

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

EMPLOYER NEWS

APRIL
2021

Update on biennial
review of PERS
assumed rate

Legislative update

Work After Retirement
exceptions during
SB 1049

EDX tip of the month

QUICK LINKS

COVID-19 and paid leave

SB 1049 programs

GovDelivery subscriptions

PERS employer website

TAKE OUR NEW SURVEY

As part of PERS' ongoing effort to improve our communications with employers, we are conducting a new survey. This short survey asks you to give us your opinions on the information we provide to help you learn about PERS and stay updated.

Please take a few minutes to share your thoughts. The survey will remain open through April 21.

[Open the survey](#)



Update on biennial review of PERS assumed rate

The PERS “assumed rate” is the rate of investment returns (including inflation) that the PERS Fund’s regular account is expected to earn over the long term. It is reviewed by the PERS Board every two years as one of the actuarial assumptions used to assess the system’s financial position. The assumed rate is currently 7.2%, set in 2017. One factor in the assumed rate is the “return rate.”

At the March 29, 2021, PERS Board meeting, consulting actuary Milliman informed the PERS Board that it is revising its preliminary return rate downward from the final rate of 6.87% set in 2019 to a preliminary rate of 6.12% for 2021.

Preliminary Updates to Milliman Outlooks

	2019 Outlook Milliman Final	2021 Outlook Milliman Preliminary
Median Annualized Geometric Return	6.87%	6.12%
Assumed Inflation	2.50%	2.40%
Time Horizon Modeled	20 years	20 years

The reasons for Milliman considering this decrease are:

- The assumed inflation rate decreased from 2.50% to 2.40%.
- S&P 500 price-to-earnings ratio increased from 28 to 34.
- Fixed income yields (AA Corporate) decreased from 3.50% to 1.54%.

This summer, the PERS Board will be presented with the return rates for multiple agencies and will use these data to determine the best assumed rate for PERS (i.e., a rate that ensures the fund is funded while not adversely affecting the unfunded actuarial liability (UAL)).

The PERS Board will take into consideration Milliman’s revised assumption, along with the Oregon Investment Council’s information and the Horizon Survey, to determine the assumed rate that they will adopt in July.

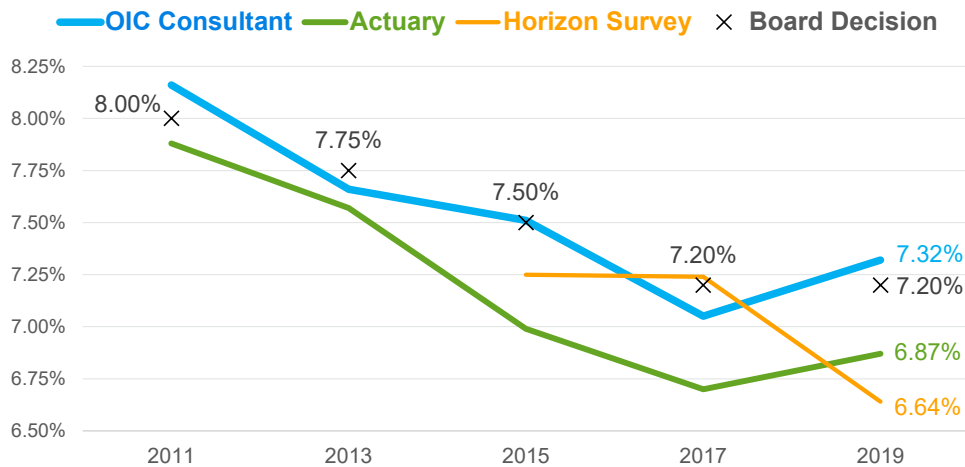
However, just because Milliman’s rate is low does not mean that the PERS Board will immediately adopt Milliman’s suggestion; in fact, that is typically not the case.

Continued

Below is a record of how the board has used Milliman and other sources to inform the adoption of the assumed rate:

For what is the assumed rate used?

Investment Return 50th Percentile Outlooks Geometric Returns from Outlook Models in Prior Five Reviews



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The assumed rate is the expected average annual future investment return. The assumed rate is used to determine:

- Contribution rates.
- The system’s UAL.
- Actuarial equivalence factors (AEF): AEFs are used to
 1. Determine optional benefit amounts.
 2. Convert account balances to Money Match annuities for Tier One and Tier Two.
 3. Provide account balance interest crediting for Tier One active members.

