



OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

BOARD MEETING AGENDA

Friday December 4, 2020 9:00 A.M.		PERS 11410 SW 68 th Parkway Tigard, OR
ITEM		PRESENTER
A. Administration		
1.	October 2, 2020 Board Meeting Minutes	SHENOY
2.	Board Governance Assignments	
3.	Director's Report	OLINECK
	a. Forward-Looking Calendar	
	b. OPERF Investment Report	
	c. Budget Execution Report	
	d. Board Scorecard Report on Agency Performance Measures	RICKARD
B. Administrative Rulemaking		
1.	Notice of Confidentiality of Member Records Rule	VAUGHN
2.	Notice of Payment of Death Benefits Rule	
3.	Notice of Employer Contribution Rate and First Reading of WAR Payroll Rules	
4.	Adoption of Police & Fire Retirement Eligibility Rule	
5.	Adoption of SB 1049 EPSA Earnings Crediting Rule	
6.	Adoption of PHIP Premium Payment and Employer Incentive Fund (EIF) Rules	
C. Action and Discussion Items		
1.	Presentation of Final Legislative Concept Drafts and Legislative Update	CASE
2.	Employer Incentive Fund Report	SOSNE
3.	SB 1049 Implementation Update	ELLEDGE-RHODES
4.	Actuarial Financial Modeling Presentation	MILLIMAN

PERS Board members will be attending this meeting remotely. The public will not be able to attend the meeting in person. Visit <https://www.oregon.gov/pers/Pages/Board/PERS-Board-Information.aspx> for listening options. This meeting will be recorded. An audio recording of the meeting will be available on the PERS website following the meeting.

*Public testimony will be taken on action items at the Chair's discretion.
Please submit written testimony to PERS.Board@state.or.us (three days in advance of the meeting is preferred.)*

<http://www.oregon.gov/PERS/>

2021 Meetings: February 1, March 29*, June 4, July 23*, October 1, December 3*
*Audit Committee planned for post-Board meeting

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING MINUTES

October 2, 2020

Board members present:

Chair Sadhana Shenoy, Vice Chair Lawrence Furnstahl, Jardon Jaramillo, Stephen Buckley, and Steve Demarest attended virtually.

Staff present:

Kevin Olineck, Stephanie Vaughn, Heather Case, MaryMichelle Sosne, Jordan Masanga, Dean Carson, Susannah Bodman, Shawn Dempewolf, Jake Winship, Richard Horsford, Katie Brogan, Elizabeth Rossman, Alyse Greer, Anne Marie Vu, Brandon Armatas, Chris Geier, Daniel Rivas, Jason Stanley, Katie Davis, Melanie Chandler, and Phungnam Tran attended virtually.

Others present:

Matt Larrabee, Scott Preppernau, Allyn Fun, Amy Lieuallen, Angela Totton, April Chapman, Aruna Masih, Carol Samuels, Christi Kent-Adair, Calire Havener, Courtney Johnson, Dave Meyer, David Moore, Deborah Tremblay, Gay Lynn Bath, Jan Lewis, Janet Wiesner, Jeanette Denlinger, Jeff Gudman, Jennifer Olson, John Borden, Josh Eggleston, Kali Leinenbach, Karen Webb, Karl Cheng, Kelli Blechschmidt, Kevin Grainey, Kristy Komes, Maurizio Bottalico, Michelle Morrison, Nancy Brewer, Nate Carter, Rachel Bernadelli, Ray Hubbell, Robert Burket, SarenaLee Wilde, Seth Reeser, Shawn Cross, Suzanne Linneen, Tahni Fagerberg, Tami Little, Tim Collier, Trudy Vidal, and Twylla Miller attended virtually.

Chair Shenoy called the meeting to order at 9:00 a.m.

ADMINISTRATION

A.1. MEETING MINUTES OF JULY 31, 2020

Vice Chair Furnstahl moved to approve the minutes as presented from the July 31, 2020 PERS Board meeting. Board Member Jaramillo seconded the approval of the minutes. The motion passed unanimously.

A.2. DIRECTOR'S REPORT

Director Kevin Olineck presented the Director's Report. The Director's Report contains information on other activities that the organization is working on that do not appear on the agenda. PERS continues to support teleworking while continuing to meet the needs of members. Olineck highlighted Employee Engagement Survey results.

Olineck presented the forward looking calendar. The dates for the 2021 meetings are included on the calendar with a scheduled start time of 9:00 a.m. The joint meeting with PERS Board and the Oregon Investment Council will be held June 2, 2021.

The Oregon Public Employees Retirement Fund (OPERF) returns, for the period ending August 31, 2020 were 0.60%.

Operating expenditures for July, preliminary expenditures for August, and preliminary expenditures for September are \$4,324,696, \$4,552,790 and \$4,225,037 respectively. At this time, the agency's projected variance is \$1,316,543.

Chair Shenoy noted two awards that were recently received by the agency. PERS' comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019 qualified for GFOA's Certificate of Achievement for Excellence in Financial Reporting. PERS won the 2020 NAGDCA Leadership Award in the Participant Education and Communication category for the agency's work developing and executing a marketing campaign in partnership with the Oregon Savings Growth Plan.

ADMINISTRATIVE RULEMAKING

Stephanie Vaughn, Policy Analysis and Compliance Section Manager, presented.

B.1. NOTICE OF POLICE & FIRE RETIREMENT ELIGIBILITY RULE

Vaughn presented Notice of Rulemaking for Police Officer and Firefighter Eligibility Rule: *OAR 459-075-0200*, Retirement Eligibility for Police Officer and Firefighter Members. No rulemaking hearing will be held because the PERS building is closed to the public due to COVID-19. The public comment period ends November 3, 2020, at 5:00 p.m.

No board action was required.

B.2. NOTICE OF SB 1049 EPSA EARNINGS CREDITING AND WAR PAYROLL RULES

Vaughn presented Notice of Rulemaking for SB 1049 EPSA Earnings Crediting and Work After Retirement Payroll Rules: *OAR 459-007-0370*, Crediting Earnings to the Employee Pension Stability Account on Withdrawal, *OAR 459-009-0070*, Actuarial Pooling of Employer Liability *OAR 459-017-0060*, Reemployment of Retired Members, *OAR 459-075-0300*, Reemployment of a Retired Member of the OPSRP Pension Program.

No rulemaking hearing will be held because the PERS building is closed to the public. The public comment period ends November 3, 2020, at 5:00 p.m.

No board action was required.

B.3. SUSPENSION OF TEMPORARY COVID-19 MITIGATION RULES AND TEMPORARY ADOPTION AND NOTICE OF RULEMAKING FOR PHIP PREMIUM PAYMENT AND EMPLOYER INCENTIVE FUND (EIF) RULES

Vaughn presented Suspension of Temporary COVID-19 Mitigation Rules: *OAR 459-001-0100*, Temporary Administrative Rule Relating to Executive Order 20-03 Declaration of Emergency Due to Coronavirus (COVID-19) Outbreak in Oregon and *OAR 459-001-0110*, Temporary Rule Relating to Executive Order 20-03 Declaration of Emergency Due to Coronavirus (COVID-19) Outbreak in Oregon.

Vaughn presented Temporary Adoption and Notice of Rulemaking for PHIP Premium Payment and Employer Incentive Fund (EIF) Rules: *OAR 459-035-0090*, Retiree Health Insurance Premium Payment Process, *OAR 459-009-0092*, Temporary Rule for Employer Incentive Fund Program, and *OAR 459-009-0092-1*, Employer Incentive Fund Program.

The public comment period ends November 3, 2020, at 5:00 p.m.

Board Member Buckley moved to suspend temporary rules OAR 459-001-0100 and 459-001-0110. Board Member Demarest seconded. The motion passed unanimously.

Board Member Buckley moved to adopt temporary rules OAR 459-035-0090 and 459-009-0092 as presented. Board Member Demarest seconded. The motion passed unanimously.

B.4. ADOPTION OF DISABILITY DEFINITIONS – GAMBLING INCOME RULES

Vaughn presented Adoption of Disability Definitions Rules: *OAR 459-015-0001*, Definitions and *OAR 459-076-0001*, Definitions.

No rulemaking hearing was held because the PERS headquarters building was closed to the public. The public comment period ended September 1, 2020, at 5:00 p.m. No public comment was received.

Board Member Demarest moved to adopt the disability definitions rules, as presented. Vice Chair Furnstahl seconded. The motion passed unanimously.

ACTION AND DISCUSSION ITEMS

C.1. LEGISLATIVE UPDATE

Heather Case, Senior Policy Advisor, presented.

Case provided an update on the special session that took place on August 10, 2020. The legislature passed two budget bills that pertain to PERS. HB 4304 contained the policy updates needed to complete the budget reductions passed in SB 5723.

In preparation for the 2021 legislative session, staff requests that the board confirm membership of the Legislative Advisory Committee (LAC). The proposed membership is balanced between labor and management representatives, and includes members who participated in previous LAC meetings. Members have been contacted and are willing to serve on the committee. The members meet infrequently, on an as-needed basis.

