PERS EMPLOYER ADVISORY GROUP MEETING

Date: 10/15/21 Time: 10:00 a.m.–12:00 p.m. Location: GoToMeeting

TYPE OF MEETING	EAG Meeting
FACILITATOR	Brandon Armatas
NOTE TAKER	Lindsay Partain
CALL-IN NUMBER	(866) 899-4679 Access Code: 197-754-461
ATTENDEES	**EAG Members:** Bonny Ray, Oregon State University; Jeff Rasmussen, Association of Oregon Counties: Jefferson County; Jeff White, Association of Oregon Counties: Marion County; Lori Sattenspiel, Oregon School Boards Association; Michelle Kirby, League of Oregon Cities: City of Portland; Michelle Morrison, Oregon School Boards Association: Hillsboro School District; Nancy Brewer, League of Oregon Cities: City of Corvallis; Trudy Vidal, State of Oregon: Department of Administrative Services; Tyler Janzen, Association of Oregon Counties **PERS:** Alison Burman, Brandon Armatas, Cynthia Kirkwood, Eleanor Probasco, Elizabeth Rossman, Ethan Erickson, Jake Winship, Jonathan Yost, Kevin Olineck, Laurel Galego, Lindsay Partain, Richard Horsford, Stephanie Vaughn **Guests:** Debbie Diener, Katie Kicza, Christina Hampton, Cheryl Carder, Anita Gurule, Kristoffer Aas, Gay Lynn Bath

NOTES

TOPIC	**Welcome**	Brandon Armatas
TIME: 10:00–10:03		
Brandon Armatas, PERS Data Services Manager, welcomed the Employer Advisory Group (EAG) and went over the EAG meeting agenda.		

TOPIC	**Director's Office update**	Kevin Olineck
TIME: 10:03–10:09		
Kevin Olineck, PERS Director, provided an update on the PERS **Reopening Plans**. The updated reopening date is set for January 1, 2022. We are still working through the logistics, but are looking forward to reopening. In terms of **Legislative Implementation**, there were several new laws passed that impact PERS and we are working to implement them. We are also developing the architectural framework for the Modernization Project kick-off and looking at how we can make changes in regard to interactions with employers; currently in the early planning stages. We will be in contact with any changes. Kevin touched on what to expect at the 12/03/2021 board meeting where Matt Rickard will be presenting on our internal scorecard. We will also be discussing the adoption of the disability		

rules sent out by Stephanie Vaughn, as well as other changes in respect to administrative rule making. The PERS Board is continuing discussions on the “equal to or better than” actuarial testing. The financial modeling showing various financial impacts will also be covered.

TOPIC	**SB 1049 update**	Elli Probasco

TIME: 10:09–10:16

Elli Probasco, PERS Product Owner, gave a brief update on the **SB 1049 Program**. Elli went over the Roadmap and reminded stakeholders about the projects that have closed in the last several months. Technical Debt just started and we have a known release next year.

Elli provided a brief **WAR update**. We are deploying the package on 12/16/2021 and will correct the side account crediting for WAR receivables.

Question: Is this the package that will fix the issue where wrong amounts were being pulled?
Answer: Yes, this package will fix that pull issue.

Elli also gave a quick update on the **Member Redirect** and **Technical Debt**. Work Package 5 deployed last night, 10/14/2021. DTL1-01 and DTL1-15 will now generate a work item email if an employee has an active voluntary contribution election. A new column has been added to Year to Date (YTD) View Totals for Total IAP. We are deploying Employer Statements on 07/21/2022 which will provide a bank statement-type document that the employers and internal staff can easily read and reconcile.

Question: Will there be drafts sent out to employers for feedback on the layout?
Answer: As soon as we have a document available for review we will send it out to employers so that you can see what the changes will look like. We are also going to involve employers with testing, so when we have more information, we’ll share that with you.

Question: Are there other Technical Debt packages after this?
Answer: We are currently in the process of evaluating what we have in terms of Technical Debt that also impacts our SB1049 work, determine the priority we should approach that work with. Should have something to share by the next EAG meeting.

