



OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

BOARD MEETING AGENDA

Friday December 2, 2022 9:00 A.M.		PERS 11410 SW 68 th Parkway Tigard, OR	
ITEM		PRESENTER	
A. Administration			
1.	September 30, 2022 Board Meeting Minutes	SHENOY	
2.	Director's Report	OLINECK	
	a. Forward-Looking Calendar		
	b. OPERF Investment Report		
	c. Budget Execution Report		
3.	2023-28 Strategic Plan Adoption	OLINECK	
4.	Board Scorecard Report on Agency Performance Measures	RICKARD	
B. Administrative Rulemaking			
1.	Notice of Return to Work Rules	VAUGHN	
2.	Notice of Employer Reporting Rules		
3.	Adoption of OSGP Trading Restrictions Rule		
C. Action and Discussion Items			
1.	Presentation of Final Legislative Concept Drafts and Legislative Update	CASE	
2.	Senate Bill 1049 Update	ELLEDDGE-RHODES	
3.	Secretary of State Actuarial Review Findings	WINSHIP, FALLS	
4.	Financial Modeling Presentation	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 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 Customer Service or follow the PERS appeal process as outlined in OAR 459-001-0030.

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

2023 Meetings: February 3, April 3*, June 2, July 28*, September 29, December 1*

*Audit Committee planned for post-board meeting

Administration

1. September 30, 2022 Board Meeting Minutes
2. Director's Report
 - a. Forward-Looking Calendar
 - b. OPERF Investment Report
 - c. Budget Execution Report
3. 2023-28 Strategic Plan Adoption
4. Board Scorecard Report on Agency Performance Measures

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING MINUTES

September 30, 2022

Board members present:

Chair Sadhana Shenoy, Vice Chair Lawrence Furnstahl, Jardon Jaramillo, Stephen Buckley, and John Scanlan attended in person in the PERS Boardroom.

Staff present:

Kevin Olineck, Heather Case, Jake Winship, John Lockwood, Katie Brogan and Sam Paris attended in person in the PERS Boardroom.

Akiko Yoshida, Alan Smith, Alison Burman, Alyse Greer, Brandon Armatas, Chris Geier, Colin Campi, Daniel Rivas, David Johnson, David Larson, Elizabeth Rossman, Eric Palaniuk, Janice Ness, Janice Richards, Jason Stanley, Jeremy Frese, Joel Mellor, Joli Whitney, Julie Coatney, Katie Davis, Kirk Torrence MaryMichelle Sosne, Matthew Graves, Melanie Chandler, Melissa Piezonka, Michael Duren, Phuongnam Tran, Richard Horsford, Sean Laurie, Shawn Harper, Stephanie Vaughn, Steven Cardinale, Susannah Bodman, Tiffani Cairo, and Tim Tate attended virtually.

Others present:

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

Andrea Bradbury, Anita Gurule, Anna Roeder, Aruna Masih, Carol Samuels, Christopher Hudson, David Barry, Deborah Tremblay Frank Goulard, Gay Lynn Bath, Ian Peterson, Ilean Clute, Jackie Olsen, Jacqueline Knights, Jake Arnold, Jan Lewis, Jeff Gudman, Jeff Lange, Jennifer Jones, Joepeth Ebisa, Kali Leinenbach, Karl Koenig, Katie Kicza, Kenny Bao, Kristi Jenkins, Leslie Polson, Megan Hedrick, Michelle Lisper, Nancy Brewer, Nate Carter, Rachel Reyes, Shauna Tobiasson, Steven Burkhalter, Steven Demarest, Susan Steen, Suzanne Linneen, Tan Cao, Trudy Vidal, and Twylla Miller attended virtually.

Chair Shenoy called the meeting to order at 9:04 a.m.

ADMINISTRATION

A.1. MEETING MINUTES OF JULY 22, 2022

Board Member Buckley moved to approve the minutes as presented from the July 22, 2022, PERS Board meeting. 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 and the forward-looking calendar. He highlighted the response rate of 85% on the recent employee engagement survey. He noted scores have improved for eleven of the thirteen questions over last year with two questions having a nominal decrease. The forward-looking calendar has 2023 PERS Board meeting dates listed.

The Oregon Public Employees Retirement Fund (OPERF) returns, for the period ending August 31, 2022, were -1.46%.

Operating expenditures for July, August, and preliminary expenditures for September are \$4,278,620, \$4,621,737, and \$9,814,648 respectively.

Through September 9, 2022, the agency has expended a total of \$66,190,240 or 52.3% of PERS' legislatively approved operations budget of \$126,596,362. Currently, the agency's projected variance is \$4,863,259 or 3.8%. Olineck reviewed the meeting agenda.

A.3. 2023-28 STRATEGIC PLAN PREVIEW

Olineck provided a report on progress made on the 2018-23 strategic plan. Enterprise Risk Management (ERM), which was added in 2019, did not progress, given the agency did not receive funding to resource and establish the ERM program in our 2021-23 Legislatively Approved Budget. The 2023-28 Strategic Plan will focus on goals and objectives tied to the Modernization Program. A final 2023-28 Strategic Plan will be presented for approval at the December 2, 2022, board meeting.

A.4. OREGON SAVINGS GROWTH PLAN (OSGP) ADVISORY COMMITTEE APPOINTMENT

Sam Paris, Chief Operations Officer presented. He is requesting the appointment of one new member to the OSGP Advisory Committee.

Board Member Buckley moved to appoint Frank Goulard, to fill the vacancy of the local government position on the OSGP Advisory Committee effective immediately with an expiration date of June 30, 2025. Board Member Scanlan seconded. The motion passed unanimously.

ADMINISTRATIVE RULEMAKING

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

B.1. NOTICE OF OSGP TRADING RESTRICTIONS RULE

Vaughn presented notice of Rulemaking of Oregon Savings Growth Plan (OSGP) Trading Restrictions rule: OAR 459-050-0037, Trading Restrictions.

A rulemaking hearing will be held remotely on October 25, 2022, at 2:00 p.m. The public comment period ends November 1, 2022, at 5:00 p.m.

B.2. ADOPTION OF IAP OPTIONAL EMPLOYER ACCOUNT CONTRIBUTIONS RULE

Vaughn presented adoption of IAP Optional Employer Account Contributions Rule: OAR 459-080-0050, IAP Employer Account Contributions

A rulemaking hearing was held remotely on August 24, 2022, at 2:00 p.m. No members of the public appeared to provide public comment. The public comment period ended August 30, 2022, at 5:00 p.m. One public comment letter was received.

Vice Chair Furnstahl moved to adopt the IAP Optional Employer Account Contributions rule, as presented. Board Member Jaramillo seconded. The motion passed unanimously.

ACTION AND DISCUSSION ITEMS

C.1. MEMBER & EMPLOYER SURVEY RESULTS

Elizabeth Rossman, Communications Manager, Brandon Armatas, Data Services Manager and John Lockwood, Member Services Manager presented results of the 2022 Member and Employer Satisfaction Survey.

Overall, PERS' 2022 results for members show a stable rating in satisfaction (83.9%) as compared to 2021 (83.6%).

No board action was required.

C.2. MODERNIZATION UPDATE

Director Olineck and Deputy Director Elledge-Rhodes provided an overview of what constitutes the Modernization Program including high level goals, how the Modernization Road Map was developed, and what projects fall within the scope and timelines of the Modernization Program. Olineck presented key opportunity areas which include member self-service capabilities, a customer relationship management (CRM) system, data analytics, knowledge management system, and insourcing IAP.

No board action was required.

C.3. AUDIT AND RISK COMMITTEE CHARTER

Jason Stanley, Chief Compliance, Audit, and Risk Officer presented the updated Audit and Risk Committee Charter. The charter was updated to reflect the expansion of the oversight of the Audit Committee to include other elements of risk, including information security, continuity management, and eventually enterprise risk management. The charter was reviewed by the Audit and Risk Committee at the July 22, 2022, meeting where it was recommended to be brought to the board for approval.

Board Member Jaramillo moved to adopt the revised Audit and Risk Committee Charter, as presented. Vice Chair Furnstahl seconded. The motion passed unanimously.

C.4. BOARD COMMUNICATIONS POLICY

Stanley presented the Board Communications Policy. The policy formalizes a communications policy to ensure that consistent, effective, and transparent communication occurs between board members and with staff and plan members. The policy was reviewed by the Audit and Risk Committee at the July 22, 2022, meeting where it was recommended to be brought to the board for approval.

Board Member Scanlan moved to adopt the Board Communications Policy, as presented. Board Member Buckley seconded. The motion passed unanimously.

C.5. BOARD GOVERNANCE MANUAL

Stanley presented the Board Governance Document. The document was developed to assist the PERS Board with governance issues. The document covers the organization and the statutory requirements of the board, and references various state and agency policies to assist in overseeing the system. The document was reviewed by the Audit and Risk Committee at the July 22, 2022, meeting where it was recommended to be brought to the board for approval.

Vice Chair Furnstahl moved to adopt the Board Governance Document, as presented. Board Member Jaramillo seconded. The motion passed unanimously.

C.6. 2021 VALUATION RESULTS AND ADOPTION OF EMPLOYER RATES

Actuaries Matt Larrabee and Scott Preppernau of Milliman presented the 2023-25 employer rates for adoption.

Adoption of the proposed rates complies with the board's rate-setting principles and fulfills its statutory obligation to set employer rates for the 2023-25 biennium.

Vice Chair Furnstahl moved to approve the 2023-25 individual employer contribution rates as recommended by the PERS Actuary, effective July 1, 2023. Board Member Buckley seconded the motion. The motion passed unanimously.

Chair Shenoy adjourned the board meeting at 11:05 a.m.

Respectfully submitted,



Kevin Olineck, Director

Administration

1. September 30, 2022 Board Meeting Minutes
2. Director's Report
 - a. Forward-Looking Calendar
 - b. OPERF Investment Report
 - c. Budget Execution Report
3. 2023-28 Strategic Plan Adoption
4. Board Scorecard Report on Agency Performance Measures

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.

Ongoing efforts

Senate Bill 1049 (SB 1049) Work continues on the Member Redirect and Technical Debt Projects. More detailed Senate Bill 1049 implementation reports on the overall program and projects will be provided in the board packet.

Highlights

The following are accomplishments that deserve to be highlighted, with staff publicly acknowledged for their efforts.

Agency initiatives and accomplishments

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



Cybersecurity Awareness Month October was Cybersecurity Awareness Month with the theme of See Yourself in Cyber. Our Information Security Team held numerous events throughout the month to increase our staff members' awareness of cybersecurity issues and best practices; this engagement, included online games and online training. Additionally, Information Security and Risk Officer Shane Perry and Ben Cecka, Senior Systems Security Analyst, invited staff to attend weekly lunch-and-learn presentations with many staff in attendance for these virtual events. Topics covered included multi-factor authentication, cybercrime, malware, bots, physical cyberattacks, phishing, and social engineering.

PERS Expo As noted in my September report, PERS hosted it's second virtual expo in October. Below are some statistics from this year's event, comparing this year's results to 2021 results:

- Registrants: 9271 (24% increase)
- Attendees: 5,244 (3.33% increase)
- Conversion rate: 57% (16.17% decrease)
- Sessions held: 10 PERS, 18 OSGP
- Sessions total visits: 15,842 (7.12% decrease)
- Questions asked: 976 (30.83% increase)
- Resource downloads: 8,551 (13% increase)



There are three significant results from the participant survey that stood out. First, 85% of attendees rated the Expo to be Good (20%), Very Good (45%), or Excellent (20%). Second, the response to the question, “After participating in PERS Expo, what is your level of confidence in planning for your future retirement?” was 3.56 out of 5. Finally, 75% of attendees were attending their first-ever PERS Expo. That last statistic alone is reason enough to continue to have an Expo event on a yearly basis as we are reaching many members who desire to learn more about their retirement benefits.

This is solid evidence that our Expo is considered a valuable resource to inform and educate all our members. The theme selected for this year, *Aspire to Retire*, reflects the engagement and planning elements that are so important for our members and that need constant reinforcing so that, eventually, we’ll have 100% of registrants attend the PERS Expo.

Oregon Public Service Retirement Plan (OPSRP) First Wage Project Between January 1, 2004, through December 31, 2014, PERS-participating employers’ inconsistent understanding of when Oregon Public Service Retirement Plan (OPSRP) Individual Account Program (IAP) contributions were due for new OPSRP members resulted in some members not receiving IAP

contributions for their first eligible pay date. At the November 18, 2016, PERS Board Meeting, the board approved the request to use the Contingency Reserve to fund the approximate \$21,809,890 cost associated with correcting the Contribution Start Date (CSD) for members during the period from 2004 through 2014.

PERS Data Services staff completed their research in 2021 and processed the necessary corrections for the impacted members between December 2021 and January 2022. In February 2022, a GovDelivery notification was sent to 484 employers to let them know the adjustments were processed. These employers were informed that if they had questions or wanted PERS staff to review any of their employees’ specific records as related to this project, they would need to contact PERS by September 30, 2022.

As of October 31, 2022, staff completed adding the missing IAP contributions to 35,859 member accounts.

The additional IAP contributions will be included in the 2022 Member Annual Statements for the impacted members’ IAP account balance.

At the January 31, 2022 PERS Board Meeting, the board approved the allocation of \$17,998,958.35 from the 2021 earnings to the Contingency Reserve for the initial corrections. The requests made from employers between February through September 2022 resulted in an additional amount of \$18,888.33. This additional amount will be included in an additional allocation approval motion that will come to the board in February as part of the earnings crediting process. The total allocated to this project for contributions and prior year earnings is \$18,017,846.68.

Annual Comprehensive Financial Report (ACFR) Our 2022 Annual Comprehensive Financial Report (ACFR) is scheduled to be published mid-December. The ACFR represents a significant effort by the agency as it truly lives up to its descriptor: “comprehensive.” The agency is proud to win, for the 19th year running, the 2022 Public Pension Standards Award for Funding and Administration related to our 2021 ACFR, as

recognized by the Public Pension Coordinating Council, a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR). Additionally, for the 31st consecutive year, we were awarded a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the 2021 ACFR.

PERS by the Numbers Later in December, PERS is also scheduled to publish its latest PERS by the Numbers. This document is a great resource for both internal staff and external stakeholders, as it provides up-to-date, pertinent legislative and financial information.

W-4P (Pension Withholding) Form Implementation

The IRS unveiled significant changes to the W-4P form and introduced a new form W-4R (rollover and lump-sum distribution payments withholding). To maintain Internal Revenue Code (IRC) compliance for pension withholding, PERS was required to make necessary data field and computation changes, which were successfully implemented on November 17. This impacted the Financial Services Division on a global scale since they are responsible, annually, to manage tax tables and ensure proper withholding rates. The significant operational impact of this change relates to the daily processing of these tax withholding forms by the Operations Division. Operations' staff capture tax withholding information at the time of initial retirement and death application processing, and for adjustments to current benefits. The largest lift, however, was the impact on the Information Services Division who made the necessary software changes across numerous applications to support the business calculation functions. These new forms required a new updated backend calculation that is also impacted by updating the tax tables.

Additionally, a major stakeholder was our third-party IAP administrator, Voya, with whom PERS communicates proper withholdings. PERS had to coordinate our implementation timelines with VOYA to ensure consistency across both platforms.

This project not only impacted a large cross-section of PERS' staff, but also directly impacted our members. The Communications Section updated the website and distributed communications to impacted members regarding this change.

Supporting the Community

Charitable Fund Drive Efforts PERS' staff members are ardent supporters of the Charitable Fund Drive (CFD), a cross-governmental annual fundraising initiative. Staff are engaged in supporting the CFD through direct monetary pledges and other fundraising activities. By raising over \$13,600 and counting, as the drive has not concluded, we continue to be one of the top governmental fundraising entities for similarly sized organizations.

Children's Transitional School Halloween Support

For more than 25 years, PERS has hosted an annual Halloween event for the students from the Community Transitional School (CTS). PERS used to host students at our headquarters location to participate in judging our Halloween costume parade, have lunch with staff, and trick-or-treat. For the third year in a row, given we couldn't host this event in-person, staff decided to participate in a drive to provide CTS with both Halloween treats as well as much-needed classroom supplies that allow them to continue their great work. We have also highlighted to staff that they can support the school monetarily, as they are an organization that we can pledge money to as part of the CFD.



PERS Board Meeting Forward-looking Calendar

Friday, February 3, 2023

Annual Report of Director Financial Transactions
Legislative Update
Preliminary Earnings Crediting and Reserving
Senate Bill 1566 Reporting Requirements
Employer Incentive Fund Update
Senate Bill 1049 Reporting Requirements

Monday, April 3, 2023*

PERS Board Governance Assignments
Oregon Investment Council Annual Review
Legislative Update
Modernization Program Update
Final Earnings Crediting
Oregon Savings Growth Plan Annual Report Out

Friday, June 2, 2023

Board Scorecard Report on Agency Performance Measures
Review Proposed Board Meeting Dates for Next Year
Annual Report of Board Member Training Activities
Legislative Update
Senate Bill 1049 Update
PERS Health Insurance Program (PHIP) Renewals and Rates
PHIP Report Out
Overview of Actuarial Methods and Economic Assumptions

Friday, July 28, 2023*

Legislative Session Review
Modernization Program Update
Preliminary Adoption of Valuation Methods and Assumptions Including Assumed Rate of Return
Preliminary Adoption of Assumed Rate Oregon Administrative Rule (OAR)

Friday, September 29, 2023

Member and Employer Survey Results
Strategic Plan Overview and Update
Legislative Update or Legislative Concepts — if needed
Senate Bill 1049 Update
Funding Policy Review
Final Adoption of Valuation Methods and Assumptions Including Assumed Rate of Return
Valuation Results — Advisory Employer Rates
Final Adoption of Assumed Rate Oregon Administrative Rule (OAR)

Friday, December 1, 2023*

Board Scorecard Report on Agency Performance Measures
Modernization Program Update
Strategic Plan Approval
Valuation Update and Financial Modeling Results
Adoption of Actuarial Equivalency Factor Tables

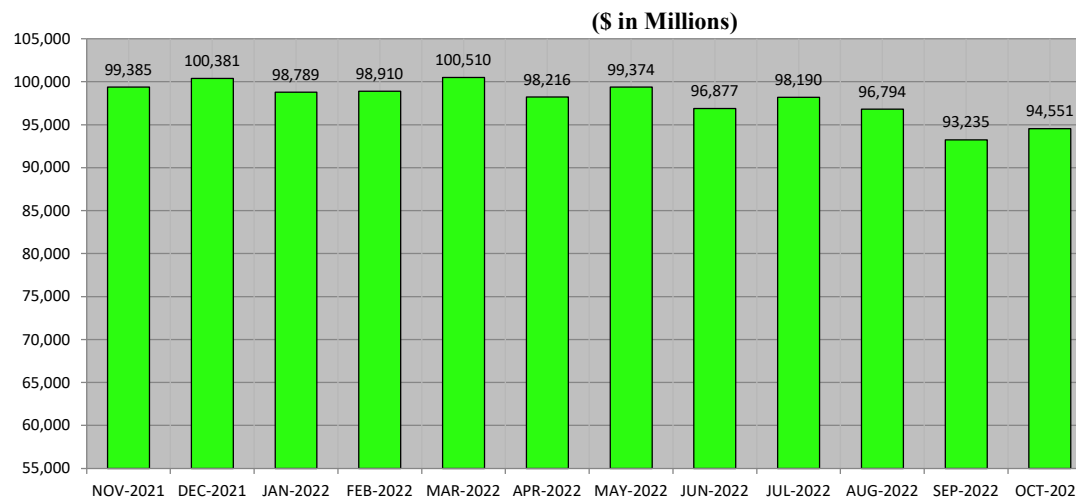
**Audit Committee planned for post-board meeting*

Returns for periods ending OCT-2022

Oregon Public Employees Retirement Fund

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
Public Equity	25.0-35.0%	30.0%	\$ 19,694,659	21.6%	(17.91)	(16.16)	8.03	5.54	6.86	5.25	7.50	8.59
Private Equity	15.0-27.5%	20.0%	\$ 24,480,522	26.9%	1.11	3.10	23.00	17.90	16.94	16.92	14.83	14.80
Total Equity	45.0-55.0%	50.0%	\$ 44,175,180	48.5%								
Opportunity Portfolio	0-5%	0%	\$ 2,411,594	2.7%	(1.82)	0.90	13.39	10.87	8.60	8.65	8.46	8.72
Total Fixed	15-25%	20.0%	\$ 17,349,153	19.1%	(13.31)	(13.13)	(6.70)	(2.54)	0.54	0.24	0.95	1.36
Risk Parity	0.0-3.5%	2.5%	\$ 1,676,871	1.8%	(26.33)	(24.99)	(4.61)					
Real Estate	7.5-17.5%	12.5%	\$ 13,426,909	14.8%	18.81	27.26	20.39	13.84	11.85	11.39	10.56	11.36
Real Assets	2.5-10.0%	7.5%	\$ 7,853,499	8.6%	15.45	18.98	18.48	10.93	7.42	7.11	6.82	5.22
Diversifying Strategies	2.5-10.0%	7.5%	\$ 4,059,616	4.5%	22.71	24.03	16.75	4.75	3.24	1.26	1.64	3.45
Cash w/Overlay	0-3%	0%	\$ 48,407	0.1%	(0.31)	(0.37)	(0.08)	0.56	1.25	1.36	1.31	1.10
TOTAL OPERF Regular Account		100.0%	\$ 91,001,229	100.0%	(3.11)	(0.84)	11.91	8.69	8.92	7.93	8.28	8.71
OPERF Policy Benchmark					(9.75)	(8.71)	6.14	6.37	7.30	6.73	7.57	8.38
Value Added					6.64	7.88	5.78	2.32	1.62	1.20	0.71	0.33
Oregon 70/30 Reference Benchmark					(19.37)	(18.67)	1.03	2.49	4.83	3.61	5.26	5.96
Target Date Funds			3,286,797									
TOTAL OPERF Variable Account			\$ 263,294		(20.84)	(19.84)	5.38	5.12	6.88	5.36	7.45	8.33
Asset Class Benchmarks:												
MSCI ACWI IMI NET					(21.15)	(20.22)	5.00	4.77	6.54	4.99	7.07	7.96
RUSSELL 3000+300 BPS QTR LAG					(12.92)	(12.55)	12.23	12.33	11.77	13.21	13.51	15.77
CPI + 5%					11.30	13.10	12.30	10.24	9.38	9.03	8.42	7.68
OREGON CUSTOM FI BENCHMARK					(15.72)	(15.68)	(8.03)	(3.59)	(0.34)	(0.49)	0.31	0.74
S&P Risk Parity - 12% Target Volatility					(19.43)	(18.11)	4.72	3.24	7.38	5.71	6.67	6.49
OREGON CUSTOM REAL ESTATE BENCHMARK					20.70	25.81	17.23	11.57	9.94	9.46	9.28	9.98
CPI +4%					10.42	12.03	11.24	9.20	8.34	8.00	7.39	6.66
HFRI FOF: CONSERVATIVE INDEX					(0.70)	(0.65)	6.18	4.90	4.41	3.77	3.45	3.70
91 DAY TREASURY BILL					0.76	0.78	0.42	0.58	1.04	1.16	0.98	0.70

Total OPERF NAV
(includes Variable Fund assets)
One year ending OCT-2022



¹OIC Policy revised June 2021. Beginning October 1, 2021, the Alternatives Portfolio has been split up into two new portfolios: Real Assets and Diversifying Strategies.

²Includes impact of cash overlay management.

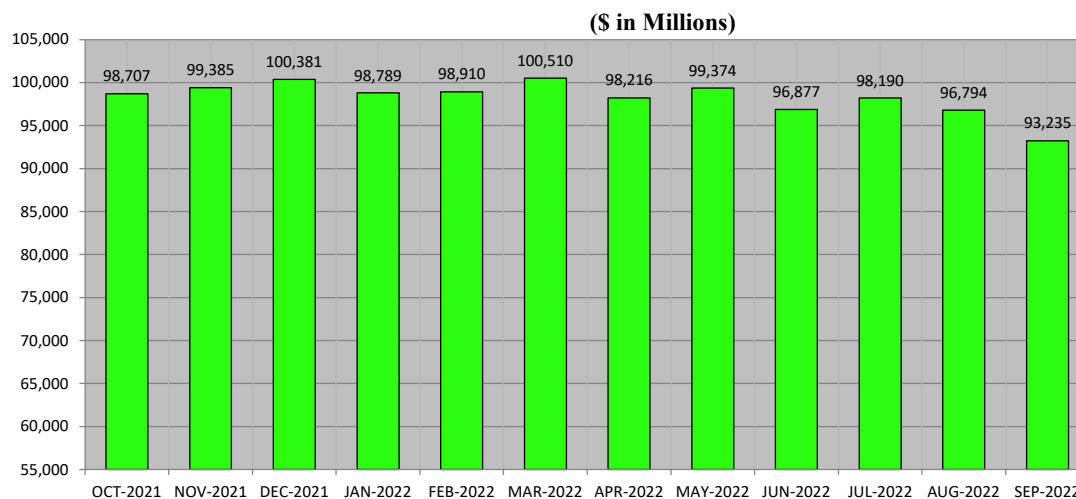
³For mandates beginning after January 1 (or with lagged performance), YTD numbers are "N/A". Performance is reflected in Total OPERF NAV. Not annualized.

Returns for periods ending SEP-2022

Oregon Public Employees Retirement Fund

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
Public Equity	25.0-35.0%	30.0%	\$ 18,319,448	20.4%	(23.32)	(18.85)	3.40	4.01	2.98	4.28	7.51	7.78
Private Equity	15.0-27.5%	20.0%	\$ 24,603,467	27.4%	1.43	5.24	24.64	18.21	17.10	17.43	14.88	14.83
Total Equity	45.0-55.0%	50.0%	\$ 42,922,915	47.8%								
Opportunity Portfolio	0-5%	0%	\$ 2,449,510	2.7%	(0.71)	3.59	14.79	11.61	8.93	8.93	8.60	8.94
Total Fixed	15-25%	20.0%	\$ 17,191,423	19.2%	(12.60)	(12.47)	(6.53)	(2.21)	0.57	0.42	1.13	1.50
Risk Parity	0.0-3.5%	2.5%	\$ 1,734,364	1.9%	(23.81)	(22.21)	(3.85)					
Real Estate	7.5-17.5%	12.5%	\$ 13,223,703	14.7%	18.72	29.22	20.46	13.78	11.87	11.44	10.80	11.36
Real Assets	2.5-10.0%	7.5%	\$ 7,878,995	8.8%	15.57	20.45	18.34	10.91	7.40	7.04	7.05	5.24
Diversifying Strategies	2.5-10.0%	7.5%	\$ 4,331,700	4.8%	16.21	17.99	13.09	2.54	0.94	0.26	1.51	2.75
Cash w/Overlay	0-3%	0%	\$ 34,863	0.0%	(0.48)	(0.60)	(0.13)	0.58	1.25	1.34	1.29	1.08
TOTAL OPERF Regular Account		100.0%	\$ 89,767,472	100.0%	(4.41)	(0.54)	11.08	8.53	7.75	7.92	8.56	8.56
OPERF Policy Benchmark					(11.15)	(8.37)	5.19	6.26	6.18	6.66	7.82	8.19
Value Added					6.75	7.84	5.89	2.27	1.56	1.26	0.73	0.37
Oregon 70/30 Reference Benchmark					(22.41)	(19.08)	(1.71)	1.86	2.31	3.11	5.46	5.51
Target Date Funds			3,207,474									
TOTAL OPERF Variable Account			\$ 260,248		(25.42)	(20.81)	1.18	3.99	3.19	4.53	7.64	7.62
Asset Class Benchmarks:												
MSCI ACWI IMI NET					(25.72)	(21.18)	0.80	3.64	2.84	4.16	7.27	7.25
RUSSELL 3000+300 BPS QTR LAG					(11.81)	(11.25)	14.75	13.05	12.84	13.89	13.72	15.92
CPI + 5%					10.40	13.58	12.10	10.18	9.32	8.93	8.35	7.64
OREGON CUSTOM FI BENCHMARK					(14.61)	(14.60)	(7.66)	(3.14)	(0.17)	(0.21)	0.51	0.91
S&P Risk Parity - 12% Target Volatility					(23.16)	(19.97)	0.96	2.06	5.26	5.41	6.66	5.79
OREGON CUSTOM REAL ESTATE BENCHMARK					20.58	28.31	17.22	11.66	10.08	9.55	9.26	9.97
CPI +4%					9.61	12.50	11.03	9.13	8.28	7.89	7.33	6.61
HFRI FOF: CONSERVATIVE INDEX					(1.40)	(0.71)	5.97	4.71	3.83	3.79	3.39	3.65
91 DAY TREASURY BILL					0.61	0.62	0.34	0.59	1.04	1.15	0.95	0.68

Total OPERF NAV
(includes Variable Fund assets)
One year ending SEP-2022



¹OIC Policy revised June 2021. Beginning October 1, 2021, the Alternatives Portfolio has been split up into two new portfolios: Real Assets and Diversifying Strategies.

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

Kate Brown, Governor

Public Employees Retirement System

Headquarters:
11410 S.W. 68th Parkway, Tigard, OR
Mailing Address:
P.O. Box 23700
Tigard, OR 97281-3700
888-320-7377
TTY (503) 603-7766
www.oregon.gov/pers

December 2, 2022

TO: Members of the PERS Board
FROM: Gregory R. Gabriel, Budget Officer
SUBJECT: December 2022 Budget Report

2021-23 OPERATING BUDGET

Operating expenditures for September, October, and preliminary expenditures for November are \$9,460,501, \$6,148,249, and \$4,958,054 respectively. Final expenditures for November will close in the Statewide Financial Management System on December 16 and will be included in the February 2023 report to the PERS Board.

- Through November 13, 2022, the agency has expended a total of \$80,323,603 or 63.4% of PERS' legislatively approved operations budget of \$126,596,362.
- At this time, the agency's projected variance is \$5,777,872 or 4.56%.
- Core Retirement Systems Applications (CRSA) expenditures for September and October and preliminary expenditures for November are \$414,905, \$2,979,673, and \$1,853,046 respectively. As of November 13, the agency has expended \$15,260,879 or 55.0% of the legislatively approved budget of \$27,765,009.
- At this time, the CRSA projected variance is \$999,074 or 3.6%.

2021-23 NONLIMITED BUDGET

The adopted budget includes \$12,886,613,593 in total estimated nonlimited expenditures. Nonlimited expenditures include benefit payments, health insurance premiums, and third-party administration payments for both the PERS Health Insurance Program (PHIP) and the Individual Account Program (IAP).

- Nonlimited expenditures through November 13, 2022, are \$8,549,671,503.

A.2.c. Attachment — 2021-23, CRSA, Agency-wide Budget Execution Summary Analysis

PERS Monthly Budget Report

2021-23 Agency-wide Budget Execution
Preliminary Summary For the Month of November 2022

Limited - Operating Budget

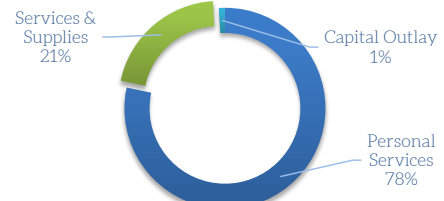
2021-23 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2021-23 LAB	Variance
Personal Services	57,434,467	31,713,717	89,148,184	91,033,361	1,885,177
Services & Supplies	22,867,691	8,382,695	31,250,386	34,094,093	2,843,707
Capital Outlay	21,445	398,475	419,920	1,468,908	1,048,988
Unscheduled				0	0
Total	80,323,603	40,494,887	120,818,490	126,596,362	5,777,872

Actual Expenditures



Projected Expenditures



Monthly Summary

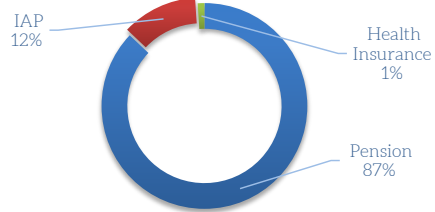
Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	3,781,161	3,918,302	137,141	3,436,491	3,839,667
Services & Supplies	1,176,892	1,219,577	42,685	1,316,408	1,199,975
Capital Outlay	0	0	0	7,148	103,103
Total	4,958,054	5,137,879	179,825	4,760,047	5,142,746

Non-Limited Budget

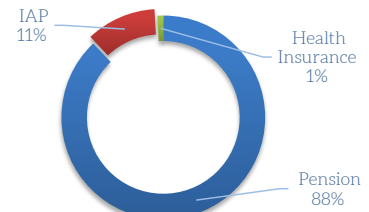
2021-23 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	7,443,414,016	3,772,973,918	11,216,387,933	11,215,517,678	(870,255)
IAP	1,016,009,783	404,450,148	1,420,459,931	1,298,603,848	(121,856,083)
Health Insurance	90,247,704	30,235,995	120,483,699	372,492,067	252,008,368
Total	8,549,671,503	4,207,660,061	12,757,331,564	12,886,613,593	129,282,029

Actual Expenditures



Projected Expenditures



Core Retirement Systems Application

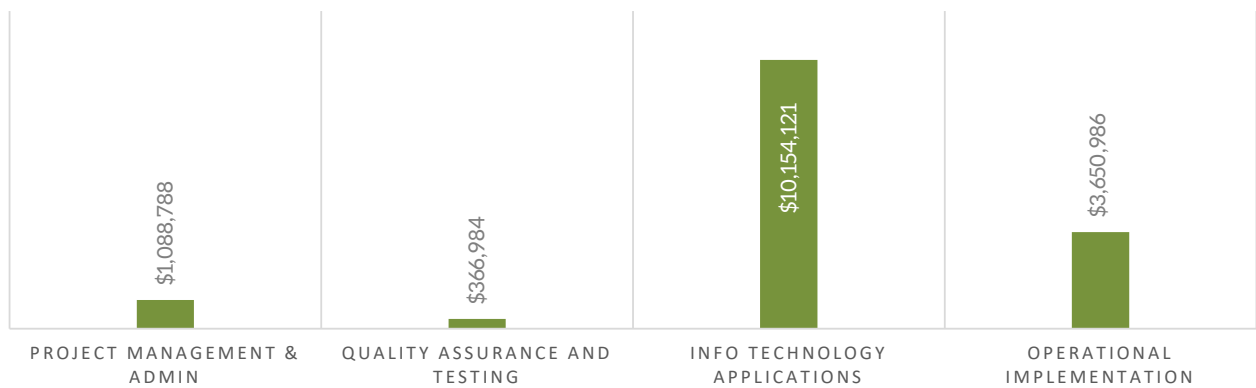
Summary Budget Analysis

Preliminary For The Month of November 2022

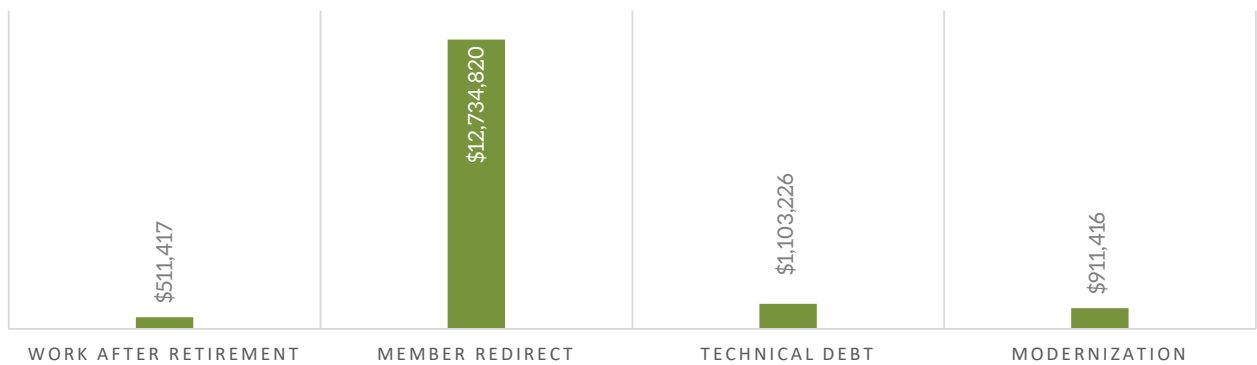
Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2021-23 LAB	Variance
Personal Services	3,638,698	2,991,195	6,629,893	7,037,101	407,208
Services & Supplies	11,608,961	8,513,861	20,122,822	20,672,908	550,086
Capital Outlay	13,220		13,220	55,000	41,780
Total	15,260,879	11,505,056	26,765,935	27,765,009	999,074

EXPENDITURES BY PACKAGE



EXPENDITURES BY PROJECT



Administration

1. September 30, 2022 Board Meeting Minutes
2. Director's Report
 - a. Forward-Looking Calendar
 - b. OPERF Investment Report
 - c. Budget Execution Report
3. 2023-28 Strategic Plan Adoption
4. Board Scorecard Report on Agency Performance Measures



Oregon

Kate Brown, Governor

Public Employees Retirement System

Headquarters:
11410 S.W. 68th Parkway, Tigard, OR
Mailing Address:
P.O. Box 23700
Tigard, OR 97281-3700
888-320-7377
TTY (503) 603-7766
www.oregon.gov/pers

December 2, 2022

TO: Members of the PERS Board
FROM: Kevin Olineck, Director
SUBJECT: Adoption of the 2023-28 Strategic Plan

BACKGROUND

As discussed at the September 30 board meeting, as PERS moves into our next five-year planning cycle, we recognize that we must reimagine how we evolve and deploy our business capabilities via our people, processes, and technologies. This evolution is necessary to meet our member and PERS-participating employer needs into the future. Members and employers have a desire for more personalized and updated service delivery such that they can be informed, interact, and transact with PERS at the time of their choosing, using the channel of their choosing.

This reimagining of our service delivery model will be accomplished, in alignment with the Goals and Objectives housed within the 2023-28 Strategic Plan (Attachment 1). The majority of these goals and objectives are tied to our overarching Modernization Program, which ultimately ensures we will be able to meet those stakeholder needs by the most effective and efficient means.

Following discussion at the September meeting, the Executive Team refined the Goals and Objectives. The Executive Team then updated the tactics to be executed to achieve these Goals and Objectives and tied specific measures to these tactics. These measures are from the PERS Outcome Based Management System (POBMS) to ensure alignment and enable measurement of progress over the course of the Strategic Plan's lifespan.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “adopt the 2023-28 Strategic Plan, as presented.”
2. Direct staff to make other changes to the Strategic Plan or explore other options.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option 1.

A.3. Attachment 1 — Strategic Plan 2023-28

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



2023-2028 **Strategic Plan**

MISSION STATEMENT



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

SHARED VISION

Honoring your public service through secure retirement benefits.

CORE VALUES

Service-focus

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

Accountability

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

Integrity

We inspire trust through transparency and ethical, sound judgment.

OPERATING PRINCIPLES

Professional

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

Accurate

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

Judicious

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

Vigilant

We are constantly vigilant and take ownership in the basic tenets of information security: confidentiality, integrity, and availability.

TABLE OF CONTENTS

INTRODUCTION.....	1
ORGANIZATIONAL MANAGEMENT AND DEVELOPMENT	2
Workforce Development.....	3
Organizational Communication	4
PERS Outcome Based Management System (POBMS)	5
MEMBER SERVICES AND COMMUNICATIONS.....	6
Member Engagement	7
Omni-channel Service Delivery	8
DATA CONSISTENCY	9
Data Analytics	10
Data Integrity.....	11
Data Use.....	12
INFORMATION TECHNOLOGY	13
ORION System Modernization	14
IT Workforce Development.....	16
FINANCIAL MANAGEMENT	17
Technology Upgrades and System Integration.....	18
Financial Management Resource Development.....	20
RISK MANAGEMENT	21
Risk Management	22

STRATEGIC PLAN INTRODUCTION

This strategic plan looks to a five-year horizon and answers the question: If we are to become better at delivering on our mission, where will we, as an agency, be able to improve over this time?

Moving into this five-year planning cycle, we recognize that we must reimagine how we evolve and deploy our business capabilities via our people, processes, and technologies. This evolution is necessary to meet our member and PERS-participating employer needs into the future. Members and employers have a desire for more personalized and updated service delivery such that they can be informed, interact, and transact with PERS at the time of their choosing, using the channel of their choosing.

The plan articulates ambitious goals to achieve through 2028 within these focus areas, with specific, achievable goals and objectives related to each. The plan also links our objectives to the core outcome and process measures documented in PERS' Fundamentals Map, a key artifact in our PERS Outcome Based Management System.

Our tactics to achieve these goals and objectives leverage the resources any organization must affect change – people, process, and technology – but unifies and prioritizes the allocation of these resources to assure that they are directed consistently and productively on the highest purposes we can achieve.

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

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

Certain strategies depend on additional funding. We developed and submitted corresponding policy option packages with the agency's budget requests, for the 2023-25 budget cycle.

ORGANIZATIONAL MANAGEMENT AND DEVELOPMENT

Introduction

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

PERS' success in delivering upon our mission depends on having a highly skilled and diverse workforce supported by leadership that sets clear policies, procedures, and performance expectations. The plan's workforce development goals and strategies recognize this can only be achieved through continued investments in staff development.

Recognizing the importance of recruiting a talented and diverse workforce, we will create relationships with universities, colleges, and community workforce placement programs to support marginalized groups and students with opportunities to gain workforce experience through internships.

Through staff and leadership collaboration, we will strengthen our performance management goals, make investments in staff education to include diversity, equity and inclusion efforts, coach and implement leadership best practices, and implement our agency succession plan.

Enhancing organizational communications is also priority for PERS. Access to timely, accurate, and relevant internal information helps ensure that we, as an agency, communicate effectively with our members, employers, stakeholders, and staff.

This priority was identified by staff in PERS' employee engagement survey. Survey results indicate many staff would like greater transparency and different content regarding information relevant to their jobs; staff also noted the desire for more information on decisions and policies that could affect them.

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

Focus Area: Workforce Development

GOAL

Develop and support a diverse workforce that satisfies employees' essential needs to achieve their full potential.

Objective 1

Through intentional acts of inclusion, define and implement leadership practices that are consistent with strategic priorities.

Tactics

1. Identify, document, and implement a leadership training plan to reach the desired workforce competencies.
2. Develop and support a leadership culture of workforce excellence that thrives in diversity, equity, and inclusion practices.
3. Measure outcomes and adjust plans as needed.

Related measure

SP 5: Managing and Developing the Workforce

Objective 2

Document and implement employee development plans that help employees achieve their professional goals.

Tactics

1. Record and monitor employee stretch and development activities.
2. Motivate, inspire, and collaborate with employees to validate their abilities to reach growth goals.
3. Provide a safe and supportive environment for employees to communicate concerns and overcome barriers.

Related measures

OM2: Employee Engagement

SP5: Managing and Developing the Workforce

Focus Area: Organizational Communication

GOAL

Foster and enhance transparency and relevancy in messaging to improve employee engagement with internal communications and promote an informed workforce.

Objective 1

Continue to implement an internal communications strategy that engages and meets the needs of a diverse workforce.

Tactics

1. Consider and implement various communication methods to reach a diverse population of employees. This includes evolving our support for organizational change management communications.
2. Implement tools and processes that are flexible.
3. Strategically maximize all communication channels, including the intranet.

Related measures

OM2: Employee Engagement

SP1: Communicating Internally and Externally

SP5: Managing and Developing the Workforce

Focus Area: PERS Outcome Based Management System (POBMS)

GOAL

Complete POBMS integration throughout the agency.

Objective 1

Fully develop team scorecards to measure performance and drive strategic, tactical and operational decisions.

Tactics

1. Train the remaining staff in measures development and POBMS.
2. Complete scorecard development for divisions that do not have them at the team level.
3. Leverage PowerBI to enhance reporting capabilities.

Related measure

SP6: Strategic and Operational Planning

Objective 2

Normalize Portfolio and Project Management organizational methods.

Tactics

1. Put a structure in place to support initiation and implementation of projects and their alignment with the strategic plan.
2. Leverage Enterprise Portfolio Management to prioritize and properly resource agency initiatives and ensure enterprise is focused on priority projects.

Related measure

SP6: Strategic and Operational Planning

MEMBER SERVICES AND COMMUNICATIONS

Introduction

PERS administers public employee benefit trusts to provide retirement benefits and services to our members. In fact, all of PERS' strategic priorities ultimately support our ability to provide the services needed by members and to ensure we “pay the right person, the right benefit, at the right time.”

As a strategic priority, enhancing member services and communications addresses two focus areas: member relations, and quality delivery methods.

PERS' member education and outreach has focused primarily on those who are within two years of their effective retirement date. This just-in-time focus does not provide members with a full understanding of the need to financially prepare for retirement over their entire career. PERS recognizes that providing members with useful tools, resources, and education earlier, and throughout their careers, will better support our goal of having engaged and educated stakeholders.

A key component of this education will be the need for members to augment their PERS retirement with other means, such as deferred compensation and personal savings. Additionally, efforts will be taken to better integrate communications alignment, such that members understand their PERS benefits [Tier One, Tier Two, Oregon Public Savings Retirement Plan (OPSRP), and Individual Account Program (IAP)], as well as benefits offered under the Oregon Savings Growth Plan (OSGP) and the PERS Health Insurance Plan (PHIP).

Engaging and supporting our members in making informed retirement decisions creates a broader role for PERS as a retirement education and planning resource. To be that resource, we must support members by providing the information and easy-to-use tools to track their retirement benefits.

Our current tool set needs to be more accessible and include a broader array of relevant content: not only account and benefit information, but transaction status tracking. This is what our quality delivery methods goals aim to accomplish.

Focus Area: Member Engagement

GOAL

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

Objective 1

Develop member journeys with relevant accessible resources for different life and career stages.

Tactics

1. Enhance existing journey maps online – linked resources on PERS website.
2. Member surveys – provide post-service surveys to ensure sufficient and accessible resources are being provided and improved, to ensure accessibility.

Related measures

OM1: Clear/Concise Communication

OM7: Member Satisfaction

OM10: Informed Retirement Decisions

SP1: Communicating Internally and Externally

Objective 2

Brand PERS as their retirement education and planning resource.

Tactics

1. Enhance marketing of services that PERS offers members.
2. Provide annual PERS Retirement Expo.

Related measures

OM1: Clear/Concise Communication

OM7: Member Satisfaction

OM10: Informed Retirement Decisions

SP1: Communicating Internally and Externally

Focus Area: Omni-channel Service Delivery

GOAL

Improve members' satisfaction with PERS.

Objective 1

Enhance and modernize account accessibility and capabilities for members to self-serve.

Tactics

1. Modernize and secure Online Member Services (OMS), providing more accessibility, member-specific information, and electronic transaction capabilities.
2. Modernize and update the PERS website to allow easier navigation and search capabilities.
3. Integrate OSGP and PHIP to better inform and educate members with a complete PERS picture.

Related measures

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

Objective 2

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

Tactics

1. Send communication to new members.
2. Send communication when vested.
3. Send communication when nearing retirement eligibility.

Related measures

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

DATA CONSISTENCY

Introduction

Data is the cornerstone of PERS' mission to “pay the right person the right benefit at the right time.” Good, reliable data can be compromised by many factors: changes in determinations of service credit, contributions, and other key retirement data elements over a member’s career; changes in employer reporting and recordkeeping systems as well as retroactive changes to member data by employers; and changes in technology.

Further, PERS is a complex plan, with data terms that confuse members and employers alike. These factors result in data that may be incomplete, inconsistent, or missing, which in turns erodes confidence and trust in PERS by our members, employers, and the public.

