

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING AGENDA

**Friday
July 26, 2024
9:00 a.m.**

**PERS HQ
11410 SW 68th Pkwy
Portland, OR 97223**

ITEM

PRESENTER

A. Administration

- | | | |
|----|---|---------|
| 1. | May 31, 2024 PERS Board Meeting Minutes | SHENOY |
| 2. | Director's Report | OLINECK |
| | a. Forward-looking calendar | |
| | b. OPERF investment report | |
| | c. Budget execution report | |
| 3. | CEM Benchmarking results | DOLL |

B. Administrative rulemaking

- | | | |
|----|--|---------------------|
| 1. | Notice of rulemaking to Contingency Reserve Subaccount Rule | YANG, VAUGHN |
| 2. | Notice of rulemaking to Delegation to Director and Staff Rule | YANG, VAUGHN |
| 3. | Notice of rulemaking for Service Retirement Application requirements rules | CHANDLER,
VAUGHN |

C. Action and discussion items

- | | | |
|----|--|----------------|
| 1. | Senate Bill 1049 Program update | ELLEDGE-RHODES |
| 2. | Presentation of December 31, 2023 system valuation results | MILLIMAN |
| 3. | 2025-27 Agency Request Budget recommendations | HORSFORD |

The PERS Board members, meeting presenters, and the public have the option to attend this meeting in person or remotely. Public testimony or comment will be taken on action items at the Chair's discretion. All written testimony/comment and requests to provide oral testimony/comment should be submitted three days or more in advance of the meeting. Visit <https://www.oregon.gov/pers/Pages/Board/PERS-Board-Information.aspx> to register to attend remotely or to submit public comment or testimony. A video recording of the meeting will be available on the PERS website following the meeting.

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

2024 Meetings: July 26*, October 4, December 6* *Audit Committee planned for post-board meeting

A.

A. Administration

1. May 31, 2024 PERS Board Meeting Minutes

2. Director's Report
3. CEM Benchmarking results

B. Administrative rulemaking

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2. Notice of rulemaking to Delegation to Director and Staff Rule
3. Notice of rulemaking for Service Retirement Application requirements rules

C. Action and discussion items

1. Senate Bill 1049 Program update
2. Presentation of December 31, 2023 system valuation results
3. 2025-27 Agency Request Budget recommendations

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING MINUTES

May 31, 2024

Board members present:

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

Staff present:

Kevin Olineck, Yvette Elledge-Rhodes, Sam Paris, Richard Horsford, Heather Case, Rebecca Craven, Stephanie Vaughn, Barbara Dimeling-Perris, Jake Winship, Matt Rickard, Emma McGinty, Neil Jones, and Alex Gaub attended in the PERS Boardroom.

Aikiko Yoshida, Alyse Greer, Ann Gabourel, Ben Cecka, Brooke Walker, Carla Shaw, Chris Geier, Colin Campi, Daniel Rivas, David Larson, Dee Monday, Elizabeth Rossman Weber, Jamie Vieth, Jonathan Yost, Julie Coatney, Katie Brogan, Katie Davis, Laurie Kosche, Matt Graves, Melanie Chandler, Niki Adams, Phuongnam Tran, Rosanne Lurie-Canright, Susannah Bodman, Shane Perry, Shawn Harper, Theresa Tabish, Tiffani Cairo, Troy Phillips, and Yong Yang attended virtually.

Others present:

Matt Larabee, Scott Preppernau, Jeff Gudman, Noel Cruse, Julie Nguyen, Jan Petrella, Jacqueline King, and Nikki Mangnall attended in the PERS Boardroom.

Andrea Bradbury, Audrey Robertson, Belle Na, Bob Hestand, Brenda Watkins, Carol Samuels, Dave Randall, David Williams, Debra Day, Dee-dra Kleve, Gary Smith, Gay Lynn Bath, Gloria Halper, Gregg Dahmen, Hilary Starnes, Ian Peterson, Jamie McCreary, Jennifer Jones, Jennifer Stahel, Jessie Peterson, Joe Ebisa, Jordan Stutts, Kali Leinenbach, Kristi Jenkins, Laura Shimabuku, Lori Doke, Margaret Olney, Matt Warner, Megan Hedrick, Niel Obringer, Peter Iverson, Ryan Schmierbach, Senator Brian Boquist, Shauna Tobiasson, Steven Demarest, Tami Long, and Valerie Colgrove attended virtually.

Chair Shenoy called the meeting to order at 9:02 a.m.

ADMINISTRATION

A.1. MEETING MINUTES OF APRIL 1, 2024

Vice Chair Buckley moved to approve the minutes from the April 1, 2024, PERS Board meeting as presented. Board Member Jaramillo seconded the approval of the minutes. The motion passed unanimously.

A.2. DIRECTOR'S REPORT

Director Kevin Olineck presented the Director's Report, which is a summary of items for the board to be aware of, and the forward-looking calendar.

The Oregon Public Employees Retirement Fund (OPERF) returns, for the period ending April 30, 2024, were positive, at 1.46%.

Operating expenditures for March, April, and preliminary expenditures for May are \$4,842,0831, \$7,874,634, and \$5,112,939, respectively.

Through May 10, 2024, the agency has expended a total of \$53,781,114 or 36.6% of PERS' legislatively approved operations budget of \$147,065,167. At this time, the agency's projected variance is \$6,371,916 or 4.3%.

Olineck reviewed the meeting agenda.

Chair Shenoy acknowledged the 2024 PERS Public Service Ambassadors: Rory Stark, Christine Vanderhoof, and Wendy Lutrell.

No board action was required.

A.3. REVIEW BOARD EDUCATION POLICY, REVIEW OF BOARD MEMBER TRAINING ACTIVITIES

Olineck presented the Annual Report of Board Member Training Activities. At the May 2020 board meeting, the board adopted the Board Education Policy. The policy proposes that each board member be subject to a \$5,000 per annum education limit. The policy states the director will prepare a yearly report on the training activities of the PERS Board members. This report satisfies the requirement.

No board action was required.

Olineck presented the board's training activities on Board Smart. Board Smart is an online education tool which can be utilized by PERS Board members to provide consistency in board education.

No board action was required.

A.4. BOARD GOVERNANCE BEST PRACTICES SURVEY

Olineck presented the PERS Board Governance Self-Assessment Survey and notified the board that the survey will be conducted after the May 31, 2024 PERS Board Meeting.

The self-assessment will be conducted every two years.

No board action was required.

A.5. PERS FUNDING POLICY

Olineck presented the PERS Funding Policy, which was first adopted by the board in 2020, with a revised version adopted in 2022. Management has made updates to the 2022 version to align it with both the actuarial methods and assumptions the board approved in 2023, as well as relevant reference documents that have been updated since 2022.

Board Member Jaramillo moved to adopt the PERS Funding Policy as presented. Board Member Linneen seconded the motion. The motion passed unanimously.

A.6. BOARD SCORECARD REPORT ON AGENCY PERFORMANCE MEASURES

Matt Rickard of the PERS Outcome-Based Management System (POBMS) Council presented the Board Scorecard Report on Agency Performance Measures, of which 64% of the reported measures are in the green range. The next Board Scorecard Report will be presented at the December meeting.

No board action was required.

ADMINISTRATIVE RULEMAKING

No administrative rulemaking items were discussed at the May 31, 2024 PERS Board Meeting.

ACTION AND DISCUSSION ITEMS

C.1. MODERNIZATION PROGRAM UPDATE

Rebecca Craven, former Modernization Program Director, and Yvette Elledge-Rhodes, Deputy Director, presented.

Craven reviewed the ongoing activities of the individual projects that make up the PERS Modernization Program. She highlighted program activities that have been completed, or are in process, since the last update to the board. Program health is in red status.

Elledge-Rhodes addressed the departure of Craven as the PERS Modernization Director, discussed taking over the role on an interim basis, and provided an overview of the efforts being made to recruit a new director of the program.

No board action was required.

C.2. PERS HEALTH INSURANCE PLAN ANNUAL UPDATE

Barbara Dimeling-Perris, Interim PERS Health Insurance Program Manager, presented the PERS Health Insurance Program (PHIP) annual update. Dimeling-Perris reviewed the mission, core operating principles, resources, consultants, membership, and health plans associated with the program.

No board action was required.

C.3. 2025 RETIREE HEALTH INSURANCE PLAN RENEWALS AND RATES

Dimeling-Perris presented the 2025 PHIP plans and rates.

Board Member Scanlan moved to approve the proposed PHIP contract renewals, benefits, and rates for the 2025 plan year, as presented in item C.3. Attachment 1: PHIP 2025 PY Proposed Rates. Board Member Linneen seconded the motion. The motion passed unanimously.

C.4. 2025-27 BUDGET DEVELOPMENT

Richard Horsford, Chief Financial Officer, presented the 2025-27 budget update. Horsford provided an update on the latest activities in development of the agency's next budget request.

Final board approval of the 2025-27 Agency Request Budget will occur during the PERS Board meeting on July 26, 2024.

No board action was required.

Chair Shenoy adjourned the PERS Board meeting at 10:06 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Kevin Olineck", written in a cursive style.

Kevin Olineck, Director

A.

A. Administration

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- 2. Director's Report**
3. CEM Benchmarking results

B. Administrative rulemaking

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2. Notice of rulemaking to Delegation to Director and Staff Rule
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2. Presentation of December 31, 2023 system valuation results
3. 2025-27 Agency Request Budget recommendations

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.

months. An employer survey will be distributed to gauge interest in applying for side account matching funds and the preferred time period for this application period.

The information gathered from this survey will influence decisions related to the upcoming cycle.

Highlights

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

Employer Incentive Fund Update

Currently, the balance held in the Employer Incentive Fund (EIF) is approximately \$19.8 million. This balance continues to increase by credited interest, as well as quarterly transfers from sports betting (Lottery). The most recent (June 2024) Oregon Economic and Revenue Forecast indicates that the amount to be transferred will increase from prior estimates.

We anticipate conducting a new cycle of applications for matching funds from the EIF within the next several

Accomplishments

Blue Pencil and Gold Screen Award Winner PERS has been honored with a second-place finish at the annual National Association of Government Communicators' Blue Pencil and Gold Screen awards. The recognition comes in response to the innovative communications strategies employed during the 2023 PERS Expo, leading to over 7,000 attendees.



BLUE PENCIL *and*
GOLD SCREEN
Awards

The award highlights the efforts of the entire team involved in the expo, showcasing their dedication to effective member education. The strategies implemented during the event were designed to enhance engagement and provide valuable information to attendees, reflecting PERS' commitment to member satisfaction and service excellence.

This is the second year in a row that our expo marketing and communications plan has been recognized, following the 2023 win at the Public Relations Society of America Oregon Chapter's win at the Spotlight Awards.

The Blue Pencil and Gold Screen awards are prestigious accolades in government communication, celebrating exceptional work in the field. PERS' achievement underscores the importance of clear, effective communication in serving public employees and retirees across the state.

Government Finance Officers Association (GFOA)

Certificate of Achievement PERS received a letter from GFOA indicating that PERS has been awarded the Certificate of Achievement for Excellence in Financial Reporting for the 33rd consecutive year, based on the submission of our fiscal year 2023 Annual Comprehensive Financial Report (ACFR). The report has

been judged by an impartial panel to meet the high standards of the program, which includes demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the report. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

On a related note, our Finance and Communications sections are working toward publishing, for the first time, a Popular Annual Financial Report for fiscal year 2024, in addition to the ACFR.



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

Oregon Public Employees Retirement System

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

PERS BOARD MEETING FORWARD-LOOKING CALENDAR

Friday, October 4, 2024

PERS Modernization Program update
Board Adoption of actual 2025–27 contribution rates
PERS Strategic Plan update
PERS Annual Member and Employer Satisfaction Survey results

Friday, December 6, 2024*

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

Friday, January 31, 2025

PERS Modernization Program update
Annual report of director's financial transactions
Legislative preview and update
Preliminary earnings crediting and reserving
Senate Bill 1566 reporting requirements

Monday, March 31, 2025*

Senate Bill 1049 update
Legislative update
Oregon Savings Growth Plan annual report
Final earnings crediting and reserving

Friday, May 30, 2025

PERS Modernization Program update
Board Scorecard Report on agency performance measures
Propose board meeting dates for next year
Annual report of board member training activities
Retiree Health Insurance Plans renewals and rates
PERS Health Insurance Program annual report
Overview of actuarial methods and economic assumptions
Legislative update

Wednesday, May 28, 2025, (Joint Meeting with Oregon Investment Council at Treasury)

(PERS Board will be joining the second half of the regular OIC Board meeting 9:00 a.m.-1:00 p.m.)

Friday, July 25, 2025*

Senate Bill 1049 update
Legislative session review
Preliminary adoption of valuation methods and assumptions including assumed rate of return
Preliminary adoption of Assumed Rate Oregon Administrative Rule (OAR)

Friday, September 26, 2025

PERS Modernization Program update
Forward-looking calendar for next year
PERS Strategic Plan overview
Legislative update and legislative concepts
PERS Annual Member and Employer Satisfaction Survey results
Final adoption of valuation methods and assumptions including assumed rate of return
Valuation results – advisory employer rates
Final adoption of Assumed Rate OAR

Friday, December 5, 2025*

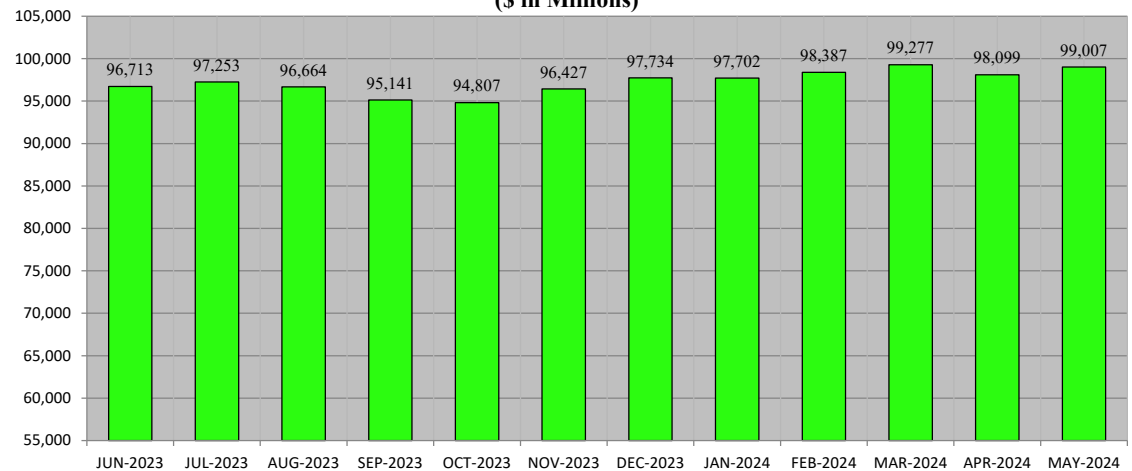
Board governance assignments
Board Scorecard Report on agency performance measures
PERS Strategic Plan update
Valuation update and financial modeling results
Adoption of actuarial equivalency factor tables

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

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
TOTAL OPERF Regular Account			\$ 94,064,273		3.00	6.52	3.26	5.17	10.04	8.45	8.02	7.47
<i>OPERF Policy Benchmark</i>					5.42	11.93	5.05	4.62	9.46	8.81	8.35	7.82
Value Added					(2.42)	(5.41)	(1.78)	0.55	0.58	(0.37)	(0.33)	(0.35)
<i>Oregon Reference Portfolio</i>					4.99	15.66	7.41	2.14	8.30	7.92	6.92	6.24
Public Equity	22.5-32.5%	27.5%	\$ 14,536,216	15.5%	9.41	25.35	11.55	5.63	14.55	11.90	9.79	8.62
<i>MSCI ACWI IMI Net</i>					8.28	23.03	11.07	4.48	13.15	11.33	9.43	8.20
Private Equity	17.5-27.5%	20.0%	\$ 27,265,730	29.0%	3.83	6.91	1.83	9.30	16.85	13.81	14.73	12.99
<i>Russell 3000+300 Bps Qtr Lag</i>					20.44	31.47	9.02	12.49	21.19	17.93	17.24	15.54
Total Equity	45.0-55.0%	47.5%	\$ 41,801,946	44.4%								
Fixed Income	20-30%	25.0%	\$ 21,693,722	23.1%	(0.44)	3.35	1.29	(1.51)	(0.85)	0.90	1.52	1.76
<i>Oregon Custom Fixed Income Benchmark</i>					(1.64)	1.31	(0.43)	(3.05)	(2.17)	(0.17)	0.74	1.08
Real Estate	9.0-16.5%	12.5%	\$ 12,957,604	13.8%	(4.12)	(10.47)	(4.17)	5.24	5.85	5.66	6.16	7.53
<i>Oregon Custom Real Estate Benchmark</i>					(6.64)	(12.25)	(6.58)	2.98	2.51	2.82	4.12	6.12
Real Assets	2.5-10.0%	7.5%	\$ 9,885,762	10.5%	4.79	7.44	8.81	13.08	13.57	9.25	7.52	5.85
<i>CPI +4%</i>					4.07	7.39	7.79	9.47	9.39	8.32	7.76	6.92
Diversifying Strategies	2.5-10.0%	7.5%	\$ 4,928,863	5.2%	8.12	10.49	6.74	9.80	9.37	4.65	2.53	3.38
<i>HFRI FOF: Conservative Index</i>					3.19	7.60	4.59	3.58	6.70	5.01	4.34	3.55
Opportunity Portfolio	0-5%	0%	\$ 2,763,404	2.9%	6.07	13.98	9.08	9.98	15.04	11.35	9.90	8.10
<i>Opportunity Custom Benchmark</i>					5.42	11.93	10.13	11.40	11.10	9.88	9.16	8.20
Cash w/Overlay	0-3%	0%	\$ 32,972	0.0%	2.32	5.74	4.43	2.72	2.22	2.30	2.27	1.84
<i>91 Day Treasury Bill</i>					2.21	5.45	4.29	2.89	2.19	2.12	2.02	1.47
Target Date Funds			\$ 4,687,317									
TOTAL OPERF Variable Account			\$ 254,935		8.55	23.36	11.41	4.66	13.47	11.65	9.76	8.57

Total OPERF NAV
(includes Variable Fund assets)
One year ending MAY-2024

(\$ in Millions)



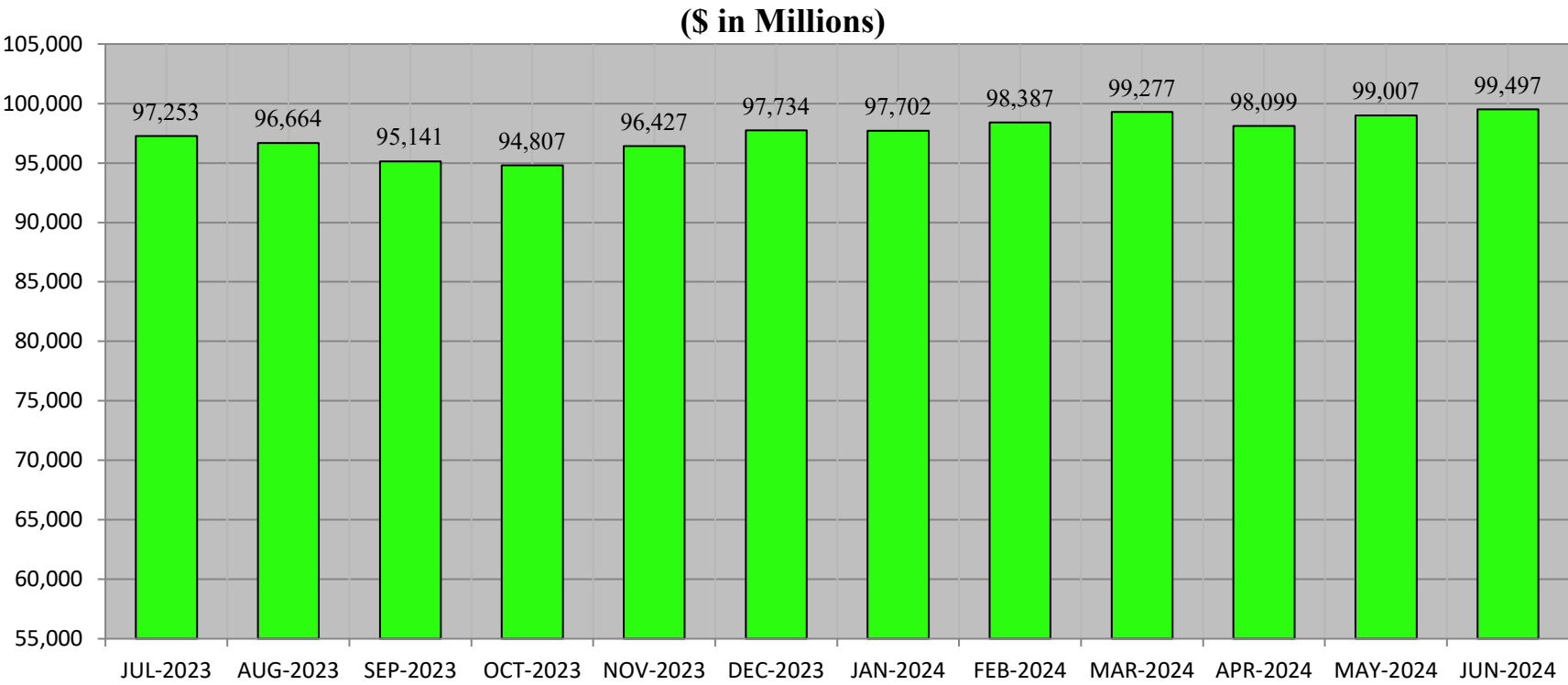
¹OIC Policy revised April 2023.

²Includes impact of cash overlay management.

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

	Regular Account				Historical Performance (Annual Percentage)							
OPERF	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
TOTAL OPERF Regular Account			\$ 94,521,830		3.34	5.96	4.56	5.14	9.91	7.96	7.96	7.30
OPERF Policy Benchmark					6.84	11.22	7.42	4.65	9.82	8.33	8.29	7.78
Value Added					(3.51)	(5.26)	(2.86)	0.49	0.09	(0.37)	(0.33)	(0.48)
Oregon Reference Portfolio					6.63	13.14	11.94	2.31	8.07	7.23	7.09	6.24
Public Equity	22.5-32.5%	27.5%	\$ 15,088,292	16.0%	10.96	19.77	17.32	6.05	14.21	10.83	9.89	8.52
MSCI ACWI IMI Net					10.28	18.40	17.26	4.70	12.78	10.36	9.62	8.17
Private Equity	17.5-27.5%	20.0%	\$ 26,834,824	28.4%	3.52	6.45	2.22	9.09	16.95	13.59	14.38	12.64
Russell 3000+300 Bps Qtr Lag					24.41	32.38	11.66	12.85	24.51	17.61	16.73	15.61
Total Equity	45.0-55.0%	47.5%	\$ 41,923,116	44.4%								
Fixed Income	20-30%	25.0%	\$ 21,944,314	23.2%	0.45	4.35	2.51	(1.50)	(0.81)	0.84	1.66	1.82
Oregon Custom Fixed Income Benchmark					(0.71)	2.63	0.83	(2.96)	(2.07)	(0.19)	0.89	1.17
Real Estate	9.0-16.5%	12.5%	\$ 12,999,470	13.8%	(4.65)	(9.48)	(5.52)	4.98	5.77	5.53	6.02	7.31
Oregon Custom Real Estate Benchmark					(7.45)	(12.00)	(8.05)	2.47	2.22	2.56	3.76	5.75
Real Assets	2.5-10.0%	7.5%	\$ 9,888,285	10.5%	4.86	7.44	8.49	13.17	13.42	9.16	7.53	5.82
CPI +4%					4.44	7.08	7.08	9.14	9.25	8.32	7.75	6.90
Diversifying Strategies	2.5-10.0%	7.5%	\$ 4,958,135	5.2%	7.67	8.22	7.02	10.28	9.66	4.47	2.45	3.18
HFRI FOF: Conservative Index					3.53	7.08	5.36	3.58	6.33	4.93	4.41	3.51
Opportunity Portfolio	0-5%	0%	\$ 2,783,208	2.9%	6.41	13.36	9.67	9.85	14.90	11.68	9.85	8.03
Opportunity Custom Benchmark					6.84	11.22	9.90	11.40	11.21	10.08	9.30	8.28
Cash w/Overlay	0-3%	0%	\$ 25,303	0.0%	2.81	5.88	4.75	2.88	2.28	2.32	2.33	1.88
91 Day Treasury Bill					2.63	5.40	4.49	3.03	2.29	2.16	2.07	1.51
Target Date Funds			\$ 4,718,978									
TOTAL OPERF Variable Account			\$ 255,984		10.56	18.72	17.57	5.02	13.10	10.68	9.96	8.54

Total OPERF NAV
(includes Variable Fund assets)
One year ending JUN-2024



¹OIC Policy revised April 2023.
²Includes impact of cash overlay management.
³For mandates beginning after January 1 (or with lagged performance), YTD numbers are "N/A". Performance is reflected in Total OPERF. YTD is not annualized.



Oregon

Tina Kotek, Governor

Public Employees Retirement System

Headquarters

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

July 26, 2024

TO: Members of the PERS Board
FROM: Gregory R. Gabriel, Budget Officer
SUBJECT: July 2024 Budget Report

2023-25 OPERATING BUDGET

Operating expenditures for May, June, and preliminary expenditures for July are \$5,241,280, \$5,217,801, and \$5,656,796 respectively. Final expenditures for July will close in the Statewide Financial Management System on August 16 and will be included in the October 2024 report to the PERS Board.

- Through July 7, 2024, the agency has expended a total of \$63,681,503 or 43.3% of PERS' legislatively approved operations budget of \$147,065,167.
- At this time, the agency's projected variance is \$6,806,235 or 4.6%.
- Core Retirement Systems Applications (CRSA) expenditures for May, June, and preliminary expenditures for July are \$1,535,473, \$2,866,006, and \$979,556 respectively. As of July 7, the agency has expended \$9,294,508 or 30.6% of the legislatively approved budget of \$30,397,427.
- At this time, the CRSA projected variance is \$4,205,478 or 13.8%.

2023-25 NON-LIMITED BUDGET

The adopted budget includes \$13,523,120,517 in total estimated non-limited expenditures. Non-limited expenditures include benefit payments, health insurance premiums, and third-party administration payments for both the PERS Health Insurance Program (PHIP) and the Individual Account Program (IAP).

- Non-Limited expenditures through July 7, 2024 are \$6,181,523,703.