Vice Chair Furnstahl moved to approve the recommended appointments, effective immediately. Board Member Jaramillo seconded the motion to approve the recommended appointments. The motion passed unanimously.

C.2. EMPLOYER INCENTIVE FUND UPDATE

MaryMichelle Sosne, Actuarial Business Specialist presented.

Sosne provided an Employer Incentive Fund (EIF) update. Through August, PERS had matched and deposited just over \$62 million into employer side accounts from the EIF. PERS has \$2,550,343.20 left to distribute to the remaining employers. PERS will submit final details for the Employer Incentive Fund in the December 4, 2020 PERS Board meeting.

No board action was required.

C.3. SB 1049 IMPLEMENTATION UPDATE

Jordan Masanga, Chief Information Officer, presented.

Masanga reviewed the ongoing activities of the five individual projects that make up the SB 1049 Implementation Program. He highlighted program activities that have been completed, or are in process, since the last board meeting. PERS staff will continue to update the board as project implementation continues throughout the next year.

The SB 1049 program is in red status due to the lack of an approved 21-23 budget. Employer Programs project is also in red status. The remaining four projects are green status.

No board action was required.

C.4. BOARD FUNDING POLICY

Kevin Olineck, PERS Director presented.

As a follow up to the October 2019 Secretary of State Actuarial Review entitled “A Review of the Oregon Public Employees Retirement System,” management was to develop a single written funding policy document that incorporates the entire rate setting policy, including rate collaring.

This Policy was discussed at the August 7, 2020 Audit Committee meeting. After review, the Committee recommended that it be brought to the October board meeting for review and adoption.

Vice Chair Furnstahl motioned to adopt the Board Funding Policy, as presented. The motion was seconded by Board Member Jaramillo. The motion passed unanimously.

C.5. MEMBER & EMPLOYER SURVEY RESULTS

Dean Carson, Susannah Bodman, and Shawn Dempewolf of PERS Communications Section presented.

The communications team shared 2020 member satisfaction survey and employer satisfaction survey key findings.

Overall, PERS’ 2020 results for members show an increase in satisfaction from 2019 and were fairly similar to 2018 results, following the trend of higher satisfaction during years when the Legislature is not in regular session.

2020 results for employers show a small increase in overall satisfaction. The results do reflect a much lower response rate.

No board action was required.

C.6. MILLIMAN ACTUARIAL CONTRACT EXTENSION

Jake Winship, Associate Actuary presented.

PERS' actuarial services contract with Milliman will terminate December 31, 2021, unless the PERS Board takes specific action to extend the contract. This contract took effect on January 1, 2015, and, after an initial four year period, was further extended for a two-year period that ends on December 31, 2021. The contract allows for an extension of additional two-year periods, for a total term not to exceed 10 years.

Board Member Buckley moved to extend the current actuarial services contract with Milliman to December 31, 2025. Vice Chair Furnstahl seconded the motion. The motion passed unanimously.

C.7. 2019 VALUATION RESULTS AND ADOPTION OF EMPLOYER RATES

Actuaries Matt Larrabee and Scott Preppernau of Milliman presented the 2021-23 employer rates for adoption.

Adoption of the proposed rates complies with the board's rate-setting principles and fulfills its statutory obligation to set employer rates for the 2021-23 biennium.

Board Member Demarest moved to approve the 2021-23 individual employer contribution rates as recommended by the PERS Actuary, effective July 1, 2021. Board Member Jaramillo seconded the motion. The motion passed unanimously.

Chair Shenoy adjourned the PERS Board meeting at 10:47 a.m.

Respectfully submitted,



Kevin Olineck, Director

PERS Board Governance Assignments

Proposed for 2021

Stephen Buckley	Audit Committee
Steve Demarest	Legislative Advisory Committee Retiree Health Insurance Advisory Committee
Lawrence Furnstahl	Board Vice-Chair Legislative Advisory Committee
Jardon Jaramillo	Audit Committee (Chair)
Sadhana Shenoy	Board Chair Audit Committee

Director's Report

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Kevin Olineck, Director



Overview

This Director's Report tries to encapsulate, at a high level, noteworthy changes that have taken place since the last board meeting, while highlighting staff accomplishments.

Ongoing efforts

Senate Bill 1049 (SB 1049) Work continues on implementing elements of all five projects associated with SB 1049. More detailed SB1049 implementation reports on the overall program and individual projects will be provided in the board packet.

COVID-19 Response I am very proud of the collaborative efforts shown by all areas of the agency in responding to this situation. I am particularly proud of the fact that, operationally, PERS continues to provide our regular services with minimal interruption to normal service levels.

While we are uncertain as to when staff may be allowed back into the offices and/or when person-to-person interactions may take place with members, we are taking steps to ensure safety for both our staff and the public, once restrictions are lifted. We are setting up socially distanced ingress and egress routes for members coming into our offices, including Plexiglas barriers at our reception areas to ensure members and staff are kept safe. Additionally, in the Tigard building, we are installing touch-less fixtures to minimize the potential for the spread of the virus through contaminated surfaces.



Highlights

I want to continue to highlight where PERS staff have not only made great progress with standard operational activities, but also made significant progress on strategic initiatives. What follows are undertakings that deserve to be highlighted, with staff publicly acknowledged for their efforts.

Projects, initiatives, and awards

PERS Expo 2020, a virtual expo Pre-COVID, PERS was poised to host its fifth Retirement Expo in conjunction with National Retirement Security Week. Under normal circumstances, this event is seen as an opportunity to promote PERS as a retirement education resource

by bringing PERS, OSGP, and PERS Health Insurance Program (PHIP) resources together to do the following:

- Allow public employees to attend education sessions with a variety of providers, on topics such as retirement readiness, investments, and healthcare in retirement.
- Enable public employees to obtain documentation that assists them in preparation for their individual retirements.
- Provide an opportunity for public employees to ask questions and get answers surrounding areas where they may be confused or unaware.

Given the lack of certainty around whether or not PERS would be able to hold an in-person event, it was decided that our best, and possibly only, alternative was to pivot and hold a virtual expo during National Retirement Security Month.

The project team, including resources from Voya, our third-party administrator, worked diligently to construct materials for an online retirement education experience with a launch date of October 19. As in previous years, members are able to choose from a variety of educational resources, but in this case they are all digital. These resources align with where the member is in their pension life cycle, be it as a new member, midway through their career, or close to retirement. We developed a website where members can choose from three pathways that contain information, tools, and resources to help them navigate their financial future. The resources are available at the following URL: growyourtomorrow.com/expo

In the first two weeks that the event was live, we had over 9,000 members attend the virtual expo, with many members viewing the videos and downloading the retirement planning checklists. There was also a very high percentage of participants responding that they had never attended the previous live Retirement Expos.

Additionally, just prior to the PERS virtual expo, Voya deployed Spanish language functionality to the OSGP website, [Grow Your Tomorrow](#).

DialMyCalls PERS purchased a mass communications tool called DialMyCalls. With DialMyCalls, PERS will be able to reach staff with important updates about outages, winter-weather closings or late openings, and/or regional events such as flooding, natural disasters, and emergencies. Starting November 1, when needed, PERS staff will be sent a text message to inform them of an event; this text can also provide further instructions. Staff may be directed to listen to the local news/radio stations, check the PERS website, the DAS Facilities building closure page, or to call their manager.

Cybersecurity Awareness Month October was Cybersecurity Awareness month. Our Information Security Team hosted numerous events throughout the month to increase staff awareness of Cybersecurity, including online games. Additionally, Information Security and Risk Officer Shane Perry invited staff to attend a presentation titled “Cybersecurity 101.” Over 200 staff attended this virtual event. Topics covered included cybercrime, malware, bots, physical cyber attacks, and social engineering.



Graphic from CyberOregon.

DXY Project A few years ago, the Department of Administrative Services (DAS) approached the Employer Service Center (ESC) in need of some assistance. DAS noticed that employment demographic records (i.e. hire intent and job/classification) for the Oregon State Department of Forestry contained data issues and needed reconciliation. Employees who fell into this population of reconciliation work had the DAS wage code DXY associated with them and, as such, the “DXY Project” was born.

ESC agreed to provide assistance with this reconciliation process. This assistance that ESC committed to included a comprehensive review and fix of each of the member accounts associated with this DXY population, which required reconciliation work totaling over 1,900. Additionally, the reconciliation included a review of all records for each employee dating between 2003 through 2013.

The Employer Service Center saw this project as an opportunity to enhance their partnership with DAS and build up relationships, equity, and reciprocity. The reconciliation work began shortly after the request from DAS was made and continued, as time allowed, through the middle of this September 2020, when the project was completed.

A few of the many key takeaways include:

- A better understanding of both entity’s processes: both ESC and DAS gained a better appreciation for each other’s work and, as such, were able to build upon their working relationships and improve collaboration.
- Data integrity: the data associated with these Department of Forestry employees is now (as of current) accurate and in compliance with PERS membership and eligibility law.
- The ability to leverage DXY process: the process established an effective pathway and good example for ESC to use moving forward while reconciling other DAS agencies, as requested.

