

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



EMPLOYER NEWS

MARCH
2021

[A look at earnings crediting](#)

[Legislative update](#)

[Announcing new 'Guide to Understanding Your Valuation'](#)

[Q&A about Member \(IAP\) Redirect's effect on final average salary](#)

[EDX tip: The demographic correction request \(DCR\) Comments box](#)

QUICK LINKS

[COVID-19 and paid leave](#)

[SB 1049 programs](#)

[GovDelivery subscriptions](#)

[PERS employer website](#)

SUPPORT

[Employer support email](#)

[Contact us](#)



A look at earnings crediting

Earnings crediting is an annual process of adding the amount of interest earned (and deducting losses) to the various reserves within the Oregon Public Employees Retirement Fund, based on the accounts' totals on December 31. Employers who have successfully posted all their reports for the calendar year receive interest earned on their accounts, once calculations are completed and approved by the PERS Board and legislative committee each spring.

How is earnings crediting calculated?

To calculate earnings, PERS considers several factors for each account. Let's look at employer reserves and side accounts.

Employer reserves

For employer reserve accounts, which include lump-sum payments (as applicable), each account is credited with a percentage of the PERS Fund's earnings based on the account's balance on December 31. We calculate the earnings amount for each account as follows:

Step 1: Preliminary calculation

Calculate the preliminary earnings rate using the balance in the PERS Fund General Ledger on December 31.

Step 2: Adjustments

- Contributions and employer side account payments
- retirements, tax remedy adjustments, and side account offset relief
- = preliminary earnings crediting amount

Step 3: Final calculation and earnings (or losses) applied

- Employer-reserve account balance, after adjustments
- "in-flight" retirements still processing on December 31, earnings charged on Transition Liability balance, and the allocation of Multnomah County Fire District #10 UAL
- = final earnings crediting and final employer reserve balance

Side accounts

Side accounts are credited with the actual earnings or losses of the PERS Fund Regular Account, less administrative expenses (i.e., \$1,500 to set up a new side account and \$500/year to maintain an existing side account).

Continued

Step 1: Side account balance

Side accounts are reduced over the year to lower the employer's payments (i.e., "offset relief"). The balance of the side account after these payments as of December 31 is the amount used for earnings crediting.

Step 2: Earnings (or losses) applied

New side accounts receive the [Oregon Short Term Fund](#) rate in effect for the month the money was deposited. Then all pre-2020 side accounts receive earnings based on a proportionate share of the total balance.

What is the difference between preliminary and final earnings crediting?

Preliminary earnings crediting is presented at the first PERS Board meeting of the year, and it accounts for activity through December 31. Final earnings crediting usually happens at the second board meeting of the year and captures all of the "in-flight" changes that were still processing during preliminary earnings crediting. This is scheduled for the March 29 meeting this year.

New in 2020

Senate Bill (SB) 1049 introduced Work After Retirement contributions (totaling \$42.9 million) and Employee Pension Stability Accounts (EPSA) (member redirected IAP contributions totaling \$38.1 million), for a total of \$81 million in additional contributions received during calendar year 2020.

Those contributions increased the pre-earnings reserve balance for the earnings calculation, which **reduced employer rates**. If that additional funding were removed, based on preliminary rates, the Tier Two rate would increase to 7.34% (vs 7.21% reported) and the side account average would be 7.50% (vs 6.98% reported), which is much closer to the actual investment performance of 7.66% reported by [Oregon State Treasury/State Street](#).

Legal compliance

The earnings crediting process and the allocation of earnings are dictated by state statutes, rules, and laws.

- The PERS Board is charged with crediting the earnings from the PERS Fund each calendar year. Earnings are allocated as directed by statute or rule, and the PERS Board has discretion on any unallocated amount.
- ORS 238.670(5) requires PERS to submit a preliminary proposal to the appropriate legislative committee at least 30 days before making a final decision on earnings crediting.
- OAR 459-007-0005, the Annual Earnings Crediting rule, requires that earnings are calculated as of December 31 of each calendar year and credited on balances as of that date.
- ORS 238.229 directs how earnings on employer lump sum payment accounts are allocated.

