

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING

Friday January 30, 2015 1:00 P.M.		PERS 11410 SW 68 th Parkway Tigard, OR	
ITEM		PRESENTER	
A. Administration			
1.	November 21, 2014 Board Meeting Minutes Director's Report	RODEMAN	
	a. Forward-Looking Calendar b. OIC Investment Report c. Investment Modernization Act d. Budget Execution Report e. Employer Advisory Group Development	SKJERVEM SKJERVEM	
B. Administrative Rulemaking			
1. 2. 3. 4.	Notice of Health Insurance Program Enrollment Rule Notice of IAP Earnings Crediting Rules Adoption of Definition of Service Rule Adoption of GAAP Cost Allocation Rule	VAUGHN	
C. Action and Discussion Items			
1. 2. 3.	Preliminary 2014 Earnings Crediting and Reserving 2015 Legislative Session Preview Strategic Planning Update	DUNN TAYLOR TERRY	
D. Executive Session Pursuant to ORS 192.660(2)(f), (h), and/or ORS 40.225			
1.	Litigation Update	LEGAL COUNSEL	

There will be an Audit Committee meeting immediately following the regular Board meeting.

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2015 Meetings: ·March 30* ·May 29 ·July 31* ·September 25 ·November 20* * Audit Committee

John Thomas, Chair Pat West, Vice Chair Krystal Gema Michael Jordan Rhoni Wiswall Steve Rodeman, Executive Director
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OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

BOARD MEETING MINUTES

November 21, 2014

Board Members:

John Thomas, Chair
Krystal Gema
Michael Jordan
Pat West
Rhoni Wiswall

Staff:

Donna Allen	Mary Dunn	Beth Porter	Larry Weiss
Linda Barnett	Yvette Elledge	Daniel Rivas	Joli Whitney
Paul Brown	Brian Harrington	Steve Rodeman	Yong Yang
Matt Bryan	Jessica Johnson	Jason Stanley	
Paul Cleary	Kyle Knoll	Marjorie Taylor	
David Crosley	Jordan Masanga	Karen Terry	

Others:

Nathan Carter	Greg Hartman	Elizabeth McCann	Carol Samuels
Sue Cutsogeorge	Claire Hertz	Brian Metke	Deborah Tremblay
Joe Di Lillo	David Lacy	Laura Munson	Trudy Vidal
Linda Ely	Matt Larrabee	Scott Preppernau	

Chair John Thomas called the meeting to order at 1:00 P.M. Board member Michael Jordan attended the meeting by telephone.

ADMINISTRATION

A.1. BOARD MEETING MINUTES OF SEPTEMBER 26, 2014

Board member Krystal Gema moved and Board member Rhoni Wiswall seconded approval of the minutes submitted from the September 26, 2014 Board meeting. The motion passed unanimously.

A.1.a DIRECTOR'S REPORT

Executive Director Paul Cleary reviewed the 2015 Forward Looking Calendar. Cleary presented the Oregon Investment Council (OIC) Investment Report for the period ending September 30, 2014. Returns are at 6.1 percent year to date on the regular account and 3.41 percent on the variable account. We do not yet have the official report for October, but the earnings will be close to projections – about 6.8 percent on the regular account and 4.4 percent on the variable account.

Cleary also presented the September 2014 Budget Execution Report. There continues to be a positive variance of about \$1.7 million or 2 percent of the total biennial operating budget. The legislation implementation budget (Senate Bill 822 and 861) also continues on track with a positive variance of about 20 percent or \$436,000 of the \$2 million biennial budget. About \$9.4 billion per biennia passes through the agency including the operating budget. PERS' budget is one of the largest books of business of any state agency.

A.1.d. PERS DATA FOR NEW GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB) REPORTING REQUIREMENTS BY EMPLOYERS

Incoming Executive Director Steve Rodeman presented an update on the new GASB requirements. The document outlined the schedule for the roll out of the new requirements for employers. In the next month, each employer will begin receiving sample data. This is an effort to familiarize employers with the new data format. In March, information will be published and distributed to employers to help explain the changes to financial statements. In June, audited actuarial data will be distributed for inclusion in their financial statements. No Board action was required.

A.1.e. BOARD SCORECARD REPORT ON AGENCY PERFORMANCE MEASURES

Clery presented the scorecard report on agency performance measures for the third quarter of 2014. He began by acknowledging the great work done by Steve Rodeman to implement the NOW management process which is reflected in the positive results shown in the latest scorecard. Third quarter 2014 results show great progress in reducing our call center wait times and eliminating the backlog in the benefit estimate process. Rodeman added that the reaction to the positive performance is to continue to look for process improvements and not rest on our laurels.

No Board action was required.

A.1.f STRATEGIC PLANNING UPDATE

Rodeman began by introducing Strategic Planning and Organizational Development Consultant Karen Terry to the Board. He reviewed the strategic planning process to date and highlighted the four themes of the plan: organizational management and development; member service and communication; data reliability; and information technology. Each theme has several goals and objectives.

In the next phase of the plan, key stakeholders will be engaged to provide input on the draft goals and objectives. A more refined draft will be presented to the Board at its January 30, 2015 meeting to ensure it meets with the Board's expectations for agency performance.

Thomas thanked Rodeman and Terry for the presentation and looks forward to hearing more in January. No Board action was required.

ADMINISTRATIVE RULEMAKING

Rodeman introduced Policy, Analysis and Compliance Section Manager Stephanie Vaughn and noted that she will be presenting the rulemaking section of the agenda moving forward.

B.1. NOTICE OF DEFINITION OF SERVICE RULE

Vaughn presented the notice of rulemaking for the Definition of Service Rule, OAR 459-070-0001. This rule must be amended as it is currently inconsistent with the definition of service in ORS 238A.005(7)(b). A rulemaking hearing will be held November 25, 2014, and the public comment period ends December 31, 2014. No Board action was required.

B.2. NOTICE AND TEMPORARY ADOPTION OF GAAP RULE

Vaughn presented the notice and temporary adoption for rulemaking for the GAAP Cost Allocation Rule, OAR 459-007-009. Vaughn noted that there is a slight modification to the rule as previously adopted. There is an element of the rule which needs to be in place for year end to comply with statutory provisions to recover costs from 2014 earnings that necessitates adopting a temporary rule at this meeting. A rulemaking hearing is scheduled for November 25, 2014, and the public comment period ends December 31, 2014. Board member Pat West moved to adopt temporary modifications to the GAAP Cost Allocation rule as presented and Jordan seconded. The rule passed unanimously.

B.3. ADOPTION OF OSGP RULES

Vaughn presented the OSGP Rules, OAR 459-050-0076 and OAR 459-050-0120, for adoption. These rules must be updated to reflect changes made to federal law and proposed improvements in the program.

Board member Wiswall moved to adopt modifications to the OSGP rules as presented. West seconded. The rule passed unanimously.

ACTION AND DISCUSSION ITEMS

C.1. LEGISLATIVE UPDATE

Senior Policy Advisor Marjorie Taylor presented a legislative update. Three legislative concepts were drafted after seeking input from the Legislative Advisory Committee and the Board for potential agency bills. After sharing drafts of the resulting concepts with interested parties and Legislative Advisory Committee members, a collective recommendation has been made that these concepts do not merit separate introduction as agency bills during the 2015 session. Staff will instead seek other resolutions that were to be addressed by these concepts; most may be possible through administrative action. One solution may be addressed legislatively if an existing bill provides an opportunity to add an amendment.

Gema asked if there would be any additional costs if we deal with these issues administratively. Taylor advised that no costs were anticipated to continue with current practices. Gema moved that staff not introduce the agency legislative concepts. West seconded. The motion passed unanimously.

The PERS Legislative Advisory Committee is a statutorily required committee formed to advise the Board on legislative proposals that impact PERS benefits. In preparation for the 2015 legislative session, staff requested that the Board confirm membership of the LAC. Rob Bovett, BethAnne Darby, and Melissa Unger have been added to replace previous members who were no longer available to serve on the committee. A total of 12 members have been recommended for appointment to the Legislative Advisory Committee.

West commented that the Legislative Advisory Committee can be a difficult group to keep unified as they have differing goals. Wiswall asked why there is only one city representative. Taylor advised that the particular member is a long-term member who has served in other previous roles and that his unique perspective is valued on the committee. Also, she noted that the League of Oregon Cities is represented on the committee and that organization represents the interests of all cities.

Wiswall moved to approve the Legislative Advisory Committee members as presented. Gema seconded. The motion passed unanimously.

C.2. FINANCIAL MODELING PRESENTATION

Matt Larrabee and Scott Preppernau of Milliman presented long-term projections of system average contribution rates and funded status reflecting estimated investment results through October 31, 2014. The rates were projected with a steady return model and a variable return model. Steady return model projections show that funded status will reach 100 percent by 2030 when investment returns equal 7.75 percent. The variable return model shows a 75 percent likelihood that the funded status will reach 100 percent during the next 20-year period.

Preliminary year-end 2014 investment results will be available at the January meeting.

Thomas thanked Larrabee and Preppernau for their presentation.

No Board action was required.

Thomas adjourned the Board meeting at 1:50 PM.

Respectfully submitted,



Steven Patrick Rodeman
Executive Director

PERS Board Meeting Forward-Looking Calendar

Monday, March 30, 2015

Annual Report of Executive Director's Financial Transactions
 Adoption of Health Insurance Program Enrollment Rule
 Adoption of IAP Earnings Crediting Rules
 Notice of Disability Application Rules
 Notice of Reductions or Deductions of Benefit Payment Rule
 Final 2014 Earnings Crediting and Reserving
 2015 Legislative Session Update
 Audit Committee Meeting

Friday, May 29, 2015

Adoption of Disability Application Rules
 Adoption of Reductions or Deductions of Benefit Payment Rule
 Board Scorecard Report on Agency Performance Measures
 Review of Actuarial Methods and Assumptions
 2015 Legislative Session Update
 2016 Retiree Health Insurance Plan Renewals and Rates
 OSGP Advisory Committee Appointments

Friday, July 31, 2015

2015 Legislative Session Review
 2014 Experience Study and Adoption of Actuarial Methods and Assumptions
 Audit Committee Meeting

Friday, September 25, 2015

Customer Service Survey Results
 2014 Actuarial Valuation and 2017-19 Employer "Advisory Rates"

Friday, November 20, 2015

Board Scorecard Report on Agency Performance Measures
 Audit Committee Meeting

Returns for periods ending 11/30/14

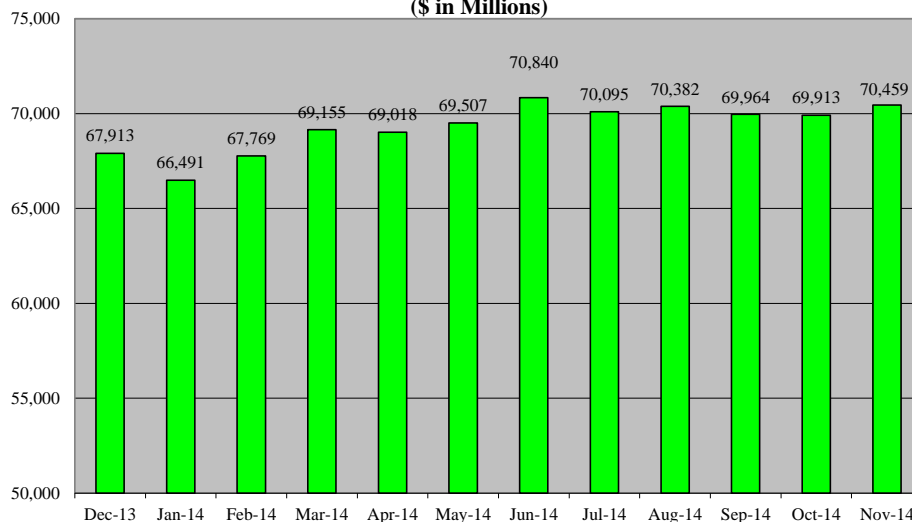
Oregon Public Employees Retirement Fund

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
Public Equity	32.5-42.5%	37.5%	\$ 28,274,883	40.6%	4.58	6.55	16.69	15.65	11.33	11.18	3.67	6.93
Private Equity	16-24%	20%	14,934,255	21.4%	15.32	21.50	18.06	13.24	15.71	16.81	8.46	14.22
Total Equity	52.5-62.5%	57.5%	43,209,138	62.0%								
Opportunity Portfolio			1,009,047	1.4%	8.82	9.72	12.13	13.71	11.11	11.39	8.06	
Total Fixed	15-25%	20%	16,462,377	23.6%	3.81	3.72	2.68	5.35	5.33	6.48	6.41	6.01
Real Estate	9.5-15.5%	12.5%	7,658,698	11.0%	11.80	14.56	14.31	13.10	14.13	10.48	3.39	9.47
Alternative Investments	0-10%	10%	1,310,255	1.9%	4.15	4.28	5.09	2.74				
Cash	0-3%	0%	24,965	0.0%	0.59	0.59	0.66	0.96	0.76	0.77	1.13	2.11
TOTAL OPERF Regular Account		100%	\$ 69,674,480	100.0%	7.52	9.87	12.87	11.95	11.00	11.06	5.17	7.73
OPERF Policy Benchmark					8.69	11.36	13.50	12.90	11.73	11.10	5.58	7.65
Value Added					(1.17)	(1.49)	(0.63)	(0.95)	(0.73)	(0.04)	(0.41)	0.08
TOTAL OPERF Variable Account			\$ 785,009		5.87	7.73	15.84	15.18	11.08	10.69	3.48	5.22

Asset Class Benchmarks:

Russell 3000 Index	12.56	15.53	23.36	20.84	17.22	16.28	7.45	8.32
MSCI ACWI Ex US IMI Net	(0.60)	0.38	9.17	10.00	5.69	5.86	(0.01)	6.32
MSCI ACWI IMI Net	5.58	7.45	15.57	14.82	10.74	10.36	3.15	6.96
Russell 3000 Index + 300 bps--Quarter Lagged	20.34	28.91	26.96	19.91	23.80	22.81	10.28	11.96
Oregon Custom FI Benchmark	3.38	3.32	2.03	4.44	4.15	4.57	5.03	5.01
NCREIF Property Index--Quarter Lagged	8.40	11.21	10.97	11.32	12.65	9.67	4.86	8.63
91 Day T-Bill	0.03	0.05	0.06	0.07	0.09	0.09	0.43	1.58

TOTAL OPERF NAV
(includes variable fund assets)
One year ending November 2014
(\$ in Millions)



¹OIC Policy 4.01.18, as revised October 2013.

