

# OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



## Employer Advisory Group

April 16, 2021



# Agenda

Director's Office Update

Legislative Update

Assumed Earnings Rate

Side Account Offset

Senate Bill 1049 Update

Communications Update

Additional Items

- Member Annual Statements
- First Wage Clean-Up Project

# Director's Office Update

## Status of PERS amid COVID-19

- PERS has started planning for re-opening.
- Taking direction from DAS.

## Agency budget update

## March 29, 2021, board meeting

- OIC presentation.

# Legislative Update

## Session update

- April 13, first Chamber Work Session deadline.
- Effects of COVID on Legislature.

## PERS bills status update

- SB 111 — PERS administrative fixes.
- SB 112 — Common-law employees.
- SB 113 — Charging earnings on late IAP contributions.

## Budget update

- Presentation to Joint Legislative Committee on Information Management and Technology (JLCIMT).

# Assumed Earnings Rate

## Preliminary Milliman Outlook

# Assumed Rate: What Is It?

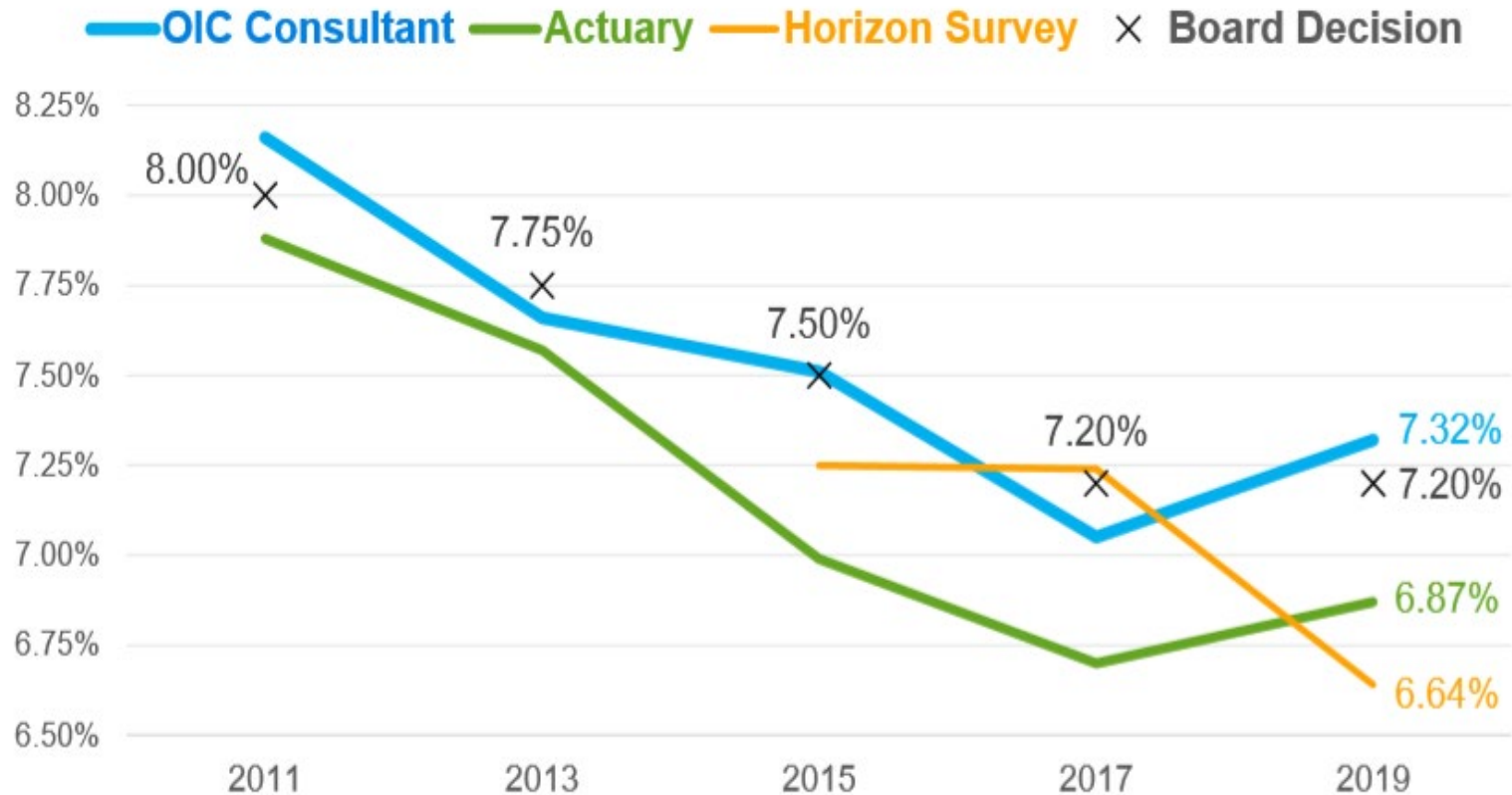
- Assumed rate:
  - Expected average annual future investment return.
- PERS Board sets the assumed rate every two years:
  - This year the rate will be selected at its July 23 meeting.
- Considerations in assumed rate selection:
  - Rate selected should be prudent and based on best-estimate outlooks.
  - Stakeholders should realize rate selected will not affect actual returns.
  - Recent returns are generally not considered a predictor of future returns.
  - Most likely effect: strong recent returns may lead to lower future returns.