Learn more

- This article is a simplified overview of the earnings crediting process. For more detail, read [PERS by the Numbers](#).
- To look up **OARs and ORSs**, go to the [Oregon Administrative Rules website](#) and the [Oregon Revised Statutes website](#).

Continued

- Tune into the March 29 **PERS Board meeting** for the presentation of final earnings crediting. Information will be available on the [PERS Board Information webpage](#).
- Listen in to next **Oregon Investment Council (OIC) meeting** on March 10 at 9:00 a.m. for a presentation of Q4 2020 OPERF updates.

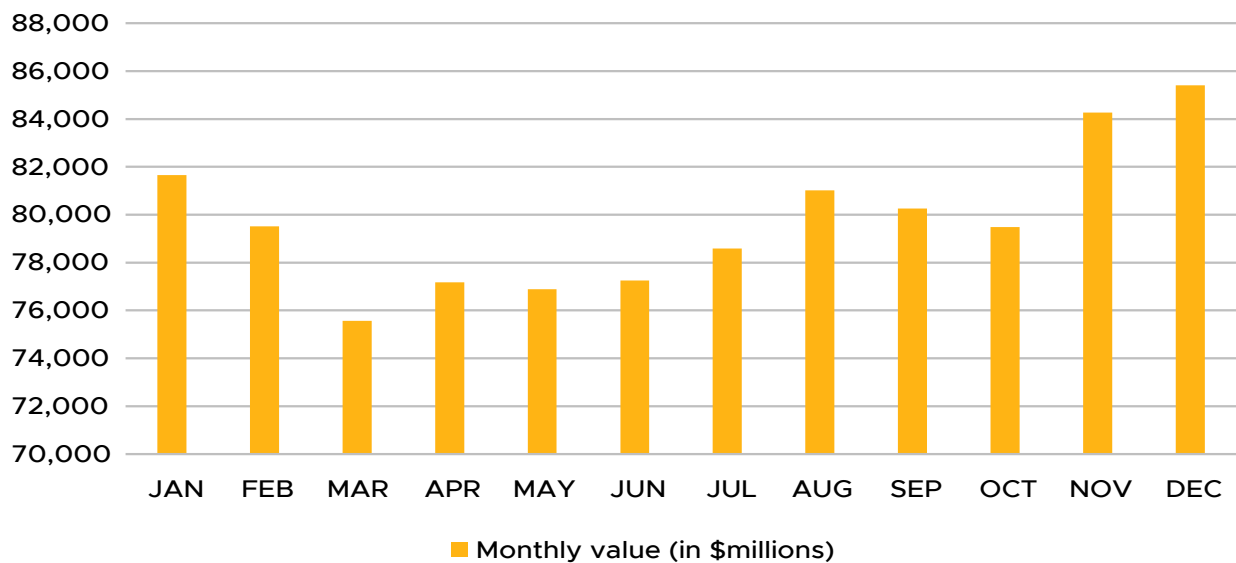
Instructions: The public can join via Teams live event. The link to join the March 10 meeting is included in the agenda, which was posted on March 3. Go to the [Treasury website](#). On the March calendar, click on the March 10 OIC meeting. In the pop-up window, click on the Agenda Download: [Download](#) link to open the OIC agenda, which provides a link to join the virtual meeting.

Oregon State Treasury tracks OPERF and posts monthly and quarterly updates on the fund on the [Oregon State Treasury Performance and Holdings webpage](#).

To access 2020 year-end summary of performance for all Treasury funds, open the [Rates of Return chart](#).

The chart below shows total OPERF net asset value for each month of 2020, according to [Treasury's Performance and Holdings 2020 report](#).

2020 OPERF net asset value



Legislative update



The first regular legislative session of 2021 began on January 19 and will continue through the summer. It's a busy session this year:

- Usually about 3,000 bills are introduced. This session, the Legislature is expecting more than 4,000 bills.
- Usually 20% to 30% of bills pass. This session, that percentage may be even lower because of the time it takes to run a virtual committee.

PERS-introduced bills

The PERS agency has introduced three bills for committee discussion. Proposed Senate Bills 111, 112, and 113 consist of administrative fixes for the PERS plan. The bills, explained in more detail in the [February Employer Newsletter](#), are still working their way through committee.