²Includes impact of cash overlay management.

³For mandates beginning after January 1 (or with lagged performance), YTD numbers are "N/A". Performance is reflected in Total OPERF. YTD is not annualized.

Returns for periods ending 12/31/14

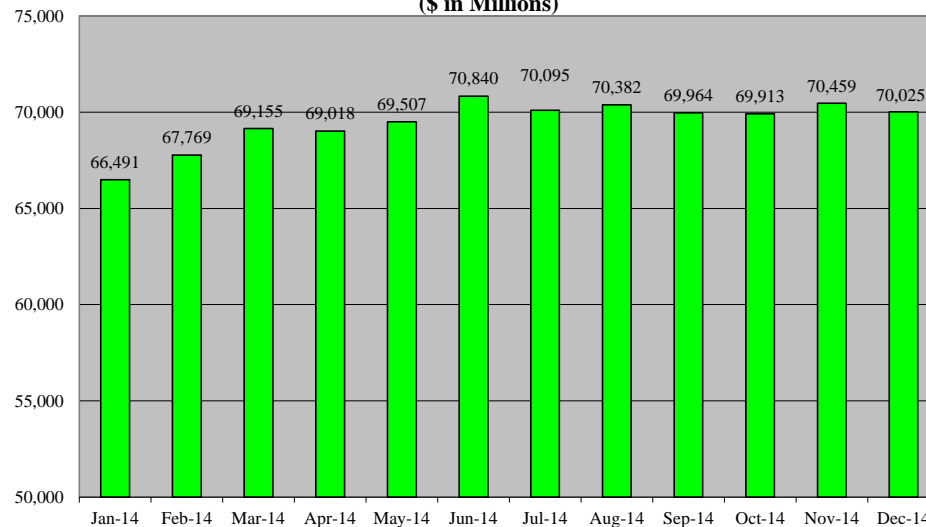
Oregon Public Employees Retirement Fund

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
Public Equity	32.5-42.5%	37.5%	\$ 27,715,061	40.0%	3.31	3.31	14.40	15.42	8.99	10.30	3.63	6.40
Private Equity	16-24%	20%	14,709,784	21.2%	15.90	15.90	16.04	15.50	14.37	14.78	8.22	13.81
Total Equity	52.5-62.5%	57.5%	42,424,845	61.3%								
Opportunity Portfolio			1,049,655	1.5%	8.81	8.81	11.86	14.01	10.75	11.07	8.29	
Total Fixed	15-25%	20%	16,426,468	23.7%	3.52	3.52	2.27	4.89	5.20	6.29	6.34	5.87
Real Estate	9.5-15.5%	12.5%	7,727,004	11.2%	14.16	14.16	13.49	13.54	13.76	10.45	3.67	9.12
Alternative Investments	0-10%	10%	1,363,285	2.0%	4.44	4.44	5.23	3.16				
Cash	0-3%	0%	265,442	0.4%	0.53	0.53	0.59	0.94	0.73	0.76	1.06	2.09
TOTAL OPERF Regular Account		100%	\$ 69,256,699	100.0%	7.29	7.29	11.36	12.33	9.71	10.28	5.17	7.37
OPERF Policy Benchmark					8.24	8.24	11.86	13.41	10.12	10.36	5.50	7.33
Value Added					(0.95)	(0.95)	(0.50)	(1.08)	(0.41)	(0.08)	(0.33)	0.04
TOTAL OPERF Variable Account			\$ 768,414		4.19	4.19	13.53	14.67	8.66	9.81	3.36	4.68

Asset Class Benchmarks:

Russell 3000 Index	12.56	12.56	22.61	20.51	15.31	15.63	7.54	7.94
MSCI ACWI Ex US IMI Net	(3.89)	(3.89)	5.50	9.22	2.79	4.71	(0.28)	5.51
MSCI ACWI IMI Net	3.84	3.84	13.27	14.30	8.29	9.48	3.08	6.37
Russell 3000 Index + 300 bps--Quarter Lagged	21.24	21.24	23.20	26.71	20.48	19.21	10.04	12.11
Oregon Custom FI Benchmark	3.04	3.04	1.65	3.92	4.27	4.75	4.94	4.87
NCREIF Property Index--Quarter Lagged	11.26	11.26	11.13	11.09	12.32	10.99	4.72	8.55
91 Day T-Bill	0.03	0.03	0.05	0.07	0.08	0.09	0.39	1.56

TOTAL OPERF NAV
(includes variable fund assets)
One year ending December 2014
(\$ in Millions)



¹OIC Policy 4.01.18, as revised October 2013.

²Includes impact of cash overlay management.

³For mandates beginning after January 1 (or with lagged performance), YTD numbers are "N/A". Performance is reflected in Total OPERF. YTD is not annualized.



Oregon

John A. Kitzhaber, M.D., Governor

Public Employees Retirement System

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January 30, 2015

TO: Members of the PERS Board
FROM: Steven Patrick Rodeman, Executive Director
SUBJECT: Investment Modernization Act

In the last two legislative sessions, bills have been introduced to create the Oregon Investment Department (OID). The primary objective of these legislative efforts has been to better align the existing fiduciary responsibilities of the Oregon Investment Council (OIC) with the operating and budget authority required to properly and prudently manage Oregon's investment funds. In the current model, the OIC relies on the State Treasurer's office for staff and budget support. In the proposed model, staff would report directly to the OIC and the OIC would assume explicit operating and budget authority. This concept is returning for the 2015 session in the form of Senate Bill 134¹, otherwise known as the Investment Modernization Act (IMA).

Passage of SB 134 would not affect the PERS Plan (other than a statutory reference in ORS Chapter 238A). However, this change would benefit the administration of that plan in at least two ways:

1. Investment Administration. The OIC has a fiduciary obligation as managers of the PERS Fund (as well as the other public moneys under their charge). Prudent administration of that obligation requires resources dedicated to many functions, not the least of which are risk management, compliance, and internal controls. In the current model, the Council does not have direct control over those resources. Staff supporting those functions are under the direction of the State Treasurer, and budget authority for those staff resides with the Oregon Legislature through its budget approval process. The OID creates a structure much like the PERS Board where the OIC gains authority to hire an Executive Director and OID staff to perform those functions and activities the OIC deems necessary for the proper and prudent discharge of its fiduciary responsibilities.
2. Management Costs. To the extent that these fiduciary oversight functions are being provided now, they are largely delivered through outside contractors, managers and consultants. With the creation of the OID, those costs could be significantly reduced by bringing those functions in-house. In fact, annual estimates of those savings run to the tens of millions of dollars once the OID is fully staffed. Those cost reductions are important, as any dollars saved on plan administration are used to fund member benefits.

The proposed OID will improve the administration of the PERS Plan on the "asset" side of the ledger, improving investment oversight and reducing costs. As an *ex-officio* member of the OIC, I also hope to be engaged in the build-up of the OID once the bill passes, and look to identify potential efficiencies by combining administrative functions.

John Skjervem, Oregon's Chief Investment Officer, will attend the PERS Board's meeting to present the year-end investment report and respond to any questions about this bill.

¹ A identical, companion House Bill 2733 has also been introduced.



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January 30, 2015

TO: Members of the PERS Board
FROM: Kyle J. Knoll, Financial & Administrative Services Division Administrator
SUBJECT: January 2015 Board Report

2013-15 OPERATIONS BUDGET

Operating expenditures for November 2014 and preliminary expenditures for December 2014 were \$3,117,641 and \$3,111,696 respectively. Final expenditures for December closed in the Statewide Financial Management System on January 16, 2015, and will be included in the March 2015 report to the Board.

- To date*, through the first eighteen months (75%) of the 2013-15 biennium, the Agency has expended a total of \$56,697,380, or 67.2% of PERS' legislatively approved operations budget of \$84,427,392.
- PERS is awaiting approval from the Legislative Fiscal Office before requesting the remaining \$392,642 expenditure limitation to complete Phase II of a project to transfer administration of the Individual Account Program from a third party administrator to PERS.
- The current projected positive variance is \$2,315,701 or approximately 2.74% of the operations budget. The Agency's goal is to maintain a positive variance of at least \$1.7 million (2%).

SENATE BILL (SB) 822 and SB 861 BUDGETS

These separate budget limitations were approved by the Legislature in 2013 and 2014 for the administrative costs to implement the COLA modifications for 2013 and beyond; remove tax remedy benefits for recipients who do not pay Oregon income taxes because they do not reside in Oregon; implement the six-year supplementary payments program; and recalculate employer contribution rates effective July 1, 2013. Funding was also provided for the necessary technology enhancements, additional call center agents, and Attorney General expenses.

- Expenditures to date are \$1,073,731 or 52.86% of the cumulative SB 822 and SB 861 legislatively approved budget of \$2,031,096.
- The current projected variance is \$499,489 or 24.59% of the SB 822 and SB 861 budget of \$2,031,096.

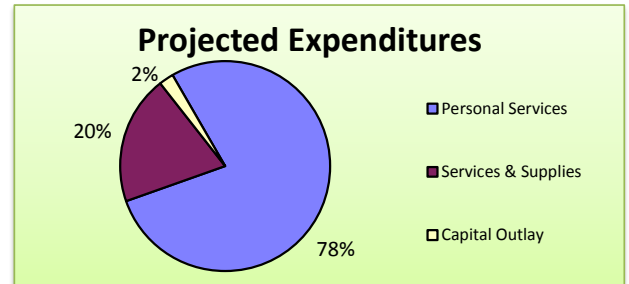
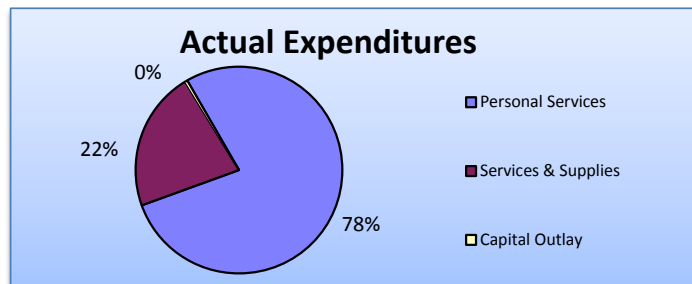
* Based on the preliminary December 2014 expenditures.

**2013-15 Agency-wide Budget Execution
Summary Budget Analysis
Preliminary For the Month of: December 2014**

Limited - Operating Budget

2013-15 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2013-15 LAB	Variance
Personal Services	44,374,401	16,646,032	61,020,433	63,535,242	2,514,809
Services & Supplies	11,534,400	8,492,909	20,027,309	19,638,697	(388,612)
Capital Outlay	788,579	275,370	1,063,949	1,253,453	189,504
Total	56,697,380	25,414,311	82,111,691	84,427,392	2,315,701



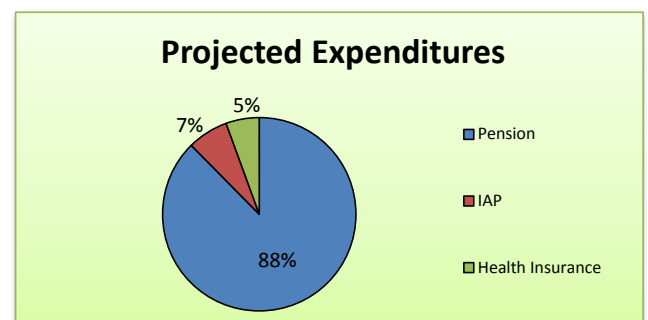
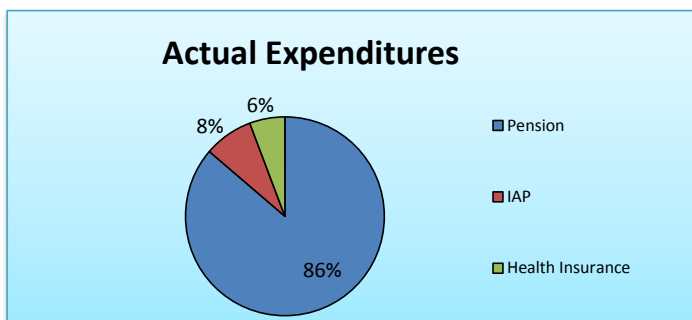
Monthly Summary

Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	2,559,573	2,741,739	182,166	2,465,245	2,378,004
Services & Supplies	552,123	642,248	90,125	640,800	1,196,492
Capital Outlay	0	0	0	43,810	39,339
Total	3,111,696	3,383,987	272,291	3,149,855	3,613,835

Non-Limited Budget

2013-15 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	5,547,528,775	2,361,635,697	7,909,164,472	8,148,014,000	238,849,528
IAP	513,950,326	184,137,845	698,088,171	721,200,000	23,111,829
Health Insurance	369,236,344	149,971,682	519,208,026	408,661,000	(110,547,026)
Total	6,430,715,445	2,695,745,224	9,126,460,669	9,277,875,000	151,414,331



Summary Budget Analysis

Preliminary For the Month of: December 2014

Biennial Summary - SB822 & SB861					
Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2013-15 LAB	Variance
Personal Services	294,024	227,277	521,301	827,446	306,145
Services & Supplies	779,707	230,599	1,010,306	1,203,650	193,344
Capital Outlay					
Total	1,073,731	457,876	1,531,607	2,031,096	499,489

Actual Expenditures

- Personal Services: 27%
- Services & Supplies: 73%
- Capital Outlay: 0%

Projected Expenditures

- Personal Services: 50%
- Services & Supplies: 50%
- Capital Outlay: 0%

SB822 Project					
Biennial Summary					
Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2013-15 LAB	Variance
Personal Services	123,920	112,816	236,736	435,018	198,282
Services & Supplies	427,959	3,231	431,190	573,133	141,943
Capital Outlay					
Total	551,879	116,047	667,926	1,008,151	340,225

Monthly Summary					
Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	11,836	18,020	6,185	6,884	16,117
Services & Supplies	3,462		(3,462)	23,776	485
Capital Outlay					
Total	15,298	18,020	2,722	30,660	16,602

SB861 Project					
Biennial Summary					
Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2013-15 LAB	Variance
Personal Services	170,104	114,461	284,565	392,428	107,863
Services & Supplies	351,748	227,368	579,116	630,517	51,401
Capital Outlay					
Total	521,852	341,829	863,681	1,022,945	159,264

Monthly Summary					
Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	17,817	18,330	513	9,450	16,352
Services & Supplies	78,814	78,814		19,542	32,481
Capital Outlay					
Total	96,631	97,144	513	28,992	48,833



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January 30, 2015

TO: Members of the PERS Board

FROM: Steven P Rodeman, PERS Executive Director

SUBJECT Formation of the Employer Advisory Group

BACKGROUND

PERS Board member Michael Jordan and I recently met with a few employer representatives at their request to discuss formation of an Employer Advisory Group. The Group was proposed as a sounding board to improve the agency's administration of the PERS Plan on behalf of employers. Having access to a diverse and engaged group (see Attachment 1) can only improve our effective and efficient administration.

