

PERS EMPLOYER ADVISORY GROUP MEETING

Date: 7/16/21

Time: 10:00 a.m.–12:00 p.m.

Location: GoToMeeting

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| TYPE OF MEETING | EAG Meeting |
| FACILITATOR | Sam Paris |
| NOTE TAKER | Lindsay Partain |
| CALL-IN NUMBER | (866) 899-4679 Access Code: 197-754-461 |
| ATTENDEES | <p>EAG Members: Jeff Rasmussen, Jefferson County; Jeff White, Marion County; Michelle Morrison, Hillsboro School District; Nancy Brewer, City of Lebanon; Trudy Vidal, Department of Administrative Services; Tom Andrews, Portland Community College</p> <p>PERS: Alison Burman, Amanda Marble, Brandon Armatas, Carole Anne Boal, Cynthia Kirkwood, Eleanor Probasco, Elizabeth Rossman, Ethan Erickson, Heather Case, Jonathan Yost, Kevin Olineck, Laurel Galego, Lindsay Partain, MaryMichelle Sosne, Matt Graves, Neil Jones, Richard Horsford, Sam Paris, Shawn Dempewolf, Stephanie Vaughn, Yvette Elledge-Rhodes</p> <p>Guests: Michelle Sides, Carole Samuels, Jim Crofts, Melissa Medina, Kristoffer Aas, Diana Lauderdale</p> |

NOTES

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| TOPIC | Welcome | Sam Paris |
| TIME: 10:00–10:01 | | |
| Sam Paris, PERS Chief Operations Officer, welcomed the Employer Advisory Group and went over the EAG meeting agenda. | | |

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| TOPIC | Director's Office update | Kevin Olineck |
| TIME: 10:01–10:03 | | |
| Kevin Olineck, PERS Director, provided an update. | | |
| <p>PERS Reopening Plans: PERS will reopen to the public on September 1, 2021, and will be moving to a hybrid work model, working remotely as business allows.</p> <p>Agency Budget: Our budget bill passed. We received approval to continue with SB 1049 and were approved for planning money to begin working on the Modernization project.</p> <p>Board Meeting Coming up on July 23, 2021, where we will discuss the actuarial methodologies and assumptions around actuarial valuations.</p> | | |

| TOPIC | Legislative update | Heather Case |
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| TIME: 10:03–10:15 | | |
| <p>Heather Case, PERS Senior Policy Advisor, provided a legislative update. The 2021 Legislative Session ended on Saturday, June 26, 2021. Senate Bills 111, 112, 113, and 5536 were all signed by the governor on June 1, 2021.</p> | | |
| <ul style="list-style-type: none"> • SB 111A: Technical fixes for SB 1049 (for clarifications we found that were needed during implementation); Salary fix for OPSRP members changed the definition of “salary” for OPSRP members to include any salary that is or would be subject to income tax if the member was a resident of Oregon to allow for contributions on the PERS member’s full salary even if they are working out of state; Increase in death benefit for Tier One and Tier Two surviving spouses and OPSRP surviving spouses. Making salary fix retroactive back to 2003 for OHSU and charter schools only. SB 111 effective 1/1/2022, salary fix retroactive back to 1/1/2020. • SB 112: Modifies definition of “employee” to align with the Internal Revenue Code. Only applies in cases of disputes regarding a member’s status; to be examined on a case-by-case basis. Change does not include or exclude a class of members. SB 112 effective 6/1/2021. • SB 113: Provides statutory authority for PERS to charge employers earnings for late IAP contributions. Maintains current agency practice. SB 113 effective 06/01/2021. • SB 5536 Budget Bill: Signed June 1, 2021. Final session bill modified state agency service charges and set amount for Employer Incentive Fund (EIF) for 2021–23 biennium at just over \$16 million. PERS has not yet received enough money in the EIF to begin another round of funding, but is working on the planning and execution for Round 2. Amount will likely change from quarter to quarter as actual revenues from sports betting come in. | | |
| <p>Gave an overview on the bills not introduced by the agency but that affect PERS: House Bills 2906 and 2875 and Senate Bills 297, 41, and 5536:</p> | | |
| <ul style="list-style-type: none"> • HB 2906: Changes Member Redirect monthly threshold from \$2,500/month to \$3,333/month beginning 1/1/2022. • HB 2875: Makes certain fire marshal employees Police and Fire (P&F). Prevents loss of membership for those who lost membership in 2020 but worked 600 hours or more in 2021; will look back in January 2022 and restore membership for those individuals. Will allow members who turn their residency certification in for tax remedy between January 1 and April 15 to get their tax remedy payment restored by the first day of the second month after receipt, instead of the following year as the statute was previously written. • SB 297: Makes judicial marshals P&F. • SB 41: Potentially makes county parole and probation officers who go on to work for the State Board of Parole P&F; still checking certification procedures with Parole Board. | | |
| <p>Implementation: PERS’ Legislative Action Team is meeting now to identify internal PERS sections affected. Afterward, we will be meeting with sections individually to begin implementation. As relevant communications with employers are identified, those communications will be made on a wider basis (typically via the employer newsletter and GovDelivery). More information to come.</p> | | |