A.2.c. Attachment 1 – 2023-25 Agency-wide Budget Execution Report

A.2.c. Attachment 2 – 2023-25 CRSA Summary Budget Analysis

PERS Monthly Budget Report

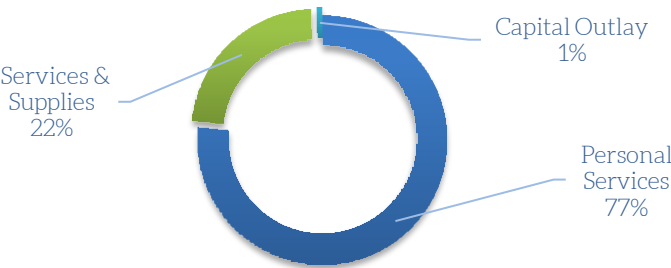
2023-25 Agency-Wide Budget Execution
Preliminary for the Month of July 2024

Limited - Operating Budget

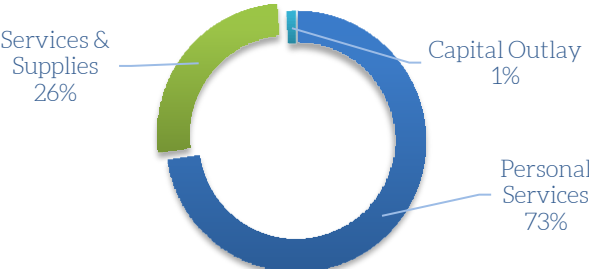
2023-25 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2023-25 LAB	Variance
Personal Services	48,817,927	56,103,278	104,921,205	109,656,430	4,735,226
Services & Supplies	14,406,511	20,091,784	34,498,295	36,267,336	1,769,042
Capital Outlay	457,065	941,000	839,433	1,141,401	301,968
Total	63,681,503	77,136,061	140,258,932	147,065,167	6,806,235

Actual Expenditures



Projected Expenditures



Monthly Summary

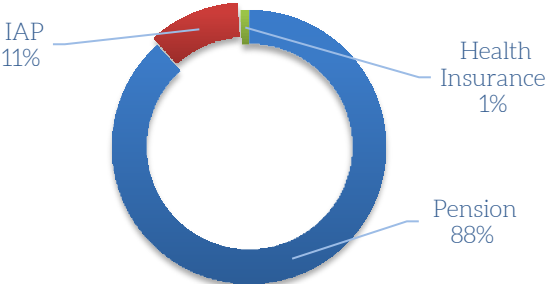
Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	4,198,968	4,351,262	152,294	6,973,990	3,300,193
Services & Supplies	1,380,628	1,430,703	50,074	2,058,073	1,181,870
Capital Outlay	77,200	80,000	2,800	65,295	55,353
Total	5,656,796	5,861,965	205,168	9,097,358	4,537,415

Non-Limited Budget

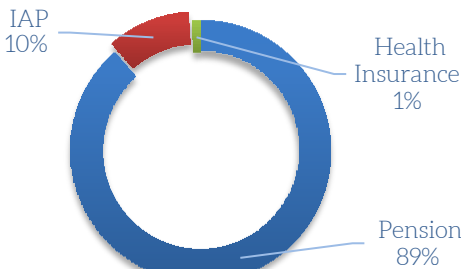
2023-25 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	5,457,459,307	6,425,591,141	11,883,050,448	11,823,032,167	(60,018,281)
IAP	661,544,228	722,491,054	1,384,035,282	1,482,829,663	98,794,381
Health Insurance	62,520,168	81,856,424	144,376,592	217,258,687	72,882,095
Total	6,181,523,703	7,229,938,619	13,411,462,322	13,523,120,517	111,658,195

Actual Expenditures



Projected Expenditures



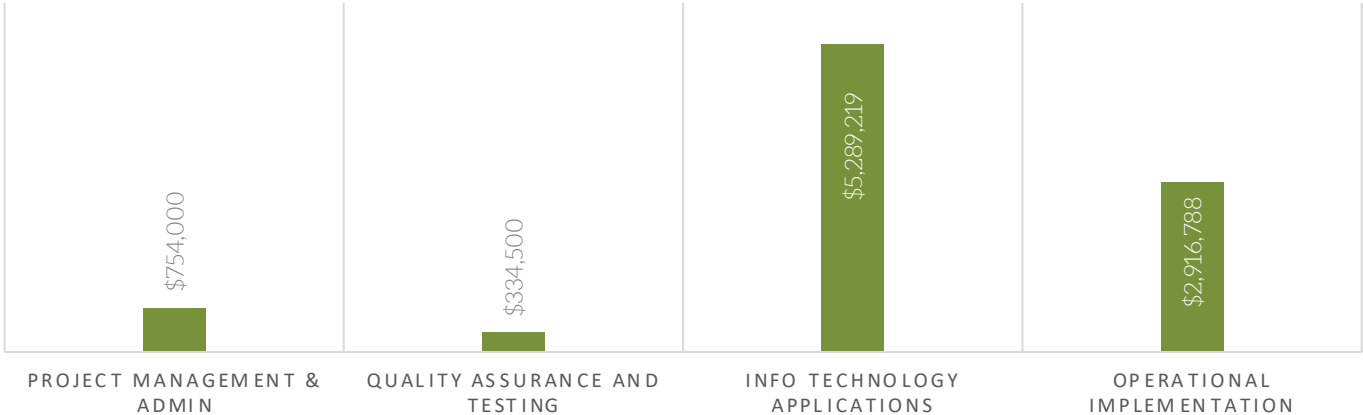
Core Retirement Systems Application

Summary Budget Analysis
Preliminary for the Month of July 2024

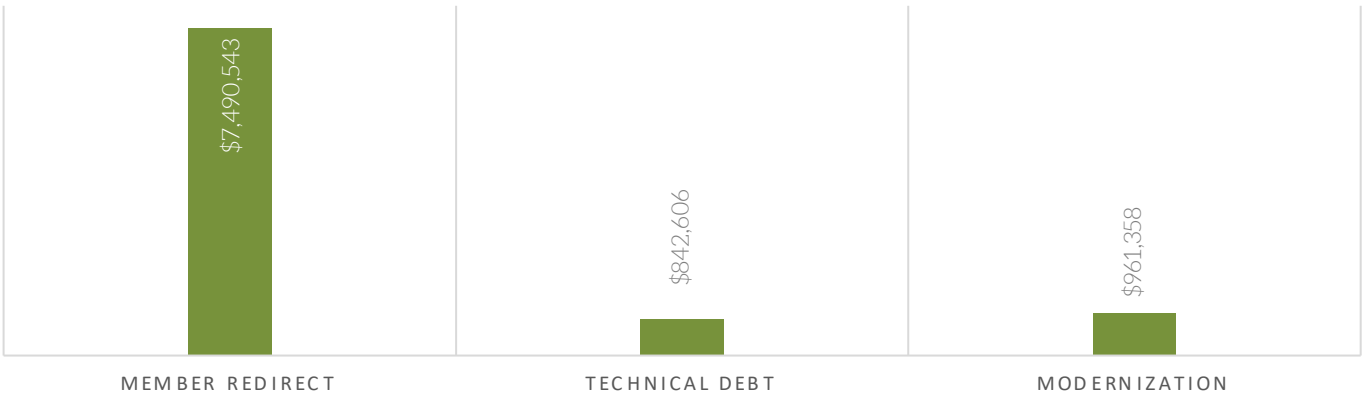
Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2023-25 LAB	Variance
Personal Services	2,537,299	4,583,769	7,121,068	7,559,057	437,989
Services & Supplies	6,757,209	12,313,672	19,070,881	22,838,370	3,767,489
Capital Outlay					
Total	9,294,508	16,897,441	26,191,949	30,397,427	4,205,478

EXPENDITURES BY PACKAGE



EXPENDITURES BY PROJECT



A.

A. Administration

1. May 31, 2024 PERS Board Meeting Minutes
2. Director's Report

3. CEM Benchmarking results

B. Administrative rulemaking

1. Notice of rulemaking to Contingency Reserve Subaccount Rule
2. Notice of rulemaking to Delegation to Director and Staff Rule
3. Notice of rulemaking for Service Retirement Application requirements rules

C. Action and discussion items

1. Senate Bill 1049 Program update
2. Presentation of December 31, 2023 system valuation results
3. 2025-27 Agency Request Budget recommendations



Oregon

CEM Pension Administration Benchmark Report - 2023

July 26, 2024

Key takeaways:

Complexity

- Your total complexity score of 56 was above the peer average of 40.

Cost

- Your total pension administration cost of \$182 per active member and annuitant was \$51 above the peer average of \$131.
- Between 2016 and 2023 your total pension administration cost per active member and annuitant increased by 3.3% per annum.
- The main reason for the cost increase was your multi-year project to implement SB1049.

Service

- The CEM service model was updated to capture the change in digital adoption and transformation in the pension industry over the last eight years. It also takes a more member-centric view: scores are calculated by member journey.
- Your total service score was 60. This was below the peer median of 83.
- Your service score has decreased from 61 to 60 between 2016 and 2023.

Insights are based on the 68 global pension systems that participate in the benchmarking service.

Systems

United States

Arizona SRS
CalPERS
CalSTRS
Colorado PERA
Delaware PERS
Florida RS
Idaho PERS
Illinois MRF
Indiana PRS
Iowa PERS
Kansas PERS
LACERA
Michigan ORS
Minnesota State RS
Nevada PERS
New Mexico PERA
NYC TRS
NYCERS
NYSLRS
Ohio PERS
Oregon PERS

Pennsylvania PSERS
PSRS PEERS of Missouri
South Dakota RS
STRS Ohio
TRS Illinois
TRS of Louisiana
TRS of Texas
Utah RS
Virginia RS
Washington State DRS

Australia

ESS Super

Denmark

ATP

Canada

Alberta Pension Services
Alberta Teachers
BC Pension Corporation
Canadian Forces PP
Federal Public Service PP
LAPP of Alberta
Municipal Pension Plan of BC
Ontario Pension Board
Ontario Teachers
OPTrust
RCMP

The Netherlands

ABP
Metaal en Techniek
PFZW

United Kingdom ¹

Armed Forces Pension Scheme
BSA NHS Pensions
BT Pension Scheme
Greater Manchester PF
Hampshire Pension Services
Kent Pension Fund
Local Pensions Partnership
Lothian PF
Merseyside PF
Pension Protection Fund
Principal Civil Service
Railpen
Royal Mail Pensions
Scottish Public Pensions Agency
South Yorkshire Pensions Authority
Surrey County Council
Teachers' Pensions
Tyne & Wear PF
Universities Superannuation
West Midlands Metro
West Yorkshire PF

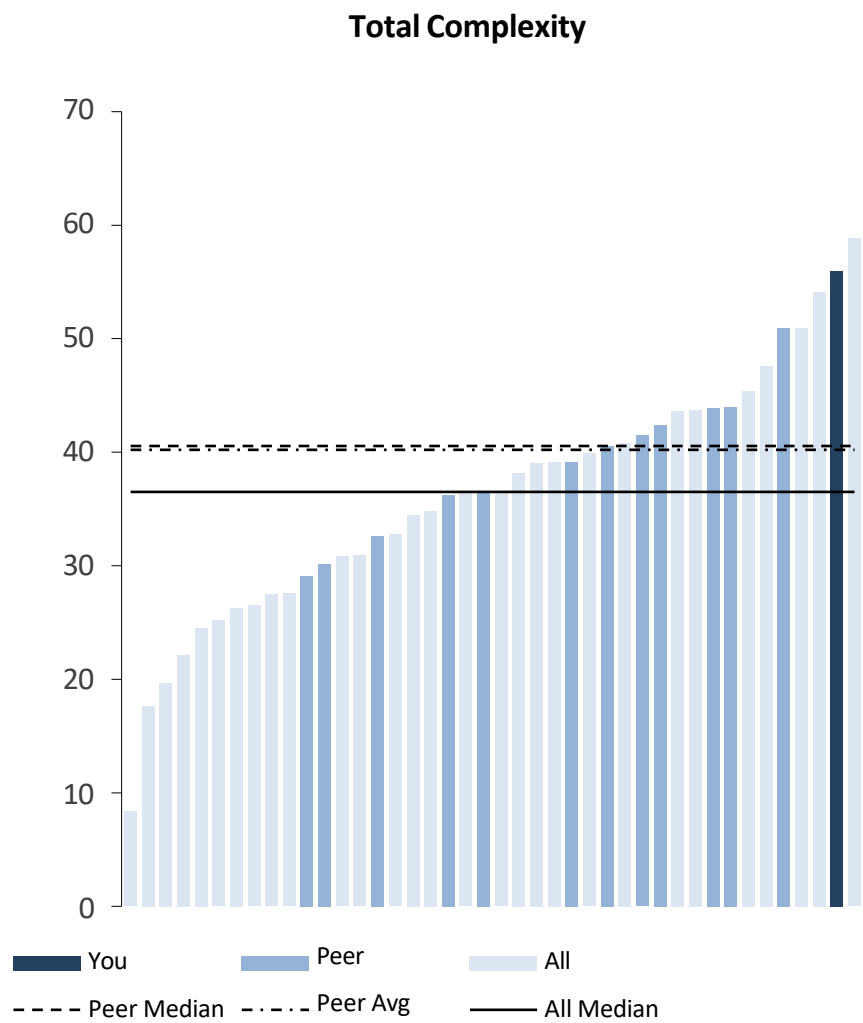
1. Systems in the UK complete a different benchmarking survey. Their data is not included in this report.

This report compares your pension administration costs and member service to a custom peer group.

Custom Peer Group for Oregon PERS				
#	System	Number of members (in 000s)		
		Active Members	Annuitants	Total ¹
1	Virginia RS	354	240	594
2	Washington State DRS	352	226	578
3	Ohio PERS	298	221	518
4	Indiana PRS	250	174	424
5	Arizona SRS	215	171	386
6	Colorado PERA	240	135	374
7	STRS Ohio	215	159	374
8	Oregon PERS	184	165	349
9	Illinois MRF	175	149	325
10	Iowa PERS	180	134	314
11	TRS Illinois	170	131	301
12	PSRS PEERS of Missouri	130	107	237
13	LACERA	97	75	172
	Median	215	159	374
	Average	220	161	381

1. Inactive members are not considered when selecting peers because they are excluded when determining cost per member. They are excluded because they are less costly to administer than active members or annuitants.

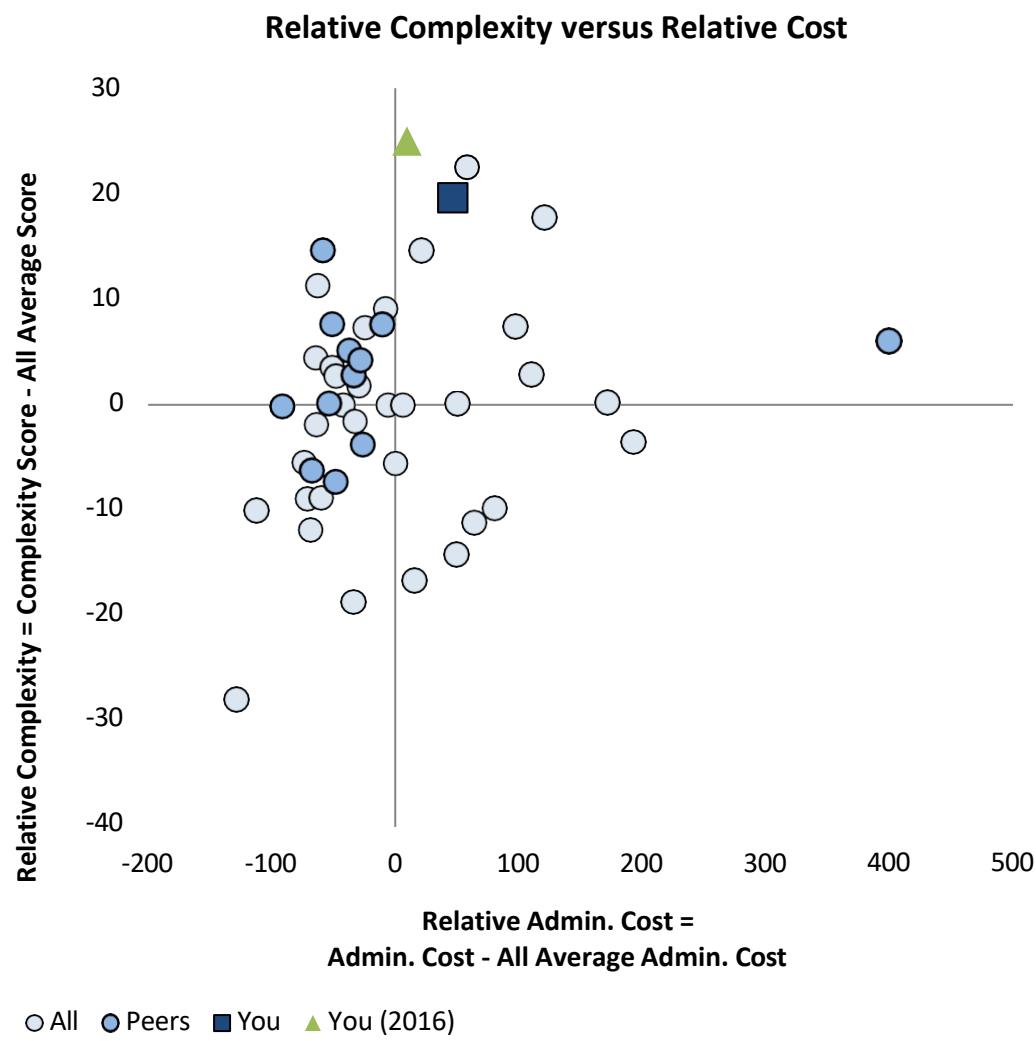
Back office costs and productivity are impacted by system complexity. Your total complexity score of 56 was above the peer average of 40.



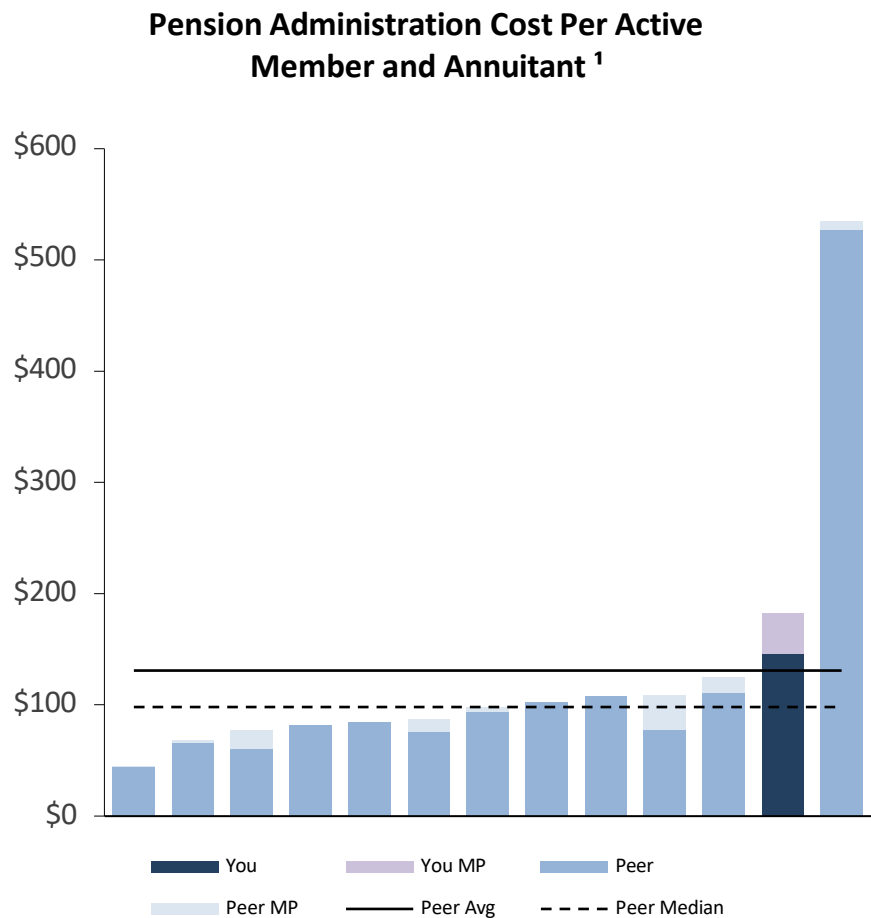
Complexity Scores by Cause				
Cause	Weight	Complexity Score		
		You	Peer Avg	All Avg*
A Pension Payment Options	15.0%	46	37	38
B Customization Choices	20.0%	26	15	13
C Multiple Plan Types and Overlays	13.0%	75	31	25
D Multiple Benefit Formula	16.0%	70	52	47
E External Reciprocity	3.0%	0	33	23
F COLA Rules	4.0%	57	32	28
G Contribution Rates	3.0%	64	41	35
H Variable Compensation	4.0%	100	79	76
I Service Credit Rules	3.0%	48	42	40
J Divorce Rules	3.0%	100	57	64
K Purchase Rules	6.0%	70	62	58
L Refund Rules	4.0%	24	49	40
M Disability Rules	6.0%	83	66	54
Weighted Average	100.0%	56	40	36

- Your plan complexity:
- Negatively impacts service.
 - Increases cost, particularly for major projects.
 - Reduces front office productivity.

The relationship between complexity and pension administration cost in the CEM universe:



Your total pension administration cost of \$182 per active member and annuitant was \$51 above the peer average of \$131.



1. Major project costs are denoted by the lighter shading on the bars. These one-off costs correspond to administration projects only.

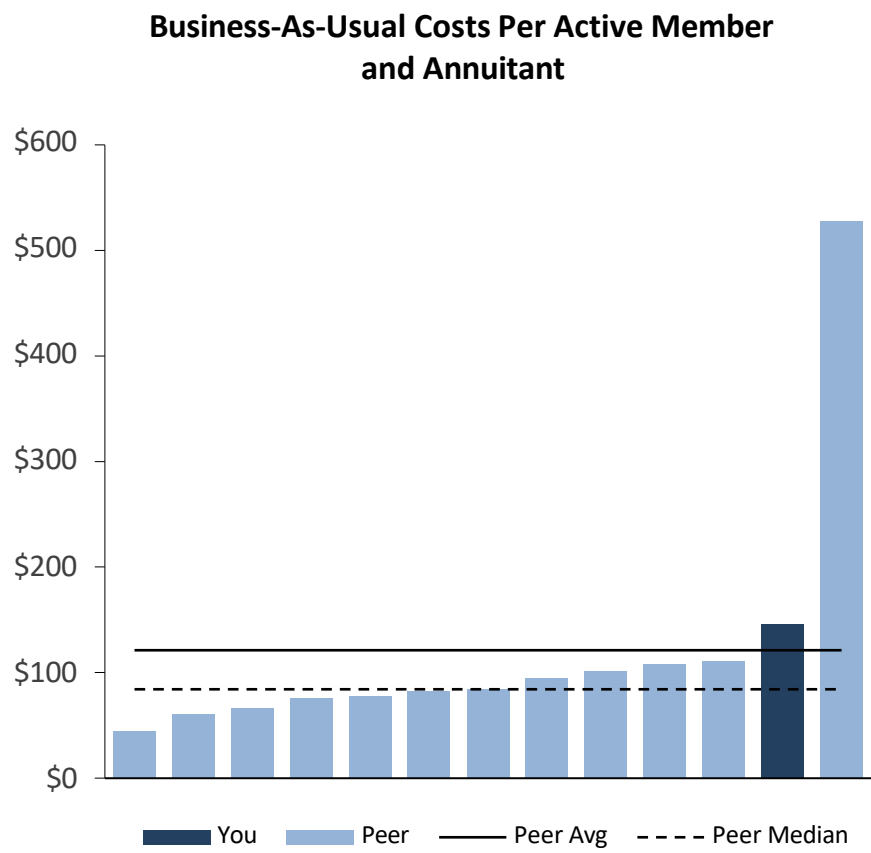
Category	\$000s	\$ per Active Member and Annuitant	
	You	You	Peer Avg
Business-As-Usual Costs	50,832	146	121
Major Project Costs ¹	12,683	36	10
Total Pension Administration	63,514	182	131

We include costs that are directly related to pension administration (e.g., staff costs or an third-party costs) plus attributions of governance, financial control, IT, building and utilities, HR, support services and other costs.

The costs associated with investment operations and investment management are specifically excluded.

Your total pension administration cost \$63.5 million also excludes the fully-attributed cost of administering healthcare, and optional and third-party administered benefits of \$20.3 million.

Your Business-As-Usual (BAU) costs of \$146 per active member and annuitant was \$25 above the peer average of \$121.



Category	\$000s	\$ per Active Member and Annuitant	
	You	You	Peer Avg
<u>Front office</u>			
Member Transactions	6,710	19	20
Member Communication	6,408	18	22
Collections & Data Maintenance	7,377	21	7
<u>Governance and support</u>			
Governance and Financial Control	3,527	10	9
Information Technology	13,478	39	33
Building	1,113	3	9
HR	1,081	3	3
Actuarial	837	2	2
Legal	2,751	8	6
Audit	1,329	4	4
Pay-as-you-go Benefits	0	0	1
Other Support Services	6,220	18	6
Total Pension Administration	50,832	146	121

Reasons why your total cost per member was \$51 above the peer average:

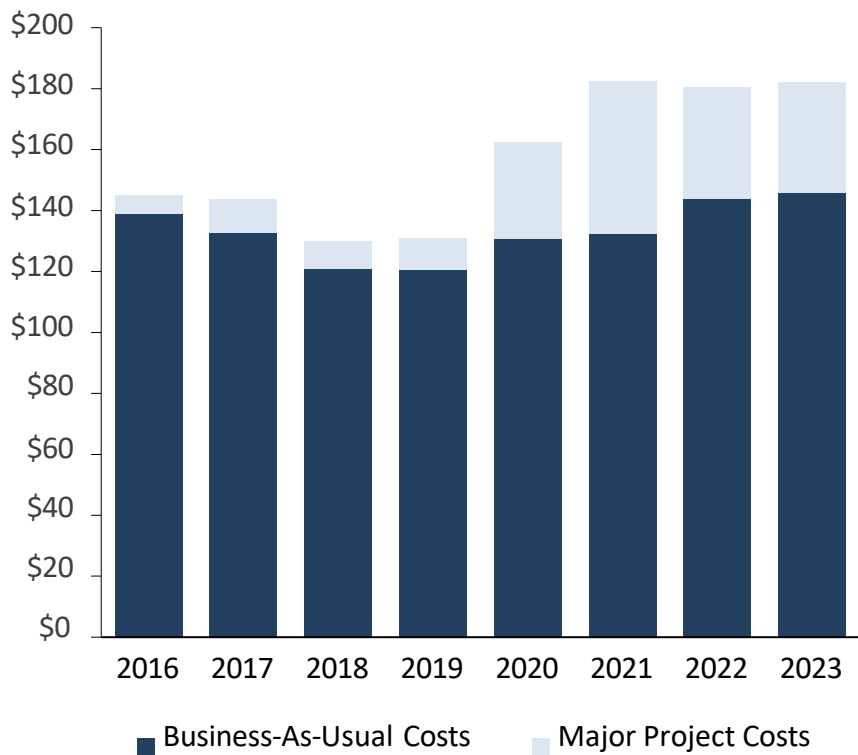
Reason	You	Peer Avg	Impact \$ per active member and annuitant
1 More front office FTE per 10,000 members	5.6 FTE	3.8 FTE	\$22
2 Lower third party costs per member in the front office	\$3	\$8	-\$5
3 Lower costs per FTE			
Salaries and Benefits ¹	\$110,275	\$126,801	
Building and Utilities	\$3,266	\$14,787	
HR	\$3,170	\$5,564	
IT Desktop, Networks, Telecom	<u>\$14,184</u>	<u>\$20,769</u>	
Total	\$130,895	\$167,921	-\$22
4 Higher support costs per member ²			
Governance and Financial Control	\$11	\$9	
Major Projects	\$39	\$10	
IT Strategy, Database, Applications	\$26	\$18	
IT Security	\$2	\$3	
Actuarial, Legal, Audit, Other	<u>\$34</u>	<u>\$15</u>	
Total	\$112	\$56	\$56
Total			\$51

1. 30% of your total salaries and benefits relates to benefits. This compares to a peer average of 30%.

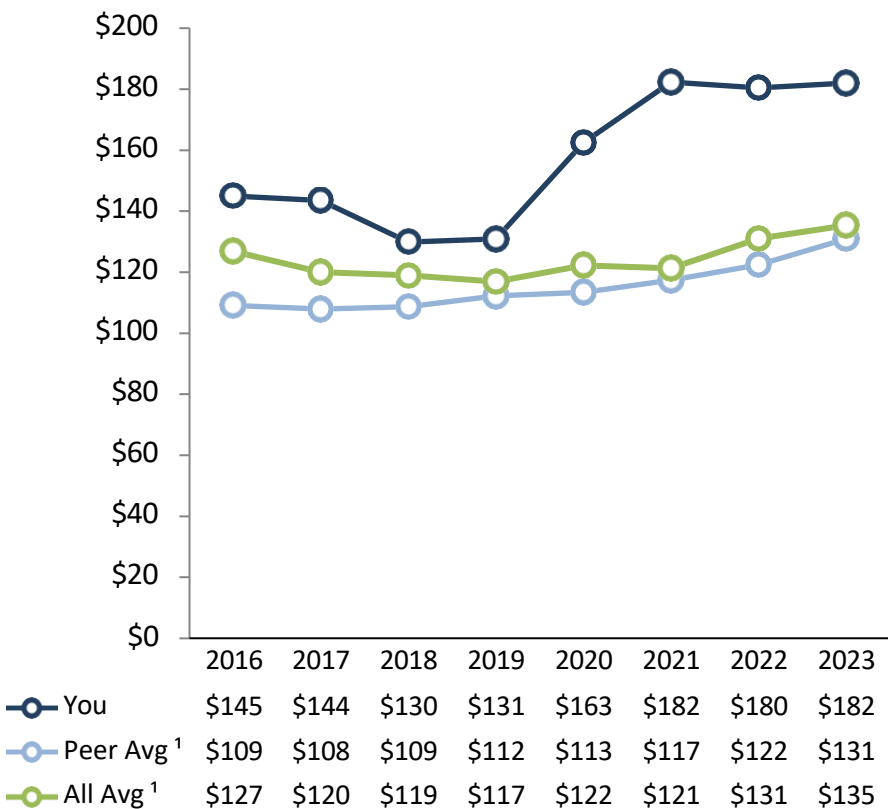
2. To avoid double counting, governance and support costs are adjusted for differences in cost per FTE.