GROUP CHARTER

A charter for the Employer Advisory Group was drafted to establish membership, roles and responsibilities, and decision-making authority of the Group. Participants were solicited from the employer associations, as described in the charter.

As the Employer Advisory Group is being formed, clarifying its role as distinct from the Legislative Advisory Committee (LAC) is important. The LAC is formed by statute and comprised equally of representatives from member and employer organizations. The LAC's role is to support the PERS Board as policy advisors to the Oregon Legislature; therefore, the LAC will continue to have purview over the analysis and positions, if any, on proposed changes to the PERS Plan by the legislature (e.g., ORS Chapters 238 and 238A).

In contrast, the Employer Advisory Group will, as the charter states, be responsible for reviewing and, when relevant, contributing to the discussion of plan administration issues as they are developed for the PERS Board (or staff if the issue is being addressed without involving the Board). Perhaps this distinction is best illustrated by describing how these two entities may address a current issue.

"CONTRIBUTION START DATE" IMPLEMENTATION

At the Employer Advisory Group's first meeting, held on January 23, 2015, they discussed a letter that the Association of Oregon Counties (AOC) sent to the PERS Board. That letter (see Attachment 2) raised concerns with PERS' guidance on when to start contributions after an employee gains membership status. This issue involves both member and employer contributions, which have been inconsistently administered since the creation of OPSRP in 2004. This inconsistency has arisen through changes in the understanding of the statute by PERS and

certain employers, and is further complicated by the variety of pay schedule structures that employers use.

As mentioned in the AOC letter, they are seeking a statutory solution to resolve this inconsistency. We expect that the LAC will consider whether a policy recommendation on the matter should come from the PERS Board. From an administrative standpoint, that consideration may be informed by the perspective of the Employer Advisory Group through the employer representatives on the LAC.

Regardless of the statutory solution, however, the issue of cleaning up the inconsistent application of the Contribution Start Date over the prior years still needs to be addressed. PERS is continuing discussions with the Employer Advisory Group on resolving disparities due to the inconsistent administration of the current statute. Should that resolution involve an administrative policy decision, such as tapping the Contingency Reserve for costs of the contributions or earnings, agency staff will be able to work with the Employer Advisory Group to present their input on that decision, just as we have worked with the PERS Coalition to refine the members' perspective on such matters.

As stated in the charter, the Employer Advisory Group should "ensure alignment of comprehension and execution as to policy decisions by participating employers and full understanding of the issues when policy questions are presented to the PERS Board for resolution." On behalf of the PERS staff, we welcome this Group's dedication and commitment to more effective and efficient administration of the PERS Plan.

A.1.e. Attachment 1 Employer Advisory Group Charter

A.1.e. Attachment 2 Association of Oregon Counties December 1, 2014 Letter to PERS Board

Group Purpose	The PERS Employer Advisory Group provides perspective and insight into the development and implementation of agency policies that affect a broad spectrum, if not all, of PERS-participating employers. This group not only assures that such policies are considered from the various employers' perspectives and needs, but also engages with the employers they represent to foster collaboration and consistency in the implementation of policy changes.
Charter Authority	The PERS Board expects its staff to work with employers as the retirement plan is administered on behalf of employers. This group is assembled to ensure alignment of comprehension and execution as to policy decisions by participating employers and full understanding of the issues when policy questions are presented to the PERS Board for resolution.
Group Responsibilities & Individual Roles	<p>The PERS Employer Advisory Group is responsible for reviewing and, when relevant, contributing to the discussion of policy issues as they are developed for the PERS Board or staff (if the issue is being addressed without involving the Board). Individual group members are responsible for representing their designated employer groups' interests and, where appropriate, distributing information to the represented group when further input or education is necessary.</p> <p>PERS Executive Team members and Employer Advisory Group members, or their designees, are responsible for identifying and presenting policy issues that fit within this Group's scope. The agency is also responsible for facilitating an open and informed deliberative process where relevant perspectives are presented to the decision-maker on a particular policy's implementation.</p> <ul style="list-style-type: none"> • Group members and agency staff who support the group are to attend scheduled meetings and activities. • Group members stay current on policy development through review of agency board and audit committee report summaries and related communications. • Group members stay engaged with their respective appointing organizations to facilitate distribution of relevant communications through the process of policy development. • Agency staff advise the group of upcoming policy issues, provide background information, and answer questions. • Group members support the group's directions and assist with executing those directions.
Membership	<p>Members will be designated by each of the following groups or associations; the process for the designation shall be determined by the respective groups, however, designated Members shall have expertise in technical and policy issues related to PERS:</p> <ul style="list-style-type: none"> • Association of Oregon Counties • League of Oregon Cities • Oregon Community Colleges Association • Oregon School Boards Association • Special Districts Association • State of Oregon's Department of Administrative Services <p>Members should be appointed to ensure that a diversity of perspectives (size, geography, etc.) are represented. The Group will be staffed by PERS at the request of the Executive Director.</p>
Decision Making & Issue Elevation	The Group can reach consensus on policy recommendations to the PERS Board but does not make decisions that are binding on the Board itself. The Group can elevate issues to the PERS Board through a request to the PERS Executive Director for an agenda item to be added to an upcoming public meeting.



December 1, 2014

PERS Board
PERS Headquarters
11410 SW 68th Parkway
Tigard, OR 97223

SENT via email

RE: Significant concern with PERS changing “earned when earned” to
“earned when paid” for OPSRP members

Dear Members of the PERS Board,

Recently, PERS has invoiced some of our members for additional benefits for employees and former employees who are part of the PERS Oregon Public Service Retirement Plan (OPSRP) pension program. These are employees that are not members of Tier One or Two in the PERS system. PERS staff determined that additional benefits were due to these employees based on an interpretation of Oregon Revised Statutes that identifies when OPSRP members are first eligible for contribution benefits. At this point, we have several questions regarding these additional invoiced contributions. The issues and related background information follow:

- 1) When OPSRP was first implemented in 2004, the related statutes did not appear to be clear regarding the exact contribution start date (CSB) for calculation of member benefits. Our members have several email communications with PERS that document the discussion regarding the contribution start date. Our members recall several employer-PERS meetings to discuss this particular issue.
- 2) The confusion is due to the difference between two separate interpretations of the contribution start date. These two interpretations are identified as “earned when earned” versus “earned when paid.” When an employee begins working for a PERS covered employer for the first time, they become eligible for PERS membership on the first day of the month following six months of employment. For example, if an employee begins employment on January 15th, they become a PERS member on August 1st.
- 3) If a pay period crosses over the beginning of the month, as is frequently the case for some of our members, then the two separate interpretations of contribution eligibility create a difference in the contribution calculation. Using a pay period example of July 20, 2014 through August 2, 2014, with a pay date of August 12, 2014, for an OPSRP employee who becomes a PERS member on August 1, 2014, the differences between the two interpretations are as follows:

- a. Earned When Earned – this interpretation sets the contribution start date to match the beginning of the PERS membership date. In the example, PERS benefits would only be calculated for the two days after the employee became a member – August 1st and August 2nd. The pay period dates of July 20th through July 31st would not be included in the calculation of contribution benefits.
 - b. Earned When Paid – this interpretation sets the contribution for benefits to include all time paid on a pay check received after the membership date. In the example, PERS contributions would be calculated on the entire pay period July 20th through August 2nd, because the pay check for that pay period was received after August 1st, the membership start date. This interpretation adds 12 additional days to the contribution calculation and payment.
- 4) Sometime around 2006, PERS determined that the appropriate benefit calculation under the 2004 OPSRP legislation should be “Earned When Earned.” Employers were actually instructed to pay benefits based on that interpretation back to 2004. PERS then later implemented a system within their software for employers to use, which required (per their instructions) payroll information to be entered on an “Earned When Earned” basis.
- 5) With the recent invoices from PERS, our members have been provided information that suggests PERS has made a policy change, and has now decided that the benefit period should be based on an “Earned When Paid” basis. PERS staff have indicated that this is not a policy change, but was found to be a “programming” error that they are now trying to correct. When one of our members inquired, PERS acknowledged that they were surprised that some of our members had already been invoiced for these differences, because they had not yet internally worked through an employer communication plan. However, no refunds have been issued.
- 6) PERS recently distributed a draft communication document to some employers and solicited feedback. In this document, PERS is requesting employers to immediately review any 2014 (back to January) employee records for employees that became members and the contribution calculation was based on “Earned When Earned” and “correct” those records to “Earned When Paid” for contribution calculations. The document also requests that all OPSRP members that become eligible for membership on a “going forward basis” be entered into the system under the “Earned When Paid” calculation. PERS indicated that they will have future employer discussions to determine how to “correct” records between 2006 and 2014. The correct time period is actually back to 2004. PERS is under the misunderstanding that this error has only been occurring since the implementation of their software solution. However, our members had been instructed, prior to 2006, to use the earned when earned calculation beginning 2004.
- 7) There are several concerns raised by this specific issue and by PERS current position as stated in their draft communication. These concerns are:
 - a. PERS has not yet provided any documentation that justifies this interpretation of the statute. The statute itself is not specific, which is why PERS spent two years between 2004 and 2006 working with employers to decide the appropriate benefit

period. If new information is available, PERS needs to provide that information to employers for discussion.

- b. It appears that PERS is addressing this as a “programming error.” That statement is not accurate based on documentation mentioned above. PERS intentionally programmed the system to match the interpretation that was given to employers at that time. In addition, some of the language included in the draft employer communication appears to misrepresent actual statutory language with what is clearly PERS interpretation of statutory language. PERS has indicated that they will be more clear in their communication as to what is statute and what is interpretive language.
- c. The State of Oregon and school districts have been using the “Earned When Paid” benefit calculation since 2004 at PERS direction. This difference seems to be based on language that refers to “local governments” in the OPSRP statute. There has been no explanation as to why there was a difference for the state and schools compared to municipalities.
- d. The draft communication to employers, which includes a request to make “corrections” to employee records, appears to be premature. Employers have had no opportunity to discuss this change and determine if PERS interpretation is correct. In addition, it does not appear that PERS upper management is fully aware of this issue and it has not yet been discussed with the PERS Board. PERS should NOT send out this request until employers and PERS have come to a mutual agreement as to the necessary action to be taken.
- e. The cost of these changes could be substantial for some employers. Marion County, for example, has estimated that the cost could be \$250,000 to \$300,000 for retroactive corrections back to 2004. This estimate does not include the cost of lost earnings on these contributions. There needs to be some discussion with PERS as to who is going to be responsible for these costs – if it is agreed that “Earned When Paid” is the correct interpretation and retroactive adjustments need to be made. In addition to the benefit cost, there will be significant staff time involved in reviewing and correcting 10 years of employee records. Who is responsible for those costs?
- f. There is a cost going forward into the future that also should be recognized. Employees, based on the employer pay period and pay date, could now be eligible for an additional full pay period of benefit calculation than under the “Earned When Paid” interpretation. That will be true for all future OPSRP members. It is imperative that this decision is absolutely accurate to ensure this is a true cost that employers must accommodate. It could also be a “practical” change in the PERS probation period.

The recent communication with PERS staff seems to indicate that they continue to plan to distribute the employer communication requesting immediate changes to employee records based on this new interpretation of the statute. There needs to be further discussion and review of the impacts of such a decision at this point.

The Association of Oregon Counties therefore is asking the PERS Board to reconsider these recent actions by PERS. In the alternative, we intend to seek clarifying legislation, restoring the status quo ante. I very much look forward to hearing from you.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Rob Bovett', with a stylized flourish at the end.

Rob Bovett
Legal Counsel
Association of Oregon Counties



Oregon

John A. Kitzhaber, M.D., Governor

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January 30, 2015

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Notice of Health Insurance Program Rule:
OAR 459-035-0070, *Enrollment*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Clarify the enrollment requirements for the PERS Health Insurance Program (PHIP) dental insurance program.
- Policy Issue: No policy issues have been identified at this time.

BACKGROUND

Retired members who are eligible to enroll in PHIP are also eligible to enroll in PERS dental insurance. A retired member must enroll in PHIP to be eligible to enroll in the dental program and is only eligible to enroll in the dental program at the same time as PHIP. If a retired member discontinues participation in the dental insurance program, that member can only re-enroll in the dental insurance program during an available enrollment period and subject to the same qualifications. The proposed rule modifications clarify that the enrollment requirements are the same for both the health insurance and dental insurance programs.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held February 24, 2015 at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends March 6, 2015 at 5:00 p.m.

LEGAL REVIEW

The attached rule was submitted to the Department of Justice for legal review and any comments or changes will be incorporated before the rule is presented for adoption.

IMPACT

Mandatory: No.

Impact: Provides direction to retirees regarding enrolling in the dental insurance program.

Cost: There are no discrete costs attributable to the rule changes.

RULEMAKING TIMELINE

January 15, 2015	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
January 30, 2015	PERS Board notified that staff began the rulemaking process.
February 1, 2015	<i>Oregon Bulletin</i> publishes the Notice. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
February 24, 2015	Rulemaking hearing to be held at 2:00 p.m. at PERS in Tigard.
March 6, 2015	Public comment period ends at 5:00 p.m.
March 30, 2015	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

A rulemaking hearing will be held February 24, 2015 at 2:00 p.m. at PERS headquarters in Tigard. The rule is scheduled to be brought before the PERS Board for adoption at the March 30, 2015 Board meeting.

