

PERS EMPLOYER ADVISORY GROUP MEETING

Date: 1/24/2025

Time: 10:00 a.m. – 12:00 p.m.

Location: Microsoft Teams

TYPE OF MEETING	EAG meeting
FACILITATOR	Brandon Armatas
NOTE TAKER	Holly Effenberger
CALL-IN NUMBER	+1 971-300-4342 Phone conference ID: 881 244 608#
ATTENDEES	<p>EAG members: Gina Turner, State Universities; Sharie Lewis, Oregon School Boards Association; Matt Warner, League of Oregon Cities; Anne Willis, State Universities; Shauna Tobiasson, State of Oregon; Bonny Ray, State Universities; Jeff Rasmussen, Association of Oregon Counties; Jeff White, Association of Oregon Counties.</p> <p>PERS staff: Kevin Olineck, Yvette Elledge-Rhodes, Heather Case, Brandon Armatas, Jake Winship, Laurel Galego, Troy Phillips, Latifa Salinez, Shawn Harper, Jonathan Yost, Elizabeth Rossman Weber, Elli Probasco, Rachel Schizas, Chloe Harris, Holly Effenberger.</p> <p>Guests: Gay Lynn Bath, Ian Petersen, Rhonda Miller, Angie Bond, Esther Orozco, Jennifer Jones, Cheryl Carder, Amber Schonbrod, Anita Gurule, Suzanne Linneen, Sandra, David Williams, Justin Low, Miles Palacios, Adrian Hartvigsen, Josh Eggleston.</p>

NOTES

TOPIC	Welcome	Brandon Armatas
TIME: 10:00–10:02		
Brandon Armatas, PERS Data Services Section Manager, welcomed the Employer Advisory Group (EAG) and reviewed the meeting agenda .		

TOPIC	Director's Office update	Kevin Olineck
TIME: 10:02–10:06		
<p>Kevin Olineck, PERS Director, provided an overview of the topics that will be covered at the next PERS Board meeting. The January 31, 2025, board packet is available online.</p> <p>The preliminary earnings crediting and reserving information was published yesterday (January 23). The year's net earning ended around 5.4%. The overall funding status of the plan will not change much. A more detailed update will be given at the board meeting.</p> <p>The following will be presented on the Senate Bill 1566 reporting requirements:</p> <ul style="list-style-type: none">• Employer Incentive Fund (EIF).• School Districts Unfunded Liability Fund (SDULF).• Unfunded Actuarial Liability Resolution Program (UALRP). This is a statutory report that is brought to the board before it's submitted to the Legislature. <p style="text-align: right;"><i>Continued</i></p>		

Additionally, the PERS Health Insurance Program (PHIP) manager will provide an update about pursuing a change to the PHIP reserve policy. Years ago, the program was required to have a reserve for claims. This changed under a different costing model. A recommendation will be made to the PERS Board on how to proceed with these reserve funds.

TOPIC	Legislative update	Heather Case
TIME: 10:06–10:23		
<p>Heather Case, PERS Senior Policy Advisor, gave a legislative update.</p> <p>2025 Legislative Session</p> <p>PERS Reporting</p> <p>The 2025 Legislative Session began on January 21, 2025. PERS is expected to submit and present on the following mandatory statutory reporting.</p> <p>Senate Bill (SB) 1566</p> <p>The SB 1566 reporting and the preliminary earnings crediting are included in the January 31, 2025, board meeting packet. They will also be provided to the Joint Ways and Means Subcommittee on General Government. These budget presentations will be February 17–20.</p> <p>PERS Board adoption of actuarial methods and assumptions</p> <p>The board adoption of actuarial methods and assumptions is reported 30 days before board action. This is typically at the end of July. PERS may be asked to present on this action during a Legislative Days session in September.</p> <p>Modernization report</p> <p>PERS will likely be asked to report on the status of the agency’s Modernization Program. There is no date set for this yet.</p> <p>House Bill (HB) 4045 (2024) Hazardous Position implementation</p> <p>Every odd-year legislative session, PERS is required to report on the implementation of the Hazardous Position section of HB 4045. The effective date of this new job classification is not until 1/1/2030.</p> <p>PERS Bills</p> <p>Four bills were introduced into the legislature by the Governor on behalf of PERS, and a couple have had public hearings.</p> <p>Senate Bill (SB) 847: Amendments to PERS Health Insurance Subsidies</p> <p>PERS is aware of employer concerns with this bill. Employers are encouraged to keep in touch with their relevant employer lobbying groups. PERS understands that the current iteration is not tenable because it would raise employer contribution rates an average of 4.87%, or \$674 million across all participating employers.</p> <p>PERS is currently working with Milliman to cost out multiple possible iterations of this bill to find a balance between maintaining the stability and viability of the PHIP program and not overburdening employers.</p> <p><i>Continued</i></p>		