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| TOPIC | SB 1049 update: Project Overview | Yvette Elledge-Rhodes |
| TIME: 10:15–10:24 | | |
| <p>Yvette Elledge-Rhodes, PERS Deputy Director, gave a brief update on the SB 1049 Program.</p> <p>Two years into SB 1049 and there are three projects that are already closed or set to be closed very soon. The Salary Limit project closed on 05/28/2021, Employer Programs closed today on 07/16/2021, and Member Choice is set to close on 08/4/2021.</p> <p>Work After Retirement (WAR) Project extended to February 2022 to take care of Work Package 4, which will take care of side account allocation issues. Work Package 4 will be deployed by the end of 2021. The Legislature approved budget to address “technical debt” related to SB 1049, and a new project was initiated to manage those issues. The first work package will address employer statements. This rose to the top of the priorities as other SB 1049 projects have exacerbated the complexity of employer statements. PERS is anticipating that the improvements around reconciliation will be clearer and look more like a bank statement. Other technical debt projects may include internal batch reporting.</p> <p>The roadmap will be updated next week for the new biennium. The current biennium roadmap was shared. Future work packages are mostly internal facing, but there is one in October that will impact employers regarding voluntary contributions maintenance.</p> | | |

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| TOPIC | SB 1049 update: Employer Programs | MaryMichelle Sosne |
| TIME: 10:24–10:25 | | |
| <p>MaryMichelle Sosne, PERS Actuarial Business Specialist, gave a quick update on Employer Programs.</p> <p>The new Employer Rate Projection Tool is coming out next week. The UALRP educational guides are now complete and available on the website; more information and links to the guides are included in the Communications Update.</p> | | |

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| TOPIC | SB 1049 update: Salary Limit | Brandon Armatas |
| TIME: 10:25–10:31 | | |
| <p>Brandon Armatas gave an update on Salary Limit. A work group has developed and put a plan in place to build toward something more robust. Worked on deploying four work packages:</p> <ol style="list-style-type: none"> 1. Internal-facing PERS Salary Limit reports. 2. Data change requests to update the salary limit in 2020 to change the annual limit from the previous amount to the new amount. 3. Automated annual salary limit update; salary records suspend if they exceed annual limit. Update the annual limit without having to work through the previous process. Internal staff could go in and update the amount without reprogramming. Extended the validation to Tier One members. 4. Alert messages: internally and in Online Member Services (OMS) portal. <p>Still exploring ways to continue improving processes for partial-year limits.</p> | | |

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| TOPIC | Communications update | Shawn Dempewolf |
| TIME: 10:31–10:37 | | |
| <p>Shawn Dempewolf, PERS Employer Communications Specialist, gave a general Communications update regarding UALRP educational guides and highlights from the Employer Communications Survey.</p> <p>UALRP educational guides were developed as part of the UAL Resolution Program to help employers better understand their contribution rates. Guides include:</p> <ul style="list-style-type: none"> • Guide to Understanding Your Rate • Guide to Understanding Your Valuation • Guide to Understanding UAL • Guide to Understanding Pooling (for State and Local Government <i>and</i> School Districts) • Guide to Financial Modeling <p>Guides will be updated as information changes and can be found as downloadable and printable options here: https://www.oregon.gov/pers/EMP/Pages/UALRP.aspx#guides</p> <p>The April Employer Communications survey received about 400 responses. We learned that our communications are working – employers are reading the newsletter and using the website to stay updated. We learned that we have a large audience of HR representatives and agency heads, and we will use that knowledge to inform communications going forward. The UALRP guides (the two that were published back in April) were rated 4 out of 5 stars. Based on your feedback, we've already begin making improvements. For one, we created an Overview of PERS Benefits for Your Employees webpage. Also, we created a fresh, consistent look for our employer communications to help employers instantly identify them among the large amounts of email they receive each day.</p> | | |

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| TOPIC | Actuarial update | MaryMichelle Sosne |
| TIME: 10:37–10:47 | | |
| <p>MaryMichelle Sosne gave an actuarial update and overview of the proposed changes ahead of the July 23 board meeting. Minor reduction to inflation proposed by Milliman 2.5% to 2.4% as well as to lower system payroll growth from 3.5% to 3.4%:</p> <ul style="list-style-type: none"> • To determine their inflation rate of 2.4%, Milliman looks at Treasury securities, Treasury Inflation Protected Securities (TIPS), as well as the long-term assumptions reported by Social Security and Medicare. • After reviewing professional forecasts and PERS trailing experience, Milliman does not think we need to adjust the real wage growth from 1%. <p>Administrative Expenses: Beginning in 2019, we started to see an increase in administrative costs caused by implementing SB 1049. As implementation is planned to continue over the next couple of years, Milliman suggests increasing total administrative expenses to align with this expectation.</p> | | |