B.1. Attachment 1 - OAR 459-035-0070, *Enrollment*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 035 – HEALTH INSURANCE PROGRAMS**

1 **459-035-0070**

2 **Enrollment**

3 (1) Enrollment requirements of PERS-sponsored health insurance plans for eligible
4 persons are as follows:

5 (a) An eligible person must complete all applicable parts of PERS Medical & Dental
6 Insurance Application form, and file the form with the Third Party Administrator
7 including, in the case of a dependent domestic partner, an Affidavit of Dependent
8 Domestic Partnership. The form must indicate which plan is desired and it must list
9 individually all dependents, including the spouse, that are to be enrolled. The form can be
10 obtained from the Third Party Administrator or PERS;

11 (b) An eligible person who is a retiree may enroll:

12 (A) Within 90 days of the retiree’s effective date of retirement;

13 (B) At any time if covered under another group health insurance plan for 24
14 consecutive months immediately preceding enrollment, provided that the application for
15 enrollment is filed within 30 days of loss of coverage. Health care coverage under
16 workers’ compensation, Medicare or any other governmental entitlement program for
17 health care do not qualify as other group health insurance coverage for purposes of this
18 paragraph;

19 (C) Within 90 days of initial Medicare eligibility, if the retiree is enrolled in Parts A
20 and B of Medicare; or

21 (D) During an open enrollment period designated by the Board.

1 (c) Except as provided in subsection (f) of this section, an eligible spouse or
2 dependent must be enrolled at the same time and in the same plan as the eligible retiree;

3 (d) An eligible surviving spouse or dependent who is enrolled under the deceased
4 retiree’s plan at the time of death may continue coverage under that plan, and must
5 complete a Medical & Dental Insurance Application form as soon as possible following
6 the retiree’s death;

7 (e) An eligible surviving spouse or dependent who is not covered under the retiree’s
8 plan at the time of the retiree’s death, may enroll:

9 (A) Within 90 days of the retiree’s death;

10 (B) At any time if covered under another group health insurance plan for 24
11 consecutive months immediately preceding enrollment, provided that the application for
12 enrollment is filed within 30 days of loss of coverage. Health care coverage under
13 workers’ compensation, Medicare or any other governmental entitlement program for
14 health care do not qualify as other group health insurance plan coverage for purposes of
15 this paragraph;

16 (C) Within 90 days of initial Medicare eligibility, if he or she is enrolled in Parts A
17 and B of Medicare; or

18 (D) During an open enrollment period designated by the Board.

19 (f) A new spouse, dependent domestic partner, or dependent may be enrolled:

20 (A) Within 30 days of becoming a spouse, a dependent domestic partner or
21 dependent;

22 (B) If not enrolled in Medicare, only with the same carrier that the eligible retiree is
23 enrolled in;

1 (C) If enrolled in Parts A and B of Medicare, only in the Medicare Companion Plan
2 offered by the same carrier that covers the eligible retiree.

3 (g) An eligible retiree’s spouse may enroll within 90 days of initial Medicare
4 eligibility, if he/she is enrolled in Parts A & B of Medicare even though the retiree
5 remains enrolled in a non-PERS health plan.

6 (2) Special enrollment requirements for dental insurance plans:

7 (a) Only persons who are enrolled in a PERS-sponsored health insurance plan may
8 enroll in a PERS-sponsored dental insurance plan. That enrollment must be made
9 under the enrollment conditions for the PERS-sponsored health insurance that are
10 described in section (1) of this rule.[:]

11 (b) Dental insurance coverage is not available to any eligible person unless all family
12 members (the retiree, spouse, dependent domestic partner and dependent(s)) who are
13 enrolled in a PERS-sponsored health insurance plan also enroll in the same PERS-
14 sponsored dental insurance plan.[:]

15 *[(c) If the retiree, spouse, dependent domestic partner and dependent(s) do not*
16 *enroll in a PERS-sponsored dental insurance plan when eligible, or later choose to*
17 *discontinue dental coverage, they will not be allowed to re-enroll in a PERS-sponsored*
18 *dental insurance plan.]*

19 Stat. Auth.: ORS 238.410 & ORS 238.650

20 Stats. Implemented: ORS 238.410, ORS 238.415 & ORS 238.420



Oregon

John A. Kitzhaber, M.D., Governor

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January 30, 2015

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Notice of IAP Earnings Crediting Rules:
OAR 459-007-0320, *Crediting Earnings for IAP Account Lump Sum Payments*
OAR 459-007-0330, *Crediting Earnings for IAP Account Lump Installment Payments*
OAR 459-080-0250, *IAP Account Installments*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Clarify earnings crediting for IAP Account payments under OAR 459-007-0320 and 459-007-0330, and change the definition of the term “Anniversary Date” for the purpose of the IAP Account Installments in OAR 459-007-0330.
- Policy Issue: No policy issues have been identified at this time.

BACKGROUND

OAR 459-007-0320 and 459-007-0330 outline how earnings are credited to distributions from the IAP. Lump sum distributions from the IAP are credited with the latest year-to-date calculation as of the date of distribution; IAP accounts of retired members electing installment payments are credited with the latest year-to-date calculation as of the date of the initial distribution. The latest year-to-date calculation is determined on a monthly basis, as defined in OAR 459-007-0001. The proposed rule change clarifies that the monthly latest year-to-date calculation is applied on a *calendar month* basis, so all distributions made in the same month will receive the same earnings crediting rate. The proposed change is a clarification; there is no change in our administration of the IAP.

One of the retirement options for the IAP is the Anticipated Lifespan Option. This option employs a distribution method approved by the Internal Revenue Service (IRS) intended to establish substantially equal payments to retired members, which is an exception to the additional 10 percent tax on early distributions. The IRS approved method requires an annual recalculation of the member’s account to determine the distribution(s) for the following year. This annual recalculation is done on the member’s anniversary date, currently defined as the first of the month following the initial distribution. The current definition of anniversary date causes the annual recalculation to fall out of sync with the timing of the distribution(s). For example, a member electing to receive annual installments would receive the second annual installment one month before the annual recalculation. The proposed rule change establishes the anniversary date as the first of the month of the date of distribution, bringing the annual recalculation in line with the timing of the distributions.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held February 24, 2015 at 2:00 p.m. at PERS headquarters in Tigard. The public comment period ends March 6, 2015 at 5:00 p.m.

LEGAL REVIEW

The attached rules were submitted to the Department of Justice for legal review and any comments or changes will be incorporated before the rules are presented for adoption.

IMPACT

Mandatory: No.

Impact: Provides clarification to members regarding administration of their IAP account distributions.

Cost: There are no discrete costs attributable to the rule changes.

RULEMAKING TIMELINE

January 15, 2015	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
January 30, 2015	PERS Board notified that staff began the rulemaking process.
February 1, 2015	<i>Oregon Bulletin</i> publishes the Notice. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
February 24, 2015	Rulemaking hearing to be held at 2:00 p.m. at PERS in Tigard.
March 6, 2015	Public comment period ends at 5:00 p.m.
March 30, 2015	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

A rulemaking hearing will be held February 24, 2015 at 2:00 p.m. at PERS headquarters in Tigard. The rule is scheduled to be brought before the PERS Board for adoption at the March 30, 2015 Board meeting.

B.2. Attachment 1 - OAR 459-007-0320, *Crediting Earnings for IAP Account Lump Sum Payments*

B.2. Attachment 2 - OAR 459-007-0330, *Crediting Earnings for IAP Account Lump Installment Payments*

B.2. Attachment 3 - OAR 459-080-0250, *IAP Account Installments*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 007 – EARNINGS AND INTEREST DISTRIBUTION**

1 **459-007-0320**

2 **Crediting Earnings for IAP Account Lump Sum Payments**

3 (1) When an IAP member retires and elects to receive a lump sum payment of their
4 account(s) under ORS 238A.400(1), earnings will be credited in the manner specified in
5 this section.

6 (a) If earnings for the calendar year before the date of distribution have not been
7 credited, earnings for that year will be credited based on the latest IAP year-to-date
8 calculation available for that year.

9 (b) Earnings credited for the calendar year of distribution will be credited based on
10 the latest IAP year-to-date calculation as of the first of the month of the date of
11 distribution.

12 (2) When an IAP member elects to withdraw their account(s) under ORS 238A.375,
13 earnings will be credited in the manner specified in this section.

14 (a) If earnings for the calendar year before the date of distribution have not been
15 credited, earnings for that year will be credited based on the latest IAP year-to-date
16 calculation available for that year.

17 (b) Earnings credited for the calendar year of distribution will be credited based on
18 the latest IAP year-to-date calculation as of the first of the month of the date of
19 distribution.

20 Stat. Auth.: ORS 238A.450

21 Stats. Implemented: ORS 238A.350, 238A.375 & 238A.400

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 007 – EARNINGS AND INTEREST DISTRIBUTION**

1 **459-007-0330**

2 **Crediting Earnings for IAP Account Installment Payments**

3 (1) For the purposes of this rule, “monthly change rate” means the monthly earnings
4 rate for IAP account(s) when a retiree elects installment payments.

5 (2) When an IAP member retires and elects to receive installment payments under
6 ORS 238A.400(2), earnings will be credited in the manner specified in this rule:

7 (a) For the initial installment payment:

8 (A) If earnings for the calendar year before the date of distribution have not been
9 credited, earnings for that year shall be credited based on the latest IAP year-to-date
10 calculation available for that year.

11 (B) Earnings credited for the calendar year of distribution will be credited based on
12 the latest IAP year-to-date calculation as of the first of the month of the initial date of
13 distribution.

14 (b) After the initial installment payment is made, earnings will be credited monthly
15 using the latest monthly change rate beginning with the first of the month after the initial
16 date of distribution.

17 Stat. Auth.: ORS 238A.450

18 Stats. Implemented: ORS 238A.350 & 238A.400

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 080 – OPSRP INDIVIDUAL ACCOUNT PROGRAM**

1 **459-080-0250**

2 **IAP Account Installments**

3 (1) Definitions.

4 (a) “Anniversary date” means the first of the month *[after]* of the date of distribution
5 of the first installment payment.

6 (b) “Date of distribution” has the same meaning as defined in OAR 459-007-0001(7).

7 (c) “Estimated Life Expectancy” means the member’s life expectancy as determined
8 by the applicable IRS mortality table.

9 (d) “Payout Period” means the span of years over which the member elects to receive
10 installment payments under section (2) of this rule.

11 (2) Upon retirement, a member of the individual account program who elects to
12 receive the amounts in the member’s employee and employer accounts in installments
13 under ORS 238A.400(2) shall designate the number of years over which the installments
14 are to be paid, selecting a period of 5, 10, 15, or 20 years, or a period equal to the
15 member’s estimated life expectancy. The member may also request that installments be
16 made on a monthly, quarterly, or annual basis.

17 (3) Account balances will be adjusted each month in accordance with OAR 459-007-
18 0330.

19 (a) The amount of each 5-, 10-, 15-, or 20-year installment will be determined by
20 dividing the member's adjusted balance by the number of remaining installment payments.

21 (b) The installment amount for the member's estimated life expectancy will be
22 determined once a year by dividing the member's adjusted balance on the anniversary date

1 by the member's remaining estimated life expectancy, which amount will then be paid
2 monthly, quarterly, or annually.

3 (4) If a member requests installments under section (2) of this rule, but the amount of
4 the requested installment would be less than \$200 as determined at the time of the initial
5 request, the frequency and Payout Period of the installment payment will be modified so
6 that the amount of the installment is at least \$200. If the member's account balance is
7 \$1,000 or less at the time of the initial request, the member will not be eligible for
8 installments and the balance will be paid in a lump sum.

9 (5) Notwithstanding the Payout Period selected by the member under section (2) of
10 this rule, any distribution will be adjusted to comply with the required minimum
11 distribution requirements of 26 U.S.C. 401(a)(9) and regulations implementing that
12 section, as in effect on December 31, 2013.

13 (6) Members who elect a five year Payout Period or a lump sum payment may elect to
14 directly roll over any portion of their IAP installment or lump sum payment to an eligible
15 retirement plan subject to the limitations in OAR 459-005-0595.

16 (7) Members who elect a 10-, 15-, or 20-year, or an estimated life expectancy Payout
17 Period cannot elect to have any portion of their installment payments rolled over.

18 (8) Members who are subject to the required minimum distribution requirements
19 referenced in section (5) of this rule may only roll over that portion of their installment or
20 lump sum payments that exceeds required minimum distribution requirements.

21 Stat. Auth.: ORS 238A.450

22 Stats. Implemented: ORS 238A.400



Oregon

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January 30, 2015

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Adoption of Definition of Service Rule:
OAR 459-070-0001, *Definitions*

OVERVIEW

- Action: Adopt modifications to the Definition of Service rule.
- Reason: Remove language that includes time during which an employee receives workers' compensation payments as service for OPSRP.
- Policy Issue: No policy issues were identified.

BACKGROUND

Generally, to be eligible for OPSRP benefits, a person must provide services to a participating PERS employer. ORS 238A.005(7)(b) defines "hour of service" as excluding any hour for which payment is made under a plan maintained solely for the purposes of complying with applicable workers' compensation laws or unemployment compensation laws. However, OAR 459-070-0001(19)(b) currently provides that "service" means a period in which an employee receives a payment of "salary," as defined in ORS 238A.005 or similar payment from workers' compensation or disability. This language is inconsistent with the statute, and the proposed rule modification removes the inconsistent language.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held November 25, 2014 at 2:00 p.m. at PERS headquarters in Tigard. No members of the public attended. The public comment period ended December 31, 2014 at 5:00 p.m. No public comment was received.

LEGAL REVIEW

The attached rule was submitted to the Department of Justice for legal review and any comments or changes are incorporated in the rule as presented for adoption.

IMPACT

Mandatory: Yes, to align the administrative rule with statute.

Impact: Clarify OPSRP definition of service.

Cost: There are no discrete costs attributable to the rule changes.

RULEMAKING TIMELINE

October 15, 2014	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
November 1, 2014	<i>Oregon Bulletin</i> published the Notice. Notice was sent to employers, legislators, and interested parties. Public comment period began.
November 21, 2014	PERS Board notified that staff began the rulemaking process.
November 25, 2014	Rulemaking hearing held at 2:00 p.m. at PERS in Tigard.
December 31, 2014	Public comment period ended at 5:00 p.m.
January 30, 2015	Board may adopt the permanent rule modifications.

BOARD OPTIONS

The Board may:

1. Pass a motion to “adopt modifications to the Definition of Service rule, as presented.”
2. Direct staff to make other changes to the rule or explore other options.

STAFF RECOMMENDATION

Staff recommends the Board choose Option #1.