PERS expects these numbers by January 31. The Senate Labor and Business Committee, where this bill is assigned, understands that a request for an amendment will be forthcoming. PERS looks forward to continuing to work with employer groups to find a workable solution.

Heather invited PERS board member Suzanne Linneen to speak on SB 847.

Suzanne shared concerns about the impacts this senate bill would have as it's currently written and how many employers are experiencing serious deficits in their general funds. Suzanne hopes this bill is examined in detail and reworked. She encouraged the group to keep their eyes on this and to talk to their Legislature contacts.

- *Question:* Shauna Tobiasson – Do you have a good feel of what the intention of the bill is?
 - *Heather* – In the 2023 budget bill, PERS was requested to report the status of PHIP and the viability of moving members from PHIP to other programs. This budget note was presented in February 2024 to the Joint Ways and Means Subcommittee on General Government. It became clear it wouldn't be possible to move these people to another plan. The suggested alternative was to make a change to the two health insurance subsidies: Retirement Health Insurance Account (RHIA)* and Retiree Health Insurance Premium Account (RHIPA)*. The legislature requested PERS continue this conversation. This bill was introduced as a next step in the conversation.
- *Question:* Shauna Tobiasson – Is the underlying intent to make healthcare more affordable?
 - *Heather* – Yes, the main intent is to make a more competitive and viable plan for retirees.
 - Comment from Suzanne Linneen: I encourage everyone to stay involved and continue to watch this.
- *Question:* Sandra – Is it intended to provide health insurance for both Medicare-eligible and pre-eligible?
 - *Heather* – Yes, there are Medicare supplement and pre-Medicare health plans to choose from.
- *Question:* Ian Peterson – *If passed, what would be the timeline of implementation of 847? Would this be compounded by rate increases caused by side account expiration?*
 - *Heather* – The effective date of the bill is 1/1/2026, and while we have some flexibility for this, this lines up with open enrollment for PHIP, so the increased subsidies would likely go into effect that date. We do not yet know the exact contribution rate changes these will go into — sometimes significant changes in legislation require a mid-cycle contribution rate change, but more likely this change will be taken into account for 2027-29 employer rates.

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*Defined in the employer [Glossary](#) quick-reference guide.

TOPIC	Legislative update (continued)
<p>SB 849: Repurpose School District Unfunded Liability Fund (SDULF)</p> <p>This bill received a public hearing Thursday, January 23. PERS will continue to work with school district employers and stakeholders to determine the best way to use this fund. (Learn more about SDULF on the Rate Relief Programs webpage.)</p> <p>SB 851: Employer Reporting and Member Data Clarifications</p> <p>A public hearing was held Thursday, January 23. There was no other testimony for SB 851 given except from the agency.</p> <p>SB 852: Post-Retirement Death Benefit Calculations</p> <p>A public hearing was held Thursday, January 23. There was no other testimony for SB 852 given except from the agency.</p> <p>Bill descriptions and drafts are available in the December 6, 2024, PERS Board meeting packet (item C.3, starting on page 104).</p>	