Between 2016 and 2023 your total pension administration cost per active member and annuitant increased by 3.3% per annum.

Your Pension Administration Cost Per Active Member and Annuitant Trend



Pension Administration Cost Per Active and Annuitant Trend



1. Trend analysis is based on systems that have provided 8 consecutive years of data (13 of your 13 peers and 34 of the 45 systems in the universe).

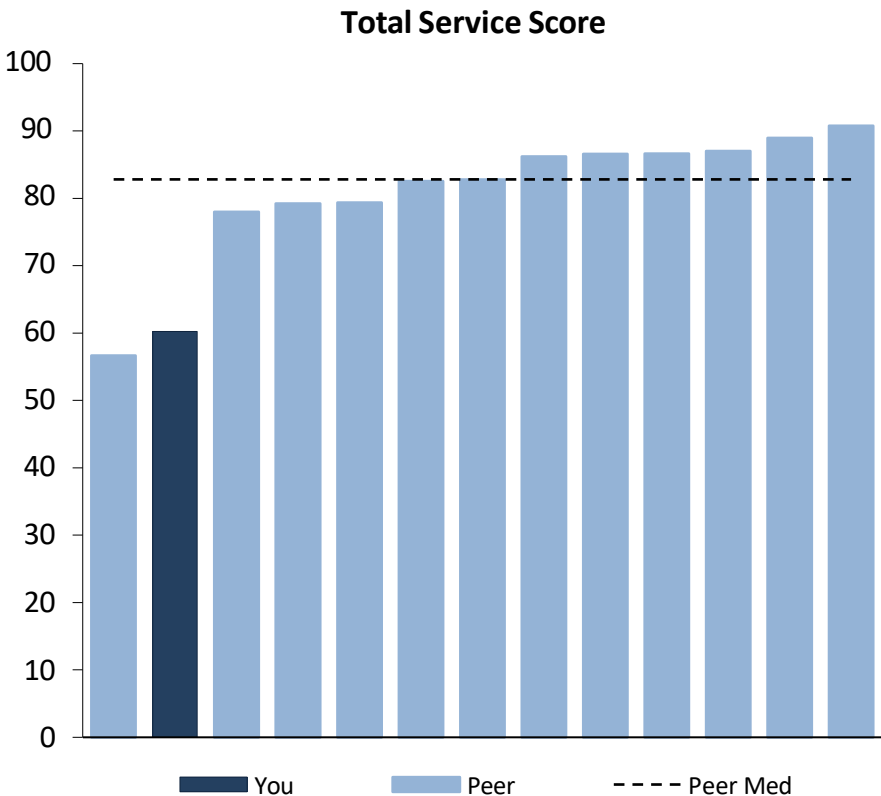
CEM's service score methodology was updated to reflect global pension administration trends.

- It has been eight years since the service methodology was last updated.
- The pandemic has accelerated digital adoption and transformation.
- Digital-first is now considered the highest service level by most members for transactions.

Key changes:

- The service score takes a more member-centric view of service: member journeys.
- Service metrics were added for digital member services and targeted campaigns.
- The service weights for digital activities were increased.
- Service metrics that are less relevant today, or minor and non-differentiating, were removed from the service model.
- The threshold to score maximum points for each service metric were updated based on what the new norm is in the pension industry. For example, a call wait time of 120 seconds gets a perfect score now versus 60 seconds in 2021, because more systems are allowing for longer wait times in favor of higher first contact resolutions.
- Please note that historic scores have been restated to reflect changes in methodology, and will differ from previous reports.

Your total service score was 60. This was below the peer median of 83.



1. The service score methodology was updated this year. Based on last year's service model, your service score would have been 59, which was below the all median of 75.

Looking at cost in isolation is unhelpful. Context is required, as is a means to measure value for money. CEM believes the right measure is member service, or the service score.

Service is defined from a member's perspective. Higher service means more channels, faster turnaround times, more availability, more choice, better content and higher quality.

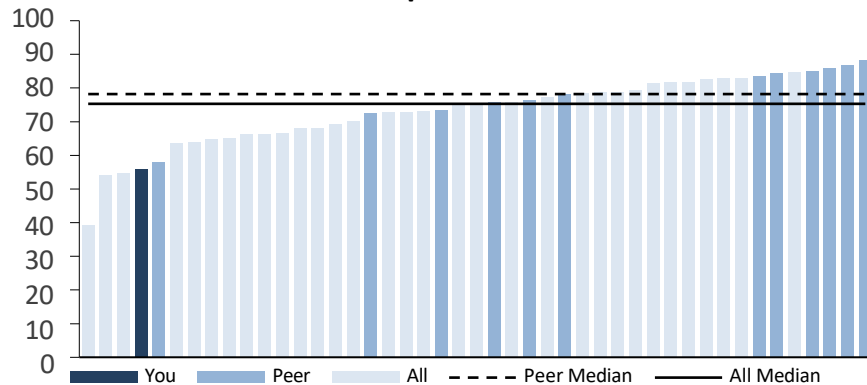
Higher service is not necessarily cost-effective. For example, the ability to answer the telephone 24 hours a day is higher service, but not cost effective.

Your total service score is the weighted average of the service scores for each of the four member journeys below.

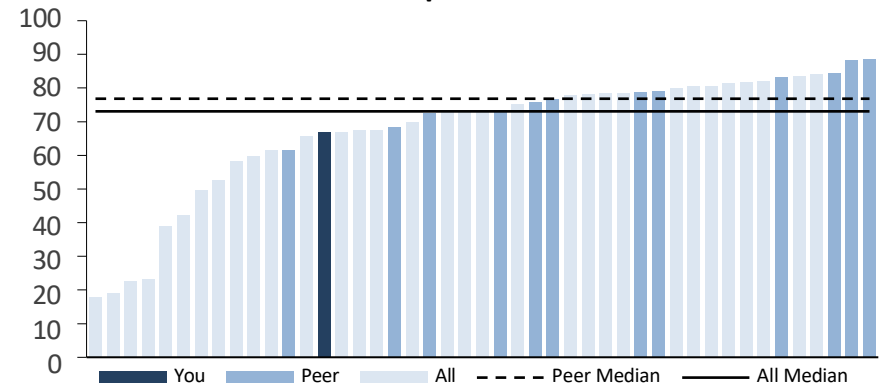
Service Scores by Journey			
Journey	Weight	You	Peer Median
Active member experience	30%	56	78
Inactive member experience	5%	67	77
Retiring experience	35%	55	84
Annuitant experience	30%	70	85
Total service score	100%	60	83

Service score by member journey and activity

Active Member Experience Service Score



Inactive Member Experience Service Score

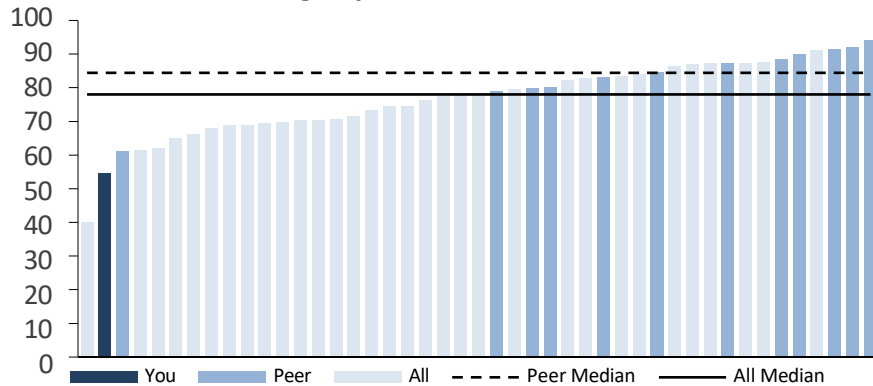


Activity	Weight	You	Peer Median
Targeted campaigns	7.5%	25	50
Purchases and Transfers-in	10.0%	15	63
Member statements	12.5%	50	80
---	---	---	---
---	---	---	---
Personal information	5.0%	40	90
Salary and service credit information	5.0%	100	100
Secure website accessibility	30.0%	69	93
Contact center: accessibility	7.5%	23	48
Contact center: capability	5.0%	73	88
Contact center: call quality	5.0%	95	90
1-on-1 counseling	5.0%	85	95
Member presentations	2.5%	100	100
Feedback	5.0%	30	60
Active member experience service score	100.0%	56	78

Activity	Weight	You	Peer Median
Targeted campaigns	10.0%	15	32
---	---	---	---
---	---	---	---
Tracking inactive members	10.0%	59	92
Transfers-out	5.0%	20	90
Personal information	7.5%	40	90
Salary and service credit information	5.0%	100	100
Secure website accessibility	40.0%	100	90
Contact center: accessibility	7.5%	23	48
Contact center: capability	5.0%	73	88
Contact center: call quality	5.0%	95	90
---	---	---	---
---	---	---	---
Feedback	5.0%	10	50
Inactive member experience service score	100.0%	67	77

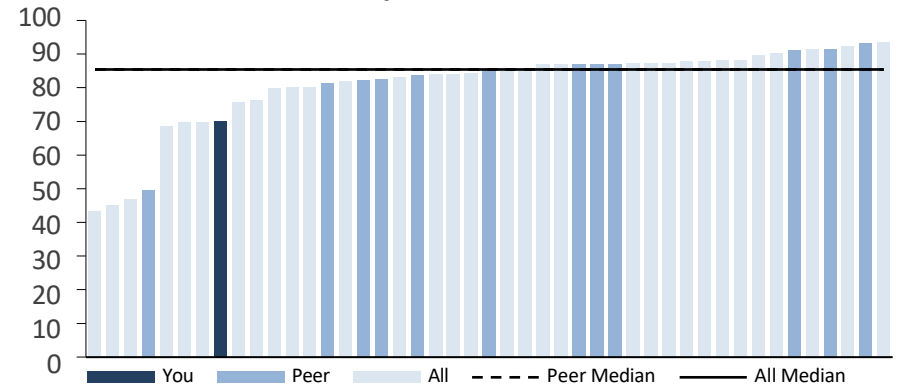
Service score by member journey and activity (continued)

Retiring Experience Service Score



Activity	Weight	You	Peer Median
Targeted campaigns	7.5%	10	100
Pension estimates: self-service	7.5%	79	79
Pension estimates: assisted service	2.5%	36	100
Retirement applications	7.5%	0	75
Pension inception	10.0%	7	92
Disability inception	5.0%	70	90
---	---	---	---
Personal information	2.5%	40	90
Salary and service credit information	2.5%	100	100
Secure website accessibility	20.0%	79	100
Contact center: accessibility	7.5%	23	48
Contact center: capability	5.0%	73	88
Contact center: call quality	5.0%	95	90
1-on-1 counseling	7.5%	85	95
Member presentations	5.0%	100	100
Feedback	5.0%	40	70
Retiring experience service score	100.0%	55	84

Annuitant Experience Service Score



Activity	Weight	You	Peer Median
Targeted campaigns	10.0%	31	61
---	---	---	---
---	---	---	---
---	---	---	---
---	---	---	---
Pension payments	30.0%	94	98
Personal information	5.0%	40	90
---	---	---	---
Secure website accessibility	32.5%	78	90
Contact center: accessibility	7.5%	23	48
Contact center: capability	5.0%	68	88
Contact center: call quality	5.0%	95	90
---	---	---	---
---	---	---	---
Feedback	5.0%	30	65
Annuitant experience service score	100.0%	70	85

Key outliers influencing your total member service score relative to peers

Higher than peers

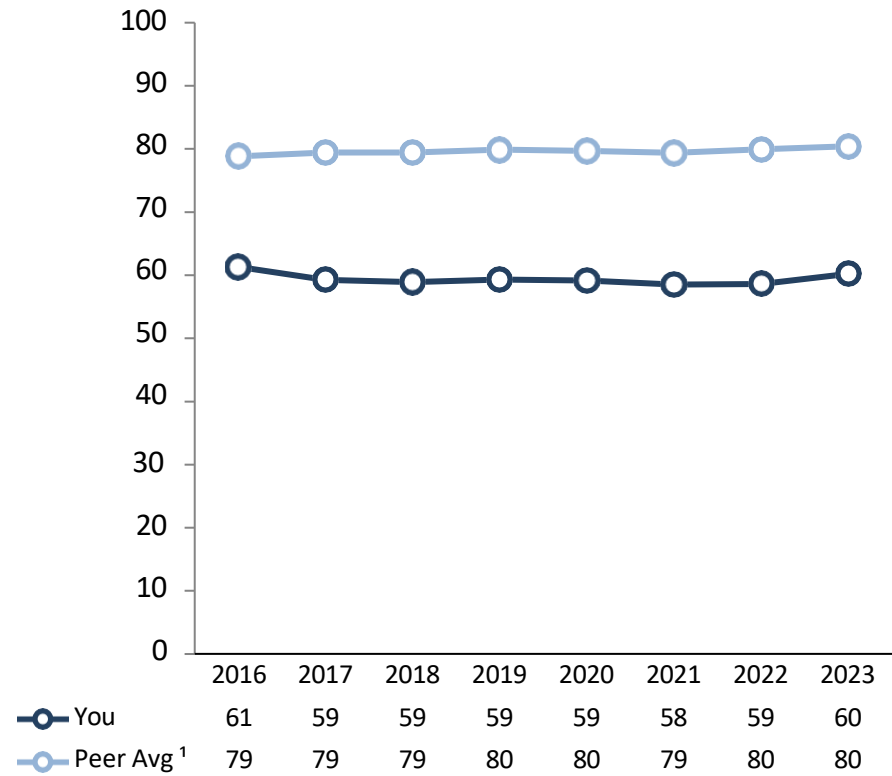
- Your score full points for the salary and service credit information activity. Not all peers have the salary and service credit up-to-date to the most recent pay period or a complete history available.
- In your contact center impacting your score positively:
 - Your First Call Resolution was 96% (peers: 90%).
 - Your undesired call outcomes was 15% (peers: 19%).
- Your availability as a % of active members for presentations was 8% compared to a peer average of 6%.
- You score well above your peers for in the field 1-on-1 counseling sessions: 66.3% versus 43.1%.
- Your online pension estimate calculator shows:
 - Both monthly and annual income (peers: 46% both)
 - Different working percentages (peers: 77% Yes)
 - Alternate payment options (peers: 77% Yes)
- You sent member statements to your inactive members. Less than half of your peers did the same.

Lower than peers

- You did not send targeted communication for events such as new member enrollment, eligibility for retirement or to purchase prior service credit, missing beneficiaries/ emails/ address. Most of your peers sent some form of targeted letters.
- You did not provide pension estimates over the phone, linked to real-time data, showing alternate payment scenarios. 92% of your peers did.
- Your % of service inceptions of retiring active members paid within 1 month was 5% (peers: 85%). For survivor inceptions it was 30% (peers: 76%).
- Your members cannot submit a retirement application online (peers: 77%).
- Your total call wait time was 965 seconds compared to a peer average of 370 seconds.
- Your members accessed their secure website area in lower percentages than your peers.

Your service score has decreased from 61 to 60 between 2016 and 2023.

Trends in Total Service Scores



Changes that had a positive impact compared to last year

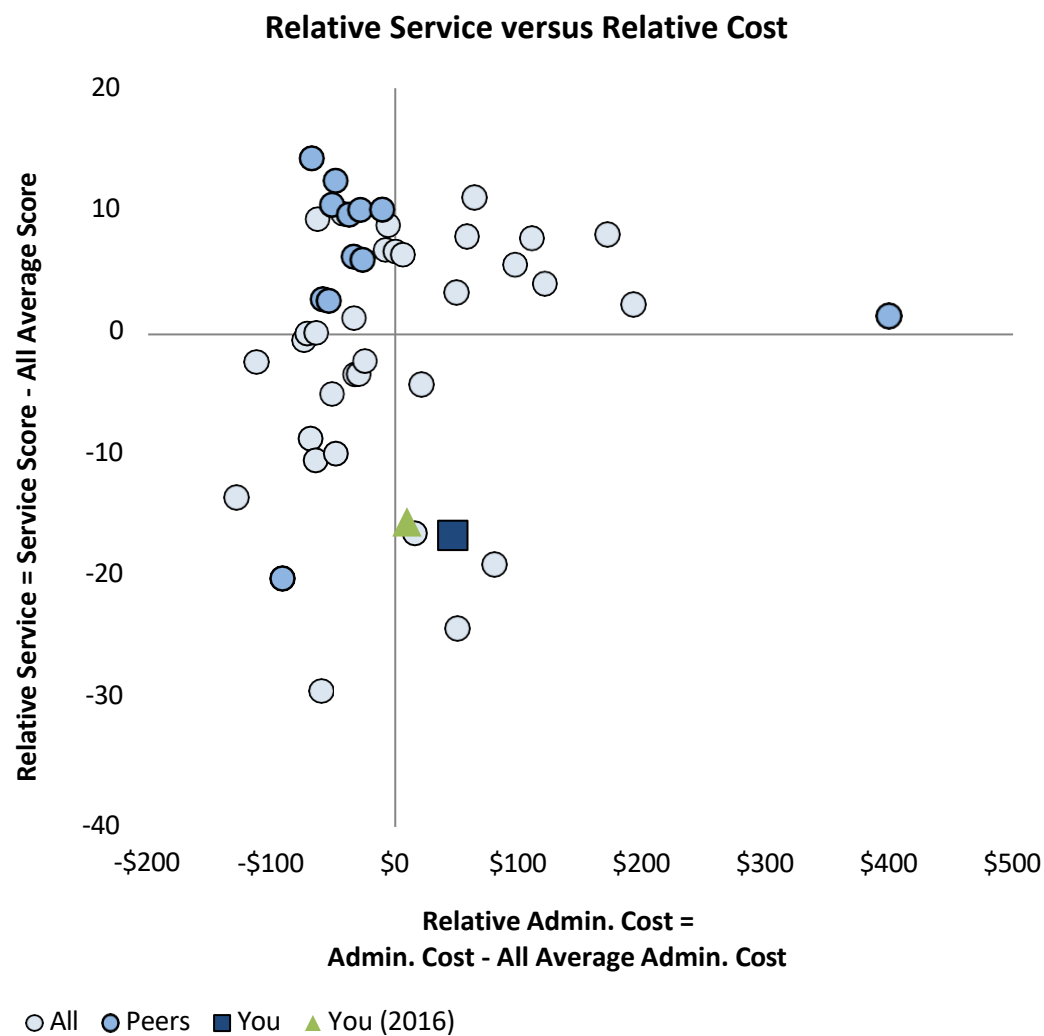
- **Customer experience:** You have expanded your CX program to include surveying the retirement experience, 1-on-1 counseling and presentations.
- **Member statements:** The member's statement is now available online.
- **1-on-1 counseling:** Your availability of sessions in the field as a % of active members were back at pre-pandemic levels: 66.3% versus 1.4% last year.

Longer term changes

- **Total call wait time:** Your wait time has been quite volatile over the years, depending on staffing levels, and as such has had a substantial impact on your service score.
- **Salary and service credit information:** Since the past couple of years your service representatives are able to provide information regarding pensionable salary and service credit history over the phone.
- **Service credit purchase estimates:** Your turnaround time increased from 13 days in 2016 to 20 days.

1. Trend analysis is based on systems that have provided 8 consecutive years of data (13 of your 13 peers).
2. Historic scores have been restated to reflect changes in methodology. Your historic service scores will differ from previous reports.

The relationship between service and pension administration cost in the CEM universe:



Key takeaways:

Complexity

- Your total complexity score of 56 was above the peer average of 40.

Cost

- Your total pension administration cost of \$182 per active member and annuitant was \$51 above the peer average of \$131.
- Between 2016 and 2023 your total pension administration cost per active member and annuitant increased by 3.3% per annum.
- The main reason for the cost increase was your multi-year project to implement SB1049.

Service

- The CEM service model was updated to capture the change in digital adoption and transformation in the pension industry over the last eight years. It also takes a more member-centric view: scores are calculated by member journey.
- Your total service score was 60. This was below the peer median of 83.
- Your service score has decreased from 61 to 60 between 2016 and 2023.

Thank you



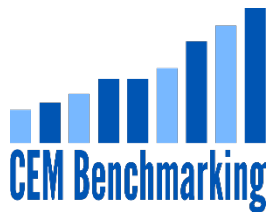
Christopher Doll

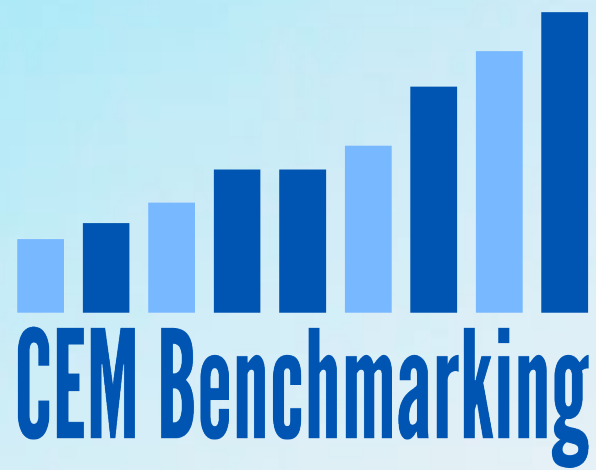
Director, Client Coverage

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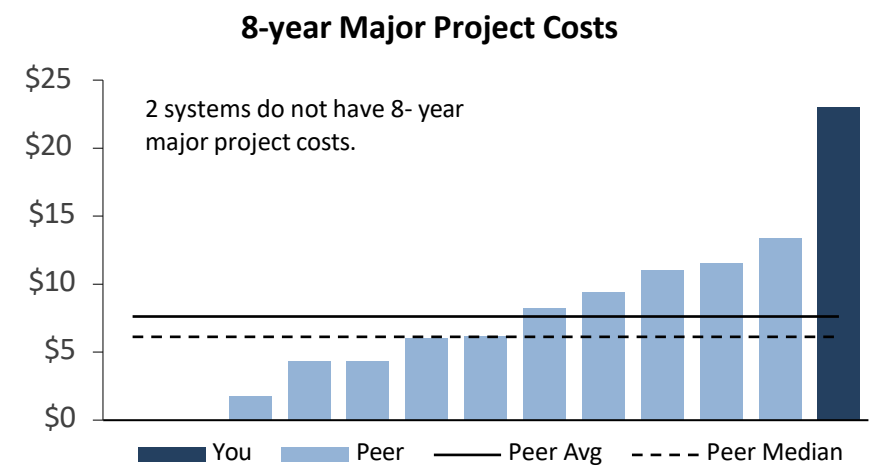
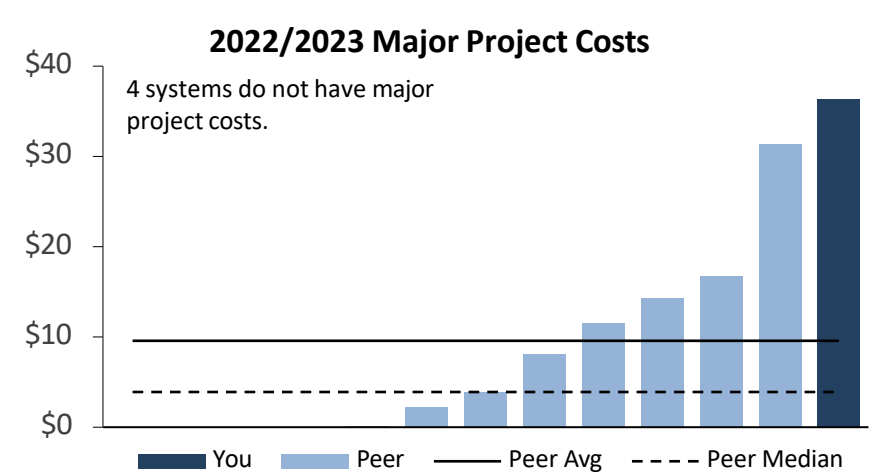
ChrisD@cembenchmarking.com

CEMbenchmarking.com





Your Major Project costs of \$36 per active member and annuitant was \$26 above the peer average of \$10.



	Major Project Cost \$000s	\$ per Active Member and Annuitant	
Category	You	You	Peer Avg
Single year 2022/2023	12,683	36	10
Multi-year average ¹	8,036	23	8

What is included in major project costs:

- One-off costs that were not capitalized.
- Current year amortization on capitalized costs.
- Excluding attributed costs for healthcare, and optional and third-party administered benefits, if applicable.

Project costs reported this year by you:

- 2023 SB1039 legislation project implementation
- 2023 Modernization project
- 2023 Amortization of IT major projects

1. These costs are averaged over as many years as possible based on the system participation record, with a maximum of 8 years. Systems that have submitted less than 8 years of data are excluded.

One reason you had more FTE per member is that you had higher activity volumes.

Front Office Transactions (or Transaction Driver)	Volume per 1,000 Active Members and Annuitants		
	You	Peer Average	More/-Less
1. Member Transactions			
a. Pension Payments (Annuitants)	474	426	11%
b. New Payee Inceptions	51	23	117%
c. Refunds, Withdrawals, and Transfers-out	12	25	-53%
d. Purchases and Transfers-in	10	7	45%
e. Disability Applications	0.4	1.5	-72%
2. Member Communication			
a. Calls and Emails	717	589	22%
b. Incoming Mail	444	301	47%
c. Members Counseled 1-on-1	11	16	-34%
d. Member Presentations	0.9	0.9	-8%
3. Collections and Data Maintenance			
a. Data and Money from Employers (Active Members)	526	574	-8%
b. Service to Employers (Active Members)	526	574	-8%
c. Data Not from Employers (Actives, Inactives, Annuitants)	1,225	1,475	-17%
Weighted Total	42,105	36,640	15%

Cost comparison per activity.