- Reason: Remove language that includes time during which an employee receives workers’ compensation payments as service for OPSRP.

If the Board does not adopt: Staff would return with rule modifications that more closely fit the Board’s policy direction if the Board determines that a change is warranted.

B.3. Attachment 1 - OAR 459-070-0001, *Definitions*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459**

DIVISION 070 – OREGON PUBLIC SERVICE RETIREMENT PLAN, GENERALLY

1 **459-070-0001**

2 **Definitions**

3 The words and phrases used in divisions 070, 075, 076, and 080 of OAR Chapter
4 459 have the same meaning given them in ORS 238A.005 to 238A.475, unless otherwise
5 indicated. Specific and additional terms for purposes of divisions 070, 075, 076 and 080
6 are defined as follows unless context requires otherwise:

7 (1) “Academic employee of a community college” means an instructor who teaches
8 classes offered for college-approved credit or on a non-credit basis.

9 (a) Librarians, counselors, and aides in non-teaching positions, tutors, or other non-
10 teaching faculty, and classified, professional or nonprofessional support staff are not
11 academic employees for the purposes of ORS 238A.142, but are subject to the
12 membership requirements under ORS 238A.100 and OAR 459-075-0010.

13 (b) The governing body of a community college must determine who is an academic
14 employee in its employ under this rule. In making that determination, a community
15 college must consider all disciplines (academic activity) collectively when an employee’s
16 assignment includes multiple disciplines.

17 (2) “Business day” means a day Monday through Friday when PERS is open for
18 business.

19 (3) “Calendar month” means a full month beginning on the first calendar day of a
20 month and ending on the last calendar day of the same month.

21 (4) “Calendar year” means 12 consecutive calendar months beginning on January 1
22 and ending on December 31.

1 (5) “Employee” has the same meaning as “eligible employee” in ORS 238A.005 and
2 shall be determined in accordance with OAR 459-010-0030.

3 (a) For the purposes of ORS 238A.005 to 238A.475, the term “employee” includes
4 public officers whether elected or appointed for a fixed term.

5 (b) The term “employee” does not include:

6 (A) An individual who performs services for a public employer as a contractor in an
7 independently established business or as an employee of that contractor in accordance
8 with OAR 459-010-0032; or

9 (B) An individual providing volunteer service to a public employer without
10 compensation for hours of service as a volunteer.

11 (6) “Employee class” means a group of similarly situated employees whose positions
12 have been designated by their employer in a policy or collective bargaining agreement as
13 having common characteristics.

14 (7) “Employee contributions” means contributions made to the individual account
15 program by an eligible employee under ORS 238A.330, or on behalf of the employee
16 under ORS 238A.335.

17 (8) “Final Average Salary” (FAS) has the same meaning given the term in:

18 (a) ORS 238A.130(1) for OPSRP Pension Program members who are not employed
19 by a local government as defined in ORS 174.116; or

20 (b) ORS 238A.130(3) for OPSRP Pension Program members who are employed by a
21 local government as defined in ORS 174.116.

22 (9) “Member” has the same meaning given the term in ORS 238A.005.

23 (10) “Member account” means the account of a member of the individual account
24 program.

1 (11) “Member of PERS” has the same meaning as “member” in ORS 238.005, but
2 does not include retired members.

3 (12) “OPSRP” means the Oregon Public Service Retirement Plan.

4 (13) “Overtime” means the salary or hours, as applicable, that an employer has
5 designated as overtime.

6 (14) “Partial year of hire” means a period in the calendar year the employee begins
7 employment after the first working day of the year, and continues employment through
8 December 31.

9 (15) “Partial year of separation” means a period in the calendar year the employee
10 separates from employment that begins on January 1 of the year, and ends before the last
11 working day of the year.

12 (16) “Qualifying position” has the same meaning as provided in ORS 238A.005 and
13 means a position designated by the employer as qualifying, including a position in a
14 partial year of hire, partial year of separation, or short segment, except:

15 (a) A position or concurrent positions in which an employee performs at least 600
16 hours of service in a calendar year is qualifying regardless of employer designation.

17 (b) A position in a partial year of separation is qualifying regardless of employer
18 designation if the position is continued from an immediately preceding calendar year in
19 which the employee performed at least 600 hours of service in the position or concurrent
20 positions.

21 (c) A position with one employer in which the employee is employed for the entire
22 calendar year and fails perform at least 600 hours of service in that position or concurrent
23 positions in the calendar year is non-qualifying regardless of employer designation.

1 (17) “Salary” has the same meaning given the term in ORS 238A.005 and includes a
2 differential wage payment, as defined in OAR 459-005-0001.

3 (18) “School employee” has the meaning given the term in ORS 238A.140(7).

4 (19) “Service” means a period in which an employee:

5 (a) Is in an employer/employee relationship, as determined in accordance with OAR
6 459-010-0030; and

7 (b) Receives a payment of “salary,” as defined in ORS 238A.005 [*or similar*
8 *payment from workers’ compensation or disability*].

9 (20) “Short segment” means a period in the calendar year during which the
10 employee is hired after the first working day of the year, and separated from employment
11 before the last working day of the same calendar year.

12 (21) “Volunteer” means an individual who performs a service for a public employer,
13 and who receives no compensation for the service performed. The term “volunteer” does
14 not include an individual whose compensation received from the same public employer
15 for similar service within the same calendar year exceeds the reasonable market value for
16 such service.

17 (22) “Working day” means a day that the employer is open for business. Unless the
18 employer communicates this information to PERS, PERS will presume an employer’s
19 “working day” is the same as a “business day,” as defined in section (2) of this rule.

20 Stat. Auth.: ORS 238A.450

21 Stats. Implemented: ORS Chapter 238A



Oregon

John A. Kitzhaber, M.D., Governor

Item B.4.

Public Employees Retirement System

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January 30, 2015

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Adoption of GAAP Cost Allocation Rule:
OAR 459-007-0009, *Allocating Costs of Compliance with Generally Accepted Accounting Principles*

OVERVIEW

- Action: Adopt modifications to the GAAP Cost Allocation rule.
- Reason: Remove rule language that could be inconsistent with House Bill 4155 (2014) regarding recovery of administrative expenses.
- Policy Issues: No policy issues were identified.

BACKGROUND

OAR 459-007-0009 was adopted by the PERS Board on July 25, 2014, as authorized by House Bill 4155 (2014) (now codified at ORS 238.610). The rule establishes procedures for recovering the additional actuarial and auditing costs associated with providing employers information necessary to comply with the new GASB 68 requirements.

The last sentence of OAR 459-007-0009(2) needs to be clarified. As previously adopted, the permanent rule states: "In any year in which earnings on those accounts are not sufficient to recover those costs, employer contribution accounts will be reduced by the amount of those costs." Although ORS 238.610(1)(a) allows for administrative expenses to be deducted from employer accounts, (1)(b) specifically says that administrative costs may be recovered "only from interest earned on employer contributions...." The statute does not specifically allow employer accounts to be reduced. Rather, in practice, there are always earnings throughout the year even though there may be a net loss for a particular year. These GASB 68 costs will be deducted from these employer earnings prior to netting all earnings and losses for the calendar year.

The modifications were adopted as a temporary rule by the Board at the November 21, 2014 meeting, because the rule needed to be in effect before the end of the calendar year for earnings crediting purposes. This item is to adopt the same modifications as a permanent rule.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held November 25, 2014 at 2:00 p.m. at PERS headquarters in Tigard. No members of the public attended. The public comment period ended December 31, 2014 at 5:00 p.m. No public comment was received.

LEGAL REVIEW

The attached rule was submitted to the Department of Justice for legal review and any comments or changes are incorporated in the rule as presented for adoption.

IMPACT

Mandatory: Yes, to comply with ORS 238.610(1)(b).

Impact: The OAR implements the requirements of HB 4155 to establish procedures for recovering administrative costs from participating public employers for providing to those employers information or services needed for GAAP reporting compliance.

Cost: There are no discrete costs attributable to the rule changes.

RULEMAKING TIMELINE

October 15, 2014	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
November 1, 2014	<i>Oregon Bulletin</i> published the Notice. Notice was sent to employers, legislators, and interested parties. Public comment period began.
November 21, 2014	PERS Board notified that staff began the permanent rulemaking process. Board adopted the temporary rule.
November 25, 2014	Rulemaking hearing held at 2:00 p.m. at PERS in Tigard.
December 31, 2014	Public comment period ended at 5:00 p.m.
January 30, 2015	Board may adopt the permanent rule modifications.

BOARD OPTIONS

The Board may:

1. Pass a motion to “adopt modifications to the GAAP Cost Allocation rule, as presented.”
2. Direct staff to make other changes to the rule or explore other options.

STAFF RECOMMENDATION

Staff recommends the Board choose Option #1.

- Reason: Remove the rule language that conflicts with House Bill 4155 (2014) regarding recovery of administrative expenses.

If the Board does not adopt: Staff would return with rule modifications that more closely fit the Board’s policy direction if the Board determines that a change is warranted.

B.4. Attachment 1 - 459-007-0009, *Allocating Costs of Compliance with Generally Accepted Accounting Principles*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 007 – EARNINGS AND INTEREST DISTRIBUTION**

1 **459-007-0009**

2 **Allocating Costs of Compliance with Generally Accepted Accounting Principles**

3 (1) Pursuant to ORS 238.610(1)(b), PERS will provide employers with audited
4 financial data each year to comply with generally accepted accounting principles as
5 established by the Government Accounting and Standards Board (GASB) standards.

6 (2) Prior to earnings crediting each year, PERS shall compile the actuarial, auditing,
7 and internal staff costs of providing the audited financial data it will provide to
8 employers. Earnings on employer contribution accounts shall be reduced by the amount
9 of those costs. *[In any year in which earnings on those accounts are not sufficient to*
10 *recover those costs, employer contribution accounts will be reduced by the amount of*
11 *those costs.]*

12 Stat. Auth.: ORS 238.650, 238A.450

13 Stats. Implemented: ORS 238.610(1)(b)



Oregon

John A. Kitzhaber, M.D., Governor

Public Employees Retirement System

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January 30, 2015

TO: Members of the PERS Board

FROM: Mary Dunn, Senior Policy Director of Operations
Kyle J. Knoll, Administrator, Financial & Administrative Services

SUBJECT: 2014 Preliminary Earnings Crediting and Reserving

OVERVIEW

- Action: Preliminarily allocate 2014 earnings.
- Reason: 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.
- Subject: Crediting earnings for calendar year 2014 to the PERS Fund's accounts and reserves.

The PERS Board is charged with crediting the earnings from the PERS Fund each calendar year. Some of those allocations are directed by statute or rule; the balance are at the PERS Board's discretion.

EARNINGS ALLOCATIONS DIRECTED BY STATUTE OR RULE

The following reserves and accounts are allocated earnings by applicable statute or rule. In compliance with these restrictions, the preliminary earnings allocation reflects the following:

1. **Administrative Expenses:** PERS administrative costs are funded by earnings when they are sufficient, as they were in 2014 (ORS 238.610(1)). As directed by House Bill 4155 (2014 Regular Session), the administrative costs to comply with Governmental Accounting Standards Board (GASB) 68 reporting standards will be recovered only from earnings on employer's contributions. Those costs have not been finalized as some of the actuary's work from 2014 has not yet been billed, but a final cost figure will be provided in March as part of the final earnings crediting process.
2. **Health Insurance Accounts:** These accounts are created as part of the PERS Fund and directed by statute to be credited with actual earnings or losses, less the expense related to the administration of the programs (ORS 238.410(7); 238.415(4); 238.420(4)). For 2014, the preliminary crediting rate for these accounts is estimated to be 6.96% for RHIA, 3.22% for RHIPA, and 0.5387% for SRHIA (invested in the Treasury Short-Term Fund).
3. **Employer Lump Sum Payment Accounts:** These accounts are credited with actual earnings or losses of the PERS Fund Regular Account less administrative expenses, as authorized by ORS 238.225. For 2014, the preliminary crediting rate for these accounts is estimated to average 7.78%.
4. **Variable Annuity Account:** This account is credited with earnings and losses on its distinct asset allocation of the PERS Fund. The Variable Annuity Account is only invested in equities and therefore its earnings are discrete from those of the more diversified PERS Fund Regular Account. For 2014, preliminary variable earnings are estimated to be 4.30%.

- 5. Individual Account Program (IAP):** These member accounts are credited with actual earnings or losses of the PERS Fund Regular Account as required by ORS 238A.350(1). Preliminary IAP earnings for 2014 are estimated to be 7.09% after deducting IAP expenses.
- 6. Tier One Rate Guarantee Reserve:** This reserve, established under ORS 238.255(1), is used to fund crediting of the assumed rate to Tier One member regular accounts. As earnings did not at least equal the assumed rate this year, a transfer from this reserve to Tier One member regular accounts will be required. Were this reserve to be allocated a proportionate share of 2014 earnings, it would have been credited with \$31.7 million. Of that total, \$26.1 million would be used to credit Tier One member regular accounts with the assumed rate. The remaining \$5.6 million in earnings would result in a balance of \$439.8 million in this Reserve for future crediting to those accounts.

CONTINGENCY RESERVE ALLOCATION

When the PERS Fund's calendar year earnings exceed the assumed rate, the PERS Board can make an allocation to the Contingency Reserve. 2014 earnings did not exceed the assumed earnings rate of 7.75%, so the PERS Board cannot allocate any 2014 earnings to the Contingency Reserve.

Senate Bill 861 (2013 Special Session) directs the PERS Board to annually pay supplementary benefit payments through 2019, with those payments being funded from the Contingency Reserve. For 2014, a total of \$9.8 million in supplementary payments were distributed. Last year, the PERS Board earmarked \$65 million from the Contingency Reserve to fund these supplementary payments, based on staff's projections. The actual amount of supplementary payments distributed this year exceeded projections by about 10%, so the \$65 million may not be sufficient to fund these payments and, should earnings exceed the assumed rate in future years, staff may request that the Board revisit this allocation.

The preliminary balance of the Contingency Reserve is \$651.2 million. No 2014 earnings can be allocated to this reserve, so earnings on the reserve have been added to the earnings available for distribution to the other accounts and reserves in the PERS Fund.