PLAN SPONSOR OF THE YEAR	Plan(s)	mandatory DC; three DB plan tracks; voluntary 457(b)
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PLANSPONSOR Magazine Award Finalist Based on the success of the PERS Expo over the years, we applied for the PLANSPONSOR Magazine award program, in the Public Sector Defined Contribution category. This annual awards program recognizes retirement plan sponsors that show a commitment to their participants’ financial health and retirement success. The award is given in many categories to recognize all plan types, so any plan sponsor can be eligible. While we did not win this award, we were recognized as a finalist, which is a great achievement. Click [here](#) to see our finalist information.

Engagement

Diversity, equity, and inclusion

While PERS has always paid attention to diversity, equity and inclusion (DEI) efforts, events over this past year have highlighted the need to do more. Over the course of the summer, the PERS Executive Team hosted “listening sessions” with all staff to hear about their lived experiences with racism and begin discussions about what actions the agency should take on this subject. Additionally, the agency worked to enhance our actions by supporting various undertakings and events.

PERS Community Committee Recently, the agency engaged in reviving its PERS Community Committee (PCC) with an expanded focus on diversity, equity, inclusion, access, health and wellness, and community outreach. This broader mandate allows the committee to facilitate specific community outcomes as defined and supported through the Governor's Office and PERS' Executive Leadership Team.

A major focus of the committee, with ten staff members, will be on diversity, equity, and inclusion. Together, members on the committee will work to:

- Develop information, literature, and policies that support the rights of employees to openly express their gender identity, or keep it private.
- Evaluate and implement resources, tools, and initiatives that support racial equity within the workplace.
- Provide information that supports the governor's

diversity, equity, and inclusion efforts on contracting and procurement processes.

Management DEI book club As a way of raising the consciousness of our management team, our HR group set up a book club to discuss Ibram X. Kendi's book, "How to Be an Antiracist." Over the course of four months and six sessions, our management team will have an opportunity to engage in a conversation, via Microsoft Teams Video and Chat. The objectives of these exercises are to do the following:

1. Reach a higher-level understanding on racism.
2. Reach a higher-level understanding on what it is to be an antiracist.
3. Understand more on the topic of bias, including how biases develop.
4. Understand how to recognize our biases and, potentially, the biases of others.

DEI Virtual Conference This year's Statewide Diversity, Equity, & Inclusion Conference took place October 27, 28, and 29. Like so many other conferences, it was held virtually for the first time ever. The annual conference offered state employees a selection of engaging educational sessions. This year's theme was "Amplifying the Voices of Equity." Speakers were thoughtfully selected in relation to current events.

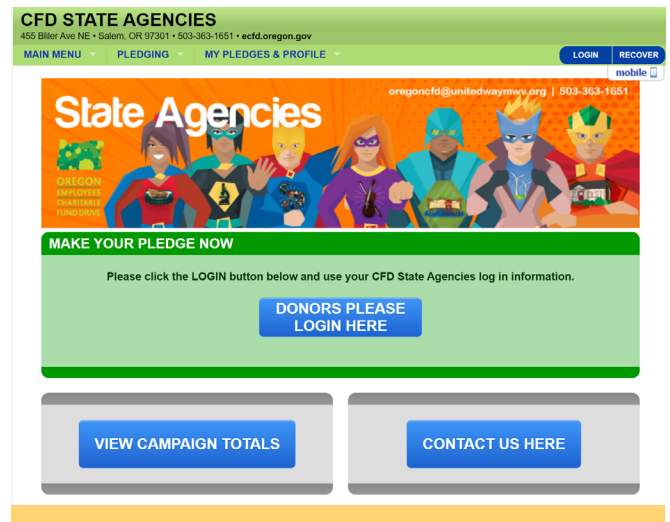
The virtual nature of the conference allowed for greater numbers of PERS staff to attend and participate in the sessions. Overall, we had 121 staff members take advantage of the event, including our PERS Community Committee members.



Supporting our community

Community Transitional School Halloween For over twenty-five years, PERS has hosted an annual Halloween event for the kids from the Community Transitional School (CTS). Typically, we host over 70 children at our headquarters office location to participate in judging our Halloween Costume parade, have lunch with staff, and trick-or-treat. Given we couldn't host this event this year, staff decided to participate in a drive to provide CTS with both Halloween treats, and much needed classroom supplies, which allow them to continue their great work.

Charitable Fund Drive PERS staff are ardent supporters of the Charitable Fund Drive (CFD), a cross-governmental annual fundraising initiative. Staff are engaged in supporting the CFD through direct monetary pledges and other fundraising activities. By raising over \$13,000 and counting, we are one of the top governmental fundraising entities for similar-sized organizations.



PERS Board Meeting Forward-Looking Calendar

Monday, February 1, 2021

Annual Report of Director Financial Transactions
Legislative Preview/Update
Preliminary Earnings Crediting and Reserving
SB 1566 Reporting Requirements

Monday, March 29, 2021*

OIC Annual Review
Legislative Update
Final Earnings Crediting

Wednesday, June 2, 2021, (Joint Meeting with OIC at Treasury)

(PERS Board will be joining the second half of the regular OIC Board meeting 9:00am-1:00pm)

Friday, June 4, 2021

Board Scorecard Report on Agency Performance Measures
Propose Board Meeting Dates for Next Year
Annual Report of Board Member Training Activities
Legislative Update
Retiree Health Insurance Plan Renewals and Rates
Overview of Actuarial Methods and Economic Assumptions

Friday, July 23, 2021*

CEM Benchmarking Results
Director's Performance Evaluation – Comments from Chair
Legislative Session Review
Member and Employer Survey Results
Preliminary Adoption of Valuation Methods and Assumptions Including Assumed Rate of Return
Preliminary Adoption of Assumed Rate OAR

Friday, October 1, 2021

Strategic Plan Overview
Legislative Update / Legislative Concepts
Member and Employer Survey Results
Final Adoption of Valuation Methods and Assumptions Including Assumed Rate of Return
Valuation Results – Advisory Employer Rates
Final Adoption of Assumed Rate OAR

Friday, December 3, 2021*

Board Governance Assignments
Board Scorecard Report on Agency Performance Measures
Strategic Plan Approval
Valuation Update and Financial Modeling Results
Adoption of Actuarial Equivalency Factor Tables

**Audit Committee planned for post-board meeting*

Returns for periods ending OCT-2020

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	27.5-37.5%	32.5%	\$ 22,312,079	29.3%	(4.89)	0.73	5.70	3.43	8.43	7.29	6.31	7.89
Private Equity	13.5-21.5%	17.5%	\$ 18,912,189	24.8%	6.81	8.32	11.18	13.04	14.18	11.72	12.57	12.95
Total Equity	45.0-55.0%	50.0%	\$ 41,224,268	54.1%								
Opportunity Portfolio	0-5%	0%	\$ 1,594,555	2.1%	3.40	6.00	4.01	5.61	6.57	6.56	6.10	8.08
Total Fixed	15-25%	20.0%	\$ 15,402,213	20.2%	6.22	6.33	8.33	5.14	4.26	4.19	3.66	4.29
Risk Parity	0.0-2.5%	2.5%	\$ 1,556,994	2.0%								
Real Estate	9.5-15.5%	12.5%	\$ 8,368,351	11.0%	0.21	1.79	3.91	5.77	6.87	6.85	8.42	10.08
Alternative Investments	7.5-17.5%	15.0%	\$ 8,100,508	10.6%	(8.59)	(8.71)	(5.36)	(3.48)	(0.36)	(0.13)	0.40	
Cash w/Overlay	0-3%	0%	\$ 13,414	0.0%	1.48	1.83	2.60	2.32	2.06	1.87	1.49	1.28
TOTAL OPERF Regular Account		100.0%	\$ 76,260,303	100.0%	(0.02)	2.52	6.02	5.35	7.71	6.86	6.82	8.01
OPERF Policy Benchmark					4.06	6.83	8.48	7.12	9.14	8.14	7.99	8.94
Value Added					(4.08)	(4.31)	(2.46)	(1.77)	(1.42)	(1.28)	(1.17)	(0.93)

Target Date Funds

2,840,149

TOTAL OPERF Variable Account

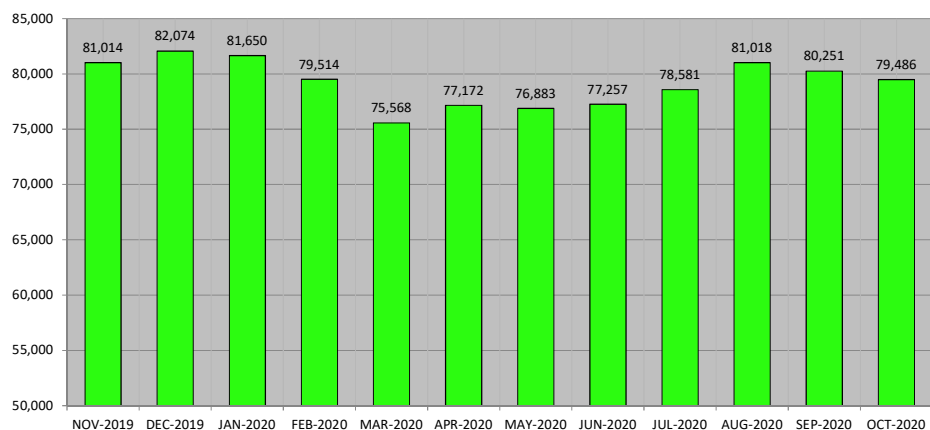
\$ 385,756

(1.47)	4.60	8.41	5.34	9.72	8.29	7.05	8.22
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Asset Class Benchmarks:

Russell 3000	3.14	10.15	11.81	10.04	13.37	11.48	11.09	12.80
OREGON MSCI ACWI EX US IMI NET	(7.31)	(2.26)	4.12	(0.25)	5.29	4.36	2.50	3.58
MSCI ACWI IMI NET	(1.70)	4.32	8.10	4.99	9.35	7.91	6.68	7.85
RUSSELL 3000+300 BPS QTR LAG	11.13	12.54	11.32	13.87	16.36	14.03	15.53	17.47
OREGON CUSTOM FI BENCHMARK	5.92	5.93	7.98	4.88	3.94	3.85	3.28	3.57
OREGON CUSTOM REAL ESTATE BENCHMARK	0.34	1.06	3.10	4.56	5.28	6.25	7.89	9.44
CPI +4%	4.69	5.23	5.53	5.89	5.94	5.90	5.62	5.82
91 Day Treasury Bill	0.65	0.92	1.66	1.66	1.43	1.20	0.87	0.64

Total OPERF NAV
(includes Variable Fund assets)
One year ending OCT-2020
(\$ in Millions)



¹OIC Policy revised April 2019.

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 SEP-2020

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	27.5-37.5%	32.5%	\$ 23,062,310	29.9%	(3.03)	5.24	2.55	4.88	8.47	9.20	7.19	8.50	
Private Equity	13.5-21.5%	17.5%	\$ 18,455,143	24.0%	4.35	6.32	10.01	12.85	13.51	11.20	12.19	12.69	
Total Equity	45.0-55.0%	50.0%	\$ 41,517,453	53.9%									
Opportunity Portfolio	0-5%	0%	\$ 1,664,988	2.2%	2.03	5.50	3.37	5.19	6.11	6.22	6.46	8.25	
Total Fixed	15-25%	20.0%	\$ 15,738,795	20.4%	6.71	7.04	8.22	5.34	4.24	4.37	3.93	4.43	
Risk Parity	0.0-2.5%	2.5%	\$ 1,585,022	2.1%									
Real Estate	9.5-15.5%	12.5%	\$ 8,376,327	10.9%	0.00	1.49	3.89	5.80	6.43	7.16	8.48	10.15	
Alternative Investments	7.5-17.5%	15.0%	\$ 8,113,096	10.5%	(8.06)	(8.67)	(5.87)	(3.33)	(0.27)	0.40	0.52		
Cash w/Overlay	0-3%	0%	\$ 16,349	0.0%	1.43	2.04	2.66	2.34	2.07	1.86	1.50	1.28	
TOTAL OPERF Regular Account		100.0%	\$ 77,012,030	100.0%	0.14	3.62	4.51	5.86	7.48	7.56	7.14	8.24	
OPERF Policy Benchmark					4.29	8.43	7.19	7.65	8.95	8.89	8.32	9.16	
Value Added					(4.15)	(4.82)	(2.67)	(1.78)	(1.47)	(1.33)	(1.18)	(0.92)	

Target Date Funds

2,839,054

TOTAL OPERF Variable Account

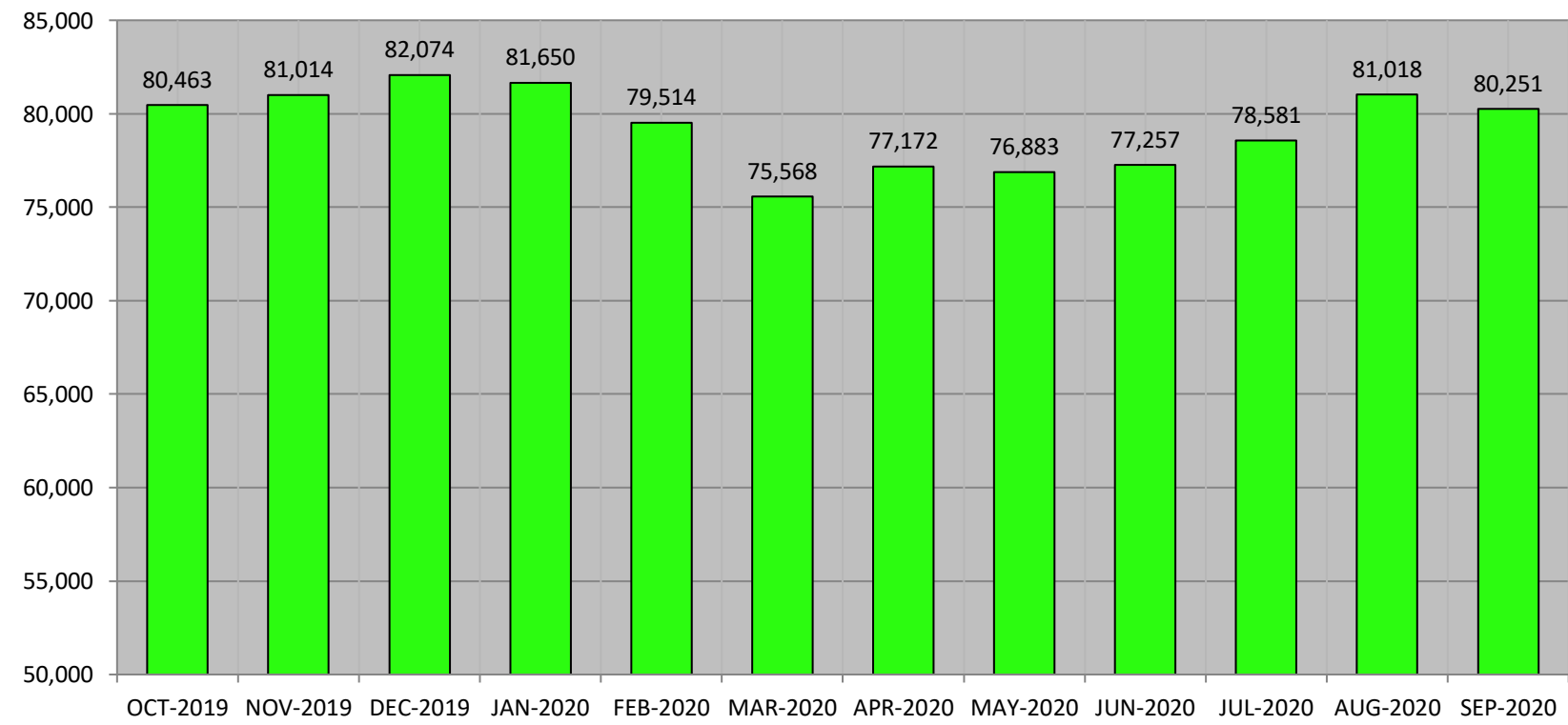
\$ 400,191

0.69	9.84	5.24	6.82	9.78	10.34	7.97	8.84
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Asset Class Benchmarks:

Russell 3000	5.41	15.00	8.79	11.65	13.37	13.69	12.11	13.48
OREGON MSCI ACWI EX US IMI NET	(5.21)	3.51	0.80	1.13	5.45	6.31	3.35	4.17
MSCI ACWI IMI NET	0.48	9.57	4.92	6.47	9.41	9.97	7.60	8.47
RUSSELL 3000+300 BPS QTR LAG	7.66	9.72	10.97	13.32	15.44	13.31	15.00	17.10
OREGON CUSTOM FI BENCHMARK	6.46	6.59	7.93	5.08	3.90	3.97	3.54	3.67
OREGON CUSTOM REAL ESTATE BENCHMARK	0.25	1.33	3.37	4.72	5.26	6.24	7.88	9.43
CPI +4%	4.31	5.42	5.60	5.85	5.97	5.88	5.58	5.83
91 Day Treasury Bill	0.64	1.10	1.74	1.69	1.43	1.20	0.86	0.64

Total OPERF NAV
(includes Variable Fund assets)
One year ending SEP-2020
(\$ in Millions)



¹OIC Policy revised April 2019.

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

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December 4, 2020

TO: Members of the PERS Board
FROM: Gregory R. Gabriel, Budget Officer
SUBJECT: December 2020 PERS Board Report

2019-21 OPERATING BUDGET

Operating expenditures for September, preliminary expenditures for October, and preliminary expenditures for November are \$4,023,931, \$7,819,555 and \$4,097,744 respectively. Final expenditures for November will close in the Statewide Financial Management System (SFMS) on December 18 and will be included in the February 2021 report to the PERS Board.

- Through November 8, 2020, the agency has expended a total of \$70,752,502 or 62.8% of PERS' legislatively approved operations budget of \$112,657,461.
- At this time, the agency's projected variance is \$1,896,034.
- SB 1049 expenditures for September, preliminary October, and preliminary November are \$2,122,267, \$2,251,685, and \$920,787 respectively. As of November 8, the agency has expended \$14,403,640 of the legislatively approved budget of \$28,559,714.