Activity	(\$000s)	\$s per Active Member and Annuitant			More/ -Less (vs. average)	
	You	You	Peer Med	Peer Avg	\$s	%
1. Member Transactions						
a. Pension Payments	1,324	3.79	2.27	3.92	-0.13	-3%
b. Pension Inceptions and Written Pension Estimates	3,081	8.83	4.09	4.93	3.90	79%
c. Refunds, Withdrawals, and Transfers-out	1,036	2.97	1.43	2.85	0.12	4%
d. Purchases and Transfers-in	481	1.38	0.92	1.68	-0.30	-18%
e. Disability	788	2.26	1.30	7.00	-4.74	-68%
2. Member Communication						
a. Contact Center	2,706	7.75	5.02	7.78	-0.03	0%
b. Mail Room, Imaging	1,498	4.29	1.04	4.56	-0.27	-6%
c. 1-on-1 Counseling	548	1.57	1.83	2.47	-0.90	-36%
d. Member Presentations	337	0.96	0.96	1.86	-0.90	-48%
e. Mass Communication	1,320	3.78	3.78	4.90	-1.11	-23%
3. Collections and Data Maintenance						
a. Data and Money from Employers	4,511	12.93	2.21	3.07	9.86	321%
b. Service to Employers	1,981	5.68	1.52	2.03	3.64	179%
c. Data Not from Employers	885	2.54	1.58	1.52	1.02	67%
4. Governance and Financial Control						
a. Financial Administration and Control	1,664	4.77	3.28	4.69	0.08	2%
b. Board, Strategy, Policy	1,548	4.44	2.55	2.98	1.46	49%
c. Government and Public Relations	315	0.90	1.04	1.52	-0.62	-41%
5. Major Projects						
a. Amortization of non-IT Major Projects	0	0.00	0.00	0.00	0.00	n/a
b. Non-IT Major Projects (if you don't capitalize)	11,232	32.18	0.00	3.05	29.14	956%
c. Amortization of IT Major Projects	1,451	4.16	0.00	2.47	1.69	68%
d. IT Major Projects (if you don't capitalize)	0	0.00	0.38	4.06	-4.06	-100%
6. Information Technology						
a. IT Strategy, Database, Applications (excl. major projects and	7,976	22.85	15.20	18.09	4.76	26%
b. IT Desktop, Networks, Telecom (excl. IT security)	4,836	13.86	10.79	12.24	1.62	13%
c. IT Security	667	1.91	2.65	3.08	-1.16	-38%
7. Support Services and Other						
a. Building and Utilities	1,113	3.19	4.54	8.71	-5.52	-63%
b. Human Resources	1,081	3.10	2.29	3.28	-0.18	-6%
c. Actuarial	837	2.40	1.50	1.53	0.87	57%
d. Legal and Rule Interpretation	2,751	7.88	2.85	6.41	1.47	23%
e. Internal and External Audit	1,329	3.81	2.08	4.10	-0.29	-7%
f. Pay-as-you-go Benefits for Retired Staff	0	0.00	0.00	1.49	-1.49	-100%
g. Other Support Services	6,220	17.82	2.51	4.67	13.16	282%
Total Pension Administration	63,514	181.99	98.17	130.92	51.08	39%

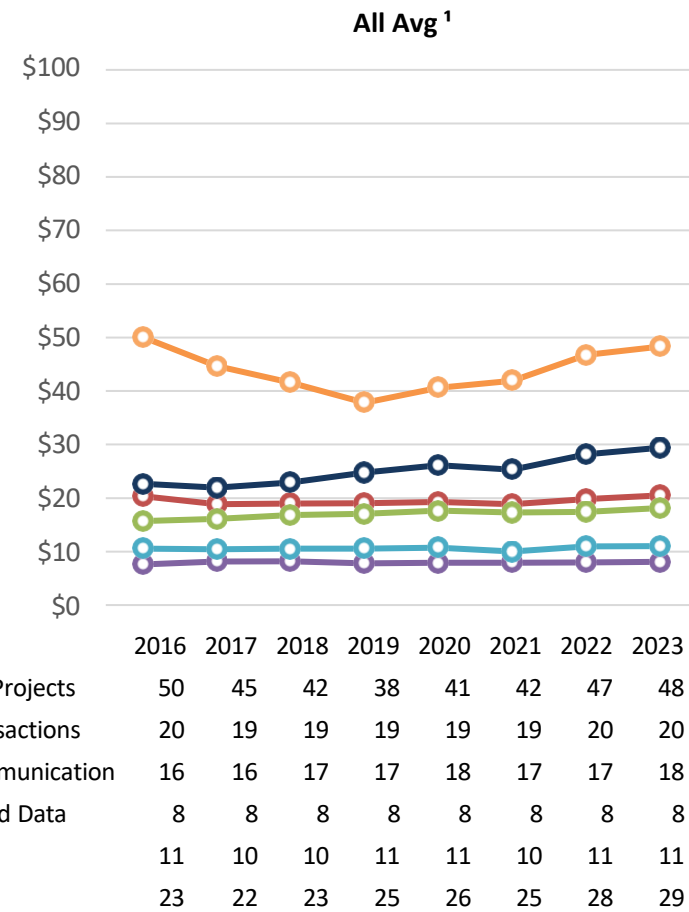
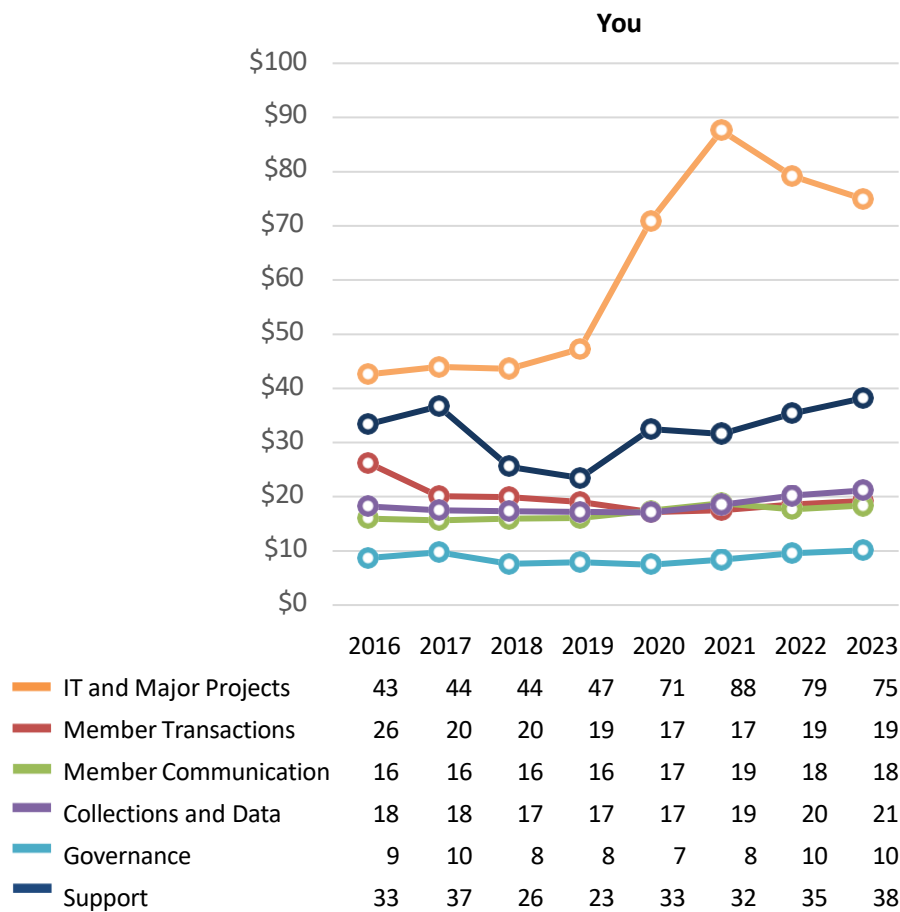
Cost comparison per activity.

(continued)

Activity	Activity Volume		\$s per unit		More/ -Less (vs. average)	
	You		You	Peer Avg	\$s	%
1. Member Transactions						
a. Pension Payments	165,337	annuitants	8.01	9.21	-1.20	-13%
b. Pension Inceptions and Written Pension Estimates	17,683	new payee inceptions	174.22	216.19	-41.96	-19%
c. Refunds, Withdrawals, and Transfers-out	4,058	refunds, withdrawals, and transfer	255.20	318.28	-63.08	-20%
d. Purchases and Transfers-in	3,455	purchases and transfers-in	139.33	556.91	-417.58	-75%
e. Disability	141	disability applications	5587.23	3375.31	2211.93	66%
2. Member Communication						
a. Contact Center	250,304	calls and emails	10.81	12.40	-1.59	-13%
b. Mail Room, Imaging	154,922	incoming mail	9.67	13.51	-3.84	-28%
c. 1-on-1 Counseling	3,754	members counseled 1-on-1	146.06	148.96	-2.90	-2%
d. Member Presentations	297	member presentations	1133.00	2080.07	-947.07	-46%
e. Mass Communication	348,992	active members and annuitants	3.78	4.90	-1.11	-23%
3. Collections and Data Maintenance						
a. Data and Money from Employers	183,655	active members	24.56	5.49	19.07	347%
b. Service to Employers	183,655	active members	10.78	3.92	6.87	175%
c. Data Not from Employers	427,426	actives, inactives, annuitants	2.07	1.09	0.98	89%
4. Governance and Financial Control						
a. Financial Administration and Control	348,992	active members and annuitants	4.77	4.69	0.08	2%
b. Board, Strategy, Policy	348,992	active members and annuitants	4.44	2.98	1.46	49%
c. Government and Public Relations	348,992	active members and annuitants	0.90	1.52	-0.62	-41%
d. Toezicht (AFM en DNB) en NPR	n/a	active members and annuitants	n/a	n/a	n/a	n/a
e. Audit, actuarieel en juridische zaken	n/a	active members and annuitants	n/a	n/a	n/a	n/a
5. Major Projects						
a. Amortization of non-IT Major Projects	348,992	active members and annuitants	0.00	0.00	0.00	0%
b. Non-IT Major Projects (if you don't capitalize)	348,992	active members and annuitants	32.18	3.05	29.14	956%
c. Amortization of IT Major Projects	348,992	active members and annuitants	4.16	2.47	1.69	68%
d. IT Major Projects (if you don't capitalize)	348,992	active members and annuitants	0.00	4.06	-4.06	-100%
6. Information Technology						
a. IT Strategy, Database, Applications (excl. major projects an	348,992	active members and annuitants	22.85	18.09	4.76	26%
b. IT Desktop, Networks, Telecom (excl. IT security)	363	pension admin fte	13323.97	20401.77	-7077.80	-35%
c. IT Security	348,992	active members and annuitants	1.91	3.08	-1.16	-38%
7. Support Services and Other						
a. Building and Utilities	363	pension admin fte	3067.67	10695.67	-7628.00	-71%
b. Human Resources	363	pension admin fte	2977.27	4219.54	-1242.26	-29%
c. Actuarial	348,992	active members and annuitants	2.40	1.53	0.87	57%
d. Legal and Rule Interpretation	348,992	active members and annuitants	7.88	6.41	1.47	23%
e. Internal and External Audit	348,992	active members and annuitants	3.81	4.10	-0.29	-7%
f. Pay-as-you-go Benefits for Retired Staff	363	pension admin fte	0.00	1355.11	-1355.11	-100%
g. Other Support Services	348,992	active members and annuitants	17.82	4.67	13.16	282%
Total Pension Administration	348,992	active members and annuitants	181.99	130.92	51.08	39%

Improving and/or replacing legacy systems is impacting the costs for most systems.

Total Pension Administration Costs per Member by Activity



1. Trend analysis is based on 34 systems that provided 8 consecutive years of data.

Pension service organizations globally are experiencing significant changes.

Legacy system modernization AI
Service digitalization Cybersecurity
Data quality management Operational Excellence
Customer Experience Member engagement
Hybrid work Employee recruitment and retention
Regulatory change

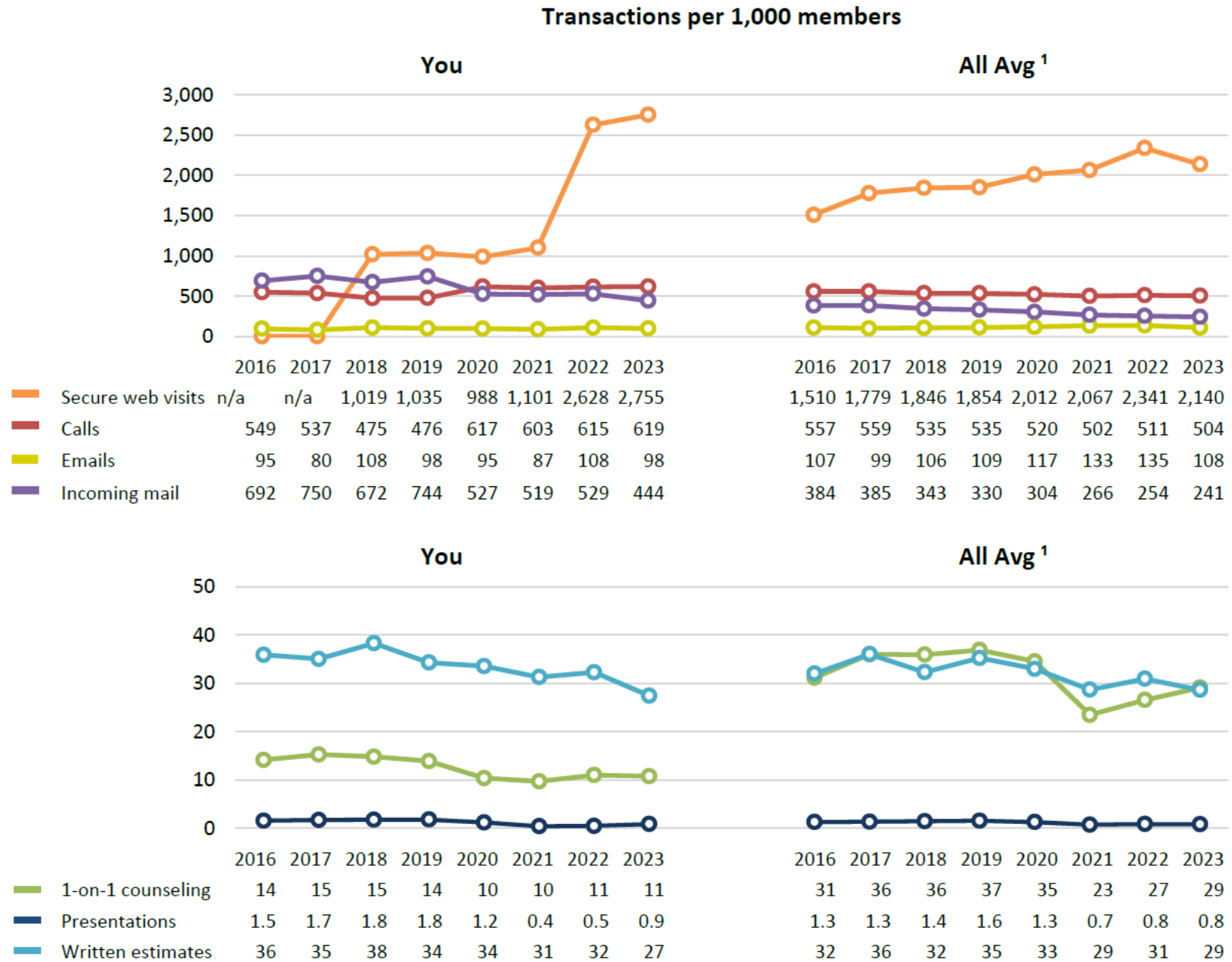
Digitalization

- Members have higher expectations based on their interactions with companies in other industries.
- Upgrading or replacing legacy systems is impacting the costs for most organizations.
- As digitalization increases, there is a growing concern about cybersecurity and data quality...
- ... and there are opportunities with robotic automation and AI.

Post-pandemic impacts

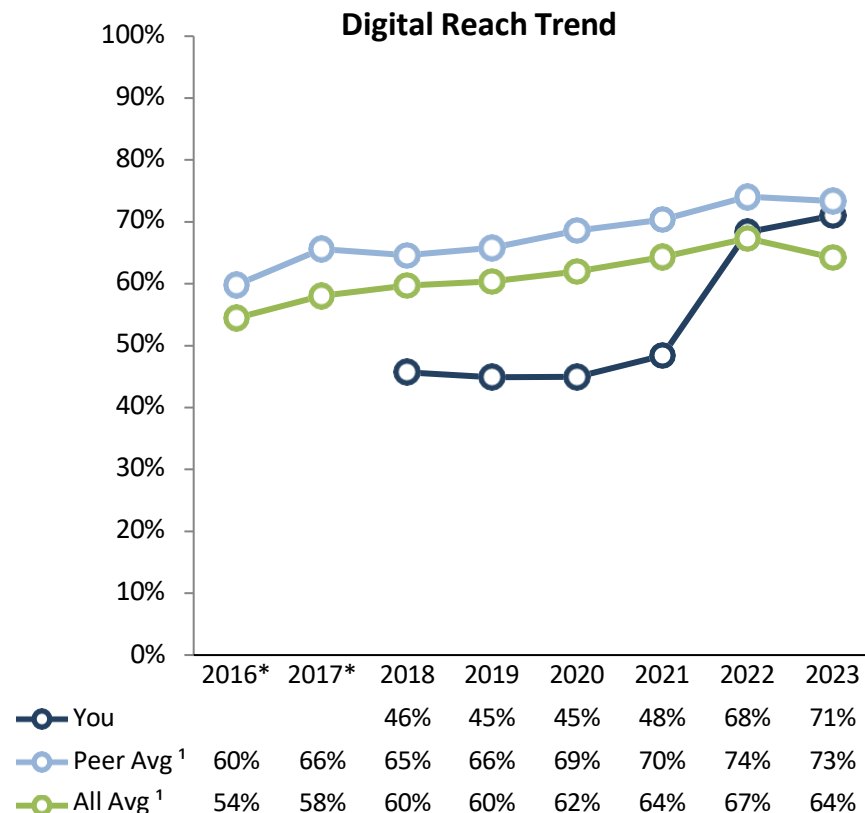
- More transactions are happening on secure websites.
- Organizations continue to adjust to hybrid work models.
- Employee recruitment and retention challenges are disrupting pension operations.
- There has been a substantial decrease in call service levels.

Greater digitalization is the key driver for higher service scores.



1. Trend analysis is based on 34 systems that provided 8 consecutive years of data.

The digital reach rate for your peers that have participated for 8 consecutive years has grown at a compound annual rate of 3% between 2016 and 2023. The all participant average is 3%. Your digital reach rate over the same period is unavailable.



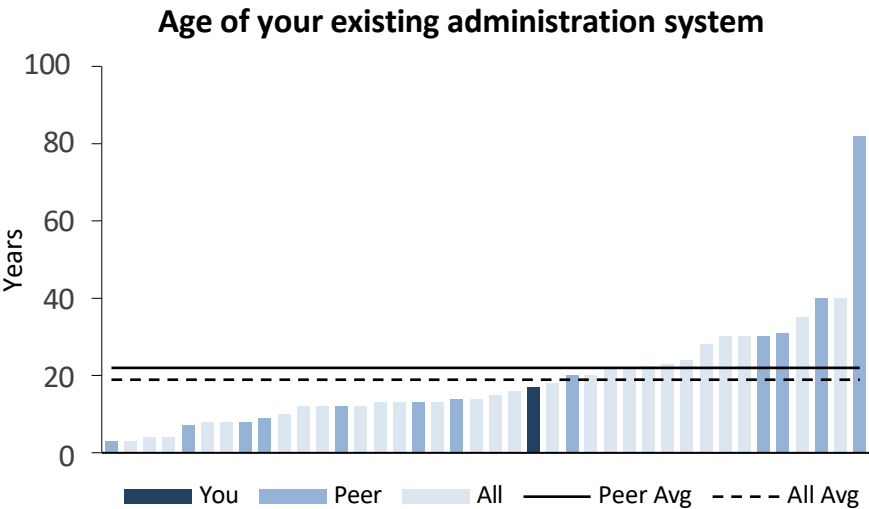
Digital reach measures the proportion of your self-service volumes versus self-service and assisted service transactions, as follows.

Digital reach	
Activity	Volume
Total secure website visits (A)	961,461
Incoming calls (B)	203,501
Incoming emails/secure messages (C)	34,189
Incoming letters (D)	154,922
Digital reach $[A / (A + B + C + D)]$	71%

1. Trend analysis is based on systems that have provided 8 consecutive years of data (13 of your 13 peers and 34 of the 45 systems in the universe).

* Total secure website visits were "unknown".

You are replacing your existing administration systems. 26 systems are replacing their administration system.



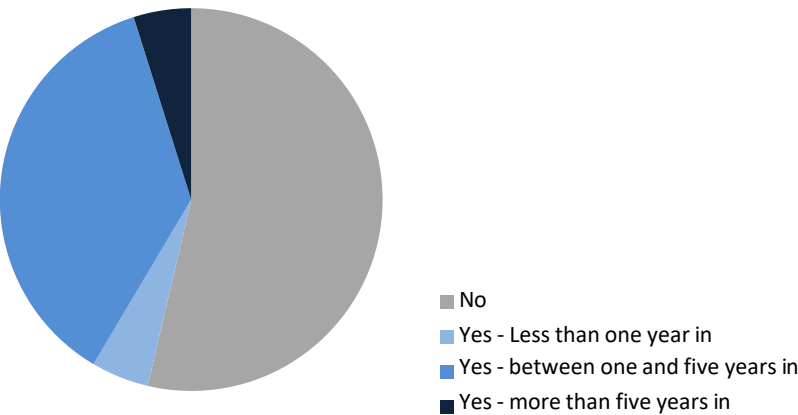
The core pension administration system:

- For 38% of plans, the current system was built in-house.
- For 33% of plans, the current system was built a third-party.
- For 18% of plans, an in-house solution was built by a third-party.

System customization:

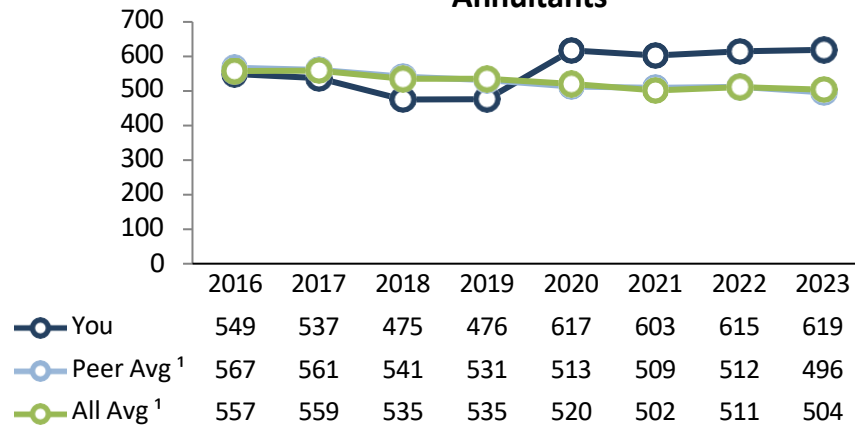
- 35% of plans whose current system is third-party, required greater than 90% customization on the third-party solution.
- On average, 62% customization was required on third-party solutions.

Plans replacing their existing system

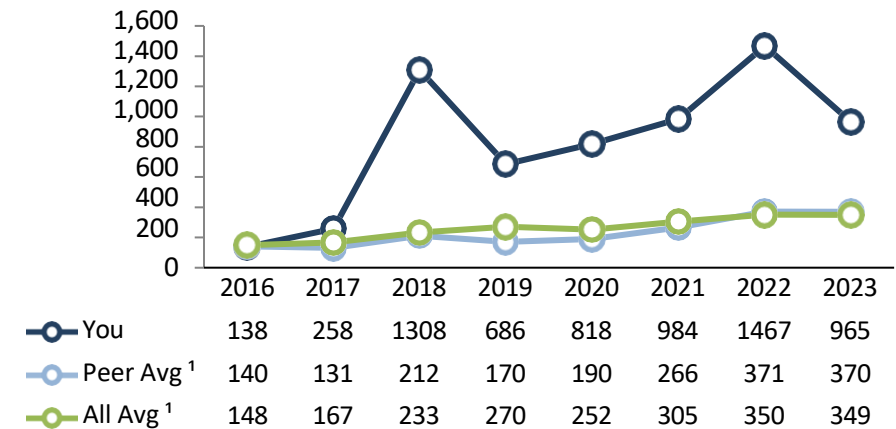


The nature of member calls has changed in the last 8 years.

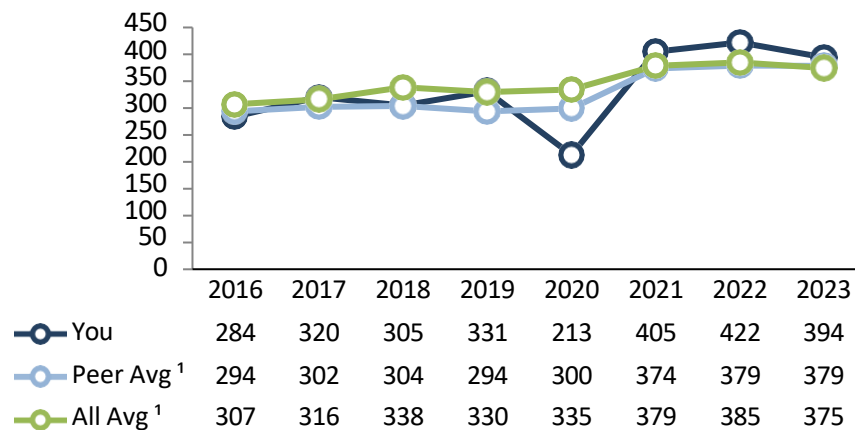
Incoming Calls per 1,000 Active Members and Annuitants



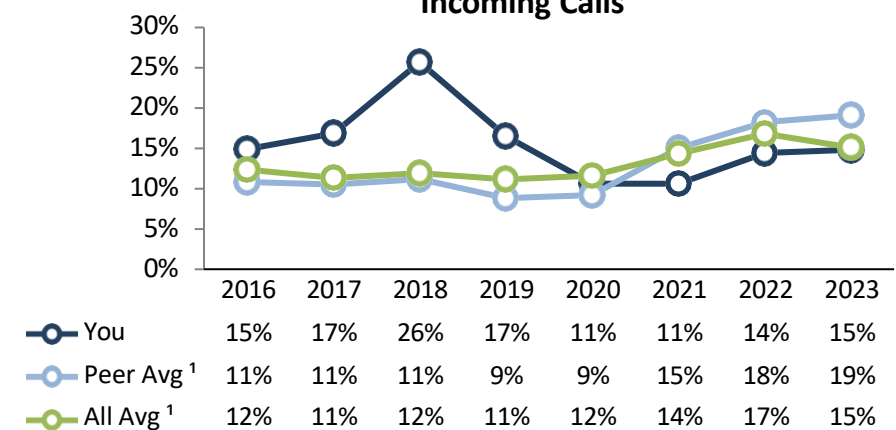
Call Wait Time, in Seconds



Time on Call, in Seconds



Undesired Call Outcomes as a Percent of Incoming Calls



1. Trend analysis is based on systems that have provided 8 consecutive years of data (13 of your 13 peers and 34 of the 45 systems in the universe).

Plans with cloud access are using AI to improve their operations. Most commonly, plans start with low-risk AI use cases in their contact centers to support to service agents.

Common use cases

Contact center

- Automatically create a call transcript and add the post-call summary to the Client Relationship Management (CRM) system.
- Perform call quality assurance and sentiment assessments.

Document management

- Aggregate internal documents into discrete repositories, with meta data, so staff can easily query these repositories for the data they need.

Automation

- Robotic automation of routine back-office tasks.

Proof-of-life verification

- Tracking/identifying members with facial recognition technology

Less common or higher risk use cases

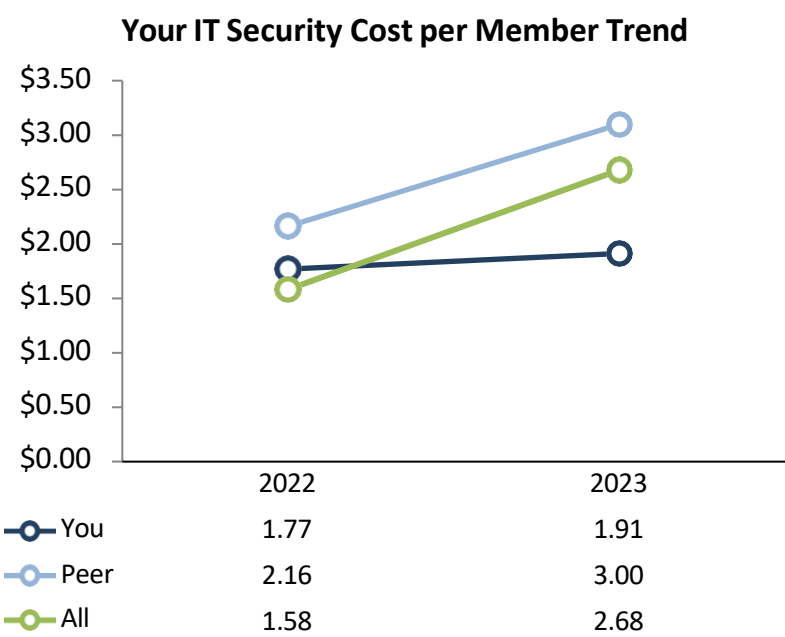
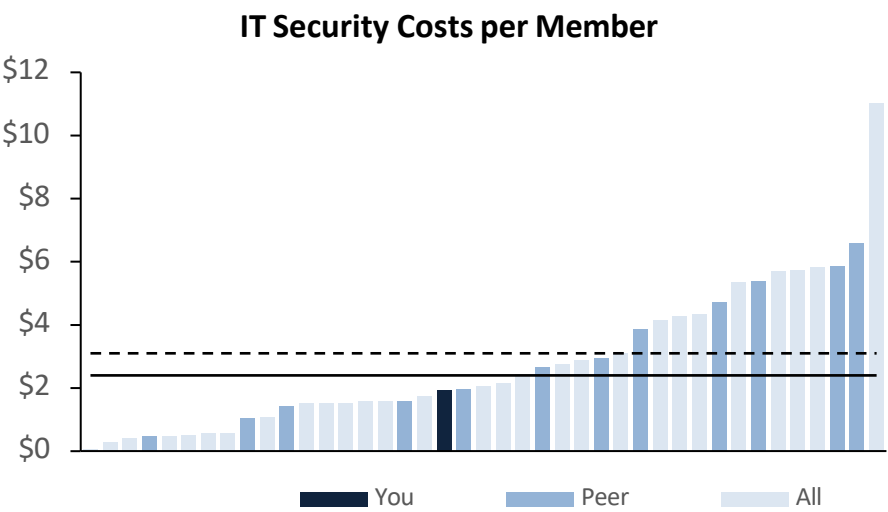
Contact center

- Redirect members to digital channels and guide workflow with an AI assistant that integrates CRM and browser-based solutions.
- Chatbots for processing member information and answering their questions.
- Predicting a member's next question real-time, on call.
- Real-time, on-call member satisfaction metrics based on voice recognition.

Data quality management

- Large-scale analysis and cleaning of member data.

IT security is an increasing concern for all systems. Your costs and staffing of IT security compare to your peers as follows:



Your IT security cost per member was \$1.91 versus a peer average of \$3.08.