2014 PRELIMINARY ALLOCATIONS

The PERS Board's Annual Earnings Crediting Rule (see OAR 459-007-0005 attached) directs the crediting to the Judge and Tier Two member regular accounts, as well as the OPSRP Pension, Benefits-in-Force, and Employer reserves. Staff recommends the following allocations be adopted preliminarily by the PERS Board:

Non-Discretionary Allocations

Credit administrative expenses, health insurance accounts, employer lump sum accounts, variable annuity accounts, and accounts in the Individual Account Program in the manner described above. Credit Tier One member regular accounts with the assumed earnings rate (7.75%) in effect during 2014.

Judge Member Accounts

Credit Judge Member Accounts with the assumed earnings rate (7.75%) in effect during 2014.

Tier Two Member Regular Accounts

Tier Two member regular accounts usually are credited with a proportional share of available PERS Fund Regular Account earnings which will result in a preliminary rate of 7.25%.

Benefits-in-Force, Employer, and Tier One Rate Guarantee Reserves

Credit the Benefits-in-Force, Employer, and Tier One Rate Guarantee reserves evenly with the remaining available PERS Fund Regular Account earnings. The preliminary crediting rate to those accounts is 7.25%, with a portion of the Tier One Rate Guarantee Reserve's earnings being transferred to "top-up" Tier One member regular account earnings to the assumed rate.

BOARD ACTION – PRELIMINARY EARNINGS CREDITING

The Board's options for 2014 preliminary earnings crediting include:

1. Pass a motion to "adopt the preliminary crediting of earnings as presented for calendar year 2014, subject to final adoption at the March 30, 2015 PERS Board meeting."
2. Pass a motion preliminarily allocating 2014 earnings in a different proportion to the accounts and reserves to which the PERS Board has the discretion to allocate earnings, subject to final adoption at the March 30, 2015 PERS Board meeting.

STAFF RECOMMENDATION

Staff recommends the Board choose Option #1.

NEXT STEPS

Once the Board makes its preliminary allocation, staff will prepare and present the required report to the Oregon Legislature's Ways and Means Committee. Any comments received from the committee will be presented to the Board prior to its final crediting decision on March 30, 2015.

This preliminary action and the resulting report to the Legislature do not prohibit the PERS Board from changing its final crediting and reserving decision, such as if new information becomes available. If the Board makes a significant change from its preliminary decision, staff will report the Board's actions to the Legislature.

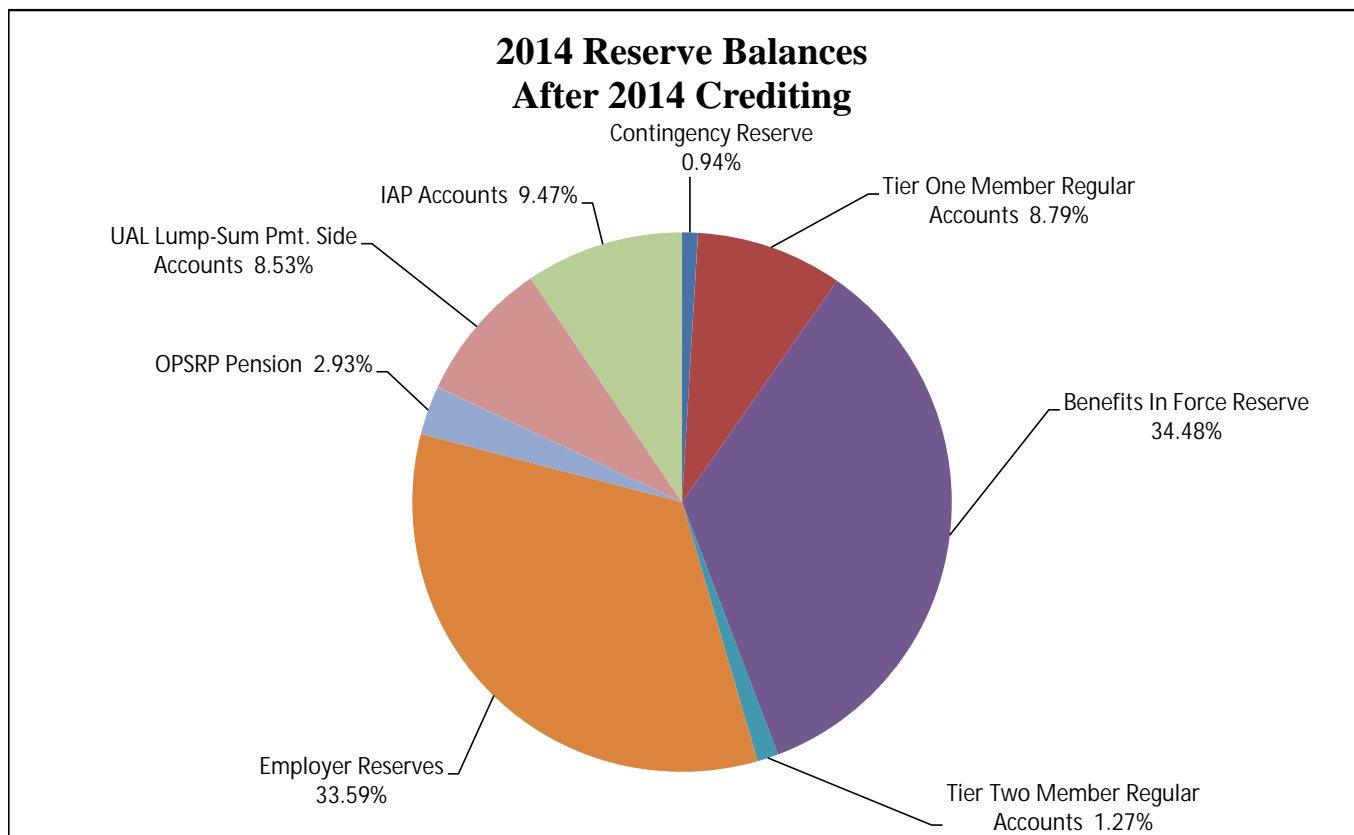
Attachments:

- C.1. Attachment 1 – Preliminary 2014 Accounts and Reserves Crediting
- C.1. Attachment 2 – ORS 238.670 – Reserve Accounts in Fund
- C.1 Attachment 3 – OAR 459-007-0005 – Annual Earnings Crediting Rule

Oregon Public Employees Retirement System Preliminary 2014 Crediting and Reserving

(All dollar amounts in millions)

	Reserves Before Crediting	2014 Crediting	Reserves After Crediting	2014 Rates
Contingency Reserve	\$651.1		\$651.1	N/A
Tier One Member Regular Accounts	5,214.0	404.1	5,618.1	7.75%
Tier One Rate Guarantee Reserve	434.2	5.6	439.8	1.29%
Benefits In Force Reserve	22,159.2	1,607.4	23,766.6	7.25%
Tier Two Member Regular Accounts	815.2	59.1	874.3	7.25%
Employer Reserves	21,589.4	1,566.1	23,155.5	7.25%
OPSRP Pension	1,886.6	134.1	2,020.7	7.10%
*UAL Lump-Sum Pmt. Side Accounts	5,452.1	424.6	5,876.7	Various
*IAP Accounts	6,103.3	422.8	6,526.1	7.09%
Total	\$64,305.1	\$4,623.8	\$68,928.9	



*Informational only. Not affected by Board reserving or crediting decisions.
IAP accounts receiving installments have already received 2014 earnings.

ORS 238.670 Reserve accounts in fund. (1) At the close of each calendar year in which the earnings on the Public Employees Retirement Fund equal or exceed the assumed interest rate established by the Public Employees Retirement Board under ORS 238.255, the board shall set aside, out of interest and other income received through investment of the Public Employees Retirement Fund during that calendar year, such part of the income as the board may deem advisable, not exceeding seven and one-half percent of the combined total of such income, which moneys so segregated shall remain in the fund and constitute therein a reserve account. The board shall continue to credit the reserve account in the manner required by this subsection until the board determines that the reserve account is adequately funded for the purposes specified in this subsection. Such reserve account shall be maintained and used by the board to prevent any deficit of moneys available for the payment of retirement allowances, due to interest fluctuations, changes in mortality rate or, except as provided in subsection (3) or (4) of this section, other contingency. In addition, the reserve account may be used by the board for the following purposes:

(a) To prevent any deficit in the fund by reason of the insolvency of a participating public employer. Reserves under this paragraph may be funded only from the earnings on employer contributions made under ORS 238.225.

(b) To pay any legal expenses or judgments that do not arise in the ordinary course of adjudicating an individual member's benefits or an individual employer's liabilities.

(c) To provide for any other contingency that the board may determine to be appropriate.

(2) At the close of each calendar year, the board shall set aside, out of interest and other income received during the calendar year, after deducting the amounts provided by law and to the extent that such income is available, a sufficient amount to credit to the reserves for pension accounts and annuities varying percentage amounts adopted by the board as a result of periodic actuarial investigations. If total income available for distribution exceeds those percentages of the total accumulated contributions of employees and employers, the reserves for pensions and annuities shall participate in such excess.

(3) The board may set aside, out of interest and other income received through investment of the fund, such part of the income as the board considers necessary, which moneys so segregated shall remain in the fund and constitute one or more reserve accounts. Such reserve accounts shall be maintained and used by the board to offset gains and losses of invested capital. The board, from time to time, may cause to be transferred from the reserve account provided for in subsection (1) of this section to a reserve account provided for in this subsection such amount as the board determines to be unnecessary for the purposes set forth in subsection (1) of this section and to be necessary for the purposes set forth in this subsection.

(4) The board may provide for amortizing gains and losses of invested capital in such instances as the board determines that amortization is preferable to a reserve account provided for in subsection (3) of this section.

(5) At least 30 days before crediting any interest and other income received through investment of the Public Employees Retirement Fund to any reserve account in the fund, the board shall submit a preliminary proposal for crediting to the appropriate legislative review agency, as defined in ORS 291.371 (1), for its review and comment. [Formerly 237.281; 2001 c.945 §5]

OAR 459-007-0005**Annual Earnings Crediting**

(1) For purposes of this rule, “remaining earnings” means earnings available for distribution to a particular account or reserve after deduction of amounts required or authorized by law for other purposes.

(2) Except as otherwise specified in this division, earnings on all accounts and reserves in the Fund shall be credited as of December 31 of each calendar year in the manner specified in this rule.

(3) Health insurance accounts. All earnings attributable to the Standard Retiree Health Insurance Account (SRHIA), Retiree Health Insurance Premium Account (RHIPA) or Retirement Health Insurance Account (RHIA) shall be credited to the account from which they were derived, less administrative expenses incurred by each account, as provided in ORS 238.410, 238.415 and 238.420, respectively.

(4) Employer lump sum payments. All earnings or losses attributable to the employer lump sum payment accounts established under ORS 238.229 shall be credited to the accounts from which they were derived.

(5) Member variable accounts. Earnings on the Variable Annuity Account shall first be used to pay a pro rata share of administrative expenses in accordance with ORS 238.260(6). If the annual earnings from the Variable Annuity Account are insufficient to pay for the pro rata share of administrative expenses, those administrative expenses shall be paid from earnings on other accounts within the Public Employees Retirement Fund (PERF), if available. If earnings from those accounts within the PERF are insufficient to pay for the administrative expenses, those expenses shall be paid from employer accounts as required by ORS 238.610. All remaining earnings or losses attributable to the Variable Annuity Account shall be credited to the participants of that account, as provided under 238.260(6) and (7)(b).

(6) Individual Account Program accounts. Earnings on the Individual Account Program accounts shall first be used to pay a pro rata share of administrative expenses in accordance with ORS 238A.350(1). If the Individual Account Program experiences a loss, the loss shall be increased to pay a pro rata share of administrative expenses. All remaining earnings or losses attributable to the Individual Account Program shall be credited to the participant accounts of that program, as provided under 238A.350.

(7) Administrative expenses. Earnings attributable to Tier One regular accounts, the Tier One Rate Guarantee Reserve, Tier Two member regular accounts, judge member regular accounts, the OPSRP Pension Program reserve, employer contribution accounts, the Contingency Reserve, the Benefits-in-Force Reserve and the Capital Preservation Reserve shall first be used to pay the system’s remaining administrative expenses under ORS 238.610.

(8) Contingency Reserve.

(a) In any year in which total earnings on the Fund equal or exceed the assumed rate, an amount not exceeding seven and one-half percent of remaining earnings attributable to Tier One regular accounts, the Tier One Rate Guarantee Reserve, Tier Two regular accounts, Judge member regular accounts, the OPSRP Pension Program reserve, the Benefits-in-Force Reserve, employer contribution accounts, the Capital Preservation Reserve and the Contingency Reserve shall be credited to the Contingency Reserve to the level at which the Board determines it is adequately funded for the purposes specified in ORS 238.670(1).

(b) The portion of the Contingency Reserve allowed under ORS 238.670(1)(a) for use in preventing a deficit in the fund due to employer insolvency may only be credited using earnings attributable to employer contribution accounts.

(9) Tier One Member Rate Guarantee Reserve. All remaining earnings attributable to Tier One regular accounts, the Tier One Member Rate Guarantee Reserve, Judge member regular accounts, the Benefits-in-Force Reserve, and the

Contingency Reserve may be credited to the Tier One Member Rate Guarantee Reserve established under ORS 238.255(1).

(10) Capital Preservation Reserve. Remaining earnings attributable to the Tier Two member regular accounts, Judge member regular accounts, OPSRP Pension Program reserve, employer contribution accounts, the Benefits-in-Force Reserve, the Contingency Reserve and the Capital Preservation Reserve may be credited from those sources to one or more reserve accounts that may be established under ORS 238.670(3) to offset gains and losses of invested capital.

(11) Tier One regular accounts. All remaining earnings attributable to Tier One regular accounts and the Tier One Rate Guarantee Reserve shall be credited to Tier One member regular accounts at the assumed rate in any year in which the conditions set out in ORS 238.255 have not been met. Crediting under this subsection shall be funded first by all remaining earnings attributable to Tier One regular accounts and the Tier One Rate Guarantee Reserve, then moneys in the Tier One Rate Guarantee Reserve.

(12) Judge member regular accounts. All remaining earnings attributable to Judge member regular accounts shall be credited to all active and inactive Judge member regular accounts at the Judge member rate. Crediting under this subsection shall be funded first by all remaining earnings attributable to the Judge member regular accounts and the Tier One Rate Guarantee Reserve, then moneys in the Tier One Rate Guarantee Reserve.

(13) Tier Two member regular accounts. All remaining earnings or losses attributable to Tier Two member regular accounts shall be credited to all active and inactive Tier Two member regular accounts under ORS 238.250.