To improve data consistency, PERS will take a multipronged approach. First, we will explore and implement a data and analytics program to create a structure that allows for the agency to be an insight driven organization. By doing so, decisions will be heavily influenced by data and analytics. As a result, the directions the agency will take will be based on logic, historical trends, future forecasting, and a thorough data analysis, among others. Additionally, this data and analytics program will provide an architecture that is nimble and accessible.

Second, via the Modernization Program and other corresponding efforts, PERS will look to implement improved technologies that assist with validating inbound data. This approach will result in a more stable and accurate data reporting platform that moves agency processes away from manual data manipulation to technologically automated validations.

Third, PERS will continue to look for and implement processes and efforts to address the legacy data issues. Having access to good, reliable data is important for PERS staff, and our current data management structure presents many challenges that result in data that is difficult to access or inconsistent.

Data management practices that contribute to internal data inconsistencies include different methodologies used to access data, data sources are not mapped, lacking common data definitions and business context descriptions, and the need for an integrated structure to leverage existing data expertise in the agency. The above referenced efforts, which will partly be addressed by the Modernization Program, will have a positive impact on helping assist with the clean-up of lingering legacy data issues.

Additionally, a collection of agency staff is currently collaborating to identify and prioritize legacy data issues. This inventory will help set the stage for staff to actively work the highest priority legacy data issues currently present.

The fourth effort will be an exploration to how PERS can work towards reducing and, ultimately, preventing the need to modify data after it has been submitted. Currently, there are a magnitude of reasons for why data must be modified after transmitted. Reasons include but are not limited to misreported data, inaccurate data, and gaps in reported data. A great deal of resources including time and money is spent in modifying data. By preventing this, resources can be redirected towards other needs, consequently, PERS could provide better services to stakeholders.

Focus Area: Data Analytics

GOAL

Use data analytics to enhance operational efficiency, process management, reporting, and insight.

Objective 1

Improve employer reporting validations to minimize manual review and corrections to data.

Tactics

1. Identify validation gaps in EDX.
2. Create new validations in EDX as part of modernization efforts.
3. Improve employer education program.

Related measures

OP1: Managing Client Data and Services
OM9: Timely Benefit Payments
OM8: Effective Employer Partnerships
OM10: Informed Retirement Decisions
OM11: Accurate Benefit Calculations

Objective 2

Use technology, including data validations where appropriate, to reduce manual processes.

Tactics

1. Develop an inventory of manual and inefficient processes.
2. Identify and propose actions that could reduce manual processes or inefficiencies.
3. Provide feedback and input to modernization planning so that technological solutions to these processes can be included.

Related measures

OP1: Managing Client Data and Services
OM9: Timely Benefit Payments
OM10: Informed Retirement Decisions
OM11: Accurate Benefit Calculations

Focus Area: Data Integrity

GOAL

Resolve legacy data issues.

Objective 1

Identify legacy data issues and prioritize cleanup efforts to improve data quality.

Tactics

1. Create a workgroup to identify and prioritize data issues for resolution.
2. Develop a plan, including resources, to resolve data issues.
3. Provide feedback and input to modernization planning so that technological solutions to these processes can be included.

Related measures

OP1: Managing Client Data and Services
OP2: Collecting Contributions
OP4: Processing Benefit Applications
OP5: Calculating Benefits

Objective 2

Minimize need to change data after receipt from employers.

Tactics

1. Create policies and procedures that eliminate multiple reviews.
2. Create member data locking processes.
3. Communicate with and educate employers and members on data locking impacts.

Related measures

OP1: Managing Client Data and Services
OP2: Collecting Contributions
OP4: Processing Benefit Applications
OP5: Calculating Benefits
OM8: Effective Employer Partnerships
OM10: Informed Retirement Decisions

Focus Area: Data Utilization

GOAL

Use data and analytics to help drive and support agency decisions.

Objective 1

Become an insight-driven organization.

Tactics

1. Reduce the amount of manual data manipulation currently performed to get the desired insights.
2. Enable the right tools and policies, coupled with removing offline tools, to enhance data integrity and quality.
3. Provide feedback and input to modernization planning so that technological solutions to these processes can be included.

Related measures

OP1: Managing Client Data and Services

OM3: Operating Effectiveness

INFORMATION TECHNOLOGY

Introduction

PERS' information technology (IT) system provides the foundational data and information management necessary to “pay the right person the right benefit at the right time.” Our primary IT system is the Oregon Retirement Information Online Network (ORION).

ORION needs to be continuously maintained and enhanced to provide necessary business functionality due to changes initiated both internally and by outside stakeholders. PERS must continuously work to optimize controls over the change management process, as it impacts efficiency and responsiveness in meeting evolving business needs.

Focus Area: ORION System Modernization

GOAL

Improve IT efficiency and responsiveness to business operational changes.

Objective 1

Re-architect core applications in ORION as independent, discrete business services.

Tactics

1. Resolve key issues affecting ORION administration, performance, maintainability, and sustainability to prepare for modernization
2. Restructure nightly jClarety batch processes to improve maintainability and efficiency and reduce batch durations.
3. Redesign logging, monitoring, and error-handling functionality of jClarety batch processes and other ORION core applications to improve supportability.
4. Create an application-programming interface (API) ecosystem to allow ORION to loosely integrate between applications, commercial-off-the-shelf (COTS) solutions, and external services.
5. Analyze opportunities to leverage COTS solutions when beneficial to the agency.
6. Redesign current infrastructure to use Hybrid Cloud (on premises and in cloud).

Related measures

SP3: Leveraging Technology

OM1: Clear, Concise Communication

Objective 2

Architect, plan, and design the PERS Backup Data Center Services for Disaster Recovery (DR) to support business continuity.

Tactics

1. Research and explore opportunities between the SDC and private cloud providers as architected by the ORION Modernization Program.
2. Complete the Backup Data Center project.

Related measures

SP3: Leveraging Technology

OP1: Managing Client Data and Services

OM1: Clear, Concise Communication

Focus Area: IT Workforce Development

GOAL

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

Objective 1

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

Tactics

1. Deploy innovative and collaborative tools for effective real-time communication to support telecommuting between staff, outside contractors, and other partners.
2. Reduce functional silos within ISD by using virtual collaborative platforms and optimizing the Development Operations team.

Related measures

SP3: Leveraging Technology

SP5: Managing and Developing the Workforce

FINANCIAL MANAGEMENT

Introduction

As the financial world continues to evolve with a focus on greater transparency and ease of use for consumers, so too must PERS develop strategies to keep pace with these changes and meet member expectations.

This level of responsiveness and transparency requires investing in an enhancement to our financial management tools, resources, and knowledge. Since 2003, PERS has been required to provide multiple pension plan options and enhancements, and the increasing demands appear likely to continue.

To meet these and future needs, we need to create a financial management strategy that allows greater flexibility to pivot when legislation or members demand it. To succeed, we need to enhance and integrate our financial management systems as well as invest in professional and organizational development.

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

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

Focus Area: Technology Upgrades and System Integration

GOAL

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

Objective 1

Increase efficiency, improve communications, and reduce manual work.

Tactics

1. Develop an inventory of manual or inefficient processes.
2. Identify and propose actions that could be taken to reduce manual and inefficient processes.
3. Provide feedback and input to modernization planning so that technological solutions to these processes can be included.

Related measure

OP6a: Manual Checks

Objective 2

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

Tactics

1. Engage Central Data Management to improve data gathering and reporting.
2. Actively participate with the Modernization Program to identify where modernization work can reduce manual processes and increase efficiency.

Related measure

OP6e: Tax Reporting

Objective 3

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

Tactic

1. Evaluate opportunities to transition remaining paper processes to electronic/paperless and implement these changes where feasible.

Related measures

OP6b: Direct Deposit

SP4d: Timely Payment Processing

Focus Area: Financial Management Resource Development

GOAL

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

Objective 1

Ensure Financial Operations has appropriate staffing to provide timely and accurate service to all stakeholders.

Tactics

1. Update section managers' quarterly Performance, Accountability, and Feedback goals to include evaluation of section staffing.
2. Develop division-wide task/responsibility matrix to identify coverage, back up, and potential gaps.
3. Update staff responsibilities and staffing models to address timeliness and accuracy.

Related measure

SP6: Strategic and Operational Planning

RISK MANAGEMENT

Introduction

Risk is defined as the “effect of uncertainty on objectives.” The consequences associated with a risk can enhance the achievement of objectives (i.e., positive consequences) or can limit or diminish the achievement of objectives (i.e., negative consequences). Management of risk, therefore, is an essential business activity required to help the agency achieve its core mission.

Enterprise Risk Management (ERM) is a process applied across the enterprise designed to identify potential events (risks) that may affect the agency and to manage risk to be within the agency’s risk appetite (tolerance), in order to provide reasonable assurance regarding the achievement of the agency’s objectives.

Information Security and Risk Section (SRS) is tasked with developing and implementing an Enterprise Risk Management program, designed to provide oversight, guidance, and monitoring activities for evaluating agency risk for business and technological activities necessary to achieve agency objectives. The agency’s Enterprise Risk Management program will focus on the following types of risk:

- Reputational Risk
- Operational Risk
- Financial Risk
- Strategic Risk
- Hazard Risk
- Compliance Risk

To this end, it is essential for agency staff to have a common understanding of risks associated with the decisions we make while performing our mission. Establishing an Enterprise Risk Management function will serve to guide management and staff during their decisions making process to ensure reducing agency risk is paramount when choosing one path over another.

Two of the largest risk management areas that must be specifically addressed relate to information security and business continuity. PERS is entrusted with the personal information of its members. The agency must ensure this information is adequately protected by employing safeguards as managed in the Information Security Program.

Additionally, retired members rely on the routine and timely monthly benefit payments. PERS must ensure that its members continue to receive their payments in the event of a business interruption. Through the agency’s Continuity Management Program, PERS can ensure that these payments will continue even in the event of a disaster.

Focus Area: Risk Management

GOAL

Establish an Enterprise Risk Management Program within the Security and Risk Section.

Objective 1

Secure legislative support and funding to stand up an Enterprise Risk Management Program that meets industry standards.

Tactic

1. Submit the Policy Option Package for Enterprise Risk Management resources for the 2023 legislative session.

Related measure

SP2.6: Conducting enterprise risk management efforts

Objective 2

Establish and implement an Enterprise Risk Management Program throughout the agency.

Tactic

1. Work with contractor to develop and implement an ERM program.

Related measure

SP2.6: Conducting enterprise risk management efforts

Focus Area: Risk Management

GOAL

Enhance the practices and controls of the Information Security Program.

Objective 1

Strengthen the agency's Information Security Program in alignment with enterprise and industry best practices.

Tactics

1. Establish a risk appetite for the agency in alignment with its core mission.
2. Develop risk management policies and procedures, and train agency staff on those policies and procedures.
3. Monitor adherence to the policies and procedures.

Related measures

SP2.9: Developing and overseeing information security program

SP3.7: Implementing and maintaining system security

Objective 2

Strengthen member and employer identity and access management practices and controls.

Tactics

1. Implement an industry-standard identity and access management solution and practices for PERS members, employers, and third-party administrators (TPA).
2. Implement industry identity-proofing solutions and practices for members and employers.

Related measures

SP2.9: Developing and overseeing information security program

SP3.7: Implementing and maintaining system security

OM7: Member Service Satisfaction

OM8: Effective Employer Partnerships

Objective 3

Develop and implement a privacy initiative for members.

Tactics

1. Develop and implement privacy policies, practices, and solutions to protect members' data.
2. Train agency personnel on the privacy practices, policies, and procedures.

Related measures

SP2.9: Developing and overseeing information security program

SP3.7: Implementing and maintaining system security

OM7: Member Service Satisfaction

Focus Area: Risk Management

GOAL

Enhance practices and controls of the Continuity Management Program.

Objective 1

Design and implement resilient systems and controls to support the agency's mission.

Tactics

1. Implement procedures and controls to ensure PERS can continue operations using its backup data center.
2. Regularly test the ability to restore operations using the backup data center to ensure resiliency.

Related measures

SP2.8: Ensuring continuity of operations

SP3.3: Ensuring system availability and performance

OM9: Timely Benefit Payments

Objective 2

Mature the Continuity Management Program to include additional agency processes.

Tactics

1. Prioritize agency processes in alignment with business requirements.
2. Implement and test the additional business processes to ensure they meet PERS' mission.

Related measures

SP2.8: Ensuring continuity of operations

SP3.3: Ensuring system availability and performance

OM9: Timely Benefit Payments



Administration

1. September 30, 2022 Board Meeting Minutes
2. Director's Report
 - a. Forward-Looking Calendar
 - b. OPERF Investment Report
 - c. Budget Execution Report
3. 2023-28 Strategic Plan Adoption
4. Board Scorecard Report on Agency Performance Measures



Oregon

Kate Brown, Governor

Public Employees Retirement System

Headquarters:
11410 S.W. 68th Parkway, Tigard, OR
Mailing Address:
P.O. Box 23700
Tigard, OR 97281-3700
888-320 -7377
TTY (503) 603-7766
www.oregon.gov/pers

December 2, 2022

TO: Members of the PERS Board
FROM: POBMS Council
SUBJECT: Board Scorecard Report on Agency Performance Measures

A key part of PERS' Outcome-based Management System is a Quarterly Target Review of scorecards that evaluate our effectiveness in a number of Outcome and Process Measures. These measures foster accountability and transparency in key operating areas. The scorecard results help direct strategic planning, resource allocation, and risk assessment.

The attached Board Scorecard Report for the third quarter 2022 focuses on several measures we currently track based on essential business operations. A targeted performance range is created for each measure:

- “Green” — Performance is at or above targeted goals.
- “Yellow” — Performance is marginally below targeted goals.
- “Red” — Performance is significantly below; corrective action should be directed.

The POBMS Council is continuing its effort to review and update enterprise measures that have been consistently underperforming versus the current targets. We are in the process of updating five to six more measures on our enterprise scorecards since our last board report in May. We will continue working with measure owners in 2023 to complete this effort.

Highlights of this report include:

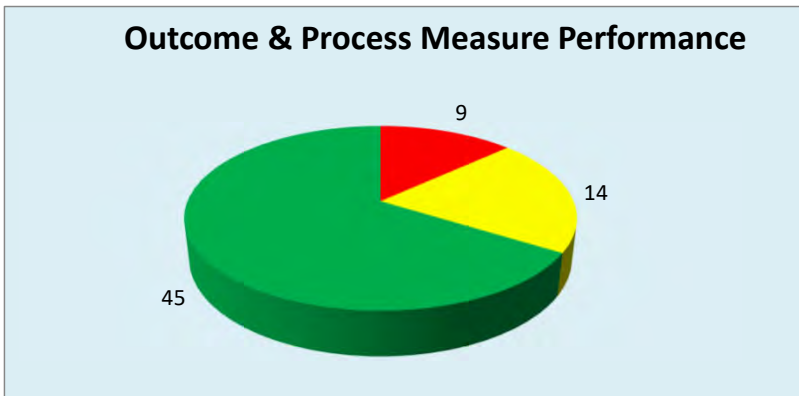
- The Quarterly Green Performance is 12% higher (66%) than our last report in May.
- The Outcome and Process Measure Performance pie chart reflects nine more green measures.
- Ten consecutive quarters in the green range for both Estimates Completed and Eligibility Reviews Completed.
- Seven consecutive quarters in the green range for Accuracy of Calculations.
- Five of the eight measures performing in the green ranges.
- One measure, Appeal Reversal Rate continues to have a broken reporting tool. This measure performed in the green range in the quarters prior to this.

The next report will be presented at the June 2, 2023, meeting, showing the scorecard results for the first quarter 2023.

A.4 Attachment 1 — Board Scorecard Report for Third Quarter 2022

PUBLIC EMPLOYEES RETIREMENT SYSTEM Outcome-based Performance Review

PERS Board Scorecard Report - QTR: 2022 Q3 - Quarter ended September 30, 2022



Operating Processes - Highlighted Measures

	Measure Name	Measure Calculation	RANGE			Target	Desired Perform Trend	Data Collection Frequency	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Trend	Corrective Action & Comments
			Red	Yellow	Green									
OP3c	Estimate KPM	% of estimate requests completed within 30 days of receipt	<75%	75-85	>85%	95%	↑	Quarterly	97.0%	90.0%	98.0%	98.0%	=	
OP4a	Eligibility review completed	% of eligibility analysis completed within 30 days of the effective retirement date.	<50%	50-70	>70%	80%	↑	Monthly	100.0%	98.0%	99.0%	98.0%	-	
OP5b	Accuracy of calculations	% of sample calculations that are accurate within plus or minus \$5	<95%	95-99	>99%	100%	↑	Monthly	99.7%	99.3%	100.0%	100.0%	=	
OP5c	Timely benefit calculation	% of calculations completed within 15 calendar days from completed application date	<93%	93-96	>96%	100%	↑	Monthly	94.0%	98.8%	78.9%	73.0%	-	Increase in death calculations, EPISA jClarety functionality rollout, 7/1 ERD annual retirement increase.

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Outcome-based Performance Review

Supporting Processes - Highlighted Measures

	Measure Name	Measure Calculation	RANGE			Target	Desired Perform Trend	Data Collection Frequency	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Trend	Corrective Action & Comments
			Red	Yellow	Green									
OP1f	Call Wait Time	Average length of wait before caller reaches live person	>15 minutes	12-15 minutes	<12 minutes	10 minutes	↓	Monthly	16.2	22.4	22.4	9.5	+	Slight decrease in call volume in both July and September, helping us answer calls faster; abandon rate decreased by 13% from last quarter Note: Members have the option of triggering call-back via Fonolo after 4 minutes. Members waiting on the phone to speak to someone after this point do so at their discretion.
SP2c	Appeal reversal rate	% of staff determinations that are reversed on appeal	>15%	15-10	<10%	5%	↓	Quarterly	4.5%	n/a	n/a	n/a	##	Tool is broken; unable to pull data. Previous quarters in the green range.
SP3h	System uptime	% of time systems are available during the service window	<97%	97-98	>98%	100%	↑	Monthly	95.25%	97.11%	98.76%	99.75%	+	Total outage (minutes) 174 (<u>best since Q4, 2011</u>). Due to long batch: 150 (86.% of total). Cisco: 15 FileNet: 9
SP5c	Recruitment	% of recruitments closed (from requisition to closure) within eight weeks	<70%	70-80	>80%	90%	↑	Quarterly	37%	24%	17%	17%	=	Two out of 12 were completed within eight weeks. Average days = 91.

December 2, 2022
PERS Board Meeting Agenda

Administrative Rulemaking

1. Notice of Return to Work Rules
2. Notice of Employer Reporting Rules
3. Adoption of OSGP Trading Restrictions Rule



Oregon

Kate Brown, Governor

Public Employees Retirement System

Headquarters:
11410 S.W. 68th Parkway, Tigard, OR
Mailing Address:
P.O. Box 23700
Tigard, OR 97281-3700
888-320-7377
TTY (503) 603-7766
www.oregon.gov/pers

December 2, 2022

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Notice of Rulemaking for Return to Work Rules:
OAR 459-015-0045, *Return to Work*
OAR 459-075-0150, *Retirement Credit*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Clarify how PERS calculates the accrual of retirement credit for a “period of disability” involving a workers’ compensation injury.
- Policy Issue: None identified.

BACKGROUND

Oregon Revised Statute (ORS) 238.175 provides that a Chapter 238 Tier One or Tier Two member may accrue retirement credit for the period during which the member receives a PERS disability retirement allowance or workers’ compensation payments under ORS Chapter 656. Under the statute, the accrual of retirement credit is triggered “only if the member returns to employment with a participating public employer after the period of disability.”

ORS 238A.155 contains a similar requirement for OPSRP members. The statute allows an OPSRP member to accrue retirement credit while disabled so long as the member returns to employment with a participating public employer after the period of disability.

Administration of these statutory requirements is straightforward when a member applies for and receives a PERS disability retirement allowance (Tier One or Tier Two) or disability benefit (OPSRP) because the agency has established processes for returning to work. However, when a period of disability ends is less clear in the context of members who receive workers’ compensation payments. Specifically, it is not uncommon for members who were out of work with a compensable injury to return to work in some limited or modified capacity while still receiving workers’ compensation payments. These payments can continue for an indefinite period after the member returns to work.

The current administrative rules do not address how PERS calculates a member’s retirement credit when this situation arises. The statutes raise a question as to when a period of disability ends: either when a member’s workers’ compensation payments end or when the member returns to work.

The proposed rulemaking is intended to clarify how PERS determines the end of a member’s period of disability in the context of workers’ compensation injuries. The amendments clarify that, for purposes of calculating retirement credit under ORS 238.175 and 238A.155, a period of

disability for a member who receives workers' compensation payments ends either when payments end or when the member returns to work with a participating public employer, whichever is earlier. Note that in either case, the statute still requires the member to return to employment to receive credit for the period of disability. This ensures that a member who continues receiving partial workers' compensation payments after returning to work can still accrue retirement credit for the period in which they were out of work due to a compensable injury. And, that the member whose workers compensation benefits end before they return to work will receive credit only for the period they received the workers compensation benefits.

The Chapter 238 Tier One/Tier Two rule, Oregon Administrative Rule (OAR) 459-015-0045, contains additional minor edits to update the phrase "PERS covered employment" with more specific language as to whether the rule requires employment in a qualifying position. The OPSRP rule contains an additional provision to specify that members cannot accrue retirement credit beyond normal retirement age, as provided in ORS 238A.155.

LEGAL REVIEW

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

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held on December 22, 2022, at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends on December 27, 2022, at 5:00 p.m.

IMPACT

Mandatory: No.

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

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

RULEMAKING TIMELINE

December 1, 2022	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
December 2, 2022	PERS Board notified that staff began the rulemaking process.
December 2, 2022	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.
December 22, 2022	Rulemaking hearing to be held remotely at 2:00 p.m.
December 27, 2022	Public comment period ends at 5:00 p.m.
February 2, 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 hearing will be held on December 22, 2022. The rules are scheduled to be brought before the PERS Board for adoption at the February 2, 2023, board meeting.

B.1. Attachment 1 — 459-015-0045, Return to Work

B.1. Attachment 2 — 459-075-0150, Retirement Credit

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 015 – DISABILITY RETIREMENT ALLOWANCES**

1 **459-015-0045**

2 **Return to Work**

3 (1) The Public Employees Retirement Board allows a member who is receiving a
4 disability allowance to return to work as follows:

5 (a) Returning to work in a PERS qualifying position. A member who has not been
6 medically released for any work for which qualified, may return to work in a PERS
7 qualifying position, as defined by OAR 459-010-0003, for a 90-day trial period without
8 losing disability retirement status. While the member is working during this trial period:

9 (A) The disability retirement allowance and supplemental benefits will be
10 suspended.

11 (B) Any wages earned during the trial period are excluded from the definition of
12 salary for purposes of computing PERS contributions or determining PERS retirement
13 benefits unless the member continues the employment beyond 90 days. If the member
14 continues beyond the 90 days, the period will be considered qualifying as of the first day
15 the member returned to work and retroactive contributions, without interest, are required.

16 (b) Returning to work in a PERS non-qualifying position. A member who has not
17 been medically released for any work for which qualified, may return to work with a
18 PERS participating employer in a position not qualifying for PERS active membership,
19 as defined by OAR 459-010-0003. Unless the member has reached normal retirement
20 age, the monthly disability retirement will be adjusted by any earned income issued
21 during that month which, when added to the disability retirement allowance, exceeds the
22 gross monthly salary earned at the date of disability.

1 (c) Returning to work in a non-PERS position. A member who has not been
2 medically released for any work for which qualified, may be employed by other than a
3 PERS participating employer in a position that is not similar in compensation. Unless the
4 member has reached normal retirement age, the monthly disability retirement allowance
5 shall be adjusted by any earned income issued during that month which, when added to
6 the disability retirement allowance, exceeds the gross monthly salary earned at the date of
7 disability.

8 (d) If a member is able to generate income that is similar in compensation for a
9 period of three calendar months in six consecutive calendar months, PERS shall initiate a
10 review under the periodic review standard in OAR 459-015-0050.

11 (2) A member’s disability retirement allowance will be terminated if the member has
12 been medically released for any work for which qualified, whether the member returns to
13 work or not, and PERS will invoice the member for, or recover under ORS 238.715, any
14 overpayment of benefits.

15 (3) If a member returns to work as provided in sections (1) or (2) of this rule, the
16 member must:

17 (a) Notify PERS in writing of the reemployment within 30 days of such
18 reemployment; and

19 (b) Report monthly to PERS the amount of any earned income issued.

20 (4) PERS may contact other public or private agencies, such as the Oregon
21 Employment Department, the Oregon Department of Revenue, or the U.S. Internal
22 Revenue Service to obtain employment information.

1 (5) Upon request by PERS, a member must provide PERS with a copy of the
2 member’s federal income tax returns, together with copies of IRS forms W-2.

3 (6) The Board may require medical examination reports or vocational evaluations for
4 any member receiving a disability retirement allowance who is reemployed.

5 (7) If the member is reemployed under section (1) of this rule and is unable to
6 continue employment due to the disabling injury or disease as confirmed by medical
7 documentation, the member or employer must notify PERS. If medical documentation
8 substantiates that the disability prevents the completion of the trial period, the disability
9 retirement allowance will be reinstated at the end of the 90 day period, or as of the date
10 the member leaves the trial employment, whichever is sooner.

11 (8) A disability retirement allowance shall not be discontinued solely by reason of
12 the retired member entering a training or vocational rehabilitation program as defined in
13 OAR 459-015-0001(24).

14 (9) Restoration of member account after return to work. If a member returns to
15 *[PERS covered employment]* work in a PERS qualifying position after the 90-day trial
16 period described in section (1)(a) of this rule, or is medically released at any time for
17 any work for which they are qualified, the disability claim will be closed.

18 (a) The member’s regular and variable PERS account(s) will be restored to the dollar
19 amount of the account as of the effective date of disability retirement. If a variable
20 account transfer was elected at the time of disability retirement, the amounts transferred
21 from the variable account to the regular account will remain in the regular account.

22 (b) Earnings crediting will resume as of the first of the month following the last
23 month for which a disability retirement allowance was paid.

1 (10) Creditable service. A member does not receive creditable service while drawing
2 a disability retirement allowance. If, however, the member returns to work for a PERS
3 participating employer [*PERS covered employment*], their disability claim is closed,
4 and they subsequently retire under a service retirement, service time for the period of
5 disability will be restored as follows:

6 (a) For duty disabilities, creditable service will be granted to the member at no cost
7 to the member.

8 (b) For non-duty disabilities, creditable service may be purchased by the member
9 under the provisions of ORS 238.175.

10 (11) For purposes of calculating retirement credit accrued under ORS 238.175,
11 the period of disability for a member who receives workers' compensation payments
12 under ORS Chapter 656 and later returns to work with a PERS participating
13 employer shall be deemed to end upon the earlier of:

14 (a) The date on which the member's workers' compensation payments end; or

15 (b) The date on which the member returns to work with a PERS participating
16 employer.

17 Statutory Authority: ORS 238.650

18 Statutes Implemented: ORS 238.175, 238.320–238.345 & 238.715

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

1 **459-075-0150**

2 **Retirement Credit**

3 (1) For purposes of this rule:

4 (a) “Active member” has the same meaning as provided in ORS 238A.005.

5 (b) “Major fraction of a month” means a minimum of 50 hours in any calendar
6 month in which an active member is being paid a salary by a participating public
7 employer and for which benefits under ORS Chapter 238A are funded by employer
8 contributions.

9 (2) Except as provided in OAR 459-010-0010(3), an active member accrues one
10 month of retirement credit for each month in which the member performs service for the
11 major fraction of the month.

12 (3) An active member is presumed to have performed service for a major fraction of
13 a month if:

14 (a) The member performs at least 600 hours of service in the calendar year and the
15 member’s employer(s) reports salary and hours for a pay period occurring within the
16 calendar month;

17 (b) The member starts employment on or before the 15th day of the calendar month
18 and the employment continues through the end of the month;

19 (c) The member starts employment on or before the first day of the calendar month
20 and ends employment on or after the 16th day of the month; or

1 (d) The member starts employment on or before the first day of the calendar month
2 and ends employment before the 16th day of the month, but is reemployed in a qualifying
3 position before the end of the month.

4 (4) A member or employer may seek to rebut the determination of creditable service
5 based on the presumptions in section (3) by providing to PERS records that establish that
6 the member did or did not perform service for a major fraction of a month as defined in
7 subsection (1)(c) of this rule.

8 (5) Except as provided in OAR 459-010-0010(3), an active member who is a school
9 employee will accrue six months of retirement credit if the member performs service for
10 a major fraction of each month of a school year that falls between January 1 and June 30,
11 and six months of creditable service if the member performs service for a major fraction
12 of each month of a school year that falls between July 1 and December 31.

13 (6) A member may not accrue more than one month of retirement credit for any
14 calendar month and no more than one year of retirement credit for any calendar year.

15 (7) Credit for the six-month waiting period required by OAR 459-075-0010(2).

16 (a) Upon establishing membership in the pension program, a member shall receive
17 credit for the waiting period required to establish membership under OAR 459-075-
18 0010(2).

19 (b) If the member's waiting period before establishment of membership included an
20 interruption of service as described in OAR 459-075-0010(2)(b), no credit shall be
21 awarded for the period of employment before the interruption.

22 **(8) For purposes of calculating retirement credit accrued under ORS 238A.155,**
23 **the period of disability for a member who receives workers' compensation payments**

1 under ORS Chapter 656 and later returns to work with a PERS participating
2 employer shall be deemed to end upon the earlier of:

3 (a) The date on which the member's workers' compensation payments end;

4 (b) The date on which the member returns to work with a PERS participating
5 employer; or

6 (c) The date on which the member attains normal retirement age as defined in
7 ORS 238A.160

8 ~~[(8)]~~(9) The provisions of this rule are effective for retirement credit determinations
9 made on or after January 1, 2008.

10 Statutory Authority: ORS 238A.450

11 Statutes Implemented: ORS 238A.140

December 2, 2022
PERS Board Meeting Agenda

Administrative Rulemaking

1. Notice of Return to Work Rules
2. Notice of Employer Reporting Rules
3. Adoption of OSGP Trading Restrictions Rule



Oregon

Kate Brown, Governor

Public Employees Retirement System

Headquarters:
11410 S.W. 68th Parkway, Tigard, OR
Mailing Address:
P.O. Box 23700
Tigard, OR 97281-3700
888-320-7377
TTY (503) 603-7766
www.oregon.gov/pers

December 2, 2022

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Notice of Rulemaking for Employer Reporting Rules:
OAR 459-009-0100, *Employer Reporting and Remittance of Contributions*
OAR 459-070-0100, *Employer Reporting*
OAR 459-070-0110, *Employer Remittance of Contributions*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Housekeeping edits to reorganize public employer reporting and remittance rules into Division 9.
- Policy Issue: None identified.

BACKGROUND

Oregon Revised Statutes (ORS) 238.705 requires all participating public employers to timely remit contributions and furnish reports to PERS. Details on employer reporting and remittance of contributions were originally provided in Oregon Administrative Rule (OAR) 459-009-0100. However, in 2003, with the inception of the Oregon Public Service Retirement Plan (OPSRP), the rules were moved to Division 70.

Current OAR 459-009-0100 redirects readers to OAR 459-070-0100 and 459-070-0110, stating that “employers shall transmit reports and contributions to PERS in accordance with OAR 459-070-0100 and 459-070-0110.” The Division 70 rules direct employers to submit required information and contributions to PERS and specify penalties for incomplete or late reporting of data or contributions. The organization of the rules in Division 70 which applies to OPSRP created confusion as to whether the rules apply to employers with employees who are Tier One and Tier Two members.

These housekeeping rule amendments restore the employer reporting and remittance rules back to Division 9 which applies to all public employers in an effort to simplify the rules. It also removes references to waivers for reports due on or after January 1, 2011, and before January 1, 2012, because such waivers are now obsolete.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held remotely on December 22, 2022, at 2:00 p.m. The public comment period ends December 27, 2022, at 5:00 p.m.

LEGAL REVIEW

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

IMPACT

Mandatory: No, the board need not adopt the rule modifications.

Benefit: Provide clarification for employers.

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

RULEMAKING TIMELINE

December 1, 2022	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
December 2, 2022	PERS Board notified that staff began the rulemaking process.
December 2, 2022	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.
December 22, 2022	Rulemaking hearing to be held remotely at 2:00 p.m.
December 27, 2022	Public comment period ends at 5:00 p.m.
February 2, 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 December 22, 2022. The rules are scheduled to be brought before the PERS Board for adoption at the February 2, 2023, board meeting.

B.2. Attachment 1 — 459-009-0100, Employer Reporting and Remittance of Contributions

B.2. Attachment 2 — 459-070-0100, Employer Reporting

B.2. Attachment 3 — 459-070-0110, Employer Remittance of Contributions

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

1 459-009-0100

2 Employer Reporting and Remittance of Contributions

3 *[Employers shall transmit reports and contributions to PERS in accordance with OAR*
4 *459-070-0100 and 459-070-0110.]*

5 (1) Definitions.

6 (a) “Pay period” means the span of time covered by an employer’s report to
7 PERS.

8 (b) “Statement” means a remittance statement that itemizes any required
9 contributions, invoices, and penalties for the period covered in the statement.

10 (c) “Statement date” means the date a statement is issued by PERS.

11 (2) Unless otherwise agreed upon by PERS and the employer, an employer must
12 transmit to PERS an itemized report of all information required by PERS.

13 (a) An itemized report must include wage, service, and demographic data for all
14 employees for a pay period.

15 (b) Except as provided in subsection (c) of this section, an employer may not
16 submit or modify a report for a pay period within any calendar year on or after the
17 first date in March of the subsequent calendar year in which PERS issues the
18 employer a statement.

19 (c) PERS will permit an employer to submit or modify a report subject to the
20 limitation of subsection (b) of this section if PERS determines the report is necessary
21 for accurate benefit administration.

1 (3) The report required under section (2) of this rule must be acceptable to PERS
 2 and transmitted on forms furnished by the agency or in an equivalent format. The
 3 report must be transmitted electronically, faxed, or postmarked, as applicable, no
 4 later than three business days after the end of the pay period assigned to the
 5 employer under section (4) of this rule.

6 (4) PERS will assign an employer a pay period which most closely matches the
 7 employer’s pay cycle:

8 (a) Monthly: the pay period ends on the last day of the month;

9 (b) Semi-monthly: the pay period ends on the fifteenth of the month and the last
 10 day of the month;

11 (c) Weekly: the pay period ends the Friday of every week; or

12 (d) Biweekly: the pay period ends every other Friday.

13 (5) For the purpose of determining a “pay period” under ORS Chapters 238 and
 14 238A, when salary is paid on a day other than the first of the month or the first
 15 business day of the month, that salary shall be considered earned in the calendar
 16 month in which it is paid, unless the employer provides PERS records that establish
 17 that the salary was not earned in that calendar month.

18 (6) If a report required under section (2) of this rule is accepted by PERS with
 19 exception(s), PERS will notify the employer of any exceptions, and the employer must
 20 reconcile its report. The reconciled report must be transmitted to PERS before the
 21 date of limitation described in subsection (2)(b) of this rule, unless otherwise specified
 22 by PERS.

23 (7)(a) An employer that fails to transmit a report as required under sections (2)
 24 and (3) of this rule must pay a penalty equal to one percent of the total amount of the

1 prior year's annual contributions or \$2,000, whichever is less, for each month the
2 employer is delinquent.

3 (b) Penalties under subsection (a) of this section continue to accrue until the
4 earlier of the date the report is submitted, or the date of limitation described in
5 subsection (2)(b) of this rule is effective.

6 (c) Notwithstanding subsection (b) of this section, an employer that submits or
7 modifies a report pursuant to subsection (2)(c) of this rule must pay the penalty
8 described in subsection (a) of this section.

9 (8) When PERS issues a statement, unless otherwise agreed upon by PERS and
10 the employer, an employer must pay to PERS the total amount due on the statement
11 no later than five business days from the statement date. Payment must be made
12 pursuant to OAR 459-005-0225.

13 (9) An employer that fails to pay the total amount due on the statement within
14 the time specified in section (8) of this rule must pay a penalty equal to one percent of
15 the total amount of contributions due on that statement for each month the employer
16 is delinquent.

17 Statutory Authority: ORS 238.650 & OL 2003 Ch. 733

18 Statutes Implemented: ORS Chapter 238 & OL 2003 Ch. 733

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459**

DIVISION 070 – OREGON PUBLIC SERVICE RETIREMENT PLAN, GENERALLY

1 ***[459-070-0100***

2 ***Employer Reporting***

3 *(1) Definition. “Pay period” means the span of time covered by an employer’s*
4 *report to PERS.*

5 *(2) Unless otherwise agreed upon by the PERS Executive Director and the employer,*
6 *an employer must transmit to PERS an itemized report of all information required by*
7 *PERS.*

8 *(a) A report must include wage, service, and demographic data for all employees for*
9 *a pay period.*

10 *(b) Except as provided in subsection (c) of this section, an employer may not submit*
11 *or modify a report for a pay period within a calendar year on or after the first date in*
12 *March of the subsequent calendar year on which PERS issues the employer a statement*
13 *of contributions due. This subsection applies to pay periods beginning on or after*
14 *January 1, 2011.*

15 *(c) PERS will permit an employer to submit or modify a report subject to the*
16 *limitation of subsection (b) of this section if PERS determines the report is necessary for*
17 *accurate benefit administration.*

18 *(3) The report required under section (2) of this rule must be acceptable to PERS*
19 *and transmitted on forms furnished by the agency or in an equivalent format. The report*
20 *must be transmitted electronically, faxed, or postmarked, as applicable, no later than*
21 *three business days after the end of the pay period assigned to the employer under*
22 *section (4) of this rule.*

1 (4) PERS will assign an employer a pay period which most closely matches the
2 employer’s pay cycle:

3 (a) Monthly: the pay period ends on the last day of the month;

4 (b) Semi-monthly: the pay period ends on the fifteenth of the month and the last day
5 of the month;

6 (c) Weekly: the pay period ends the Friday of every week; or

7 (d) Biweekly: the pay period ends every other Friday.

8 (5) For the purpose of determining a “pay period” under ORS 238.435(3) and
9 238A.130(2), when salary is paid on a day other than the first of the month or the first
10 business day of the month, that salary shall be considered earned in the calendar month
11 in which it is paid, unless the employer provides PERS records that establish that the
12 salary was not earned in that calendar month.

13 (6) If a report required under section (2) of this rule is accepted by PERS, PERS will
14 notify the employer of any exceptions and the employer must reconcile its report. The
15 corrected report must be transmitted to PERS before the employer is subject to the
16 limitation of subsection (2)(b) of this rule for that report.

17 (7)(a) An employer that fails to transmit a report as required under sections (2) and
18 (3) of this rule must pay a penalty equal to one percent of the total amount of the prior
19 year’s annual contributions or \$2,000, whichever is less, for each month the employer is
20 delinquent.

21 (b) Penalties under subsection (a) of this section continue to accrue until the earlier
22 of the date the report is submitted or the date the limitation of subsection (2)(b) is
23 effective.

1 *(c) Notwithstanding subsection (b) of this section, an employer that submits or*
2 *modifies a report pursuant to subsection (2)(c) of this rule must pay the penalty described*
3 *in subsection (a) of this section.*

4 *(8) The PERS Executive Director or a person designated by the Director may waive*
5 *the penalty described in section (7) of this rule for reports due on or after January 1,*
6 *2011 and before January 1, 2012. For reports due on or after January 1, 2012, penalties*
7 *may be waived by the Director or the Director’s designee only upon written petition from*
8 *the employer.*

9 *Stat. Auth.: ORS 238A.450 & 238.650*

10 *Stats. Implemented: ORS 238A.050, 238A.130, 238.435 & 238.705]*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 070 – OREGON PUBLIC SERVICE RETIREMENT PLAN, GENERALLY**

1 **[459-070-0110**

2 ***Employer Remittance of Contributions***

3 *(1) Definition. “Statement date” means the date a statement of contributions or*
4 *penalty due is generated by PERS.*

5 *(2) When PERS issues a statement of contributions due and, if applicable, any*
6 *penalty due, unless otherwise agreed upon by the PERS Executive Director and the*
7 *employer, an employer must pay to PERS the total amount of contributions and penalty*
8 *due no later than five business days from the statement date. Payment must be made*
9 *pursuant to OAR 459-005-0225.*

10 *(3) An employer that fails to pay the total amount due on a statement within the time*
11 *specified in section (2) of this rule must pay a penalty equal to one percent of the total*
12 *amount of contributions due on that statement for each month the employer is delinquent.*

13 *(4) The PERS Executive Director or a person designated by the Director may waive*
14 *the penalty described in section (3) of this rule for contributions due on or after January*
15 *1, 2011 and before January 1, 2012. For contributions due on or after January 1, 2012,*
16 *penalties may be waived by the Director or the Director’s designee only upon written*
17 *petition from the employer.*

18 *Stat. Auth.: ORS 238A.450 & 238.650*

19 *Stats. Implemented: ORS 238A.050 & 238.705]*

December 2, 2022
PERS Board Meeting Agenda

Administrative Rulemaking

1. Notice of Return to Work Rules
2. Notice of Employer Reporting Rules
3. Adoption of OSGP Trading Restrictions Rule



Oregon

Kate Brown, Governor

Public Employees Retirement System

Headquarters:
11410 S.W. 68th Parkway, Tigard, OR
Mailing Address:
P.O. Box 23700
Tigard, OR 97281-3700
888-320-7377
TTY (503) 603-7766
www.oregon.gov/pers

December 2, 2022

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Adoption of Oregon Savings Growth Plan (OSGP) Trading Restrictions Rule:
OAR 459-050-0037, *Trading Restrictions*

OVERVIEW

- Action: Adopt Oregon Savings Growth Plan (OSGP) Trading Restrictions rule.
- Reason: Remove restriction prohibiting OSGP members from transferring funds directly from the Stable Value Option to the Self-Directed Brokerage Option.
- Policy Issue: None identified.

BACKGROUND

As provided under Oregon Revised Statute (ORS) 243.421, the Oregon Investment Council established a program for investment of moneys in the OSGP. This program offers OSGP members a set of investment options called core investment options. The core investment options include target date funds, Active Fixed Income Option, Stable Value Option, and various large and small cap stock options. Additionally, OSGP offers a Self-Directed Brokerage Option (SDBO) that provides members who want to take a more active role in the management of their money the ability to trade in individual stocks, bonds, and other publicly traded investment funds outside of the core investment options. An SDBO account cannot be funded through a direct tax deferred contribution. Instead, a member with an SDBO account must fund it by transferring funds from one of the core investment options into the SDBO account.

Currently, the trading restrictions rule does not allow transfers from the Stable Value Option to the SDBO. This restriction was established because the SDBO was viewed as a competing fund with the Stable Value Option by Galliard Capital Management, LLC (Galliard), the provider of the wrap contract¹ on the Stable Value Option.

Earlier this year, Galliard informed OSGP staff that the wrap contracts held by the Stable Value Option have been amended to remove the SDBO as a competing fund. This means that any trading restrictions on transfers from the Stable Value Option to an SDBO account under our existing Oregon Administrative Rule (OAR) can be removed. VOYA has confirmed that they have made the appropriate changes to their system to lift the trading restriction between the

¹ A stable value investment contract that “wraps” a designated portfolio of associated assets within a stable value investment option to provide an assurance (1) of principal and accumulated interest for that portfolio, (2) of payment of an interest rate, which will not be less than 0%, for a specified period of time (the crediting rate) on that portfolio, and (3) that participant-initiated withdrawals and transfers out of the assets of the portfolio will occur at book value subject to the terms of the contract. (Source: <https://www.stablevalue.org/wrap-contract/>)

Stable Value Option and an SDBO account. Therefore, we are recommending this edit to the rule to remove the trading restriction.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held remotely on October 25, 2022, at 2:00 p.m. No members of the public attended. The public comment period ended November 1, 2022, at 5:00 p.m. No public comment was received.

LEGAL REVIEW

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

IMPACT

Mandatory: No, but the restriction is no longer necessary and the restriction still applies until the rule is updated.

Benefit: The rule update will provide staff and members with the most accurate information about current trading restrictions.

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

RULEMAKING TIMELINE

September 30, 2022	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
September 30, 2022	PERS Board notified that staff began the rulemaking process.
October 1, 2022	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.
October 25, 2022	Rulemaking hearing held remotely at 2:00 p.m.
November 1, 2022	Public comment period ended at 5:00 p.m.
December 2, 2022	Board may adopt 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 OSGP Trading Restrictions rule, as presented.”
2. Direct staff to make other changes to the rule or explore other options.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option 1.

B.3. Attachment 1 — 459-050-0037, Trading Restrictions

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

1 **459-050-0037**

2 **Trading Restrictions**

3 The purpose of this rule is to establish criteria under which a participant may make
4 trades in the Deferred Compensation Program. The Program is designed for long-term
5 investment and periodic adjustment of asset allocation. Restrictions upon trades are
6 necessary to protect participants and the Program from adverse financial impact
7 attributable to frequent trading. Frequent trading by some participants can lower returns
8 and increase transaction costs for all participants. Frequent trading can trigger the
9 imposition of redemption fees and restrictions by mutual funds within the Program and
10 may cause the Program to be eliminated as an allowable investor in an investment fund.

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

12 (a) “Investment Option” means an investment alternative made available under ORS
13 243.421.

14 (b) “Trade” means a purchase or redemption in an investment option for the purpose
15 of moving monies between investment options.

16 (2) Restrictions.

17 (a) The following restrictions apply to all participants:

18 (A) A participant may not make a trade that exceeds \$100,000.

19 (B) A purchase that is attributable to a trade may not be redeemed from the
20 International Stock Option for a period of 30 days following the date of the trade.

21 *[(C) No trade may move monies directly from the Stable Value Option to the Self-*
22 *Directed Brokerage Option.]*

1 (b) Trades to the Self-Directed Brokerage Option are subject to subsection (a) of this
2 section and the limitations established in OAR 459-050-0120.

3 (3) The Deferred Compensation Manager, if necessary to comply with trading
4 restrictions imposed by a participating mutual fund or the Securities and Exchange
5 Commission, may establish additional temporary trading restrictions.

6 (4) The Deferred Compensation Manager, in the event of extraordinary market
7 conditions, may temporarily suspend any or all trading restrictions established by this
8 rule.

9 (5) Any action taken by the Deferred Compensation Manager under sections (3) or
10 (4) of this rule must be presented to the Board at its next scheduled meeting. The Board
11 may take action as authorized by ORS 243.401 to 243.507. If the Board does not act, the
12 action(s) taken by the Deferred Compensation Manager shall expire on the first business
13 day following the date of the meeting.

14 (6) The provisions of this rule are not applicable to trades attributable to the
15 operation of an automatic account rebalancing function offered by the Program.

16 (7) The trading restrictions provided in this rule are not exclusive. The Board may
17 establish additional restrictions or sanctions as authorized by ORS 243.401 to 243.507.