B.

A. Administration

1. May 31, 2024 PERS Board Meeting Minutes
2. Director's Report
3. CEM Benchmarking results

B. Administrative rulemaking

- 1. Notice of rulemaking to Contingency Reserve Subaccount Rule**
2. Notice of rulemaking to Delegation to Director and Staff Rule
3. Notice of rulemaking for Service Retirement Application requirements rules

C. Action and discussion items

1. Senate Bill 1049 Program update
2. Presentation of December 31, 2023 system valuation results
3. 2025-27 Agency Request Budget recommendations



Oregon

Tina Kotek, Governor

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888-320-7377

TTY (503) 603-7766

www.oregon.gov/pers

July 26, 2024

TO: Members of the PERS Board

FROM: Yong Yang, Tax Policy Coordinator, Policy Analysis and Compliance Section
Stephanie Vaughn, Manager, Policy Analysis and Compliance Section

SUBJECT: Notice of Rulemaking to Contingency Reserve Subaccount Rule:
OAR 459-005-0625 *Contingency Reserve Subaccount*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: The PERS Board asked the agency to streamline the administrative process for using the contingency reserve fund to pay off small amount deficits.
- Policy Issue: None.

BACKGROUND

At the PERS Board meeting on December 1, 2023, staff presented to the board a request for approval to use the contingency reserve fund to pay off an outstanding PERS contribution liability of a defunct employer in the amount of \$2,140.59. The board asked staff to investigate the possibility of streamlining the administrative process for using the contingency reserve fund to pay off small deficit amounts in the future.

In response to the board's request, staff recommends the board establish a contingency reserve subaccount through rulemaking which they can fund by approving transfers from the contingency reserve account. Staff will have authority to use the funds in the subaccount for the same purposes as outlined for the contingency reserve account in ORS 238.670, limited to \$50,000 per incident. The \$50,000 was determined by reviewing past requests and the possible need for contingency reserve funds relating to potentially insolvent employers. Most of those amounts are under \$30,000, but there is the possible need for higher amounts specifically relating to potentially insolvent employers.

With this recommendation, the PERS Board has control over how much money will be made available in the contingency reserve subaccount and PERS staff is additionally required to provide an annual report to the board on the use of monies in the subaccount. This streamlines the administrative process for small deficit amounts while retaining the board's control over the overall use of the contingency reserve fund, including continuing board approval for larger use amounts.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held remotely on August 20, 2024, at 2:00 p.m. The public comment period ends August 23, 2024, at 5:00 p.m.

LEGAL REVIEW

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

IMPACT

Mandatory: No.

Benefit: Streamlines the administrative process for using the contingency reserve fund for small amount deficits.

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

RULEMAKING TIMELINE

July 26, 2024	PERS Board notified that staff began the rulemaking process.
August 1, 2024	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
August 1, 2024	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.
August 20, 2024	Rulemaking hearing to be held remotely at 2:00 p.m.
August 23, 2024	Public comment period ends at 5:00 p.m.
October 4, 2024	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 August 20, 2024. The rule is scheduled to be brought before the PERS Board for adoption at the October 4, 2024, board meeting.

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 005 – ADMINISTRATION**

459-005-0625

Contingency Reserve Subaccount

(1) A subaccount is established under the contingency reserve account provided under ORS 238.670(1). The PERS Board will periodically authorize transfer of moneys from the contingency reserve account to the subaccount to ensure sufficient funding for the purpose of this rule.

(2) If PERS determines that there is a deficit of moneys available for the payment of retirement allowances due to contingencies other than those related to gains and losses of invested capital, and the amount of the deficit is \$50,000 or lower, PERS staff is authorized to use moneys in the contingency reserve subaccount as established under this rule to prevent such a deficit as described in ORS 238.670(1).

(3) PERS staff is required to make a report to the Board no less than once a year to provide a full accounting of all the moneys spent under section (2) of this rule.

Statutory/Other Authority: ORS 238.650

Statutes/Other Implemented: ORS 238.650. 238.670

B.

A. Administration

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July 26, 2024

TO: Members of the PERS Board

FROM: Yong Yang, Tax Policy Coordinator, Policy Analysis and Compliance Section
Stephanie Vaughn, Manager, Policy Analysis and Compliance Section

SUBJECT: Notice of Rulemaking to Delegation to Director and Staff Rule:
OAR 459-001-0025 *Delegation to Director and Staff*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Codify in administrative rule the delegation of the PERS Board's contracting authority for health insurance consulting services to the director.
- Policy issue: None.

BACKGROUND

As staff was putting together a request for proposals (RFP) for consulting services related to the PERS Health Insurance Program (PHIP) in 2021, they identified an ambiguity relating to the authority to award contracts for the PHIP consulting services. While Oregon Revised Statute (ORS) 238.645 and Oregon Administrative Rule (OAR) 459-001-0025 provide the director the authority to administer the system generally, it is unclear whether that delegation includes the authority to contract with consultants for PHIP, as that authority is specifically placed with the board in ORS 238.410(6).

To resolve this ambiguity, staff recommends clarifying this authority by amending OAR 459-001-0025 to specifically include the authority to contract with and retain consultants for PHIP¹. The rationale for this recommendation is two-fold: 1. This authority is consistent with the director's existing authority to contract for the purpose of administering the system generally, and 2. Under our current practice, staff performs all the tasks that are necessary to solicit bids for the consulting services, evaluate the quality of the bids and select a final candidate. The director, who works closely with staff daily, can then make the final contracting decision without waiting for the next available board meeting and the board can avoid having to duplicate any work that

¹ Note that this is just the ability to contract with consultants; the board would still approve the contracts for the actual health care plans.

has been performed by staff with respect to selecting a consulting service. This provides both administrative ease and timeliness.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held remotely on August 20, 2024, at 2:00 p.m. The public comment period ends August 23, 2024, at 5:00 p.m.

LEGAL REVIEW

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

IMPACT

Mandatory: No.

Benefit: Streamline the administrative process for both administrative ease and timeliness in awarding contracts for PHIP consulting services.

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

RULEMAKING TIMELINE

July 26, 2024	PERS Board notified that staff began the rulemaking process.
August 1, 2024	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
August 1, 2024	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.
August 20, 2024	Rulemaking hearing to be held remotely at 2:00 p.m.
August 23, 2024	Public comment period ends at 5:00 p.m.
October 4, 2024	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 August 20, 2024. The rule is scheduled to be brought before the PERS Board for adoption at the October 4, 2024, board meeting.

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 001 – PROCEDURAL RULES**

459-001-0025

Delegation to Director and Staff

(1) The Director is hereby authorized to take all action necessary or desirable to administer the system including but not limited to:

(a) Design application and other forms;

(b) Act on any application for refund of contributions; crediting service, correction of records, retirement for disability or service, and death benefits and allowances;

(c) Calculate and authorize payment of refunds, allowances or benefits except as provided in OAR chapter 459, division 15;

(d) Require medical, vocational or other professional examinations of disability retirement benefits applicants and recipients;

(e) Reinstate persons from disability retirement upon the Director's determination that disability does not exist; and

(f) Initially review, grant or deny petitions for reconsiderations. The Director may deny any petition:

(A) Which does not contain specific grounds for reconsideration; or

(B) Regarding which there is no bona fide dispute of material fact, the pertinent statutes and rules are clear in their application to the facts and there was no material administrative error.

(g) Define and settle administrative and court litigation.

(h) Contract with and retain consultants, brokers, or other advisory personnel in order to assist in performing the functions of the Board under ORS 238.410.

1 (2) The Director may refer any matter to the Board or to an administrative law judge
2 for a contested case or other hearing.

3 (3) The Director is hereby authorized to delegate to subordinates the authority to
4 take any action on the Director's behalf.

5 Statutory/Other Authority: ORS 238.650

6 Statutes/Other Implemented: ORS 183.413 - 183.470 & 183.482

B.

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July 26, 2024

TO: Members of the PERS Board

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

SUBJECT: Notice of Rulemaking for Service Retirement Application Requirements Rules:
OAR 459-013-0250 *Service Retirement Application Requirements*
OAR 459-075-0040 *OPSRP Service Retirement Application Requirements*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: To establish a reasonable time limitation for submissions of materials necessary to calculate member benefits.
- Policy issue: *Should PERS establish a time requirement for how long applications can be held open for members to submit to PERS all documentation necessary to calculate their retirement benefit(s)? If so, is 85 days a reasonable length of time for all necessary materials to be submitted?*

BACKGROUND

Under Oregon Revised Statute (ORS) 238.455, PERS is required to begin monthly benefit payments within 62 days from the date that the member's first monthly payment is due. Because PERS pays benefits in arrears, staff often refer to this requirement as a 92-day deadline to account for the month between a member's effective retirement date and benefits becoming payable. If the agency is unable to calculate a member's actual (i.e., not estimated) monthly benefit amount by the deadline, statute requires that PERS begin monthly payments in an estimated amount until the actual benefit can be established.

On occasion, PERS is unable to calculate a member's actual monthly benefit amount due to the member not providing all required information or documentation. This can be particularly concerning as Oregon Administrative Rules (OAR) require PERS to receive certain documents and information, such as member and beneficiary verification of age, before the agency establishes benefits.

When required documentation supporting service retirement applications has not been received by PERS, the Intake and Review Team sends members multiple follow-up letters, and Team One Follow-Up contacts the member via telephone. Despite these efforts, there are occasions

when members do not provide the required information in time for PERS to calculate the benefit by the statutory deadline.

POLICY ISSUE

Should PERS establish a time requirement for how long applications can be held open for members to submit to PERS all documentation necessary to calculate their retirement benefit(s)? If so, is 85 days a reasonable length of time for all necessary materials to be submitted?

In order for members to receive retirement benefits, they are required to furnish PERS with information and documentation necessary to correctly calculate their benefit(s). This includes satisfactory evidence of their date of birth, their social security number, current address, and citizenship information. And if the member's option selection includes a survivor beneficiary, PERS requires satisfactory evidence of the beneficiary's date of birth, social security number, current address, and citizenship information as well.

In circumstances when a member of the system has submitted an application to retire from service and appears to be entitled to receive a retirement allowance that is payable monthly, PERS is required to calculate an estimated amount for the monthly payment based on the information then available. Once a member is receiving an estimated benefit due to missing information or incomplete documentation from the member, however, it can be time-consuming for staff to monitor accounts and follow up with members to encourage the submission of the remaining items needed to convert an estimated benefit to an actual benefit.

PERS is introducing OAR 459-013-0250 and OAR 459-075-0040 to establish a time limitation for how long members have to submit materials required for the calculation of their retirement benefit(s). The rule provides members 85 days from the presumptive effective retirement date for PERS to receive the required information and/or documentation from the member, and if not received, the member's application will be cancelled, and the member will have to re-apply for retirement. The limit of 85 days was chosen to allow staff sufficient time to properly process the member's retirement before the 92-day requirement to pay a benefit. PERS will move forward with the rule as presented unless the board prefers a different time period or prefers to continue with the current practice of establishing estimated payments when required information and/or documentation is not received timely.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held remotely on August 20, 2024, at 2:00 p.m. The public comment period ends August 23, 2024, at 5:00 p.m.

LEGAL REVIEW

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

IMPACT

Mandatory: No.

Benefit: Administrative costs will be reduced and promotes administrative efficiency.

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

RULEMAKING TIMELINE

July 26, 2024	PERS Board notified that staff began the rulemaking process.
August 1, 2024	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
August 1, 2024	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.
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August 23, 2024	Public comment period ends at 5:00 p.m.
October 4, 2024	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 August 20, 2024. The rule is scheduled to be brought before the PERS Board for adoption at the October 4, 2024, board meeting.

B.3. Attachment 1 – OAR 459-013-0250

Service Retirement Application Requirements

B.3. Attachment 2 – OAR 459-075-0040

OPSRP Service Retirement Application Requirements

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 013 – OPSRP PENSION PROGRAM**

459-013-0250

Service Retirement Application Requirements

(1) For PERS to process a service retirement application, a person must provide the following necessary information within 85 days of the effective retirement date:

(a) Member's personal information:

(A) Date of birth, including documentary evidence pursuant to OAR 459-013-0040;

(B) Social Security Number;

(C) Current address; and

(D) Citizenship information.

(b) Retirement option; if the member elects a lump sum option, the allocation of lump sum payments must be included.

(c) Notarized signature of the member and, if married, the member's spouse;

(d) Beneficiary personal information, if applicable. Beneficiary personal information must include the beneficiary's date of birth and documentary evidence required pursuant to OAR 459-013-0040.

(2) If any required information is not received within 85 days after the effective retirement date, the incomplete service retirement application will be canceled and the member must submit a new application.

Stat. Auth.: ORS 238.650

Stats. Implemented: ORS 238.300, 238.305, 238.374 & 238.455

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

459-075-0040

OPSRP Service Retirement Application Requirements

(1) For PERS to process a service retirement application, a person must provide the following necessary information within 85 days of the effective retirement date:

(a) Member's personal information:

(A) Date of birth, including documentary evidence pursuant to OAR 459-013-0040;

(B) Social Security Number;

(C) Current address; and

(D) Citizenship information.

(b) Retirement option; if the member elects a lump sum option, the allocation of lump sum payments must be included.

(c) Notarized signature of the member and, if married, the member's spouse; and

(d) Beneficiary personal information, if applicable. Beneficiary personal information must include the beneficiary's date of birth and documentary evidence required pursuant to OAR 459-013-0040.

(2) If any required information is not received within 85 days after the effective retirement date, the incomplete service retirement application will be canceled and the member must submit a new application.

Stat. Auth.: ORS 238A.450

Stats. Implemented: 238.455 & ORS 238A.180, 238A.190



A. Administration

1. May 31, 2024 PERS Board Meeting Minutes
2. Director's Report
3. CEM Benchmarking results

B. Administrative rulemaking

1. Notice of rulemaking to Contingency Reserve Subaccount Rule
2. Notice of rulemaking to Delegation to Director and Staff Rule
3. Notice of rulemaking for Service Retirement Application requirements rules

C. Action and discussion items

1. Senate Bill 1049 Program update

2. Presentation of December 31, 2023 system valuation results
3. 2025-27 Agency Request Budget recommendations



Oregon

Tina Kotek, 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

July 26, 2024

TO: Members of the PERS Board
FROM: Yvette Elledge-Rhodes, Deputy Director
SUBJECT: Senate Bill 1049 Implementation Update

BACKGROUND

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 and are in the last 18 months of the program.

PROGRAM AND 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 7/5/24)
SB 1049 Program		Program health: Yellow <ul style="list-style-type: none"> The program is in yellow status due to dependencies of non-SB 1049 projects and internal staffing risk. Cross Project Effort successfully deployed Work Package (WP) 6 on 6/6/24 and returned to Green status.
Employer Programs Project	Effective 7/1/2019	Project ended 7/16/21.
Salary Limit Project	Effective 1/1/2020	Project ended 5/28/21.
Work After Retirement Project	Effective 1/1/2020	Project ended 2/24/22.
Member Redirect Project	Effective 7/1/2020	Project health: Green <ul style="list-style-type: none"> The Member Redirect Project status returned to green status on 5/9/24 once the project schedule was finalized for the last two releases in 2025. User Acceptance Testing for WP 11.1A (EPSA Retirement Cancellation and Adjustments) and

		WP 11.2B (Death Excess EPSA) continues towards the 7/11/2024 completion date. <ul style="list-style-type: none"> Development has begun for the final three work packages, WP 11.1B (Withdrawal Cancellation and Adjustments), WP 11.1C (EPSA Death Cancellation and Adjustments) and WP 11.3 (EPSA Backlog).
Member Choice Project	Effective 1/1/2021	Project ended 8/4/21.
Technical Debt		Project ended 4/30/24.

HIGHLIGHTED ACTIVITIES

- iQMS activities:
 - Final Periodic Quality Status Report (May 2024) was received on 5/30/24.
 - Draft Quarterly Quality Assurance Status and Improvement Report (July 2024) is expected on 7/19/24.
- The next bi-monthly meeting with the Chief Financial Office, Legislative Fiscal Office, and the Governor's Office is scheduled for 7/24/24.

PROGRAM/PROJECT BUDGET

The high-level budget information is contained within page three of the attachment to agenda item A.2.c. The detailed budget can be viewed in the attached SB 1049 Monthly Status Report.

We will continue to update the board as program implementation continues throughout the year.

C.1. Attachment 1 – *Monthly Project Status Report and Road Map*

SB 1049 Implementation Program

Status Report for July 19, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Program information:

Program start: **July 1, 2019** | Program end: **June 30, 2025**

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: May 9, 2025

Project status: **Yellow**

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: April 29, 2024

Project status: **Complete**

Overall program status: **Yellow**

Final UAT Testing of the Member Redirect Release 9.21.0 (WP11.1A/WP11.2B) is in progress. Member Redirect project was turned to Yellow – initial UAT execution completed 2 days later than planned date of 07/11/2024. There are 3 critical defects which have been identified as “Must Haves” for the release – two of them are fixed and being validated, and the third one has system workarounds available and it's not needed until the beginning of calendar year 2025.

Due to the dependencies with Non-SB1049 projects and internal staffing risks, the overall program status continues to remain yellow.

SB 1049 Implementation Program

Status Report for July 19, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Budget health: **Green**

Budget information by Project:

29560- SB 1049 Implementation Program by Project					
Other Funds Lmt	23-25 Budget	Actual to Date	Projections	23-25 Total	Variance
Member Redirect	\$ 19,566,232	\$ 7,845,270	\$ 9,716,837	\$ 17,562,108	(2,004,124)
Technical Debt	\$ 1,258,122	\$ 842,606	\$ -	\$ 842,606	(415,516)
				\$ -	-
Total	\$ 20,824,354	\$ 8,687,876	\$ 9,716,837	\$ 18,404,714	\$ (2,419,641)

Budget Information in the table above is for the FY23-25 biennium.

Projected Budget Variance at Completion					
Other Funds Lmt	Date Baseline Occurred	Baseline Budget	Estimate At Complete	Variance Amount	Variance Percentage
Member Redirect	7/31/2023	\$ 60,680,760	\$ 56,585,453	\$ (4,095,307)	-6.7%
Technical Debt	7/31/2023	\$ 3,823,863	\$ 2,779,670	\$ (1,044,193)	-27.3%
Salary Limit	7/1/2019	\$ 1,422,027	\$ 1,386,315	\$ (35,712)	-2.5%
Employer Programs	7/1/2019	\$ 2,051,084	\$ 2,006,740	\$ (44,344)	-2.2%
Member Choice	7/1/2019	\$ 2,337,814	\$ 2,282,274	\$ (55,540)	-2.4%
WAR	7/1/2019	\$ 3,310,580	\$ 2,513,353	\$ (797,227)	-24.1%
Program Total		\$ 73,626,128	\$ 67,553,805	\$ (6,072,324)	-8.2%

Budget Information in the table above is for the SB1049 Program since Inception.

SB 1049 Implementation Program

Status Report for July 19, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Budget information by POP:

29560- SB 1049 Implementation Program by POP					
Other Funds Lmt	23-25 Budget	Actual to Date	Projections	23-25 Total	Variance
Project Management & Admin	\$ 1,876,800	\$ 829,400	\$ 973,410	\$ 1,802,810	(73,990)
Quality Assurance and Testing	\$ 1,062,600	\$ 469,500	\$ 440,000	\$ 909,500	(153,100)
Info Technology Applications	\$ 13,423,000	\$ 5,524,302	\$ 6,359,518	\$ 11,883,820	(1,539,180)
Operational Implementation	\$ 4,461,954	\$ 1,864,675	\$ 1,943,909	\$ 3,808,585	(653,369)
Total	\$ 20,824,354	\$ 8,687,876	\$ 9,716,837	\$ 18,404,714	\$ (2,419,641)

Budget Information in the table above is for the FY23-25 biennium.

Projected Budget Variance at Completion					
Other Funds Lmt	Date Baseline Occurred	Baseline Budget	Estimate At Complete	Variance Amount	Variance Percentage
Project Management & Admin	7/1/2019	\$ 6,421,600	\$ 5,515,636	\$ (905,964)	-14.1%
Quality Assurance and Testing	7/1/2019	\$ 4,375,100	\$ 3,803,300	\$ (571,800)	-13.1%
Info Technology Applications	7/1/2019	\$ 42,752,000	\$ 41,600,998	\$ (1,151,002)	-2.7%
Operational Implementation	7/1/2019	\$ 20,077,428	\$ 16,633,871	\$ (3,443,557)	-17.2%
		\$ 73,626,128	\$ 67,553,805	\$ (6,072,324)	-8.2%

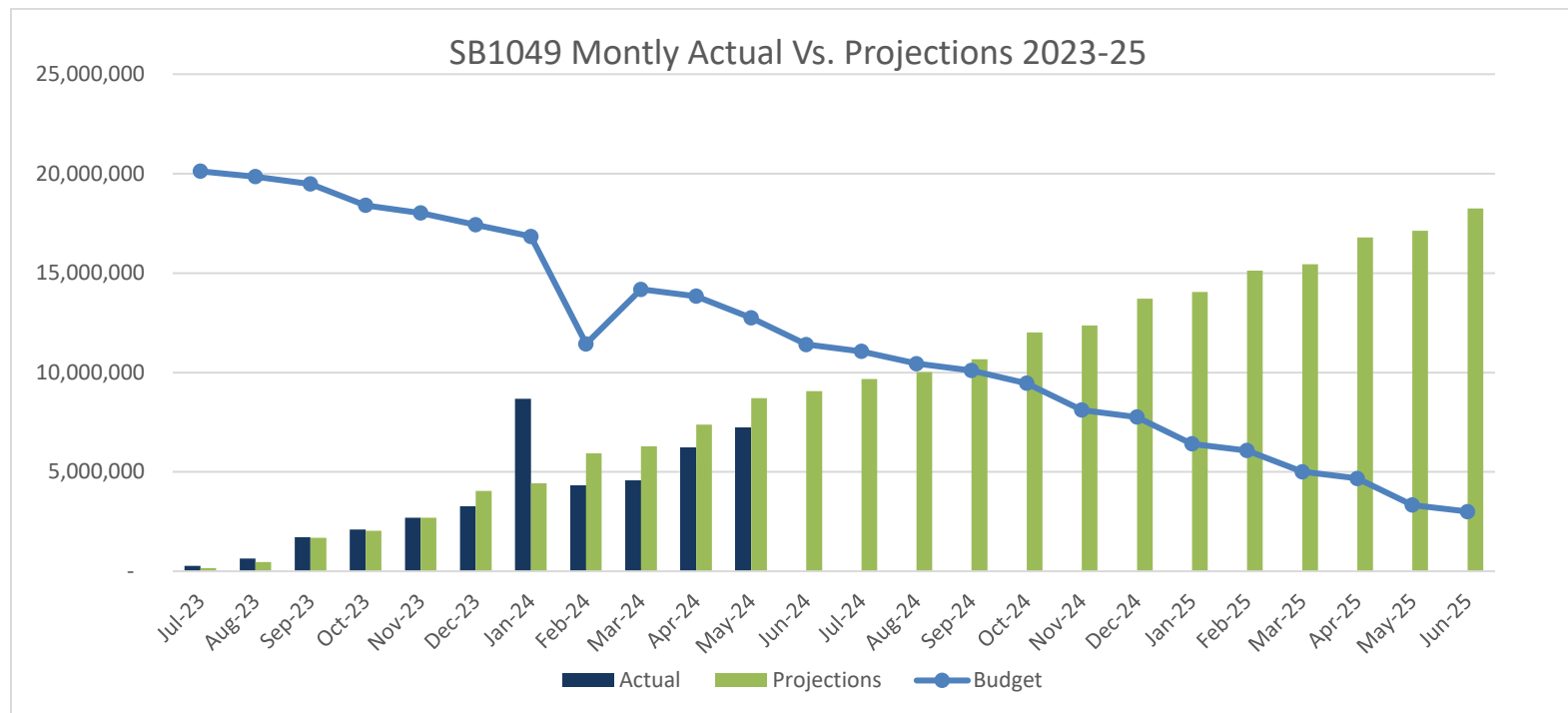
Budget Information in the table above is for the SB1049 Program since Inception.

SB 1049 Implementation Program

Status Report for July 19, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Budget Spend Down trend:



SB 1049 Implementation Program

Status Report for July 19, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Program information: Cross Project Effort (CPE)

Start: May 28, 2020. | **End:** May 9, 2025

Project Manager: Susan K. Mundell

Cross Project Effort objective:

The Cross Project Effort (CPE) 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: **Green**

Narrative: The Cross Project Effort is on hold until the start of Work Package 7.3 (Payouts Actuarial Extract) which begins in October.

Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP 6: IAP Balance Comparison Production Release	100%	N/A	6/6/2024	
WP7.3: Payouts Actuarial Extract Development Begins	0%	10/4/2024	10/4/2024	
WP 7.3: Payouts Actuarial Extract Development Ends	0%	1/02/2024	1/02/2024	
WP 7.3: Payouts Actuarial Extract UAT Begins	0%	3/13/2025	3/13/2025	
WP 7.3: Payouts Actuarial Extract UAT Ends	0%	4/2/2025	4/2/2025	
WP 7.3: Payouts Actuarial Extract Release to Production Quality Gate	0%	4/3/2025	4/3/2025	
WP 7.3: Payouts Actuarial Extract Production Release	0%	4/17/2025	4/17/2025	
Cross Project Effort Closure	0%	5/9/2025	5/9/2025	

*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late







SB 1049 Implementation Program

Status Report for July 19, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

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	JUN
 Employer Programs	• 7/1/19 – Effective Date		• 9/3/19 – Employer Incentive Fund (EIF) Application #1 Opens						• 11/27/19 – EIF Application #1 Closes									• 12/1/20 – EIF Application #2 Closes						
									• 12/2/19 – EIF Application #2 Opens										3/30/21 – Work Package (WP) 1 Migrate and Adapt ERPT → •					
																			6/30/21 – WP2 ERPT Stakeholder Acceptance and Deployment → •					
 Salary Limit							• 12/24/19 – Work Package (WP) 1 – Short Term												• 11/19/20 – WP3 User Screens to Record Annual Salary Limit					
							• 1/1/20 – Effective Date													5/13/21 – WP4 Proration Reports and Workflow → •				
									• 1/24/20 – WP2 Post 2020 Salary Limit														5/28/21 – Project Close → •	
 Work After Retirement							• 12/19/19 – Work Package (WP) 1 Retiree Wages Suspended – Short Term												• 11/19/20 – WP2 New Wage Codes with General Ledger (GL) Integration					
							• 1/1/20 – Effective Date													5/13/21 – WP3 Retro Rate Change → •				
 Member Redirect							6/18/20 – Work Package (WP) 1 Employee Pension Stability Account Set Up/Batch/General Ledger – Short Term												• 9/22/20 – Voluntary Contributions Initial Functionality					
																			• 10/30/20 – WP2.2 IAP Forecaster Tool – non-jClarety					
																			• 11/19/20 – Voluntary Contributions Final Functionality Release					
																						3/23/21 – WP3 EPSA Earnings		
																			1/21/21 – WP5.2 Online Member Services User Interface → •					
																			1/26/21 – WP2 TIED SSIS – Non-jClarety → •					
																			6/24/21 – WP4.2 EPSA Display, and WP12 Full EPSA Set up Screen → •					
 Member Choice							• 10/23/19 – Project Kick Off												8/20/20 – Work Package (WP) 1 Online Member Services (OMS) Changes Deployed					
							5/15/20 – Member Annual Statements (MAS) Flyer Communication												• 9/1-30/20 – Election Period					
																			• 1/1/21 – Effective Date					
																			3/23/21 – WP2 OMS & jClarety Enhancements → •					
																			5/1/21 – Member Choice reflected in MAS → •					
																			6/24/21 – WP3 Online Member Services (OMS) Election and Bugs → •					
PROGRAM INITIATIVE																								
 Cross Project Effort																			1/26/21 – WP2.1 IAP Payment Recon (short-term) → •					
																			3/18/21 – WP1.2 IAP Validator Tool → •					
																			4/27/21 – WP2.2 IAP Payment Recon → •					
																			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 July 19, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

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																							
 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					• 3/24/22 – WP4.3 EPSA Transaction Display					• 7/21/22 – WP6.1 EPSA Retirement							6/29/23 – WP9.1 EPSA Withdrawal → •			
																					6/29/23 – WP9.2 Alter OPSRP Withdrawal → •			
 Member Choice	• 8/4/21 – Project Close																							
 Technical Debt	• 7/1/21 – Project Kickoff									• 3/31/22 – WP2 Benefit Account Transition Status – Functional Design Specification Completed											6/29/23 – WP6 General Ledger Reversals → •			
					4/30/22 – WP3 General Ledger Reversals, Including Side Accounts – 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										




SB 1049 Implementation Program

Status Report for July 19, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Senate Bill (SB) 1049 Implementation Road Map

2023-2025 Biennium

		2023						2024												2025					
PROJECTS		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					2/15/24 – WP8.1 EPSA Death → •									Jul 19	• 8/15/24 – WP11.1A EPSA Retirement Cancellation and Adjustment										
					2/15/24 – WP10 Mid-Project Clean up → •											• 8/15/24 – WP11.2B Death Excess EPSA				5/9/25 – Project Close → •					
															2/6/25 – WP11.1B Withdrawal Cancellation and Adjustment → •					4/17/25 – WP11.3 EPSA Backlog → •					
															2/6/25 – WP11.1C EPSA Death Cancellation and Adjustments → •										
 Technical Debt				2/15/24 – WP5 Side Account Reversals → •											• 4/29/24 – Project Close										
PROGRAM INITIATIVE																									
 Cross Project Effort															• 6/6/24 – WP6 IAP Balance Comparison Tool										
																					4/17/25 – WP7.3 Payouts Actuarial Extract → •				

SB 1049 Implementation Program

Status Report for July 19, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Project information: Member Redirect

Project start: July 1, 2019, | **Project end:** May 9, 2025

Project Manager: Chris Yu

Overall project status: **Yellow**

Project Narrative:

The initial User Acceptance Testing execution for Release 9.21.0, which includes work package WP11.1A (EPSA Retirement Cancellation and Adjustments) and WP11.2B (Death Excess EPSA) was completed late on 7/15/2024. The project team will continue to review the major defects that need to be addressed during Regression testing, which will be due by 8/1/2024.