# What Is It Used to Calculate?

- Contribution cost rate for benefits earned in the future (normal cost rate).
- The system's current unfunded actuarial liability (UAL).
- Contribution cost rate to systematically amortize UAL over time (UAL rate).
- Actuarial equivalence factors (AEF), which are used to:
  - Determine optional benefit amounts.
  - Convert account balances to Money Match annuities for Tiers One and Two.
- Account balance interest crediting level for Tier One actives.

# Investment Return Median Outlooks

## Geometric Returns from Outlook Models in Prior Five Reviews





# Preliminary Update to Milliman Outlook

|   |                     |
|---|---------------------|
| <b>2019 Final Median Return Outlook</b>     | <b>6.87%</b>        |
| <b>2021 Preliminary Return Outlook</b>      | <b><u>6.12%</u></b> |
| <b>Preliminary Change to Return Outlook</b> | <b>0.75%</b>        |

## Reasons why outlook decreased so much:

- Assumed inflation rate decreased:
  - 2.50% to 2.40%.
- S&P 500 price to earnings (P/E) ratio increased:
  - 28 to 34.
- Fixed income yields (AA corporate) decreased:
  - 3.50% to 1.54%.

# System-Average Liability and Contribution Rate Effects

| Valuation date                        | 12/31/2019   | 12/31/2020   |              |              |
|---------------------------------------|--------------|--------------|--------------|--------------|
| Assumed rate                          | 7.20%        | 7.20%        | 7.00%        | 6.80%        |
| Funded status                         | 72%          | 73%          | 72%          | 70%          |
| Unfunded actuarial liability (UAL)    | \$24.6B      | \$24.3B      | \$26.3B      | \$28.4B      |
| Total normal cost rate                | 11.09%       | 10.90%       | 11.44%       | 12.02%       |
| Tier One/Tier Two UAL rate            | 13.13%       | 13.17%       | 13.93%       | 14.70%       |
| OPSRP UAL rate                        | <u>1.69%</u> | <u>1.63%</u> | <u>1.86%</u> | <u>2.09%</u> |
| Total base rate (without rate collar) | 25.91%       | 25.70%       | 27.23%       | 28.81%       |

# Assumed Rate

Questions?

# **Work After Retirement (WAR) Overbilling**

## **Current Status and Next Steps**

# WAR Overbilling: Background

- SB 1049 changed rules for employment of PERS retirees:
  - Temporarily removed hours restrictions.
  - Added employer contributions to Work After Retirement salary.
- Contribution rate for retiree payroll designed to be the same as that used for active employees, including any offsets.
- PERS discovered that rate offsets were not applied correctly, resulting in several employers being charged too much for their retiree payroll.
- The situation was complicated because the change occurred just prior to the calendar year end.