(14) OPSRP Pension Program Reserve. Remaining earnings attributable to the OPSRP Pension Program Reserve, the Contingency Reserve, and the Capital Preservation Reserve may be used to credit the OPSRP Pension Program reserve.

(15) Benefits-in-Force Reserve. Remaining earnings attributable to the Benefits-in-Force Reserve, the Contingency Reserve, the Capital Preservation Reserve and employer contribution accounts, in that order, shall be used, to the extent available, to credit the Benefits-in-Force Reserve with earnings up to the assumed rate for that calendar year in accordance with ORS 238.670(2).

(16) Employer contribution accounts. All remaining earnings attributable to employer contribution accounts shall be credited to employer contribution accounts.

(17) Remaining earnings. Any remaining earnings shall be credited to accounts and reserves in the Fund at the Board's discretion.

Stat. Auth.: ORS 238.650, 238A.450

Stats. Implemented: ORS 238, 238A.350

Hist.: PERS 8-2004, f. & cert. ef. 4-15-04; PERS 18-2005(Temp), f. & cert. ef. 10-26-05 thru 4-19-06; PERS 1-2006, f. & cert. ef. 2-1-06; PERS 4-2009, f. & cert. ef. 4-6-09; PERS 9-2012, f. & cert. ef. 5-24-12



Oregon

John A. Kitzhaber, M.D., Governor

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January 30, 2015

TO: Members of the PERS Board
FROM: Marjorie Taylor, Senior Policy Advisor
SUBJECT: 2015 Legislative Update

2015 REGULAR LEGISLATIVE SESSION

The 2015 Regular Legislative Session will convene Monday, February 2, and over the next several months we will monitor legislation for any impacts to the PERS plan or agency operations. The majority of session bills will be introduced by Wednesday, February 25, and most committees will hold work sessions on first chamber bills no later than Tuesday, April 21. The Constitutional deadline to adjourn is Saturday, July 11; however, the target end date is Friday, June 26.

LEGISLATION TO MONITOR

During the legislative Organizational Days held January 12-14, the House and Senate introduced more than 1,400 bills that may be considered when they convene. Of those bills, we have identified at least 100 that we will closely monitor.

As we follow proposed legislation through session, our highest priority is to track bills that impact PERS directly by amending ORS Chapters 238, 238A, and 243 (Oregon Savings Growth Plan). 15 bills of this type introduced so far address expansion of the definition of “police officer;” modification to the exception for retirees returning to work; reconnection to federal tax law; the agency budget; the Investment Modernization Act; and bills with broad relating clauses.

Bill #	Relating Clauses for Bills Amending ORS 238, 238A, or 243
SB 63	Relating to connection to federal tax law
SB 123	Relating to volunteer firefighters
SB 134	Relating to public investments
SB 211	Relating to employment of retired public employees
SB 303	Relating to funds diversion agreements for bond payments
SB 370	Relating to payment of public retirement benefits to alternate payees
SB 374	Relating to judicial marshals
SB 436	Relating to public employee retirement
HB 2102	Relating to connection to federal tax law
HB 2615	Relating to members of the Public Employees Retirement System employed by the Oregon State Hospital
HB 2618	Relating to members of the Public Employees Retirement System employed by the Department of Human Services at residential facilities
HB 2684	Relating to employment of retired public employees
HB 2733	Relating to public investments
HB 2784	Relating to health insurance exchange
HB 5034	PERS agency budget

Our next category will be to monitor bills that may impact agency operations. Bills we are following impact the administrative rules process, public contracting, human resources and personnel planning, and state agency sunset review. On a broader scale, we will also follow legislation that may impact the retirement or salaries of judges, domestic relations, or legal processes PERS and members use during appeals.

Another group of bills we will evaluate propose changes to the legislative process in different ways including extending the length of sessions, requiring sworn testimony in committee, majority vote requirements for certain measures, limiting content of legislation during sessions, and requiring additional statements from the Legislative Fiscal and Revenue Offices. This group also includes bills that impact the state agency budget or audit process.

Finally, in partnership with the state Social Security liaison, we monitor bills that establish or consolidate public bodies. We seek guidance from the bill sponsors and stakeholders about the eligibility of employees for PERS and Social Security benefits. Of primary interest, are bills that amend the current status of universities formerly belonging to the Oregon University System.

PREVIOUS BOARD POLICY POSITIONS

As recently as January 2013, the PERS Board has been reminded of policy positions from prior sessions that have been shared with legislators as they consider changes to the PERS plan. Expanding the definitions of “police officer” and “firefighter” and return to work exceptions are perennial topics of legislative discussion. Unless the PERS Board directs otherwise, the following continue to express our policy direction on these issues:

1. Expanding the Definition of “Police” & “Firefighter”

PERS members who work in a position that meets the statutory definition for “Police Officer” and “Firefighter” (“P&F”) are eligible to retire at an earlier age and their service or retirement credit is calculated using a higher factor. Frequently, including this session, legislation is introduced to expand the definition of “Police Officer” to allow P&F status to a broader range of positions. In previous sessions, proposed expansions would have included dog control officers, physicians and nurses at Oregon State Hospital, juvenile caseworkers and juvenile detention workers, and community college police.

The policy question about which positions should be granted P&F status involves broader consideration than just state law. The federal tax code also allows for different treatment of benefits paid to people who retire from some public safety positions, such as waiver of the 10% penalty for distributions from tax-advantaged accounts like the IAP. The federal provisions for “Police Officers” only apply to positions that principally engage in the custody, control, or supervision of individuals convicted of, or arrested for, a criminal offense or confined to a place of incarceration or detention.

The policy direction to the Legislature has been that any proposals to expand the definition of “Police Officer” should meet these same criteria, to avoid conflict between those positions which have PERS plan P&F status and federal law. Otherwise, PERS members with P&F status may find themselves facing federal tax consequences on their distributions that are inconsistent with the early retirement dates allowed under state law.

2. Return to Work Exceptions

Retired Tier One and Tier Two members are currently allowed, under ORS 238.082, to return to PERS-covered employment without affecting their status as a retired member, so long as they work less than 1,040 hours in a calendar year or fall within a specified exception that allows them to exceed that limit. Historically, these exceptions have expanded as employers look to retired members to supplement their workforce.

The policy question of whether a retired member should be able to return to PERS-covered employment is, first, a question for the public employer, who must determine under the current statute that the employment is in the public interest. Previously, the policy direction to the Legislature has been that any exception be narrowly tailored and clearly defined; include a declaration that a work force shortage or other special situation currently exists to justify the exception; and include a sunset clause so the exception does not persist beyond the shortage or special situation.

If a public employer makes a sufficient case to the Legislature to justify an additional exception under these considerations, then federal tax provisions must also be considered. Distributions from a tax-qualified retirement plan like PERS have to meet certain conditions, one of which is that the distribution is triggered by a “bona-fide” retirement. A retired member receiving a PERS benefit distribution and then returning to public employment must meet this bona-fide retirement standard. Therefore, the policy direction has also been to inform the Legislature of these federal conditions, principally for members who take early retirement, so they can be applied to exceptions and preserve the plan’s tax qualification.

Lastly, the current list of exceptions is complicated by conditions and variables that make their application unclear to members and employers, so some members have returned to work thinking they were working under an exception that did not apply in their case. The policy direction has been to urge the Legislature to conduct a comprehensive evaluation with the goal of establishing a consistent standard for granting exceptions. The existing list of exceptions does not reflect consistent policy criteria that would allow public employers to make a principled decision on whether employing a retired member is in the public’s interest.

PERS BUDGET BILL

The PERS Budget bill is House Bill 5034. We expect that the budget will be considered by the Ways and Means Subcommittee on General Government. Five of eight subcommittee members served on General Government last session and we look forward to continuing our agency discussion with them. Three legislators are new to the committee, and we will spend time with them to provide additional background and answer questions about PERS.

BOARD MEMBER APPOINTMENTS

The current terms of Chair Thomas and Rhoni Wiswall will expire February 28, 2015. Board members generally serve until they are reappointed or a new member is named and confirmed by the Senate. We have communicated with the Governor’s Office about Board membership and will share information we receive about appointments and committee hearings. For planning purposes: Krysal Gema’s term expires September 30, 2015; Michael Jordan’s term expires December 12, 2015; and Pat West’s term expires August 31, 2016.



Oregon

John A. Kitzhaber, M.D., Governor

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January 30, 2015

TO: Members of the PERS Board
FROM: Karen Terry, Strategic Planning and Organizational Development
SUBJECT: Draft 2015-2020 Strategic Plan

OVERVIEW

At the November 2014 PERS Board meeting, we introduced the draft 2015-2020 Strategic Plan Goals and Objectives. Since November, PERS executives have worked with the staff most involved in each Focus Area to further refine how to accomplish these goals and objectives through execution of specific strategies, and to identify which measures will help us track success towards these goals and objectives. Some minor changes to the strategic objectives were made as a result.

Attachment 1 provides more detail regarding PERS' 2015-2020 Strategic Plan Goals and Objectives. We have:

1. Added information on why each goal is a priority for the agency;
2. Defined the strategies we will use to accomplish each goal and objective; and
3. Linked each strategic objective to the agency's operating and process measures that will be positively impacted by our success.

Recently, the state of Oregon republished its 10-Year Plan. In the area of Improving Government, we were excited to see how our strategic plan will align with the three strategies that were identified:

1. Streamline government services to foster collaboration,
2. Improve government engagement, transparency, and accountability, and
3. Utilize and accelerate best practices and partnerships.

We look forward to your comments and questions regarding PERS' draft Strategic Plan and will make modifications based on your input.

NEXT STEPS

We will engage PERS employees and key stakeholders, including members and employers, for their feedback and support. We will provide updates to the Board regarding our progress. The final 2015-2020 Strategic Plan will be published by June 30, 2015.

C.3. Attachment 1 – Draft 2015-2020 Strategic Plan Goals and Objectives

THEME 1: ORGANIZATIONAL MANAGEMENT AND DEVELOPMENT	
FOCUS AREA:	WORKFORCE DEVELOPMENT
GOAL:	<p>Develop and support a culture of workforce excellence and effective leadership practices.</p> <p>PERS' success depends on having a highly-skilled workforce supported by leadership that sets clear policies, procedures, and performance expectations. This can only be achieved by continued investment in the development, implementation, and performance management of workforce and leadership best practices.</p> <p>Objective 1 engages the agency in a discussion regarding success criteria to develop a workforce that aligns with the organizational needs at all levels.</p> <p>Objective 2 uses the critical competencies that foster workforce excellence as well as the defined core leadership practices to develop an implementation plan that will enhance both.</p>
OBJECTIVE 1:	Define and communicate PERS' measures of workforce excellence and desired leadership practices, consistent with organizational needs and strategic priorities.
STRATEGIES:	<ol style="list-style-type: none"> 1. Identify the desired workforce competencies and the obstacles to achieving workforce excellence. 2. Develop a change management plan to ensure communication of the defined workforce competencies and associated measures. 3. Create an action plan to drive measurable adoption of these competencies.
RELATED MEASURES:	<ul style="list-style-type: none"> • SP 5: Managing and Developing the Workforce
OBJECTIVE 2:	Develop and implement hiring, training, and performance management practices that support a culture of workforce and leadership excellence.
STRATEGIES:	<ol style="list-style-type: none"> 1. Use defined competencies for workforce excellence and leadership from Objective # 1 to assess current hiring, training, and performance management practices. 2. Create standards of practice for effective hiring, training, and performance management. 3. Reinforce the use of these management practices throughout the agency through consistent review, feedback, and development.
RELATED MEASURES:	<ul style="list-style-type: none"> • OM2: Employee Engagement • OM3: Operating Effectiveness • SP1: Communicating Internally and Externally • SP5: Managing and Developing the Workforce • SP6: Strategic and Operational Planning

Legend: OM = Outcome Measure; OP = Operating Process; SP = Supporting Process

THEME 1: ORGANIZATIONAL MANAGEMENT AND DEVELOPMENT	
FOCUS AREA:	ORGANIZATIONAL COMMUNICATION
GOAL:	<p>Foster and enhance transparency, relevancy, and employee satisfaction with intra-agency communications.</p> <p>Access to timely, accurate, and relevant internal information helps ensure that we, as an agency, communicate effectively with our members, employers, and stakeholders. The size of the agency (approximately 360 employees in three locations) adds to the challenge. The tools we currently use (an internal website, weekly and monthly newsletters, and email) have not been leveraged to determine whether or how we could better communicate internally.</p> <p>Employee Engagement survey results show that many staff would like greater transparency and different content regarding information relevant to their jobs. Staff has also noted the desire for more information on decisions and policies that could affect them. We need clear information regarding the kinds of communication, delivery methods, and if particular staff needs are not being met.</p>
OBJECTIVE 1:	Survey and analyze internal communication deficits from the employees' perspective.
STRATEGIES:	<ol style="list-style-type: none"> 1. Survey staff on internal communication to determine what information staff want and need to know, and how they prefer to receive this information to support engagement and improve workplace performance. 2. Interview focus groups across the agency to understand communication needs (needs could vary depending on the division and positions). 3. Analyze perceived communication deficits and determine specific tools/ways to communicate more effectively.
RELATED MEASURES:	<ul style="list-style-type: none"> • OM1: Clear, Concise Communication • OM2: Employee Engagement • SP1: Communicating Internally and Externally • SP5: Managing and Developing the Workforce
OBJECTIVE 2:	Develop and implement an internal communication strategy to improve employee satisfaction.
STRATEGY:	<ol style="list-style-type: none"> 1. Leverage communication tools and content development methodologies to improve communication to meet the needs identified in Objective # 1.
RELATED MEASURES:	<ul style="list-style-type: none"> • OM1: Clear, Concise Communication • OM2: Employee Engagement • SP1: Communicating Internally and Externally • SP5: Managing and Developing the Workforce