Development/Construction is also in progress for Work Packages 11.1B (Withdrawal Cancellation and Adjustments), 11.1C (Death Cancellations and Adjustments) and 11.3 (EPSA Backlog).

Work Package 11.1A: EPSA Retirement Cancellation and Adjustments

- Production Deployment Date: 8/15/2024
- Business Functional Testing was completed on 5/3/2024
- User Acceptance Testing was completed on 7/15/2024
- Final defect Regression Testing will be completed by 8/1/2024

Work Package 11.1B: Withdrawal Cancellation and Adjustments

- Production Deployment Date: 2/6/2025
- Construction will be completed on 8/21/2024
- Business Functional Testing will begin on 8/22/2024
- User Acceptance Testing will begin on 10/24/2024

Additional long-term work packages exist. See the Milestones Schedule for a complete list of work packages

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.

Work Package 11.2B: Death Excess EPSA

- Production Deployment Date: 8/15/2024
- Business Functional Testing was completed on 5/3/2024
- User Acceptance Testing will be completed on 7/11/2024
- Final defect Regression Testing will be completed by 8/1/2024

Work Package 11.1C: Death Cancellations and Adjustments

- Production Deployment Date: 2/6/2025
- Construction will be completed on 8/21/2024
- Business Functional Testing will begin on 8/22/2024
- User Acceptance Testing will begin on 10/24/2024

SB 1049 Implementation Program

Status Report for July 19, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Budget health: Green

29560 SB1049 - Member Redirect Project					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 1,600,000	\$ 348,274	\$ 1,251,726	\$ 1,600,000	\$ -
Personal Services - SB1049	\$ 4,069,311	\$ 1,595,002	\$ 2,106,655	\$ 3,701,657	\$ (367,654)
Professional Services	\$ 2,633,212	\$ 951,961	\$ 1,530,377	\$ 2,482,338	\$ (150,875)
IT Professional Services	\$ 9,763,709	\$ 4,692,906	\$ 5,070,803	\$ 9,763,709	\$ (0)
Contingency	\$ 3,100,000	\$ 605,402	\$ 1,009,003	\$ 1,614,404	\$ (1,485,596)
					\$ -
SB1049 Total Expenses	\$ 19,566,232	\$ 7,845,270	\$ 9,716,837	\$ 17,562,108	\$ (2,004,124)
Project Total	\$ 21,166,232	\$ 8,193,544	\$ 10,968,563	\$ 19,162,108	\$ (2,004,124)
Average Monthly Spend (Burn Rate)		\$ 326,886.26	\$ 404,868.22		
*Not included in SB1049 Expenses					

SB 1049 Implementation Program

Status Report for July 19, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Schedule Health: Yellow

Awaiting updates on release 9.21.0 defects and its impact to the 8/1/2024 Final UAT completion milestone.

Scope health: Green

The project scope to matches expectations

Quality Assurance activities:

- The Monthly Release Management Report will be submitted for Quality Check Point review on 7/31/2024.

Emerging concerns/needs/impacts:

- Defect MRP2-2376 (1099R job) is the last defect we need to have for a successful deployment.

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
26	User Acceptance Testing: The resources, time, and/or tools are not adequate to support user acceptance testing.	➤ Adding additional FTE or contract resources (blocking defect) or extending the scheduled deployment, reduce the scope of testing and rely on BFT. Adding overtime including. Communicate and monitor testing activities	The initial execution for UAT for Release 9.21.0 was completed late on 7/15/2024. The project team is analyzing the remaining defects and its impact to the regression defect testing timeline, which is scheduled to be complete by 8/1/2024
92	Impact of Non SB1049 Projects: There are critical SB1049 resources that are also allocated to non SB1049 projects, which could cause schedule delays, technical environmental issues, and additional builds for the code line	➤ Work with the release manager to update the deployment dates if necessary.	Reviewing the milestones for the technical stack upgrade the potential overlap with DevOps and code merges

SB 1049 Implementation Program

Status Report for July 19, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

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
	None		

SB 1049 Implementation Program

Status Report for July 19, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
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	100%	6/29/2023	6/29/2023	
WP 9.2 - Alter OPSRP Withdrawal	100%	6/29/2023	6/29/2023	
WP 8.1 - EPSA Death	100%	2/15/2024	2/15/2024	
WP 10 - Mid-Project Clean up	100%	2/15/2024	2/15/2024	
WP 11.1A - EPSA Retirement Cancellation and Adjustments	0%	8/15/2024	8/15/2024	
WP 11.2B - Death Excess EPSA	0%	8/15/2024	8/15/2024	
WP 11.1B - Withdrawal Cancellation and Adjustments	0%	2/6/2025	2/6/2025	
WP 11.1C - EPSA Death Cancellation and Adjustments	0%	2/6/2025	2/6/2025	
WP 11.3 EPSA Backlog	0%	4/17/2025	4/17/2025	
Project Complete	0%	5/9/2025	5/9/2025	

*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late

SB 1049 Implementation Program

Status Report for July 19, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Project information: Technical Debt

Project start: June 22, 2021. | **Project end:** April 29, 2024

Project Manager: Susan Mundell

Overall project status: **Green**

Project Narrative:

The Technical Debt project was successfully closed on April 29, 2024.

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)

Work Package 4: Hyperion Replacement

- Production Deployment: 10/20/2022 (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.

SB 1049 Implementation Program

Status Report for July 19, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Project information: Salary Limit

Project start: July 1, 2019 | **Project end:** May 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)

SB 1049 Implementation Program

Status Report for July 19, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

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:

WP 1 Migrate and Adapt ERPT

- Acceptance Quality Gate: 3/23/2021 (this WP was not released to production) (Complete)

WP 2 ERPT Stakeholder Acceptance and Deployment to Cloud

- Production Deployment Date: 6/3/2021 (Complete)

SB 1049 Implementation Program

Status Report for July 19, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

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:

WP 1.1 Online Election

- Production Deployment Date: 8/20/2020 (Complete)

WP 1.2 Voya's updates to website and nightly sweep program

- Production Deployment Date: 1/19/2021 (Complete)

WP 1.3 PERS paper form election process including workflow

- Production Deployment Date: 8/12/2020 (Complete)

WP 1.4 Development of new reports (to Voya and internal)

- Production Deployment Date 9/29/2020 (Complete)

WP 2- Refining TDF Processes - Long-term

WP 2.1 -Online Member Services and jClarety Enhancements

- Production Deployment Date: 3/23/2021 (Complete)

WP 2.2 -Central Data Management Reports

- Production Deployment Date: 6/15/2021 (Complete)

WP 3- Online Member Services Election and Bugs

- Production Deployment Date: 6/24/2021 (Complete)

SB 1049 Implementation Program

Status Report for July 19, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

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)



A. Administration

1. May 31, 2024 PERS Board Meeting Minutes
2. Director's Report
3. CEM Benchmarking results

B. Administrative rulemaking

1. Notice of rulemaking to Contingency Reserve Subaccount Rule
2. Notice of rulemaking to Delegation to Director and Staff Rule
3. Notice of rulemaking for Service Retirement Application requirements rules

C. Action and discussion items

1. Senate Bill 1049 Program update
- 2. Presentation of December 31, 2023 system valuation results**
3. 2025-27 Agency Request Budget recommendations



Year-End 2023 Actuarial Valuation Results

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Presented by:

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

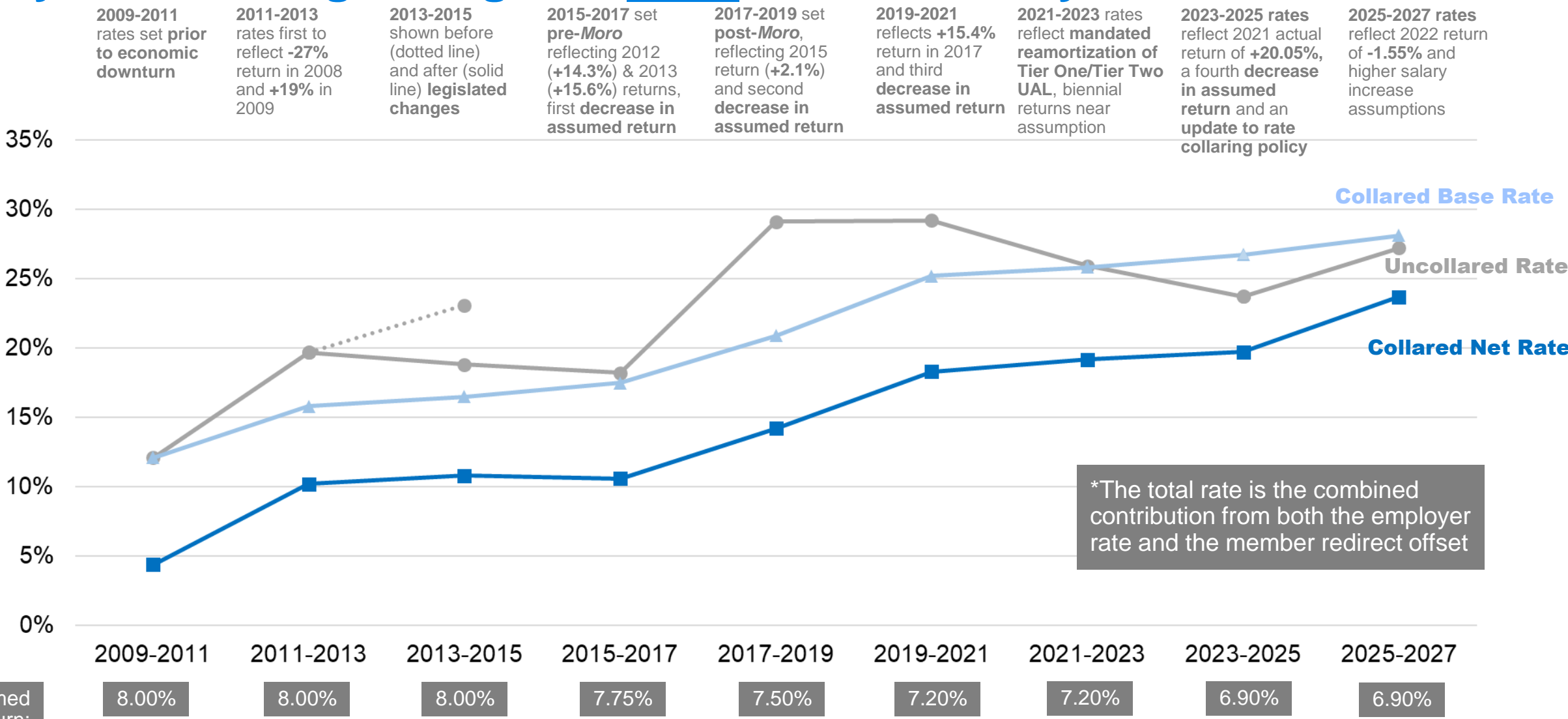
July 26, 2024

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Executive Summary

- Average collared base employer contribution rates **will increase 1.47% of pay starting July 2025**
 - Collared base employer rates are paid by new employer contributions and/or side account transfers
- Average collared net employer contribution rates **will increase 4.08% of pay starting July 2025**
 - Collared net rates are paid by new employer contributions
- Factors affecting this valuation's July 2025 – June 2027 contribution rate calculations
 - Collared base rate increase driven mostly by updates to the individual member pay increase assumption adopted with 2022 Experience Study
 - Contributed to 1.00% increase in OPSRP collared UAL rate; also increased normal cost rates
 - The collared Tier One/Tier Two UAL rate is unchanged for School Districts and SLGRP
 - System-wide payroll grew by over 20% in the two years since the last rate-setting valuation
 - Reduces the average rate offset for employer side accounts
- **Year-end 2023** funded status is **72% excluding side accounts**, down from 73% at year-end 2022
- **Year-end 2023** funded status is **77% including side accounts**, down from 79% at year-end 2022

System-Average Weighted Total* Pension-Only Rates



Funded Status & Unfunded Actuarial Liability (UAL)

System-Total Pension Funded Status (\$ billions)			
Valuation:	12/31/2021 Rate-Setting	12/31/2022 Advisory	12/31/2023 Rate-Setting
Assumed return:	6.90%	6.90%	6.90%
Actuarial liability	\$ 98.4	\$ 102.9	\$ 106.4
Assets (excluding side accounts)	<u>78.4</u>	<u>74.9</u>	<u>77.0</u>
UAL (excluding side accounts)	\$ 20.0	\$ 28.0	\$ 29.4
Funded status (excluding side accounts)	80%	73%	72%
Side account assets	<u>\$ 6.6</u>	<u>\$ 6.2</u>	<u>\$ 5.4</u>
UAL (including side accounts)	\$ 13.4	\$ 21.8	\$ 24.0
Funded status (including side accounts)	86%	79%	77%

Overview

- Today we will review summary valuation results as of December 31, 2023 for:
 - Tier One/Tier Two & OPSRP retirement programs
 - Retiree Health Insurance Account (RHIA), and
 - Retiree Health Insurance Premium Account (RHIPA)
- Formal, detailed results will be presented in our forthcoming December 31, 2023 System-Wide Actuarial Valuation Report
- This valuation will be the basis for 2025-2027 employer contribution rates presented for adoption at the October 4 Board meeting:
 - Employers' individual rates will be in the October meeting materials
- All work is based on:
 - Asset levels and member demographics at year-end 2023
 - Updates to methods and assumptions from the 2022 Experience Study
- PERS will deliver employer-specific reports after the rates are adopted

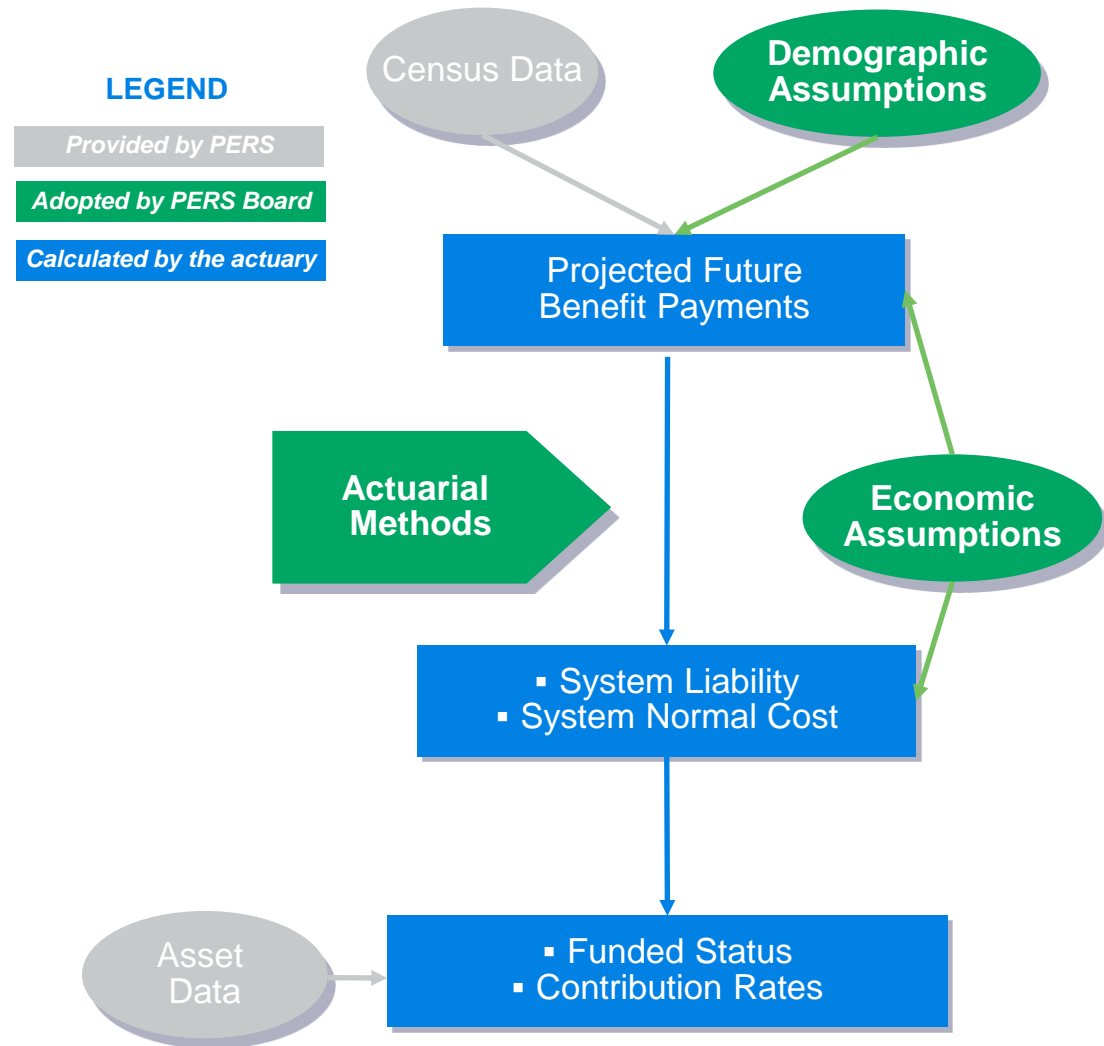
Valuation Process and Timeline

- Actuarial valuations are conducted annually
 - Alternate between “rate-setting” and “advisory” valuations
 - This valuation as of 12/31/2023 is rate-setting
- Board adopts contribution rates developed in rate-setting valuations, and those rates go into effect 18 months after the valuation date

Rate-Setting Valuation Date	Employer Contribution Rates
12/31/2021	July 2023 – June 2025
12/31/2023	July 2025 – June 2027
12/31/2025	July 2027 – June 2029

Two-Year Rate-Setting Cycle

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



Guiding Objectives - Methods & Assumptions

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

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

Changes Since the Last Rate-Setting Valuation

- The 12/31/2021 rate-setting valuation developed 2023-2025 contribution rates
- Since the 12/31/2021 rate-setting valuation:
 - The PERS Board adopted **new assumptions and methods** from the 2022 Experience Study, including assuming greater future individual member salary increases
 - Higher salary growth assumptions increased the value of projected future benefits associated with past service (Accrued Actuarial Liability), with the effect most pronounced for OPSRP
 - **Asset returns were significantly less** than the long-term assumed rate of 6.90% per year
 - Cumulative 2022-2023 regular account return was +4.3% compared to assumed two-year return of +14.3%
 - Actual returns during 2024 will be reflected in next year's advisory valuation
 - **Cumulative system payroll increase of greater than 20%** over the two-year period between rate-setting valuations
 - Active member headcount increased about 8% during this period

Changes Since the Last Advisory Valuation

- The 12/31/2023 rate-setting valuation develops 2025-2027 contribution rates for Board adoption, and reflects the following changes since the 12/31/2022 advisory valuation
 - 2023 OPERF regular account return of +5.98%, which produced a single-year actuarial investment loss of \$0.8 billion
 - System payroll increase of 10.5% from 12/31/2022 to 12/31/2023
 - Increased benefits for OPSRP Police & Fire members from House Bill 4045 passed in 2024 legislative session (see following slides)
- The 12/31/2022 advisory actuarial valuation already reflected:
 - Updated assumptions and methods from the 2022 Experience Study
 - Investment experience during 2022 of -1.55%
 - System projected payroll increased over 9% from 12/31/2021 to 12/31/2022

Plan Changes from House Bill 4045

- Normal retirement age for OPSRP P&F benefits lowered from 60 to 55
 - Members still qualify for earlier unreduced retirement if age 53 with 25+ years of service
- Forensic scientists and elected District Attorneys added to P&F definition
- New “hazardous position” member classification created for OPSRP, with benefit levels and retirement eligibilities that fall in between existing classifications of General Service and Police & Fire
 - Hazardous position classification statutorily limited to employees at Oregon State Hospital with direct patient contact and emergency telecommunicators
- Effective date for first two changes is January 1, 2025; hazardous position classification is first effective January 1, 2030

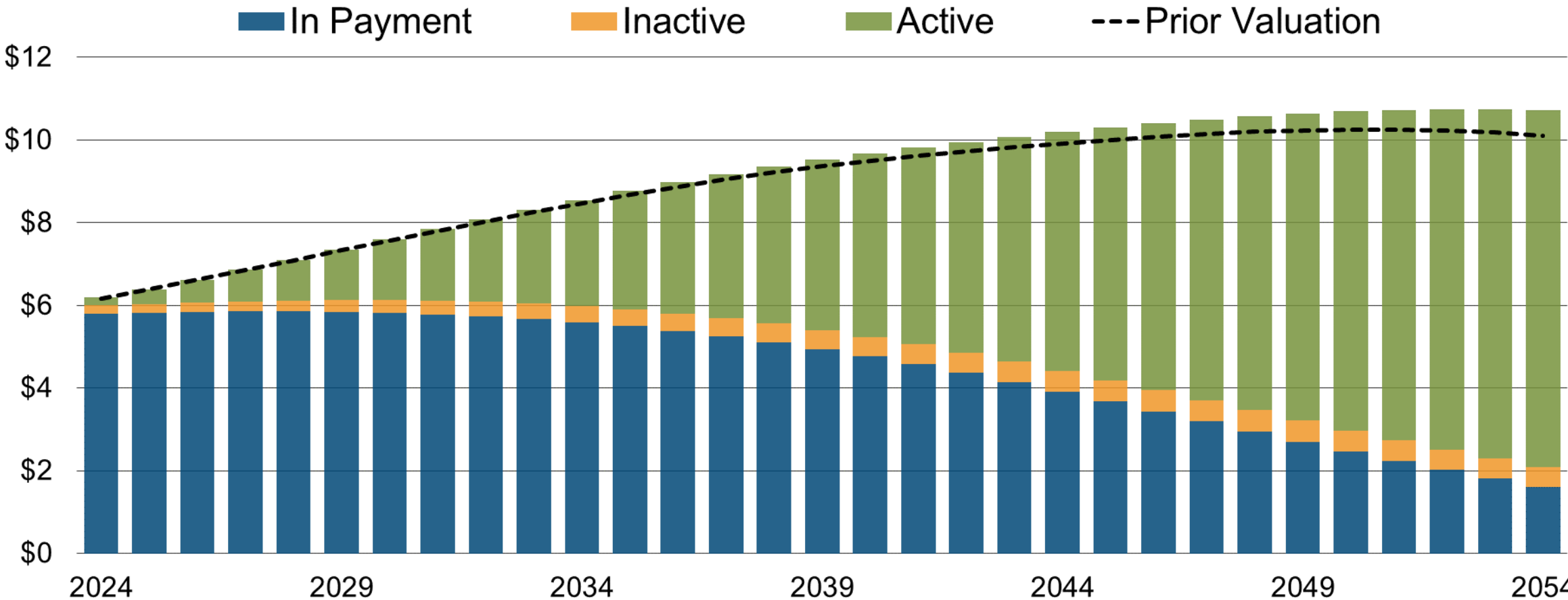
Plan Changes from House Bill 4045

- The December 31, 2023 rate-setting valuation reflects the change in OPSRP P&F retirement age, but not the other two HB 4045 changes
 - Expansion of P&F definition will come through in future census data
 - Hazardous position classification will be incorporated into future valuations after employer reporting of this population to PERS is established
- The reduction in OPSRP P&F normal retirement age is a benefit increase that adds to liabilities measured in the valuation
 - Actuarial accrued liability increased by \$128 million (approximately 5% increase in liability for OPSRP P&F benefits at the valuation date)
 - Approximately \$48 million due to inactive members with OPSRP P&F service
 - Increased OPSRP P&F normal cost rate by approximately 0.80% of payroll (from 14.9% to 15.7%)

Projected Benefit Payments for Members as of 12/31/2023

Does Not Include Projected Benefit Payments for Anyone Joining OPSRP After 12/31/2023

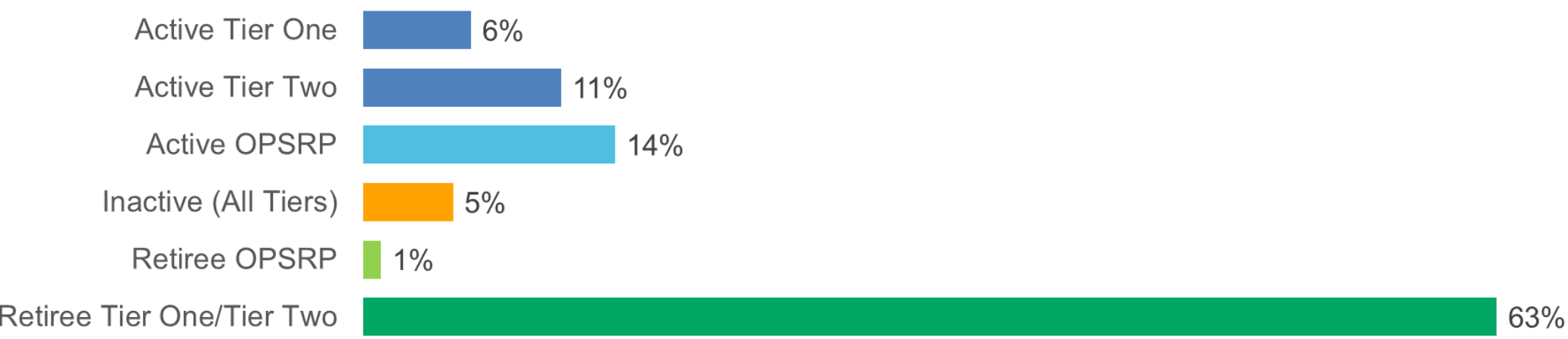
Tier One/Tier Two & OPSRP Expected Benefit Payments
by Status as of 12/31/2023 (in \$ billions)



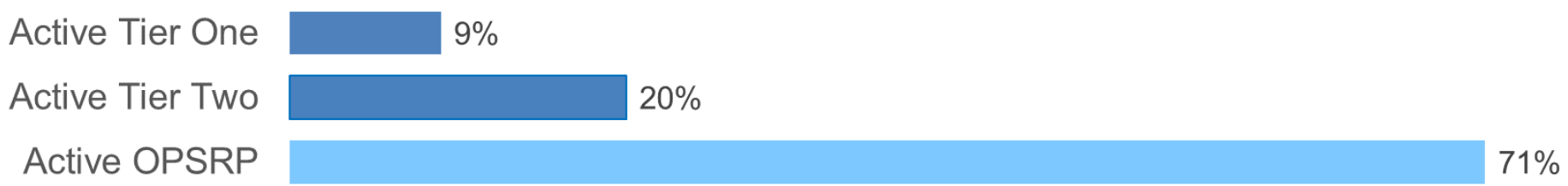
Actuarial Accrued Liability and Normal Cost by Category

12/31/2023 Tier One/Tier Two and OPSRP Actuarial Accrued Liability and Normal Cost

Actuarial Accrued Liability by Member Tier and Status on December 31, 2023



Normal Cost by Member Category on December 31, 2023



Accrued Actuarial Liability is the present value of benefits allocated to service prior to 2024
Normal Cost is the present value of benefits allocated to projected service during 2024