Other bills involving PERS

There are about 30 bills being introduced by various legislators that involve PERS, the plan. These cover topics such as:

- Police and Fire designation.
- Reimbursement of employee contributions at 90% funded status.
- Release time counted as service time for union members.
- Pension forfeiture if convicted of rape or murder.
- Final average salary (FAS) calculated on 5 years instead of 3 years.
- Lower retirement age for Police & Fire members.

There are about 70 bills that involve PERS, the agency, covering topics such as:

- How procurement happens.
- Human Resources employment law.
- Emergency management.
- Public meetings and public records.
- Administrative rulemaking.
- Public contracting.

Learn more

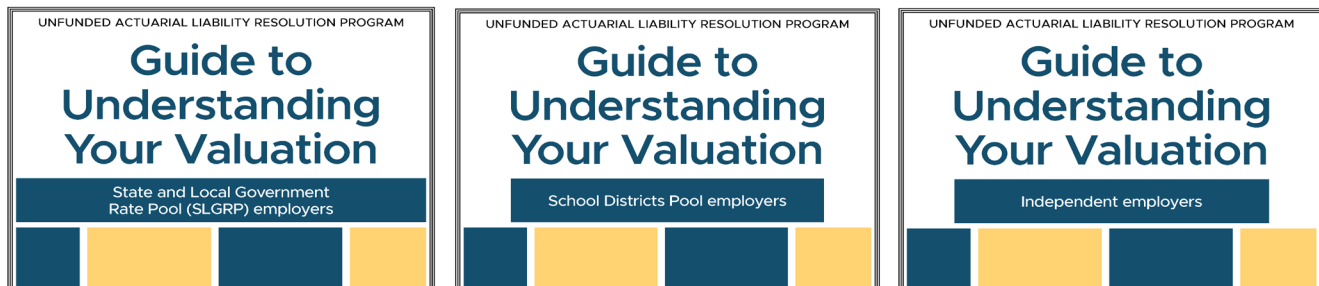
To read the bills that involve PERS, go to the Oregon Legislature website [Find a Bill webpage](#). Enter "PERS" in the search bar, and the page will create a list of results.

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

Announcing new ‘Guide to Understanding Your Valuation’

So you went to the [PERS Actuarial Valuations webpage](#) and downloaded your valuation report. Now what? In a report of up to 30 pages, it can be challenging to know what information is most relevant to you and then decipher what that information means.

Announcing the second in our series of five Unfunded Actuarial Liability Resolution Program (UALRP) educational guides: the “Guide to Understanding Your Valuation.”



This guide, produced by PERS’ Actuarial Activities section and Communications section, shows the most important pages in your valuation, what the information on those pages means, how the PERS actuary uses your financial data to calculate your rate, and more.

The guide has three versions:

- [State and Local Government Rate Pool \(SLGRP\) employers](#)
- [School District Pool employers](#)
- [Independent employers](#)

UALRP guide #1

If you have not already downloaded the first guide, click: “[Guide to Understanding Your Rate](#)” (PDF)

Q&A about Member (IAP) Redirect’s effect on final average salary

Q1: For Tier One and Tier Two members, if a portion of their 6% IAP contribution is employer-paid pre-tax (EPPT) and is redirected to their Employee Pension Stability Account (EPSA), is the IAP amount included in final average salary (FAS) also reduced? (The Tier One/Tier Two redirect amount is 2.5%.)

No. Even if a portion of the 6% IAP contribution is EPPT and is redirected to EPSA, the member’s full IAP EPPT contribution of 6% of subject salary is added to FAS in benefit calculations.

Q2: If an employee opts to make a voluntary contribution to their IAP (part of [SB 1049 Member \(IAP\) Redirect](#)), does that affect their FAS?

No. Voluntary contributions are member-paid after-tax (MPAT) contributions, which are not included in FAS for members.

Continued

Q3: The optional employer contribution allows employers to contribute additional IAP amounts for members up to 6% of subject salary as EPPT contributions. Is this additional amount included in a Tier One or Tier Two member's FAS?