18 Statutory Authority: ORS 243.470

19 Statutes Implemented: ORS 243.401–243.507

Action and Discussion Items

1. Presentation of Final Legislative Concept Drafts and Legislative Update
2. Senate Bill 1049 Update
3. Secretary of State Actuarial Review Findings
4. Financial Modeling Presentation



Oregon

Kate Brown, Governor

Public Employees Retirement System

Headquarters:
11410 S.W. 68th Parkway, Tigard, OR
Mailing Address:
P.O. Box 23700
Tigard, OR 97281-3700
888-320 -7377
TTY (503) 603-7766
www.oregon.gov/pers

December 2, 2022

TO: Members of the PERS Board
FROM: Heather Case, Senior Policy Director
SUBJECT: Legislative Update, Presentation of Final Legislative Concept Drafts, Legislative Advisory Committee

LEGISLATIVE UPDATE

The 2023 Legislative Session will begin January 17, 2023, and is anticipated to last until June 15, 2023. Constitutionally, the session must end on or before June 25, 2023. PERS is prepared to introduce its agency bills, and to provide information to legislators regarding any bills that come forward involving PERS.

SEPTEMBER LEGISLATIVE DAYS

September legislative days took place September 21, 2022, through September 23, 2022. PERS did not bring forward any concepts during these legislative days, and nothing was heard that would affect PERS.

DECEMBER LEGISLATIVE DAYS

December legislative days are currently scheduled for the week of December 7, 2020. At this time, PERS does not anticipate bringing anything in front of the legislature during these legislative days. The legislature will also not be confirming executive appointments during this time due to the change in Governor.

AGENCY LEGISLATION- 2023 SESSION

PERS will be submitting three agency bills for consideration in the 2023 legislative session. The substance of these bills has not changed since March when the board approved these concepts to go forward for drafting. The bills are summarized below and final drafts of bill language are attached for the PERS Board's convenience.

Three Individual Bills

1. Modernization Clean-Up Bill
2. Increase to Divorce Decree Processing Fee
3. Social Security Statutes Clean-Up

Modernization Clean-Up Bill (Attachment 1 LC 457)

The modernization clean-up effort focuses on cleaning up provisions of the system as the agency turns its attention to modernization. To avoid programming inefficient and inconsistent standards

into a new technology system, this bill will clarify statutes, align similar standards, and substantively clarify and improve processes.

The topics identified for improvement are as follows:

- Apply all tax remedy statutory requirements to judge members.
- Amend the definition of a qualifying position, to continue to support PERS' administration for partial years.
- Clarify that inactive and retired members are able to withdraw loss of membership (LOM) accounts.
- Clarify tax remedy calculation to support current practice.
 - This would involve a change to the formula used to calculate tax remedy, to $(1/.91)-1$. This will avoid any potential payouts of more than 100% of a member's benefit.
- Amend definition of salary to clarify employer paid pre-tax contributions (included for final average salary calculations, excluded for the purpose of determining member contributions). This provides statutory clarification of our current practice.
- Align time for police and fire (P&F) unit purchases at retirement to the longer 90 days.
- Clarify judge member beneficiary provisions to align with all members' ability to designate contingent beneficiaries.
- Clarify unvested judge member withdrawal provisions to align with treatment of other unvested PERS members.
- Align intestate standards between Tier One/Tier Two and Oregon Public Service Retirement Plan (OPSRP) members to pay account first to member's surviving spouse, then the member's children, then the member's estate (OPSRP standard).
- Align OPSRP retirement credit and disability retirement credit standards for school employees.
- Allow payout of pre-retirement IAP death benefit to small estates.
- Locking member data (both going forward and eventually legacy data).
 - Amend 238.450 on a high level to allow PERS to lock member data. This amendment will allow PERS to engage in the rulemaking process with employer and member stakeholders to make more specific processes in administrative rule.
- Increase time allowed for bereaved spouse to elect an alternate pre-retirement death benefit for Tier One/Tier Two members.
 - OPSRP members only have one death benefit available to them, while Tier One/Tier Two members have a death benefit, and an optional death benefit to choose from. Currently this deadline for making a choice is 60 days from the date of death, which we have heard from many bereaved spouses is not enough time to make this election. Additionally, in order to make an informed decision, spouses need to receive an estimate from PERS of the benefit amount under each option.

Extending this deadline to allow 60 days from the date of the estimate instead of the date of death would ensure that the agency's processing time does not contribute to the deadline passage.

- Allow OPSRP P&F members P&F retirement eligibility as long as required continuous five years in a P&F position was the member's last PERS-participating employment before retirement.
 - Currently, in order to retire as a P&F member (with the subsequent earlier "normal" retirement age), a P&F member must be "continuously employed" for five years in a P&F position immediately before retirement. This fix would ensure that a member who takes any time between their last day of employment and their effective retirement date would continue to be considered P&F for the purposes of retirement age.
- Clarify inconsistency between OPSRP disability and early retirement timing.

Increase to Divorce Decree Processing Fee (Attachment 2 LC 461)

Currently, Oregon Revised Statute (ORS) 238.465(9) caps the processing fee charged to members who require the agency to process a divorce decree (which involves administering an alternate payee award) at \$300. This amount was originally set in 1993. Since 1996, Oregon Administrative Rule (OAR) 459-045-0090 has provided "The Board has determined that actual and reasonable administrative expenses incurred by PERS for obtaining data and making calculations to administer an alternate payee award will always exceed \$300." As of 2019, the approximate cost to process a divorce decree was \$1,300.

PERS processes approximately 900 divorce decrees each year. This bill will raise the fee cap from \$300 to \$1,300 and insert a tie in with the Consumer Price Index (CPI) for yearly increases of the fee cap thereafter. This will avoid the agency having to go back to the legislature multiple times, and will avoid the large increases in the fee cap like we are seeing in this bill in the future.

Social Security Statutes Clean-Up (Attachment 3 LC 467)

From 1951 through December 31, 1986, the PERS Director was also the state's social security administrator, and PERS was previously responsible for collecting FICA taxes and remanding them to the federal Social Security Administration. Later, that responsibility was delegated to the IRS. Although amendments were made to the applicable statutes in prior legislative sessions, some references to the fiduciary function of FICA collection by the State Social Security Administration remain in statute. Statute also grants the State authority to sweep the State Social Security account. We no longer have access to this account to sweep it. This bill will delete these references in ORS Chapter 237.

We look forward to providing updates throughout the 2023 legislative session on these bills and others that may be reviewed in various policy committees.

PERS LEGISLATIVE ADVISORY COMMITTEE

ORS 238.660(9) allows the PERS Board to act as policy advisor to the Legislative Assembly on legislative proposals for changes to PERS benefits. ORS 238.660(10) requires the PERS Board to appoint a committee to advise the board on those proposals. The committee must include an equal number of members representing labor and management. In preparation for the 2023 legislative session, staff requests that the board confirm membership of the Legislative Advisory Committee (LAC).

RECOMMENDED APPOINTMENTS

The proposed membership is balanced between labor and management representatives and includes members who participated in previous LAC appointments. New members have been contacted and are willing to serve on the committee.

Name	Representing
Joe Baessler	American Federation of State, County and Municipal Employees
Tyler Janzen	Association of Oregon Counties
Jack Dempsey	Oregon Nurses Association/Oregon Association of Corrections Employees
Courtney Graham	Service Employees International Union
Karl Koenig	Oregon State Fire Fighters Council
Kyndall Mason	Oregon Education Association
Lori Sattenspiel	Oregon School Boards Association
Andrew Stolfi	Oregon Department of Consumer and Business Services
Scott Winkels	League of Oregon Cities
Hasina Wittenberg	Special Districts Association of Oregon

BOARD OPTIONS

The PERS Board may:

1. Approve the recommended appointments, effective immediately.
2. Direct staff to solicit different or additional candidates for appointment.

Staff Recommendation:

Staff recommends the PERS Board choose Option 1.

C.1. Attachment 1 — LC 457 (11/16/2022)

C.1 Attachment 2 — LC 461 (07/06/2022)

C.1 Attachment 3 — LC 467 (07/01/2022)

D R A F T

SUMMARY

Modifies provisions relating to public employee retirement.
Provides for expedited review of Act by Supreme Court upon petition by adversely affected party.

A BILL FOR AN ACT

1
2 Relating to public employee retirement; creating new provisions; and
3 amending ORS 238.005, 238.095, 238.364, 238.390, 238.395, 238.440, 238.450,
4 238.545, 238.565, 238.580, 238A.005, 238A.155, 238A.160, 238A.230, 238A.235,
5 238A.320 and 238A.410.

6 **Be It Enacted by the People of the State of Oregon:**

JUDGE MEMBERS

7
8
9
10 **SECTION 1.** ORS 238.545 is amended to read:

11 238.545. (1) Except as otherwise provided in this section[,]:

12 (a) A judge member **who has five or more years of service as a judge**
13 may withdraw from the Public Employees Retirement Fund the amount
14 credited to the member account of the judge member if:

15 [(a)] (A) The judge member is separated from all service with participat-
16 ing public employers;

17 [(b)] (B) The judge member is separated from all service with employers
18 who are treated as part of a participating public employer's controlled group
19 under the federal laws and rules governing the status of the Public Em-
20 ployees Retirement System and the Public Employees Retirement Fund as a

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 qualified governmental retirement plan and trust;

2 [(c)] (C) The judge member has not attained 60 years of age; and

3 [(d)] (D) The separation from service is not by reason of death or disa-
4 bility.

5 (b) A judge member who has fewer than five years of service as a
6 judge may withdraw from the Public Employees Retirement Fund the
7 amount credited to the member account of the judge member if:

8 (A) The judge member is separated from all service with partic-
9 ipating public employers;

10 (B) The judge member is separated from all service with employers
11 who are treated as part of a participating public employer's controlled
12 group under the federal laws and rules governing the status of the
13 Public Employees Retirement System and the Public Employees Re-
14 tirement Fund as a qualified governmental retirement plan and trust;
15 and

16 (C) The separation from service is not by reason of death or disa-
17 bility.

18 (2) If a judge member wishes to withdraw the member account balance
19 under this section, the judge member must transmit to the Public Employees
20 Retirement Board a withdrawal request. The board shall deny the with-
21 drawal, or shall take all reasonable steps to recover withdrawn amounts, if:

22 (a) The board determines that the separation is not a bona fide sepa-
23 ration; or

24 (b) The judge member fails to remain absent from the service of all em-
25 ployers described in subsection (1) of this section for at least one calendar
26 month following the month in which the judge member separates from ser-
27 vice.

28 (3) If a judge member who is eligible to withdraw as provided in sub-
29 section (1) of this section does not elect to withdraw, the member account
30 of the judge member shall remain to the credit of the judge member, and the
31 judge member is entitled to such death benefits and disability retirement

1 allowance as ORS 238.500 to 238.585 provide. Before attaining 60 years of age,
2 a judge member who is eligible to withdraw as provided in subsection (1) of
3 this section but who does not withdraw must elect in writing to retire under
4 either ORS 238.535 (1)(a) or (b). The election is irrevocable after the judge
5 member attains 60 years of age. Any inactive judge member who fails to
6 make the election provided for in this subsection prior to attaining 60 years
7 of age shall be retired under the provisions of ORS 238.535 (1)(a). The service
8 retirement allowance of an inactive judge member who retires under ORS
9 238.535 (1)(a) shall be a reduced service retirement allowance that is the
10 actuarial equivalent of the service retirement allowance provided for in ORS
11 238.535 (1)(a). An inactive judge member who elects to retire under ORS
12 238.535 (1)(b) must meet all other requirements imposed by ORS 238.535 for
13 retirement under ORS 238.535 (1)(b).

14 (4) If approved by the Chief Justice of the Supreme Court, an inactive
15 judge member who elects to retire under ORS 238.535 (1)(b) pursuant to the
16 provisions of subsection (3) of this section may commence to serve the pro
17 tem service obligation imposed by ORS 238.535 before the judge member's
18 date of retirement. If the Chief Justice determines, at any time after the
19 judge member commences performing the pro tem service obligation, that the
20 judge member has failed to perform the pro tem services in the manner re-
21 quired by ORS 238.535 (1)(c), and the judge member has not been relieved of
22 the obligation to perform those services in the manner provided by ORS
23 238.535 (1)(c), the Chief Justice shall notify the Public Employees Retirement
24 Board. If the judge member has not yet retired, the board shall calculate the
25 service retirement allowance of the noncomplying judge member at the time
26 of retirement in the manner provided by ORS 238.535 (1)(a). If the judge
27 member has retired, the board shall recalculate the service retirement al-
28 lowance of the noncomplying judge member in the manner provided by ORS
29 238.535 (1)(a), and the noncomplying judge member shall receive only that
30 recalculated amount thereafter. An inactive judge member may be relieved
31 of the pro tem service obligation imposed by ORS 238.535 (1)(c) in the same

1 manner as provided in ORS 238.535 for retired judge members.

2 (5) Withdrawal of the member account balance under this section cancels
3 all membership rights in the system, including the right to claim credit for
4 any employment before withdrawal.

5 (6) ORS 238.105 and 238.115 (1) apply to a former judge member who has
6 withdrawn the member account balance under this section.

7 **SECTION 2.** ORS 238.565 is amended to read:

8 238.565. (1) For the purposes of this section, a judge member may desig-
9 nate a beneficiary or beneficiaries by written designation duly acknowledged
10 and filed with the **Public Employees Retirement** Board before the death
11 of the judge member. Beneficiaries designated by a judge member may in-
12 clude any persons, the personal representative of the estate of the judge
13 member or the trustee named by the judge member to execute an express
14 trust.

15 (2)(a) If a judge member who has six or more years of service as a judge
16 dies before retiring, and the judge member is not an inactive judge member
17 who is performing a pro tem service obligation under the provisions of ORS
18 238.545 (4), the surviving spouse of the judge member shall receive a life
19 pension, payable monthly, equal to two-thirds of the service retirement al-
20 lowance the judge member would have received under ORS 238.535 (1)(a) had
21 the judge member retired on the date of death.

22 (b) If a judge member who has six or more years of service as a judge dies
23 before retiring, and the judge member is an inactive member who is per-
24 forming a pro tem service obligation under the provisions of ORS 238.545 (4),
25 the surviving spouse of the judge member shall receive a life pension, paya-
26 ble monthly, equal to two-thirds of the service retirement allowance the
27 judge member would have received under ORS 238.535 (1)(b) had the judge
28 member retired on the date of death.

29 (c) If a surviving spouse receiving a pension under paragraph (a) or (b)
30 of this subsection dies and the total amount received as pension by the sur-
31 viving spouse is less than the amount credited to the member account of the

1 judge member in the fund on the date of death of the judge member, the
2 beneficiary or beneficiaries shall receive a lump sum amount equal to the
3 difference between the total amount received by the surviving spouse and the
4 amount so credited to the member account of the judge member.

5 (d) If a judge member [*who has six or more years of service as a judge*]
6 dies before retiring and has no surviving spouse, the beneficiary or benefi-
7 ciaries shall receive a lump sum amount equal to the amount credited to the
8 member account of the judge member in the fund on the date of death of the
9 judge member. **If the judge has not designated a beneficiary, or if the**
10 **named beneficiary predeceases the judge member, the amount credited**
11 **to the account shall be paid to a personal representative appointed for**
12 **the estate of the deceased judge member.**

13 (e) If the surviving spouse of a judge member who dies before retiring is
14 not entitled to a pension under paragraph (a) or (b) of this subsection, the
15 surviving spouse shall receive a lump sum amount equal to the amount
16 credited to the member account of the judge member in the fund on the date
17 of death of the judge member.

18 (3)(a) If a judge member dies after retiring, the surviving spouse of the
19 judge member shall receive a life pension, payable monthly, equal to two-
20 thirds of the retirement allowance the judge member is receiving or is enti-
21 tled to receive on the date of death.

22 (b) If a surviving spouse receiving a pension under paragraph (a) [*or (b)*]
23 of this subsection dies and the total amount received as retirement allowance
24 by the retired judge member and as pension by the surviving spouse is less
25 than the amount credited to the member account of the judge member on the
26 date of retirement of the judge member, the beneficiary or beneficiaries shall
27 receive a lump sum amount equal to the difference between the total amount
28 received as retirement allowance and pension and the amount so credited to
29 the member account of the judge member.

30 (c) If a judge member dies after retiring and has no surviving spouse, and
31 the total amount received as retirement allowance by the retired judge

1 member is less than the amount credited to the member account of the judge
2 member on the date of retirement of the judge member, the beneficiary or
3 beneficiaries shall receive a lump sum amount equal to the difference be-
4 tween the total amount received as retirement allowance and the amount so
5 credited to the member account of the judge member.

6 (4) At any time after becoming a judge member, but not later than the
7 date on which the first payment on account of retirement is due, a judge
8 member may elect to provide an addition to the pension of the surviving
9 spouse of the judge member under subsection (3)(a) of this section by se-
10 lecting a reduced retirement allowance for the judge member. The additional
11 pension to the surviving spouse shall be the actuarial equivalent of the re-
12 duction in the retirement allowance of the judge member and, in no event,
13 when added to the pension under subsection (3)(a) of this section, shall it
14 exceed the reduced retirement allowance elected by the judge member.

15 (5) Any accrued retirement allowance due a retired judge member that is
16 unpaid at the time of death of the judge member shall be paid to the sur-
17 viving spouse of the judge member. If there is no surviving spouse, the ac-
18 crued retirement allowance shall be paid to the beneficiary or beneficiaries
19 of the judge member. If there is no surviving spouse or beneficiary, the ac-
20 crued retirement allowance shall be paid as provided in ORS 238.390 (2).

21 (6) Notwithstanding any other provision of this section, a judge member
22 shall be considered to have died with no surviving spouse if:

23 (a) The judge member has entered into a prenuptial or antenuptial
24 agreement with the spouse of the judge that provides that the spouse shall
25 have no right or claim to a surviving spouse's pension; and

26 (b) The judge member has filed a copy of the prenuptial or antenuptial
27 agreement with the board before the death of the judge member.

28 (7) The board shall not be liable for any payment made to a beneficiary
29 by reason of a prenuptial or antenuptial agreement filed with the board un-
30 der subsection (6) of this section unless the board has actual knowledge that
31 the agreement has been revoked.

1 (8) A judge member may elect to have all or part of the pension that is
 2 payable to a surviving spouse under this section be paid to a former spouse
 3 of the judge member. The election may be made before or after the judge
 4 member retires. If a judge member makes an election under this subsection,
 5 the board shall pay the designated portion of pension to the former spouse
 6 for the life of the former spouse. If a judge member is married at the time
 7 an election is made under this subsection, the spouse of the judge member
 8 must give written consent to the election. An election under this subsection
 9 does not affect the amount of any additional pension elected by a judge
 10 member under subsection (4) of this section. If a judge member makes an
 11 election under this subsection and the judge member does not have a sur-
 12 viving spouse when the judge member dies, the former spouse shall receive
 13 a life pension for only that part of the pension specified in the election. If
 14 a judge member makes an election under this subsection and the judge
 15 member has a surviving spouse when the judge member dies:

16 (a) The surviving spouse shall receive no benefit if the judge member
 17 elected to have the entire pension payable under this section paid to the
 18 former spouse; or

19 (b) The surviving spouse shall receive that part of the pension not paid
 20 to the former spouse until the death of the former spouse.

21 **SECTION 3.** ORS 238.580 is amended to read:

22 238.580. (1) Except as provided in subsection (3) of this section, ORS
 23 238.005 (4) and (26), 238.025, 238.078, 238.082, 238.092, 238.115 (1), 238.250,
 24 238.255, 238.260, 238.350, **238.362**, 238.364, **238.372 to 238.384**, 238.410, 238.415,
 25 238.420, 238.445, 238.458, 238.460, 238.465, 238.475, 238.600, 238.605, 238.610,
 26 238.618, 238.630, 238.635, 238.645, 238.650, 238.655, 238.660, 238.665, 238.670 and
 27 238.705 and the increases provided by ORS 238.366 for members of the system
 28 who are serving as other than police officers or firefighters apply in respect
 29 to service as a judge member.

30 (2) This chapter applies in respect to persons described in ORS 238.505 (1)
 31 and in respect to service as a judge member only as specifically provided in

1 ORS 238.500 to 238.585.

2 (3) ORS 238.005 (26)(c)(M) does not apply in respect to service as a judge
3 member.

4

5

DEFINITIONS

6

7 **SECTION 4.** ORS 238.005 is amended to read:

8 238.005. For purposes of this chapter:

9 (1) "Active member" means a member who is presently employed by a
10 participating public employer in a qualifying position and who has completed
11 the six-month period of service required by ORS 238.015.

12 (2) "Annuity" means payments for life derived from contributions made
13 by a member as provided in this chapter.

14 (3) "Board" means the Public Employees Retirement Board.

15 (4) "Calendar year" means 12 calendar months commencing on January 1
16 and ending on December 31 following.

17 (5) "Continuous service" means service not interrupted for more than five
18 years, except that such continuous service shall be computed without regard
19 to interruptions in the case of:

20 (a) An employee who had returned to the service of the employer as of
21 January 1, 1945, and who remained in that employment until having estab-
22 lished membership in the Public Employees Retirement System.

23 (b) An employee who was in the armed services on January 1, 1945, and
24 returned to the service of the employer within one year of the date of being
25 otherwise than dishonorably discharged and remained in that employment
26 until having established membership in the Public Employees Retirement
27 System.

28 (6) "Creditable service" means any period of time during which an active
29 member is being paid a salary by a participating public employer and for
30 which benefits under this chapter are funded by employer contributions and
31 earnings on the fund. For purposes of computing years of "creditable

1 service,” full months and major fractions of a month shall be considered to
2 be one-twelfth of a year and shall be added to all full years. “Creditable
3 service” includes all retirement credit received by a member.

4 (7) “Earliest service retirement age” means the age attained by a member
5 when the member could first make application for retirement under the pro-
6 visions of ORS 238.280.

7 (8) “Employee” means a person who performs services for a participating
8 public employer, including persons considered employees of a participating
9 public employer under 26 U.S.C. 3121(d)(2), as in effect on December 31, 2019,
10 and public officers. “Employee” does not include:

11 (a) Persons engaged as independent contractors.

12 (b) Seasonal, emergency or casual workers whose periods of employment
13 with any public employer or public employers do not total 600 hours in any
14 calendar year.

15 (c) Persons provided sheltered employment or made-work by a public em-
16 ployer in an employment or industries program maintained for the benefit
17 of such persons.

18 (d) Persons employed and paid from federal funds received under a federal
19 program intended primarily to alleviate unemployment. However, any such
20 person shall be considered an “employee” if not otherwise excluded by para-
21 graphs (a) to (c) of this subsection and the public employer elects to have
22 the person so considered by an irrevocable written notice to the board.

23 (e) Persons who are employees of a railroad, as defined in ORS 824.020,
24 and who, as such employees, are included in a retirement plan under federal
25 railroad retirement statutes. This paragraph shall be deemed to have been
26 in effect since the inception of the system.

27 (f) Persons employed in positions classified as post-doctoral scholar posi-
28 tions by a public university listed in ORS 352.002, or by the Oregon Health
29 and Science University, under ORS 350.370.

30 (9) “Final average salary” means whichever of the following is greater:

31 (a) The average salary per calendar year paid by one or more participat-

1 ing public employers to an employee who is an active member of the system
2 in three of the calendar years of membership before the effective date of re-
3 tirement of the employee, in which three years the employee was paid the
4 highest salary. The three calendar years in which the employee was paid the
5 largest total salary may include calendar years in which the employee was
6 employed for less than a full calendar year. If the number of calendar years
7 of active membership before the effective date of retirement of the employee
8 is three or fewer, the final average salary for the employee is the average
9 salary per calendar year paid by one or more participating public employers
10 to the employee in all of those years, without regard to whether the em-
11 ployee was employed for the full calendar year.

12 (b) One-third of the total salary paid by a participating public employer
13 to an employee who is an active member of the system in the last 36 calendar
14 months of active membership before the effective date of retirement of the
15 employee.

16 (10) "Firefighter" does not include a volunteer firefighter, but does in-
17 clude:

18 (a) The State Fire Marshal, the chief deputy fire marshal and deputy state
19 fire marshals;

20 (b) An employee of the State Fire Marshal whose primary duties include
21 fire investigation, fire prevention, fire safety, fire control or fire suppression;

22 (c) An employee of the State Forestry Department who is certified by the
23 State Forester as a professional wildland firefighter and whose primary du-
24 ties include the abatement of uncontrolled fires as described in ORS 477.064;
25 and

26 (d) An employee of the Oregon Military Department whose primary duties
27 include fighting structural, aircraft, wildland or other fires.

28 (11) "Fiscal year" means 12 calendar months commencing on July 1 and
29 ending on June 30 following.

30 (12) "Fund" means the Public Employees Retirement Fund.

31 (13) "Inactive member" means a member who is not employed in a quali-

1 fying position, whose membership has not been terminated in the manner
2 described by ORS 238.095 and who is not retired for service or disability.

3 (14) “Institution of higher education” means a public university listed in
4 ORS 352.002, the Oregon Health and Science University and a community
5 college, as defined in ORS 341.005.

6 (15) “Member” means a person who has established membership in the
7 system and whose membership has not been terminated as described in ORS
8 238.095. “Member” includes active, inactive and retired members.

9 (16) “Member account” means the regular account and the variable ac-
10 count.

11 (17) “Normal retirement age” means:

12 (a) For a person who establishes membership in the system before January
13 1, 1996, as described in ORS 238.430, 55 years of age if the employee retires
14 at that age as a police officer or firefighter or 58 years of age if the employee
15 retires at that age as other than a police officer or firefighter.

16 (b) For a person who establishes membership in the system on or after
17 January 1, 1996, as described in ORS 238.430, 55 years of age if the employee
18 retires at that age as a police officer or firefighter or 60 years of age if the
19 employee retires at that age as other than a police officer or firefighter.

20 (18) “Pension” means annual payments for life derived from contributions
21 by one or more public employers.

22 (19) “Police officer” includes:

23 (a) Employees of institutions defined in ORS 421.005 as Department of
24 Corrections institutions whose duties, as assigned by the Director of the
25 Department of Corrections, include the custody of persons committed to the
26 custody of or transferred to the Department of Corrections and employees
27 of the Department of Corrections who were classified as police officers on
28 or before July 27, 1989, whether or not such classification was authorized
29 by law.

30 (b) Employees of the Department of State Police who are classified as
31 police officers by the Superintendent of State Police.

1 (c) Employees of the Oregon Liquor and Cannabis Commission who are
2 classified as regulatory specialists by the administrator of the commission.

3 (d) Sheriffs and those deputy sheriffs or other employees of a sheriff
4 whose duties, as classified by the sheriff, are the regular duties of police
5 officers or corrections officers.

6 (e) Police chiefs and police personnel of a city who are classified as police
7 officers by the council or other governing body of the city.

8 (f) Police officers who are commissioned by a university under ORS
9 352.121 or 353.125 and who are classified as police officers by the university.

10 (g) Parole and probation officers employed by the Department of Cor-
11 rections, parole and probation officers who are transferred to county em-
12 ployment under ORS 423.549 and adult parole and probation officers, as
13 defined in ORS 181A.355, who are classified as police officers for the pur-
14 poses of this chapter by the county governing body. If a county classifies
15 adult parole and probation officers as police officers for the purposes of this
16 chapter, and the employees so classified are represented by a labor organ-
17 ization, any proposal by the county to change that classification or to cease
18 to classify adult parole and probation officers as police officers for the pur-
19 poses of this chapter is a mandatory subject of bargaining.

20 (h) Police officers appointed under ORS 276.021 or 276.023.

21 (i) Employees of the Port of Portland who are classified as airport police
22 by the Board of Commissioners of the Port of Portland.

23 (j) Employees of the State Department of Agriculture who are classified
24 as livestock police officers by the Director of Agriculture.

25 (k) Employees of the Department of Public Safety Standards and Training
26 who are classified by the department as other than secretarial or clerical
27 personnel.

28 (L) Investigators of the Criminal Justice Division of the Department of
29 Justice.

30 (m) Corrections officers as defined in ORS 181A.355.

31 (n) Employees of the Oregon State Lottery Commission who are classified

1 by the Director of the Oregon State Lottery as enforcement agents pursuant
2 to ORS 461.110.

3 (o) The Director of the Department of Corrections.

4 (p) An employee who for seven consecutive years has been classified as
5 a police officer as defined by this section, and who is employed or transferred
6 by the Department of Corrections to fill a position designated by the Direc-
7 tor of the Department of Corrections as being eligible for police officer sta-
8 tus.

9 (q) An employee of the Department of Corrections classified as a police
10 officer on or prior to July 27, 1989, whether or not that classification was
11 authorized by law, as long as the employee remains in the position held on
12 July 27, 1989. The initial classification of an employee under a system im-
13 plemented pursuant to ORS 240.190 does not affect police officer status.

14 (r) Employees of a school district who are appointed and duly sworn
15 members of a law enforcement agency of the district as provided in ORS
16 332.531 or otherwise employed full-time as police officers commissioned by
17 the district.

18 (s) Employees at youth correction facilities and juvenile detention facili-
19 ties under ORS 419A.050, 419A.052 and 420.005 to 420.915 who are required
20 to hold valid Oregon teaching licenses and who have supervisory, control or
21 teaching responsibilities over juveniles committed to the custody of the De-
22 partment of Corrections or the Oregon Youth Authority.

23 (t) Employees at youth correction facilities as defined in ORS 420.005
24 whose primary job description involves the custody, control, treatment, in-
25 vestigation or supervision of juveniles placed in such facilities.

26 (u) Employees of the Oregon Youth Authority who are classified as juve-
27 nile parole and probation officers.

28 (v) Employees of the Department of Human Services who are prohibited
29 from striking under ORS 243.726 and whose duties include the care of resi-
30 dents of residential facilities, as defined in ORS 443.400, that house individ-
31 uals with intellectual or developmental disabilities.

1 (w) Employees appointed as judicial marshals under ORS 1.177 who are
2 certified under ORS 181A.540.

3 (20) "Prior service credit" means credit provided under ORS 238.442 or
4 under ORS 238.225 (2) to (6) (1999 Edition).

5 (21) "Public employer" means the state, one of its agencies or any city,
6 county, municipal or public corporation, political subdivision of the state or
7 instrumentality thereof, or an agency created by one or more such govern-
8 mental organizations to provide governmental services. For purposes of this
9 chapter, such agency created by one or more governmental organizations is
10 a governmental instrumentality and a legal entity with power to enter into
11 contracts, hold property and sue and be sued.

12 (22) "Qualifying position" means one or more jobs with one or more par-
13 ticipating public employers in which an employee performs 600 or more hours
14 of service in a **full** calendar year, **or would perform 600 or more hours**
15 **of service if the employee were employed for the full calendar year,**
16 excluding any service in a job for which a participating public employer does
17 not provide benefits under this chapter pursuant to an application made un-
18 der ORS 238.035.

19 (23) "Regular account" means the account established for each active and
20 inactive member under ORS 238.250.

21 (24) "Retired member" means a member who is retired for service or dis-
22 ability.

23 (25) "Retirement credit" means a period of time that is treated as credit-
24 able service for the purposes of this chapter.

25 (26)(a) "Salary" means the remuneration paid an employee in cash out of
26 the funds of a public employer in return for services to the employer, plus
27 the monetary value, as determined by the Public Employees Retirement
28 Board, of whatever living quarters, board, lodging, fuel, laundry and other
29 advantages the employer furnishes the employee in return for services.

30 (b) "Salary" includes but is not limited to:

31 (A) Payments of employee and employer money into a deferred compen-

1 sation plan, which are deemed salary paid in each month of deferral;

2 (B) The amount of participation in a tax-sheltered or deferred annuity,
3 which is deemed salary paid in each month of participation;

4 (C) Retroactive payments described in ORS 238.008; *[and]*

5 (D) Wages of a deceased member paid to a surviving spouse or dependent
6 children under ORS 652.190[.]; **and**

7 **(E) The full amount of required employee contributions under ORS**
8 **238A.330 that are paid by the employer on behalf of its employees un-**
9 **der ORS 238A.335 (2)(b), solely for the purpose of computing a**
10 **member's final average salary, and not for any other purpose.**

11 (c) "Salary" or "other advantages" does not include:

12 (A) Travel or any other expenses incidental to employer's business which
13 is reimbursed by the employer;

14 (B) Payments for insurance coverage by an employer on behalf of em-
15 ployee or employee and dependents, for which the employee has no cash op-
16 tion;

17 (C) Payments made on account of an employee's death;

18 (D) Any lump sum payment for accumulated unused sick leave;

19 (E) Any accelerated payment of an employment contract for a future pe-
20 riod or an advance against future wages;

21 (F) Any retirement incentive, retirement severance pay, retirement bonus
22 or retirement gratuitous payment;

23 (G) Payments for periods of leave of absence after the date the employer
24 and employee have agreed that no future services qualifying pursuant to ORS
25 238.015 (3) will be performed, except for sick leave and vacation;

26 (H) Payments for instructional services rendered to public universities
27 listed in ORS 352.002 or the Oregon Health and Science University when
28 such services are in excess of full-time employment subject to this chapter.
29 A person employed under a contract for less than 12 months is subject to this
30 subparagraph only for the months to which the contract pertains;

31 (I) Payments made by an employer for insurance coverage provided to a

1 domestic partner of an employee;

2 (J) Compensation described and authorized under ORS 341.556 that is not
3 paid by the community college employing the faculty member;

4 (K) Compensation described and authorized under ORS 352.232 that is not
5 paid by the public university employing the officer or employee;

6 (L) Compensation described and authorized under ORS 353.270 that is not
7 paid by Oregon Health and Science University; or

8 (M) For years beginning on or after January 1, 2020, any amount in excess
9 of \$195,000 for a calendar year. If any period over which salary is determined
10 is less than 12 months, the \$195,000 limitation for that period shall be
11 multiplied by a fraction, the numerator of which is the number of months in
12 the determination period and the denominator of which is 12. On January 1
13 of each year, the board shall adjust the dollar limit provided by this sub-
14 paragraph to reflect any percentage changes in the Consumer Price Index for
15 All Urban Consumers, West Region (All Items), as published by the Bureau
16 of Labor Statistics of the United States Department of Labor.

17 (27) "School year" means the period beginning July 1 and ending June 30
18 next following.

19 (28) "System" means the Public Employees Retirement System.

20 (29) "Variable account" means the account established for a member who
21 participates in the Variable Annuity Account under ORS 238.260.

22 (30) "Vested" means being an active member of the system in each of five
23 calendar years.

24 (31) "Volunteer firefighter" means a firefighter whose position normally
25 requires less than 600 hours of service per year.

26 **SECTION 5.** ORS 238A.005, as amended by section 3, chapter 83, Oregon
27 Laws 2022, is amended to read:

28 238A.005. For the purposes of this chapter:

29 (1) "Active member" means a member of the pension program or the in-
30 dividual account program of the Oregon Public Service Retirement Plan who
31 is actively employed in a qualifying position.

1 (2) “Actuarial equivalent” means a payment or series of payments having
2 the same value as the payment or series of payments replaced, computed on
3 the basis of interest rate and mortality assumptions adopted by the board.

4 (3) “Board” means the Public Employees Retirement Board.

5 (4) “Eligible employee” means a person who performs services for a par-
6 ticipating public employer, including persons considered employees of a par-
7 ticipating public employer under 26 U.S.C. 3121(d)(2), as in effect on January
8 1, 2022, and elected officials other than judges. “Eligible employee” does not
9 include:

10 (a) Persons engaged as independent contractors;

11 (b) Aliens working under a training or educational visa;

12 (c) Persons provided sheltered employment or make-work by a public em-
13 ployer;

14 (d) Persons categorized by a participating public employer as student
15 employees;

16 (e) Any person who is in custody in a state institution;

17 (f) Employees of foreign trade offices of the Oregon Business Development
18 Department who live and perform services in foreign countries under the
19 provisions of ORS 285A.075 (1)(g);

20 (g) An employee actively participating in an alternative retirement pro-
21 gram established under ORS 353.250 or an optional retirement plan estab-
22 lished under ORS 341.551;

23 (h) Employees of a public university listed in ORS 352.002 who are ac-
24 tively participating in an optional retirement plan offered under ORS 243.815;

25 (i) Persons employed in positions classified as post-doctoral scholar posi-
26 tions by a public university listed in ORS 352.002, or by the Oregon Health
27 and Science University, under ORS 350.370;

28 (j) Any employee who belongs to a class of employees that was not eligi-
29 ble on August 28, 2003, for membership in the system under the provisions
30 of ORS chapter 238 or other law;

31 (k) Any person who belongs to a class of employees who are not eligible

1 to become members of the Oregon Public Service Retirement Plan under the
2 provisions of ORS 238A.070 (2);

3 (L) Any person who is retired under ORS 238A.100 to 238A.250 or ORS
4 chapter 238 and who continues to receive retirement benefits while employed;
5 and

6 (m) Judges.

7 (5) "Firefighter" means:

8 (a) A person employed by a local government, as defined in ORS 174.116,
9 whose primary job duties include the fighting of fires;

10 (b) The State Fire Marshal, the chief deputy state fire marshal and deputy
11 state fire marshals;

12 (c) An employee of the State Fire Marshal whose primary duties include
13 fire investigation, fire prevention, fire safety, fire control or fire suppression;

14 (d) An employee of the State Forestry Department who is certified by the
15 State Forester as a professional wildland firefighter and whose primary du-
16 ties include the abatement of uncontrolled fires as described in ORS 477.064;
17 and

18 (e) An employee of the Oregon Military Department whose primary duties
19 include fighting structural, aircraft, wildland or other fires.

20 (6) "Fund" means the Public Employees Retirement Fund.

21 (7)(a) "Hour of service" means:

22 (A) An hour for which an eligible employee is directly or indirectly paid
23 or entitled to payment by a participating public employer for performance
24 of duties in a qualifying position; and

25 (B) An hour of vacation, holiday, illness, incapacity, jury duty, military
26 duty or authorized leave during which an employee does not perform duties
27 but for which the employee is directly or indirectly paid or entitled to pay-
28 ment by a participating public employer for services in a qualifying position,
29 as long as the hour is within the number of hours regularly scheduled for
30 the performance of duties during the period of vacation, holiday, illness, in-
31 capacity, jury duty, military duty or authorized leave.

1 (b) “Hour of service” does not include any hour for which payment is
2 made or due under a plan maintained solely for the purpose of complying
3 with applicable unemployment compensation laws.

4 (8) “Inactive member” means a member of the pension program or the
5 individual account program of the Oregon Public Service Retirement Plan
6 whose membership has not been terminated, who is not a retired member and
7 who is not employed in a qualifying position.

8 (9) “Individual account program” means the defined contribution individ-
9 ual account program of the Oregon Public Service Retirement Plan estab-
10 lished under ORS 238A.025.

11 (10) “Institution of higher education” means a public university listed in
12 ORS 352.002, the Oregon Health and Science University or a community
13 college, as defined in ORS 341.005.

14 (11) “Member” means an eligible employee who has established member-
15 ship in the pension program or the individual account program of the Oregon
16 Public Service Retirement Plan and whose membership has not been termi-
17 nated under ORS 238A.110 or 238A.310.

18 (12) “Participating public employer” means a public employer as defined
19 in ORS 238.005 that provides retirement benefits for employees of the public
20 employer under the system.

21 (13) “Pension program” means the defined benefit pension program of the
22 Oregon Public Service Retirement Plan established under ORS 238A.025.

23 (14) “Police officer” means a police officer as described in ORS 238.005.

24 (15) “Qualifying position” means one or more jobs with one or more par-
25 ticipating public employers in which an eligible employee performs 600 or
26 more hours of service in a **full** calendar year, **or would perform 600 or**
27 **more hours of service if the employee were employed for the full cal-**
28 **endar year**, excluding any service in a job for which benefits are not pro-
29 vided under the Oregon Public Service Retirement Plan pursuant to ORS
30 238A.070 (2).

31 (16) “Retired member” means a pension program member who is receiving

1 a pension as provided in ORS 238A.180 to 238A.195.

2 (17)(a) "Salary" means the remuneration paid to an active member in re-
3 turn for services to the participating public employer, including
4 remuneration in the form of living quarters, board or other items of value,
5 to the extent the remuneration is, or would be if the member were an Oregon
6 resident, includable in the employee's taxable income under Oregon law.
7 "Salary" includes the additional amounts specified in paragraph (b) of this
8 subsection, but does not include the amounts specified in paragraph (c) of
9 this subsection, regardless of whether those amounts are includable in taxa-
10 ble income.

11 (b) "Salary" includes the following amounts:

12 (A) Payments of employee and employer money into a deferred compen-
13 sation plan that are made at the election of the employee.

14 (B) Contributions to a tax-sheltered or deferred annuity that are made at
15 the election of the employee.

16 (C) Any amount that is contributed to a cafeteria plan or qualified
17 transportation fringe benefit plan by the employer at the election of the
18 employee and that is not includable in the taxable income of the employee
19 by reason of 26 U.S.C. 125 or 132(f)(4), as in effect on December 31, 2021.

20 (D) Any amount that is contributed to a cash or deferred arrangement by
21 the employer at the election of the employee and that is not included in the
22 taxable income of the employee by reason of 26 U.S.C. 402(e)(3), as in effect
23 on December 31, 2021.

24 (E) Retroactive payments described in ORS 238.008.

25 (F) The amount of an employee contribution to the individual account
26 program that is paid by the employer and deducted from the compensation
27 of the employee, as provided under ORS 238A.335 (1) and (2)(a).

28 (G) The amount of an employee contribution to the individual account
29 program that is not paid by the employer under ORS 238A.335.

30 (H) Wages of a deceased member paid to a surviving spouse or dependent
31 children under ORS 652.190.

1 (c) "Salary" does not include the following amounts:

2 (A) Travel or any other expenses incidental to employer's business which
3 is reimbursed by the employer.

4 (B) Payments made on account of an employee's death.

5 (C) Any lump sum payment for accumulated unused sick leave, vacation
6 leave or other paid leave.

7 (D) Any severance payment, accelerated payment of an employment con-
8 tract for a future period or advance against future wages.

9 (E) Any retirement incentive, retirement bonus or retirement gratuitous
10 payment.

11 (F) Payment for a leave of absence after the date the employer and em-
12 ployee have agreed that no future services in a qualifying position will be
13 performed.

14 (G) Payments for instructional services rendered to public universities
15 listed in ORS 352.002 or the Oregon Health and Science University when
16 those services are in excess of full-time employment subject to this chapter.
17 A person employed under a contract for less than 12 months is subject to this
18 subparagraph only for the months covered by the contract.

19 (H) The amount of an employee contribution to the individual account
20 program that is paid by the employer and is not deducted from the compen-
21 sation of the employee, as provided under ORS 238A.335 (1) and (2)(b).

22 (I) Compensation described and authorized under ORS 341.556 that is not
23 paid by the community college employing the faculty member.

24 (J) Compensation described and authorized under ORS 352.232 that is not
25 paid by the public university employing the officer or employee.

26 (K) Compensation described and authorized under ORS 353.270 that is not
27 paid by Oregon Health and Science University.

28 (L) For years before 2020, any amount in excess of \$200,000 for a calendar
29 year. If any period over which salary is determined is less than 12 months,
30 the \$200,000 limitation for that period shall be multiplied by a fraction, the
31 numerator of which is the number of months in the determination period and

1 the denominator of which is 12. The board shall adopt rules adjusting this
2 dollar limit to incorporate cost-of-living adjustments authorized by the
3 Internal Revenue Service.

4 (M) For years beginning on or after January 1, 2020, any amount in excess
5 of \$195,000 for a calendar year. If any period over which salary is determined
6 is less than 12 months, the \$195,000 limitation for that period shall be
7 multiplied by a fraction, the numerator of which is the number of months in
8 the determination period and the denominator of which is 12. On January 1
9 of each year, the board shall adjust the dollar limit provided by this sub-
10 paragraph to reflect any percentage changes in the Consumer Price Index for
11 All Urban Consumers, West Region (All Items), as published by the Bureau
12 of Labor Statistics of the United States Department of Labor.

13 (18) "System" means the Public Employees Retirement System.

14 (19) "Workers' compensation benefits" means:

15 (a) Payments made under ORS chapter 656; or

16 (b) Payments provided in lieu of workers' compensation benefits under
17 ORS 656.027 (6).

18

19 **WITHDRAWAL BY INACTIVE MEMBERS**

20

21 **SECTION 6.** ORS 238.095 is amended to read:

22 238.095. (1) An employee shall cease to be a member of the Public Em-
23 ployees Retirement System if the employee withdraws the member account,
24 if any, of the member in the manner provided by ORS 238.265.

25 (2) Except as provided in subsection (3) of this section, an inactive mem-
26 ber ceases to be a member of the system if the member is not vested and is
27 inactive for a period of five consecutive years.

28 (3) A school district employee does not cease to be a member of the sys-
29 tem under subsection (2) of this section if:

30 (a) After completing a school year, the member is inactive for the next
31 following five school years; and

1 (b) The member either is reemployed by a school district in a qualifying
2 position at the beginning of the sixth school year, or reaches earliest service
3 retirement age before the beginning of the sixth school year.

4 (4) Interest shall not accrue on the amount in the member account of the
5 former member from the date that membership is terminated under sub-
6 section (2) of this section. Upon request by the former member, the Public
7 Employees Retirement Board shall pay the amount in a member account to
8 a former member upon the termination of the membership of the former
9 member under subsection (2) of this section if the former member is sepa-
10 rated from all service with **all participating public employers and all**
11 **employers who are treated as part of a participating public employer's con-**
12 **trolled group under the federal laws and rules governing the status of the**
13 **system and the Public Employees Retirement Fund as a qualified govern-**
14 **mental retirement plan and trust. The board may deduct, from the amount**
15 **paid to a former member under this subsection, all reasonable costs incurred**
16 **by the system in locating the member.**

17 (5) If the membership of a person in the system is terminated under sub-
18 section (2) of this section, and the person subsequently becomes an active
19 member of the system, any amounts that were not paid to the person under
20 subsection (4) of this section:

21 (a) Shall be credited with net earnings and losses. [*Crediting*] Under this
22 subsection, **crediting** commences upon the person becoming an active mem-
23 ber of the system and continues as long as the person remains an active
24 member.

25 (b) **May be withdrawn by a member who is:**

26 (A) **Separated from all service with all participating public employ-**
27 **ers and all employers who are treated as part of a participating public**
28 **employer's controlled group under the federal laws and rules govern-**
29 **ing the status of the system and the Public Employees Retirement**
30 **Fund as a qualified governmental retirement plan and trust;**

31 (B) **Receiving a disability retirement allowance under ORS 238.320;**

1 or

2 (C) Receiving a service retirement allowance under ORS 238.280 or
3 238.300.

4

5

TAX REMEDY

6

7 **SECTION 7.** ORS 238.364 is amended to read:

8 238.364. (1)(a) Upon retirement of an employee who is a member of the
9 Public Employees Retirement System and computation of that member's ser-
10 vice retirement allowance under ORS 238.300, 238.305 or 238.425, or compu-
11 tation of any disability retirement allowance under ORS 238.320, 238.325,
12 238.330, 238.345 or 238.425, the Public Employees Retirement Board shall add
13 to the amount of the allowance, including amounts attributable to prior
14 service credit and the amount of any refund of accumulated employee con-
15 tributions, the greater of the percentage increase calculated under ORS
16 238.366 or a percentage increase calculated under subsection (4) of this sec-
17 tion. No benefit shall be paid to a member or beneficiary under ORS 238.366
18 if the benefit payable to the member or beneficiary under this section is
19 larger than the benefit payable under ORS 238.366.

20 (b) The percentage increase provided for in this section shall be adjusted
21 by the board to reflect increases or decreases in a member's retirement al-
22 lowance that are attributable to the member's participation in the Variable
23 Annuity Account established by ORS 238.260, that are attributable to a
24 change in the member's beneficiary or payment option under ORS 238.305 or
25 238.325, or that are attributable to corrections to the member's retirement
26 allowance calculation.