What happens if the assumed rate is reduced?

The Milliman chart on the next page shows the estimated effect of a reduced assumed rate on the funded status, UAL, normal cost rate, Tier One/Tier Two UAL rate, OPSRP UAL rate, and base rate.

Continued

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	1.69%	1.63%	1.86%	2.09%
Total base rate (without rate collar)	25.91%	25.70%	27.23%	28.81%

Remember that the valuation for 12/31/2020 is the advisory valuation and your rates will not change. However, this provides an indicator of what to expect for the 2023–2025 rate-setting valuation.

What’s next?

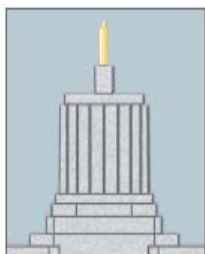
June 2: At a joint meeting with Oregon Investment Council, the PERS Board will review outlooks from OIC’s consultants and Milliman.

July 23: PERS Board will finalize the assumed rate.

Learn more

If you have any questions or concerns regarding the assumed rate, join the [upcoming EAG meeting](#) or email Actuarial.Services@pers.state.or.us.

Legislative update



The first regular legislative session of 2021 is nearly three months along. Of the approximately 100 bills introduced that could potentially affect PERS, only a handful are still active.

For a bill to have the opportunity to be considered by the Legislature, it has to first be discussed in a “work session.” The first chamber deadline by which a bill must have a work session scheduled was March 19, and the final deadline to hold the scheduled work session is April 13. Any bills that do not get scheduled for a work session generally do not move forward.

On the next page is an update on the status of the three bills introduced by PERS (as of April 5).

Continued

Proposed Senate Bill (SB) 111

Topic Administrative fixes.

Summary This bill requests multiple technical changes to SB 1049 (2019). During 2019 legislative discussions, PERS acknowledged that the agency may need to refine portions of SB 1049 to more effectively implement the legislative intent of the measure. The items on this bill are those revisions. These fixes do not change the intent of SB 1049, they merely iron out details to smooth the administration of the bill. This bill also includes a change to the definition of “salary” to include non-Oregon residents who are working out of state for a PERS-covered employer, and, through amendments, an expansion of the pre-retirement death benefit for eligible spouses.

Status SB 111 has moved through the Senate Business and Labor Committee and has passed on the Senate floor. The bill now moves on to the House and is awaiting committee assignment there.

Proposed SB 112

Topic Common-law employees.

Summary This bill aligns PERS’ statutory definition of “employee” with the IRS’ definition of employee for purposes of disputes. While the agency has been using the IRS’ framework for decades under administrative rule, the recent decision in the *EWEB* Oregon Supreme Court case brought the statute’s ambiguity into light. In response, codifying this connection to the IRS’ definition provides clarity and allows PERS to continue to apply well-established IRS criteria to the terms “employee” and “eligible employee.”

Status SB 112 has moved through the Senate Business and Labor Committee and has passed on the Senate floor. The bill now moves on to the House and is awaiting committee assignment there.

Proposed SB 113

Topic Prior-year earnings on late IAP contributions.

Summary This bill codifies PERS’ current practice of charging employers for earnings on late IAP contributions. There is currently no statutory support for this practice, even though it was formally reviewed and adopted by the PERS Board in 2006.

Note: There is current statutory support for charging earnings on late *pension contributions*. This bill would add the same support for *IAP contributions*.

Status SB 113 has moved through the Senate Business and Labor Committee and has passed on the Senate floor. The bill now moves on to the House and is awaiting committee assignment there.

Learn more

To read the bills that involve PERS, go to the Oregon Legislature website [Find a Bill webpage](#). Enter “PERS” in the search bar, and the page will create a list of results.

Go back and enter another search term to find bills that may involve your agency or organization.

Work After Retirement exceptions during SB 1049

Work After Retirement pre-SB 1049

Prior to SB 1049, under PERS administration of Oregon law, retirees could return to work for a PERS-participating employer under certain conditions without impacting their retirement status or benefit payments:

- The first and most common condition generally allowed retirees to work a **limited number of hours** each calendar year (less than 1,040 hours a year for Tier One or Tier Two retirees; less than 600 hours for an OPSRP retiree).
- In addition, a second and more uncommon condition allowed certain Tier One or Tier Two retirees who worked in [excepted positions](#) named in statute to work **unlimited hours**.