2019-21 NON-LIMITED BUDGET

The adopted budget includes \$12,504,627,192 in total estimated non-limited expenditures. Non-limited expenditures include benefit payments, health insurance premiums, and third-party administration payments for both the PERS Health Insurance Program (PHIP) and the Individual Account Program (IAP).

- Non-Limited expenditures through November 8, 2020 are \$7,764,161,372.

A.2.c. Attachment – 2019-21, SB1049 Agency-wide Budget Execution Summary Analysis

PERS Monthly Budget Report

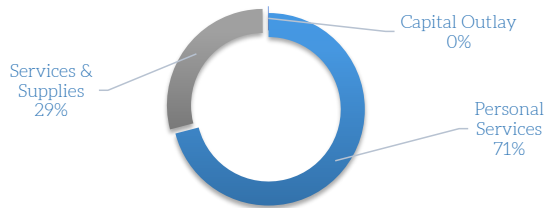
2019-21 Agency-wide Budget Execution
Preliminary Summary for the Month of November 2020

Limited - Operating Budget

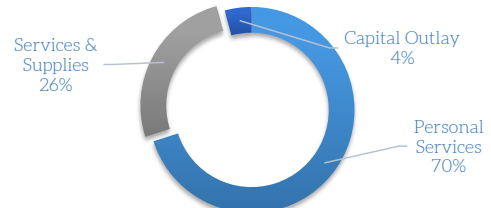
2019-21 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2019-21 LAB	Variance
Personal Services	50,196,674	28,035,128	78,231,802	77,726,802	(505,000)
Services & Supplies	20,481,265	10,291,878	30,773,143	32,757,328	1,984,185
Capital Outlay	74,563	1,681,919	1,756,482	2,173,331	416,849
Total	70,752,502	40,008,925	110,761,427	112,657,461	1,896,034

Actual Expenditures



Projected Expenditures



Monthly Summary

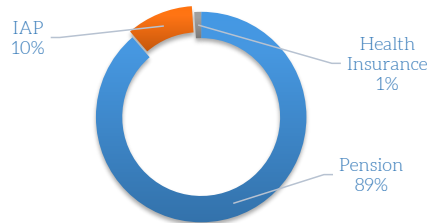
Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	3,386,366	3,473,196	86,830	3,112,106	3,465,769
Services & Supplies	562,093	624,548	62,455	1,126,947	1,464,410
Capital Outlay	0	0	0	5,150	165,598
Total	3,948,459	4,097,745	149,286	4,244,203	5,095,778

Non-Limited Budget

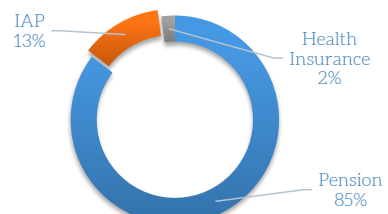
2019-21 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	6,884,847,023	3,515,425,092	10,400,272,115	10,347,780,673	(52,491,442)
IAP	797,515,345	518,853,056	1,316,368,401	1,423,365,167	106,996,766
Health Insurance	81,799,004	85,947,964	167,746,968	733,481,352	565,734,384
Total	7,764,161,372	4,120,226,112	11,884,387,484	12,504,627,192	620,239,708

Actual Expenditures



Projected Expenditures



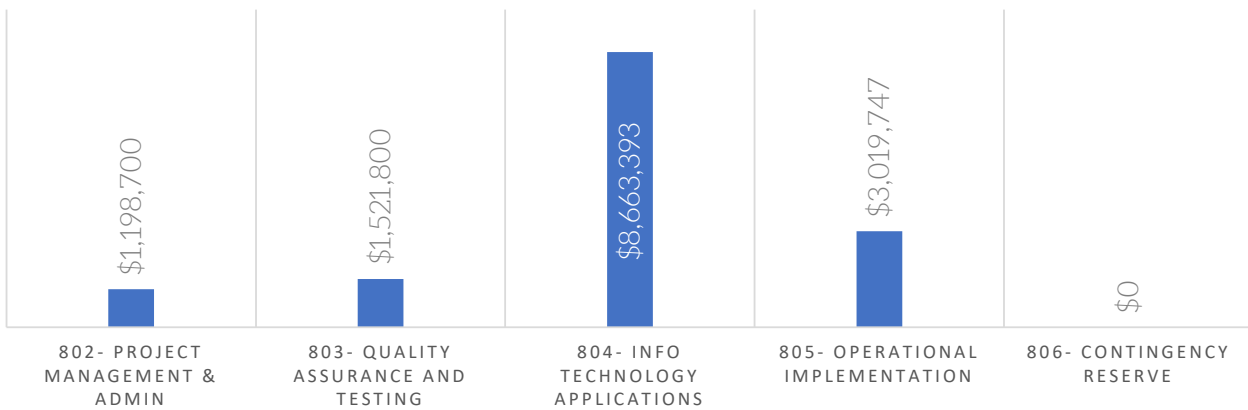
SB 1049 Budget Report

Preliminary Summary Budget Analysis Preliminary for The Month of November 2020

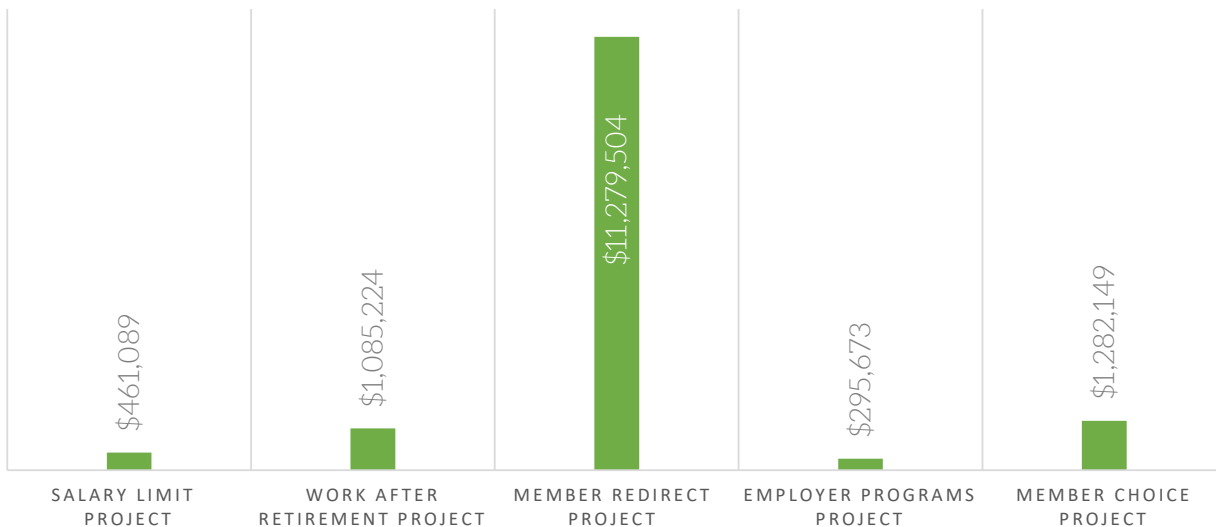
Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2019-21 LAB	Variance
Personal Services	2,192,386	2,413,479	4,605,865	5,646,497	1,040,632
Services & Supplies	11,847,763	7,918,365	19,766,128	22,913,217	3,147,089
Capital Outlay	363,491		363,491		(363,491)
Total	14,403,640	10,331,844	24,735,484	28,559,714	3,824,230

EXPENDITURES BY PACKAGE



EXPENDITURES BY PROJECT





Oregon

Kate Brown, Governor

Public Employees Retirement System

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December 4, 2020

TO: Members of the PERS Board
FROM: POBMS Council
SUBJECT: Board Scorecard Report on Agency Performance Measures

A key part of PERS' Outcome-Based Management System is a Quarterly Target Review of scorecards that evaluate our effectiveness in a number of outcome and process measures. These measures foster accountability and transparency in key operating areas. The scorecard results help direct strategic planning, resource allocation, and risk assessment.

The attached Board Scorecard Report for the third quarter 2020 focuses on several measures we currently track, based on essential business operations. A targeted performance range is created for each measure:

- “Green” – performance is at or above acceptable levels.
- “Yellow” – performance is marginally below acceptable levels.
- “Red” – performance is significantly below; corrective action such as assigning a problem-solving team should be directed.

Highlights include:

- A significant improvement over the last two quarters for the estimates completed (OP3c).
- Four consecutive quarters in the Green range for Eligibility Reviews Completed (OP4a).
- A positive trend with four of the eight measures.
- A change to our recruitment measure from percent of employees completing trial service to percent of recruitments closed in 8 weeks (SP5c).
- Overall performance has rebounded a bit since our last Board Scorecard Report back in May.

The next report will be presented at the June 4, 2021 meeting, showing the scorecard results for the first quarter 2021. If you would like us to report on any different measures, please let us know.