27 (c) The percentage increase provided for in this section shall be applied
28 to any lump sum payment made to a member or a beneficiary of a member
29 on or after January 1, 1991, that is attributable to a retroactive correction
30 or adjustment of the amount payable to the member or beneficiary as a re-
31 tirement allowance or that is attributable to a retroactive correction or ad-

1 justment to any other benefit that entitles a member or beneficiary to an
2 increased benefit under this section. The percentage increase payable under
3 this paragraph applies only to the principal amounts included in the lump
4 sum payment as a retroactive correction or adjustment and does not apply
5 to any interest on the retroactive correction or adjustment paid as part of
6 the lump sum payment.

7 (2) The amount of any death benefit under ORS 238.390, 238.395, 238.400
8 or 238.405, including the amount of any monthly payments, shall be increased
9 by the greater of the percentage provided for in ORS 238.366 or the per-
10 centage calculated under subsection (4) of this section.

11 (3)(a) A member of the system who elects to receive a lump sum in lieu
12 of a retirement allowance or other benefit under ORS 238.315 shall receive
13 an increase based on the greater of the percentage provided for in ORS
14 238.366 or the percentage calculated under subsection (4) of this section.

15 (b) A member of the system who withdraws the amount credited to the
16 member account, if any, of the member in the fund under the provisions of
17 ORS 238.265, or whose member account is returned to the employee after the
18 membership of the employee is terminated under the provisions of ORS
19 238.095, shall receive an additional amount calculated by multiplying the
20 amount of the member account of the member by the greater of the per-
21 centage provided for in ORS 238.366 or the percentage calculated under
22 subsection (4) of this section. If a member thereafter elects to obtain resto-
23 ration of creditable service by repaying the amount of the withdrawn member
24 account pursuant to the provisions of ORS 238.105, the member must also
25 repay all amounts paid under this section, together with interest from the
26 date of withdrawal at the same rate as applied to the withdrawn member
27 account under ORS 238.105. If a member repays only part of the withdrawn
28 member account pursuant to the provisions of ORS 238.115, the member must
29 repay that part of the amount paid under this section that is proportionate
30 to the portion of the withdrawn member account that is repaid under ORS
31 238.115, together with interest from the date of withdrawal at the same rate

1 as applied to the withdrawn member account under ORS 238.115. All amounts
 2 paid to the member that are subsequently repaid under ORS 238.105 or
 3 238.115 shall be deposited by the board to the employer reserve for pension
 4 accounts in the fund.

5 (4)(a) The Public Employees Retirement Board shall calculate a multiplier
 6 for the purposes of this section equal to the percentage produced by the fol-
 7 lowing formula:

$$\begin{array}{r}
 8 \qquad \qquad \qquad [1] \\
 9 \qquad \qquad \qquad [\text{—————}] \\
 10 \qquad \qquad \qquad [.91] \\
 11 \qquad \qquad \qquad \mathbf{1} \\
 12 \qquad \qquad \qquad \text{—————} \quad - 1 \\
 13 \qquad \qquad \qquad \mathbf{.91}
 \end{array}$$

14 (b) Upon the retirement or death of a member of the system, the board
 15 shall determine the fraction of the member's retirement allowance or death
 16 benefit, including any refund or lump sum payment, that is attributable to
 17 service rendered by the member before October 1, 1991. The board shall then
 18 calculate a percentage that is equal to that fraction multiplied by the mul-
 19 tiplier determined by the board under paragraph (a) of this subsection. The
 20 percentage so calculated shall be used to determine the amount of the in-
 21 crease in benefits provided to a member, if any, under this section.

22 (5) For the purpose of determining that portion of a retirement allowance
 23 or death benefit attributable to service rendered before October 1, 1991, the
 24 board shall divide the number of years of creditable service performed before
 25 October 1, 1991, by the total number of years of creditable service during
 26 which the pension income was earned. For the purposes of this subsection:

27 (a) The number of years of creditable service does not include any period
 28 of employment for which a benefit is paid for prior service credit.

29 (b) Except as provided in subsection (7) of this section, the number of
 30 years of creditable service includes all retirement credit of the member, and
 31 any retirement credit of a member that is attributable to periods of service,

1 employment or other activity performed before October 1, 1991, shall be
2 considered creditable service performed before October 1, 1991.

3 (6) The increased benefits provided for in this section shall be funded by
4 employer contributions.

5 (7) The increased benefits provided by this section apply only to members
6 who establish membership in the Public Employees Retirement System before
7 July 14, 1995, and whose effective date of retirement or date of death is on
8 or after January 1, 1991. The increased benefits provided by this section do
9 not apply to any creditable service or prior service credit acquired by a
10 member under the terms of a contract of integration entered into pursuant
11 to ORS 238.035, 238.680 or 238.690 on or after October 1, 1991.

12 (8) If a member is entitled to receive an increased benefit under the pro-
13 visions of this section, and any portion of the member's retirement allowance
14 or other benefit payable under the system is payable to an alternate payee
15 under the provisions of ORS 238.465, the increased benefits payable under
16 this section shall be divided between the member and the alternate payee in
17 proportion to the share of the total benefit received by each person. If an
18 alternate payee elects to begin receiving benefits under ORS 238.465 (1) be-
19 fore the member's effective date of retirement, the alternate payee may not
20 begin receiving the increased benefit provided for in this section until bene-
21 fits are first paid from the system on behalf of the member.

22 (9) A person establishes membership in the system before July 14, 1995,
23 for the purposes of subsection (7) of this section if:

24 (a) The person is a member of the system, or a judge member of the sys-
25 tem, on July 14, 1995;

26 (b) The person was a member of the system before July 14, 1995, ceased
27 to be a member of the system under the provisions of ORS 238.095, 238.265
28 or 238.545 before July 14, 1995, but restores part or all of the forfeited cred-
29 itable service from before July 14, 1995, under the provisions of ORS 238.105
30 or 238.115 after July 14, 1995; or

31 (c) The person performed any period of service for a participating public

1 employer before July 14, 1995, that is credited to the six-month period of
2 employment required of an employee under ORS 238.015 before an employee
3 may become a member of the system.

4

5 **PURCHASE OF POLICE AND FIREFIGHTER CREDIT**

6

7 **SECTION 8.** ORS 238.440 is amended to read:

8 238.440. (1) A police officer or firefighter who is a member of the system
9 may elect to make additional contributions to the fund to purchase increased
10 benefits between the date of retirement and age 65. The rate of additional
11 contribution shall be determined by the actuary, dependent upon the age of
12 the police officer or firefighter at the date of election, so as to provide
13 monthly payments on the basis of \$10 per unit of benefits purchased. No
14 police officer or firefighter may elect to purchase more than eight units. For
15 each \$10 unit purchased by the police officer or firefighter, the employer
16 shall purchase an equal \$10 unit. A police officer or firefighter who is re-
17 tained until age 65 shall receive a lump sum refund of the additional con-
18 tributions made toward units purchased, plus interest thereon, but shall
19 receive no benefits from the additional contributions by the employer for
20 such units. If a police officer or firefighter retires after age 60 but prior to
21 age 65, the units purchased by additional contributions shall provide in-
22 creased monthly benefits based on life expectancy, but the matching units
23 purchased by the employer shall not, regardless of age, exceed \$10 per month
24 per unit purchased by the police officer or firefighter. If a police officer or
25 firefighter is absent from the employment of a participating employer for any
26 reason and because of such absence is unable to make monthly additional
27 contributions, the benefits provided under this section shall be actuarially
28 reduced upon the retirement of the police officer or firefighter. The Public
29 Employees Retirement Board shall establish an account for each member who
30 elects to make additional contributions under this section and shall credit
31 all contributions made by that member and interest on those contributions

1 to the account.

2 (2) Notwithstanding subsection (1) of this section, a police officer or
3 firefighter who retires prior to age 60 may apply for and receive an
4 actuarially reduced unit income commencing at any date between the date
5 of early retirement and age 60, with monthly benefits payable for at least 60
6 months or any other monthly formula in excess of 60 months but always
7 terminating by age 65. Such a police officer or firefighter may elect to pay
8 in a lump sum within the [60] 90 days immediately preceding early retirement
9 the contribution that the police officer or firefighter would have made to the
10 account had the police officer or firefighter worked to age 60.

11 (3) Any police officer or firefighter who elects to make additional contri-
12 butions to purchase increased benefits may elect at any time before termi-
13 nation to cancel such election. Having once canceled such election, no police
14 officer or firefighter shall be again permitted to make additional contribu-
15 tions.

16 (4) A member may withdraw the amounts credited to the account estab-
17 lished for the member under this section if:

18 (a) The member is separated from all service with participating public
19 employers; and

20 (b) The member is separated from all service with employers who are
21 treated as part of a participating public employer's controlled group under
22 the federal laws and rules governing the status of the system and the fund
23 as a qualified governmental retirement plan and trust.

24 (5) A member who withdraws the amounts credited to the account estab-
25 lished for the member pursuant to subsection (4) of this section may not
26 thereafter make additional contributions under this section.

27 (6) A police officer or firefighter who has elected to make additional
28 contributions under this section and who transfers to employment in which
29 not entitled to make such additional contributions may retain the account
30 established under subsection (1) of this section for five years immediately
31 following such transfer by not requesting a withdrawal. If, at the end of the

1 five-year period, the police officer or firefighter has not reached age 50, or
2 has not returned to employment in which entitled to make additional con-
3 tributions under this section, the election shall be canceled and the amount
4 of the account established under subsection (1) of this section shall be re-
5 funded to the police officer or firefighter.

6 (7) Any election to make additional contributions under this section and
7 any cancellation of such election shall be submitted to the employer and to
8 the board in writing.

9

10

BENEFICIARIES

11

12 **SECTION 9.** ORS 238.390 is amended to read:

13 238.390. (1) If a member of the system dies before retiring, the amount of
14 money, if any, credited at the time of death to the member account of the
15 member in the fund shall be paid to the beneficiaries designated by the
16 member. For this purpose a member may designate as a beneficiary any per-
17 son or the executor or administrator of the estate of the member or a trustee
18 named by the member to execute an express trust in regard to such amount.
19 The termination of a person's membership in the system pursuant to ORS
20 238.095 (1) or (2) invalidates any designation of beneficiary made by the
21 person before the termination of membership.

22 (2)(a) If a member dies before retiring and has not designated a benefi-
23 ciary under subsection (1) of this section, **or if the designated beneficiary**
24 **or beneficiaries do not survive the member**, the Public Employees Re-
25 tirement Board shall pay the amount of money, if any, credited at the time
26 of death to the member account of the deceased member to [*a personal rep-*
27 *resentative appointed for the estate of the deceased member*] **the following**
28 **person or persons, in the following order of priority:**

29 (A) **The member's surviving spouse or other person who is consti-**
30 **tutionally required to be treated in the same manner as a spouse;**

31 (B) **The member's surviving children, in equal shares; or**

1 **(C) The member's estate.**

2 **(b)** If a small estate affidavit has been filed under ORS 114.505 to 114.560,
3 and the amount of money credited to the account does not exceed the maxi-
4 mum amount of personal property for which a small estate affidavit may be
5 filed under ORS 114.505 to 114.560, the board shall pay the amount to the
6 person who filed the affidavit, **if the member's estate is the designated**
7 **beneficiary or is receiving the payment under paragraph (a) of this**
8 **subsection.**

9 (3) [*The beneficiary designated*] **A beneficiary** under subsection (1) **or (2)**
10 of this section may elect to receive the amount payable in actuarially de-
11 termined monthly payments for the life of such beneficiary as long as such
12 monthly payments are at least \$200.

13 (4) Accrued benefits due a retired member at the time of death are payable
14 to the designated beneficiary or as provided in subsection (2) of this section.
15 For the purpose of determining accrued benefits due a retired member at the
16 time of death, accrued benefits are considered to have ceased as of the last
17 day of the month preceding the month in which the retired member dies; but
18 if Option 2 or Option 3 under ORS 238.305 has been elected as provided in
19 this chapter and the beneficiary survives the retired member, the benefits to
20 the beneficiary shall commence as of the first day of the month in which the
21 retired member dies, and payment of benefits under Option 2 or Option 3
22 shall cease with the payment for the month preceding the month in which
23 the beneficiary dies.

24 (5) If a member dies before retiring and has designated a beneficiary un-
25 der subsection (1) of this section, but the beneficiary [*dies before the member,*
26 *or*] dies **after the member and** before distribution is made under this sec-
27 tion, the Public Employees Retirement Board shall pay the amount of money,
28 if any, that would otherwise have been paid to the beneficiary to a personal
29 representative appointed for the estate of the deceased beneficiary. If a small
30 estate affidavit has been filed under ORS 114.505 to 114.560, and the amount
31 of money that would have been paid to the beneficiary does not exceed the

1 maximum amount of personal property for which a small estate affidavit may
2 be filed under ORS 114.505 to 114.560, the board shall pay the amount to the
3 person who filed the small estate affidavit on behalf of the estate of the
4 beneficiary.

5 (6) Interest upon the member account of the member shall accrue until
6 the date that the amount in the member account is distributed. Any balance
7 in the variable account of the deceased member is considered to be trans-
8 ferred to the regular account of the member as of the date of death. The
9 board shall establish procedures for computing and crediting interest on the
10 balance in the member account for the period between the date of death and
11 date of distribution.

12 (7) Payment by the board of amounts in the manner provided by this
13 section completely discharges the board and system on account of the death,
14 and shall hold the board and system harmless from any claim for wrongful
15 payment.

16 **SECTION 10.** ORS 238.395 is amended to read:

17 238.395. (1)(a) In addition to any other benefits under this chapter, a death
18 benefit, provided by contributions of the public employer under ORS 238.225
19 and, for benefits that accrue on or after July 1, 2020, amounts in the em-
20 ployee pension stability account established for the member under ORS
21 238A.353, shall be paid to the beneficiaries designated under ORS 238.390 (1)
22 of a person who is an active or inactive member of the Public Employees
23 Retirement System and who dies as a result of injuries received while em-
24 ployed in the service of the public employer or within 120 days after termi-
25 nation from service with a participating public employer. A member who is
26 on a leave of absence without pay from employment with a participating
27 public employer has not terminated service with that participating public
28 employer for the purposes of this section.

29 (b) The death benefit under this subsection is an amount equal to the
30 amount in the member account of the deceased member at the time of death.

31 (c) In the event that a beneficiary has not been named as provided in

1 paragraph (a) of this subsection and ORS 238.390 (1), the death benefit under
2 this subsection shall be paid in the manner provided for payment of money
3 credited to the member account of the member in ORS 238.390 (2).

4 (d) The beneficiary designated under paragraph (a) of this subsection and
5 ORS 238.390 (1) **or (2)** may elect to receive the amount payable in actuarially
6 determined monthly payments for the life of such beneficiary as long as such
7 monthly payments, plus the monthly amount if elected under ORS 238.390 (3),
8 are at least \$200.

9 (e) Interest upon the death benefit provided by this subsection accrues
10 until the date that the benefit is distributed. The Public Employees Retire-
11 ment Board shall establish procedures for computing interest to be credited
12 on the benefit for the period between the date of death and date of distrib-
13 ution.

14 (2)(a) If a member of the system dies while employed in the service of a
15 participating public employer or within 120 days after termination from ser-
16 vice with a participating public employer and the member's spouse is the
17 member's beneficiary under ORS 238.390, the member's spouse may elect to
18 receive the benefit provided under this subsection in lieu of the death bene-
19 fits provided under ORS 238.390 and subsection (1) of this section.

20 **(b) The board shall provide the member's spouse with an estimate**
21 **of the benefits available under this section once the board:**

22 **(A) Has been notified of the member's death; and**

23 **(B) Has determined that the member's spouse is the sole benefi-**
24 **ary.**

25 **[(b)] (c) If the member's spouse elects to receive the benefit de-**
26 **scribed in this subsection,** the member's spouse must notify the board in
27 writing of **[an] the** election **[under this section]** no later than 60 days after
28 the date of **[death of the member] the estimate provided under paragraph**
29 **(b) of this subsection.**

30 **[(c)] (d)** The death benefit to be paid under this subsection is for the life
31 of the member's spouse and is:

1 (A) If the member dies before the earliest retirement date for the member
2 under ORS 238.280, the actuarial equivalent of 50 percent of the service re-
3 tirement allowance that would otherwise have been paid to the deceased
4 member, which shall be calculated as if the member became an inactive
5 member on the date of death and retired at the earliest retirement date for
6 the member under ORS 238.280;

7 (B) If the member dies on or after the earliest retirement date for the
8 member under ORS 238.280 and before normal retirement age, as defined in
9 ORS 238.005, the actuarial equivalent of the service retirement allowance
10 that would otherwise have been paid to the deceased member, which shall
11 be calculated as if the member retired under ORS 238.280 and as if the
12 member's retirement date was the first of the month following the date of
13 death of the member; or

14 (C) If the member dies on or after reaching normal retirement age as de-
15 fined in ORS 238.005, the actuarial equivalent of the benefit that would
16 otherwise have been paid to the deceased member, which shall be calculated
17 under ORS 238.300 as if the member's retirement date was the first of the
18 month following the date of death of the member.

19 [(d)] (e) The death benefit provided under this subsection shall be funded
20 in the same manner as described under ORS 238.300 and is first effective on
21 the first day of the month following the date of death of the member.

22 (f) The member's spouse may elect to delay payment of the death benefit
23 **provided under this subsection**, which shall be actuarially adjusted for age
24 and interest when payments commence, but payment must commence no later
25 than December 31 of the calendar year in which the deceased member would
26 have reached 72 years of age. **If the member's spouse elects to delay**
27 **payment under this paragraph and dies before payments commence:**

28 (A) **The beneficiary of the member's spouse shall receive, in a lump**
29 **sum, the sum of the payments the member's spouse would have re-**
30 **ceived had the member's spouse not elected to delay payment of the**
31 **death benefit.**

1 **(B) If the member’s spouse has not designated a beneficiary, the**
2 **member’s spouse’s benefit shall be paid to a personal representative**
3 **appointed for the estate of the member’s spouse.**

4 (3) Payment by the board of additional death benefits in the manner pro-
5 vided by this section completely discharges the board and system on account
6 of the death, and shall hold the board and system harmless from any claim
7 for wrongful payment.

8 **SECTION 11.** ORS 238A.230, as amended by section 7, chapter 83, Oregon
9 Laws 2022, is amended to read:

10 238A.230. (1) If a member of the pension program who is vested dies before
11 the member’s effective date of retirement, the Public Employees Retirement
12 Board shall pay the death benefit provided for in this section to:

13 (a) The spouse of the member to the extent not provided to a former
14 spouse in accordance with a judgment or order under ORS 238.465;

15 (b) The former spouse of the member as provided in a judgment or order
16 under ORS 238.465; or

17 (c) Any other person who is constitutionally required to be treated in the
18 same manner as a spouse for the purpose of retirement benefits.

19 (2) The death benefit to be paid under this subsection is for the life of the
20 member’s spouse, former spouse or other person who is constitutionally re-
21 quired to be treated in the same manner as a spouse, and is:

22 (a) If the member dies before the earliest retirement date for the member
23 under ORS 238A.165, the actuarial equivalent of 50 percent of the pension
24 that would otherwise have been paid to the deceased member, which shall
25 be calculated as if the member became an inactive member on the date of
26 death and retired at the earliest retirement date for the member as described
27 in ORS 238A.165;

28 (b) If the member dies on or after the earliest retirement date for the
29 member under ORS 238A.165 and before normal retirement age under ORS
30 238A.160, the actuarial equivalent of the pension that would otherwise have
31 been paid to the deceased member, which shall be calculated as if the mem-

1 ber retired under ORS 238A.185 and as if the member's retirement date was
2 the first of the month following the date of death of the member; or

3 (c) If the member dies on or after reaching normal retirement age as de-
4 scribed in ORS 238A.160, the actuarial equivalent of the pension that would
5 otherwise have been paid to the deceased member, which shall be calculated
6 under ORS 238A.125 as if the member's retirement date was the first of the
7 month following the date of death of the member.

8 (3) The death benefit provided under this section is first effective on the
9 first day of the month following the date of death of the member.

10 (4) The surviving spouse[, *former spouse or other person entitled to the*
11 *death benefit*] **or other person who is constitutionally required to be**
12 **treated in the same manner as a spouse for the purpose of retirement**
13 **benefits** may elect to delay payment of the death benefit, which shall be
14 actuarially adjusted for age and interest when payments commence, but
15 payment must commence no later than December 31 of the calendar year in
16 which the member would have reached 72 years of age. **If a person who**
17 **delays payment under this subsection dies before payments commence:**

18 (a) **The person's beneficiary shall receive, in a lump sum, the sum**
19 **of the payments the person would have received had the person not**
20 **elected to delay payment of the death benefit.**

21 (b) **If the person who delays payment under this subsection has not**
22 **designated a beneficiary, the person's benefit shall be paid to a per-**
23 **sonal representative appointed for the person's estate.**

24 [(4)] (5) Notwithstanding any other provision of ORS 238A.100 to
25 238A.250, distributions of death benefits under the pension program must
26 comply with the minimum distribution requirements of 26 U.S.C. 401(a)(9)
27 and the regulations implementing that section, as in effect on January 1,
28 2022. The board shall adopt rules implementing those minimum distribution
29 requirements.

30 **SECTION 12.** ORS 238A.410, as amended by section 10, chapter 83,
31 Oregon Laws 2022, is amended to read:

1 238A.410. (1)(a) If a member of the individual account program dies before
2 retirement, the amounts in the member's employee account, rollover account
3 and employer account, to the extent the member is vested in those accounts
4 under ORS 238A.320, shall be paid in a lump sum to the beneficiary or ben-
5 eficiaries designated by the member for the purposes of this section.

6 (b) If a member of the individual account program dies before retirement,
7 the amounts in the employee pension stability account established for the
8 member under ORS 238A.353 shall be applied by the Public Employees Re-
9 tirement Board to pay the costs of any benefit payable under ORS 238.395
10 or 238A.230 that accrues on or after July 1, 2020. If the amounts in the em-
11 ployee pension stability account exceed the costs of the benefit payable under
12 ORS 238.395 or 238A.230 that accrues on or after July 1, 2020, the excess
13 amounts shall be paid in a lump sum to the beneficiary or beneficiaries
14 designated by the member for the purposes of this section.

15 (2) If a member of the individual account program is married at the time
16 of death, or there exists at the time of death any other person who is con-
17 stitutionally required to be treated in the same manner as a spouse for the
18 purpose of retirement benefits, the spouse or other person shall be the ben-
19 eficiary for purposes of the death benefit payable under this section unless
20 the spouse or other person consents to the designation of a different benefi-
21 ciary or beneficiaries before the designation has been made and the consent
22 has not been revoked by the spouse or other person as of the time of the
23 member's death. Consent and revocation of consent must be in writing, ac-
24 knowledged by a notary public, and submitted to the Public Employees Re-
25 tirement Board in accordance with rules adopted by the board. If the
26 member's spouse is designated as the member's beneficiary and the marriage
27 of the member and spouse is subsequently dissolved, the former spouse shall
28 be treated as predeceasing the member for purposes of this section, unless
29 the member expressly designates the former spouse as beneficiary after the
30 effective date of the dissolution or the former spouse is required to be des-
31 ignated as a beneficiary under the provisions of ORS 238.465.

1 (3) For purposes of this section and ORS 238A.400 (3), if a member fails
2 to designate a beneficiary, or if the person or persons designated do not
3 survive the member, the death benefit provided for in this section shall be
4 paid to the following person or persons, in the following order of priority:

5 (a) The member's surviving spouse or other person who is constitutionally
6 required to be treated in the same manner as a spouse;

7 (b) The member's surviving children, in equal shares; or

8 (c) The member's estate.

9 **(4) If a small estate affidavit has been filed under ORS 114.505 to**
10 **114.560, and the death benefit does not exceed the maximum amount**
11 **of personal property for which a small estate affidavit may be filed**
12 **under ORS 114.505 to 114.560, the board shall pay the death benefit to**
13 **the person who filed the affidavit, if the member's estate is the des-**
14 **ignated beneficiary or is receiving the payment under subsection (3)**
15 **of this section.**

16 [(4)] (5) The entire amount of a deceased member's vested accounts must
17 be distributed by December 31 of the fifth calendar year after the year in
18 which the member died. Notwithstanding any other provision of this chapter,
19 distributions of death benefits under the individual account program must
20 comply with the minimum distribution requirements of 26 U.S.C. 401(a)(9)
21 and the regulations implementing that section, as in effect on January 1,
22 2022. The Public Employees Retirement Board shall adopt rules implementing
23 those minimum distribution requirements.

24

25 **RETIREMENT CREDIT DURING PERIOD OF DISABILITY**

26

27 **SECTION 13.** ORS 238A.155 is amended to read:

28 238A.155. (1) Notwithstanding any other provision of ORS 238A.100 to
29 238A.250, an active member of the pension program [*described in subsection*
30 *(2) of this section*] who becomes disabled shall accrue retirement credit and
31 hours of service credit for vesting purposes for the period during which the

1 member is disabled.

2 [(2) *The provisions of this section apply only to:*]

3 [(a) *A member who has accrued 10 years or more of retirement credit before*
4 *the member becomes disabled; or]*

5 [(b) *A member who becomes disabled by reason of injury or disease sus-*
6 *tained while in the actual performance of duty.]*

7 [(3)] (2) Retirement credit accrues under this section only for as long as
8 the member remains disabled or until the member reaches the normal re-
9 tirement age under ORS 238A.160.

10 [(4)] (3) If a disabled member does not return to employment with a par-
11 ticipating public employer after the period of disability, the member shall
12 receive a pension under ORS 238A.180, 238A.185 or 238A.190 upon retirement
13 based on an adjusted salary. The adjusted salary shall be the salary paid
14 to the disabled member on the date the member left active employment with
15 the participating public employer by reason of disability, adjusted for each
16 year after the member left employment and before the member's effective
17 date of retirement to reflect cost-of-living changes, based on the Consumer
18 Price Index for All Urban Consumers, West Region (All Items), as published
19 by the Bureau of Labor Statistics of the United States Department of Labor.
20 Adjustments under this subsection may not exceed a two percent increase
21 or decrease for any year. An adjustment shall be made under this subsection
22 only for calendar years in which the member is disabled for at least six
23 months during the year.

24 [(5)] (4) A pension program member is considered to be disabled for the
25 purpose of this section if:

26 (a) The member is found, after being examined by one or more physicians
27 selected by the Public Employees Retirement Board, to be mentally or phys-
28 ically incapacitated for an extended duration and unable to perform any
29 work for which qualified, by reason of injury or disease that was not inten-
30 tionally self-inflicted; or

31 (b) The member receives workers' compensation benefits by reason of in-

1 jury or disease that was sustained while in actual performance of duty with
2 a participating public employer and that was not intentionally self-inflicted
3 and returns to employment with a participating public employer after the
4 period of disability.

5 **SECTION 14.** ORS 238A.320 is amended to read:

6 238A.320. (1) A member of the individual account program becomes vested
7 in the employee account established for the member under ORS 238A.350 (2)
8 on the date the employee account is established.

9 (2) A member who makes rollover contributions becomes vested in the
10 rollover account established for the member under ORS 238A.350 (4) on the
11 date the rollover account is established.

12 (3) Except as provided in subsection (4) of this section, if an employer
13 makes employer contributions for a member under ORS 238A.340 the member
14 becomes vested in the employer account established under ORS 238A.350 (3)
15 on the earliest of the following dates:

16 (a) The date on which the member completes at least 600 hours of service
17 in each of five calendar years. The five calendar years need not be consec-
18 utive, but are subject to the provisions of subsection (5) of this section.

19 (b) The date on which an active member reaches the normal retirement
20 age for the member under ORS 238A.160.

21 (c) If the individual account program is terminated, the date on which
22 termination becomes effective, but only to the extent the account is then
23 funded.

24 (d) The date on which an active member becomes disabled, as described
25 in ORS 238A.155 [(5)].

26 (e) The date on which an active member dies.

27 (4) If on the date that a person becomes an active member the person has
28 already reached the normal retirement age for the person under ORS
29 238A.160, and the employer makes employer contributions for the member
30 under ORS 238A.340, the person is vested in the employer account established
31 under ORS 238A.350 (3) on that date.

1 (5) If a member of the individual account program who is not vested in
2 the employer account performs fewer than 600 hours of service in each of five
3 consecutive calendar years, hours of service performed before the first cal-
4 endar year of the period of five consecutive calendar years shall be disre-
5 garded for purposes of determining whether the member is vested under
6 subsection (3)(a) of this section.

7 (6) Solely for purposes of determining whether a member is vested under
8 subsection (3)(a) of this section, hours of service include creditable service,
9 as defined in ORS 238.005, performed by the person before the person became
10 an eligible employee, as long as the membership of the person under ORS
11 chapter 238 has not been terminated under the provisions of ORS 238.095 on
12 the date the person becomes an eligible employee.

13 (7) A member becomes vested in the employee pension stability account
14 established for the member under ORS 238A.353 on the date the employee
15 pension stability account is established.

16

17

LOCKING MEMBER DATA

18

19 **SECTION 15.** ORS 238.450 is amended to read:

20 238.450. (1) Upon receiving an application for a retirement allowance or
21 benefit from a member of the Public Employees Retirement System and ob-
22 taining information necessary for computation of the retirement allowance
23 or benefit to which the member is entitled upon retirement, the system shall
24 provide to the member a written computation of the retirement allowance
25 or benefit to which the member is entitled upon retirement and summary of
26 the information used in making that computation.

27 (2) A member of the system may dispute the accuracy of the information
28 used by the system in making the computation only by filing a written notice
29 of dispute with the system not later than whichever of the following days
30 occurs last:

31 (a) The 240th day after the date on which the computation and informa-

1 tion summary is provided to the member pursuant to subsection (1) of this
2 section.

3 (b) The 240th day after the date on which the retirement allowance or
4 benefit to which the member is entitled first becomes payable.

5 (3) The filing of a notice of dispute under subsection (2) of this section
6 extends the time allowed for election of an optional form of retirement al-
7 lowance or benefit until the 30th day after the conclusion of the proceeding
8 and any judicial review thereof if the proceeding or review results in a
9 change in the computation of the retirement allowance or benefit.

10 (4) Upon receiving a notice of dispute under subsection (2) of this section,
11 the system shall determine the accuracy of the disputed information and
12 make a written decision either affirming the accuracy of the information and
13 computation based thereon or changing the computation using corrected in-
14 formation. The system shall provide to the member a copy of the decision
15 and a written explanation of any applicable statutes and rules. The member
16 is entitled to judicial review of the decision as provided in ORS 183.484 and
17 rules of the [board] **Public Employees Retirement Board** consistent with
18 applicable statutes.

19 **(5) After the last date for filing a written notice of dispute under**
20 **subsection (2) of this section, a participating public employer may not**
21 **modify information that is provided to the system and that relates to**
22 **a member's creditable service, retirement credit, salary, employee**
23 **contributions or accumulated unused sick leave, unless specifically**
24 **required by one of the following circumstances:**

25 **(a) To comply with a judgment, administrative order, arbitration**
26 **award, conciliation agreement, settlement agreement or other legal**
27 **agreement entered into after the last date for filing a written notice**
28 **of dispute under subsection (2) of this section;**

29 **(b) To comply with ORS 238.156 or 238A.150; or**

30 **(c) To make a correction or modification as a result of a dispute**
31 **under subsection (2) of this section.**

1 [(5)] (6) This section does not affect any authority of the system, on its
2 own initiative, to correct an incorrect computation of any retirement allow-
3 ance or benefit.

4 **SECTION 16.** Section 17 of this 2023 Act is added to and made a part
5 of ORS chapter 238.

6 **SECTION 17.** (1) In accordance with ORS 238.705, a participating
7 public employer shall submit timely and accurate data regarding
8 members' demographic information, salary, hours worked and unused
9 sick leave.

10 (2) The Public Employees Retirement Board may, at its discretion,
11 prevent an employer from altering member data reported and a mem-
12 ber from challenging the data once the employer and member have
13 had the opportunity to review and correct the data.

14 (3) If the board exercises its discretion under subsection (2) of this
15 section, after the employer and member have had an opportunity to
16 review the member data, the employer may not modify information
17 that is provided to the board and that relates to the member's credit-
18 able service, retirement credit, salary, employee contributions or ac-
19 cumulated unused sick leave, unless specifically required by one of the
20 following circumstances:

21 (a) To comply with a judgment, administrative order, arbitration
22 award, conciliation agreement, settlement agreement, appeal determi-
23 nation or other legal agreement entered into after the review; or

24 (b) To comply with ORS 238.156 or 238A.150.

25 (4) The board shall adopt administrative rules and establish proce-
26 dures to lock member data under this section.

27

28

NORMAL RETIREMENT AGE

29

30 **SECTION 18.** ORS 238A.160 is amended to read:

31 238A.160. (1) Except as provided in subsections (2) and (3) of this section,

1 normal retirement age for a member of the pension program is the earlier
2 of:

3 (a) 65 years of age; or

4 (b) 58 years of age if the member has 30 years or more of retirement
5 credit.

6 (2) Normal retirement age for a member of the pension program who re-
7 tires from service as a police officer or firefighter, and [*who has held a po-*
8 *sition as a police officer or firefighter continuously for a period of not less than*
9 *five years immediately*] **whose last qualifying position was as a police**
10 **officer or firefighter for a continuous period of not less than five years**
11 preceding the effective date of retirement, is the earlier of:

12 (a) 60 years of age; or

13 (b) 53 years of age if the member has 25 years or more of retirement
14 credit.

15 (3) Normal retirement age for a member of the pension program who re-
16 tires from service as a school employee as defined by ORS 238A.140 is the
17 earlier of:

18 (a) 65 years of age; or

19 (b) 58 years of age if the member has been an active member in 30 or more
20 calendar years.

21 (4) The normal retirement date of a member is the first day of the month
22 beginning on or after the date the member reaches normal retirement age.

23

24

DISABILITY BENEFIT

25

26 **SECTION 19.** ORS 238A.235 is amended to read:

27 238A.235. (1) An active member of the pension program described in sub-
28 section (2) of this section who becomes disabled shall receive a disability
29 benefit in the amount of 45 percent of the salary of the member determined
30 as of the last full month of employment before the disability commences.

31 (2) The provisions of this section apply only to:

1 (a) A member, other than a school employee as defined by ORS 238A.140,
2 who has accrued 10 years or more of retirement credit before the member
3 becomes disabled;

4 (b) A member who is a school employee as defined by ORS 238A.140 and
5 who was an active member in 10 or more calendar years before the member
6 becomes disabled; or

7 (c) A member who becomes disabled by reason of injury or disease sus-
8 tained while in the actual performance of duty.

9 (3) A disability benefit under this section shall be paid until:

10 (a) The member is no longer disabled; [or]

11 (b) The member attains normal retirement age under ORS 238A.160; or

12 (c) **The member retires on or after the earliest normal retirement**
13 **date for the member under ORS 238A.165.**

14 (4) A member is considered to be disabled for the purpose of this section
15 if the member is found, after being examined by one or more physicians se-
16 lected by the board, to be mentally or physically incapacitated for an ex-
17 tended duration and unable to perform any work for which qualified, by
18 reason of injury or disease that was not intentionally self-inflicted.

19

20

APPLICABILITY

21

22 **SECTION 20.** (1) **The amendments to ORS 238.395 (1)(d) by section**
23 **10 of this 2023 Act apply to deaths that occur on or after September**
24 **1, 2021. In administering ORS 238.395 (1)(d), the Public Employees Re-**
25 **tirement Board shall apply ORS 238.390 as that statute existed at the**
26 **time of the death of the member.**

27 (2) **The amendments to ORS 238.395 (2)(f) by section 10 of this 2023**
28 **Act apply to deaths of members' spouses that occur on or after Janu-**
29 **ary 1, 2020.**

30 (3) **The amendments to ORS 238A.230 by section 11 of this 2023 Act**
31 **apply to deaths of persons delaying payments under ORS 238A.230 that**

1 occur on or after January 1, 2020.

2

3

REVIEW BY SUPREME COURT

4

5 **SECTION 21. (1) Jurisdiction is conferred upon the Supreme Court**
6 **to determine in the manner provided by this section whether this 2023**
7 **Act breaches any contract between members of the Public Employees**
8 **Retirement System and their employers or violates any provision of**
9 **the Oregon Constitution or of the United States Constitution, includ-**
10 **ing but not limited to impairment of contract rights of members of the**
11 **Public Employees Retirement System under Article I, section 21, of the**
12 **Oregon Constitution, or Article I, section 10, clause 1, of the United**
13 **States Constitution.**

14 **(2) A person who is adversely affected by this 2023 Act or who will**
15 **be adversely affected by this 2023 Act may institute a proceeding for**
16 **review by filing with the Supreme Court a petition that meets the**
17 **following requirements:**

18 **(a) The petition must be filed within 60 days after the effective date**
19 **of this 2023 Act.**

20 **(b) The petition must include the following:**

21 **(A) A statement of the basis of the challenge; and**

22 **(B) A statement and supporting affidavit showing how the**
23 **petitioner is adversely affected.**

24 **(3) The petitioner shall serve a copy of the petition by registered**
25 **or certified mail upon the Public Employees Retirement Board, the**
26 **Attorney General and the Governor.**

27 **(4) Proceedings for review under this section shall be given priority**
28 **over all other matters before the Supreme Court.**

29 **(5) The Supreme Court shall allow public employers participating**
30 **in the Public Employees Retirement System to intervene in any pro-**
31 **ceeding under this section.**

1 **(6)(a) The Supreme Court shall allow members of the Legislative**
2 **Assembly to intervene in any proceeding relating to this 2023 Act. Af-**
3 **ter a member intervenes in a proceeding relating to this 2023 Act, the**
4 **member has standing to participate in the proceeding even if the**
5 **member ceases to be a member of the Legislative Assembly.**

6 **(b) A member of the Senate or the House of Representatives who**
7 **intervenes in a proceeding under this subsection may not use public**
8 **funds to pay legal expenses incurred in intervening in or participating**
9 **in the proceeding.**

10 **(7) In the event the Supreme Court determines that there are fac-**
11 **tual issues in the petition, the Supreme Court may appoint a special**
12 **master to hear evidence and to prepare recommended findings of fact.**

13 **(8) The Supreme Court may not award attorney fees to a petitioner**
14 **in a proceeding under this section.**

15

16

CAPTIONS

17

18 **SECTION 22.** **The unit captions used in this 2023 Act are provided**
19 **only for the convenience of the reader and do not become part of the**
20 **statutory law of this state or express any legislative intent in the**
21 **enactment of this 2023 Act.**

22

D R A F T

SUMMARY

Increases fees Public Employees Retirement Board may charge in connection with payment of public employee retirement benefits to alternate payee.

A BILL FOR AN ACT

1
2 Relating to alternate payees in the Public Employees Retirement System;
3 creating new provisions; and amending ORS 238.465.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 238.465 is amended to read:

6 238.465. (1) Notwithstanding ORS 238.445 or any other provision of law,
7 payments under this chapter or ORS chapter 238A of any pension, annuity,
8 retirement allowance, disability benefit, death benefit, refund benefit or
9 other benefit that would otherwise be made to a person entitled thereto un-
10 der this chapter or ORS chapter 238A shall be paid, in whole or in part, by
11 the Public Employees Retirement Board to an alternate payee if and to the
12 extent expressly provided for in the terms of any judgment of annulment or
13 dissolution of marriage or of separation, or the terms of any court order or
14 court-approved property settlement agreement incident to any judgment of
15 annulment or dissolution of marriage or of separation. Except as provided
16 in subsection (5) of this section, the total actuarial value of benefits payable
17 to a member and to an alternate payee under this section may not be greater
18 than the value of the benefits the member would otherwise be eligible to
19 receive if the annulment or dissolution of marriage or separation had not
20 occurred. Any payment under this subsection to an alternate payee bars re-

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 cover by any other person.

2 (2) A judgment, order or settlement providing for payment to an alternate
3 payee under subsection (1) of this section may also provide:

4 (a) That payments to the alternate payee may commence, at the election
5 of the alternate payee, at any time after the earlier of:

6 (A) The earliest date the member would be eligible to receive retirement
7 benefits if the member separates from service; or

8 (B) The date the member actually separates from service due to death,
9 disability, retirement or termination of employment.

10 (b) That the alternate payee may elect to receive payment in any form
11 of pension, annuity, retirement allowance, disability benefit, death benefit,
12 refund benefit or other benefit, except a benefit in the form of a joint and
13 survivor annuity, that would be available to the member under this chapter
14 or ORS chapter 238A, or that would be available to the member if the mem-
15 ber retired or separated from service at the time of election by the alternate
16 payee, without regard to the form of benefit elected by the member.

17 (c) That the alternate payee's life is the measuring life for the purpose
18 of measuring payments to the alternate payee under the form of benefit se-
19 lected by the alternate payee and for the purpose of determining necessary
20 employer reserves.

21 (d) Except as provided in ORS 238.305 (10) and 238.325 (7), that any person
22 designated by the member as a beneficiary under ORS 238.300, 238.305,
23 238.325, 238A.190 or 238A.400 be changed, even though the member has re-
24 tired and has begun receiving a retirement allowance or pension. If a change
25 of beneficiary is ordered under this paragraph, the board shall adjust the
26 anticipated benefits that would be payable to the member and the beneficiary
27 to ensure that the cost to the system of providing benefits to the member and
28 the new beneficiary does not exceed the cost that the system would have
29 incurred to provide benefits to the member and the original beneficiary. The
30 judgment, order or settlement may not provide for any change to the option
31 selected by the retired member under ORS 238.300, 238.305, 238.320, 238.325,

1 238A.190 or 238A.400 as to the form of the retirement benefit.

2 (e) That death benefits under ORS 238A.230 to which the alternate payee
3 has been entitled as the spouse of a member shall be available to the alter-
4 nate payee after the effective date of the judgment of annulment or dissol-
5 ution of marriage or of separation.

6 (3) The board shall adopt rules that provide for:

7 (a) The creation of a separate account in the name of the alternate payee
8 reflecting the judgment's, order's or agreement's distribution of the member's
9 benefits under this chapter or ORS chapter 238A;

10 (b) The establishing of criteria to determine whether domestic relations
11 judgments, orders and agreements comply with this section; and

12 (c) The definitions and procedures for the administration of this section.

13 (4) An alternate payee may designate a beneficiary for the purposes of
14 death benefits payable under ORS 238.390 and 238.395. Subject to ORS
15 238A.410 (2), an alternate payee may designate a beneficiary for the purposes
16 of death benefits payable under ORS 238A.410. If the alternate payee fails to
17 designate a beneficiary for the purposes of death benefits payable under ORS
18 238.390 and 238.395, the benefits shall be paid as provided by ORS 238.390 (2).
19 If the alternate payee fails to designate a beneficiary for the purposes of
20 death benefits payable under ORS 238A.410, the benefits shall be paid as
21 provided by ORS 238A.410 (3). If a judgment, order or agreement awards an
22 interest to an alternate payee, and if the alternate payee predeceases the
23 member before the alternate payee has commenced receiving benefits, the
24 alternate payee shall be considered a member of the system who died before
25 retiring for the purposes of the death benefits provided in ORS 238.390,
26 238.395, 238A.230 and 238A.410, but for purposes of the death benefits pro-
27 vided in ORS 238.395, the alternate payee shall be considered a member of
28 the system who died before retiring only if the member would have been el-
29 ible for death benefits under ORS 238.395 had the member died at the same
30 time as the alternate payee. Payment of the death benefits to the benefi-
31 aries, estate or other persons entitled to receive the benefits under ORS

1 238.390, 238.395, 238A.230 and 238A.410, shall constitute payment in full of
2 the alternate payee's interest under the judgment, order or agreement.

3 (5) Any increase in the retirement allowance provided to the member shall
4 increase the amounts paid to the alternate payee in the same proportion,
5 except that:

6 (a) An alternate payee is not entitled to receive cost-of-living adjustments
7 under ORS 238.360 or any other retirement allowance increase until benefits
8 are first paid from the system on behalf of the member; and

9 (b) Cost-of-living adjustments under ORS 238.360 or 238A.210 to the re-
10 tirement allowance paid to an alternate payee shall be calculated on the
11 basis of the amount of the alternate payee's yearly allowance or yearly pen-
12 sion or benefit, as those terms are defined in ORS 238.360 and 238A.210.

13 (6) An alternate payee under this section is not eligible to receive the
14 benefits provided under ORS 238.410, 238.415, 238.420 and 238.440 by reason
15 of the provisions of this section.

16 (7) An alternate payee who elects to begin receiving payments under
17 subsection (1) of this section before the member's effective date of retirement
18 is not eligible to receive any additional payment by reason of credit in the
19 system acquired by the member after the alternate payee begins to receive
20 payments.

21 (8) Subsection (1) of this section applies only to payments made by the
22 board after the date of receipt by the board of written notice of the judg-
23 ment, order or agreement and such additional information and documenta-
24 tion as the board may prescribe.

25 **(9)(a) Subject to the limitations provided in this subsection,** when-
26 ever the board is required to make payment to an alternate payee under the
27 provisions of this section, the board shall charge and collect out of the
28 benefits payable to the member and the alternate payee actual and reason-
29 able administrative expenses and related costs incurred by the board in ob-
30 taining data and making calculations that are necessary by reason of the
31 provisions of this section.

1 (b) The board may not charge more than [~~\$300~~] **\$1,300** for total adminis-
2 trative expenses and related costs incurred in obtaining data or making cal-
3 culations that are necessary by reason of the provisions of this section. The
4 board shall allocate expenses and costs charged under the provisions of this
5 subsection between the member and the alternate payee based on the fraction
6 of the benefit received by the member or alternate payee.

7 (c) **On January 1 of each year, the board shall adjust the dollar**
8 **amount provided in paragraph (b) of this subsection to reflect any**
9 **percentage increase in the cost of living for the previous calendar**
10 **year, based on changes in the Consumer Price Index for All Urban**
11 **Consumers, West Region (All Items), as published by the Bureau of**
12 **Labor Statistics of the United States Department of Labor.**

13 (10) Unless otherwise provided by the judgment, order or agreement, a
14 member has no interest in the benefit payable to an alternate payee under
15 this section. Upon the death of an alternate payee, the board shall make such
16 payment to the beneficiary designated by the alternate payee as may be re-
17 quired under the form of benefit elected by the alternate payee. If a death
18 benefit is payable under ORS 238.390 or 238.395 by reason of the death of an
19 alternate payee, payment of the death benefit shall be made to the benefi-
20 ciary designated by the alternate payee under ORS 238.390 (1), or as otherwise
21 provided by ORS 238.390 and 238.395.

22 (11) As used in this section, "court" means any court of appropriate ju-
23 risdiction of this or any other state or of the District of Columbia.

24 **SECTION 2. (1) The amendments to ORS 238.465 by section 1 of this**
25 **2023 Act apply to orders received and deemed administrable on or after**
26 **the effective date of this 2023 Act.**

27 (2) **The Public Employees Retirement Board shall make the first**
28 **adjustment required under ORS 238.465 (9)(c) on January 1, 2025.**

29

D R A F T

SUMMARY

Removes obsolete provisions relating to Social Security Revolving Account.

A BILL FOR AN ACT

Relating to the Social Security Revolving Account; amending ORS 237.490; and repealing ORS 237.515.