# WAR Overbilling: Scope of Problem

- PERS reviewed all employer statements issued between November 2020 and February 5, 2021, to determine whether rate offsets were properly applied.
- Rate offsets (aka negative rate components) mostly result from side accounts but could also come from negative UAL rates.
- PERS characterizes **pull/debit employers** as those whose contribution due is automatically transferred based on statement information. **Push/credit employers**, in contrast, manually remit the amount they believe to be due.
- As of March 31, 2021, 81 pull employers and 57 push employers were identified for refunds.

# WAR Overbilling: Refund Processing Rounds

## Round 1: Pull employers from 11/1/20 – 2/5/21

- Identified 81 employers
- Refunds total \$3.4M
- Completed 4/14/21

## Round 2: Push employers from 11/1/20 – 2/5/21

- Identified 57 employers
- Refunds total approximately \$1.3M
- Will complete before 6/30/21

**Round 3:** All employers from 2/5/21 – 3/20/21 (due 6/30/21)

**Round 4:** All employers from 3/20/21 – 7/5/21 (due 8/20/21)

**Round 5:** All employers from 7/5/21 – 9/20/21 (due 11/30/21)

**Round 6:** All employers from 9/20/21 – 12/31/21 (due 2/28/22)

**Change request approved to fix problem before end of 2021.**

# WAR Overbilling: Actions Taken in Each Round

- Employers identified by reviewing statements in period.
- Amount due to each employer is validated.
- PERS' Accounting Cash Transaction Section (ACTS) processes a credit memo for each employer:
  - Amount applies to (reduce) future invoices.
  - Note added to the financial system for reference by Employer Support Center (ESC) representatives.
- ESC sends email explaining the resolution, including amount credited and effective date of transaction.
- Total transactions performed for each round are monitored and recorded for financial reporting and valuation purposes.



# WAR Overbilling

Questions?