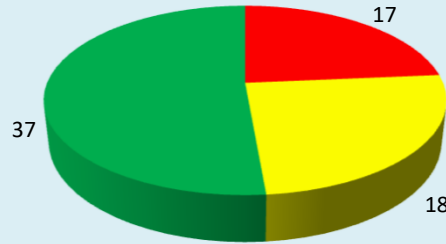
A.3.d. Attachment 1 – Board Scorecard Report for Third Quarter 2020

PUBLIC EMPLOYEES RETIREMENT SYSTEM

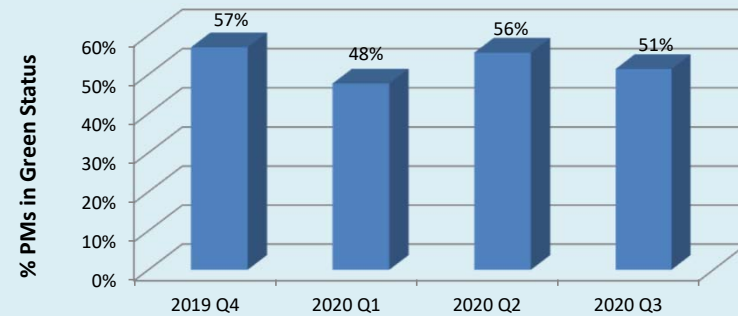
Outcome-Based Performance Review

PERS Board Scorecard Report - QTR: 2020 Q3 - Quarter ended September 30, 2020

Outcome & Process Measure Performance



Quarterly Green Performance



Operating Processes - Highlighted Measures

	Measure Name	Measure Calculation	RANGE			Target	Desired Perform Trend	Data Collection Frequency	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Trend	Corrective Action & Comments
			Red	Yellow	Green									
OP3c	Estimate KPM	% of estimate requests completed within 30 days of receipt	<75%	75-85	>85%	95%	↑	Quarterly	49.0%	59.0%	91.2%	96.4%	+	
OP4a	Eligibility review completed	% of applications completed by the eligibility team within 30 days of the effective retirement	<50%	50-70	>70%	80%	↑	Monthly	88.0%	81.0%	100.0%	79.0%	-	
OP5b	Accuracy of calculations	% of sample calculations that are accurate within plus or minus \$5	<95%	95-99	>99%	100%	↑	Monthly	99.4%	100.0%	98.0%	99.0%	+	High volume (7/1's) and rookie error contribution
OP5c	Timely benefit calculation	% of calculations completed within 15 calendar days from completed application date	<93%	93-96	>96%	100%	↑	Monthly	91.5%	92.3%	92.8%	92.2%	-	

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Outcome-Based Performance Review

Supporting Processes - Highlighted Measures

	Measure Name	Measure Calculation	RANGE			Target	Desired Perform Trend	Data Collection Frequency	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Trend	Corrective Action & Comments
			Red	Yellow	Green									
OP1f	Call Wait Time	Average length of wait before caller reaches live person	>6 minutes	6-4 minutes	<4 minutes	2 minutes	↓	Monthly	7.5	27.3	11.5	14.5	-	While call score qualities remained high (98% or above), volume increased, and so did average talk times, due to increasing numbers of calls related to Member Choice, Redirect and Voluntary Contributions
SP2c	Appeal reversal rate	% of staff determinations that are reversed on appeal	>15%	15-10	<10%	5%	↓	Quarterly	9.0%	43.0%	20.0%	4.0%	+	
SP3h	System uptime	% of time systems are available during the service window	<97%	97-98	>98%	100%	↑	Monthly	95.67%	95.35%	96.77%	97.47%	+	2674 min - long batch runs 114 min - DBA job failure (PDW refresh) 45 min - DNS issue (jClarety) 65 min - emergency deployment 155 min - Cisco ACD issue
SP5c	Recruitment	% of recruitments closed (from requisition to closure) within 8 weeks	<70%	70-80	>80%	90%	↑	Quarterly	100%	100%	50%	33%	-	3 out of 9 recruitments were closed within 8 weeks.



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December 4, 2020

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Notice of Rulemaking for Confidentiality of Member's Records Rule:
OAR 459-060-0020, *Confidentiality of Member Records*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Allow PERS to disclose member information to employers to enable proper reporting of wages and payment of contributions to PERS.
- Policy Issue: None identified.

BACKGROUND

As a state agency that administers retirement benefits for public employees, PERS receives and maintains financial and nonfinancial member information obtained from various public employers and the member throughout a public employee's career. Oregon's public records laws promote the public's right to know how government operates, balanced with the need for efficient government and protecting individual privacy concerns. Under this statutory framework, ORS 192.355(12) protects a member's nonfinancial membership records and an active or inactive member's financial records maintained by PERS from public disclosure.

Except as specifically provided in subsections (4) and (5) of 459-060-0020, PERS does not disclose nonfinancial information to employers without member consent. The limited disclosures currently allowed in subsections (4) and (5) do not allow PERS to disclose certain necessary information to the member's participating employer that would enable the employer to properly report wages and pay contributions to PERS. Obtaining member consent for such disclosure would be administratively burdensome and would lead to delays and inefficiencies in employer reporting and remittance of contributions. For example, in some cases it is necessary for the employer to know whether the employee is retired for service or for disability because it impacts the employer's contribution obligations. However, the current rule only allows PERS to disclose whether the member is retired. It does not allow PERS to specify the type of retirement (*i.e.*, service or disability retirement). The proposed rule amendments to subsections (4) and (5) broaden the types of disclosures PERS may communicate to employers in order to administer member benefits.

PUBLIC COMMENT AND HEARING TESTIMONY

No rulemaking hearing will be held because the PERS building is closed to the public, however, public comment may be submitted to PERS by U.S. mail, email, or fax. The public comment period ends January 4, 2021, at 5:00 p.m.

LEGAL REVIEW

The attached draft 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.

Benefit: Allows PERS to provide member information to employers necessary to properly and efficiently administer the plan.

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

RULEMAKING TIMELINE

December 1, 2020	Staff began the rulemaking process by filing a Notice of Rulemaking with the Secretary of State.
December 4, 2020	PERS Board notified that staff began the rulemaking process.
December 4, 2020	Secretary of State publishes the Notice in the Oregon Administrative Rules Database. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
January 4, 2021	Public comment period ends at 5:00 p.m.
February 1, 2021	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

The rule is scheduled to be brought before the PERS Board for adoption at the February 1, 2021 board meeting.

B.1. Attachment 1 – 459-060-0020, *Confidentiality of Member Records*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 060 – PUBLIC RECORDS ADMINISTRATION**

1 **459-060-0020**

2 **Confidentiality of Member Records**

3 (1) ORS 192.502(12) unconditionally exempts from public disclosure a member’s nonfinancial
4 membership records and an active or inactive member’s financial records maintained by PERS.
5 PERS may not release such records to anyone other than the member, an authorized representative of
6 the member, or the member’s estate except:

7 (a) Upon the written authorization of the member, or an individual that is legally authorized to
8 act on behalf of the member or the member’s estate as to PERS matters; or

9 (b) As otherwise provided in OAR 459-060-0030.

10 (2) ORS 192.502(2) conditionally exempts from public disclosure a retired member’s financial
11 information maintained by PERS. PERS may not release such records to anyone other than the
12 member, an authorized representative of the member, or the member’s estate unless:

13 (a) To do so would not constitute an unreasonable invasion of privacy and there is clear and
14 convincing evidence that disclosure is in the public’s interest;

15 (b) PERS receives written authorization from the member, or an individual that is legally
16 authorized to act on behalf of the member or the member’s estate as to PERS matters; or

17 (c) Release is provided for under OAR 459-060-0030 or as required under the judgments in
18 *PERS v. Oregonian Publishing Company LLC* and *PERS v. Multimedia Holdings Corporation, dba*
19 *Statesman Journal and Statesman Journal Media*.

20 (3) Information distributed pursuant to the judgments referenced in section (2)(c) of this rule
21 will be updated not less than annually.

1 (4)(a) Subject to subsection (b) of this section, PERS may provide a member’s current or former
 2 employer with information from the member’s records that is otherwise exempt from public
 3 disclosure to the extent necessary to enable the employer:

4 (A) To determine whether a non-PERS retirement plan maintained by the employer complies
 5 with any benefit or contribution limitations or nondiscrimination requirement imposed by applicable
 6 federal or state law;

7 (B) To apply any coordination of benefits requirement contained in any non-PERS benefit plan
 8 maintained by the employer;

9 (C) To perform any necessary account reconciliation following an integration of the employer’s
 10 retirement plan into PERS; or

11 (D) To reconcile an actuarial valuation *[by providing the employer with the following member*
 12 *information:*

13 *(i) Salary information;*

14 *(ii) Employment history; or*

15 *(iii) Contribution history].*

16 (b) PERS will not provide the information described in subsection (a) of this section unless the
 17 employer demonstrates to the satisfaction of PERS that the information is necessary to accomplish
 18 one of the purposes described in paragraphs (A), (B), (C) and (D) of subsection (a) and the employer
 19 certifies in writing that it will not disclose the information to any third party except to the extent
 20 permitted under this division and ORS 192.502(10).

21 (5) *[To enable an employer to comply with OAR 459-070-0100,]* PERS may disclose to the
 22 employer *[an employee’s status as an active, inactive, or retired member, or a non-member]*

1 information from the member's records that, as determined by PERS, will enable the
2 employer to properly remit contributions and furnish reports to PERS.