Be It Enacted by the People of the State of Oregon:

SECTION 1. ORS 237.490 is amended to read:

237.490. (1) All employer and employee contributions and other moneys received or collected by the Public Employees Retirement Board under ORS 237.410 to 237.515 shall be deposited into the State Treasury to the credit of an account, separate and distinct from the General Fund, to be known as the Social Security Revolving Account, and the moneys in the account are continuously appropriated for the purposes of ORS 237.410 to 237.515.

(2) All moneys in the account shall be held in trust and invested as provided in ORS 293.701 to 293.857. Interest from such investments shall be used *[first]* for paying the administrative expenses described in ORS 237.500 *[and not later than the 15th day of February, May, August and November, after paying the administrative expenses, as determined by the Public Employees Retirement Board, for the preceding calendar quarter, the balance of the interest remaining shall be available for general governmental expenses]*.

[(3) The Oregon Department of Administrative Services may review all duly approved claims certified by the Public Employees Retirement Board for the

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 *payment of amounts required to be paid to the Secretary of the Treasury pur-*
2 *suant to agreements entered into under ORS 237.410 to 237.515, and for the*
3 *payment of necessary refunds and may issue warrants therefor payable out of*
4 *the Social Security Revolving Account.]*

5 **SECTION 2. ORS 237.515 is repealed.**

6

Action and Discussion Items

1. Presentation of Final Legislative Concept Drafts and Legislative Update
2. Senate Bill 1049 Update
3. Secretary of State Actuarial Review Findings
4. Financial Modeling Presentation



Oregon

Kate Brown, Governor

Public Employees Retirement System

Headquarters:
11410 S.W. 68th Parkway, Tigard, OR
Mailing Address:
P.O. Box 23700
Tigard, OR 97281-3700
888-320-7377
TTY (503) 603-7766
www.oregon.gov/pers

December 2, 2022

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

Senate Bill (SB) 1049 was signed into law by the Governor on June 11, 2019. PERS staff continue to focus on completing work in an efficient and effective manner.

PROGRAM/PROJECT IMPLEMENTATION

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

Project	Effective Date	Project Health and Status (as of 11/10/22)
SB 1049 Implementation Program		Program health: Red <ul style="list-style-type: none"> The program continues to be in red status because the Member Redirect project has determined that two work packages cannot be completed within the current baselined schedule. A replanning effort is underway and change requests to address this issue are drafted and under review. Cross Project Effort (CPE) health continues to be in red status due to delays in Work Package (WP) 6.
Employer Programs Project	Effective July 1, 2019	Project ended July 16, 2021.
Salary Limit Project	Effective January 1, 2020	Project ended May 28, 2021.
Work After Retirement Project	Effective January 1, 2020	Project ended February 24, 2022.
Member Redirect Project	Effective July 1, 2020	Project health: Red <ul style="list-style-type: none"> The Member Redirect project status continues to be in red status due to WP8 (EPSA Death) and WP11 (Reemployment) schedule uncertainty. Change requests are drafted for schedule changes as well as incorporation of SB 111A. This will impact the deployment dates of WP8, WP10, and WP11.

		<ul style="list-style-type: none"> • Business Functional Testing is in process for WP9.1 (EPSA Withdrawal) and WP9.2 (OPSRP Withdrawal), which is scheduled to tentatively deploy 3/9/2023. • Construction is in process for WP8 (EPSA Death) and WP10 (Backlog Implementation). • Elaboration has begun for WP11.1 (Reemployment) and WP11.2 (Excess EPSA).
Member Choice Project	Effective January 1, 2021	Project ended August 4, 2021.
Technical Debt		<p>Project health: Green</p> <ul style="list-style-type: none"> • Project has been re-baselined to incorporate the schedules for WP5 and WP6. • WP4 (jClarety Reporting Engine — Hyperion Replacement) deployed successfully on October 20, 2022. • Construction has begun for WP6 (General Ledger Reversals). • Elaboration is in process for WP5 (Side Account Reversals).

Highlighted activities completed or in progress since late July 2022:

- Program and project activities.
 - iQMS activities.
 - Draft Quarterly QA Status and Improvement report (October 2022) received October 21, 2022.
 - Draft Periodic Quality Status report due November 16, 2022.
- Budget reporting.
 - Next bi-monthly meeting with the Chief Financial Office, Legislative Fiscal Office, and the Governor’s Office is scheduled for November 23, 2022.
 - Work order contracts approved for Technical Debt work packages through remainder of the biennium.

PROGRAM/PROJECT BUDGET

The high-level budget information is contained within page two of the attachment to agenda item A.2.c. The detailed budget can be viewed in the attached Monthly Status Report.

The 2023-25 PERS Budget request has been submitted to the Chief Financial Office and we await notice of the Governor’s recommended budget. PERS staff will continue to update the board as program implementation continues throughout the year.

C.1. Attachment 1 — Monthly Project Status Report and Roadmap

SB 1049 Implementation Program

Status Report for November 18, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Program information:

Program start: July 1, 2019 | **Program end:** June 19, 2024
Note: Member Redirect is in replanning, which will likely extend both its end date and the Program end date.

Subprojects:

Project 1: Employer Programs
Project start: July 1, 2019 | Project end: July 16, 2021
Project status: **Complete**

Project 2: Work After Retirement (WAR)
Project start: July 1, 2019 | Project end: February 24, 2022
Project status: **Complete**

Project 3: Salary Limit
Project start: July 1, 2019 | Project end: May 28, 2021
Project status: **Complete**

Program statement:

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

Project 4: Member Redirect
Project start: July 1, 2019 | Project end: April 25, 2024
Project status: **Red**

Project 5: Member Choice
Project start: October 23, 2019 | Project end: August 4, 2021
Project status: **Complete**

Project 6: Technical Debt
Project start: June 22, 2021 | Project end: March 11, 2024
Project status: **Green**

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

Overall program status: Red

The program status remains red. Member Redirect Work Package (WP) 8.1 (EPSA Death) cannot be completed within the baselined schedule because its size and complexity are larger than originally anticipated. Member Redirect WP 11.1 (Re-Employment) is expected to have the same issue. Member Redirect has developed two change requests to holistically address the size and complexity of all remaining work packages, including WP 8.1 and WP 11.1. These change requests are currently in SB 1049 Core Team review and are expected to be sent to the SB 1049 Steering Team for review and approval in early December.

Elaboration, construction, and testing activities for current work packages continue to progress well for both Member Redirect and Technical Debt projects.

Member Redirect and Technical Debt have activities planned into the 2023-2025 biennium, and that budget has not been approved. PERS has submitted the 2023-2025 SB 1049 Business Case and Budget Request. This request includes 6 months of contingency due to the Member Redirect scheduling issue described above, and an additional 6-month stabilization period, which would extend the program end date approximately one year.

SB 1049 Implementation Program

Status Report for November 18, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Budget health: Yellow

Work is planned for Member Redirect and Technical Debt beyond the 2021-2023 biennium, but that budget has not been approved yet.

29560- SB 1049 Implementation Program by Project					
Other Funds Lmt	21-23 Budget	Actual to Date	Projections	21-23 Total	Variance
Work After Retirement	\$ 1,127,741	\$ 527,076	\$ -	\$ 527,076	\$ -
Variance from WAR	\$ -	\$ -	\$ -	\$ -	\$ 600,665
Member Redirect	\$ 19,473,730	\$ 12,711,591	\$ 7,362,153	\$ 20,073,743	\$ (600,013)
Technical Debt	\$ 2,565,741	\$ 1,109,245	\$ 561,383	\$ 1,670,628	\$ 895,112
				\$ -	\$ -
Total	\$ 23,167,212	\$ 14,347,912	\$ 7,923,536	\$ 22,271,448	\$ 895,763

29560- SB 1049 Implementation Program by POP					
Other Funds Lmt	21-23 Budget	Actual to Date	Projections	21-23 Total	Variance
Project Management & Admin	\$ 2,044,800	\$ 1,088,788	\$ 543,212	\$ 1,632,000	\$ 412,800
Quality Assurance and Testing	\$ 812,500	\$ 366,984	\$ 560,749	\$ 927,733	\$ (115,233)
Info Technology Applications	\$ 13,337,000	\$ 9,231,078	\$ 4,503,192	\$ 13,734,270	\$ (397,270)
Operational Implementation	\$ 6,972,912	\$ 3,661,063	\$ 2,316,383	\$ 5,977,445	\$ 995,467
Total	\$ 23,167,212	\$ 14,347,912	\$ 7,923,536	\$ 22,271,448	\$ 895,763

Schedule health: **Red**

The schedule health for Member Redirect is red due to the determination that WP 8.1 (EPSA Death) cannot be completed within the baselined schedule. There is a belief that WP 11.1 (Re-employment) also will not fit within its current baselined schedule. Technical Debt is progressing according to its baselined schedule. The Cross Project Effort is red due to delays in development activities for WP 6 (IAP Balance Comparison Tool).

Scope health: **Yellow**

The program and project scope are largely understood and have been incorporated into program-level plans and schedules. Elaboration for the final large work package, Member Redirect WP 11.1 (Re-employment), is in process. Once complete, detailed scope for all large work packages will be understood.

Quality Assurance activities:

- iQMS Deliverable 4.1.11 Quarterly QA Status and Improvement Report starts 9/9/2022, completed 11/16/2022.
- iQMS Deliverable 3.3.11 Periodic Quality Status Report starts 10/26/2022, due 12/12/2022.
- iQMS Deliverable 4.1.12 Quarterly QA Status and Improvement Report starts 12/8/2022, due 2/21/2023.

Emerging concerns/needs/impacts:

- The size and complexity of remaining Member Redirect work packages is more substantial than originally understood. The team has drafted two change requests to address the remaining Member Redirect scope, schedule, and budget. These changes are under review by the SB 1049 Core Team and expected to be presented to the SB 1049 Steering Team for approval on 12/6/2022.
- Deployment date replanning is in process for Member Redirect WP 9.1 (EPSA Withdrawal) and WP 9.2 (OPSRP Withdrawal) due to User Acceptance Testing (UAT) impacts from the ACH Treasury KeyBank Transition project.
- As additional non-SB 1049 work efforts continue to ramp up, there is a continued concern that these projects could have a negative impact to SB 1049:
 - Resources, both people and technical, may be negatively impacted. The SB 1049 team continues to monitor resource allocations for SB 1049 resources across all projects (where data is available) and mitigate impacts where issues are found. The SB 1049 Project Managers proactively manage their schedules to ensure major milestones are kept on track.
 - jClarety production deployments (both SB 1049 and non-SB 1049) are stacked very tightly for the foreseeable future. There is little room to accommodate schedule slippage for any release without impacting subsequent SB 1049 releases.
 - Non-SB 1049 Projects have necessitated requirement changes for SB 1049 work packages, causing re-work and schedule delays.

SB 1049 Implementation Program

Status Report for November 18, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Program Risks and Mitigation

Listed below are the most critical risks for this project.

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

#	Risk Description	Mitigation and/or Contingency Plan	Notes
39	Critical Resources Allocated to non-SB 1049 Work: Critical SB 1049 resources are allocated to non-SB 1049 work, impacting availability for SB 1049 potentially causing schedule delays.	<ul style="list-style-type: none"> ➤ Coordinate with non-SB 1049 projects to identify and resolve resource conflicts ➤ Reassign non-SB 1049 work to operational resources not working on SB 1049 	Concerns with resources supporting SB 1049 and other projects, including W-4 Tax Form, ACH Treasury KeyBank Transition, and Maintenance and Enhancement (M&E) projects
120	Impact of non-SB 1049 projects to SB 1049: Non-SB 1049 projects running concurrent with SB 1049 could negatively impact SB 1049 resource availability and/or SB 1049 project timelines.	<ul style="list-style-type: none"> ➤ Careful coordination with non-SB 1049 project managers ➤ Escalate when conflicts cannot be avoided 	

Program Issues and Action Plans

Listed below are the most critical issues for this project.

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

No	Issue	Resolution / Notes	Estimated Resolution Date
22	Technology Risk: Complex, New or Untried Process: The project solution is complex, new, untried in the market or not aligned with best practices.	<ul style="list-style-type: none"> ➤ PowerApps is planned to be used for Cross Project Effort WP 6 (IAP Balance Comparison Tool), but this tool is new to PERS, and the learning curve has been significant. Construction of this tool is delayed. ➤ An experienced PowerApps contractor is assisting the team in resolving current blockers and provide knowledge transfer to the PERS staff. 	11/30/2022
23	Schedule Capacity or Re-Baseline Planning: The project schedule does not have capacity for all scope needed and is delayed or requires a re-baseline.	<ul style="list-style-type: none"> ➤ Member Redirect WP 8.1 (EPSA Death) will not be able to be developed within the current baselined schedule. WP 11.1 (Re-employment) likely has a similar issue. A change request is in process to address remaining work packages. 	1/15/2023

SB 1049 Implementation Program

Status Report for November 18, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Program information: Cross Project Effort

Start: May 28, 2020 | End: May 13, 2024
Project Manager: Susan K. Mundell

Cross Project Effort objective:

The Cross Project Effort is focused on technical tools, and extracts that are used across multiple SB 1049 projects. Originally, these efforts were included as Work Packages within the individually impacted projects. The scope of this effort has not changed, but the work has been restructured to ensure it receives an appropriate level of coordination and ensure the success of the necessary inter-project integrations.

Overall status: Red

Narrative: Progress is being made for Cross Project Effort (CPE) Work Package (WP) 6: Individual Account Program (IAP) Balance Comparison Application. While Information Services Division staff continue to work with Dedicated Service Engineers from Microsoft to resolve any development and infrastructure blockers, the in-house PowerApps development consultant is making headway on the development of the application. The design approach has been finalized, and enough development has progressed to allow for an estimate of the end of the development cycle. This information will be used to create an updated project schedule. Once the updated schedule is approved by the project team and SB 1049 Steering Committee, the project can return to a green status.

Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP 3: IAP Divorce Tool Deployed	100%	2/22/2022	3/04/2022	
WP 5.2: Prior Year Earnings Invoice Tool Deployed	100%	5/20/2022	5/17/2022	
WP 4.2: IAP Adjustment Calculator Deployed	100%	6/01/2022	5/26/2022	
WP 6: IAP Balance Comparison Application	0%	10/04/2022	5/15/2023	Tentatively Planned Release Date
WP 7.3: Payouts Actuarial Extract	0%	2/22/2024	3/28/2024	Date change approved by Steering Team
Cross Project Effort Closure	0%	5/13/2024	5/13/2024	

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

SB 1049 Implementation Program

Status Report for November 18, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen



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 → 6/30/21 – 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 → 						<ul style="list-style-type: none"> 7/1/20 – Effective Date → 1/21/21 – WP5.2 Online Member Services User Interface – Long Term → 1/26/21 – WP2 TIED SSIS – Non-jClarety – Long Term → 6/24/21 – WP4.2 EPSA Display, and WP12 Full EPSA Set up Screen – Long Term → 						<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 3/23/21 – WP3 EPSA Earnings – 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 → 						<ul style="list-style-type: none"> 8/19/20 – Member Choice Notification → 8/20/20 – Work Package (WP) 1 Online Member Services (OMS) Changes Deployed → 9/1-30/20 – Election Period → 3/23/21 – WP2 OMS & jClarety Enhancements – Long Term → 5/1/21 – Member Choice reflected in MAS → 6/24/21 – WP3 Online Member Services (OMS) Election and Bugs → 						<ul style="list-style-type: none"> 1/1/21 – Effective Date 										
PROGRAM INITIATIVE													<ul style="list-style-type: none"> 1/26/21 – WP2.1 IAP Payment Recon (short-term) → 3/18/21 – WP1.2 IAP Validator Tool (long-term) → 										
Cross Project Effort							<ul style="list-style-type: none"> 9/17/20 – WP1.1 IAP Validator Tool (short-term) → 						<ul style="list-style-type: none"> 4/27/21 – WP2.2 IAP Payment Recon (long-term) → 5/13/21 – WP7.2 Employer Information Actuarial Extract → 6/18/21 – WP5.1 PYE Invoicing Tool → 6/24/21 – WP7.1 Non-Retired Census Actuarial Extract → 6/28/21 – WP4.1 IAP Adjustment Calculator → 										

SB 1049 Implementation Program

Status Report for November 18, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Senate Bill (SB) 1049 Implementation Road Map 2021-2023 Biennium

	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
Employer Programs	● 7/16/21 – Project Close												Nov 18										
Work After Retirement							● 12/16/21 – WP4 Side Account Credit Allocation																
							● 2/24/22 – Project Close																
Member Redirect							● 10/14/21 – WP5 Voluntary Contribution Maintenance – Long Term																
							● 3/24/22 – WP4.3 EPISA Transaction Display – Long Term																
													● 7/21/22 – WP6.1 EPISA Retirement – Long Term										
													2/23/23 – WP9.1 EPISA Withdrawal – Long Term → ●										
													2/23/23 – WP9.2 Alter OPSRP Withdrawal – Long Term → ●										
Member Choice	● 8/4/21 – Project Close																						
Technical Debt	● 7/1/21 – Project Kickoff																						
							4/30/22 – WP3 General Ledger Reversals, Including Side Accounts – Functional Design Specification Completed																
													● 3/31/22 – WP2 Benefit Account Transition Status – Functional Design Specification Completed										
													● 7/21/22 – WP1 Employer Statements										
													● 10/20/22 – WP4 Hyperion Replacement										
PROGRAM INITIATIVE																							
Cross Project Effort																							
							● 3/4/22 – WP3 IAP Divorce Tool																
													● 5/20/22 – WP5.2 PYE Invoicing Tool										
													● 6/1/22 – WP4.2 IAP Adjustment Calculator										
													5/15/23 – WP6 IAP Balance Comparison Tool → ●										

SB 1049 Implementation Program

Status Report for November 18, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen



Senate Bill (SB) 1049 Implementation Road Map

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																									
	<ul style="list-style-type: none"> 7/20/23 – WP8.1 EPSA Pre-Retirement Death – Long Term 7/20/23 – WP10 Backlog Implementation – Long Term 						<ul style="list-style-type: none"> 3/28/24 – Migration Finalization 4/25/24 – Project Close 																		
							<ul style="list-style-type: none"> 12/21/23 – WP11.1 Reemployment – Long Term 12/21/23 – WP11.2 Excess EPSA – Long Term 3/28/24 – WP12.2 Final Backlog Implementation – Long Term 																		
Technical Debt							<ul style="list-style-type: none"> 1/18/24 – WP5 Side Account Reversals 3/11/24 – Project Close 																		
PROGRAM INITIATIVE																									
Cross Project Effort	<ul style="list-style-type: none"> 3/28/24 – WP7.3 Tier One/Tier Two/OPSRP Payouts Actuarial Extract 																								

Project information: Member Redirect

Project start: July 1, 2019, | Project end: April 25, 2024

Project Manager: Chris Yu

Project objective:

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

Overall project status: **Red**

Project Narrative: The overall project health status remains red because of the size and complexity of WP 8.1 (EPSA Pre-Retirement Death) and WP 11.1 (Re-Employment). The Project Team continues to develop Change Request 009 (Requirement Complexity and Schedule Impact) to explore mitigation strategies which include possible scope, schedule, and staffing changes. The Project Manager has distributed a draft of Change Request 009 and 010 (SB111A) to the SB 1049 Core Team for initial review and discussion.

Business Functional Testing for WP 9.1 (EPSA Withdrawal) and WP 9.2 (OPSRP Withdrawal) continues on schedule towards the 11/30/2022 completion date. Construction for WP 8.1 (EPSA Pre-Retirement Death) and WP 10 (Backlog Implementation) also continues towards the 3/31/2022 completion date.

Note: All dates below are subject to change with Change Request 009.

Work Packages:

Work Package 9.1 EPSA Withdrawal – Long-Term

- Production Deployment Date: 2/23/2023
- Business Functional Testing will be completed on 11/30/2022
- User Acceptance Testing will begin on 12/19/2022

Work Package 9.2 Alter OPSRP Withdrawal – Long-Term

- Production Deployment Date: 2/23/2023
- Business Functional Testing will be completed on 11/30/2022
- User Acceptance Testing will begin on 12/19/2022

Work Package 8.1 EPSA Pre-Retirement Death – Long-Term

- Production Deployment Date: 7/20/2023
- Construction will be completed on 3/31/2023
- Business Functional Testing will begin on 5/12/2023

Work Package 10 Backlog Implementation – Long-Term

- Production Deployment Date: 7/20/2023
- Construction will be completed on 3/31/2023
- Business Functional Testing will begin on 5/12/2023

Additional long-term work packages exist. See the Milestones Schedule for a complete list of work packages

SB 1049 Implementation Program

Status Report for November 18, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Budget health: Green

There will need to be additional funding for 2023-2025, which will be tracked at the program level.

29560 SB1049 - Member Redirect Project					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 1,658,226	\$ 650,663	\$ 1,007,563	\$ 1,658,226	\$ -
Personal Services - SB1049	\$ 5,956,112	\$ 3,408,532	\$ 2,547,580	\$ 5,956,112	\$ -
Services and Supplies	\$ 1,686,960	\$ 897,466	\$ 789,494	\$ 1,686,960	\$ 0
IT Professional Services	\$ 12,326,323	\$ 8,390,846	\$ 4,025,078	\$ 12,415,924	\$ (89,601)
IT Expendable Property	\$ 50,000	\$ 14,748	\$ -	\$ 14,748	\$ 35,252
Data Processing Hardware	\$ 55,000		\$ -	\$ -	\$ 55,000
SB1049 Total Expenses	\$ 20,074,395	\$ 12,711,591	\$ 7,362,153	\$ 20,073,743	\$ 652
Project Total	\$ 21,732,621	\$ 13,362,254	\$ 8,369,716	\$ 21,731,969	\$ 652
Average Monthly Spend (Burn Rate)		\$ 1,271,159.07	\$ 368,107.63		
*Not included in SB1049 Expenses					

Schedule Health: Red

WP 8.1 (EPSA Pre-Retirement Death) cannot be completed within the current baselined schedule and continues to be an issue. WP 11.1 (Re-Employment) appears to have a similar risk that will be better understood after requirements are gathered. Change Request 009 and 010 were presented to SB 1049 Core Team on 11/17/2022 and will be voted on over the next week. If approved, the change requests will be presented to the 12/6 SB 1049 Steering Team for final approval.

Scope health: Yellow

Project scope is largely understood. Elaboration for the final large work package, WP 11.1 (Re-employment), is in process. Once complete, detailed scope for all large work packages will be understood.

Quality Assurance activities:

- The Monthly Release Management Report will be submitted for Quality Check Point review on 11/30/2022.

Emerging concerns/needs/impacts:

- The ACH Treasury KeyBank Transition project running concurrent with Member Redirect has affected Member Redirect User Acceptance Testing for WP9.1 (EPSA Withdrawal) and WP9.2 (OPSRP Withdrawal), and subsequently the deployment date of these work packages. The Project Manager and Release Manager are working to find a new deployment date.

SB 1049 Implementation Program

Status Report for November 18, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

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

#	Risk Description	Mitigation and/or Contingency Plan	Notes
91	Impact of Non-SB 1049 Projects: There are critical SB 1049 resources that are also allocated to non-SB 1049 projects, which could cause schedule delays, technical environmental issues, and additional builds for the code line	➤ The Project Managers, Release Manager and Product Owners are planning a new deployment date for WP9.1/WP9.2 to have enough time between the ACH deployment and the code freeze.	The 3/9/2022 deployment date will need to be adjusted due to the ACH deployment and code freeze. There will be a meeting on 11/17/2022 to discuss new deployment dates.
94	WP9.1 Filename: Within BFT, we've sent the print files for our EPSA withdrawal checks to the print plant, DAS Publishing & Distribution. The developer of that system no longer works there, and no one knows how to modify the program to accept the new filename	➤ Currently, DAS Publishing & Distribution is working on a solution to accept the new filename. This will be monitored during the daily Member Redirect Stand Up meetings.	This will not impact BFT and will not impact UAT. DAS Publishing & Distribution are working on a solution and have until the deployment date

Project Issues and Action Plans

Listed below are the most critical issues for this project.

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

No	Issue	Resolution / Notes	Estimated Resolution Date
83	WP8.1 Complexity and Size: Current progress on the business requirements document, we have determined that the work for this work package will not fit within the current project schedule.	➤ A change request has been written to address the complexity and size of this work package has been written. It is currently under review from the SB 1049 Core Team.	1/15/2023

SB 1049 Implementation Program

Status Report for November 18, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project Schedule Deliverables and Milestones

Note: Dates below for incomplete milestones are subject to change due to Change Request 009 (reviews in process)

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP 3.2 - Member Annual Statement Extract	100%	3/23/2021	3/23/2021	
WP 4.2 - EPSA Transaction Display	100%	6/24/2021	6/24/2021	
WP 12 - Full EPSA Set up screen	100%	6/24/2021	6/24/2021	
WP 5.1 - Voluntary Contribution maintenance	100%	10/14/2021	10/14/2021	
WP 4.3 - EPSA Correct Member Account	100%	3/24/2022	3/24/2022	
WP 6.1 - EPSA Retirement	100%	7/21/2022	7/21/2022	
WP 9.1 - EPSA Withdrawal	0%	2/23/2023	3/9/2023	
WP 9.2 - Alter OPSRP Withdrawal	0%	2/23/2023	3/9/2023	
WP 8.1 - EPSA Pre-Retirement Death	0%	7/21/2023	7/21/2023	New date TBD. Issue #83 puts all subsequent milestones at risk
WP 10 - Backlog Implementation	0%	7/21/2023	7/21/2023	
WP 11.1 - Re-Employment	0%	12/21/2023	12/21/2023	
WP 11.2 - Excess EPSA	0%	12/21/2023	12/21/2023	
WP 12.2 - Final Backlog Implementation	0%	3/28/2024	3/28/2024	
Migration Finalization	0%	3/28/2024	3/28/2024	
Project Complete	0%	4/25/2024	4/25/2024	

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

Project information: Technical Debt

Project start: June 22, 2021 | **Project end:** March 11, 2024

Project Manager: Joli Whitney

Overall project status: **Green**

Project Narrative:

Elaboration for WP 5 (Side Account Reversals) started on 10/18/2022. This activity will continue through early next year. The draft Business Requirements Document is planned for completion on 3/17/2023.

WP 6 (General Ledger Reversals) has started development activities. The functional design specification document is in initial review. Activities are on track for the 5/11/2023 release date.

Note that these are expected to be the final Technical Debt work packages, but the project closure date will continue to be subject to change if additional items are added into project scope. All scope is added via the SB 1049 Change Request Process and must be approved by the SB 1049 Steering Team.

Work Packages:

Work Package 1: Employer Statements

- Production Deployment Date: 7/21/2022 (complete)

Work Package 2: Benefit Account Status Transition

- Functional Design Specification 3/31/2022 (complete)

Work Package 3: General Ledger and Side Account Reversals

- Functional Design Specification 4/30/2022 (complete)

Project objective:

The SB 1049 Technical Debt Project will address areas of technical debt which have been encountered and identified in the SB 1049 Implementation Program and prioritized for resolution. Resolution of technical debt will be limited to those items that are created by SB 1049, are exacerbated by SB 1049, or inhibit PERS' ability to complete SB 1049 requirements.

Work Package 4: Hyperion Replacement

- Production Deployment: 10/20/2022 (complete)

Work Package 5: Side Account Reversals

- Production Deployment Date: 1/18/2024
- Elaboration began 10/18/2022

Work Package 6: General Ledger Reversals

- Production Deployment Date: 5/11/2023
- Elaboration began 9/12/2022

SB 1049 Implementation Program

Status Report for November 18, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

CR or WP#	Description	Status	SB 1049 Technical Debt Qualification	Other Considerations/Notes
WP 1	Employer Statements	Closed	Exacerbated by SB 1049: New financial components from Member Redirect and WAR projects have made employer statements inaccurate and difficult for employers to understand and reconcile.	The enhancements will make statements easier to read- like a bank statement- and correct the inaccurate information
WP 2	Benefit Account Status Transition	Closed	Exacerbated by SB 1049: SB 1049 introduced changes to the way employers report retiree salary and downstream inconsistent activity in recipient and benefit accounts was discovered.	The functional design specification document identified which statuses are correct and information has been updated for developers to utilize in future programming
WP 3	General Ledger and Side Account Reversals	Closed	Exacerbated by SB 1049: Two issues impacting General Ledger were discovered during the WAR project related to transaction reversals. Although these issues existed before SB 1049, the additional functionality added to implement the WAR project have exacerbated these issues.	Through the functional design specification document, it has been determined that although these issues are both related to reversals, the solutions will be different. A decision was made to develop two change requests (CR006 & CR007) to explore adding solutions to these issues to the project scope in future work packages.
WP 4	Hyperion Replacement	Closed	Inhibit PERS' ability to complete SB 1049: Oracle Hyperion is end of life and a decision was made to discontinue developing new reports in a deprecated product. Member Redirect WP 9.1 has a dependency on the reporting features of Hyperion so the solution must be in place to support this WP. The scope of this WP delivers the solution in SSRS, a Microsoft product, as well as one report to be used as a test case for developers when	There are two other non-SB 1049 work streams to complete the Hyperion replacement: <ul style="list-style-type: none"> • A Maintenance and Enhancement effort to convert approximately 80 reports • A Central Data Management effort to convert BRIO based reports which are utilized by the Financial Services Division. This work must be completed by 6/30/22 to comply with Oracle's mandate.

SB 1049 Implementation Program

Status Report for November 18, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

			addressing other reports used by the agency.	
WP 5	Side Account Reversals	In Process	Exacerbated by SB 1049: Issues impacting Side Account Reversals were discovered during the WAR project.	Through the As-Is documentation produced in WP 3, we have found that Side Account Reversals are a complex issue to address. A change request was approved by the SB 1049 Steering Team on 5/10/22. This work package is in elaboration.
WP 6	General Ledger Reversals	In Process	Exacerbated by SB 1049: Issues impacting General Ledger transaction reversals were discovered during the WAR project.	Through the As-Is documentation produced in WP 3, we have found that the issues causing incorrect General Ledger is a technical debt item which should be addressed by SB 1049 Technical Debt Project. A change request was approved by SB 1049 Steering Team on 5/24/22. This work package is currently starting technical development.

***Note:** Change requests will be transitioned to work packages if/when the CR is approved by the SB 1049 Steering Team

SB 1049 Implementation Program

Status Report for November 18, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Budget health: Green

There will need to be additional funding for 2023-2025, which will be tracked at the program level.

29560 SB1049 - Technical Debt Project					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 500,000	\$ 395,065	\$ 104,935	\$ 500,000	\$ -
Personal Services - SB1049	\$ 200,000	\$ 124,401	\$ 75,599	\$ 200,000	\$ -
Office Expenses	\$ 105,000	\$ 2,887	\$ 6,113	\$ 9,000	\$ 96,000
IT Professional Services	\$ 1,760,000	\$ 600,254	\$ 422,201	\$ 1,022,455	\$ 737,545
Professional Services - QA + PM	\$ 485,741	\$ 377,050	\$ 57,470	\$ 434,520	\$ 51,221
IT Expendable Prop	\$ 15,000	\$ 4,653	\$ -	\$ 4,653	\$ 10,347
SB1049 Expenses	\$ 2,565,741	\$ 1,109,245	\$ 561,383	\$ 1,670,628	\$ 895,113
Project Total	\$ 3,065,741	\$ 1,504,310	\$ 666,318	\$ 2,170,628	\$ 895,113
Average Monthly Spend (Burn Rate)		\$ 110,924.50	\$ 51,034.86		
*Not included in SB1049 Expenses					

Schedule Health: Green

WP 1, WP 2, and WP 3 are complete. WP 4, WP 5, and WP 6 are proceeding according to their baselined schedules.

Scope health: Green

The current project scope is well understood.

Quality Assurance activities:

- Quality Check Point for WP 4 Final Work Package Development document scheduled for 11/30/2022.
- Quality Check Point for WP 6 Functional Design Specification document scheduled for 11/30/2022.

Emerging concerns/needs/impacts:

- The schedule for WP 5 (Side Account Reversals) and WP 6 (General Ledger Reversals) has been approved, but the work for WP 5 will extend into the 2023-2025 biennium. PERS has requested funding for this in the 2023-2025 Budget Request.

SB 1049 Implementation Program

Status Report for November 18, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

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

#	Risk Description	Mitigation and/or Contingency Plan	Notes
2	Complexity of Effort: The forecasted amount of work, timing, and complexity is inaccurate, or assumptions made that are off base.	➤ Schedule additional time to analyze complex code.	Effort is made to research and understand the issues as much as possible before proposing to move forward to a change request.
5	Technology Risk- Complexity and fragility of jClarety system	➤ Iteratively develop more complex code structure; Add necessary technical debt fixes to project scope; Regression Test to ensure technical issue does not negatively affect new code.	The focus of WP 5 and WP 6 is general ledger and side accounts- two areas where we have known gaps in documentation and system knowledge. The Functional Design Specification developed in WP 3 will assist.
6	APO Availability for SB 1049- The Associate Product Owners are limited in bandwidth to complete SB 1049 work due to non-SB 1049 work.	➤ Additional Associate Product Owner resource was recently hired and is being on-boarded	Even with the new resource, this may be a challenge for planned WP 5 work in the coming months.
20	Uncertainty of Impact of Release 9.17.0 on WP6 Schedule	➤ Schedule changes to planned UAT may be needed to accommodate code merges	Project schedules are under review as we discuss downstream impacts to change the planned release date for Member Redirect WP 9.1 & WP 9.2

Project Issues and Action Plans

Listed below are the most critical issues for this project.

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

No	Issue	Resolution / Notes	Estimated Resolution Date
	No current issues		

SB 1049 Implementation Program

Status Report for November 18, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP 4- Production Deployment complete	100%	10/20/2022	10/20/2022	
WP 6- Business functional testing (BFT) complete	0%	2/14/2023	2/14/2023	
WP 6- User acceptance testing (UAT) complete	0%	4/21/2023	4/21/2023	
WP 6- Release to production Quality Gate complete	0%	4/26/2023	4/26/2023	
WP 6- Production Deployment complete	0%	5/11/2023	5/11/2023	
WP 5- Business functional testing (BFT) complete	0%	9/21/2023	9/21/2023	
WP 5- User acceptance testing (UAT) complete	0%	11/22/2023	11/22/2023	
WP 5- Release to production Quality Gate complete	0%	11/30/2023	11/30/2023	
WP 5- Production Deployment complete	0%	1/18/2024	1/18/2024	
Project Closure Quality Gate	0%	3/11/2024	3/11/2024	
Project ends	0%	3/11/2024	3/11/2024	

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

Project information: Salary Limit

Project start: 7/01/ 2019 | Project end: 5/28/2021

Project Manager: Bruce Rosenblatt

Project objective:

The Salary Limit Project is necessary because SB 1049 redefined "salary," which changes the calculation method for Final Average Salary, and contributions for members with subject salary greater than \$195,000. This limit is on salary for plan purposes, and is not a salary cap. The Salary Limit was adjusted for the Consumer Price Index, on 1/04/2021. The redefinition impacts the data and business processes used by diverse teams at PERS, including Benefit Calculations, Member Estimates, Data Verifications, Employer Data Reporting, and Account Data Reviews and Reporting.

Overall project status: Complete

Project Narrative: The Salary Limit Project was successfully closed on 5/28/2021.

Work Packages:

Work Package 1: Short-term Minimum Viable Product (MVP)

- Production Deployment Date: 12/24/2019 (Complete)

Work Package 2: Annual Implementation of New Salary Limit

- Production Deployment Date: 1/23/2020 (Complete)

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

- Production Deployment Date: 11/19/2020 (Complete)

Work Package 4 - Enhances proration work processes when partial year calculations may apply - Long-term

- Production Deployment Date: 5/13/2021 (Complete)

Project information: Employer Programs

Project start: July 1, 2019 | **Project end:** July 16, 2021

Project Manager: Joli Whitney

Project objective:

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

Overall project status: Complete

Project Narrative: The Employer Programs project was successfully closed on 7/16/2021.

Work Packages:

WP1 Migrate and Adapt ERPT

- Acceptance Quality Gate: 3/23/2021 (this WP was not released to production) (Complete)

WP2 ERPT Stakeholder Acceptance and Deployment to Cloud

- Production Deployment Date: 6/3/2021 (Complete)

Project information: Member Choice

Project start: October 23, 2019 | Project end: August 4, 2021

Project Manager: Joli Whitney

Project objective:

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

Overall project status: Complete

Project Narrative: The Member Choice project was successfully closed on 8/4/2021.

Work Packages:

WP1.1 Online Election

- Production Deployment Date: 8/20/2020 (Complete)

WP1.2 Voya's updates to website and nightly sweep program

- Production Deployment Date: 1/19/2021 (Complete)

WP1.3 PERS paper form election process including workflow

- Production Deployment Date: 8/12/2020 (Complete)

WP1.4 Development of new reports (to Voya and internal)

- Production Deployment Date 9/29/2020 (Complete)

WP2- Refining TDF Processes - Long-term

WP2.1 -Online Member Services and jClarety Enhancements

- Production Deployment Date: 3/23/2021 (Complete)

WP2.2 -Central Data Management Reports

- Production Deployment Date: 6/15/2021 (Complete)

WP3- Online Member Services Election and Bugs

- Production Deployment Date: 6/24/2021 (Complete)

Project information: Work After Retirement (WAR)

Project start: July 1, 2019 | **Project end:** 2/24/2022

Project Manager: Susan K. Mundell

Project objective:

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

Overall project status: Complete

Project Narrative: The Work After Retirement Project was successfully closed on 2/24/2022.

Work Packages:

Work Package 1: Suspend DTL2-07 Retiree Wage Codes – Short-term

- Production Deployment Date: 12/19/2019 (Complete)

Work Package 2: New Wage Codes with General Ledger Integration – Long-term

- Production Deployment Date: 11/19/2020 (Complete)

Work Package 3: Retro Rate Change – Long-term







- Production Deployment Date: 5/13/2021 (Complete)

Work Package 4: Side Account Credit Allocation

- Production Deployment Date: 12/16/2021 (Complete)

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 						<ul style="list-style-type: none"> 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 →● 6/30/21 – 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 →● 6/24/21 – WP4.2 EPSA Display, and WP12 Full EPSA Set up Screen – Long Term →● 3/23/21 – WP3 EPSA Earnings – Long Term 										
 Member Choice	<ul style="list-style-type: none"> 10/23/19 – Project Kick Off 						<ul style="list-style-type: none"> 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 3/23/21 – WP2 OMS & jClarety Enhancements – Long Term →● 5/1/21 – Member Choice reflected in MAS →● 6/24/21 – WP3 Online Member Services (OMS) Election and Bugs →● 1/1/21 – Effective Date 										
PROGRAM INITIATIVE													<ul style="list-style-type: none"> 1/26/21 – WP2.1 IAP Payment Recon (short-term) →● 3/18/21 – WP1.2 IAP Validator Tool (long-term) →● 4/27/21 – WP2.2 IAP Payment Recon (long-term) →● 5/13/21 – WP7.2 Employer Information Actuarial Extract →● 6/18/21 – WP5.1 PYE Invoicing Tool →● 6/24/21 – WP7.1 Non-Retired Census Actuarial Extract →● 6/28/21 – WP4.1 IAP Adjustment Calculator →● 										
 Cross Project Effort							<ul style="list-style-type: none"> 9/17/20 – WP1.1 IAP Validator Tool (short-term) →● 																




Senate Bill (SB) 1049 Implementation Road Map

2021-2023 Biennium

	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																		Nov 18					
Work After Retirement							● 12/16/21 – WP4 Side Account Credit Allocation																	
							● 2/24/22 – Project Close																	
Member Redirect							● 10/14/21 – WP5 Voluntary Contribution Maintenance – Long Term																	
							● 3/24/22 – WP4.3 EPSA Transaction Display – Long Term																	
																			● 7/21/22 – WP6.1 EPSA Retirement – Long Term					
																			2/23/23 – WP9.1 EPSA Withdrawal – Long Term → ●					
																			2/23/23 – WP9.2 Alter OPSRP Withdrawal – Long Term → ●					
Member Choice	● 8/4/21 – Project Close																							
Technical Debt	● 7/1/21 – Project Kickoff																		● 5/11/23 – WP6 General Ledger Reversals → ●					
							4/30/22 – WP3 General Ledger Reversals, Including Side Accounts – Functional Design Specification Completed																	
																			● 3/31/22 – WP2 Benefit Account Transition Status – Functional Design Specification Completed					
																			● 7/21/22 – WP1 Employer Statements					
																			● 10/20/22 – WP4 Hyperion Replacement					
PROGRAM INITIATIVE																								
Cross Project Effort																								
							● 3/4/22 – WP3 IAP Divorce Tool																	
																			● 5/20/22 – WP5.2 PYE Invoicing Tool					
																			● 6/1/22 – WP4.2 IAP Adjustment Calculator					
																			5/15/23 – WP6 IAP Balance Comparison Tool → ●					

Senate Bill (SB) 1049 Implementation Road Map

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	<ul style="list-style-type: none"> 7/20/23 – WP8.1 EPSA Pre-Retirement Death – Long Term 7/20/23 – WP10 Backlog Implementation – Long Term 						<ul style="list-style-type: none"> 3/28/24 – Migration Finalization 4/25/24 – Project Close 																	
 Technical Debt							<ul style="list-style-type: none"> 1/18/24 - WP5 Side Account Reversals 3/11/24 – Project Close 																	
PROGRAM INITIATIVE																								
 Cross Project Effort							<ul style="list-style-type: none"> 3/28/24 – WP7.3 Tier One/Tier Two/OPSRP Payouts Actuarial Extract 																	

Action and Discussion Items

1. Presentation of Final Legislative Concept Drafts and Legislative Update
2. Senate Bill 1049 Update
3. Secretary of State Actuarial Review Findings
4. Financial Modeling Presentation



Oregon

Kate Brown, Governor

Public Employees Retirement System

Headquarters:
11410 S.W. 68th Parkway, Tigard, OR
Mailing Address:
P.O. Box 23700
Tigard, OR 97281-3700
888-320-7377
TTY (503) 603-7766
www.oregon.gov/pers

December 2, 2022

TO: Members of the PERS Board

FROM: Jake Winship, Actuary

SUBJECT: Secretary of State Actuarial Review

BACKGROUND

Oregon House Bill 4163 (2018), Section 11, requires the Secretary of State to contract with a firm to perform an independent actuarial review of the report on PERS, prepared under Oregon Revised Statute (ORS) 238.605. This is the second actuarial review conducted under this new legislative requirement. The Secretary of State contracted, once again, with Gabriel, Roeder, Smith & Company (GRS), an actuarial firm based in Colorado, to perform this review. Subsequent reviews are to take place no more than four years from the release of the first report.

The following is from the executive summary of the review. Key excerpts from the report are provided in *italics* to provide further context for the summary.

Summary of our Review

Based on our review of the census data, experience study documents, liability replications, and actuarial valuation reports, we believe the December 31, 2021 actuarial valuation for PERS is reasonable for the purpose of assessing the financial condition of PERS and determining the employer contribution rates.

We offer the following comments and recommendations based on the valuation methods and assumptions used by the retained actuary in the December 31, 2021, actuarial valuation of PERS.

Actuarial Assumptions

The set of actuarial assumptions and methods, taken in combination, is reasonable and generally established in accordance with ASOP No. 27, Selection of Economic Assumptions for Measuring Pension Obligations, and ASOP No. 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations.

Actuarial Methods

We believe the rate collaring process is a very well-developed funding procedure that will serve PERS and the stakeholders well in the future. Amortizing the UAL layers over 20 years or less, including the full normal cost in the recommended contribution, and restricting the decrease of the UAL rate are all strong attributes of the current contribution rate setting process and align with the guidance outlined in the new ASOP No. 4. The rate collaring provision is also an appropriate addition to the contribution calculation process considering the additional volatility that can be generated by utilizing an unsmoothed asset value in determining contribution requirements.

We recommend that the retained actuary consider enhancing the current contribution calculation process to address the timing lag in the UAL rate during the next in-depth review of the contribution calculation process or experience study. We acknowledge that this enhancement to the process would further complicate a very complex process but we believe this enhancement will better comply with the future ASOPs and will improve the overall effectiveness of the contribution calculation process.

This 18-month gap between the actuarial valuation date and the contribution effective date results in interest accruals in the new UAL layer for 18 months until the new payments commence. PERS is eventually made whole because these unfunded interest accruals are effectively picked up in the new UAL layer in the subsequent rate setting valuation. This payment timing gap could be addressed in the calculation of the UAL contribution rate by increasing both the new UAL liability layer and the expected payroll by 18 months while calculating the rate.

Actuarial Valuation Results

In general, the data, sample liability calculations, and sample employer contribution calculations all appear to be reasonable and appropriate. We recommend that the retained actuary consider the noted comments and observations on decrement timing, the use of multiple service amounts, and the Oregon residency assumption as it applies to lump sums.

The particular recommendations follow.

Decrements and pay increase timing appear to be assumed to occur at the beginning of each year. Decrements also appear to be independent probabilities. We recommend the retained actuary disclose these assumptions and methods in their report. Generally, the more common approach to decrement timing is to assume that the decrements apply at the middle of the year but there are certainly circumstances where a beginning of year decrement timing may be more appropriate. We recommend that the retained actuary carefully consider the decrement timing that is most appropriate for PERS during the next experience study and note the finding in the experience study report.

The retained actuary appears to be using different service amounts for items such as salary increases, decrements, eligibility testing, and years since entry into the plan. While the use of these different service amounts is reasonable and often warranted, we recommend that these procedures be disclosed in the actuarial valuation report for better transparency and disclosure. If different service amounts are used, it is also important that the retained actuary uses these service amounts consistently when examining prior experience and setting future assumptions in the next experience study.

For purposes of determining eligibility for SB 656/HB 3349 benefit adjustments, the retained actuary assumes 85% of retirees are assumed to remain Oregon residents after retirement. This 85% assumption is also being applied to lump sums, but we recommend that the retained actuary consider increasing this assumption, possibly up to 100%, during the next experience study. We would expect virtually all members are still living in Oregon at the time of retirement when they receive lump sums.

Content of Valuation Report

In order to improve the ability of the report to communicate the assumptions, methods and plan provisions incorporated into the actuarial valuation of PERS, we recommend that the retained actuary incorporate the noted enhancements to future actuarial valuation reports.

Actuarial Standard of Practice No. 56, Modeling (ASOP No. 56)

ASOP No. 56 provides guidance to actuaries when performing actuarial services with respect to designing, developing, selecting, modifying, using, reviewing, or evaluating models. This Standard requires certain disclosures by the retained actuary as part of an actuarial valuation of the pension plan.

ASOP 56 generally requires the actuary to disclose:

- Ownership of the models utilized or disclosure of the extent of reliance of models designed, developed, or modified by others,*
- Material inconsistencies, if any, among assumptions, and known reasons for such inconsistencies;*
- Unreasonable output resulting from the aggregation of assumptions, if material; and*
- Material limitations and known weaknesses.*

We were not able to identify disclosures in the actuarial valuation report that would satisfy the requirements of ASOP No. 56. We recommend that the retained actuary closely consider the requirements of ASOP No. 56 and include the appropriate disclosures in future actuarial valuation reports.

Consideration for Executive Summary

The December 31, 2021 system-wide actuarial valuation report starts off with a 17-page Executive Summary which provides comprehensive summary of the notable results of the actuarial valuation. We believe it would enhance the communication of the key actuarial valuation results to add a true Executive Summary to the beginning of the actuarial valuation report which would be used to present the most important results from the actuarial valuation on, presumably, one page. This Executive Summary could include key metrics like the funded status for each plan and the final recommended contribution rates which are amounts that some readers of the valuation report may need to find quickly.