Sources of 2023 UAL (Excluding Side Accounts) Change

(\$ billions)	UAL Increase
Expected UAL increase/(decrease) during 2023	(\$ 0.2)
2023 actual investment performance	0.8
Plan changes	0.1
Actual demographic experience different than assumed	<u>0.6</u>
Actual UAL increase/(decrease) during 2023	\$ 1.3

- The **expected UAL increase/(decrease)** is the UAL change, based on 12/31/2022 valuation results and contribution rates in effect during 2023, projected to occur during 2023 if actual 2023 experience followed that valuation's assumptions
- The 2023 investment loss (i.e., actual versus assumed return) reflects actual 2023 OPERF returns of +5.98% compared to the assumed 6.90% return
- The increase from actual demographic experience different than assumed was primarily due to individual member salary increase experience during 2023 higher than the long-term assumption

Tier One/Tier Two Rate Pool Funded Status and UAL

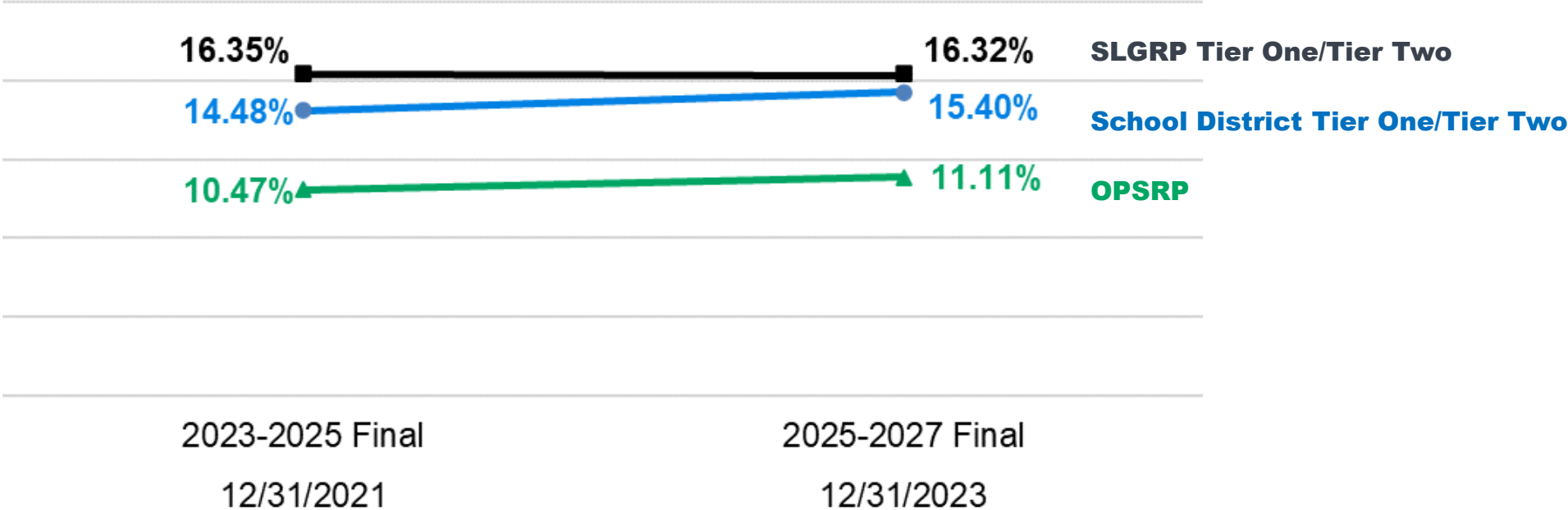
Amounts Shown as of December 31, 2023

(\$ billions) <i>Totals may not add due to rounding</i>	SLGRP	School Districts
Tier One/Tier Two actuarial liability	\$ 48.8	\$ 32.6
Tier One/Tier Two assets (excluding side accounts)	<u>34.1</u>	<u>24.8</u>
Tier One/Tier Two UAL (excluding side accounts)	\$ 14.7	\$ 7.9
Tier One/Tier Two funded status (excluding side accounts)	70%	76%
Projected 2024 Tier One/Tier Two + OPSRP payroll	\$ 9.0	\$ 5.0
Assets to payroll ratio (excluding side accounts)	3.8x	5.0x
UAL to payroll ratio (excluding side accounts)	1.6x	1.6x
Side account assets	\$ 2.2	\$ 2.9
Tier One/Tier Two UAL (including side accounts)	\$ 12.5	\$ 5.0
Tier One/Tier Two funded status (including side accounts)	74%	85%

Comments on 2025 – 2027 Rates

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

Changes in Total Normal Cost Rate



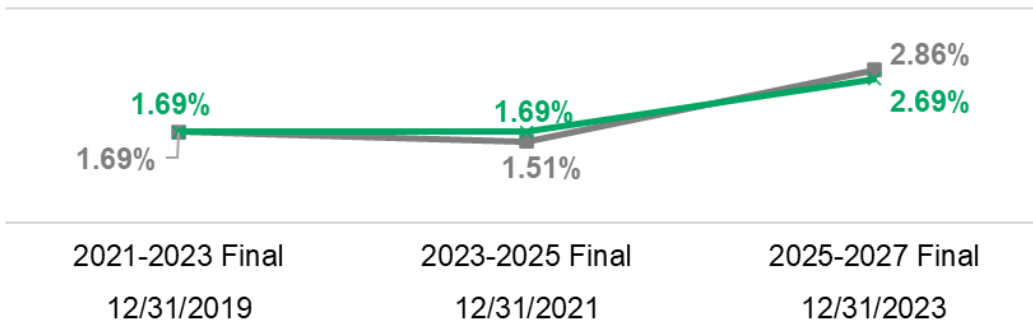
- Normal cost rates increased since the last rate-setting valuation for School Districts and OPSRP primarily due to higher future individual member salary increase assumptions adopted with the most recent experience study

Changes in UAL Rates

- The rate collar policy helped stabilize the level of collared UAL rates during recent pattern of investment gains followed by investment losses
 - Maintaining the collared 2023-2025 UAL Rate above the uncollared 2023-2025 rate allowed the two large Tier One/Tier Two pools to absorb investment losses without immediately increasing Tier One/Tier Two UAL rates paid by employers
 - OPSRP UAL Rate increased due to assumption changes which increased the expected cost for past service liabilities

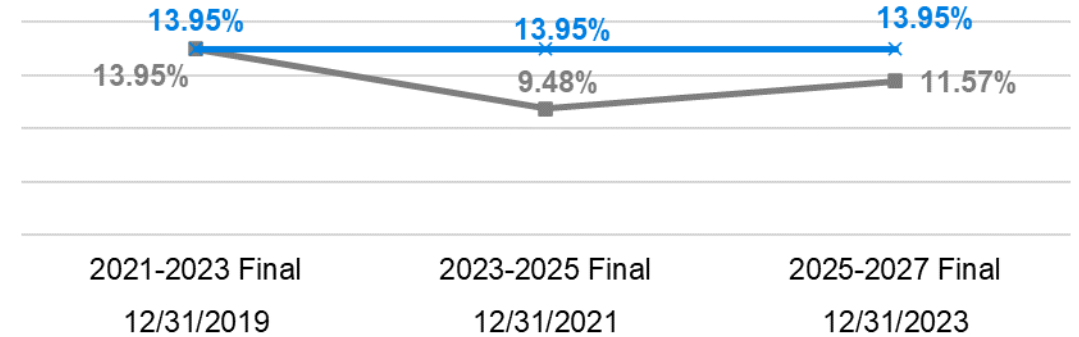
OPSRP UAL Rate

■ Uncollared ■ Collared



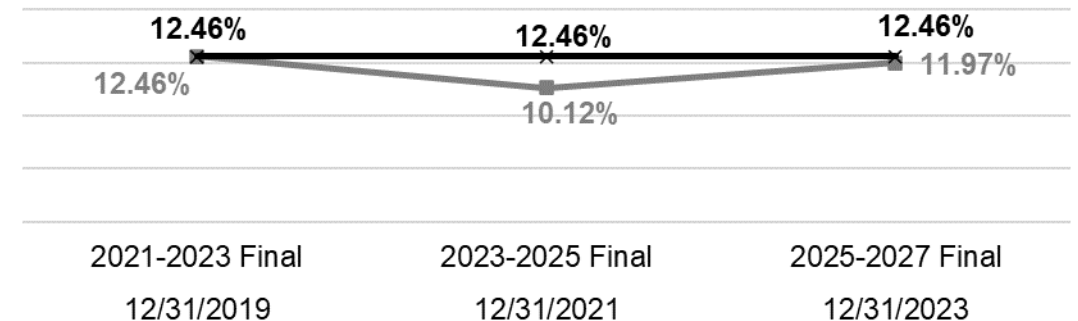
School District Tier One/Tier Two UAL Rate*

■ Uncollared ■ Collared



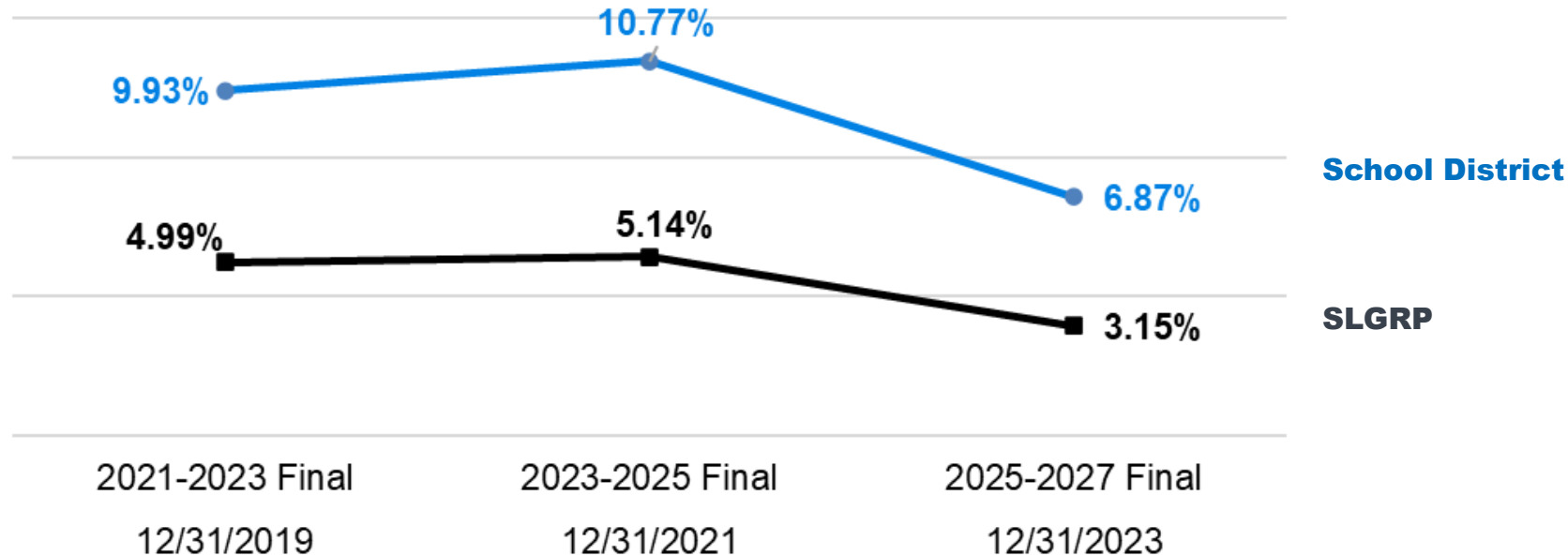
SLGRP Tier One/Tier Two UAL Rate*

■ Uncollared ■ Collared



*Excludes rate for Multnomah Fire District #10

Changes in Average Side Account Offset



- Average side account offset decreased since the last rate-setting valuation, due to:
 - Lower than assumed investment returns during 2022 and 2023
 - Higher than assumed payroll growth, which accelerates the spend-down of the side account balance using the offset rate currently in effect
 - Changes made to rate offset calculation to reflect timing of rate change and short remaining amortization for majority of side accounts

School Districts Rate Summary

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

	Final 2023 - 2025	Final 2025 - 2027	Increase/ (Decrease)
Uncollared Total Base Rate	22.38%	26.11%	3.73%
Collared Total Base Rate	27.03%	28.32%	1.29%
Collared Base Employer Rate	25.93%	27.32%	1.39%
Collared Net Employer Rate	15.16%	20.45%	5.29%

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

SLGRP Rate Summary

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

	Final 2023 - 2025	Final 2025 - 2027	Increase/ (Decrease)
Uncollared Total Base Rate	23.89%	27.09%	3.20%
Collared Total Base Rate	26.41%	27.41%	1.00%
Collared Base Employer Rate	25.31%	26.41%	1.10%
Collared Net Employer Rate	19.51%	22.96%	3.45%

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

System-Wide Rate Summary

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

	Final 2023 - 2025	Final 2025 - 2027	Increase/ (Decrease)
Uncollared Total Base Rate	23.73%	27.22%	3.49%
Collared Total Base Rate	26.74%	28.11%	1.37%
Collared Base Employer Rate	25.64%	27.11%	1.47%
Collared Net Employer Rate	18.61%	22.69%	4.08%

- System-wide rates are the payroll-weighted average of rates for School Districts, the SLGRP, and independent employers that do not pool their Tier One/Tier Two liability experience
- At a system-wide level, the uncollared total base rate of 27.22% is 0.89% of pay lower than the collared total base rate of 28.11%, reflecting that for most employers the rate collar prevents a decrease in the 2025-2027 UAL rate that would otherwise have occurred compared to the current level

Projected 2025-2027 Total (Member + Employer Net) Contributions

(\$ millions)	Projected 2023-25 Payroll*	(A) Projected 2023-25 Total Contribution	Projected 2025-27 Payroll*	(B) Projected 2025-27 Total Contribution	(B - A) Projected Total Contribution Increase / (Decrease)
State Agencies	\$ 9,460	\$ 1,960	\$ 10,120	\$ 2,440	\$ 480
School Districts	9,970	1,600	10,660	2,270	670
All Others	<u>11,210</u>	<u>2,380</u>	<u>11,980</u>	<u>2,990</u>	<u>610</u>
Total	\$ 30,640	\$ 5,940	\$ 32,760	\$ 7,700	\$ 1,760

- Employer net contributions exclude employer side account transfer amounts
- Biennium-to-biennium increase driven primarily by the collared employer net rate change and secondarily by projected biennium-to-biennium payroll growth
- All amounts reflect the 11% increase in system payroll and 4% increase in active member headcount since the last advisory valuation

* Assumes total payroll grows at 3.40% annually based on 12/31/2023 active member census. The collared net rate applied to this payroll reflects the projected change over time in payroll composition as new OPSRP members are hired to replace retiring Tier One/Tier Two members

Factors Driving the Projected Contribution Increase

- The projected \$1.8 billion 2025 - 2027 total contribution increase consists of:
 - \$1.4 billion due to system-wide average increase in collared net employer contribution rates
 - Primarily driven by cumulative 2022 & 2023 investment losses along with higher liabilities due to recent and assumed future salary growth
 - Also reflects decrease in average remaining side account offsets due to significant payroll growth
 - Includes impact on average contribution rate of projected change over time in payroll distribution between Tier One/Tier Two and OPSRP
 - \$0.4 billion due to projected system payroll growth between 2023-2025 and 2025-2027
 - Assumed system payroll growth of 3.4% per year / 6.9% per biennium means the collared net employer rate increase is applied to a larger payroll base in non-inflation-adjusted dollars
 - Does not reflect projected change in payroll distribution between Tier One/Tier Two and OPSRP
- In 2025-2027, redirected member EPSA contributions expected to continue to pay a portion of total contribution rates
 - An estimate of this effect is shown on the next slide

Projected Split of 2025-2027 Total Contributions

(\$ millions)	Estimated 2023-25 Member Redirect Contributions*	Estimated 2025-27 Member Redirect Contributions*		Projected 2023-25 Employer Contribution	Projected 2025-27 Employer Contribution
State Agencies	\$ 95	\$ 95		\$ 1,865	\$ 2,345
School Districts	105	105		1,495	2,165
All Others	<u>115</u>	<u>115</u>		<u>2,265</u>	<u>2,875</u>
Total	\$ 315	\$ 315		\$ 5,625	\$ 7,385

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

12/31/2023 Retiree Health Care Valuations

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

12/31/2023 Retiree Health Care Valuations

UAL and 2025-27 Contribution Rates

	RHIA		RHIPA *	
(\$ millions)	12/31/2022	12/31/2023	12/31/2022	12/31/2023
Actuarial Liability	\$ 345	\$ 330	\$ 41	\$ 40
Assets	<u>720</u>	<u>730</u>	<u>86</u>	<u>92</u>
UAL	\$ (375)	\$ (400)	\$ (45)	\$ (52)
Funded Status	209%	221%	208%	228%
Normal Cost Rate (Tier One/Tier Two payroll only)	0.04%	0.04%	0.09%	0.09%
UAL Rate applied to Tier One/Tier Two payroll**	<u>(0.04%)</u>	<u>(0.04%)</u>	<u>(0.09%)</u>	<u>(0.09%)</u>
Total Rate	0.00%	0.00%	0.00%	0.00%

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

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

Valuation Next Steps

- Between now and the October 4, 2024 meeting we will:
 - Prepare listings of employer-specific 2025-2027 contribution rates for adoption at the meeting
 - Issue system-wide December 31, 2023 actuarial valuation report
 - Prepare employer-specific rate-setting December 31, 2023 actuarial valuation reports
 - PERS to distribute to employers after the October meeting

Contribution Rate & Funded Status Projections

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

Appendix

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

Certification

This presentation summarizes key preliminary results of an actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2023, for the Plan Year ending December 31, 2023. The results are preliminary in nature and may not be relied upon to, for example, prepare the System’s Annual Comprehensive Financial Report. The reliance document will be the forthcoming formal December 31, 2023 System-Wide Actuarial Valuation Report.

Actuarial computations presented in this report are for purposes of presenting contribution rates consistent with the adopted funding policy of the System. The computations prepared for other purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System’s funding policy. The calculations in this report have been made on a basis consistent with our understanding of the plan provisions described in the appendix of this report. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System’s staff. This information includes, but is not limited to, statutory provisions, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different, and our calculations may need to be revised.

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

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

Certification

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or modifications to contribution calculations based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. Our annual financial modeling presentation to the PERS Board should be referenced for additional analysis of the potential variation in future measurements. Our forthcoming December 31, 2023 Actuarial Valuation Report will provide additional discussion of the System's risks. The PERS Board has the final decision regarding the selection of the assumptions and actuarial cost methods.

Milliman's work is prepared solely for the internal business use of the Oregon Public Employees Retirement System. Milliman does not intend to benefit or create a legal duty to any third-party recipient of this report. No third-party recipient of Milliman's work product should rely upon this report. Such recipients should engage qualified professionals for advice appropriate to their own specific needs. No third-party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

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

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

Data Exhibits

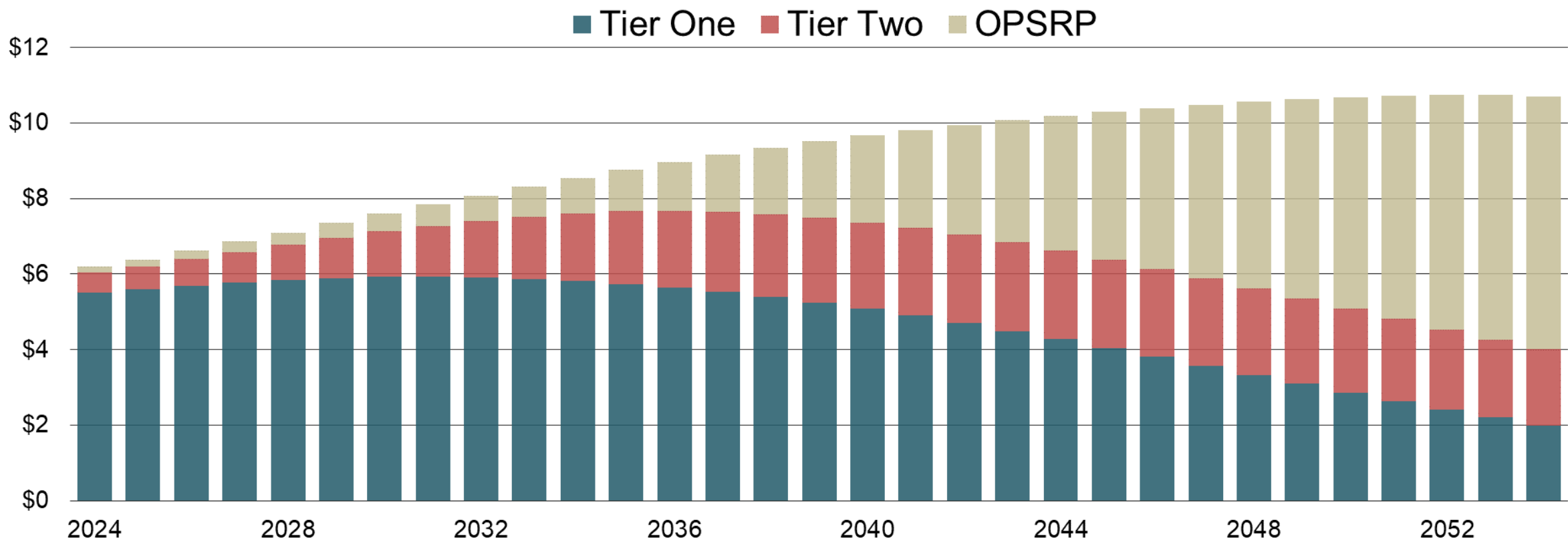
	December 31, 2023				December 31, 2022
	Tier One	Tier Two	OPSRP	Total	Total
Active Members					
Count	8,601	24,276	158,710	191,587	183,642
Average Age	58.7	54.0	43.7	45.7	45.8
Average Service	28.8	22.4	7.7	10.5	10.7
Average prior year Covered Salary	\$ 101,575	\$ 97,078	\$ 69,408	\$ 74,358	\$ 71,601
Inactive Members¹					
Count	7,936	12,649	33,288	53,873	52,513
Average Age	63.3	56.7	48.7	52.7	52.7
Average Monthly Benefit	\$ 2,450	\$ 1,041	\$ 553	\$ 947	\$ 958
Retired Members and Beneficiaries¹					
Count	128,766	23,789	13,332	165,887	163,196
Average Age	74.6	69.4	69.0	73.4	73.1
Average Monthly Benefit	\$ 3,376	\$ 1,551	\$ 703	\$ 2,899	\$ 2,852
Total Members	145,303	60,714	205,330	411,347	399,351

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

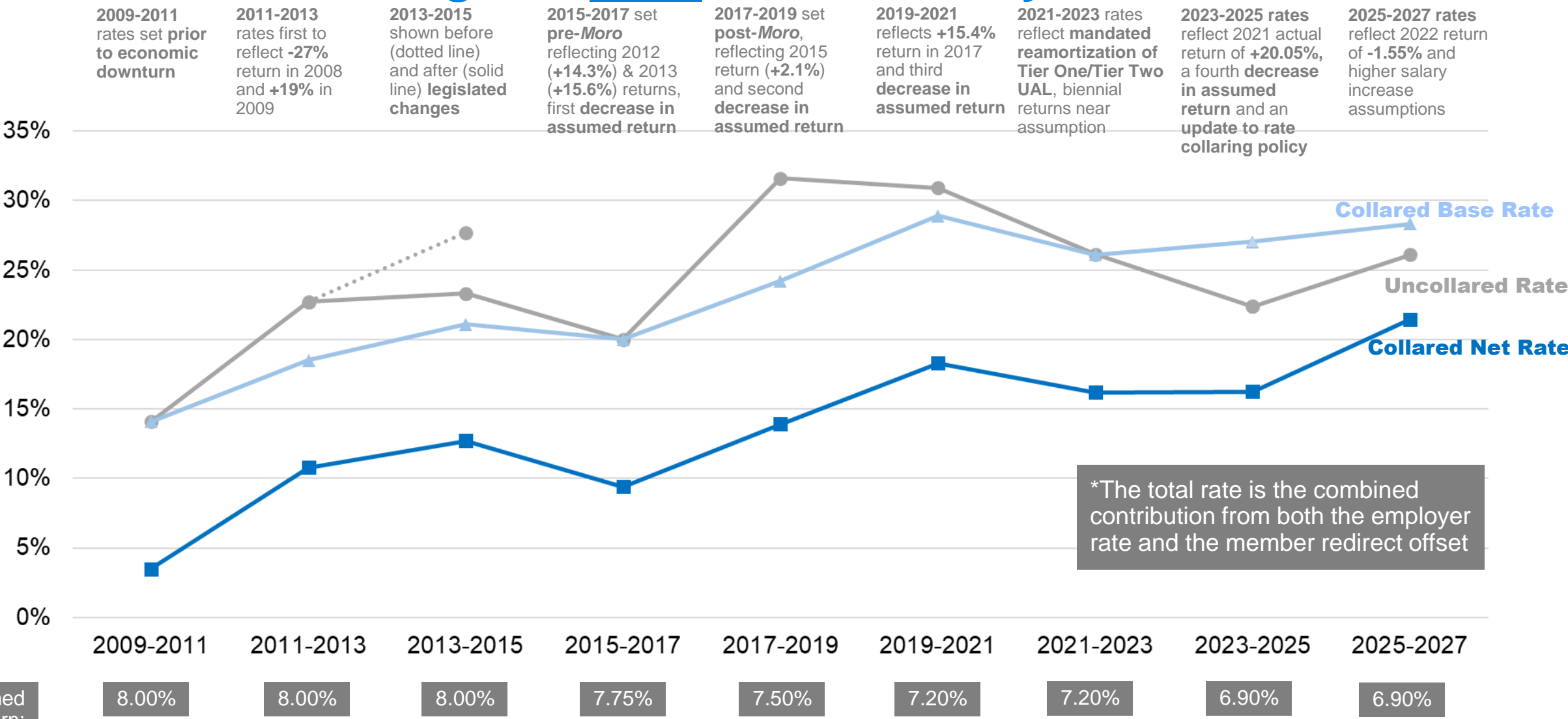
Projected Benefit Payments by Tier for Members as of 12/31/2023

Does Not Include Projected Benefit Payments for Anyone Joining OPSRP After 12/31/2023

Tier One/Tier Two & OPSRP Expected Benefit Payments
by Tier as of 12/31/2023 (in \$ billions)



School District Weighted Total* Pension-Only Rates



SLGRP Weighted Total* Pension-Only Rates

2009-2011
rates set prior
to economic
downturn

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

2013-2015
shown before
(dotted line)
and after (solid
line) legislated
changes

2015-2017 set
pre-Moro
reflecting 2012
(+14.3%) & 2013
(+15.6%) returns,
first decrease in
assumed return

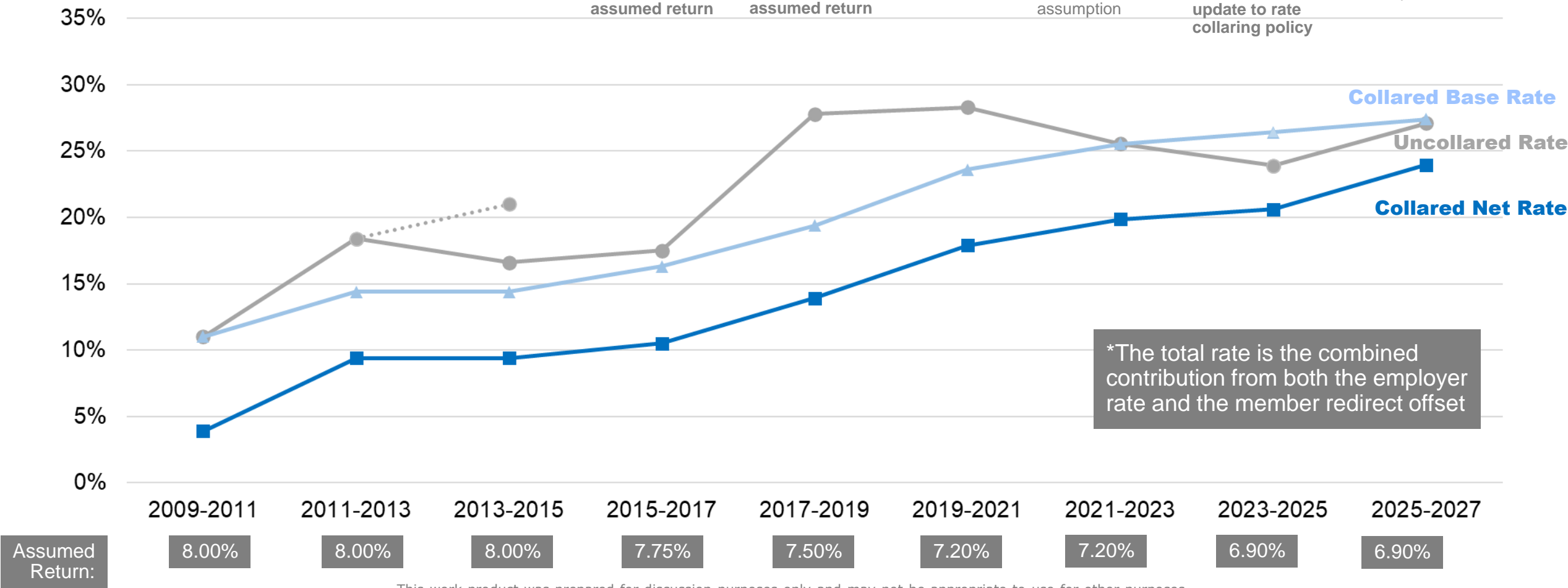
2017-2019 set
post-Moro,
reflecting 2015
return (+2.1%)
and second
decrease in
assumed return

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

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

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

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



Funded Status and UAL by Program

Pension Funded Status (\$ billions) at 12/31/2023 <i>totals may not add due to rounding</i>			
	Tier One/ Tier Two	OPSRP	Combined
Actuarial liability	\$ 89.3	\$ 17.0	\$ 106.4
Assets (excluding side accounts)	<u>\$ 64.1</u>	<u>\$ 13.0</u>	<u>\$ 77.0</u>
UAL (excluding side accounts)	\$ 25.3	\$ 4.1	\$ 29.4
Funded status (excluding side accounts)	72%	76%	72%
Side account assets			<u>\$ 5.4</u>
UAL (including side accounts)			\$ 24.0
Funded status (including side accounts)			77%

Uncollared Total Pension Rates – School Districts

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

	12/31/2021 Valuation 2023 – 2025 Final Rates			12/31/2023 Valuation 2025 – 2027 Final Rates		
	Payroll			Payroll		
	Tier One / Tier Two	OPSRP	Weighted Average ¹	Tier One / Tier Two	OPSRP	Weighted Average ¹
Total Normal Cost	14.48%	9.89%	11.24%	15.40%	10.47%	11.62%
Tier One/Tier Two UAL	9.63%	9.63%	9.63%	11.63%	11.63%	11.63%
OPSRP UAL	<u>1.51%</u>	<u>1.51%</u>	<u>1.51%</u>	<u>2.86%</u>	<u>2.86%</u>	<u>2.86%</u>
Uncollared Total Rate	25.62%	21.03%	22.38%	29.89%	24.96%	26.11%
Increase/(Decrease)				4.27%	3.93%	3.73%

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

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

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

Collared Total Pension Base Rates – School Districts

Excludes Retiree Health Care & IAP Contributions, Side Account Offsets

	12/31/2021 Valuation 2023 – 2025 Final Rates			12/31/2023 Valuation 2025 – 2027 Final Rates		
	Payroll			Payroll		
	Tier One / Tier Two	OPSRP	Weighted Average ¹	Tier One / Tier Two	OPSRP	Weighted Average ¹
Uncollared Total Rate	25.62%	21.03%	22.38%	29.89%	24.96%	26.11%
Effect of Rate Collar	<u>4.65%</u>	<u>4.65%</u>	<u>4.65%</u>	<u>2.21%</u>	<u>2.21%</u>	<u>2.21%</u>
Collared Total Base Rate	30.27%	25.68%	27.03%	32.10%	27.17%	28.32%
Increase/(Decrease)				1.83%	1.49%	1.29%

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

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

The increase in the 2025-2027 collared total base rates was less than shown in the 12/31/2022 advisory valuation primarily due to a decrease in the normal cost rates.