No. Optional employer IAP contributions are not included in FAS.

Q4: Do any IAP contributions impact the FAS for OPSRP members?

No. IAP contributions are not included in the OPSRP FAS calculation.

Q5: Is salary posted with wage code 08 Contributions/No Service included in FAS?

Yes. Salary posted as Contributions/No Service is included in FAS if it is paid within 31 days of the member's last day of service. (Remember that service credit could be impacted.)

About final average salary (FAS)

FAS is a major component in the calculation of a retiree's monthly pension.

- [Tier One/Tier Two members:](#)
EPPT contributions are included in the Tier One/Tier Two FAS calculation up to the limit allowed by Senate Bill (SB) 1049 Salary Limit.
- [OPSRP members](#) (at this link, click OPSRP Pension Program, F, and then Final Average Salary):
FAS calculation is similar to Tier One and Two, but the high three years must be *consecutive* calendar years, and OPSRP members' lump-sum payments are *not included* in subject salary.

EPPT contributions are *not included* in FAS for OPSRP members.

About Salary Limit

Starting January 1, 2020, SB 1049 changed the definition of "salary" for PERS purposes and created a new limitation on subject salary used for PERS benefit calculations and contributions.

SB 1049 limits the annual salary amount that PERS uses to calculate an employee's PERS benefits — it does not limit an employee's actual salary. It only applies to salary paid (and eligible Tier One/Tier Two lump-sum payments) in the year 2020 and beyond.

- **2021 Salary Limit:** \$197,730/year (changes every year)
- **Partial-year salary limits:** Prorates annual limits for members with active employment of less than 12 months during the year. [Partial-Year Salary Limits: Information for Employer Reporters webpage](#)
- **Member information:** [Salary Limit webpage for members](#)

About member contribution types

Member contribution types are categories of contributions that define who makes the contribution and how it relates to taxes. There are currently three types of contributions: member paid pre-tax (MPPT), member paid after-tax (MPAT), and employer paid pre-tax (EPPT). Electing or changing a contribution type requires an employer to notify PERS in writing and provide a Board resolution or bargaining contract.

- **Employer paid pre-tax (EPPT):** Employers may elect to pay the pre-tax, 6% contribution on behalf of their employees.
- **Member paid pre-tax (MPPT):** Employers selecting member paid pre-tax (MPPT), deduct the 6% contribution from their member's salary prior to calculating the tax deduction.
- **Member paid after-tax (MPAT):** Employers can also decide to deduct the 6% contribution after all taxes are deducted.

EDX tip: The demographic correction request (DCR) Comments box

When you submit a DCR to request an action from PERS, the information you include in the Comments box is important for us to fully understand your request.

If we send the DCR back to you with questions in the PERS Comments box, please do not erase your original comments. Add your response with that day's date below your previous comments.

That enables your ESC representative to understand your request as we go back and forth with questions.

Example

PERS staff returned DCR for clarification twice, on 2/22 and 2/23. Each time, the employer left their previous comment and added a date.

Demographic Correction Request

PERS Comments

2/22/2021: Please confirm did member change employment history from a NQ employment to a Q employment eff 8/15/2020?
 2/23/2021: A DCR is not the proper method to report this type of change. Please submit a DTL1-02 termination and re-hire eff 8/15/20 in new Q employment. Can this request be canceled?

SSN/PERS ID

[Learn more about working with Demographic Correction Request](#)

Job Segment	Hire Intent	Start Date	Term/End Date	Last Day Service	Job Class	Position Type	Plan	Average OT Hours	Contract No. of Months	Unused Sick Leave
1	NQ	01/31/2019			School Employee	Non-Qualifying Service	OPSRPDB	2000	12	

Start Date From 01/31/2019 To

Term/End Date From To Remove Term/End Date

Last Day Service From To

Job Class From School Employee To

New Position Type

Average OT Hours

Contract No. of Months

Hire intent

Unused Sick Leave

Review Contribution Start Date

Delete Position

Start Date: End Date:

Start Date: End Date:

Comments

Member in qualifying position effective 8/15/2020
 2/22/2021: Yes, she is now hired into a qualifying position
 2/23/2021: Yes, please cancel