Illustration of UAL Amortization Bases

Each of the actuarial valuation reports includes a table that summarizes all of the outstanding UAL amortization bases that are used to calculate the UAL contribution rates. These tables provide the date each amortization base was established, the outstanding balance of each amortization base, and the next scheduled payment for each amortization base.

The amortization period can vary across different plans and groups. Additionally, the number of outstanding bases will increase with each successive rate setting valuation. As a result, we believe it would enhance the overall communication of the remaining amortization of the UAL for the retained actuary to add the remaining period for each individual amortization base to the tables included in the actuarial valuation reports.

Both PERS and Milliman will use this actuarial review as an opportunity to fine tune PERS' actuarial practices and will incorporate certain of the recommendations in future actuarial work and reports.

In 2019, PERS recommended this review take place the year prior to PERS' engaging in its Experience Study and review of actuarial methods and assumptions cycle. This timing ensures recommendations are incorporated into the PERS Board's 2023 review cycle.

NEXT STEPS

PERS will ensure the recommendations are addressed timely and incorporate recommended changes to reporting and review cycles, as appropriate.

C.1. Attachment 1 — Oregon Secretary of State: A Review of the Oregon Public Employees Retirement System (PERS)

OREGON SECRETARY OF STATE

An Independent Actuarial Review of the Oregon
Public Employees Retirement System





November 16, 2022

Secretary of State Audits Division
Secretary of State
255 Capitol Street, NE Suite 180
Salem, Oregon 97310

This report contains the results of the independent actuarial review of the Oregon Public Employees Retirement System (PERS). This study was conducted pursuant to Oregon Revised Statute 238.606.

This report is intended to be responsive to the scope of the review as determined by the Secretary of State and in statute. This actuarial review involves an independent verification and analysis of the assumptions, procedures, methods, and conclusions used by the retained actuary for PERS, in the rate setting actuarial valuation as of December 31, 2021, to ensure that the conclusions are technically sound and conform to the appropriate Standards of Practice as promulgated by the Actuarial Standards Board.

GRS is pleased to report that, in our professional opinion, the December 31, 2021 actuarial valuation prepared by the retained actuary provides a fair and reasonable assessment of the financial position of PERS and recommends reasonable contributions for PERS employers given the current funding policies and practices.

The work presented herein is based on data furnished by PERS and Milliman. We are grateful to PERS staff and Milliman, the retained actuary, for their cooperation throughout the actuarial review process.

This report was prepared at the request of the Secretary of State and is intended for use by the Secretary of State and those designated or approved by the Secretary of State. This report may be provided to parties other than the Secretary of State only in its entirety and only with the permission of the Secretary of State. GRS is not responsible for unauthorized use of this report.

The undersigned are independent actuaries and consultants. Both are Enrolled Actuaries, are Members of the American Academy of Actuaries, and meet all of the Qualification Standards of the American Academy of Actuaries. Both of the undersigned are experienced in performing valuations for large public retirement systems.

Respectfully submitted,
Gabriel, Roeder, Smith & Company

R. Ryan Falls, FSA, EA, MAAA
Senior Consultant

Bill Detweiler, ASA, EA, FCA, MAAA
Consultant



Table of Contents

Section I	Executive Summary.....	2
Section II	General Actuarial Review Procedure.....	5
Section III	Actuarial Assumptions	8
Section IV	Actuarial Methods.....	15
Section V	Actuarial Valuation Results	21
Section VI	Content of the Valuation Report	27
Section VII	Final Remarks.....	30



SECTION I

EXECUTIVE SUMMARY

Executive Summary

The Oregon Secretary of State engaged Gabriel, Roeder, Smith & Company (GRS) for an independent actuarial review of the December 31, 2021 actuarial valuation of the Oregon Public Employees Retirement System (PERS).

The purpose of this report is to:

- Provide an evaluation and express an opinion regarding the reasonableness and accuracy of the valuation results (including a determination of actuarial accrued liability, normal cost, and actuarially determined contributions), appropriateness of the actuarial assumptions, and application of the actuarial cost method for the 2021 actuarial valuation; and
- Include any recommendations regarding potential future enhancements to the actuarial valuation process.

The scope of this actuarial review includes an examination of the reasonableness and consistency of the following aspects of the December 31, 2021 actuarial valuation report as outlined by ORS 238.606:

- Actuarial methods used;
- Demographic and economic assumptions used;
- Census and asset data used;
- Valuation of the system, including projected future benefit payments, system liabilities, system normal cost and funded status;
- Employer contribution rates calculated;
- Rate collaring policy and calculation;
- Assumed rate of return and discount rate used;
- Comparison of legislative impact to actual impact; and
- Instructions provided by the Public Employees Retirement Board to the actuary.

Summary of our Review

Based on our review of the census data, experience study documents, liability replications, and actuarial valuation reports, we believe the December 31, 2021 actuarial valuation for PERS is reasonable for the purpose of assessing the financial condition of PERS and determining the employer contribution rates.

We offer the following comments and recommendations based on the valuation methods and assumptions used by the retained actuary in the December 31, 2021 actuarial valuation of PERS.

Actuarial Assumptions

- The set of actuarial assumptions and methods, taken in combination, is reasonable and generally established in accordance with ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*, and ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*.



Actuarial Methods

- We believe the rate collaring process is a very well-developed funding procedure that will serve PERS and the stakeholders well in the future. Amortizing the UAL layers over 20 years or less, including the full normal cost in the recommended contribution, and restricting the decrease of the UAL rate are all strong attributes of the current contribution rate setting process and align with the guidance outlined in the new ASOP No. 4. The rate collaring provision is also an appropriate addition to the contribution calculation process considering the additional volatility that can be generated by utilizing an unsmoothed asset value in determining contribution requirements.
- We recommend that the retained actuary consider enhancing the current contribution calculation process to address the timing lag in the UAL rate during the next in-depth review of the contribution calculation process or experience study. We acknowledge that this enhancement to the process would further complicate a very complex process but we believe this enhancement will better comply with the future ASOPs and will improve the overall effectiveness of the contribution calculation process.

Actuarial Valuation Results

- In general, the data, sample liability calculations, and sample employer contribution calculations all appear to be reasonable and appropriate. We recommend that the retained actuary consider the noted comments and observations on decrement timing, the use of multiple service amounts, and the Oregon residency assumption as it applies to lump sums.

Content of Valuation Report

- In order to improve the ability of the report to communicate the assumptions, methods and plan provisions incorporated into the actuarial valuation of PERS, we recommend that the retained actuary incorporate the noted enhancements to future actuarial valuation reports.

SECTION II

GENERAL ACTUARIAL REVIEW PROCEDURE

General Actuarial Review Procedure

GRS received and reviewed the following items:

- December 31, 2021 actuarial valuation report proposing employer contribution rates for the pension and OPEB programs;
- December 31, 2020 advisory actuarial valuation report;
- Presentations to the PERS Board in July, 2022 and September, 2022;
- Samples of individual employer reports, including examples of different Tier 1/Tier 2 rate pooling categories;
- 2020 Experience Study for the four-year period ending December 31, 2020;
- A preliminary set of census data for plan participants and beneficiaries as of December 31, 2021 originally provided by PERS to the retained actuary for the actuarial valuation; and
- A final set of census data for plan participants and beneficiaries as of December 31, 2021 used by the retained actuary for the actuarial valuation, and
- Samples of individual test life detail of liability calculations as of December 31, 2021.

In performing our review, we:

- Reviewed descriptions of member benefits and applicable statutes to understand the pension and OPEB benefits provided by PERS;
- Reviewed the appropriateness of the actuarial assumptions and methods;
- Reviewed, in detail, the sample test lives provided to us,
- Reviewed actuarial valuation reports; and
- Reviewed the methods used to calculate the proposed employer contribution rate, including the rate collaring policy.

The actuarial review observations, which follow, are based on our review of this information and subsequent correspondence with the retained actuary for clarification and further documentation.

Key Actuarial Concepts

An actuarial valuation is a detailed statistical simulation of the future operation of a retirement system using the set of actuarial assumptions adopted by the governing board. It is designed to simulate all of the dynamics of such a retirement system for each current participant of the plan, including:

- Accrual of future service,
- Changes in benefits,
- Leaving the plan through retirement, disability, withdrawal, or death, and
- Determination of and payment of benefits from the plan.

This simulated dynamic is applied to each active member in the plan and results in a set of expected future benefit payments for that member. Discounting those future payments for the likelihood of survival at the assumed rate of investment return produces the Total Present Value of Plan Benefits (TPV) for that participant. The actuarial cost method will allocate this TPV between the participant's past service (actuarial accrued liability) and future service (future normal costs).



We believe that an actuarial review should not focus on finding differences in actuarial processes and procedures utilized by the consulting actuary and the reviewing actuary. Rather, our intent is to identify and suggest improvements to the process and procedures utilized by the retained actuary for PERS. In performing this actuarial review, we attempted to limit our discussions regarding opinion differences and focus our attention on the accuracy of the calculations of the liability and costs, completeness and reliability of reporting, and compliance with the Actuarial Standards of Practice that apply to the work performed by the retained actuary.

These key actuarial concepts will be discussed in more detail throughout this report.

Actuarial Qualifications

The December 31, 2021 actuarial valuation report was signed by Matt Larrabee, FSA, EA, MAAA and Scott Preppernau, FSA, EA, MAAA. Based on the information provided by the online actuarial directory sponsored by the Society of Actuaries, Mr. Larrabee and Mr. Preppernau have attained the actuarial credentials noted on the signature line of the actuarial valuation report and are compliant with the Society of Actuaries Continuing Professional Development requirement.



SECTION III

ACTUARIAL ASSUMPTIONS

Actuarial Assumptions

Overview

For any pension plan, actuarial assumptions are selected that are intended to provide reasonable estimates of future expected events, such as retirement, turnover, and mortality. These assumptions, along with an actuarial cost method, the employee census data, and the plan's provisions, are used to determine the actuarial liabilities and the overall actuarially determined funding requirements for the plan. The true cost to the plan over time will be the actual benefit payments and expenses required by the plan's provisions for the participant group under the plan. To the extent the actual experience deviates from the assumptions, experience gains and losses will occur. These gains (losses) then serve to reduce (increase) future actuarially determined contributions and increase (reduce) the funded ratio. The actuarial assumptions should be individually reasonable and consistent in the aggregate, and should be reviewed periodically to ensure that they remain appropriate.

The Actuarial Standards Board ("ASB") provides guidance on establishing actuarial assumptions for a retirement program through the following Actuarial Standards of Practices (ASOP):

- (1) ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*
- (2) ASOP No. 23, *Data Quality*
- (3) ASOP No. 25, *Credibility Procedures*
- (4) ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*
- (5) ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*
- (6) ASOP No. 44, *Selection and Use of Asset Valuation Methods for Pension Valuations*
- (7) ASOP No. 51, *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions*
- (8) ASOP No. 56, *Modeling*

We generally reviewed the application of the ASOPs applicable on the valuation date of December 31, 2021 for PERS. Subsequent changes to the ASOPs will have to be reflected in future actuarial valuation reports.

The actuarial valuation report for PERS contains descriptions of the actuarial assumptions which were used in the December 31, 2021 actuarial valuation. Additionally, the retained actuary published an actuarial experience study report, dated July 20, 2021. We conducted a thorough review of these documents in order to assess the reasonableness of the assumptions used in the actuarial valuations.

Actuarial assumptions for the valuation of retirement programs are of two types: (i) demographic assumptions, and (ii) economic assumptions. We have assessed the reasonableness of both types as part of this actuarial review.

[Demographic Assumptions](#)

General



These assumptions simulate the movement of participants into and out of plan coverage and between status types. Key demographic assumptions are:

- turnover among active members,
- retirement patterns among active members, and
- healthy retiree mortality.

In addition, there are a number of other demographic assumptions with less substantial impact on the results of the process, such as:

- disability incidence and mortality among disabled benefit recipients,
- mortality among active members,
- percent of active members who are married and the relationship of the ages of participants and spouses, and
- benefit elections upon retirement or termination.

Experience Study Process

Demographic assumptions for retirement programs are normally established by statistical studies of recent actual experience, called experience studies. Such studies underlie the assumptions used in the valuations.

In an experience study, the actuary first determines the number of deaths, retirements, etc. that occurred during the experience period. Then the actuary determines the number “expected” to occur, based on the current actuarial assumptions. Finally, the actuary calculates the A/E ratio, where "A" is the actual number (of retirements, for example) and "E" is the expected number. If the current assumptions were “perfect”, the A/E ratio would be 100%. When the A/E ratio varies much from 100%, it is a sign that new assumptions may be needed. (However, the actuary may prefer to set assumptions to produce an A/E ratio a little above or below 100%, in order to introduce some conservatism.)

The actuary can further enhance the “count-weighted” process, described above, by using an “amount-weighted” experience analysis. An amount-weighted analysis will generally use amounts such as benefits or liabilities to “weight” and review the experience. From the perspective of the retirement assumption, selecting an assumption based on headcount-weighting is consistent with estimating expected retirements, but selecting an assumption based on amount-weighting is consistent with minimizing gains and losses associated with expected retirements. By weighting the data by benefit amounts, the actuary gives more weight to members who have larger benefits (and thus have larger liabilities). The same concepts apply when the amount-weighted approach is applied to other demographic assumptions such as mortality and termination.

We noted that the retained actuary clearly used an “amount-weighted” approach when analyzing the mortality assumption in the most recent experience study. We recommend that the retained actuary consider more clearly disclosing the weighting procedures used to analyze the other demographic assumptions in the next experience study report.

Assumption Setting

Once it is determined whether or not an assumption needs adjustment, setting the new assumption depends upon the extent to which the current experience is an indicator of the long-term future.

- Full credibility may be given to the current experience. Under this approach, the new assumptions are set very close to recent experience.
- Alternatively, the recent experience might be given only partial credibility. Thus, the new assumptions may be set by blending the recent experience with the prior assumption.
- If recent experience is believed to be atypical of the future, such knowledge is taken into account.
- Finally, it may be determined that the size of the plan does not provide a large enough sample to make the data credible. In such cases, the experience of the plan may be disregarded and the assumption is set based upon industry standards for similar groups.

Actuarial Standards of Practice (ASOP) No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*, applies to actuaries when they are selecting demographic assumptions. In accordance with ASOP No. 35, an actuary should identify the types of demographic assumptions to use for a specific measurement. In doing so, the actuary should determine the following:

- a) The purpose and nature of the measurement;
- b) The plan provisions or benefits and factors that will affect the timing and value of any potential benefit payments;
- c) The characteristics of the obligation to be measured (such as measurement period, pattern of plan payments over time, open or closed group, and volatility);
- d) The contingencies that give rise to benefits or result in loss of benefits;
- e) The significance of each assumption; and
- f) The characteristics of the covered group.

Not every contingency requires a separate assumption. For example, for a plan that is expected to provide benefits of equal value to employees who voluntarily terminate employment, become disabled, or retire, the actuary may use an assumption that reflects some or all of the above contingencies in combination rather than selecting a separate assumption for each.

Observations on Demographic Assumptions

Overall, it appears that the current demographic assumptions are reasonable for valuing the liabilities and assessing the contributions based on the December 31, 2021 actuarial valuation. The study itself was thorough and was clearly performed by an actuary with a deep understanding of the PERS actuarial valuation. The use of confidence intervals on the graphs improved the reader's ability to follow the analysis. Below, we provide some comments on the appropriateness of the retained actuary's process and rationale for some of the most significant assumptions, as well as offer some recommendations for consideration in future studies, if warranted.

Healthy Retiree Mortality

The most important demographic assumption is post-retirement mortality because this assumption is a predictor of how long pension payments will be made. The retained actuary uses versions of the recently published PUB-2010 mortality tables, identified by occupation, with full generational mortality improvements. This is industry best practice. The small change made to School District males is a rational adjustment.

Retirement from Active Status

Generally, only minor adjustments were made. Having different patterns based on service is a common approach and lowers the likelihood of experience from short service members causing the probability of retirement for a long service member to be understated. The change made to extend the maximum retirement age was supported by the data.

Retirement is one of the assumptions that we regularly see differences based on the salary (or liability) of the members. If the 2020 Experience Study utilized the “count-weighted” approach for the Retirement Assumption, the retained actuary should consider using a salary or liability weighted approach during the next study to see if there is a notable difference.

Termination Assumptions

Adjustments were only made to one group. A service-based pattern is a common approach and lowers the likelihood of experience from short service members causing the probability of termination for a long service member to be overstated. The change made to non-school district general service females was supported by the data.

Termination is one of the other assumptions where we regularly see differences based on the salary (or liability) of the members. If the 2020 Experience Study utilized the “count-weighted” approach for the Termination Assumption, the retained actuary should consider using a salary or liability weighted approach during the next study to see if there is a notable difference.

Termination, like salary, is one of the assumptions that can be influenced over the short term by the general economy, so we recommend the retained actuary consider using more years of data, either two experience studies worth, or a decade, in the next study to encompass data from an entire economic cycle.

Annual Individual Member Salary Increases

Adjustments were made to increase the expected annual salary increases across all groups. This change was validated based on the data provided, and more years of experience were used to increase the credibility of the data. A service-based pattern for merit increase is a common approach, as it is based on longevity and job performance. In most models, it is recognized that step increases and promotions are very rare late in careers. Thus, this allowance should trail away from relatively high levels for young or short service members to virtually nothing late in careers. We would expect that, as members approach retirement, this component would fade away.



Economic Assumptions

General

Economic assumptions simulate the impact of economic forces on the amounts and values of future benefits. Key economic assumptions are the assumed rate of investment return and assumed rates of future salary increase. All economic assumptions are built upon an underlying inflation assumption.

ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*, applies to actuaries when they are selecting economic assumptions. ASOP No. 27 states that each economic assumption selected by the actuary should be reasonable. For this purpose, an assumption is reasonable if it has the following characteristics:

- a) It is appropriate for the purpose of the measurement;
- b) It reflects the actuary's professional judgment;
- c) It takes into account historical and current economic data that is relevant as of the measurement date;
- d) It reflects the actuary's estimate of future experience, the actuary's observation of the estimates inherent in market data, or a combination thereof; and
- e) It has no significant bias (i.e., it is not significantly optimistic or pessimistic), except when provisions for adverse deviation or plan provisions that are difficult to measure are included and disclosed, or when alternative assumptions are used for the assessment of risk.

Additionally, ASOP No. 27 states that communications regarding actuarial reports subject to this standard should contain the following:

- a) A description of each significant assumption used in the measurement and whether the assumption represents an estimate of future experience, and
- b) A description of the information and analysis used in selecting each economic assumption that has a significant effect on the measurement.

Observations on Economic Assumptions

Overall, it appears that the current economic assumptions are reasonable for valuing the liabilities and assessing the contributions based on the December 31, 2021 actuarial valuation. For all the assumptions, the retained actuary provides several sources of expectations as well as comparisons to peers. Below, we provide some comments on the appropriateness of the retained actuary's process and rationale for some of the most significant assumptions, as well as offer some recommendations for consideration in future studies, if warranted.

Inflation

The retained actuary provides several sources of expectations as well as comparisons to peers. We believe the inflation assumption of 2.40% is reasonable based on the information presented. The inflation rate is a component of investment returns, salary increase and COLAs, so it is an important building block that has a ripple effect throughout all of the economic assumptions.



Administrative Expenses

The administrative expenses assumed are provided by Staff based on estimates for the year. Comparing these amounts to actual administrative expenses paid during the year, it appears that these estimates are conservative. We find the process reasonable.

Investment Return

The investment return assumption is one of the principal assumptions in any actuarial valuation. It is used to discount future expected benefit payments to the valuation date to determine the liabilities of the retirement system. Even a small change to this assumption can produce significant changes to the liabilities and contribution rates.

The retained actuary provides several sources of expectations as well as comparisons to peers. There are good illustrations showing the range of various expectations and probabilities of success. We believe the investment return assumption of 6.90% is reasonable based on the information presented. Like many other large state pension plans, this assumption has been decreased several times over the past decade as capital market assumptions are coming in lower.

System Payroll Growth

Payroll growth is significant because the UAL is amortized as a level percentage of pay. That is the same as expecting all future amortization payments to grow at the same rate as total payroll. When payroll does not grow as assumed then the UAL is not going to be paid off as assumed. In order for the UAL to be paid off according to the current amortization schedules, payroll must grow at the assumed payroll growth. If payroll grows at a lower rate, there will be upward pressure on the contribution rates because contributions that are less than anticipated are flowing in the plan.

The systemwide payroll growth analysis focused on nationwide statistics. It would be beneficial to also provide some System-specific data to validate the use of national statistics in this analysis. We recommend the retained actuary to include PERS specific (or Oregon specific) data in their analysis in the next experience study.



SECTION IV

ACTUARIAL METHODS

Actuarial Methods

The ultimate cost of the retirement programs administered by PERS is equal to the benefits paid plus the expenses related to operating PERS. This cost is funded through contributions to PERS plus the investment return on accumulated contributions which are not immediately needed to pay benefits or expenses. The projected level and timing of the contributions needed to fund the ultimate cost are determined by the actuarial assumptions, plan provisions, participant characteristics, investment experience, and the actuarial cost method.

Actuarial Cost Methods

An actuarial cost method is a mathematical process for allocating the dollar amount of the total present value of plan benefits (TPV) between future normal costs and actuarial accrued liability (AAL). The retained actuary uses the Entry Age Normal actuarial cost method (EAN Method), characterized by:

- (1) Normal Cost – the level-percent-of-pay contribution, paid from each participant’s date of hire to date of retirement, which will accumulate enough assets at retirement to fund the participant’s projected benefits from retirement to death.
- (2) Actuarial Accrued Liability – the assets which would have accumulated to date had normal cost contributions been made since the date of the first benefit accrual, if all actuarial assumptions had been exactly realized, and there had been no benefit changes.

The EAN Method is the most prevalent funding method in the public sector. It is appropriate for the public sector because it produces costs that remain stable over time, resulting in intergenerational equity for taxpayers. We have reviewed the retained actuary’s application of the Entry Age Normal actuarial cost method and we believe that the method is reasonable and appropriately applied.

Asset Smoothing Method

The retained actuary utilizes the market value of assets for all purposes, with no smoothing. While this is uncommon, it is not unreasonable. The contributions being set every biennium could be viewed as mimicking two-year smoothing, however, it does place significant emphasis on the market value on one date every two years. Also, there are reserves that are not included in the valuation results to assist with stabilizing the contributions. Finally, as discussed below, the rate collaring procedure is accomplishing many of the same objectives other Systems utilize asset smoothing for.

Unfunded Accrued Liability (UAL) Amortization Policy

To pay off the unfunded accrued liability, PERS uses a closed 20-year period as of December 31, 2021 for the Tier 1/Tier 2 UAL’s. Future gains or losses will be set up on their own closed 20-year payment schedules and the payments are designed to be a level percent of future payroll. Similar approaches are applied for the UAL’s for the OPSRP, RHIA, and RHIPA. This is a process called “laddered” amortization, and is the standard in the industry and should ensure “positive amortization” for each year’s gain/loss.



In this context, “positive amortization” relates to the situation where the UAL is expected to go down each year. Positive amortization is not always achievable when the UAL is financed over a long period of time through contributions that are designed to be a level percent of payroll.

Current Rate Setting Process Including Rate Collaring Procedure

PERS operates under a two-year rate setting cycle. Rates are adjusted every “odd” year, and those rates are in-force for two years, starting 18 months after the actuarial valuation date.

The process of calculating the actuarially determined contribution based on an actuarial valuation is generally referred to as a “contribution allocation procedure” in the Actuarial Standards of Practice. There are two broad approaches to “smoothing” the pattern of contributions resulting from a contribution allocation procedure. The first, and possibly more common approach, is to smooth the “inputs” to the actuarial valuation which is intended to result in “smoothed” actuarially determined contributions. The most common example of input smoothing is the use of an actuarial value of assets that smooths investment gains and losses over a period of generally 5 years. As an alternative, smoothing the “outputs” of the contribution allocation procedure would involve completing the initial contribution calculation (without any smoothing of inputs) and then applying smoothing techniques to produce the actuarially determined contribution. This helps improve budgetary predictability and dampen contribution volatility. One primary benefit of output smoothing is that the initial calculations provide the maximum transparency to the current status of the retirement plan (e.g., funded status, contribution requirements, etc.) since none of the inputs include artificial smoothing.

The current process used to calculate the employer contributions for PERS would generally be considered to use the “output smoothing” approach. The primary indicators of this are the use of the market value of assets and the application of the rate collaring approach. As noted above, this procedure provides complete transparency about the current funded status of PERS and the immediate current contribution rate that would meet the PERS funding policy.

Modifications to the rate collar calculation methodology have been adopted since the previous rate-setting valuation which was performed as of December 31, 2019. The December 31, 2021 actuarial valuation report describes the current rate collaring approach as follows:

Contribution rate stabilization method

The UAL 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 component (prior to consideration of side account offsets, SLGRP transition liability or surplus rates, pre-SLGRP liability rate charges or offsets, or member redirect offsets).

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

- Tier One/Tier Two SLGRP and Tier One/Tier Two School Districts 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 component for any rate pool will not decrease from the prior biennium's collared UAL Rate component if the pool's funded status (excluding side accounts) is 87% or lower; the allowable decrease will phase into the full collar width for rate pools between 87% and 90% funded.

We believe this is a very well-developed rate collaring procedure that will serve PERS and the stakeholders well in the future. The superior aspect of this procedure is that the UAL rate is not allowed to decrease until the funded ratio is above 87%. We have modeled similar funding policies for our clients that involve "holding the rate" similar to this procedure and they always produce very positive long-term results for the funding and sustainability of the plans.

The second positive aspect of this procedure is that the normal cost is not subject to the collaring methodology. As a result, the full cost of the allocated benefit accrual for the year (i.e., the normal cost) will always be included in the recommended contribution (at least, as long as the plan is underfunded).

Based on the scope of this actuarial review, we are not in a position to prepare financial modeling to demonstrate the strength of this rate collaring approach. However, the retained actuary presented the results of their financial modeling of this rate collaring approach to the Board on December 3, 2021 which demonstrated the likelihood for success for certain metrics like the funded ratio and the ultimate collared contribution rate.

Recent revisions to ASOP No. 4 will be effective for the next rate setting valuation to be conducted as of December 31, 2023. These ASOP revisions will provide more formal guidance to the actuary on "output smoothing methods" and "contribution allocation procedures" than have not been as clearly articulated in previous ASOPs.

This guidance is not currently effective for the December 31, 2021 actuarial valuation but it provides a good perspective from which to view the current contribution calculation procedures now and for the future. The specific guidance is:

3.16 OUTPUT SMOOTHING METHOD

When selecting an output smoothing method, the actuary should select an output smoothing method that results in a reasonable relationship between the smoothed contribution and the corresponding actuarially determined contribution without output smoothing. A reasonable relationship includes the following:

- a. the output smoothing method produces a value that does not fall below a reasonable range around the corresponding actuarially determined contribution without output smoothing; and
- b. any shortfalls of the smoothed contribution to the corresponding actuarially determined contribution without output smoothing are recognized within a reasonable period of time.

3.17 ALLOCATION PROCEDURE

When selecting a cost allocation procedure or contribution allocation procedure, the actuary should take into account the following:



- a. the balance among benefit security, intergenerational equity, and stability or predictability of periodic costs or actuarially determined contributions;
- b. the timing and duration of expected benefit payments;
- c. the nature and frequency of plan amendments; and
- d. relevant input from the principal, for example, a desire to achieve a target funding level within a specified time frame.

We believe amortizing the UAL layers over 20 years or less, including the full normal cost in the recommended contribution, and restricting the decrease of the UAL rate are all strong attributes of the current contribution calculation process and align with the guidance outlined in the new ASOP No. 4.

Contribution Lag

Currently, the UAL amortization schedules are designed to pay every dollar of the outstanding UAL. The current contribution calculation process calculates the UAL contribution rate as if these payments to the UAL will commence immediately after the actuarial valuation date. As previously noted, the final employer contribution rates go into effect 18 months after the valuation date of the rate setting actuarial valuation.

This 18-month gap between the actuarial valuation date and the contribution effective date results in interest accruals in the new UAL layer for 18 months until the new payments commence. PERS is eventually made whole because these unfunded interest accruals are effectively picked up in the new UAL layer in the subsequent rate setting valuation. This payment timing gap could be addressed in the calculation of the UAL contribution rate by increasing both the new UAL liability layer and the expected payroll by 18 months while calculating the rate.

This adjustment for the timing lag would have a limited impact on the ultimate employer contribution rates since it would only impact the recommended contribution rates in years in which the true actuarially determined contribution is the recommended rate (i.e., the rate collars do not apply and a decrease in the UAL rate is not restricted).

However, it is important to note that another recent revision included in ASOP No. 4 directly addresses this timing lag:

3.20 CONTRIBUTION LAG

When calculating an actuarially determined contribution, the actuary should consider reflecting the passage of time between the measurement date and the expected timing of actual contributions.

Whereas, we do not believe addressing the timing lag will have a significant impact on the long-term contribution effort of the PERS employers, we recommended that the retained actuary consider enhancing the current contribution calculation process to address the timing lag in the UAL rate during the next in-depth review of the contribution calculation process or experience study. We acknowledge that this enhancement to the process would further complicate a very complex process but we believe this enhancement will better comply with the future ASOPs and will improve the overall effectiveness of the contribution calculation process.



Section Summary

We believe the actuarial methods are appropriate and the rate collaring procedure is a very well-developed method that will serve PERS and the stakeholders well in the future. Amortizing the UAL layers over 20 years or less, including the full normal cost in the recommended contribution, and restricting the decrease of the UAL rate are all strong attributes of the current contribution rate setting process and align with the guidance outlined in the new ASOP No. 4.

We recommended that the retained actuary consider enhancing the current contribution calculation process to address the timing lag in the UAL rate during the next in-depth review of the contribution calculation process or experience study. We acknowledge that this enhancement to the process would further complicate a very complex process but we believe this enhancement will better comply with the future ASOPs and will improve the overall effectiveness of the contribution calculation process.

SECTION V

ACTUARIAL VALUATION RESULTS

Actuarial Valuation Results

Data

As part of our actuarial review, we received a preliminary set of census data for plan participants and beneficiaries as of December 31, 2021 originally provided by PERS to the retained actuary for the actuarial valuation. Additionally, we received a final set of census data for plan participants and beneficiaries as of December 31, 2021 used by the retained actuary for the actuarial valuation.

We used this data, along with the census summaries included in the valuation report, to review the valuation data process. In total, we believe that the final valuation data used by the retained actuary is reasonable and valid for its purpose.

Review of Sample Liability Calculations

One of the most important steps of any actuarial review is to ensure that the retained actuary valued the correct benefit levels, used the correct assumptions, and calculated the liabilities correctly on an individual basis. In order to do this, we requested a number of sample cases from the retained actuary related to the December 31, 2021 actuarial valuation. We combined these with the methods, assumptions, and plan provisions listed in their report to review the liability values produced for these sample cases only.

We received seventeen sample cases for the following sample members:

- Tier 1/Tier 2:
 - Four active members with pension benefits – one general service member, one school district member, and two police & fire members
 - Four active members with RHIA benefits – one general service member, one school district member, and two police & fire members
 - One school district inactive vested member with pension benefits
 - One school district inactive vested member with RHIA benefits
 - Two retirees with pension benefits – one general service member and one police & fire member
 - One general service retiree with RHIA benefits
- OPSRP Members:
 - Two active members with pension benefits - one general service member and one police & fire member
 - One general service inactive vested member with pension benefits
 - One general service retiree with pension benefits

Note that the sample cases analyzed are not necessarily exposed to all of the possible benefits under the plans (i.e. already beyond the eligibility period for certain benefits, or not eligible for particular benefits). However, the vast majority of the liability for each plan is due to the retirement benefits (included for all active test lives). Also, the impact for any one test life may not be representative of the impact on the total plan.

Generally accepted actuarial standards and practices provide actuaries with the basic mathematics and framework for calculating the actuarial results. When it comes to applying those actuarial standards to



complex calculations, differences may exist due to individual opinion on the best way to make those complex calculations or other differences may occur due to nuances in the valuation software programming. This may lead to differences in the calculated results, but these differences should not be material. In particular, ancillary or non-retirement benefits such as death and disability tend to be low probability events (and hence low liability) and they also tend to have many “bells and whistles” which can be valued in different ways by different actuaries.

In order to review the liability calculations, we used the census data provided for the valuation, utilized the appropriate benefit provisions, and applied the actuarial assumptions and methods summarized in the valuation report. We were able to closely match the liabilities calculated by the retained actuary for the December 31, 2021 actuarial valuation. Below is a summary of our individual replications:

Active - Present Value of Benefits	Milliman	GRS	% Diff
General Service OPSRP Pension	367,377	367,769	0.1%
General Service Tier 2 Pension	353,811	358,566	1.3%
General Service Tier 2 RHIA	496	499	0.7%
Police & Fire OPSRP Pension	201,637	202,030	0.2%
Police & Fire Tier 1 Pension	1,100,504	1,075,730	-2.3%
Police & Fire Tier 1 RHIA	1,048	1,063	1.4%
Police & Fire Tier 2 Pension	1,060,901	1,038,300	-2.1%
Police & Fire Tier 2 RHIA	585	593	1.4%
School District Tier 1 Pension	834,552	833,032	-0.2%
School District Tier 1 RHIA	1,971	1,978	0.4%
Total	3,922,880	3,879,560	-1.1%
Active - Actuarial Accrued Liability	Milliman	GRS	% Diff
General Service OPSRP Pension	264,566	264,461	0.0%
General Service Tier 2 Pension	282,942	290,639	2.7%
General Service Tier 2 RHIA	368	370	0.7%
Police & Fire OPSRP Pension	22,177	22,235	0.3%
Police & Fire Tier 1 Pension	1,033,977	1,010,091	-2.3%
Police & Fire Tier 1 RHIA	975	986	1.2%
Police & Fire Tier 2 Pension	859,762	840,572	-2.2%
Police & Fire Tier 2 RHIA	456	462	1.3%
School District Tier 1 Pension	791,365	787,347	-0.5%
School District Tier 1 RHIA	1,867	1,875	0.4%
Total	3,258,454	3,219,038	-1.2%
Active - Normal Cost	Milliman	GRS	% Diff
General Service OPSRP Pension	10,334	10,365	0.3%
General Service Tier 2 Pension	8,005	7,670	-4.2%
General Service Tier 2 RHIA	14	15	2.2%
Police & Fire OPSRP Pension	11,368	11,389	0.2%
Police & Fire Tier 1 Pension	28,048	27,673	-1.3%
Police & Fire Tier 1 RHIA	31	33	5.3%
Police & Fire Tier 2 Pension	25,985	25,544	-1.7%
Police & Fire Tier 2 RHIA	17	17	0.5%
School District Tier 1 Pension	18,159	19,210	5.8%
School District Tier 1 RHIA	44	43	-0.6%
Total	102,004	101,959	0.0%
Inactive - Present Value of Benefits	Milliman	GRS	% Diff
Vested Term - School District Tier 2 Pension	191,360	191,189	-0.1%
Vested Term - School District Tier 2 RHIA	1,586	1,363	-14.1%
Vested Term - General Service OPSRP Pension	39,456	39,354	-0.3%
Retired - General Service Tier 1 Pension	778,728	778,479	0.0%
Retired - General Service Tier 1 RHIA	9,152	9,152	0.0%
Retired - Police & Fire Tier 2 Pension	150,678	150,675	0.0%
Retired - General Service OPSRP Pension	32,491	32,491	0.0%
Total	1,203,451	1,202,703	-0.1%

Based on our review, we believe the liability determination was reasonable and appropriately determined. As shown, we were able to match the liability amounts closely using the same data, assumptions, methods and plan provisions. We did have a few suggestions for future actuarial valuations:



- Decrements and pay increase timing appear to be assumed to occur at the beginning of each year. Decrements also appear to be independent probabilities. We recommend the retained actuary disclose these assumptions and methods in their report. Generally, the more common approach to decrement timing is to assume that the decrements apply at the middle of the year but there are certainly circumstances where a beginning of year decrement timing may be more appropriate. We recommend that the retained actuary carefully consider the decrement timing that is most appropriate for PERS during the next experience study and note the finding in the experience study report.
- The retained actuary appears to be using different service amounts for items such as salary increases, decrements, eligibility testing, and years since entry into the plan. While the use of these different service amounts is reasonable and often warranted, we recommend that these procedures be disclosed in the actuarial valuation report for better transparency and disclosure. If different service amounts are used, it is also important that the retained actuary uses these service amounts consistently when examining prior experience and setting future assumptions in the next experience study.
- For purposes of determining eligibility for SB 656/HB 3349 benefit adjustments, the retained actuary assumes 85% of retirees are assumed to remain Oregon residents after retirement. This 85% assumption is also being applied to lump sums, but we recommend that the retained actuary consider increasing this assumption, possibly up to 100%, during the next experience study. We would expect virtually all members are still living in Oregon at the time of retirement when they receive lump sums.

Additionally, we were pleased to see that the following suggested disclosure items from the prior actuarial review are now listed in the report, which allowed us to more closely match the liabilities:

- Application of 401(a)(17) salary limits and 415 benefit maximums
- Spouse assumptions
- Optional form and actuarial equivalence assumptions
- Assumptions for application of disability decrement rates
- Service purchase assumptions
- Police & fire unit purchase assumptions

Review of Contribution Calculations

We also reviewed the financing of results and contribution calculations that the retained actuary completed for the plans in aggregate, as well as a sample of individual employers. This is important to ensure that they are using the adopted actuarial methods and funding policy to set contribution rates for each employer correctly.

In addition to the system-wide actuarial valuation report, we received the following six sample individual employer reports:



- Three independent employers
 - One where the Tier1/Tier 2 rate collaring resulted in no collar being applied to the UAL rate
 - One where the Tier 1/Tier 2 rate collaring resulted in the minimum collar being applied to the UAL rate
 - One where the Tier 1/Tier 2 rate collaring results in the maximum collar being applied to the UAL rate
- Two SLGRP employers
- One School District employer

We were able to replicate all of the retained actuary's calculations and to confirm they are applying the proper contribution calculation methods and rate collaring.

Section Summary

In general, the data, liability calculations, and contribution calculations all appear to be reasonable and appropriate. We recommend that the retained actuary consider the noted enhancements in future actuarial valuations.

SECTION VI

CONTENT OF THE VALUATION REPORT

Content of the Valuation Report

ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, and ASOP No. 41, *Actuarial Communications*, provide guidance for measuring pension obligations and communicating the results. These Standards list specific elements to be included, either directly or by references to prior communication, in pension actuarial communications. The pertinent items that should be included in an actuarial valuation report on a pension plan should include:

- The name of the person or firm retaining the actuary and the purposes that the communication is intended to serve.
- A statement as to the effective date of the calculations, the date as of which the participant and financial information were compiled, and the sources and adequacy of such information.
- An outline of the benefits being discussed or valued and of any significant benefits not included in the actuarial determinations.
- A summary of the participant information, separated into significant categories such as active, retired, and terminated with future benefits payable. Actuaries are encouraged to include a detailed display of the characteristics of each category and reconciliation with prior reported data.
- A description of the actuarial assumptions, the cost method and the asset valuation method used. Changes in assumptions and methods from those used in previous communications should be stated and their effects noted. If the actuary expects that the long-term trend of costs resulting from the continued use of present assumptions and methods would result in a significantly increased or decreased cost basis, this should also be communicated.
- A summary of asset information and derivation of the actuarial value of assets. Actuaries are encouraged to include an asset summary by category of investment and reconciliation with prior reported assets showing total contributions, benefits, investment return, and any other reconciliation items.
- A statement of the findings, conclusions, or recommendations necessary to satisfy the purpose of the communication and a summary of the actuarial determinations upon which these are based. The communication should include applicable actuarial information regarding financial reporting. Actuaries are encouraged to include derivation of the items underlying these actuarial determinations.
- A disclosure of any facts which, if not disclosed, might reasonably be expected to lead to an incomplete understanding of the communication.

We have reviewed the actuarial valuation report prepared by the retained actuary and have noted a few modifications to the report that would allow the report to adhere more closely with ASOP Nos. 4, 41, 51 and 56.

Actuarial Standard of Practice No. 56, Modeling (ASOP No. 56)

ASOP No. 56 provides guidance to actuaries when performing actuarial services with respect to designing, developing, selecting, modifying, using, reviewing, or evaluating models. This Standard requires certain disclosures by the retained actuary as part of an actuarial valuation of the pension plan.

ASOP 56 generally requires the actuary to disclose:



- Ownership of the models utilized or disclosure of the extent of reliance of models designed, developed, or modified by others,
- Material inconsistencies, if any, among assumptions, and known reasons for such inconsistencies;
- Unreasonable output resulting from the aggregation of assumptions, if material; and
- Material limitations and known weaknesses.

We were not able to identify disclosures in the actuarial valuation report that would satisfy the requirements of ASOP No. 56. We recommend that the retained actuary closely consider the requirements of ASOP No. 56 and include the appropriate disclosures in future actuarial valuation reports.

Consideration for Executive Summary

The December 31, 2021 system-wide actuarial valuation report starts off with a 17-page Executive Summary which provides comprehensive summary of the notable results of the actuarial valuation. We believe it would enhance the communication of the key actuarial valuation results to add a true Executive Summary to the beginning of the actuarial valuation report which would be used to present the most important results from the actuarial valuation on, presumably, one page. This Executive Summary could include key metrics like the funded status for each plan and the final recommended contribution rates which are amounts that some readers of the valuation report may need to find quickly.

Illustration of UAL Amortization Bases

Each of the actuarial valuation reports includes a table that summarizes all of the outstanding UAL amortization bases that are used to calculate the UAL contribution rates. These tables provide the date each amortization base was established, the outstanding balance of each amortization base, and the next scheduled payment for each amortization base.

The amortization period can vary across different plans and groups. Additionally, the number of outstanding bases will increase with each successive rate setting valuation. As a result, we believe it would enhance the overall communication of the remaining amortization of the UAL for the retained actuary to add the remaining period for each individual amortization base to the tables included in the actuarial valuation reports.

Section Summary

In general, the actuarial valuation report complied with the applicable Actuarial Standards of Practice. In order to improve the ability of the report to communicate the assumptions, methods and plan provisions incorporated into the actuarial valuation, we recommend that the retained actuary incorporate the noted enhancements in future actuarial valuation reports.

SECTION VII

FINAL REMARKS

Final Remarks

The reviewing actuarial firm, Gabriel, Roeder, Smith & Company (GRS), is independent of the retained actuarial firm. The reviewing actuaries are not aware of any conflict of interest that would impair the objectivity of this work.

We have presented some suggestions for areas where we believe the product can be improved. The retained actuary has access to information and a long history of retirement systems similar to PERS. We understand that the retained actuary may agree with some of our recommendations, while rejecting others. We ask that the retained actuary and PERS consider our recommendations carefully. We hope that the retained actuary and PERS find these suggestions useful.



Action and Discussion Items

1. Presentation of Final Legislative Concept Drafts and Legislative Update
2. Senate Bill 1049 Update
3. Secretary of State Actuarial Review Findings
4. Financial Modeling Presentation



FINANCIAL MODELING

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Presented by:

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

December 2, 2022

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

Introduction

- July 2022 Board: System-average valuation results
 - Calculated as of December 31, 2021 for the Tier One/Tier Two & OPSRP programs
- September 2022 Board: Employer-specific 2023-2025 contribution rates
 - Based on the December 31, 2021 actuarial valuation
- **Today: Long-term financial modeling projections reflecting published investment results through September 30**
 - System average contribution rates
 - System funded status
 - System unfunded actuarial liability (UAL)

Models and Inputs

- System financials are projected using two different models
 - Steady return model – consistent year-to-year future investment returns
 - Variable return model – future investment returns vary from year to year
- Modeling starts with liabilities and actuarial assumptions from the 12/31/2021 system-wide actuarial valuation report
 - This includes the current Board-adopted 6.90% return assumption for valuing liabilities
- Modeling uses 12/31/2021 assets adjusted for **published regular account returns of -4.41% through September 2022**
 - Returns for October through December 2022 vary in our models based on scenario

Financial Modeling

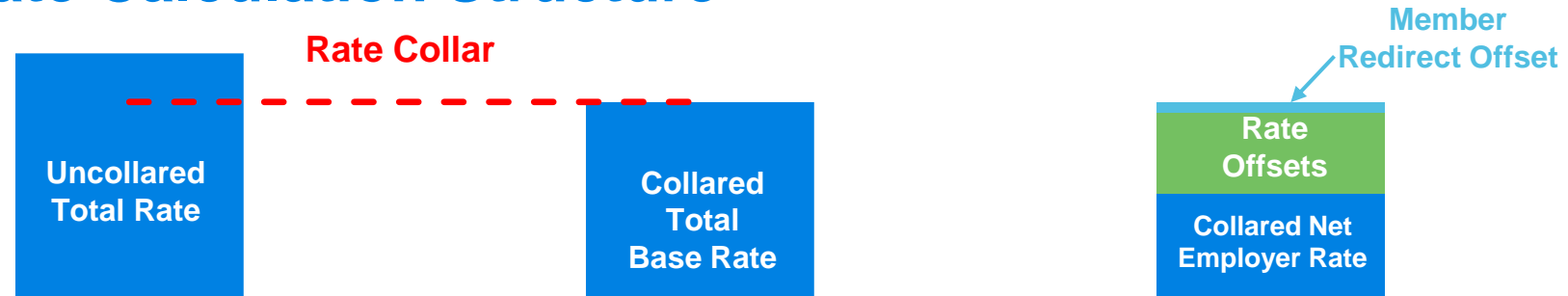
Comments on System Average Rates

- Projections depict **system average** funded status and employer contribution rates
- Rates shown in this presentation are “employer” rates
 - Redirected member contributions serve as an offset to “total” rate
- No single employer pays the system average rate
 - Contribution rates vary both by experience pooling group, employer, and type of payroll
- In most scenarios, average base employer rates for the 2025-2027 biennium are projected to increase due to investment losses so far during 2022
 - Actual outcome will vary by rate pool and employer
- Rates shown do not include:
 - Contribution rates for the Individual Account Plan (IAP)
 - Employer contribution rates for the RHIA & RHIPA retiree healthcare programs
 - Debt service payments on employer-specific pension obligation bonds

Rate Collaring

- As part of the 2020 Experience Study, PERS adopted an updated “rate collar” as part of rate-setting process
- In the December 31, 2021 valuation, the rate collar held the UAL rate constant (above the uncollared UAL rate) for 2023-2025 contribution rates for the large rate pools and for most independent employers
 - This provides a partial buffer against potential poor investment returns during the 2022 and 2023 calendar years and reduces the biennium-to-biennium increase in contribution rates resulting from any underperformance

Overview of Rate Calculation Structure

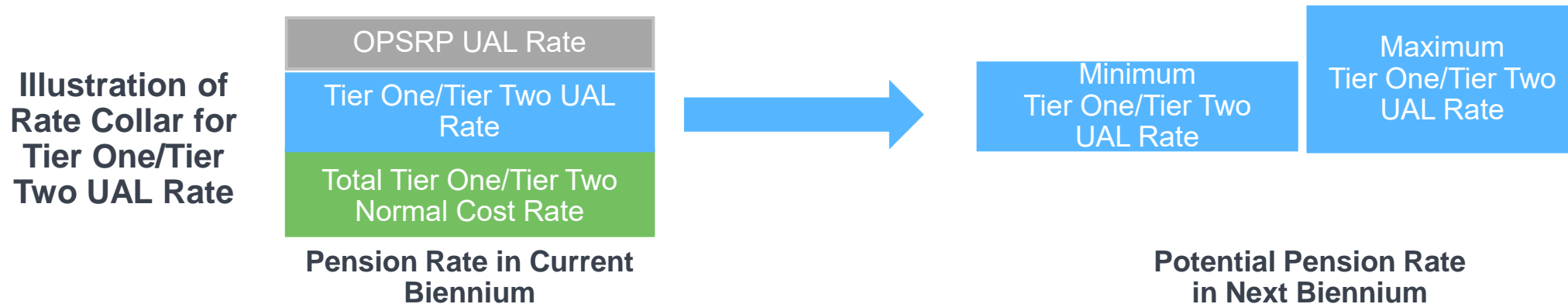


- The **uncollared total rate** is the theoretical contribution rate to reach 100% funded status over a specified amortization period if:
 - Contributions at that rate started on the actuarial valuation date, and
 - Actual future experience mirrors the actuarial valuation's assumptions, and
 - The normal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

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.