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

Collared Employer Pension Rates – School Districts

Excludes Retiree Health Care & IAP Contributions

	12/31/2021 ¹ Valuation 2023 – 2025 Final Rates			12/31/2023 ¹ Valuation 2025 – 2027 Final Rates		
	Payroll			Payroll		
	Tier One / Tier Two	OPSRP	Weighted Average ²	Tier One / Tier Two	OPSRP	Weighted Average ²
Collared Total Base Rate	30.27%	25.68%	27.03%	32.10%	27.17%	28.32%
Member Redirect Offset	<u>(2.40%)</u>	<u>(0.65%)</u>	<u>(1.10%)</u>	<u>(2.40%)</u>	<u>(0.65%)</u>	<u>(1.00%)</u>
Collared Base Employer Rate	27.87%	25.03%	25.93%	29.70%	26.52%	27.32%
Side Account Rate (Offset)	<u>(10.77%)</u>	<u>(10.77%)</u>	<u>(10.77%)</u>	<u>(6.87%)</u>	<u>(6.87%)</u>	<u>(6.87%)</u>
Collared Net Employer Rate	17.10%	14.26%	15.16%	22.83%	19.65%	20.45%
Increase/(Decrease)				5.73%	5.39%	5.29%

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

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

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

Weighted-average net employer rates increased more than collared base employer rates, due to a decrease in the average side account offset as an outcome of actual investment returns and high payroll growth during 2023

Uncollared Total Pension Rates – SLGRP Average

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

	12/31/2021 Valuation 2023 – 2025 Final Rates			12/31/2023 Valuation 2025 – 2027 Final Rates		
	Payroll			Payroll		
	Tier One / Tier Two	OPSRP	Weighted Average ¹	Tier One / Tier Two	OPSRP	Weighted Average ¹
Normal Cost	16.35%	10.47%	12.04%	16.32%	11.11%	12.18%
Tier One/Tier Two UAL	10.34%	10.34%	10.34%	12.05%	12.05%	12.05%
OPSRP UAL	<u>1.51%</u>	<u>1.51%</u>	<u>1.51%</u>	<u>2.86%</u>	<u>2.86%</u>	<u>2.86%</u>
Uncollared Total Rate	28.20%	22.32%	23.89%	31.23%	26.02%	27.09%
Increase				3.03%	3.70%	3.20%

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

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

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

Rates vary, sometimes widely among employers in the SLGRP

Collared Total Pension Base Rates – SLGRP Average

Excludes Retiree Health Care & IAP Contributions, Side Account Offsets

	12/31/2021 ¹ Valuation 2023 – 2025 Final Rates			12/31/2023 ¹ Valuation 2025 – 2027 Final Rates		
	Payroll			Payroll		
	Tier One / Tier Two	OPSRP	Weighted Average ²	Tier One / Tier Two	OPSRP	Weighted Average ²
Uncollared Total Rate	28.20%	22.32%	23.89%	31.23%	26.02%	27.09%
Effect of Rate Collar	<u>2.52%</u>	<u>2.52%</u>	<u>2.52%</u>	<u>0.32%</u>	<u>0.32%</u>	<u>0.32%</u>
Collared Total Base Rate	30.72%	24.84%	26.41%	31.55%	26.34%	27.41%
Increase				0.83%	1.50%	1.00%

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

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

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

Collared Employer Pension Rates – SLGRP Average

Excludes Retiree Health Care & IAP Contributions

	12/31/2021 ¹ Valuation 2023 – 2025 Final Rates			12/31/2023 ¹ Valuation 2025 – 2027 Final Rates		
	Tier One / Tier Two	Payroll OPSRP	Weighted Average ²	Tier One / Tier Two	Payroll OPSRP	Weighted Average ²
Collared Total Base Rate	30.72%	24.84%	26.41%	31.55%	26.34%	27.41%
Member Redirect Offset	<u>(2.40%)</u>	<u>(0.65%)</u>	<u>(1.10%)</u>	<u>(2.40%)</u>	<u>(0.65%)</u>	<u>(1.00%)</u>
Collared Base Employer Rate	28.32%	24.19%	25.31%	29.15%	25.69%	26.41%
Side Account (Offset)	(5.14%)	(5.14%)	(5.14%)	(3.15%)	(3.15%)	(3.15%)
SLGRP Charge/(Offset)	<u>(0.66%)</u>	<u>(0.66%)</u>	<u>(0.66%)</u>	<u>(0.30%)</u>	<u>(0.30%)</u>	<u>(0.30%)</u>
Collared Net Rate	22.52%	18.39%	19.51%	25.70%	22.24%	22.96%
Increase				3.18%	3.85%	3.45%

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

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

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

Uncollared Total Pension Rates – System-Wide

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

	12/31/2021 Valuation 2023 – 2025 Final Rates			12/31/2023 Valuation 2025 – 2027 Final Rates		
	Payroll			Payroll		
	Tier One / Tier Two	OPSRP	Weighted Average ¹	Tier One / Tier Two	OPSRP	Weighted Average ¹
Normal Cost	15.91%	10.47%	11.98%	16.21%	11.11%	12.21%
Tier One/Tier Two UAL	10.24%	10.24%	10.24%	12.15%	12.15%	12.15%
OPSRP UAL	1.51%	1.51%	1.51%	2.86%	2.86%	2.86%
Uncollared Total Rate	27.66%	22.22%	23.73%	31.22%	26.12%	27.22%
Increase				3.56%	3.90%	3.49%

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

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

Collared Total Pension Base Rates – System-Wide

Excludes Retiree Health Care & IAP Contributions, Side Account Offsets

	12/31/2021 Valuation 2023 – 2025 Final Rates			12/31/2023 Valuation 2025 – 2027 Final Rates		
	Payroll			Payroll		
	Tier One / Tier Two	OPSRP	Weighted Average ¹	Tier One / Tier Two	OPSRP	Weighted Average ¹
Uncollared Total Rate	27.66%	22.22%	23.73%	31.22%	26.12%	27.22%
Effect of Rate Collar	3.01%	3.01%	3.01%	0.89%	0.89%	0.89%
Collared Total Base Rate	30.67%	25.23%	26.74%	32.11%	27.01%	28.11%
Increase				1.44%	1.78%	1.37%

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

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

Collared Employer Pension Rates – System-Wide

Excludes Retiree Health Care & IAP Contributions

	12/31/2021 ¹ Valuation 2023 – 2025 Final Rates			12/31/2023 ¹ Valuation 2025 – 2027 Final Rates		
	Payroll			Payroll		
	Tier One / Tier Two	OPSRP	Weighted Average ²	Tier One / Tier Two	OPSRP	Weighted Average ²
Collared Base Rate	30.67%	25.23%	26.74%	32.11%	27.01%	28.11%
Member Redirect Offset	<u>(2.40%)</u>	<u>(0.65%)</u>	<u>(1.10%)</u>	<u>(2.40%)</u>	<u>(0.65%)</u>	<u>(1.00%)</u>
Collared Base Employer Rate	28.27%	24.58%	25.64%	29.71%	26.36%	27.11%
Side Account (Offset)	(6.64%)	(6.64%)	(6.64%)	(4.24%)	(4.24%)	(4.24%)
SLGRP Charge/(Offset)	(0.39%)	(0.39%)	(0.39%)	(0.18%)	(0.18%)	(0.18%)
Collared Net Rate	21.24%	17.55%	18.61%	25.29%	21.94%	22.69%
Increase				4.05%	4.39%	4.08%

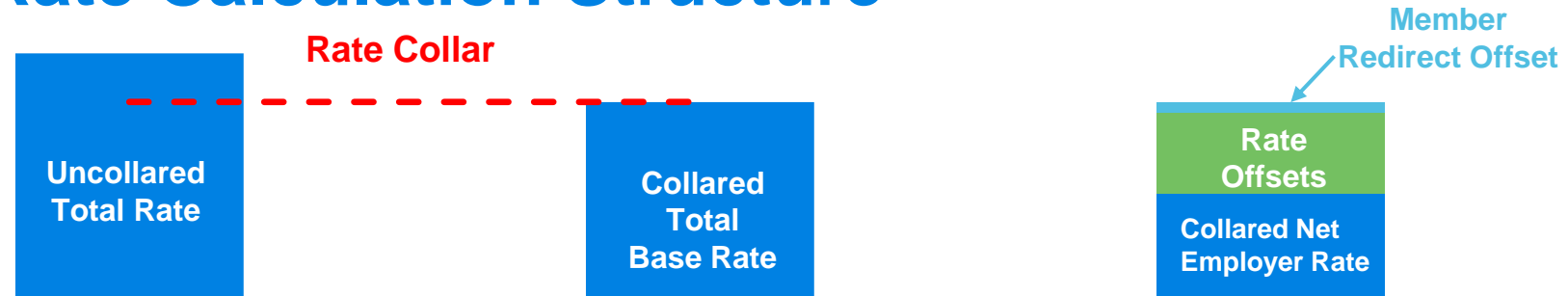
¹ For this exhibit, adjustments are assumed not to be limited due to an individual employer reaching a 0.00% contribution rate.

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

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

Changes in side account offsets are not collared

Overview of Rate Calculation Structure



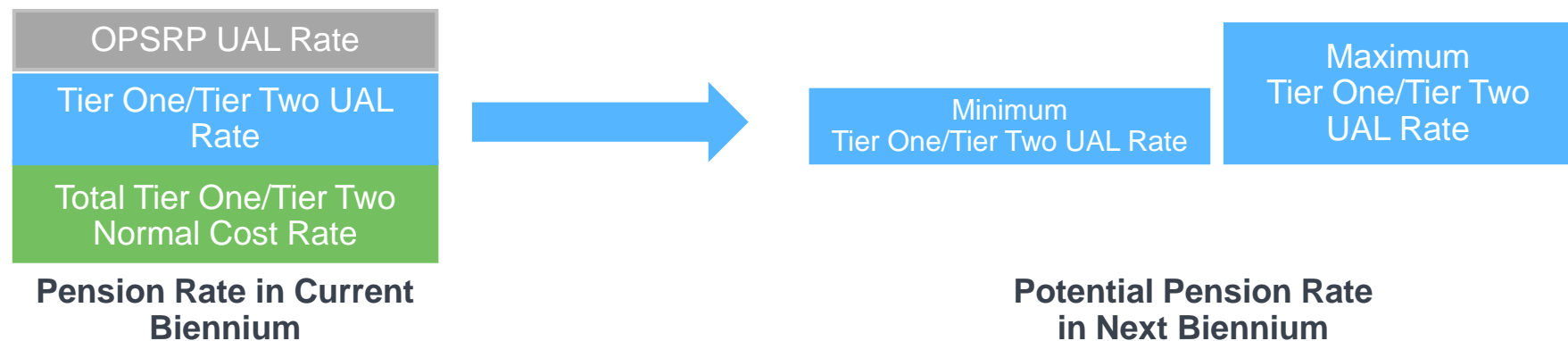
- The ***uncollared total rate*** is the theoretical contribution rate to reach 100% funded status over a specified amortization period if:
 - Contributions at that rate started on the actuarial valuation date, and
 - Actual future experience mirrors the actuarial valuation's assumptions, and
 - The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

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Rate Collar Design

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

Illustration of Rate Collar for Tier One/Tier Two UAL Rate



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Retirement System Risks

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

Investment Risk

Low Default Rate Obligation Measure (LDROM)

To the extent that actual investment returns differ from the assumed investment return, the Plan’s future assets, funding contributions, and funded status may differ significantly from those presented in this valuation. Effective for measurement dates February 15, 2023 or later, Actuarial Standard of Practice 4 (ASOP 4) requires an actuary performing a funding valuation to calculate and disclose a “low-default-risk obligation measure” (LDROM) as of the measurement date. The LDROM is based on a discount rate derived from low-default-risk fixed income securities. This measure is for disclosure purposes only and does not affect or replace measurements adopted for System funding. A comparison of the LDROM to funding policy results can be viewed as providing information related to investment risk and the tradeoffs between a System’s current asset allocation and a hypothetical portfolio containing 100% low-default-risk fixed income securities.

The System’s target allocation selected by the Oregon Investment Council represents a balance of risk and return. Investing in an entirely low-default-risk fixed income allocation would be expected to reduce future investment returns and therefore increase future required contributions, but the lower risk levels may result in lower year-over-year volatility in the contribution and might provide more benefit security for plan members. Conversely, investing in higher-returning asset classes may increase future investment returns and therefore reduce future employer contributions, but would also increase the volatility of those contributions and potentially reduce benefit security for plan members.

The LDROM measure shown below reflects an interest rate based on the FTSE Liability Index (which is based on high-quality corporate bond yields) as of the valuation date, weighted based on projected benefit payments for the System. Except for the interest rate, the LDROM was calculated using the same assumptions and methods adopted for the funding valuation.

<i>\$ billions</i>	FTSE Index (LDROM)	Funding assumption
Interest rate	4.81%	6.90%
Actuarial liability at 12/31/2023	\$ 136.4	\$ 106.4
Funded status (excluding side accounts) at 12/31/2023	56%	72%

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Actuarial Basis

Data

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

Assets as of December 31, 2023, were based on values provided by Oregon PERS reflecting the Board's earnings crediting decisions for 2023.

Methods / Policies

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

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

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

Actuarial Basis

Methods / Policies (cont'd)

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

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

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

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

The contribution rate stabilization method is considered an output smoothing method which results in a reasonable relationship between the smoothed contribution and the corresponding actuarially determined contribution without output smoothing.

Expenses: System-wide administration expenses are assumed to be equal to \$64.0M. 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).

Actuarial Basis

Methods / Policies (cont'd)

Actuarially Determined Contribution (ADC): The contribution determined by the plan's funding policy is expected to exceed the normal cost, plus interest on the unfunded actuarial accrued liability. Presuming that all actuarial assumptions are realized and that the plan sponsor makes contributions anticipated by the funding policy, the unfunded actuarial accrued liability is expected to be fully amortized no later than 20 years after the contribution rates determined in this valuation take effect. The funding policy is consistent with the plan accumulating assets adequate to make benefit payments when due. Actuarial standards require the actuary to calculate and disclose a "Reasonable ADC", which considers that the actuarial methods and actuarial assumptions are in compliance with Actuarial Standards of Practice. Based on the assumptions and methods used in this report, we believe the ADC is reasonable in accordance with actuarial standards. In our opinion, the ADC reflects a balance among benefit security for plan members, intergenerational equity among stakeholders, and stability of periodic costs.

We considered reflecting the 18-month delay between the rate-setting valuation date and the July 1 date on which newly adopted rates first take effect. The effect of the contribution time lag is not reflected for regular UAL amortizations but is reflected for amortization of side accounts and Pre-SLGRP amounts. Please see the in the 2022 Experience Study for the discussion and rationale for this methodology.

Assumptions

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

Provisions

Provisions valued are as detailed in the forthcoming 2023 Valuation Report.



A. Administration

1. May 31, 2024 PERS Board Meeting Minutes
2. Director's Report
3. CEM Benchmarking results

B. Administrative rulemaking

1. Notice of rulemaking to Contingency Reserve Subaccount Rule
2. Notice of rulemaking to Delegation to Director and Staff Rule
3. Notice of rulemaking for Service Retirement Application requirements rules

C. Action and discussion items

1. Senate Bill 1049 Program update
2. Presentation of December 31, 2023 system valuation results
- 3. 2025-27 Agency Request Budget recommendations**



Oregon

Tina Kotek, 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

July 26, 2024

TO: Members of the PERS Board
 FROM: Richard Horsford, Chief Financial Officer
 Greg Gabriel, Budget Officer
 SUBJECT: 2025-27 Agency Request Budget (ARB) Policy Packages

OVERVIEW

- Action: Approve PERS' 2025-27 Policy Package Requests
- Reason: Review and approval needed by the Department of Administrative Services (DAS) Chief Financial Office and the Legislative Fiscal Office.

The 2025-27 State Agency Budget development continues to progress with uncertain times ahead. The state revenue forecasts will certainly provide more direction on 2025-27 budgets, as will the ever-changing political climate. Agencies continue to receive updated guidance regarding budget preparation and PERS will continue to update our budgets accordingly.

As PERS emerges from its 77th year as an agency, 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 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 our strategic plan, via an overarching modernization program that, ultimately, ensures that we are meeting those future stakeholder needs in the most effective and efficient means to do so.

BUDGET DEVELOPMENT ACTIVITIES

The Agency Request Budget (ARB), one of three phases of budget development for the 2025-27 biennium, will be in process until July 31. During this first phase, the agency carefully evaluates its operations and puts forth policy package requests in an effort to improve efficiency and increase value to its members. Summary cost information by operating area for the policy packages are below:

<i>Division</i>	<i>Staff</i>	<i>Limited Staff</i>	<i>Position Re/class</i>	<i>Personnel Costs</i>	<i>Supplies/Capital</i>	<i>Total</i>
Central Administration	4		1	853,894	93,126	947,020
Financial Services	1			177,984	10,688	188,672
Information Services	4		3	1,110,865	3,870,063	4,980,928
Operations	7	6	1	2,356,693	107,126	2,463,819
Compliance, Audit, and Risk	7			1,461,180	1,751,844	3,213,024
Core Retirement / Modernization		31		7,717,145	26,272,875	33,990,020
Agency Request Total	23	37	5	13,677,761	32,105,722	\$45,783,483

The agency is requesting approval for the following policy packages for the 2025-27 budget cycle:

POP 101 House Bill (HB) 4045 (2024) Implementation: 3 Positions | \$2,728,198

Funding to implement HB 4045 includes meeting implementation needs, training, procedure and form updates, system enhancements, and desktop application changes.

POP 102 Managed Services: 1 Position | \$262,918

PERS is engaged in conversations with DAS Data Center Services to build out the timeline and budget for PERS to transition from a co-location model to managed services. This ultimately enables PERS access to warm site capabilities, which will align with the PERS Continuity Management Plan objectives. Also allows for a supervisory position to oversee changing workload characteristics.

POP 103 Senate Bill (SB) 1049 Permanent Positions: 9 Positions | \$1,980,449

This request continues the agency's efforts to implement SB 1049. The request includes nine positions for various operational duties, of which three will become permanent staff of the agency, with six limited duration (LD) staff to assist with workload backlogs as the implementation efforts finish over the course of this biennia.

POP 104 Modernization: 31 Positions | \$ 33,900,020

This proposal is to achieve funding to support implementation of Customer Relationship Management capabilities, implementation of new agency data infrastructure, planning for Online Member Services portal and core pension system modernization projects in 2027-29. This staffing request is the continuation of the program's current 16 LD positions, and 15 new LD positions.

POP 105 Software Renewals: 0 Positions | \$2,374,280

This request is for a permanent increase in funding for annual software subscriptions and dues from cloud resources consumption, and the newly implemented Member Identity Access solution. This is due to significant cost increases by vendors and technologies, which are outpacing inflation.

POP 106 Operations Staffing: 4 Positions, 1 reclassification | \$773,646

Due to the number of programs, sections and projects in the Operations Division, the Chief Operations Officer has limited time to focus on strategic planning, tactical implementation, succession planning, employee engagement, directing and overseeing programs, and coaching and mentoring. This request is for one Assistant Chief Operation Officer. There is an additional request to convert a current Retirement Counselor 1 in the Data Analysis and Reconstruction Team to a Retirement Counselor 2. Lastly, there is a request to hire two permanent Office Specialist 2 positions and one permanent Office Assistant 1. These staff will replace the need for revolving temporary staff and replace the current LD Retirement Counselor 1.

POP 107 Human Resources Workload: 1 Position | \$252,760

This request is to better prepare and align our human capital management plans to PERS' mission and strategic goals. This will enable the executive team to leverage our workforce to achieve our agency objectives. The agency is requesting to hire a Human Resource Analyst 3.

POP 108 Enterprise Risk Management Program: 2 Positions | \$1,430,836

This proposal is intended to enhance the capabilities of the agency by implementing an enterprise risk management program, which ties together strategy and business plans using risk management methodologies as one of the key decision-making criteria. It includes two positions to further enhance the PERS Information Security Program.

POP 109 Facilities Staffing: 1 Position | \$193,741

PERS relocated the Electronic Content Management Section within the Information Services Division to the Central Administration Division in the February 2024 session. This request is for one additional supervisor to oversee this team now that the transfer of staff has been completed.

POP 110 Policy and Compliance Service Level: 5 Positions | \$1,046,908

The Policy Analysis and Compliance Section (PACS) has seen an increase in workload, especially in the area of appeals. This section has not had an increase in requests for staffing for many years, which has caused backlogs resulting in slower customer service. PACS also has not been able to take on additional workloads that it should be covering due to the limited resources.

POP 111 Communications Staffing: 2 Positions, 1 reclassification | \$500,519

This improvement package would allow the Communications Section to improve its support of agency operations and needs, making the section personnel more skilled and its processes more efficient. This transitions two LD web developers to permanent FTE, adds a training budget to the current service level budget of this section, and reclassifies one position. These changes will provide the needed structure and resources to maintain and support the current communication strategy.

POP 112 Information Services Reclasses: 3 Position reclassifications | \$60,536

The agency is requesting to update two ISS4 developer positions to align with the enterprise application development needs and one ISS6 Software Application Developer that involves working with new technologies in the Azure Cloud, as per the agency's strategic vision. The positions are currently requested as work out of class, but they need permanent funding to support the ongoing work requirements that meet the agency Software Development Life Cycle Policy for application development.

POP 113 Actuarial Analyst: 1 Position | \$188,672

Current actuarial staff are often called upon to manage many routine data collection tasks, causing them to rely upon external consulting actuaries to manage more complex items. This request adds a lower-level staff (OPA1) that could take on routine tasks and broaden the pool for sharing knowledge and responsibilities. This would, in turn, free up higher-level resources to focus on more complex value-added tasks.

2025-27 AGENCY REQUEST BUDGET (ARB)

	2025-27 Current Service Level	POP 101 HB 4045 Implementation	POP 102 Managed Services	POP 103 SB 1049 Staff	POP 104 Modernization	POP 105 Dues/Subs	POP 106 Operations Staff	
Personal Services	109,772,635	508,698	251,355	1,921,949	7,717,145	0	725,020	
Serv/Supplies	40,390,041	2,219,500	11,563	58,500	26,272,875	2,374,280	48,626	
Capital Outlay	626,276	0	0	0	0	0	0	
Total	150,788,954	2,728,198	262,918	1,980,449	33,900,020	2,374,280	773,646	
Positions	391	3	1	9	31	0	4	
FTE	391.00	3.00	.88	9.00	29.20	0	3.52	
	POP 107 HR Staff	POP 108 Security/ Risk	POP 109 CBS Staff	POP 110 PACS staff	POP 111 Comms Staff	POP 112 Reclass Pkg.	POP 113 Actuarial Staff	2025-27 Agency Request Budget
Personal Services	241,197	468,585	182,178	992,595	430,519	60,536	177,984	123,450,396
Serv/Supplies	11,563	962,251	11,563	54,313	70,000	0	10,688	72,495,763
Capital Outlay	0	0	0	0	0			626,276
Total	252,760	1,430,836	193,741	1,046,908	500,519	60,536	188,672	196,572,437
Positions	1	2	1	5	2	0	1	451
FTE	.88	1.76	.88	4.40	2.00	0	.88	447.40

PERS BUDGET METRICS AND COMPARISONS

One way to view the “cost” of PERS administration is to compare the agency’s annual operating budget to the net asset value of the PERS Fund. The following table shows the biennial budget as an annualized percentage of the fund’s value at the end of each biennium. Note that our annual operating budget has generally ranged from 6 to 9 basis points using that industry standard measurement approach.

Biennium	Legislatively Approved Limited Budget	Fiscal Year Ended June 30th	Annual Budget	PERF Balance	% Annual Operating	
2017- 2019	\$101,657,012	2019	50,828,506	81,451,520,000		0.0624%
2019- 2021	\$145,475,503	2021	72,737,752	93,708,071,000		0.0776%
2021- 2023	\$154,361,372	2023	77,180,686	96,876,622,000		0.0797%
2023- 2025	\$177,462,596	2025	88,731,298	101,720,453,000	E	0.0872%
	ARB					
2025- 2027	\$196,572,437	2027	98,286,218	100,773,475,083	E	0.0975%

BOARD OPTIONS

PERS is required to submit the 2025-27 Agency Request Budget to the Department of Administrative Services Chief Financial Office. This submission will form the basis for the Governor’s Recommended Budget to be developed prior to the 2025 Legislative Session.

The PERS Board may:

1. Pass a motion to “approve the 2025-27 Agency Request Budget as presented for submission to the Department of Administrative Services Chief Financial Office.”
2. Direct staff to further refine the budget request(s) in specific areas before submission to DAS.

STAFF RECOMMENDATION

Staff recommends the board choose Option #1.