# Senate Bill 1049 Update

**Member Choice**

**Work After Retirement**

**Salary Limit**

**Member (IAP) Redirect**






# 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 |
| <b>Employer Programs</b>     | <ul style="list-style-type: none"> <li>7/1/19 – Effective Date</li> <li>9/3/19 – Employer Incentive Fund (EIF) Application #1 Opens</li> <li>11/27/19 – EIF Application #1 Closes</li> <li>12/2/19 – EIF Application #2 Opens</li> </ul> |     |     |     |     |     |  |     |     |     |     |     | <ul style="list-style-type: none"> <li>8/6/20 – Employer Rate Projection Tool (ERP1) Assessment Complete</li> <li>12/1/20 – EIF Application #2 Closes</li> <li>3/30/21 – Work Package (WP) 1 Migrate and Adapt ERPT →</li> <li>6/30/21 – WP2 ERPT Stakeholder Acceptance and Deployment →</li> </ul>  |     |     |     |     |     |     |     |     |     |     |
| <b>Salary Limit</b>          |  |     |     |     |     |     | <ul style="list-style-type: none"> <li>12/24/19 – Work Package (WP) 1 – Short Term</li> <li>1/1/20 – Effective Date</li> <li>1/24/20 – WP2 Post 2020 Salary Limit – Long Term</li> </ul> |     |     |     |     |     | <ul style="list-style-type: none"> <li>11/19/20 – WP3 User Screens to Record Annual Salary Limit – Long Term</li> <li>5/13/21 – WP4 Proration Reports and Workflow – Long Term →</li> <li>5/28/21 – Project Close →</li> </ul>  |     |     |     |     |     |     |     |     |     |     |
| <b>Work After Retirement</b> |  |     |     |     |     |     | <ul style="list-style-type: none"> <li>12/19/19 – Work Package (WP) 1 Retiree Wages Suspended – Short Term</li> <li>1/1/20 – Effective Date</li> </ul>                                   |     |     |     |     |     | <ul style="list-style-type: none"> <li>11/19/20 – WP2 New Wage Codes with General Ledger (GL) Integration – Long Term</li> <li>5/13/21 – WP3 Retro Rate Change – Long Term →</li> </ul>   |     |     |     |     |     |     |     |     |     |     |
| <b>Member Redirect</b>       | <ul style="list-style-type: none"> <li>6/18/20 – Work Package (WP) 1 Employee Pension Stability Account Set Up/Batch/General Ledger – Short Term</li> </ul>  |     |     |     |     |     | <ul style="list-style-type: none"> <li>7/1/20 – Effective Date</li> </ul>  |     |     |     |     |     | <ul style="list-style-type: none"> <li>9/22/20 – Voluntary Contributions Initial Functionality – Long Term</li> <li>10/30/20 – WP2.2 IAP Forecaster Tool – non-jClarety – Long Term</li> <li>11/19/20 – Voluntary Contributions Final Functionality Release – Long Term</li> <li>1/21/21 – WP5.2 Online Member Services User Interface – Long Term →</li> <li>1/26/21 – WP2 TIED SSIS – Non-jClarety – Long Term →</li> <li>6/24/21 – WP4.2 EPISA Display, and WP12 Full EPISA Set up Screen – Long Term →</li> <li>3/23/21 – WP3 EPISA Earnings – Long Term</li> </ul> |     |     |     |     |     |     |     |     |     |     |
| <b>Member Choice</b>         | <ul style="list-style-type: none"> <li>10/23/19 – Project Kick Off</li> <li>5/15/20 – Member Annual Statements (MAS) Flyer Communication →</li> </ul>  |     |     |     |     |     | <ul style="list-style-type: none"> <li>8/19/20 – Member Choice Notification →</li> </ul>   |     |     |     |     |     | <ul style="list-style-type: none"> <li>8/20/20 – Work Package (WP) 1 Online Member Services (OMS) Changes Deployed</li> <li>9/1-30/20 – Election Period</li> <li>1/1/21 – Effective Date</li> <li>3/23/21 – WP2 OMS &amp; jClarety Enhancements – Long Term →</li> <li>5/1/21 – Member Choice reflected in MAS →</li> <li>6/24/21 – WP3 Online Member Services (OMS) Election and Bugs →</li> <li>3/19/21</li> </ul>  |     |     |     |     |     |     |     |     |     |     |
| <b>PROGRAM INITIATIVE</b>    |  |     |     |     |     |     |  |     |     |     |     |     | <ul style="list-style-type: none"> <li>1/26/21 – WP2.1 IAP Payment Recon (short-term) →</li> <li>2/22/21 – WP3 IAP Divorce Tool →</li> <li>3/26/21 – WP1.2 IAP Validator Tool (long-term) →</li> <li>5/13/21 – WP5 PYE Invoicing Tool →</li> <li>4/29/21 – WP2.2 IAP Payment Recon (long-term) →</li> <li>5/13/21 – WP7.2 Employer Information Actuarial Extract →</li> <li>6/2/21 – WP4 IAP Adjustment Calculator →</li> <li>6/24/21 – WP7.1 Non-Retired Census Actuarial Extract →</li> </ul>   |     |     |     |     |     |     |     |     |     |     |
| <b>Cross Project Effort</b>  |  |     |     |     |     |     | <ul style="list-style-type: none"> <li>9/11/20 – WP1.1 IAP Validator Tool (short-term) →</li> </ul>  |     |     |     |     |     |   |     |     |     |     |     |     |     |     |     |     |