3 (6) PERS will not provide a mailing list of its members or their dependents to any individual or
4 enterprise.

5 Stat. Auth.: ORS 192.502 & 238.650

6 Stats. Implemented: ORS 192.410-192.505



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December 4, 2020

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Notice of Rulemaking for Designation of Beneficiary at Retirement and Survivor Benefits Rule:
OAR 459-014-0050, *Designation of Beneficiary at Retirement and Survivor Benefits*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Edit rule to conform with statutory language regarding payment of death benefits.
- Policy Issue: None identified.

BACKGROUND

ORS 238.390 pertains to death benefits for Chapter 238 members. For the purpose of determining accrued benefits due a retired member at the time of death, accrued benefits are considered to have ceased as of the last day of the month preceding the month in which the retired member dies. The statute directs that accrued benefits due to a retired member at the time of death are payable to their designated beneficiary or estate. OAR 459-014-0050 as currently written, however, provides that when a retired Chapter 238 member dies after the first payment is due, unpaid benefits will be paid to the member's estate. The proposed change brings the rule in line with the statute.

PUBLIC COMMENT AND HEARING TESTIMONY

No rulemaking hearing will be held because the PERS building is closed to the public, however, public comment may be submitted to PERS by U.S. mail, e-mail, or fax. The public comment period ends January 4, 2021, at 5:00 p.m.

LEGAL REVIEW

The attached draft 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.

Benefit: Clarifies that accrued benefits due to a retired member at the time of death are payable to their designated beneficiary or estate pursuant to ORS 238.390.

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

RULEMAKING TIMELINE

December 1, 2020	Staff began the rulemaking process by filing a Notice of Rulemaking with the Secretary of State.
December 4, 2020	PERS Board notified that staff began the rulemaking process.
December 4, 2020	Secretary of State publishes the Notice in the Oregon Administrative Rules Database. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
January 4, 2021	Public comment period ends at 5:00 p.m.
February 1, 2021	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

The rule is scheduled to be brought before the PERS Board for adoption at the February 1, 2021 board meeting.

B.2. Attachment 1 – 459-014-0050, *Designation of Beneficiary at Retirement and Survivor Benefits*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 014 – DEATH AND SURVIVOR BENEFITS**

1 **459-014-0050**

2 **Designation of Beneficiary at Retirement and Survivor Benefits**

3 (1) For the purposes of this rule, “first payment is due” means the first of the calendar
4 month after the effective retirement date.

5 (2) The beneficiary designated on an application for service retirement becomes
6 effective on the effective retirement date. If the service retirement application is rejected by
7 PERS or cancelled by the member, the beneficiary designation is null and void.

8 (3) PERS must receive a copy of the death certificate of the member or alternate
9 payee.

10 (4) When a retired Tier One or Tier Two member or alternate payee dies:

11 (a) Before the first payment is due, the benefit option selected pursuant to ORS
12 238.300 or 238.305 determines how benefits are paid to the designated beneficiary.

13 (b) After the first payment is due, unpaid benefits accrued by the member or alternate
14 payee before their death will be paid to the *[member or alternate payee’s estate]*

15 **designated beneficiary pursuant to ORS 238.390(4) or, in the event there is no**
16 **designated beneficiary at the time of member or alternate payee’s death, as provided**
17 **in ORS 238.390(2).**

18 (5) A monthly benefit payable to a beneficiary is effective the first of the month after
19 the last month payable to the member or alternate payee.

20 (6) If a retired member receiving unit payments under ORS 238.440 dies before the
21 last payment has been made, the designated beneficiary will receive a lump sum payment

1 of the remaining unit account balance. There is no benefit due from employer
2 contributions.

3 (7) If adjustments are made to the retirement allowance or benefit of a deceased
4 retiree:

5 (a) A member's estate will be paid any underpayment or invoiced for any
6 overpayment of benefits paid to the member.

7 (b) An alternate payee's estate will be paid any underpayment or invoiced for any
8 overpayment of benefits paid to the alternate payee.

9 (c) A beneficiary or a beneficiary's estate will be paid any underpayment or invoiced
10 for any overpayment of benefits paid to a beneficiary.

11 Stat. Auth.: ORS 238.650 & 238A.450

12 Stats. Implemented: ORS 238.300, 238.305, 238.390, 238.715, 238A.190 & 238A.400



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December 4, 2020

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Notice of Rulemaking for Employer Contribution Rate Rule:
OAR 459-009-0098, *Employer Contribution Rate*

First Reading for Work After Retirement Payroll Rules:
OAR 459-009-0070, *Actuarial Pooling of Employer Liability*
OAR 459-017-0060, *Reemployment of Retired Members*
OAR 459-075-0300, *Reemployment of a Retired Member of the OPSRP Pension Program*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Clarify work after retirement payroll rules, including clarifying how PERS will determine the employer contribution rate for certain employers, if a rate does not exist.
- Policy Issue: None identified.

BACKGROUND

The work after retirement provisions of Senate Bill 1049 (2019) allow retired members in all PERS pension programs (Tier 1, Tier 2, and OPSRP) to work unlimited hours for PERS participating employers in calendar years 2020-2024 without impacting their ability to receive retirement benefits. The bill also includes a new provision that requires employers to pay additional employer contributions on wages of retirees working post-retirement as if they were active members.

Original amendments to Oregon Administrative Rules (OAR) 459-009-0070, 459-017-0060, and 459-075-0300 were adopted in January 2020. Notably, the rules provided that a public employer employing a retired member would make an additional payment to PERS. To determine the amount of the additional payment, the employer would apply the employer's net contribution rate for its active members to the wages paid to the retired member, based upon the employee's pension program membership at the time of the member's retirement and the job classification of the position in which the retired member is employed.

Through implementation, staff have identified some necessary refinements. Under PERS administration of Oregon Revised Statutes (ORS) 238.200, employer rates are reflected as a percentage of covered payroll. For administrative efficiency, staff aligned its original rule amendments with its existing employer contribution methodology and determined that additional payment of employer contributions would be based on the same employer contribution rate that employers pay for their active members.

At the October board meeting, staff proposed new amendments to change the term “active members” to “covered payroll” throughout these rules with respect to determining employer contribution rates, for consistency. Staff also noted that they were working to address situations where an employer has a very small or nonexistent active member payroll. Although the methodology previously established results in a rate that is reasonable for most employers who have five or more active members in their employ, this methodology would result in a 0% contribution rate if an employer has no active member payroll when employer rates are set, and thus no employer contributions. Similarly, if an employer has a small active member payroll of fewer than five active members in their employ when employer rates are set, then the resulting employer rate would be disproportionately high.

To stabilize the employer contribution rates under these special circumstances, staff proposes a new rule (OAR 459-009-0098), which will apply if a current employer contribution rate does not exist for an employer and they employ fewer than five active members on their payroll. In such cases, PERS will apply the system-wide average rate as the employer contribution rate. Such methodology is currently used by PERS Actuarial Services in other rare instances when an employer contribution rate does not exist for an employer, such as when employers do not have any employees on their payroll to report to PERS; or for new employers who were not a part of the previous valuation. These rule amendments would allow PERS to ensure that employers make the employer contributions for the retired members they employ, as required under SB 1049, and minimize excessive employer contribution rates when PERS retirees make up the majority but not the entirety of an employer’s workforce.

Note that staff continues to work on implementation. While employers have been reporting retiree wages, no employer has been invoiced yet on those wages. The system programming required to fully implement the work after retirement provision of SB 1049 is still being tested. Revisions and refinements may be presented if any issues arise with the continued implementation.

PUBLIC COMMENT AND HEARING TESTIMONY

No rulemaking hearing will be held because the PERS building is closed to the public, however public comment may be submitted to PERS by U.S. mail, e-mail, or fax. The public comment period ends January 4, 2021, at 5:00 p.m.

LEGAL REVIEW

The attached draft rules were 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.

Benefit: Allows PERS to determine the amounts to be paid to PERS by a public employer, if a current employer contribution rate does not exist for an employer and they employ fewer than five active members on their payroll.

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

RULEMAKING TIMELINE

September 30, 2020	Staff began the rulemaking process for WAR Payroll rules by filing a Notice of Rulemaking with the Secretary of State.
October 2, 2020	PERS Board notified that staff began the rulemaking process for WAR Payroll rules.
October 2, 2020	Secretary of State publishes the Notice for WAR Payroll rules in the Oregon Administrative Rules Database. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
November 3, 2020	Public comment period for WAR Payroll rules ends at 5:00 p.m.
December 1, 2020	Staff began the rulemaking process for Employer Contribution Rate rule by filing a Notice of Rulemaking with the Secretary of State.
December 4, 2020	PERS Board first reading of WAR Payroll rules.
December 4, 2020	PERS Board notified that staff began the rulemaking process for Employer Contribution Rate rule.
December 4, 2020	Secretary of State publishes the Notice for Employer Contribution Rate rule in the Oregon Administrative Rules Database. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
January 4, 2021	Public comment period for Employer Contribution Rate rule ends at 5:00 p.m.
February 1, 2021	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

The rules are scheduled to be brought before the PERS Board for adoption at the February 1, 2021 board meeting.