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%



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.



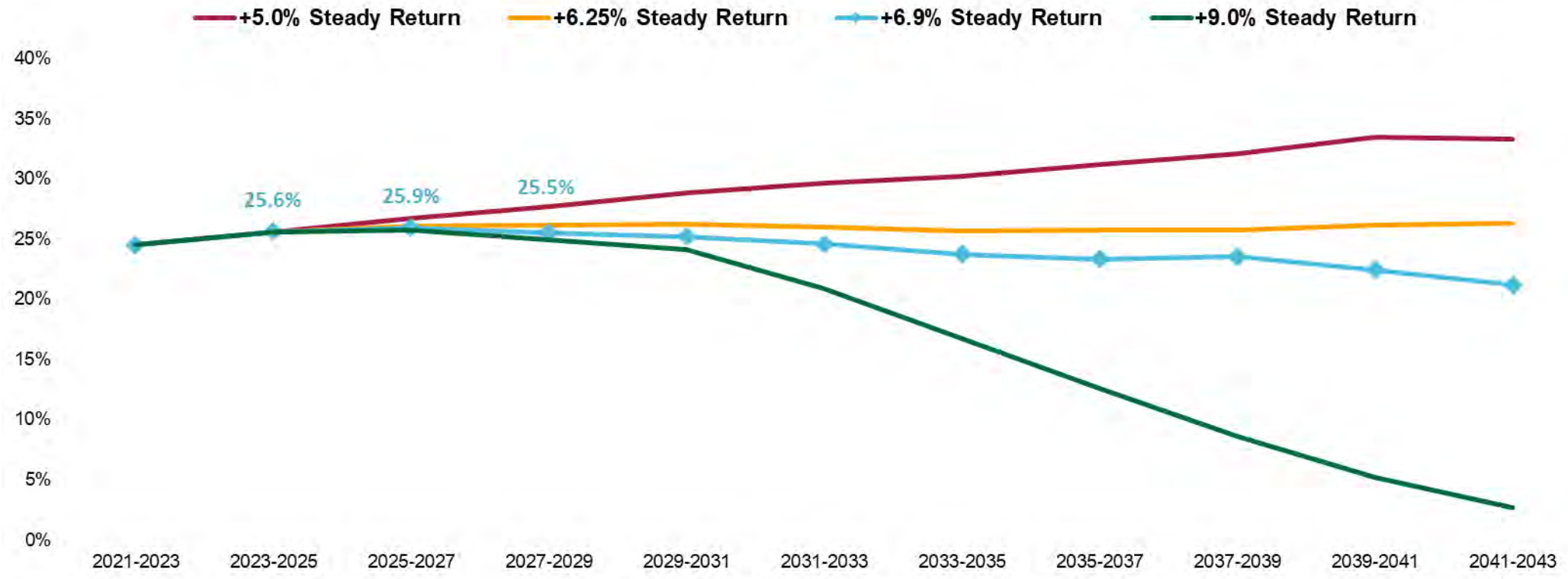
Steady Return Model

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.

Steady Return Model

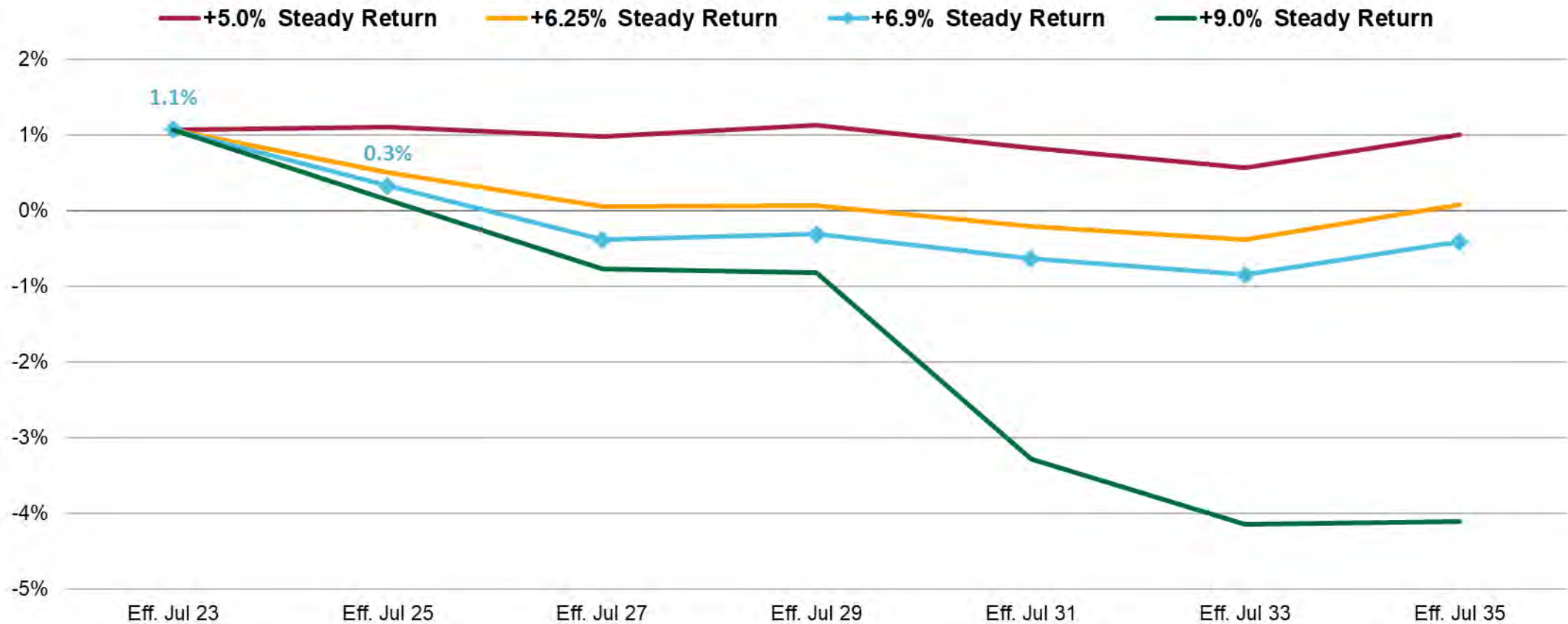
- The next four slides show financial projections under the current rate setting structure
 - Employer rates adjust each biennium, with changes limited by the rate collar
- Four scenarios for **steady annual actual future investment** return are shown
 - **+5.0%; +6.25%; +6.9%; +9.0%**
- While actual future returns won't be steady year-to-year, the steady return model clearly illustrates the financial dynamics
 - More realistic “noisy” future returns will be shown in the variable return model later in this presentation
 - The effects of near-term and/or long-term future annualized returns worse than +5.0% are captured in the variable return model
- Model incorporates published returns through September 2022 of -4.41%

Employer Collared Base Pension Rates (System Average)

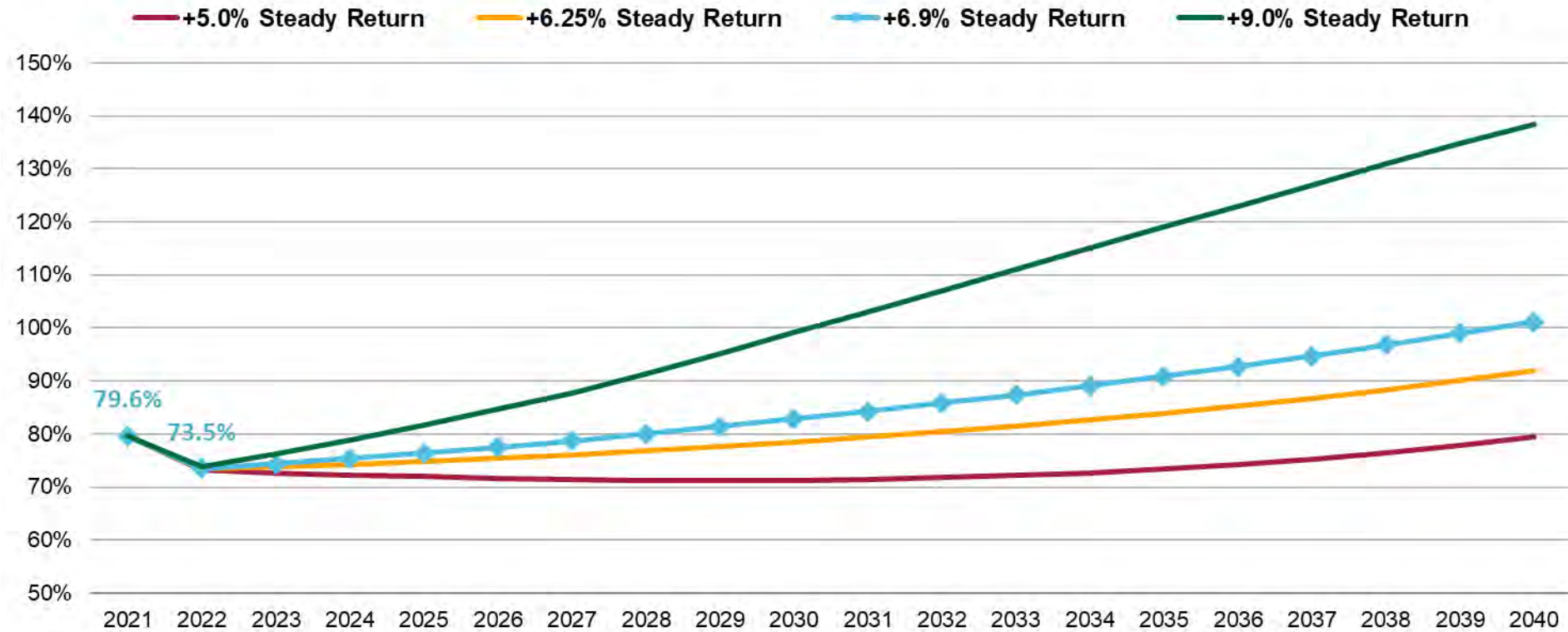


- If future investment results are near assumption, system average employer collared base pension rates in 2025-27 are projected to increase from 2023-25 rates, due to asset underperformance so far in 2022
- Blue line: rates decrease as new OPSRP members replace exiting Tier One / Tier Two members
- 2025-27 rates are based on asset returns through December 31, 2023, along with assumption and methods adopted after the upcoming Experience Study

Biennial Change in Collared Base Rate (System Average)

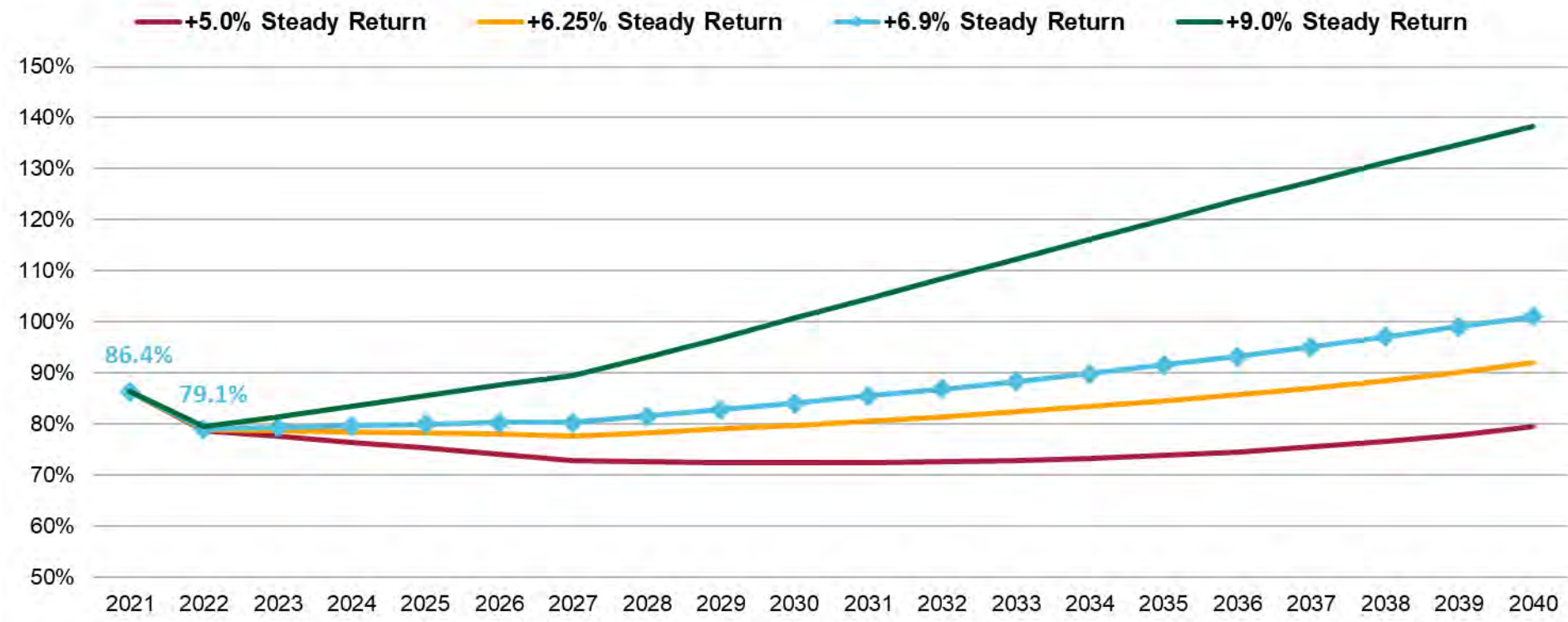


System Funded Status (Excluding Side Accounts)



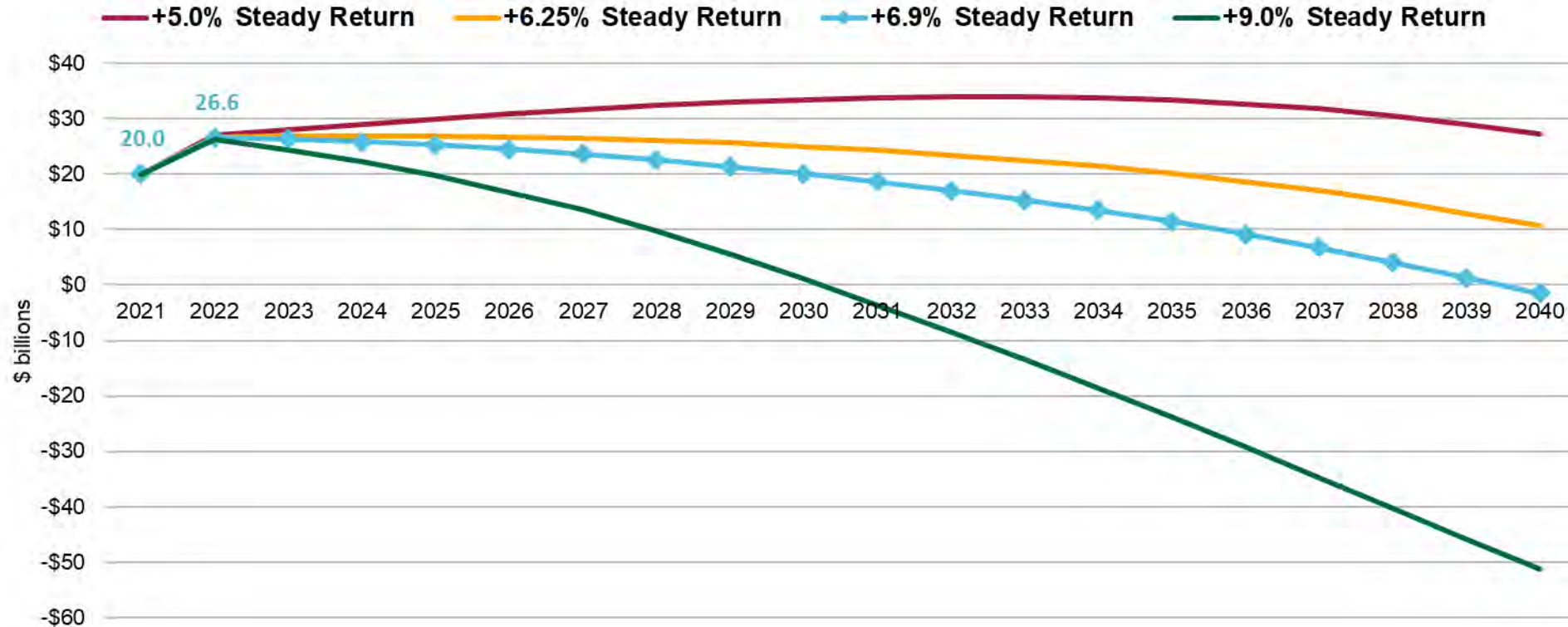
- 2022 funded status decreases due to estimated year-end 2022 investment returns
- In steady +6.9% return scenario, funded status projected to reach 100% in 2040

System Funded Status (Including Side Accounts)



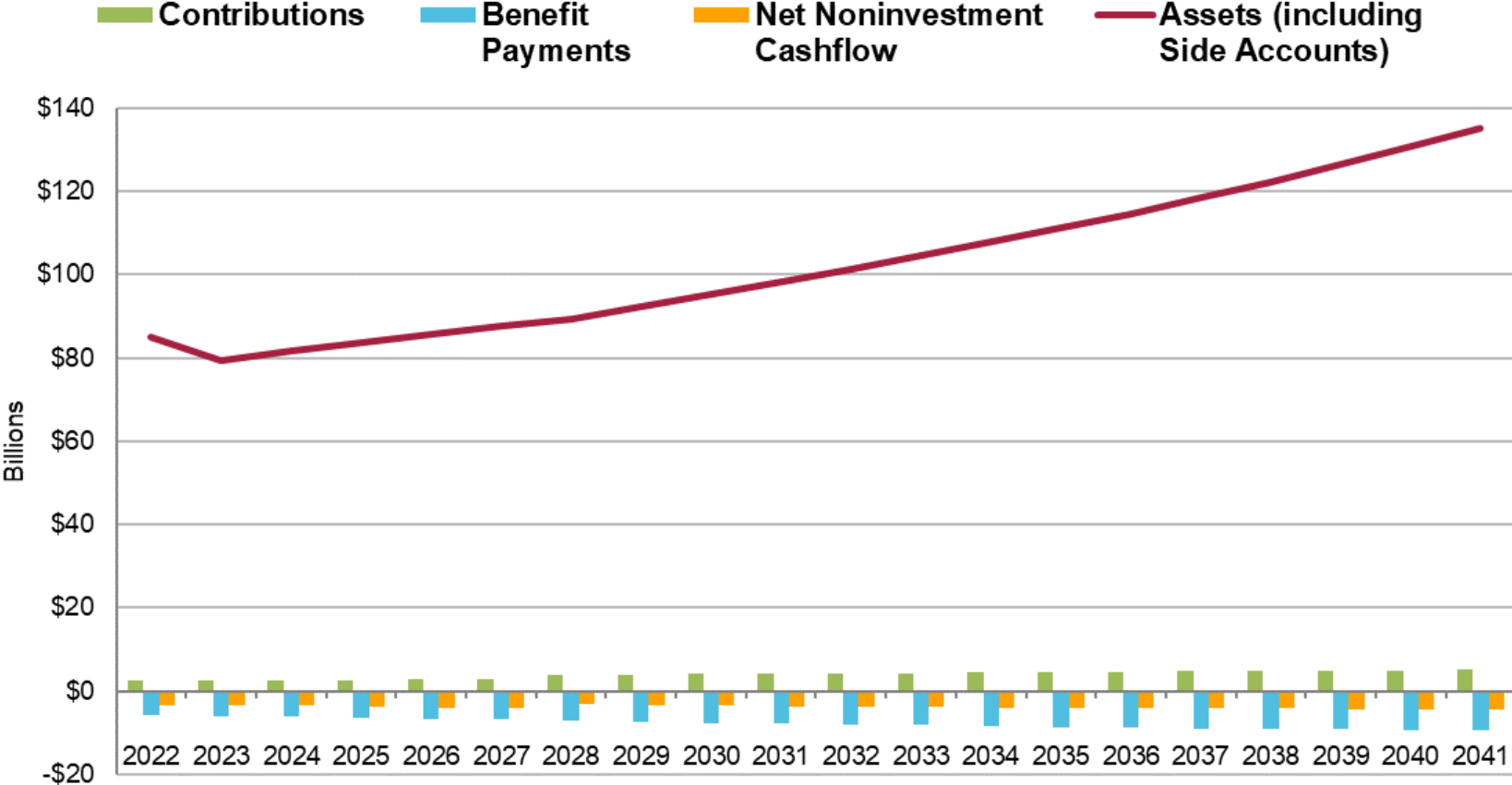
- 2022 funded status decreases due to estimated year-end 2022 investment returns
- In steady +6.9% return scenario, funded status projected to reach 100% in 2040

UAL (Unfunded Actuarial Liability) Excluding Side Accounts

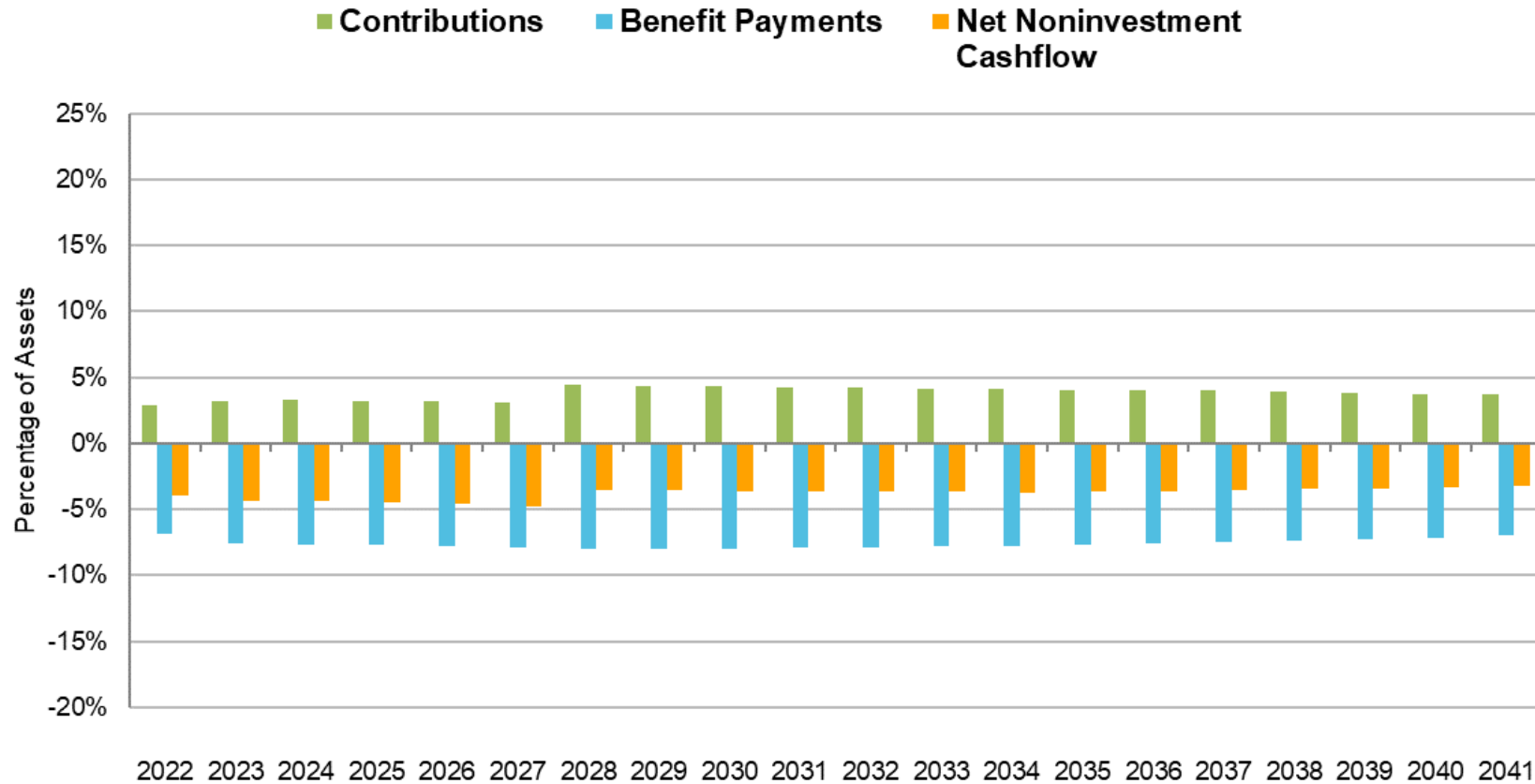


- 2022 UAL increases due to estimated year-end 2022 investment returns
- At steady +6.9% returns, UAL remains relatively level for a couple years before declining to below \$0 at year-end 2040

Cash Flow and Asset Balance at +6.90% Actual Return



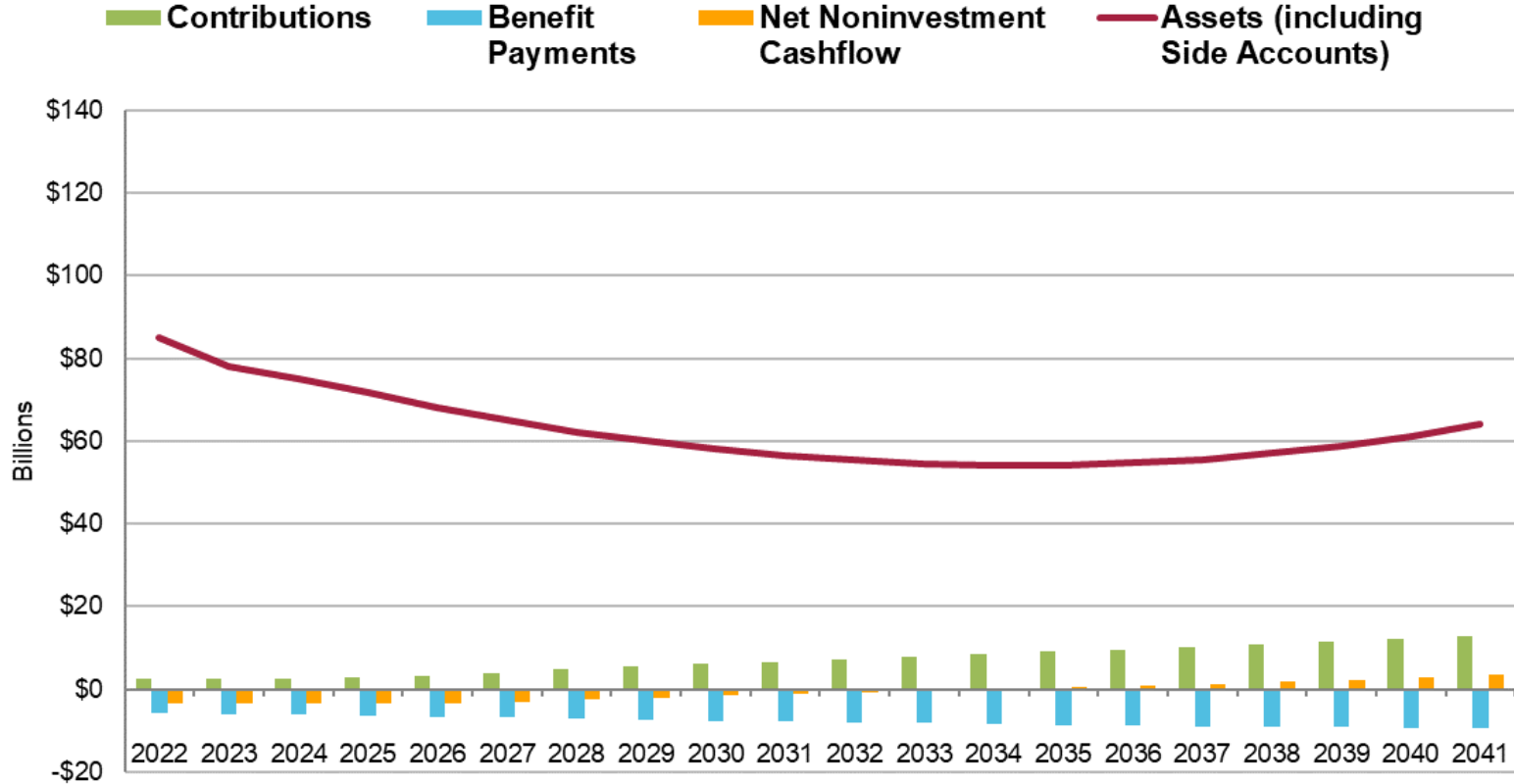
Cash Flows as % of Assets at +6.90% Actual Future Return



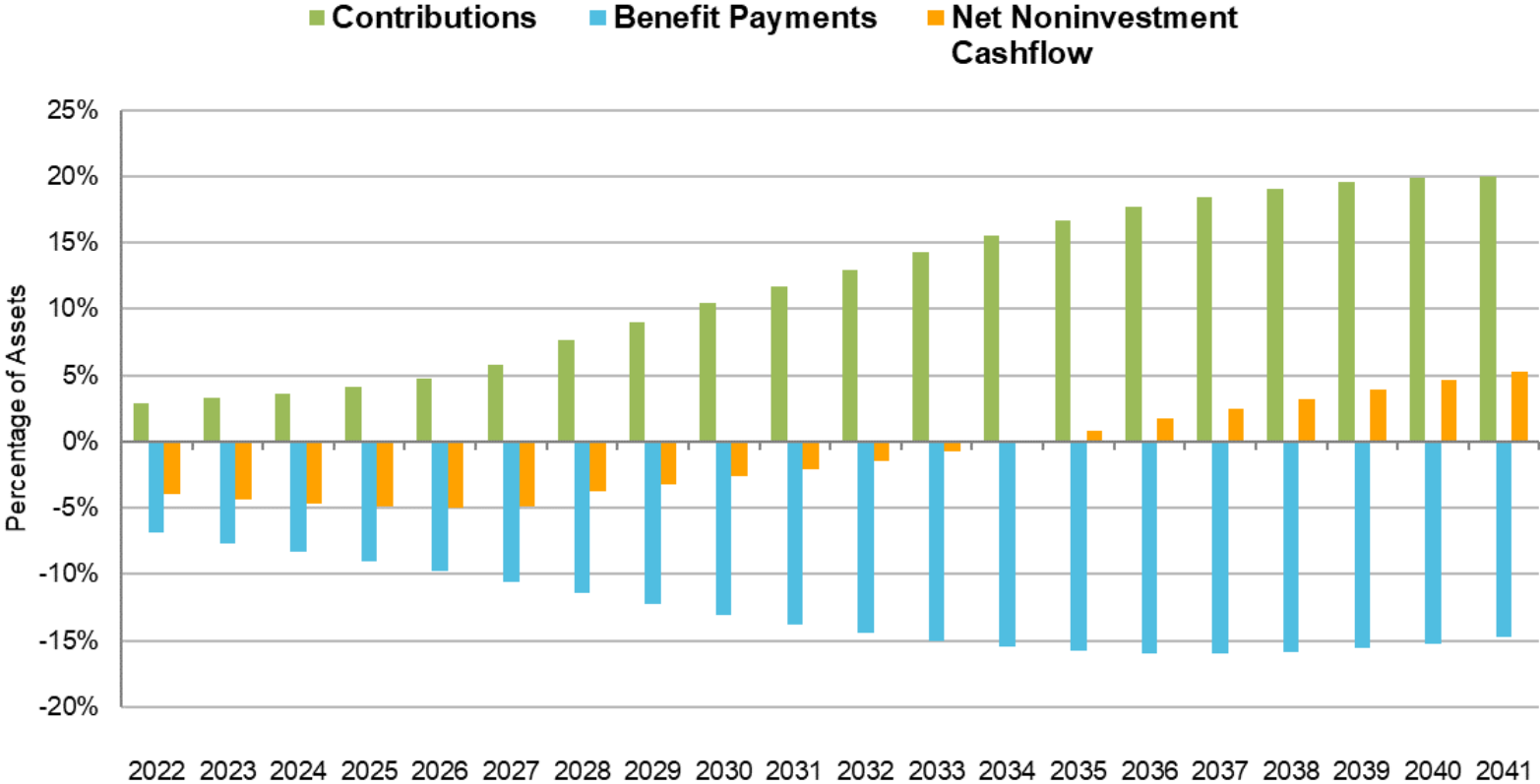
Net Noninvestment Cashflow = Contributions – Benefit Payments

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.

Cash Flow and Asset Balance at +0.00% Actual Return



Cash Flows as % of Assets at +0.00% Actual Future Return



Net Noninvestment Cashflow = Contributions – Benefit Payments



Variable Return Model

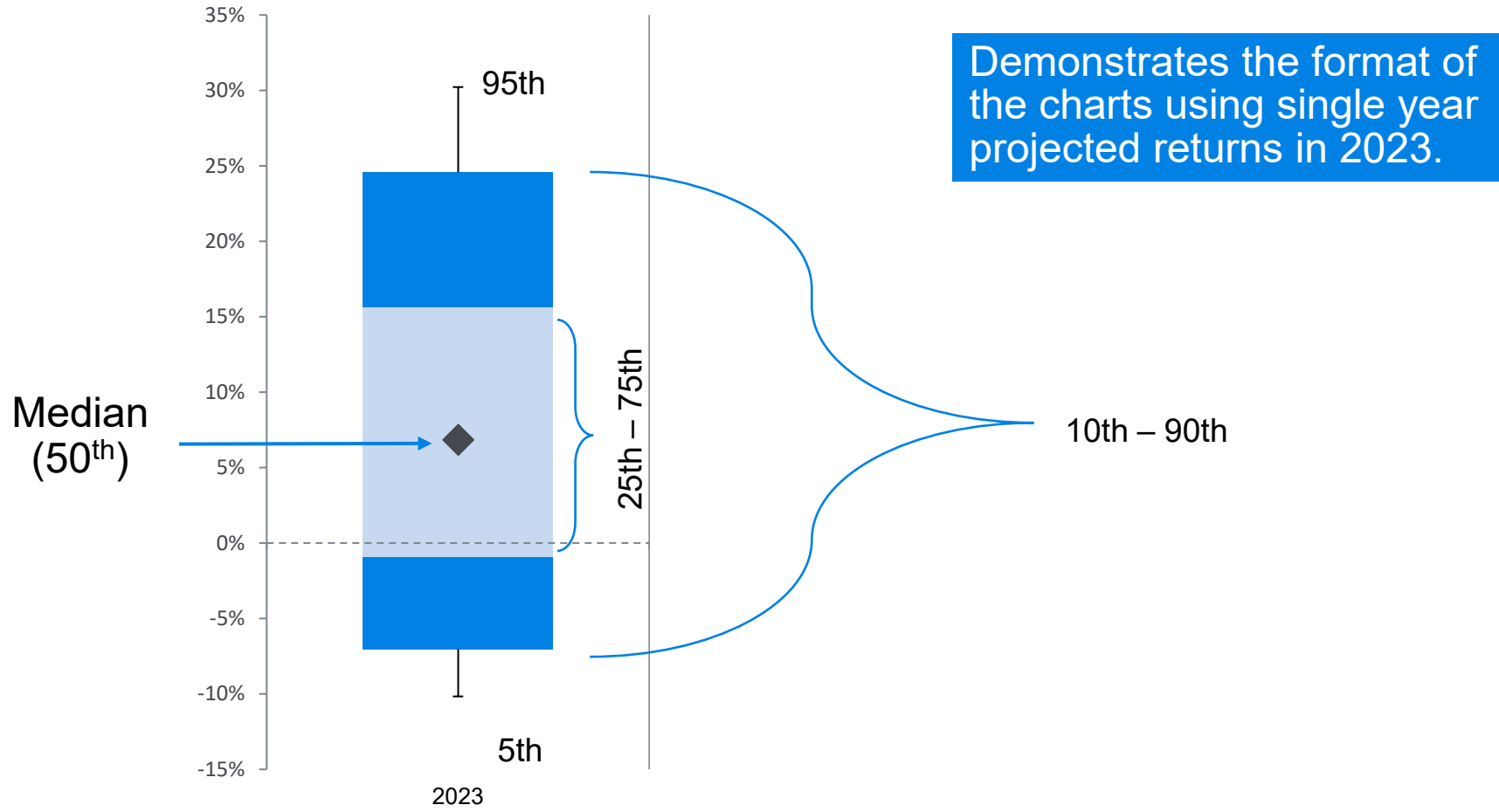
This work product was prepared for discussion purposes only and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Any recipient of this work product who desires professional guidance should engage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

Variable Return Model

- Model results are likelihood ranges instead of a single amount
 - The range's distribution is based on a stochastic simulation using 10,000 trials
 - Scenarios were developed by our national capital market specialists, and use the OPERF target asset allocation policy (reflecting recent proposed changes as described in the appendix); for these scenarios, the **median annualized average geometric 20-year return is 7.33%**
 - **Model incorporates published returns through September 2022**
- In our results charts, the dots represent median (50th percentile) outcomes
- We display model results from the 5th to 95th percentiles
 - Ten percent of model outcomes fall outside of the depicted range
- The chart format is demonstrated on the next slide

PERS Fund Rate of Return

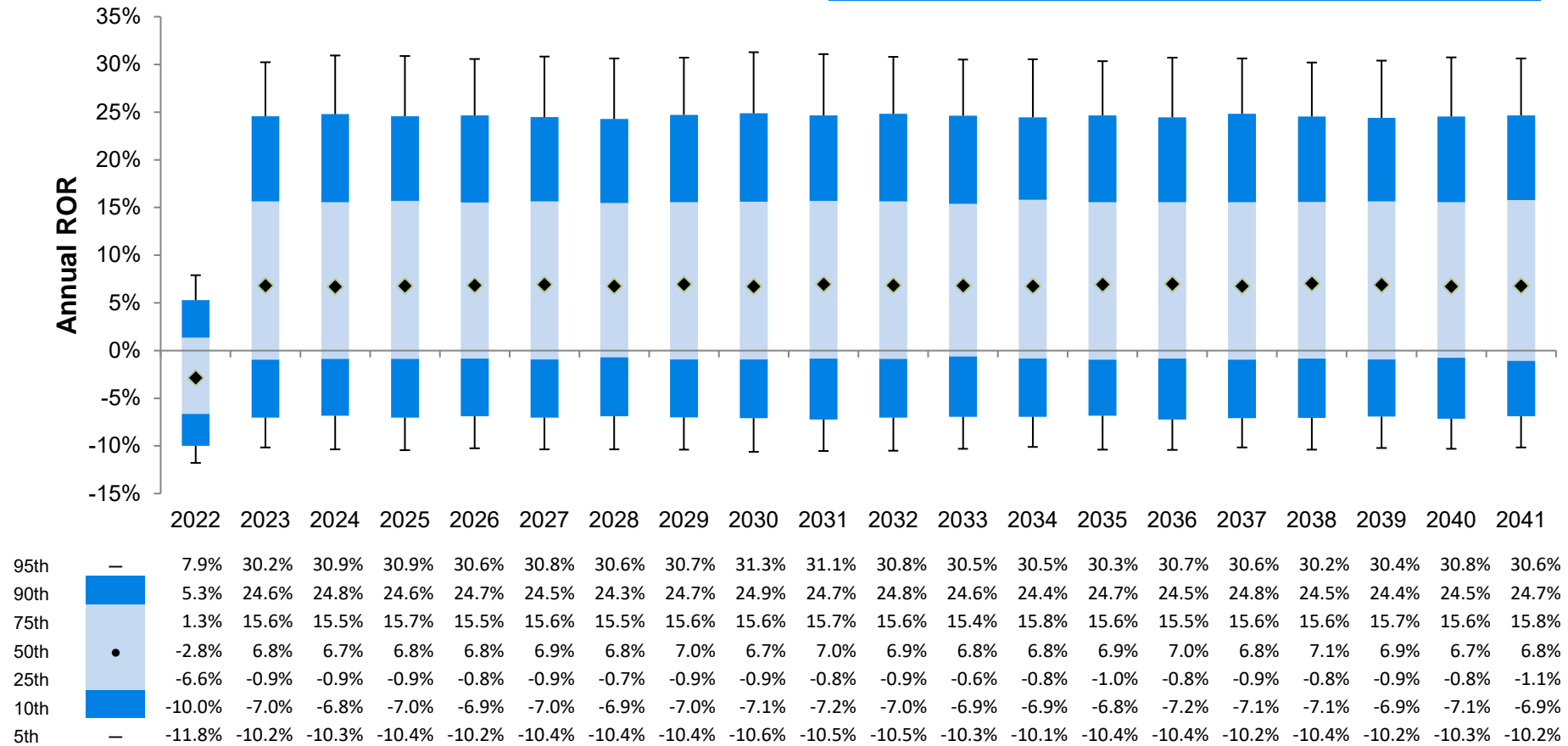
Projected 2023 Investment Returns



PERS Fund Rate of Return

Single Calendar Year Investment Returns

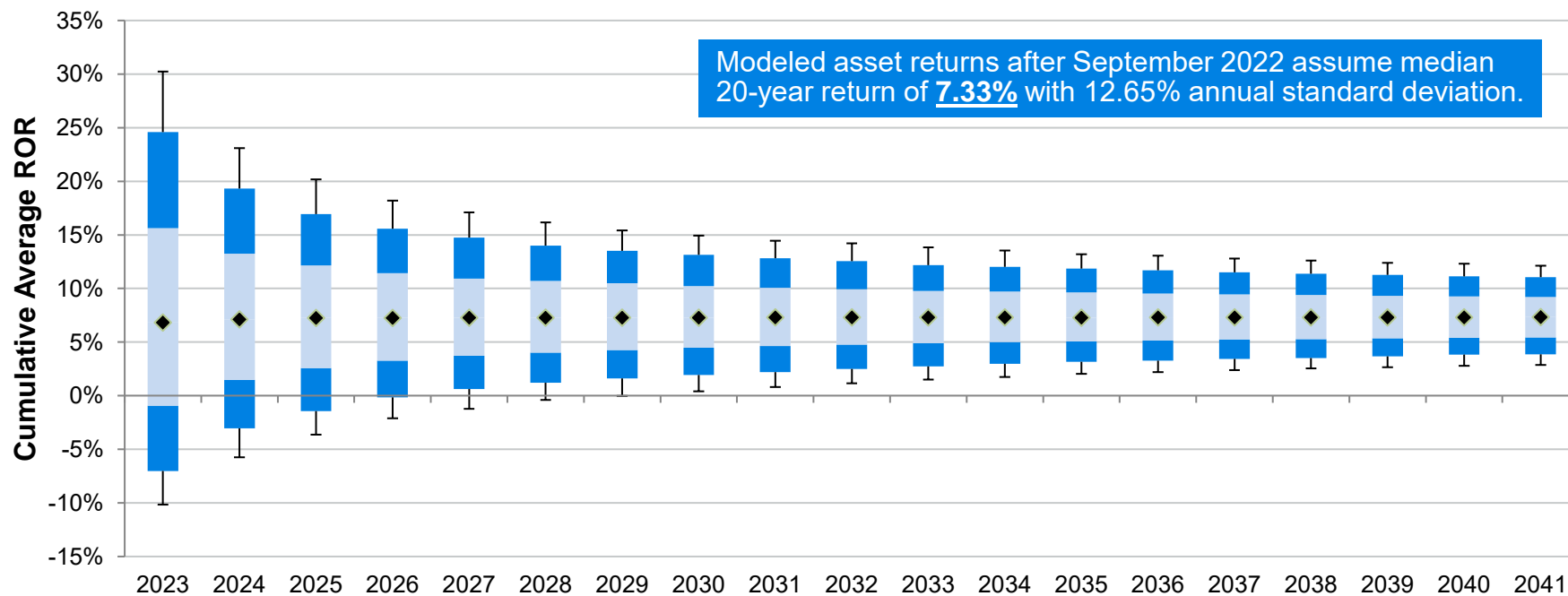
The distribution of returns for 2022 reflects known results through September combined with modeled results for the last quarter of the year. Starting in 2023, our capital market outlooks model projects similar return ranges throughout the modeling period.



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.

Average Annualized Rate of Investment Return

Post-2022 Modeled Returns (Geometric Average)

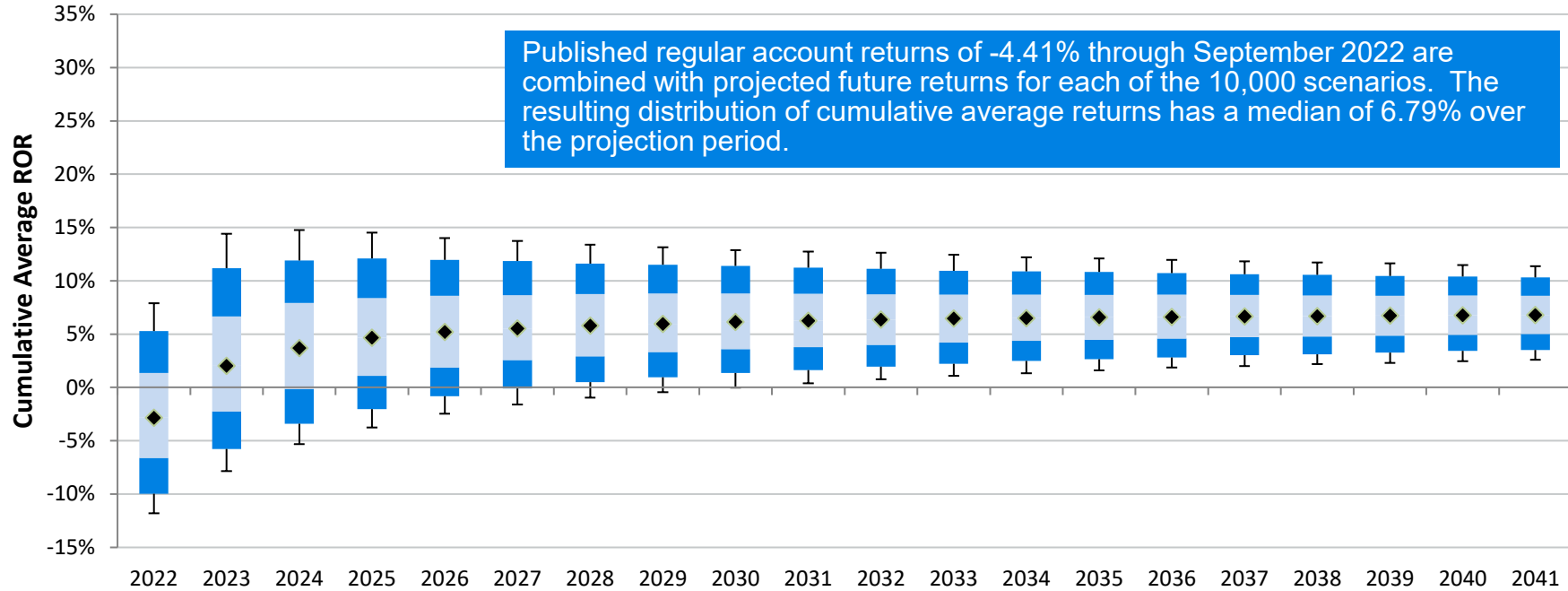


	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	
95th	—	30.2%	23.1%	20.2%	18.2%	17.1%	16.2%	15.4%	14.9%	14.5%	14.2%	13.8%	13.6%	13.2%	13.1%	12.8%	12.6%	12.4%	12.3%	12.1%
90th	—	24.6%	19.3%	16.9%	15.6%	14.7%	14.0%	13.5%	13.1%	12.8%	12.5%	12.2%	12.0%	11.9%	11.7%	11.5%	11.4%	11.3%	11.1%	11.0%
75th	—	15.6%	13.3%	12.2%	11.4%	10.9%	10.7%	10.5%	10.2%	10.1%	9.9%	9.8%	9.7%	9.6%	9.5%	9.5%	9.4%	9.3%	9.3%	9.2%
50th	●	6.8%	7.1%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%
25th	—	-0.9%	1.5%	2.6%	3.3%	3.7%	4.0%	4.3%	4.5%	4.6%	4.8%	4.9%	5.0%	5.1%	5.1%	5.2%	5.3%	5.4%	5.4%	5.4%
10th	—	-7.0%	-3.0%	-1.4%	-0.1%	0.6%	1.2%	1.6%	1.9%	2.2%	2.5%	2.7%	3.0%	3.2%	3.3%	3.4%	3.5%	3.7%	3.8%	3.9%
5th	—	-10.2%	-5.8%	-3.6%	-2.1%	-1.2%	-0.4%	0.0%	0.4%	0.8%	1.2%	1.5%	1.7%	2.0%	2.2%	2.4%	2.5%	2.6%	2.8%	2.9%

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.