Early retirees had two conditions for returning to work for a PERS-participating employer:

- They could work a **limited number of hours** each calendar year (less than 1,040 hours a year for Tier One or Tier Two early retirees; less than 600 hours for an OPSRP early retiree).
- They could work unlimited hours in an excepted position **only** if their employment in the excepted position began six months (or more) after their effective retirement date. However, they were allowed to work in other positions under the maximum-hour limits in addition to the excepted position.

Work After Retirement post-SB 1049

In calendar years 2020 through 2024, SB 1049 allows most normal-retirement-age retirees to work unlimited hours in any position. Therefore, the list of excepted positions is not needed during these years.

However, restrictions still apply for **early retirees** who return to work with a PERS-participating employer.

Upon further review of federal laws that apply to PERS as a qualified governmental plan and trust under federal income tax law, PERS determined that additional restrictions were required under governing federal laws for early retirees. PERS provided new guidance for early retirees working after retirement to comply with federal laws in [OAR 459-017-0060 and OAR 459-075-0300 \(effective 1/31/2020\)](#).

These rules provide that during the years 2020–2024, an early retiree:

- May work **unlimited hours** if they have a “bona fide retirement,” which means that the retired member has been absent from service with all participating employers and all employers in a controlled group with a participating employer for at least **six full calendar months** between the effective date of retirement and the date of hire.
- May work **limited hours** (less than 1,040 for Tier One/Two or 600 for OPSRP in a calendar year) for a PERS-participating employer if they **did not have a six-month break** from all PERS-covered employment. Most early retirees’ hours will be limited until they take a full six-month break.

Learn more

If you have any questions about Work After Retirement under SB 1049, read the [PERS Work After Retirement webpage](#) or contact your [ESC representative](#).

Note about Social Security: If a PERS member is receiving [Social Security benefits](#) and has not reached “full retirement age” (FRA) under Social Security, the Social Security Administration and PERS have additional limitations on their employment.

EDX tip of the month: Choosing the correct demographic record when hiring a retiree

When hiring a retiree (i.e., someone who has retired from their PERS-participating employer), it is important to choose the correct Detail 1 demographic record code to avoid accidentally canceling the employee’s retirement.

Sometimes employers incorrectly choose DTL1-13 to report a retired employee returning to work. Although the label “new hire/retiree return to service,” seems correct, it is not used to report a retiree coming back to work as a working retiree. Instead, DTL1-13 tells PERS to cancel the employee’s retirement and return them to active membership.

When bringing on a PERS retiree, choose the DTL1 code that you would normally choose when hiring a retiree, regardless of the new [Work After Retirement rules](#) that allow unlimited hours. If the retiree would normally be restricted to an hour limit, then report the position as “retiree with hour limit” by submitting a DTL1 record with status code 11, “retiree new hire with hour limit.” If the retiree would have fallen under an exception, then report the position as “retiree without hour limit” by submitting a DTL1 record with status code 12, “retiree new hire without hour limit.”

This ensures that when and if the unlimited-hours rule is lifted in 2024, you will not have to reclassify all your retirees.

DTL1-11 – retiree new hire with hour limit. Choose for all OPSRP retirees and for those Tier One/Tier Two retirees who are not eligible for a pre-SB 1049 exception (e.g., early retirees who have not had a six-month break).

DTL1-12 – retiree new hire with no hour limit. Choose for Tier One/Tier Two retirees who are eligible for a pre-SB 1049 exception (including early retirees who have had a six-month break).

DTL1-13 – new hire/retiree return to service. Choose for retirees who wish to stop their retirement and return to active membership.

Detail 1 - Member Demographics:	
SSN*	<input type="text"/>
Status Code	13 - New Hire - Retiree return to service ▼
Status Date: (MM/DD/YYYY)	<input type="text"/>
Last Day Service (MM/DD/YYYY)	<input type="text"/>
Old SSN:	<input type="text"/>
First Name*	<input type="text"/>
Last Name*	<input type="text"/>
Middle Name:	<input type="text"/>
Name Change Indicator:	N <input type="checkbox"/>

Detail 1 screen in EDX