Question: Will it include the lockdown of prior year data?
Answer: That will be a separate project but it has been noted in the Modernization Project.

TOPIC	**Actuarial update**	Jake Winship

TIME: 10:16–10:47

Jake Winship, PERS Manager of the Actuarial Activities Section gave an **Actuarial Update** and overview.

The PERS Board approved the recommended changes to actuarial assumptions; usually done every 2 years, based on an experience study. The investment return assumption was reduced from 7.20% to 6.90%. This reduction is in line with other plans.

- 2020 asset returns were close to expected: 7.18% vs 7.20% assumed.

- 2021 YTD returns as of August 31 are 16.45% and September numbers will be available soon. The 2021 valuation will reflect full calendar year investment returns and determine the rates for the 2023-2025 biennium.

The 6.9% assumed rate consists of 4.5% real return and 2.4% assumed inflation. This inflation assumption is consistent with Social Security Administration's long term forecast. The 4.5% real return assumption matches projections from the Oregon Investment Council (OIC), as they have the most relevant information about the PERS fund allocation and strategy.

System payroll increased nearly 4.4% vs assumed increase of 3.5% in 2020. Since contributions are a percentage of payroll, this means that more payments are made toward reducing the unfunded liability.

New methodology was approved for rate collaring. Rate collaring focuses on the biennium to biennium change, and compares the calculated rates to those implemented from the 2019 valuation. The rate collar in the future will only apply to the unfunded actuarial liability. We will always pay the normal cost in full. The new method addresses the OPSRP and Tier 1 and Tier 2 UAL separately.

- OPSRP UAL rate: 1% of pay.
- Tier One/Tier Two UAL rates.
- SLGRP and School District Pool: 3% of pay.
- Independent employers: Greater of 4% of pay or 1/3 of the difference between collared and uncollared Tier One/Tier Two UAL rates at last rate-setting valuation. Planning to reach out proactively to discuss if the new rate increases by more than 3%.

Ratchet Procedure: if the plan is not highly funded, we don't want to have reduction to the UAL amortization rate. There can be no decrease to the UAL rate unless the plan is at least 87%. The full rate collar decrease can only occur if the funded level is 90% or higher.

The system-wide rates shown reflect a weighted average of the two rate pools as well as all independent employers. The total uncollared base rate change from 21-23 to 23-25 does not reflect any rate collar, side-account, or member redirect offsets. The increase shown largely results from the assumed earnings rate change. We did have a fairly significant decrease from 19-21 to 21-23 (2.90%) and so we're close to where we were two years ago. The second table showed the net collared rates. There was no impact to either of the large pools from the rate collar. We had a few smaller employers that did have the rate collar applied. The net rate increase was slightly higher than that for total base rates – this reflects lower side account rate offsets and reduced benefit of member redirect.

Gave an overview of the last three valuations on the system-total pension funded status table (in billions). The 7.20% assumed return went down to 6.90% in 12/31/2020. Last year we had the actuarial liability increase by 2.8 billion dollars and this year we had a 5.9 billion dollar increase. The assets reflect the actual market performance which continues growing steadily, consistent with the assumed returns. The unfunded actuarial liability (UAL) is the difference between those values. This went up a little bit from where we were in 2018, but the funded status improved from 69% to 71%. In the same period, the funded status, including side accounts, improved from 75% to 76%.

Senate Bill 111A and House Bill 2906 signed into law in June 2021:

- SB 111A provisions include increased death benefits in specific circumstances.
- HB 2096 increases salary threshold for member EPSA contributions.

Effect of the 2021 returns on final 2023-25 rates: it's a small enough increase that for the two pools and OPSRP, there is no impact of the rate collar.

If we have approximately 16-16.5% earnings by year end, the UAL will be essentially unchanged as asset gains will be the same as the increase to actuarial liability. Normal cost will still be increased, as it isn't looking at the assets but what we are incurring going forward.