TOPIC	Actuarial update	Troy Phillips
TIME: 10:23–10:33		
<p>Troy Phillips, PERS Actuarial Business Specialist, presented an update on actuarial activities.</p> <p>Milliman Financial Modeling</p> <p>The two financial models Milliman uses were presented at the board meeting in December 2024 (view the meeting packet).</p> <p>The Steady Return model estimates values using a specific steady rate of return over the next 20 years. By contrast, the variable return model results are likelihood ranges, rather than a single amount. The range's distribution in the variable model is based on a stochastic simulation using 10,000 trials.</p> <p>Steady Return Model</p> <p>The chart on slide 10 illustrates system average employer collared base pension rates under the current rate setting structure based on four different steady return rates: 5%, 6.25%, 6.9%, and 9%.</p> <p>The blue line represents the current assumed earnings rate of 6.9% that was adopted by the PERS Board. It indicates that base employer rates will increase in the next biennium (2025-27) and then remain relatively flat until the 2029-31 biennium, when the model begins to show a slow decline in rates as PERS membership transitions to fewer Tier One/Tier Two members and more OPSRP members.</p> <p>The other lines represent contribution rate trends if constant investment returns of 5% (red), 6.25% (orange), and 9% (green) were to be realized. Rates of return have a direct impact on employer contribution rates.</p> <p style="text-align: right;"><i>Continued</i></p>		

It is important to note that the results shown for the 5% and 9% steady return model roughly correspond to those seen in the 25th and 75th percentile in the variable return model that will be shown later in the presentation (slide 12).

The chart on slide 11 estimates the path of unfunded actuarial liability, excluding side accounts, using the same earning rates from the previous chart.

If the assumed earnings rate of 6.9% were realized, this model indicates that the plan would be fully funded by the year 2037. If the higher return of 9% (the green line) were realized, the plan would be fully funded six years sooner.

Variable Return Model

The variable return model is noisier but more realistic because actual future returns won't be steady from year to year. The effects of near-term and/or long-term future annualized returns that are worse than the 5% depicted in the steady return model are shown in this variable model.

Slide 12, as well as the next two slides, show ranges rather than a single figure.

The chart illustrates the average annualized rate of investment return for years 2025 through 2043. The median average return for each year is indicated by the diamond, and the light blue band indicates the 25th to 75th percentile returns.

The average return is expected to be within this interval 50% of the time. This is because over time, higher than average and lower than average returns are expected to offset each other. The average annual return is expected to be within the dark blue interval 80% of the time. As time passes, the range of expected annual returns begins to narrow.

Slide 13 shows the expected base pension rates using the variable model. The colors have similar meanings as the previous model — the diamond represents the median, the light blue represents the 25th to 75th percentile interval, and the dark blue represents the 10th to 90th percentile interval. The range tends to increase with time because any series of above average or below average returns will have a cumulative effect, rather than offsetting.

Slide 14 shows the **range of biennial change to net pension rates**. Approximately 25% of the scenarios show average net contribution rate increases greater than 4.3% of payroll for the 2027-29 biennium. This is due to the large number of side accounts that will expire in 2027 and the loss of associated rate offsets. Please note that this is the average change; individual employer net contribution rate increases will vary considerably. After 2027, average net pension rates are expected to be flat or slightly declining in subsequent biennia.

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TOPIC	Actuarial update (continued)
<p>Next EIF funding cycle</p> <p>The next cycle of the Employer Incentive Fund opens April 1 for those employers whose UAL exceeds 200% of combined valuation payroll. This application period will apply to roughly 56 employers.</p> <p>These employers will be given priority for the first 90 days of the application period. After that, the application will open to all qualifying PERS employers.</p> <p>There will be \$40 million available in matching funds for this new cycle.</p> <p>PERS will share reminders and instructions before each application phase. Learn more on the Employer Incentive Fund webpage.</p> <p>Employer Rate Projection Tool updated</p> <p>The Employer Rate Projection Tool (ERPT) was updated earlier this month with data from the 2023 valuation.</p> <p>It is a useful tool for estimating future contribution rates, working on budgets, and estimating the impact of creating a side account.</p> <ul style="list-style-type: none"> • <i>Question:</i> Sandra – Is there a list of the employers with UAL>200% of payroll? <ul style="list-style-type: none"> ○ Troy – A list will be posted to the EIF webpage soon. ○ Jake Winship, <i>PERS Actuarial Activities Section Manager</i> – The list does not include school districts because of the nature of their rate pool. The highest percentage UAL can be, for employers without side accounts, is 184%. 	