Average Annualized Rate of Investment Return

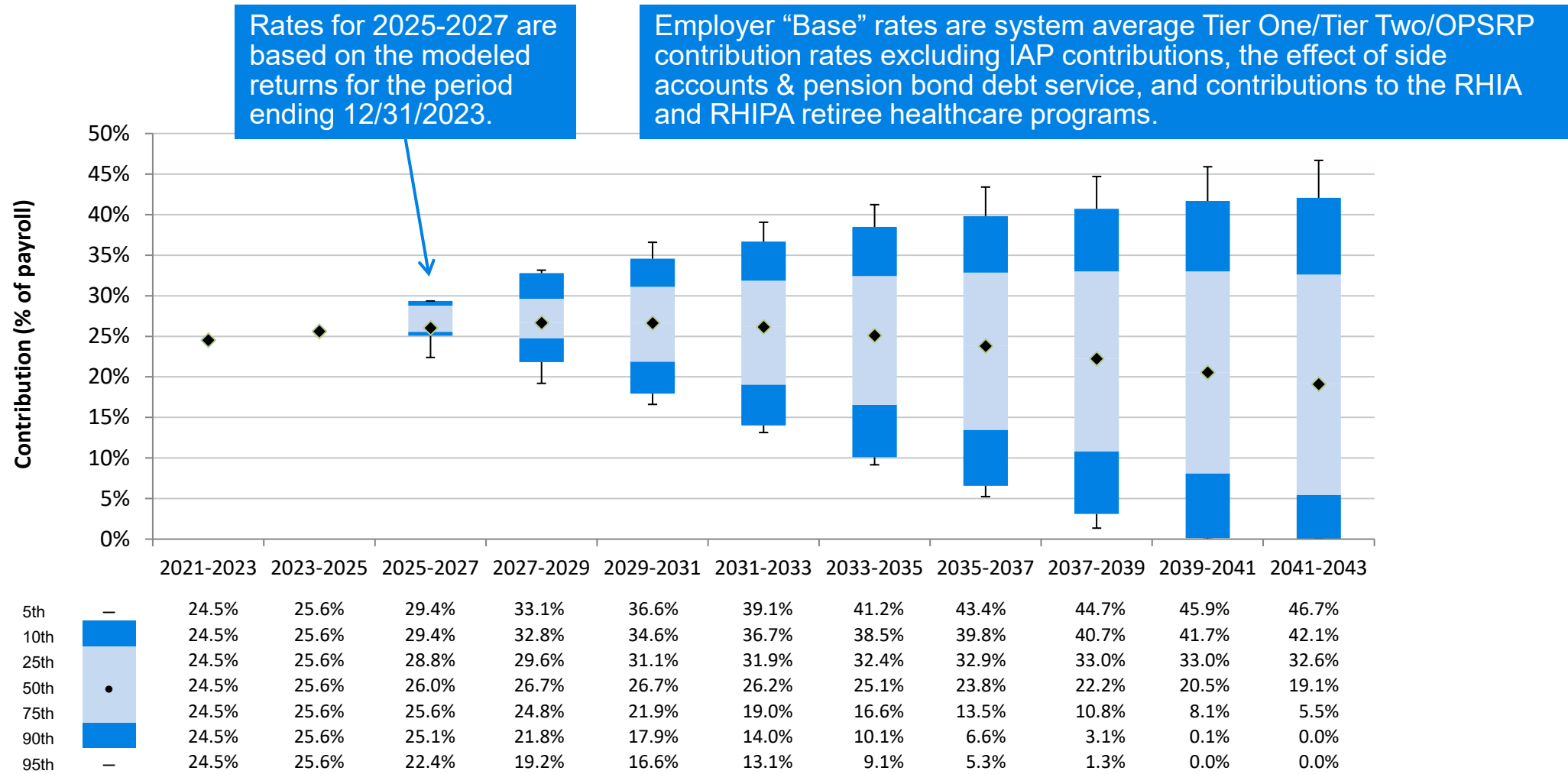
Post-2021 Modeled Returns (Geometric Average)



	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	
95th	—	7.9%	14.4%	14.8%	14.5%	14.0%	13.7%	13.4%	13.1%	12.9%	12.7%	12.6%	12.4%	12.2%	12.1%	12.0%	11.8%	11.7%	11.6%	11.5%	11.4%
90th	—	5.3%	11.2%	11.9%	12.1%	12.0%	11.8%	11.6%	11.5%	11.4%	11.2%	11.1%	10.9%	10.9%	10.8%	10.7%	10.6%	10.5%	10.5%	10.4%	10.3%
75th	—	1.3%	6.7%	7.9%	8.4%	8.6%	8.6%	8.8%	8.8%	8.8%	8.8%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.6%	8.6%	8.6%	8.6%
50th	•	-2.8%	2.0%	3.7%	4.7%	5.2%	5.5%	5.8%	6.0%	6.1%	6.3%	6.4%	6.5%	6.5%	6.6%	6.6%	6.6%	6.7%	6.7%	6.8%	6.8%
25th	—	-6.6%	-2.2%	-0.1%	1.1%	1.9%	2.6%	2.9%	3.3%	3.6%	3.8%	4.0%	4.2%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	4.9%	5.0%
10th	—	-10.0%	-5.8%	-3.4%	-2.0%	-0.8%	-0.1%	0.5%	1.0%	1.3%	1.6%	2.0%	2.2%	2.5%	2.7%	2.8%	3.0%	3.1%	3.3%	3.4%	3.5%
5th	—	-11.8%	-7.9%	-5.3%	-3.8%	-2.5%	-1.6%	-1.0%	-0.4%	0.0%	0.4%	0.8%	1.1%	1.3%	1.6%	1.9%	2.0%	2.2%	2.3%	2.5%	2.6%

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.

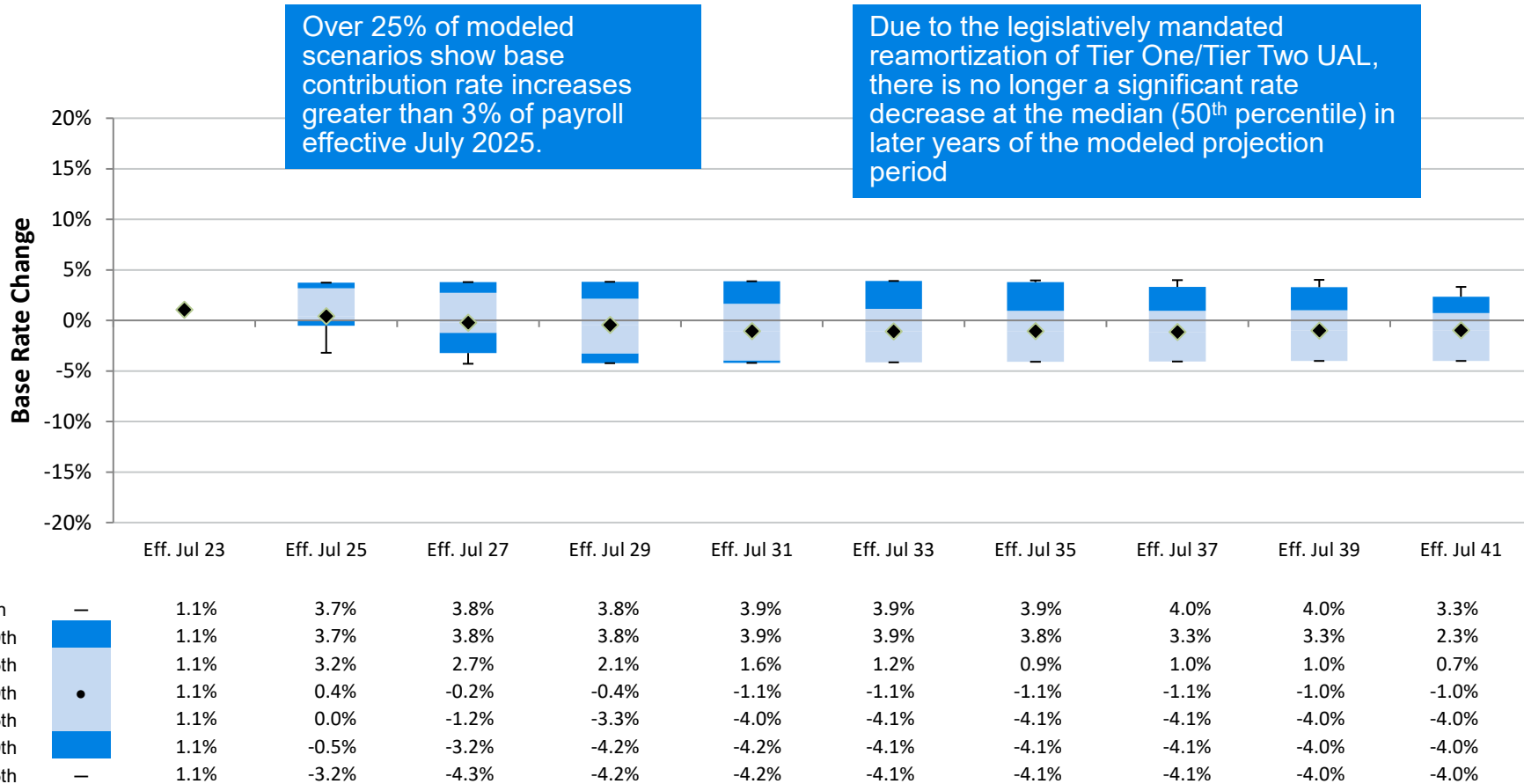
Employer Collared Base Pension Rates (System Average)



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.

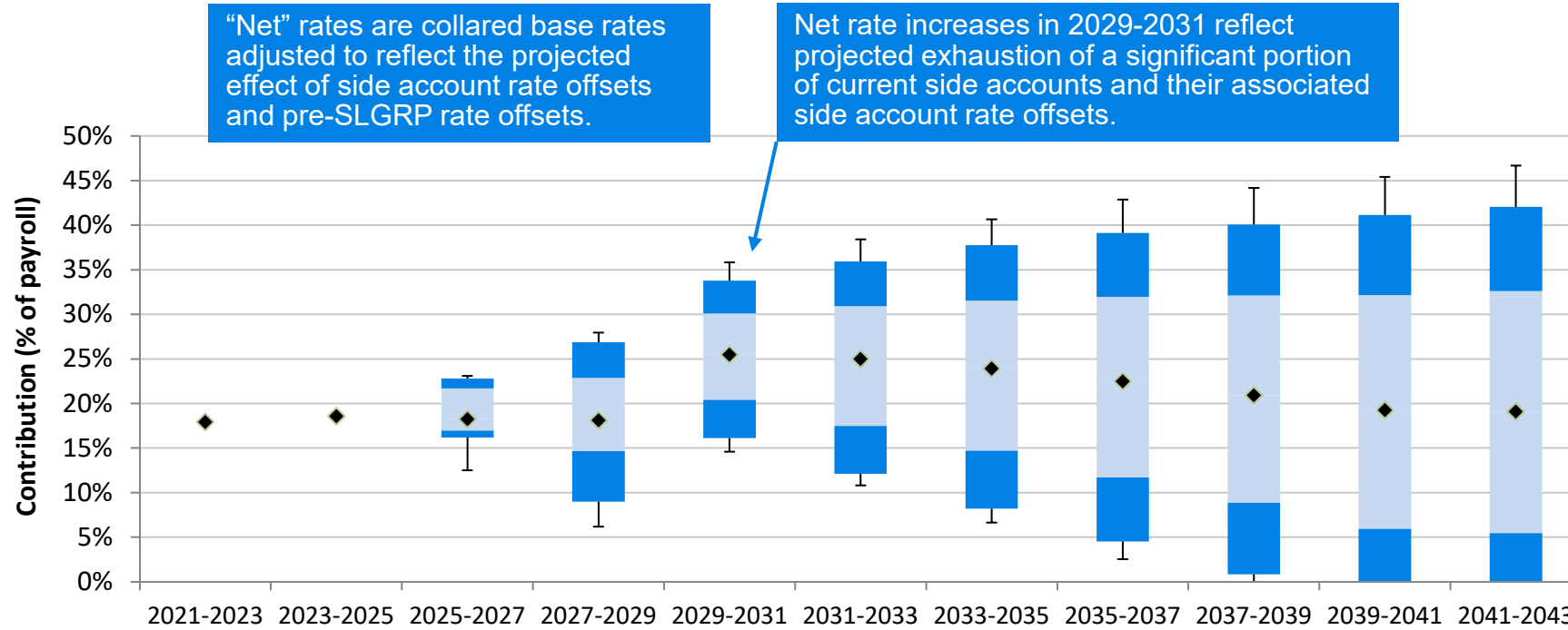
Biennial Change in Employer Collared Base Pension Rate

System Average Rates



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.

Employer Collared Net Pension Rates (System Average)



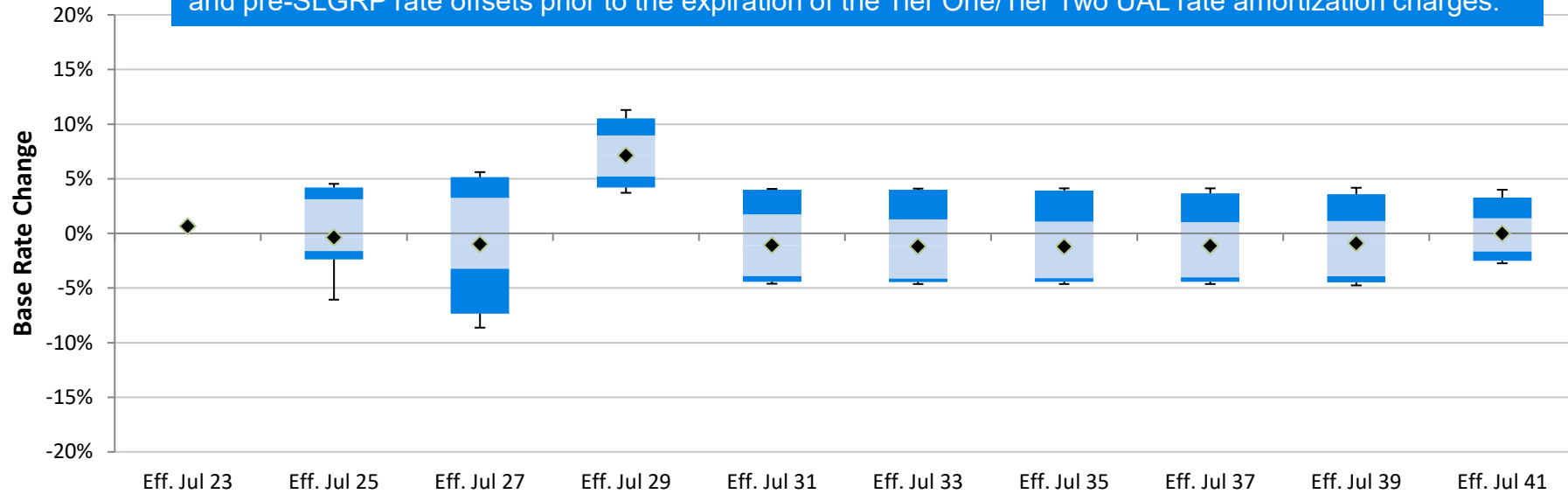
5th	—	17.9%	18.6%	23.1%	28.0%	35.8%	38.4%	40.7%	42.9%	44.2%	45.4%	46.7%
10th	■	17.9%	18.6%	22.8%	26.9%	33.8%	35.9%	37.8%	39.1%	40.1%	41.1%	42.1%
25th	■	17.9%	18.6%	21.7%	22.9%	30.1%	30.9%	31.5%	32.0%	32.1%	32.2%	32.6%
50th	●	17.9%	18.6%	18.2%	18.1%	25.5%	25.0%	23.9%	22.5%	20.9%	19.2%	19.1%
75th	■	17.9%	18.6%	17.0%	14.6%	20.4%	17.5%	14.7%	11.7%	8.9%	6.0%	5.5%
90th	■	17.9%	18.6%	16.2%	9.0%	16.1%	12.1%	8.2%	4.5%	0.8%	0.0%	0.0%
95th	—	17.9%	18.6%	12.5%	6.2%	14.6%	10.8%	6.6%	2.5%	0.0%	0.0%	0.0%

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.

Biennial Change in Collared Net Pension Rate

System Average Rates

The July 2029 increase is related to the projected exhaustion of a significant portion of current side accounts and pre-SLGRP rate offsets prior to the expiration of the Tier One/Tier Two UAL rate amortization charges.

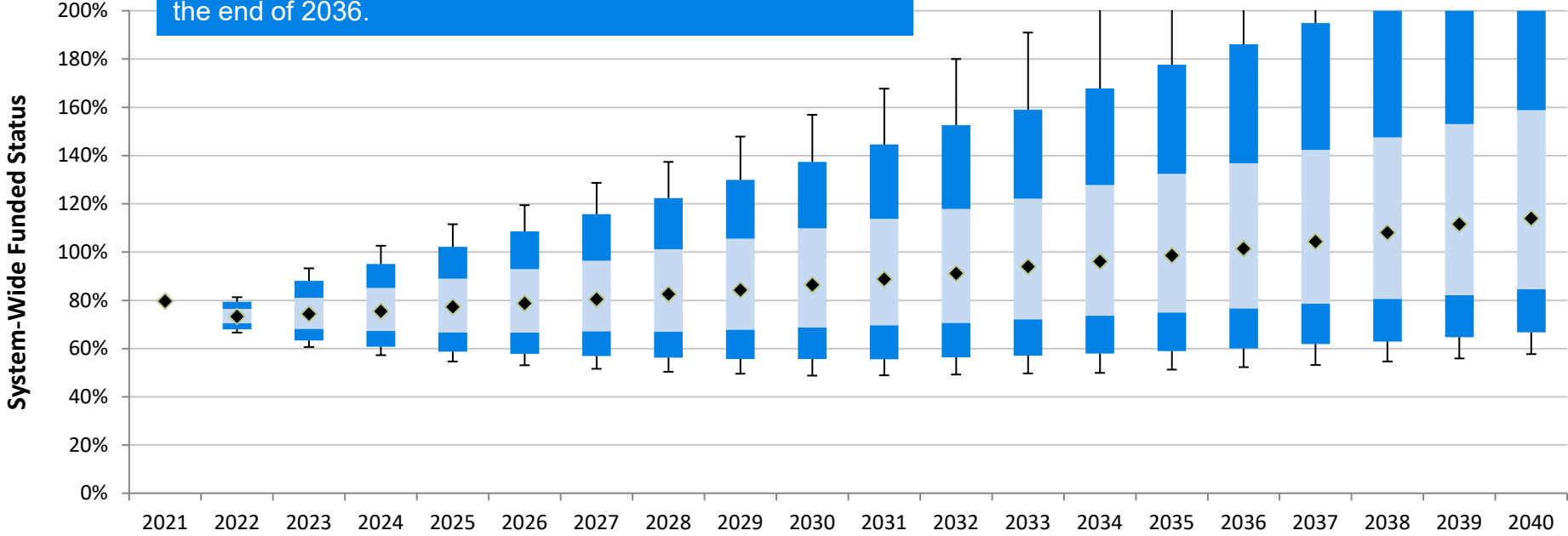


	Eff. Jul 23	Eff. Jul 25	Eff. Jul 27	Eff. Jul 29	Eff. Jul 31	Eff. Jul 33	Eff. Jul 35	Eff. Jul 37	Eff. Jul 39	Eff. Jul 41
5th	—	0.7%	4.5%	5.6%	11.3%	4.1%	4.1%	4.1%	4.2%	4.0%
10th	—	0.7%	4.2%	5.2%	10.5%	4.0%	4.0%	3.9%	3.6%	3.3%
25th	—	0.7%	3.1%	3.2%	9.0%	1.7%	1.3%	1.1%	1.0%	1.4%
50th	•	0.7%	-0.3%	-1.0%	7.2%	-1.1%	-1.2%	-1.2%	-1.1%	0.0%
75th	—	0.7%	-1.6%	-3.2%	5.2%	-3.9%	-4.1%	-4.1%	-4.0%	-3.9%
90th	—	0.7%	-2.4%	-7.4%	4.2%	-4.4%	-4.4%	-4.4%	-4.4%	-2.5%
95th	—	0.7%	-6.1%	-8.6%	3.7%	-4.6%	-4.6%	-4.6%	-4.6%	-2.7%

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

Funded Status (Excluding Side Accounts)

At the 50th percentile, funded status is 73.3% at year-end 2022, but subsequently increases to reach over 100% by the end of 2036.

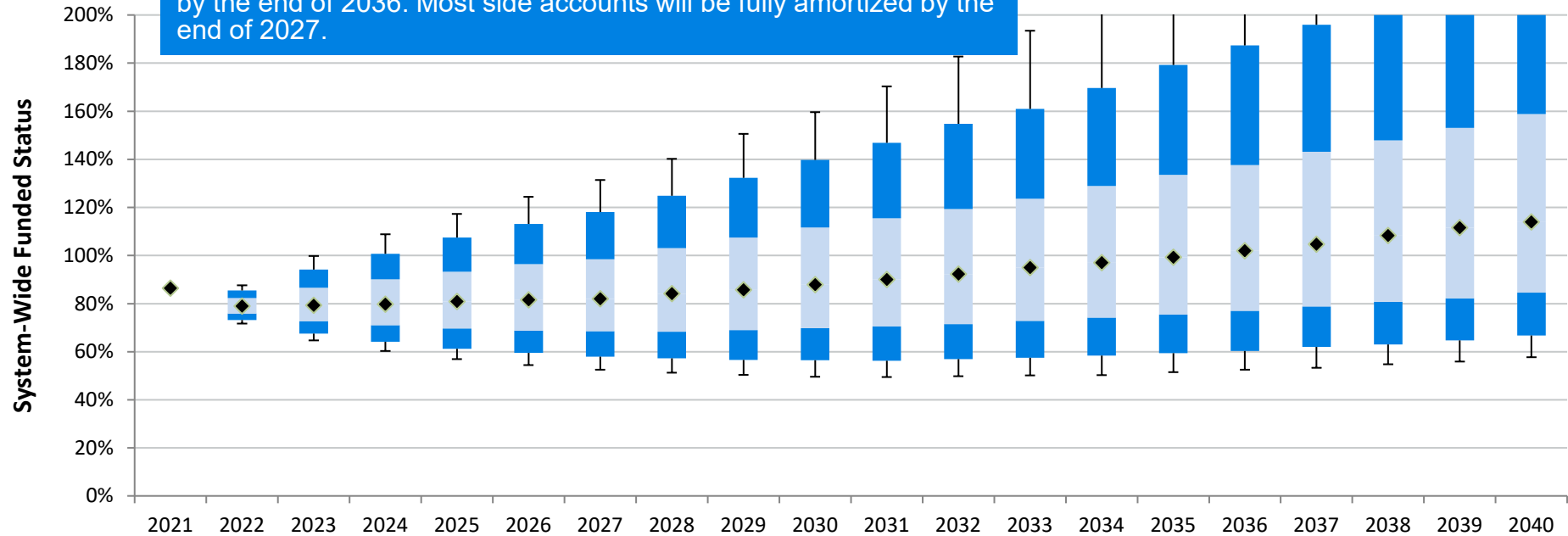


	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	
95th	—	79.6%	81.3%	93.3%	102.7%	111.5%	119.4%	128.7%	137.4%	147.9%	156.9%	167.7%	180.1%	191.0%	200.6%	213.5%	226.0%	239.8%	251.8%	266.6%	277.2%
90th	—	79.6%	79.4%	88.1%	95.0%	102.2%	108.7%	115.7%	122.4%	130.0%	137.4%	144.7%	152.7%	159.1%	167.9%	177.7%	186.1%	194.9%	205.2%	214.6%	224.9%
75th	—	79.6%	76.5%	81.1%	85.2%	88.9%	92.9%	96.5%	101.1%	105.6%	109.8%	113.8%	117.8%	122.1%	127.7%	132.5%	136.8%	142.4%	147.5%	153.0%	158.8%
50th	●	79.6%	73.3%	74.3%	75.4%	77.2%	78.7%	80.4%	82.5%	84.2%	86.4%	88.8%	91.1%	93.9%	96.1%	98.5%	101.4%	104.3%	108.0%	111.6%	113.9%
25th	—	79.6%	70.5%	68.2%	67.3%	66.7%	66.6%	67.2%	67.1%	67.9%	68.7%	69.6%	70.7%	72.1%	73.6%	75.0%	76.6%	78.6%	80.6%	82.2%	84.6%
10th	—	79.6%	68.0%	63.3%	60.8%	58.7%	57.9%	56.9%	56.3%	55.7%	55.7%	55.6%	56.3%	57.0%	57.9%	59.0%	60.1%	61.9%	62.9%	64.7%	66.8%
5th	—	79.6%	66.7%	60.7%	57.2%	54.6%	53.0%	51.6%	50.4%	49.5%	48.8%	48.9%	49.3%	49.7%	50.0%	51.3%	52.3%	53.2%	54.7%	56.0%	57.7%

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

Funded Status (Including Side Accounts)

At the 50th percentile, funded status including side accounts is 79.0% at year-end 2022 but subsequently improves, reaching 100% by the end of 2036. Most side accounts will be fully amortized by the end of 2027.

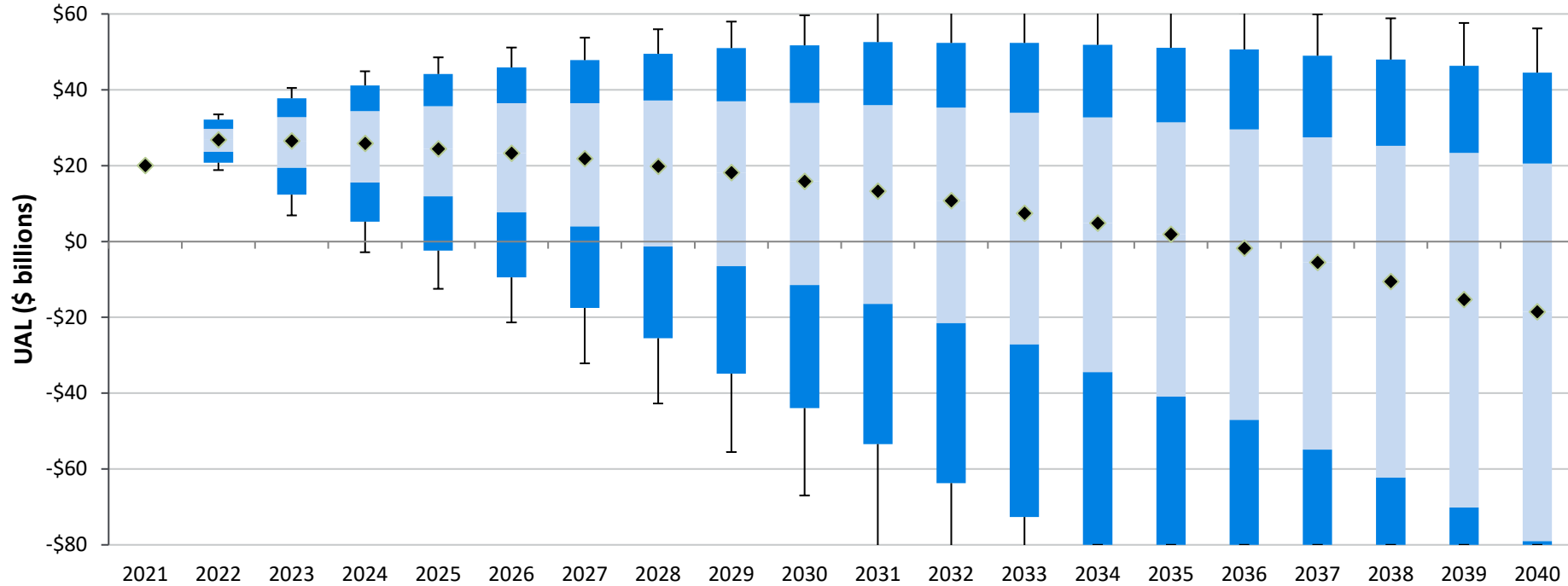


	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	
95th	—	86.4%	87.6%	99.8%	108.9%	117.3%	124.5%	131.4%	140.2%	150.6%	159.6%	170.3%	182.7%	193.4%	202.8%	215.4%	227.6%	240.9%	252.5%	266.6%	277.2%
90th	—	86.4%	85.5%	94.1%	100.7%	107.4%	113.1%	118.1%	124.8%	132.4%	139.7%	146.9%	154.8%	161.0%	169.6%	179.3%	187.3%	195.9%	205.7%	214.6%	224.9%
75th	—	86.4%	82.4%	86.6%	90.2%	93.2%	96.4%	98.5%	103.1%	107.5%	111.6%	115.5%	119.4%	123.6%	129.0%	133.6%	137.7%	143.1%	147.9%	153.0%	158.8%
50th	●	86.4%	79.0%	79.3%	79.8%	80.8%	81.5%	82.0%	84.1%	85.6%	87.8%	90.0%	92.2%	94.9%	97.0%	99.2%	102.0%	104.7%	108.2%	111.6%	113.9%
25th	—	86.4%	75.9%	72.7%	71.1%	69.7%	68.7%	68.5%	68.3%	69.0%	69.8%	70.6%	71.5%	72.9%	74.2%	75.5%	77.0%	78.8%	80.7%	82.2%	84.6%
10th	—	86.4%	73.2%	67.5%	64.1%	61.2%	59.6%	58.0%	57.3%	56.5%	56.5%	56.3%	56.9%	57.5%	58.4%	59.4%	60.4%	62.0%	63.0%	64.7%	66.8%
5th	—	86.4%	71.7%	64.7%	60.3%	56.9%	54.4%	52.5%	51.3%	50.3%	49.5%	49.5%	49.8%	50.2%	50.3%	51.5%	52.5%	53.3%	54.7%	56.0%	57.7%

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.

UAL (Excluding Side Accounts)

At the 50th percentile, the UAL excluding side accounts is \$26.8 billion at year-end 2022, but subsequently declines to less than \$0 by the end of 2036.

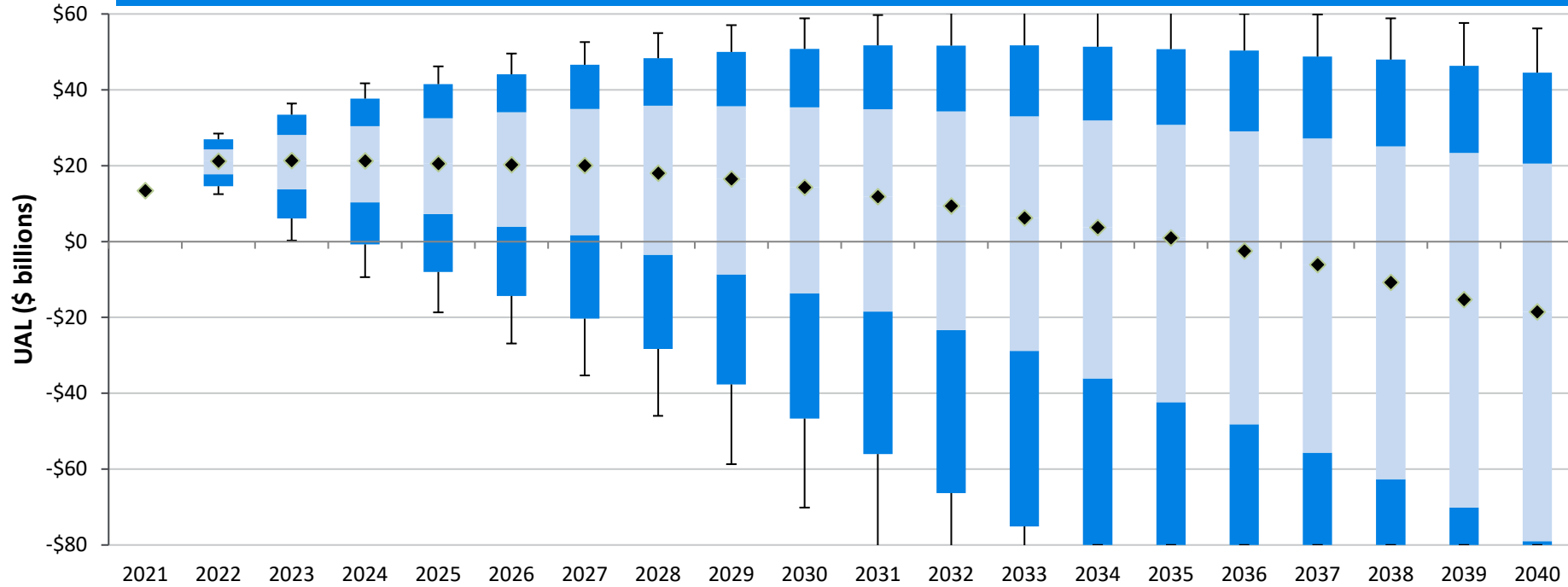


	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	
5th	—	20.0	33.5	40.5	44.9	48.6	51.1	53.7	56.0	58.0	59.7	60.4	60.9	61.0	61.7	60.8	60.3	59.9	58.8	57.7	56.2
10th	20.0	32.2	37.7	41.2	44.2	45.9	47.8	49.5	51.0	51.7	52.6	52.4	52.4	51.9	51.1	50.7	49.0	48.0	46.3	44.5	
25th	20.0	29.7	32.8	34.4	35.7	36.5	36.4	37.2	36.9	36.6	36.0	35.3	34.0	32.7	31.4	29.5	27.5	25.2	23.4	20.5	
50th	•	26.8	26.5	25.9	24.5	23.3	21.9	19.8	18.2	15.9	13.3	10.8	7.5	4.9	1.9	-1.8	-5.5	-10.5	-15.3	-18.5	
75th	20.0	23.7	19.5	15.6	11.9	7.7	4.0	-1.3	-6.5	-11.5	-16.4	-21.5	-27.1	-34.4	-41.0	-47.1	-54.9	-62.2	-70.1	-79.0	
90th	20.0	20.8	12.3	5.2	-2.4	-9.5	-17.6	-25.5	-34.9	-44.0	-53.4	-63.7	-72.7	-84.4	-97.8	-110.1	-123.6	-137.7	-152.3	-167.5	
95th	—	20.0	18.8	6.9	-2.8	-12.5	-21.3	-32.2	-42.7	-55.5	-67.0	-81.2	-96.7	-111.4	-125.8	-143.4	-161.1	-180.8	-199.5	-221.4	-238.6

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.

UAL (Including Side Accounts)

At the 50th percentile, the UAL including side accounts is \$21.2 billion at year-end 2022, grows to \$21.4 billion at the end of 2023, then declines to less than \$0 by the end of 2036. Most side accounts will be fully amortized by the end of 2027.



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	
5th	—	13.4	28.4	36.4	41.7	46.2	49.6	55.0	57.1	58.9	59.7	60.3	60.5	61.3	60.5	60.0	59.8	58.8	57.7	56.2	
10th	13.4	27.0	33.5	37.7	41.5	44.1	46.6	48.4	50.0	50.8	51.8	51.6	51.8	51.3	50.7	50.3	48.8	48.0	46.3	44.5	
25th	13.4	24.3	28.1	30.4	32.5	34.1	35.0	35.8	35.6	35.4	34.9	34.3	33.0	31.9	30.8	29.1	27.1	25.1	23.4	20.5	
50th	•	13.4	21.2	21.4	21.3	20.6	20.3	20.0	18.1	16.5	14.3	9.4	6.2	3.7	0.9	-2.5	-6.1	-10.8	-15.3	-18.5	
75th	13.4	17.8	13.8	10.4	7.3	3.9	1.7	-3.5	-8.7	-13.6	-18.5	-23.4	-28.9	-36.1	-42.4	-48.2	-55.7	-62.7	-70.1	-79.0	
90th	13.4	14.6	6.1	-0.8	-8.0	-14.4	-20.3	-28.3	-37.7	-46.7	-56.1	-66.3	-75.1	-86.8	-99.8	-111.9	-124.9	-138.6	-152.3	-167.5	
95th	—	13.4	12.5	0.3	-9.4	-18.7	-26.9	-35.3	-45.9	-58.7	-70.1	-84.4	-99.7	-114.3	-128.4	-145.7	-163.3	-182.4	-200.4	-221.4	-238.6

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.

Variable Return Model Stress Test

- As in recent years, we also used the variable return model to do a “stress test” of the likelihood of certain events in the 10,000 scenarios modeled
 - Testing is done at a system-average level; results for individual rate pools or employers may vary
- The percentage of modeled scenarios with funded status above a specified threshold at the end of the projection period is shown below
 - Median funded status excluding side accounts at year-end 2022 was 73.3%

Likelihood of Funded Status Level as of 12/31/2040	
Funded Status (Excluding Side Accounts) > 100%	62%
Funded Status (Excluding Side Accounts) > 90%	70%
Funded Status (Excluding Side Accounts) > 80%	79%
Funded Status (Excluding Side Accounts) > 70%	87%
Funded Status (Excluding Side Accounts) > 60%	94%

Variable Return Model Stress Test

- Median funded status excluding side accounts at year-end 2022 is 73.3%
- The likelihood of specified events occurring at some valuation date during the 20-year projection period is shown below

Likelihood of Event Occurring at Some Valuation Date in Next 20 Years	
Funded Status (Excluding Side Accounts) > 100%	77%
Funded Status (Excluding Side Accounts) < 60%	36%
Funded Status (Excluding Side Accounts) < 40%	4%

Variable Return Model Stress Test

- The likelihood of specified events occurring at some valuation date during the 20-year projection period is shown below

Likelihood of Event Occurring at Some Valuation Date in Next 20 Years	
Employer Collared Base Rate (Excluding Retiree Healthcare) < 10% of Pay	35%
Employer Collared Base Rate (Excluding Retiree Healthcare) > 30% of Pay	46%
Employer Collared Base Rate (Excluding Retiree Healthcare) > 40% of Pay	15%

- The system-average employer base rate for the 2023-2025 biennium is about 25.6%, per the December 31, 2021 valuation

Variable Return Model Stress Test

- As shown earlier, over 25% of modeled scenarios show an increase in the collared rate above 3% of payroll at July 2025
- Table shows likelihood in the model of a collared rate increase exceeding a selected threshold at the July 2025 rate change

Likelihood of the July 2025 Collared Rate Increase Exceeding Threshold		
<u>Threshold Increase</u>	<u>Base Rate</u>	<u>Net Rate</u>
2% of Pay	36%	33%
3% of Pay	27%	26%
4% of Pay	<1%	15%
5% of Pay	<1%	1%

Variable Return Model Stress Test

- Table shows likelihood in the model of a collared rate increase exceeding a selected threshold at the July 2027 rate change

Likelihood of the July 2027 Collared Rate Increase Exceeding Threshold		
<u>Threshold Increase</u>	<u>Base Rate</u>	<u>Net Rate</u>
2% of Pay	29%	30%
3% of Pay	24%	26%
4% of Pay	<1%	22%
5% of Pay	<1%	12%

Wrap Up / Next Steps

- At the February 3, 2023 meeting, preliminary year-end 2022 investment results will be available
 - We can then comment as warranted on estimated impact on the 12/31/2022 actuarial valuation results, which will develop advisory 2025 – 2027 contribution rates
- The biennial experience study review of actuarial methods and assumptions will occur next year, with Board decisions anticipated at the July 28, 2023 meeting



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 deterministic and stochastic modeling for the Oregon Public Employees Retirement System (“PERS” or “the System”) over a 20-year period beginning December 31, 2021 under a wide range of potential economic scenarios. The results are based upon the same assumptions, methods, and plan provisions as described in the 2020 Experience Study and the December 31, 2021 System-Wide Actuarial Valuation Report, except where noted otherwise.

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the System. The valuation results were developed using models intended for valuations that use standard actuarial techniques.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan’s funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. Our December 31, 2021 Actuarial Valuation Report provides additional discussion of the System’s risks. The PERS Board has the final decision regarding the appropriateness of the assumptions.

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

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

Certification

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

- (a) The System may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.
- (b) The System may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

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

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices 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.

Appendix

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 Valuation Report.

Assets as of December 31, 2021, were based on values provided by Oregon PERS reflecting the Board's earnings crediting decisions for 2021, as shown in the Valuation Report. Financial model projections reflect September 30, 2022 investment results for regular and variable accounts as published by Oregon State Treasury.

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.

Appendix

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 2020 Experience Study Report.

Provisions

Provisions valued are as detailed in the forthcoming December 31, 2021 System-Wide Actuarial Valuation Report.

Appendix

Rate Projection Basis

Assumptions

In general, all assumptions are as described in the 2020 Experience Study Report.

The major actuarial valuation assumptions used in our projections are shown below. They are aggregate average assumptions that apply to the whole population and were held constant throughout the projection period. The economic experience adjustments were allowed to vary in future years given the conditions defined in each economic scenario.

- Valuation interest rate – 6.90%
- Tier One Regular account growth – 6.90%
- Actual fund investment return – Varies by scenario according to capital market assumptions
- Variable account growth – Equal to investment return on public equity portion of the fund
- Inflation assumption – 2.40%
- Inflation experience – Varies by scenario according to capital market assumptions
- Wage growth assumption – 3.40%
- Wage growth experience – 1.00% greater than inflation experience
- Demographic experience – as described in 2020 Experience Study Report
- New entrant experience – New members are assumed to be hired at the rate necessary to keep the total number of members in each job class (General Service, School District, Police & Fire, and Judges) constant over the duration of the projection. All new entrants other than judges are assumed to join as OPSRP members. New entrant pay is assumed to grow at the rate necessary for overall system payroll to increase with wage growth experience, as described above.

Appendix

Rate Projection Basis

Reserve Projection

Contingency Reserve as of 12/31/2021 was \$50.0M. No future increases or decreases to this reserve were assumed.

The Tier One Rate Guarantee Reserve (“RGR”) was \$960.7M as of 12/31/2021. The RGR was assumed to grow with excess returns above the 6.90% target growth on Tier One Member Accounts. When modeled aggregate returns were below 6.90%, applicable amounts from the RGR were assumed to transfer to Tier One Member Accounts to maintain the 6.90% target growth rate. The RGR is allowed to be negative, but the reserve is not excluded from valuation assets when it is negative. We did not include in rates any potential additional employer levy that could be required to eliminate a persistent negative RGR.

Offset for Member Redirect Contributions

Under Senate Bill 1049, a portion of the 6% of pay member contribution previously made to the IAP was redirected to fund Tier One/Tier Two and OPSRP defined benefits beginning July 1, 2020. For Tier One/Tier Two members, the redirected amount will be 2.50% of pay, and for OPSRP it will be 0.75% of pay. Members with less than \$2,500 in monthly pay (indexed in future years) will be exempt from the redirection.

For the rate projection, member redirect contributions are assumed to offset the contribution rates paid by employers. The offset is assumed to be 2.40% of total payroll for Tier One/Tier Two and 0.65% of total payroll for OPSRP.

Redirected member contributions are assumed to cease in a biennium following a rate-setting valuation where the funded status, including side accounts, is 90% or greater.

Work After Retirement Contributions

Under Senate Bill 1049, starting in 2020 and ending December 31, 2024, employers are required to pay PERS contribution rates on rehired retiree payroll. For 2022, rehired retiree payroll was assumed to be approximately \$209.6M for Tier One/Tier Two members and \$9.9M for OPSRP members. After 2022, rehired retiree payroll was assumed to increase with the wage growth assumption.

Appendix

Rate Projection Basis

Capital Market Model

For each 20-year projection, we ran 10,000 stochastic scenarios for inflation and asset class rates of return. The scenarios were calibrated to represent Milliman's capital market assumptions in terms of expected average real returns, the expected year-to-year volatility of the returns, and the expected correlation between the returns of different asset classes. Annual rates of return for each of the asset classes and inflation are generated from a multivariate lognormal probability distribution. Rates of return are independent from year to year.

The variable return model includes 10,000 projected scenarios for possible future year-by-year system investment returns and levels of inflation. In developing that model, per Actuarial Standards of Practice we disclose reliance upon a Milliman colleague who is a credentialed actuary and also a credentialed investment professional with expertise in preparing capital outlook modeling. We reviewed overall model results for reasonability while, as part of his work, our investment professional colleague reviewed the investment projections for internal consistency.

For this purpose, we considered the Oregon PERS Fund to be allocated among the model's asset classes as shown on the following slide. This allocation is based on input provided by Meketa (OIC's primary consultant) and reflects proposed changes to the OIC's target allocation for the Oregon PERS fund discussed in the November 2022 OIC meeting.

Appendix

Rate Projection Basis

Capital Market Model

Reflects Milliman's capital market assumptions as of July 1, 2022.

	Annual Arithmetic Mean	20-Year Annualized Geometric Mean	Annual Standard Deviation	Policy Allocation
Global Equity	8.59%	7.13%	17.75%	25.000%
Private Equity	12.93%	8.88%	30.00%	25.500%
Real Estate	6.99%	5.75%	16.23%	12.250%
US Core Fixed Income	4.23%	4.16%	3.91%	27.500%
Hedge Fund – Macro	5.17%	4.76%	7.57%	5.625%
Hedge Fund – Equity Hedge	7.18%	6.36%	11.84%	0.625%
Hedge Fund – Multistrategy	6.56%	6.13%	8.99%	1.250%
Infrastructure	7.44%	6.08%	17.07%	1.500%
Master Limited Partnerships	8.94%	5.56%	26.94%	0.750%
US Inflation (CPI-U)	2.40%	2.40%	1.25%	N/A
Fund Total (reflecting asset class correlations)	8.06%	7.35%*	12.65%	100.00%

* The model's 20-year annualized geometric median is 7.33%.

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.