Rate Collaring: Milliman will be proposing moving to a rate collar using a fixed percent of pay with a decrease limit. The collar width proposed is 3% of pay for the Tier One/Tier Two UAL rate for the two large Tier One/Tier Two experience-sharing pools and 1% of pay for OPSRP, which pools its experience state-wide. The decrease limit will have a phase-in approach depending on funded status. Additionally, there will be a different rate collar for independent employers given their higher contribution-rate volatility. The width of the independent rate collar for the Tier One/Tier Two UAL rate is the greater of 4% of pay or one-third of the difference between the collared and uncollared UAL rates at the last rate-setting valuation.

Assumed Rate: The assumed rate affects Tier One earnings, contribution rates, and Money Match retirements.

Proposals: OIC's result is determined by Oregon State Treasury staff and consultants. Horizon's result is based on outlooks from the first half of 2020 and Milliman believes their results recommendation will be revised downward once updated.

Milliman recommends lowering the assumed rate to 7% or lower:

- Median assumption for large public systems is 7% and over half of plans are 7% or lower.
- Assumed rate of 7% increases uncollared system average rates by 1.5 to 1.6% of payroll.
- Assumed rate of 6.8% increases uncollared system average contribution rates by 3.1% to 3.2% of payroll.

| TOPIC | Board Interaction | Kevin Olineck |
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| TIME: 10:47-10:50 | | |
| Kevin Olineck went over PERS Board interactions to provide better understanding of the public testimony process. | | |
| There were three public testimonies at the most recent board meeting; they will be included in the next meeting minutes. Going forward, we will be working toward a hybrid meeting style and will ask that public testimonies be submitted within 72 hours; we will post them to the board packet as they come in. | | |

| TOPIC | Additional items | Sam Paris |
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| TIME: 10:50-11:00 | | |
| Sam introduced the remaining additional items and their presenters. | | |
| Brandon Armatas gave a brief update on the First Wage Clean-Up Project . The team has mapped out a work plan on how to navigate the changes once they begin. We're making good progress on the plan, procedures, and necessary coordination. First focus will be on fixing active members and then the members who are no longer active. | | |
| Laurel Galego provided an update on the Prior Year Earnings (PYE) Report . We deployed a new version of the PYE tool to include EPSA transactions on June 21, 2021. PERS Employer Service Center (ESC) was able to review the tool and correct the known bugs. ESC will continue to make manual corrections as they arise. | | |

Richard Horsford provided a **WAR and Side Accounts Update**. Gave some background and a brief summary of the issue. We have established a system to monitor this issue and correct it from a technical side. The technical fix will take until about December 2021 to complete. Staff are monitoring these accounts to intervene and stop the overbilling; will be deploying more resources and bringing in more staff to help monitor and catch the issues until the technical fix is implemented. Have a good handle on the specific parameters that caused the issue, and the team knows which employer invoices to look at and intercept.

| TOPIC | Questions | Sam Paris |
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| TIME: 11:00–11:13 | | |
| <p>Sam opened the floor to allow EAG members to ask any other follow-up questions.</p> <p>Question: Can you tell us more about changing the monthly invoices and clarifying how those work?</p> <p>Answer: Yes. We will be addressing the employer statements and how they are viewed. There will not be a complete overhaul, but they will make more sense and will be organized better. Need to ensure there are no unintended consequences to the statement changes.</p> <p>Question: Yvette will be presenting at the OGFOA fall conference. Topics include updates on SB 1049, actuarial changes that will have been made by the board, and Heather will discuss the legislative bills and implementation. Are there other items for discussion that this group would like to see?</p> <p>Answer: A presentation on the UALRP educational guides would be great to see.</p> <p>Question: Will there be additional money in the Employer Incentive Fund to do another round?</p> <p>Answer: The Legislature has forecasted \$16 million in that account over the biennium. This number could change as the revenue is dependent on sports betting revenue.</p> <p>Upcoming meetings of interest were highlighted before the meeting closed. Any additional feedback on EAG meetings and the items you would like discussed are always appreciated. Please direct these emails to the EAG inbox: employer_Advisory_Group@pers.state.or.us.</p> | | |
| Next meeting facilitator: Sam Paris | | |
| Next meeting date and time: October 15, 2021, 10:00 a.m.–12:00 p.m. | | |