Revised: March 18, 2021

## 2021-2023 Biennium

| PROJECTS  | 2021                      |     |     |     |     |     | 2022  |     |     |     |     |     | 2023                                    |     |     |     |     |     |     |     |     |     |     |
|---|---------------------------|-----|-----|-----|-----|-----|---|-----|-----|-----|-----|-----|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|   | JUL                       | AUG | SEP | OCT | NOV | DEC | JAN   | FEB | MAR | APR | MAY | JUN | JUL                                     | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY |
|  <b>Employer Programs</b>     | • 7/16/21 – Project Close |     |     |     |     |     |   |     |     |     |     |     |   |     |     |     |     |     |     |     |     |     |     |
|  <b>Work After Retirement</b> |                           |     |     |     |     |     | • 12/16/21 – WP4 Side Account Credit Allocation   |     |     |     |     |     |   |     |     |     |     |     |     |     |     |     |     |
|   |                           |     |     |     |     |     | • 2/23/22 – Project Close (Tentative)   |     |     |     |     |     |   |     |     |     |     |     |     |     |     |     |     |
|  <b>Member Redirect</b>       |                           |     |     |     |     |     | <ul style="list-style-type: none"> <li>• 10/14/21 – WP4.3 EPSA Transaction Display – Long Term</li> <li>• 10/14/21 – WP5 Voluntary Contribution Maintenance – Long Term</li> <li>• 1/25/22 – WP6 EPSA Retirement – Long Term</li> <li>• 4/21/22 – WP7 EPSA Divorce – Long Term</li> <li>• 7/28/22 – WP8 Pre-Retirement Death – Long Term</li> </ul> |     |     |     |     |     | 3/23/23 – WP9 Withdrawals – Long Term→• |     |     |     |     |     |     |     |     |     |     |
|  <b>Member Choice</b>         | • 8/4/21 – Project Close  |     |     |     |     |     |   |     |     |     |     |     |   |     |     |     |     |     |     |     |     |     |     |
| <b>PROGRAM INITIATIVE</b>   |                           |     |     |     |     |     |   |     |     |     |     |     |   |     |     |     |     |     |     |     |     |     |     |
|  <b>Cross Project Effort</b>  |                           |     |     |     |     |     | <ul style="list-style-type: none"> <li>• TBD – WP6 IAP Balance Comparison Tool</li> <li>• TBD – WP7.3 Tier One/Tier Two/OPSRP Payouts Actuarial Extract</li> </ul>  |     |     |     |     |     |   |     |     |     |     |     |     |     |     |     |     |

## 2023-2025 Biennium

| PROJECTS  | 2023   |     |     |     |     |     | 2024  |     |     |     |     |     | 2025 |     |     |     |     |     |     |     |     |     |     |
|---|--|-----|-----|-----|-----|-----|---|-----|-----|-----|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|   | JUL  | AUG | SEP | OCT | NOV | DEC | JAN   | FEB | MAR | APR | MAY | JUN | JUL  | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY |
|  <b>Member Redirect</b> | • 9/28/23 – WP10 Post-Retirement Death – Long Term |     |     |     |     |     | • 1/25/24 – WP11 Maintaining Benefits – Long Term |     |     |     |     |     |      |     |     |     |     |     |     |     |     |     |     |
|   |  |     |     |     |     |     | • 2/29/24 – Migration Finalization                |     |     |     |     |     |      |     |     |     |     |     |     |     |     |     |     |
|   |  |     |     |     |     |     | • 2/21/24 – Project Close                         |     |     |     |     |     |      |     |     |     |     |     |     |     |     |     |     |

Revised: March 18, 2021

# Senate Bill 1049 Update

## Member Choice for IAP Target-Date Funds (TDF)

- Member Choice TDF election choices made Sept 1–30, 2020, became effective January 1, 2021.
  - Elections are visible on Online Member Services (OMS) and IAP.Voya.com.
  - IAP balance is now used as a trigger in OMS. If there is a negative or zero balance, a Member Choice election is not available.
  - TDF election choice will be included on 2020 member annual statements in May.

# Senate Bill 1049 Update

## Member Choice for IAP TDFs

- Member will not see gains or losses associated with election until member annual statements are distributed the year following the effective year.
- Election window for 2022 TDF election choice will be open September 1–30, 2021.

## Impact to employers

- Please share this information with employees.