(10:31–10:35) Before moving on to the next topic, the group reviewed a few questions written in the meeting chat. These questions and answers are recorded in the Legislative Update section of the minutes.

Topic	Employer Service Center update	Laurel Galego
Time: 10:33–10:34		
<p>Laurel Galego, Employer Service Center Manager, gave an ESC update.</p> <p>Reporting tip</p> <p>Laurel reviewed the steps an employer reporter must take when hiring a PERS retiree. These steps must be done in the correct order to streamline the reporting process and ensure accuracy.</p> <ol style="list-style-type: none"> 1. Submit final hours and salary — wait for report to post. 2. Submit Detail 1 termination record — wait for it to post. 3. Submit Detail 1 new hire record with status code 11 — wait for it to post. 4. Submit Detail 2 wage records with wage code 17 — records will suspend until the retiree’s retirement fully processes and they receive their first retirement check. 5. After 90 days, resave all the wage records — they will now successfully post. 		

TOPIC	Communications update	Shawn Harper
TIME: 10:34–10:42		
Shawn Harper, Employer Communications Specialist, gave a Communications update.		
<p>New salary limit and member redirect numbers announced</p> <p>The annual salary limit and the monthly member redirect threshold numbers increased for 2025. The increases are based on the 2.4% increase in the Consumer Price Index from 2023 to 2024. More information is available on these updated webpages and resources:</p> <p>Employers Member Redirect webpage</p> <p>Employers Salary Limit webpage</p> <p>Salary Limits for Employers chart 1997–2025</p> <p>These programs and more are listed on the Employer Rate-Relief Programs webpage.</p> <p>Note: The Employers Salary Limit webpage shows the salary limit amounts for a partial year (i.e., a year when an employee starts or ends employment partway through a year).</p>		
<p>Materials updated to reflect 2024 legislation</p> <p>Employer reporting guides updated to show reduced OPSRP Police and Fire retirement age:</p> <p>1: Overview of PERS</p> <p>8: Hiring a PERS Retiree</p> <p>16: Reporting a Retirement</p> <p>Quick-reference guide Job Classification Codes updated to reflect legislation effective Jan. 1, 2025, and to add detail and clarity to job classifications.</p>		
<p>2024 annual reports</p> <p>PERS recently published the following 2024 reports.</p> <ul style="list-style-type: none"> • PERS by the Numbers. • PERS Popular Annual Financial Report (PAFR). (This is a new report for PERS. It is a shorter and simpler version of the ACFR.) • PERS Annual Comprehensive Financial Report (ACFR). 		
<p>New Employer Reporter Welcome Guide</p> <p>The Welcome Guide was created for new employer reporters. It introduces them to both the job of reporting and to their ESC representative. The intention is to offer support from day one and hopefully reduce new-reporter turnover.</p> <p>The new PERS Employer Trainer, Rachel Schizas, was introduced.</p>		
<p>New feedback webpage</p> <p>Employer resources feedback form: This online form enables employers to provide anonymous feedback about PERS resources such as guides, webpages, and the newsletter.</p>		

TOPIC	Open discussion	Brandon Armatas
Time: 10:42–10:45		
<p>The meeting was opened for questions and discussion.</p> <p>Jake Winship reviewed a question raised in the chat about implementation of HB 847. See Heather’s answer in the Legislative Update section of the minutes.</p>		
Next meeting facilitator: Sam Paris		
Next meeting date and time: April 25, 2025		
EAG information: Employer Advisory Group webpage		