THEME 1: ORGANIZATIONAL MANAGEMENT AND DEVELOPMENT	
FOCUS AREA:	PERS OUTCOME BASED MANAGEMENT SYSTEM (POBMS)
GOAL:	<p>Complete POBMS integration throughout the agency.</p> <p>The agency initiated POBMS in February 2012 to improve operations and processes by engaging employees through an outcome-based approach, allowing those closest to the work to drive the improvement. Completing the integration and normalization of POBMS is an important strategic priority so the agency can continue to improve outcomes. Employees support and benefit from POBMS because it provides a clear line of sight and a transparent approach to connect to the agency's goals and objectives and staff's role in meeting them. Objectives 1 and 2 are crucial steps to embed this management system in the PERS culture.</p>
OBJECTIVE 1:	Fully develop team scorecards to measure performance and drive strategy decisions.
STRATEGIES:	<ol style="list-style-type: none"> 1. Communicate the consistent expectation and value of POBMS and scorecard development for all staff. 2. Train the remaining staff in measures development and the POBMS system. 3. Complete scorecard development for divisions that do not have them at the team level.
RELATED MEASURES:	<ul style="list-style-type: none"> · SP6: Strategic and Operational Planning
OBJECTIVE 2:	Normalize POBMS-related methods throughout the agency.
STRATEGIES:	<ol style="list-style-type: none"> 1. Build a structure to support all POBMS components such as the fundamentals map; agency, division, and team scorecards; and problem solving and breakthrough methodology. 2. Build a structure to support using the problem solving methodology from initiation through implementation. 3. Ensure a structure is in place to support initiation and implementation of breakthroughs and alignment with the strategic plan and priorities.
RELATED MEASURES:	<ul style="list-style-type: none"> · SP6: Strategic and Operational Planning

THEME 2: MEMBER SERVICES & COMMUNICATIONS	
FOCUS AREA:	MEMBER RELATIONS
GOAL:	<p>Engage members throughout their careers so they are better prepared for retirement.</p> <p>For the last decade, member education and outreach has focused primarily on those who are within two years of their effective retirement date. This just-in-time focus does not provide members with a full understanding of the need to financially prepare for retirement over their entire career. Providing members with useful tools, resources, and education earlier and throughout their careers will better support our goal of having engaged and educated stakeholders. A key component of this education will be the need for members to augment their PERS retirement with other means, such as deferred compensation and personal savings.</p>
OBJECTIVE 1:	Develop tools and profiles relevant to members at different life and career stages.
STRATEGIES:	<ol style="list-style-type: none"> 1. Identify profiles, life events, and career stages and create tailored information, resources, and tools for each profile, event, or stage. 2. Engage with, and provide relevant information to, members at known events or career stages. 3. Leverage member annual statements to vet and verify account data.
RELATED MEASURES:	<ul style="list-style-type: none"> • OM1: Clear/Concise Communication • OM7: Member Service Satisfaction • OM10: Informed Retirement Decisions • SP1: Communicating Internally and Externally
OBJECTIVE 2:	Brand PERS as a retirement education and planning resource.
STRATEGIES:	<ol style="list-style-type: none"> 1. Create an identity that will personalize PERS, instill a sense of ownership (“My” PERS) among our members, and promote the agency as an accessible, comprehensive, and easy-to-use resource for retirement information, education, and tools. 2. Develop and execute a plan to “connect” members to their retirement plan through branding/marketing and the use of multiple portals such as one-on-one/group contact, correspondence, phone, and social media. 3. Create a collaborative relationship mechanism with employers that uses retirement information, education, and tools.
RELATED MEASURES:	<ul style="list-style-type: none"> • OM1: Clear/Concise Communication • OM7: Member Service Satisfaction • OM10: Informed Retirement Decisions • SP1: Communicating Internally and Externally

THEME 2: MEMBER SERVICES AND COMMUNICATION	
FOCUS AREA:	QUALITY DELIVERY METHODS
GOAL:	<p>Improve member’s on-line access to secure content and process status.</p> <p>Paying timely and accurate benefits to our members embraces a broader role as a resource for retirement education and planning. To be that resource, we must support members in providing the information and tools to track their retirement benefits. Our current tool set needs to be more accessible and include a broader array of relevant content: not only account and benefit information, but transaction status tracking so members that request services from us are assured that we will pay “the right person the right benefit at the right time.”</p>
OBJECTIVE 1: STRATEGIES: RELATED MEASURES:	<p>Enhance Online Member Services (OMS) with E-Forms for all member transactions, and views into workflow progress.</p> <ol style="list-style-type: none"> 1. Collaborate with ISD to understand issues, budgets, technical debt, and timeframes necessary to improve OMS. 2. Develop, improve, and integrate workflows into OMS to provide greater visibility to processes and transactions, as they relate to members. 3. Enhance OMS functionality to allow more interactions and information for members. <ul style="list-style-type: none"> • OM1: Clear, Concise Communication • OM7: Member Service Satisfaction • OM10: Informed Retirement Decisions • SP1: Communicating Internally and Externally
OBJECTIVE 2: STRATEGIES: RELATED MEASURES:	<p>Modernize PERS website to be compatible with mobile devices, and integrate with social media.</p> <ol style="list-style-type: none"> 1. Integrate member feedback on what additional functionality would provide the greatest value to them and PERS. 2. Use the feedback to design enhancements that will be integrated as consistent with our ORION M&E prioritization process, as resources are available. 3. Leverage the new state-developed website template to modernize PERS’ website. <ul style="list-style-type: none"> • OM1: Clear, Concise Communication • OM7: Member Service Satisfaction • OM10: Informed Retirement Decisions • SP1: Communicating Internally and Externally

THEME 3: DATA RELIABILITY	
FOCUS AREA:	MEMBER ACCOUNTABILITY
GOAL:	<p>Establish members as the primary quality check-point on their data of record.</p> <p>Over a member’s career in PERS, changes in employer reporting and recordkeeping systems, along with complex plan terms that confound comprehension or relevancy of some information, have resulted in data that members may consider incomplete, inconsistent, or missing. Before 2011, members’ only access to their data was through annual statements, written estimates, and verbal conversations with PERS staff. PERS introduced Online Member Services (OMS) in 2011 to allow members to view their own data: employment history, salary details, and service credit. Given this access, members are in the best position to know whether this data is valid, accurate, and complete, but they need education about its relevancy and their role in assuring that the data is ready for PERS to process.</p>
OBJECTIVE 1:	Target specific data for remediation to allow members to more meaningfully review the content.
STRATEGIES:	<ol style="list-style-type: none"> 1. Identify those data elements that are or may be in a member’s record that are inaccurate or most likely to be misunderstood, and develop an education plan to address those elements. 2. Prioritize remediation of the most critical data elements to resolve potential misunderstandings.
RELATED MEASURES:	<ul style="list-style-type: none"> • OP1: Managing Client Data and Services • OM10: Informed Retirement Decisions
OBJECTIVE 2:	Educate members on the use and limitations of OMS legacy data.
STRATEGIES:	<ol style="list-style-type: none"> 1. Leverage our existing and to-be-developed communication tools to connect members to these data issues. 2. Execute a campaign to recruit members to review and confirm data issues as they engage in activities related to their accounts.
RELATED MEASURES:	<ul style="list-style-type: none"> • OM1: Clear, Concise Communication

THEME 3: DATA RELIABILITY	
FOCUS AREA:	DATA CONSTANCY
GOAL:	<p>Ensure data remains static after it is used in a transaction or payment.</p> <p>Good, reliable data is compromised by many factors: changes in determinations of service credit, contributions, and other key retirement data elements over a member’s career; retroactive changes to member data by employers; or data inconsistencies that have resulted from changes in technology or employer reporting methods. The lack of consistent data erodes confidence and trust in PERS by our members, employers, and the public. Moreover, inconsistencies that are not resolved until after the member has received a benefit can disrupt their plans and come at a time after the member has made a life-altering decision to retire. Any problems with a member’s data should be resolved before the transaction is final.</p>
OBJECTIVE 1:	Lock submitted data for each calendar year.
STRATEGIES:	<ol style="list-style-type: none"> 1. Establish the requirement to lock member data at the close of each calendar year. 2. Resolve system reporting issues that may prevent employers from completing their calendar year reports.
RELATED MEASURES:	<ul style="list-style-type: none"> • OP1: Managing Client Data and Services
OBJECTIVE 2:	Lock legacy data after allowing employers to review and correct prior records.
STRATEGY:	<ol style="list-style-type: none"> 1. Create a staging plan to close access for employers to change currently submitted data of record over time, based on priority demographic groups and managing the volume of work required.
RELATED MEASURES:	<ul style="list-style-type: none"> • OP1: Managing Client Data and Services

THEME 3: DATA RELIABILITY	
FOCUS AREA:	AGENCY DATA WAREHOUSE
GOAL:	<p>Provide staff access to consistent, prompt, and reliable data reports.</p> <p>PERS' current data management structure presents many challenges that result in data that is difficult to access, incomplete, or missing, such as:</p> <ol style="list-style-type: none"> 1. staff use different methodologies to access data; 2. data sources are not currently mapped; 3. lack of common definitions and business context descriptions; and 4. no integrated structure to leverage the existing data expertise in the agency. <p>PERS initiated the Central Data Management breakthrough in January 2013 to address these issues. The resulting breakthrough plan is in the process of implementation. To date, we have completed a comprehensive data information gathering and cataloging effort. We are currently in the development phase of data tool and data warehouse redesign projects, and forming a Central Data Team. The objectives set forth below represent the elements of this plan that are yet to be completed.</p>
OBJECTIVE 1:	Define all data terms and map data as it relates to technical and business needs and usage.
STRATEGIES:	<ol style="list-style-type: none"> 1. Create a data dictionary to lay the foundation for the technical framework of the data. 2. Map data on end users' screens to where it is stored and derived. 3. Redesign the data warehouse to make query process more efficient and less complex.
RELATED MEASURES:	<ul style="list-style-type: none"> • OP1: Managing Client Data Services
OBJECTIVE 2:	Provide staff a data reporting structure that allows the user to derive and customize data reports.
STRATEGIES:	<ol style="list-style-type: none"> 1. Create a user-friendly data tool for end users to request and create customizable reports. 2. Create a glossary of business terms to define various contextual uses of data terms. 3. Form the Central Data Team to establish a central structure for data delivery.
RELATED MEASURES:	<ul style="list-style-type: none"> • SP1: Communicating Internally and Externally

THEME 4: INFORMATION TECHNOLOGY	
FOCUS AREA:	IT GOVERNANCE & MANAGEMENT MODEL
GOAL:	<p>Implement improved Information Technology (IT) governance and management to clarify accountability and authority.</p> <p>The 2014 IT Change Management Audit reported opportunities to increase efficiency and effectiveness in several areas. An IT Governance and Management Model provides the framework to:</p> <ol style="list-style-type: none"> (1) define and document IT processes and implement services that meet the agency's IT-related goals; (2) document policies, standards, guidelines, procedures, and service level agreements; and (3) define roles, responsibilities, and organizational structures.
OBJECTIVE 1:	Revise the current IT Governance and Management framework to better align with industry standards.
STRATEGIES:	<ol style="list-style-type: none"> 1. Develop a plan for implementing the IT management framework ITIL (Information Technology Infrastructure Library) and for implementing related components of the COBIT IT governance framework. 2. Implement the IT governance and management frameworks.
RELATED MEASURES:	<ul style="list-style-type: none"> • SP3: Leveraging Technology
OBJECTIVE 2:	Better define and document the inter-relationships between business operations, computer applications, system hardware, and other domains to provide more reliable and accessible information about PERS technology for decision making.
STRATEGIES:	<ol style="list-style-type: none"> 1. Select a framework for defining and documenting PERS Enterprise Architecture. 2. Develop a plan to use the framework.
RELATED MEASURES:	<ul style="list-style-type: none"> • N/A

THEME 4: INFORMATION TECHNOLOGY	
FOCUS AREA:	AGILE TECHNOLOGY SYSTEM
GOAL:	<p>Improve IT efficiency and responsiveness to business operational changes.</p> <p>The Oregon Retirement Information Online Network (ORION) system provides essential IT services that enable the agency to serve its members. To achieve the goal of improving IT's efficiency and responsiveness to business operations, the agency will need to evolve its system development life cycle (SDLC) methodology to be scalable and make architectural investments in ORION so the network is sustainable, maintainable, and more easily enhanced. The primary ORION application, jClarety, was designed over 20 years ago and a fair amount of technical debt was unavoidably inherited upon its implementation.</p>
OBJECTIVE 1:	Resolve missing functionality and key technical debt issues that are affecting ORION's administration, performance, maintainability, and sustainability.
STRATEGIES:	<ol style="list-style-type: none"> 1. Research and define capabilities that allow business to make appropriate changes that do not require IT development resources. 2. Analyze and implement missing functionality that replaces manual work-arounds in business operations.
RELATED MEASURES:	<ul style="list-style-type: none"> • SP3: Leveraging Technology
OBJECTIVE 2:	Adopt a scalable system development life cycle (SDLC) methodology to align with the risk and complexity of operational requirements.
STRATEGIES:	<ol style="list-style-type: none"> 1. Define and follow SDLC methodologies appropriate to the scope and scale of projects. 2. Implement IAP administration using a flexible architecture.
RELATED MEASURES:	<ul style="list-style-type: none"> • SP3: Leveraging Technology

THEME 4: INFORMATION TECHNOLOGY	
FOCUS AREA:	DISASTER RECOVERY
GOAL:	<p>Provide operational infrastructure that restores critical business services in the event of a localized disaster.</p> <p>PERS does not currently have a secure offsite location for data recovery necessary to business continuity, nor the network equipment necessary to rebuild systems and infrastructure. This goal is to develop and implement an infrastructure that will provide business continuity of the critical ORION systems necessary to minimize the impact of any localized disaster on our members, employers, and staff.</p>
OBJECTIVE 1:	Define the technology infrastructure that is at risk in the event of a localized disaster and execute a strategy to restore that infrastructure.
STRATEGIES:	<ol style="list-style-type: none"> 1. Identify the critical management systems and supporting infrastructure necessary to meet the agency's business continuity requirements. 2. Develop a strategy to enable single sign-on functionality for the critical management systems. 3. Design and implement a virtual desktop infrastructure to support the agency's remote access requirements.
RELATED MEASURES:	<ul style="list-style-type: none"> · SP3a: Leveraging Technology - System Availability
OBJECTIVE 2:	Update the agency's Business Continuity Plan to align with disaster recovery strategies and infrastructure.
STRATEGIES:	<ol style="list-style-type: none"> 1. Develop a strategy for deploying a back-up recovery site ("warm site") which would be used to provide access to core business systems and infrastructure. 2. Execute a complete and full disaster recovery test.
RELATED MEASURES:	<ul style="list-style-type: none"> · N/A