# Senate Bill 1049 Update

## Work After Retirement update

- Shout out to employers and ESC staff on completion of back-log work on wage code 07 to wage code 17!
- Reminder to reporters: early retirees still have an hour limit. Please do a status check when hiring a retiree to confirm.
- Work After Retirement team is working with programmers to fix minor bugs from previous releases.
- Retiree wages will suspend until the member receives their first benefit check. Please be patient.

# Senate Bill 1049 Update

## Salary Limit

- Effective January 1, 2020.
- Salary used in benefit calculations capped at \$197,730 for 2021 (indexed annually).
- Members who terminate mid-year have salary prorated.

## Current status

- Working on the final phase of systematic deployment schedule for mid-May 2021.
- Enhancing several internal reports to support processes involving proration.



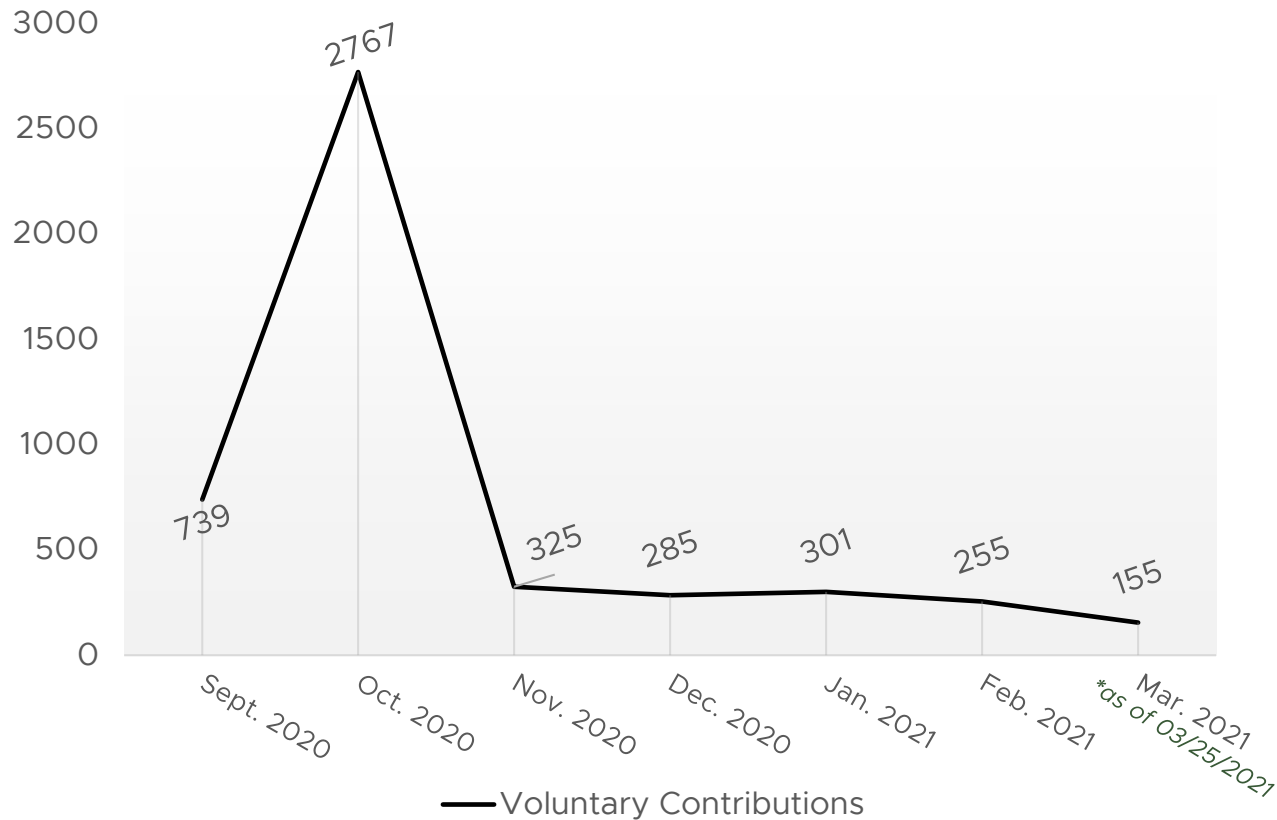
# Senate Bill 1049 Update

## Member (IAP) Redirect

- Effective July 2020.
- Part of 6% member contribution goes to Employee Pension Stability Account rather than IAP.
  - 2.5% for Tier One/Tier Two.
  - 0.75% for OPSRP.
- Monthly redirect salary threshold for 2021: \$2,535.

