions
Base Rate (Excluding Retiree Healthcare) < 10% of Pay	33%	32%	30%	32%
Base Rate (Excluding Retiree Healthcare) > 30% of Pay	69%	67%	60%	60%
Base Rate (Excluding Retiree Healthcare) > 40% of Pay	33%	32%	25%	25%

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Rate Collaring/Financial Modeling

Wrap Up / Next Steps

- At the February 1, 2021 meeting, preliminary year-end 2020 investment results will be available
 - We can then comment as warranted on estimated impact on the 12/31/2020 actuarial valuation results, which will develop advisory 2023 - 2025 contribution rates
- The biennial experience study review of actuarial methods and assumptions will occur next year, with Board decisions anticipated at the July 23, 2021 meeting

Additional Items

Valuation reports

OPSRP First Wage Clean-up Project

Current status

- Data reviewed and validated by staff.
- Now focused on building out implementation plan.

Future plans

- Finalize implementation strategy.
- Notify impacted employers.
- Initiate rollout.

Additional Items

Employer reporting

- Request for assistance in communicating that every employer must be as timely as possible with reporting.
- Noticing more frequent missing DTL1 records and/or DTL1 records reported after DTL2.
 - Leads to suspended DTL2 records.
 - Proper pecking order in how these records are submitted is integral.
- ESC staff is always ready and willing to help clear suspended records or provide support with reporting issues if and when they arise.

Additional Items

Open discussion & questions

Upcoming Meetings

PERS Board meeting

- February 1
- March 29

OIC presentations

- January 28
- March 10
- April 21

EAG meeting

- April 16

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



THANK YOU

