



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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TO: Members of the PERS Board  
FROM: Mary Dunn, Financial and Administrative Services Division  
SUBJECT: *Moro* Implementation Project Update

### **PROJECT ACTIVITIES**

Last month, the *Moro* Implementation Project team processed lump-sum retroactive payments of underpaid COLA, minus any Supplementary Payment paid last year, on 115,919 benefit accounts. Likewise, benefit payments made on November 1, 2015 for those 115,919 accounts were revised to the corrected COLA. The retroactive COLA payments grossed \$71.4 million, reduced by \$8.8 million from recovered Supplementary Payments resulting in a net of \$62.5 million charged to the Contingency Reserve.

The methodology we use to determine individual payment amounts includes performing retroactive COLA calculations outside of our pension system, with tools developed by our Technical Team in the Operations Division. From the first round of retroactive COLA payments, we had a few unexpected issues with the tax withholding calculations. We discovered after the payment was processed that state taxes were not withheld from approximately 27,000 recipients due to an issue in the calculation tool. For these individuals, any under-withholding will be trued up when they file their returns for 2015.

Additionally, we discovered three duty disability payments where taxes should not have been withheld that were, and 28 non-resident alien payments where taxes should have been withheld that were not. We have identified the cause of each of these and are adjusting the tools for the remaining *Moro* population.

### **REMAINING MORO ADJUSTMENTS**

The remaining *Moro* population consists of approximately 16,500 accounts. Approximately 7,652 of these will receive invoices (their total retroactive COLA owed is not enough to offset the supplementary payment or pro-rated COLA they should have received). The balance of the population will receive lump-sum payments, and the corrected benefit amounts will be adjusted for all of these individuals.

Originally, we had scheduled these payments and adjustments to occur starting in January 2016. The *Moro* Project team is concerned with hitting planned January timeline, based on the amount of work need to resolve the remaining accounts. Some of the risk to meeting the January date arises from the number of system-wide annual processes in December and January which update the data used for *Moro* adjustments, such as the tax remedy update job, annual tax updates, and the variable account update. All things considered, the *Moro* Project team reviewed the remaining body of work and postponed the final retroactive COLA payments and recalculated pension benefit amounts. The lump sum payments will be distributed in February 2016 and benefit payments adjusted effective March 1, 2016, with the restored COLA amounts.

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Additionally, PERS has begun the process to reprogram the PERS jClarety system for the blended COLA, to be used for future benefit calculations. We are on schedule to be ready for the 2016 COLA update next July, paid August 1, 2016.

The final accounts impacted by the *Moro* decision are related to deceased accounts and are on hold until after system programming is complete.