# Senate Bill 1049 Update

## Member (IAP) Redirect



# **Communications Update**

**Valuation Guide**

**Web Updates**

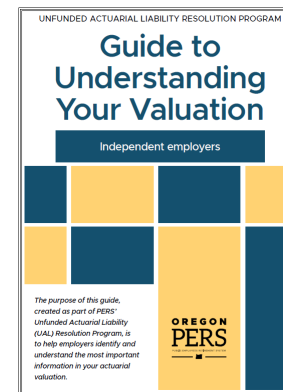
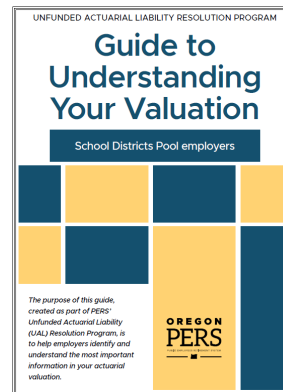
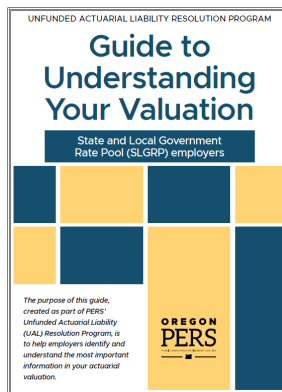
**Employer Communications Survey**

**Annual Employer Satisfaction Survey**

# Communications

## “Guide to Understanding Your Valuation”

- One edition for each employer pool.
- Two versions of each:
  - Interactive, downloadable version for online viewing.
  - Printable version to compare side by side with your valuation.



### Coming next

- “Guide to Understanding Unfunded Actuarial Liability.”

# Communications

## Employer website recent updates

New presentation “A Walk-Through of Your Statement Post–SB 1049”

- Training webpage  
(<https://www.oregon.gov/pers/EMP/Pages/Training-and-Presentation-Schedules.aspx>).
- Understanding Your Statement webpage  
([www.oregon.gov/pers/EMP/Pages/Understanding-Your-Statement.aspx](http://www.oregon.gov/pers/EMP/Pages/Understanding-Your-Statement.aspx)).

# Communications

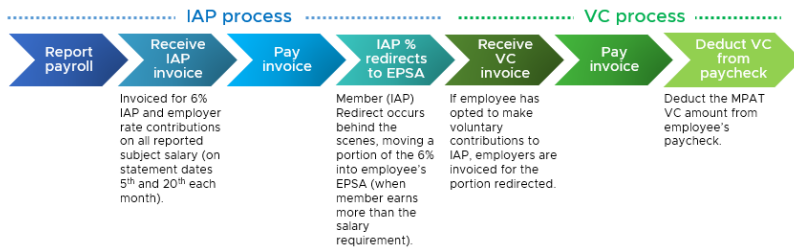
## Walk-Through of Your Statement sample slides

### Member Redirect billing

#### How it affects your billing

Billing takes place over two statement periods because the 6% IAP has to be paid first.

Process overview:



### Statement: Finding IAP voluntary contributions

#### Where is it on your statement?

In the IAP section of your invoice, IAP Voluntary Contributions is a new item.