Final 2023-25 rates will use assets and liabilities as of 12/31/2021, including actual full-year 2021 investment returns. Through 08/31/2021 PERS Fund year-to-date regular account returns are 16.45%

TOPIC	**Communications update**	Jonathan Yost

TIME: 10:47–10:53

Jonathan Yost, PERS Senior Marketing & Communications Specialist, gave a general **Communications Update** regarding the 2021 Employer Satisfaction Survey communications-specific results, EDX training refresh, and communicating updated actuarial assumptions. Jonathan shared a few of the kudos we received from employers, including one for the EAG.

The **Employer Satisfaction Survey** was conducted during the month of May, as it was last year. We asked six main questions that are consistent from year-to-year, plus 10 additional questions for payroll reporters about budgeting and forecasting. The survey was sent to ~4,000 more contacts than last year, but it did not significantly raise our response rate (287 responses, about 4.5%). Communications will be continuing to brainstorm about ways to encourage more engagement in advance of next year's survey.

Of the six categories PERS asks employers to rate every year, the category *Availability of Information*, which relates to Communications, saw the greatest improvement with an increase of nearly 10% in the last two years. Communications believes this is because of increased communication with employers due to Senate Bill 1049, and also because of our collaborative efforts with internal stakeholders to make the communications more engaging. Other survey questions had employers rate eight different sources of information based on how helpful they are.

The categories that received the most votes for "very helpful" or "helpful" included:

- Employer Service Center
- One-on-One Reporting Help
- Monthly Employer Newsletter
- EDX/Reporting Trainings

The category that had the lowest number of "very helpful" ratings was "Information About Difficult Topics," with 75% of reviewers giving it a "very helpful" rating.

Regarding **Employer Training Materials**. The project of updating these was put on hold during SB 1049 implementation, but now that implementation is nearing completion, the Employer Service Center (ESC) will be able to return to this effort. Currently, there are two employer training courses: EDX Basic Concepts and Advanced Reporting Topics. The plan is to bring these up to date and break them into four trainings: one beginner course, two intermediate courses, and one advanced course, with the hope this will enable new reporters to learn the job at a better pace and more completely.

The changes to **Actuarial Assumptions** adopted by the board on October 1 will affect employer rates beginning in 2023. PERS shared information about this change in the July, August, and September issues of the Employer Newsletter to help ensure employers were not caught by surprise and had time to prepare for a rate increase. We will also continue to point them to the "Guide to Understanding Your Rate," along with information about how side accounts and Member Redirect can help them manage their rates. To ensure employers are aware of the changes SB 111A brings to out-of-state employees, we will communicate through the October Employer Newsletter, our Website, Employer Announcements, GovDelivery emails, and in the Employer Manual.

TOPIC	**Additional items**	Brandon Armatas
TIME: 10:53–11:00		

Brandon introduced the remaining additional item, the **OPSRP First Wage Clean-Up Project**.

We have made some great progress. The project team has had to deal with shifting priorities but remain pleased with the progress that has been made. What we've done to date is developed our internal procedures for how we're going to perform this work. We are drafting procedures for potential anomalies and non-standard situations (*i.e.: if records are suspended*) and working to make sure we have appropriate staffing to avoid any potential issues. In terms on communication with impacted employers, we are working with our various teams to aide in this communication. GovDelivery emails will be sent out soon to notify impacted employers.

Question: What is the number of impacted employers?
Answer: 499 employers are impacted and communication will be sent to them soon, maybe next week.

TOPIC	**Questions**	Brandon Armatas
TIME: 11:00–11:05		

Brandon opened the floor to allow EAG members to ask any other follow-up questions. No questions were posed and Brandon wrapped up the meeting by letting members know that the following projected 2022 EAG Meeting dates will be emailed out to members shortly:

- Friday, January 14
- Friday, April 15
- Friday, July 15
- Friday, October 14

Any additional feedback on EAG meetings and items you would like discussed are always appreciated. Please direct your emails to the EAG inbox: Employer_Advisory_Group@pers.oregon.gov.

Next meeting facilitator: Sam Paris
Next meeting date and time: January 14, 2022, 10:00 a.m.–12:00 p.m.