**A**

| IAP                   |                          | Beginning Balance:          |                 | \$ 1,318,833.34          |
|-----------------------|--------------------------|-----------------------------|-----------------|--------------------------|
| <b>Deposits</b>       |                          |                             |                 |                          |
| Date                  | Description              |                             | Deposit Amount  |                          |
| 01/12/2021            | Employer IAP Remittances |                             | \$ 1,318,833.34 |                          |
|                       | <b>Total</b>             |                             |                 | <b>(\$ 1,318,833.34)</b> |
| <b>Invoice</b>        |                          |                             |                 |                          |
| Date Posted           | Description              |                             | Invoice Amount  |                          |
| 1361639               | 01/13/2021               | Employment History Change   | \$ 674.10       |                          |
| 1362306               | 01/13/2021               | IAP Voluntary Contributions | \$ 967.88       |                          |
| 1362608               | 01/14/2021               | Contributions Pension       | \$ 2,263.21     |                          |
| 1363522               | 01/20/2021               | Contributions Pension       | \$ 8,081.32     |                          |
|                       | <b>Total</b>             |                             |                 | <b>\$ 12,006.51</b>      |
| <b>Ending Balance</b> |                          |                             |                 | <b>\$ 12,006.51</b>      |

For a breakdown of VC charges, scroll down to the Invoice Details section at the bottom of the screen.

# Communications

## Employer communications survey

- First time it's been conducted.
- Assess effectiveness of PERS' employer communications.
- Short survey, takes about 5 minutes.

### Benefits to employers

- Enables PERS to understand the type of information you need most.
- Helps us improve communications to give you a better understanding of working with PERS.

Tell us how you learned or are learning your role and how you stay updated on PERS news.

**4. What are the main information sources that help you learn about PERS? Choose up to four.**

- The PERS website.
- Emails from PERS.
- The employer newsletter.
- An Employer Advisory Group (EAG) member.
- A coworker or manager.
- My HR representative.
- My PERS Employer Service Center representative.
- PERS Actuarial Services.
- A friend, spouse, family member, or someone else who works with PERS.
- Other (please specify)

# Communications

## Annual employer satisfaction survey

- Conducted every spring.
- Consistent format enables year-over-year analysis.
- Completed online.
- Open May 1 through 31.

### Benefits to employers

- Gives PERS a better understanding of employers and their needs.
- Enables PERS to assess areas of success and areas needing improvement.

How satisfied are you with the service you receive when you contact PERS about the following?

|                            | Very satisfied        | Somewhat satisfied    | Somewhat dissatisfied | Very dissatisfied     | N/A (I have not contacted PERS about this topic.) |
|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---|
| Status checks              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>                             |
| Data reporting             | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>                             |
| Death benefit process      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>                             |
| Disability benefit process | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>                             |
| Retirement benefit process | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>                             |
| Policy support/guidance    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>                             |
| Technical support          | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>                             |

Please share any comments or feedback about how we can improve if you are dissatisfied.



# Additional Items

## Member annual statements

- Enhanced statement templates to include relevant SB 1049 information.
- Prepping for data extract and testing to ensure statements are accurate.
- Working with Printing & Distribution and gliding toward a mid-May mailing date.

## Impacts to employers

- Efforts to update member addresses should reduce the number of returned statements:
  - Several different notifications to members to update incorrect addresses.
  - Using the National Change of Address Database.
- Because of SB 1049 updates, you may see more questions.

# Additional Items

## Fielding questions about statements

- The back page of the statements will provide high-level information.
- Member *Perspectives* featured an article and supporting graphic highlighting several key aspects of the statements.
- The PERS member website includes an FAQ:
  - <https://www.oregon.gov/pers/MEM/Pages/Member-Annual-Statement-FAQs.aspx>
- Please direct members to contact PERS Member Services if they have questions about their statements.

# Additional Items

## OPSRP First Wage Clean-up Project

### Current status

- Work continues through monthly meetings.
- Progress paused to produce member annual statements.

### Future plans

- Finalize implementation strategy.
- Notify impacted employers.
- Initiate roll-out.

# Additional Items

## Open Discussion & Questions

# Upcoming Meetings

## Oregon Investment Council presentations

- April 21
- June 2

## PERS Board meeting

- June 4

## EAG meeting

- July 16

# OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



# THANK YOU