B.3. Attachment 1 - 459-009-0098, *Employer Contribution Rate*

B.3. Attachment 2 - 459-009-0070, *Actuarial Pooling of Employer Liability*

B.3. Attachment 3 - 459-017-0060, *Reemployment of Retired Members*

B.3. Attachment 4 - 459-075-0300, *Reemployment of a Retired Member of the OPSRP Pension Program*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 009 – PUBLIC EMPLOYER**

1 **459-009-0098**

2 **Employer Contribution Rate**

3 **In determining the amounts to be paid to PERS by a public employer, if a**
4 **current employer contribution rate does not exist for an employer and it employs**
5 **fewer than five active members on its payroll, PERS will apply the system-wide**
6 **average rate as the employer contribution rate.**

7 **Stats. Auth.: ORS 238.650 & Sections 35 and 37, chapter 355, Oregon Laws**

8 **2019**

9 **Stats. Implemented: ORS 238.225 & 238A.220**

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 009 – PUBLIC EMPLOYER**

1 **459-009-0070**

2 **Actuarial Pooling of Employer Liability**

3 (1) Definitions. Definitions as used in this rule:

4 (a) “Actuarial Surplus” means the excess of the fair market actuarial value of assets
5 over the actuarial liabilities.

6 (b) “Consolidation” means the uniting or joining of two or more political
7 subdivisions into a single new successor political subdivision.

8 (c) “Liability” or “Liabilities” means any costs assigned by the Board to a specific
9 employer or to a pool of employers to provide PERS benefits.

10 (d) “Local government” shall have the same meaning as in subsection (f) of this
11 section.

12 (e) “Merger” means the extinguishment, termination and cessation of the existence of
13 one or more political subdivisions by uniting with and being absorbed into another
14 political subdivision.

15 (f) “Political subdivision” means any city, county, municipal or public corporation,
16 any other political subdivision as provided in Oregon Law, or any instrumentality thereof,
17 or an agency created by one or more political subdivisions to provide themselves
18 governmental service. Political subdivision does not mean a school district or a
19 community college.

20 (g) “Pooled” or “pooling” means the combining or grouping of public employers
21 participating in PERS for the purposes of determining employer liability for retirement or
22 other benefits under ORS Chapter 238.

1 (h) “School district” means a common school district, a union high school district, or
2 an education service district, including chartered schools authorized under Oregon law.

3 (i) “Transition Unfunded Actuarial Liabilities or Surplus” means the unfunded
4 actuarial liability or actuarial surplus, attributed to an individual employer for the period
5 of time the employer was not participating in a pool, prior to entry into the Local
6 Government Rate Pool or the State and Local Government Rate Pool.

7 (j) “Unfunded Actuarial Liabilities” or “UAL” means the excess of the actuarial
8 liabilities over the fair market actuarial value of assets.

9 (2) Two employer pools. In accordance with ORS 238.225 and only for the purposes
10 of determining the amounts that are actuarially necessary to adequately fund the benefits
11 provided by the contributions of PERS participating employers, employers will be pooled
12 as a single employer as follows:

13 (a) The State and Local Government Rate Pool, which consists of the following
14 employers:

15 (A) The State of Oregon, excluding the state judiciary under ORS 238.500;

16 (B) All community colleges; and

17 (C) All political subdivisions which elect to join the pool; or

18 (b) The School District Pool, which consists of all school districts of the state.

19 (3) The Local Government Rate Pool established as of January 1, 2000, and certified
20 by the Board on June 12, 2001, for political subdivisions was dissolved as of December
21 31, 2001.

22 (4) Political subdivision participation. Political subdivisions may elect to participate
23 in the State and Local Government Rate Pool by the adoption of a resolution or ordinance

1 by the governing body of the political subdivision and submitting a copy of the resolution
2 or ordinance to the Board. The effective date of the election is established as follows:

3 (a) If the election is received, in accordance with OAR 459-005-0220, by December
4 31, 2001, the political subdivision will join the pool effective January 1, 2002. Its liability
5 as a member of the pool, from the effective date of entering the pool, will be based on the
6 actuarial valuation period beginning on January 1, 2002; or

7 (b) If the election is received, in accordance with OAR 459-005-0220, on or after
8 January 1, 2002, the political subdivision will join the pool effective the first day of the
9 next actuarial valuation period following the date of receipt of the election.

10 (c) Prior to entering the pool, any unfunded actuarial liabilities or surplus of such
11 employers will be actuarially accounted for as provided in section (10) of this rule.

12 (d) Participation in the pool, as provided in this section, is irrevocable by the
13 employer.

14 (e) Political subdivisions that do not elect to participate in the State and Local
15 Government Rate Pool, as provided in this section, shall be regarded as individual
16 employers for actuarial purposes.

17 (5) Employer rates. The basis for any actuarial computation required under ORS
18 238.225 or this rule will be the actuarial report on PERS prepared in accordance with
19 ORS 238.605.

20 (6) In determining the amounts to be paid to PERS by a public employer pooled as
21 provided in section (2) of this rule, the PERS consulting actuary will express those
22 amounts as a rate or percentage of PERS covered payroll.

1 (7) In determining the amounts to be paid to PERS by employer participants in the
2 Local Government Rate Pool, the State and Local Government Rate Pool, and the School
3 District Pool, the PERS Board will issue rate(s) representing the amount necessary to
4 provide benefits as provided in ORS 238.225, for all members of that pooled group. The
5 rates, at a minimum, shall include:

6 (a) Rates representing the amount necessary to provide benefits as provided in ORS
7 238.225, for all Tier One and Tier Two police officer and firefighter members of that
8 pooled group.

9 (b) Rates representing the amount necessary to provide benefits as provided in ORS
10 238.225, for all Tier One and Tier Two general service members of that pooled group.

11 (c) In addition to the rate(s) in this section, the State of Oregon will be charged the
12 additional amount necessary to fund the Retiree Health Insurance Premium Account as
13 provided in ORS 238.415(5).

14 (8) A public employer employing a retired member shall apply the employer’s net
15 contribution rate for its *[active members]* covered payroll to the wages paid to the retired
16 member based upon the employee’s pension program membership at the time of the
17 member’s retirement and the job classification of the position in which the retired
18 member is employed. Such employer shall make a payment to the Public Employees
19 Retirement Fund. This payment is in addition to the employer’s contribution required
20 under ORS 238.225 or 238A.220.

21 (a) Retired member wages will not be included in covered payroll for purposes of
22 determining the employer’s contribution rate.

1 (b) The additional payment will be applied to the employer’s rate pool’s liabilities,
2 including pension benefit costs and retiree medical benefit costs.

3 (c) If the employer has a side account established under ORS 238.229, or any other
4 individual surplus or liability that applies to the employer’s contribution rate for its active
5 members, that surplus or liability will be applied to the employer’s contribution rate for
6 its retired members.

7 (9) For each participant in the State and Local Government Rate Pool:

8 (a) Each employer’s police officer and firefighter payroll as reported for the actuarial
9 valuation will be multiplied times the rate described in subsection (7)(a) of this rule;

10 (b) Each employer’s general service payroll as reported for the actuarial valuation
11 will be multiplied times the rate described in subsection (7)(b) of this rule.

12 (c) By dividing the sum of the amounts in subsections (a) and (b) of this section by
13 the employer’s total payroll as reported for the actuarial valuation, a composite employer
14 contribution rate is derived, which will be the basis for the employer contributions.

15 (10) Unfunded actuarial liabilities or surplus.

16 (a) If a political subdivision elected to join the Local Government Rate Pool
17 described in section (3) of this rule, any transition unfunded actuarial liabilities or surplus
18 as of December 31, 1999, will remain part of the actuarial calculation of employer costs
19 for the individual political subdivision, until fully amortized, and will not be pooled with
20 other public employers. However, the political subdivision will continue to be pooled for
21 the purpose of funding the resulting unfunded actuarial liabilities associated with the
22 Local Government Rate Pool from January 1, 2000 to December 31, 2001.

1 (b) If a political subdivision elects to join the State and Local Government Rate Pool
2 as provided in section (4) of this rule, any transition unfunded actuarial liabilities or
3 surplus as of the day immediately preceding the effective date of entering the pool will
4 remain part of the actuarial calculation of employer costs for each individual political
5 subdivision, until fully amortized, and will not be pooled with other public employers in
6 the State and Local Government Rate Pool.

7 (c) The pooled unfunded actuarial liability or surplus for the community colleges and
8 the State of Oregon as of December 31, 2001, will remain part of the actuarial calculation
9 of employer costs for community colleges and the State of Oregon combined until fully
10 amortized, and will not be pooled with any political subdivision.

11 (d) Any unfunded actuarial liability or surplus for the State and Local Government
12 Rate Pool that accrues during a valuation period occurring after December 31, 2001, will
13 become part of the actuarial calculation of employer costs for only those employers who
14 participated in the pool during that valuation period.

15 (e) Any unfunded actuarial liabilities or surplus of individual employers being
16 amortized as provided for in subsection (a), (b), or (c) of this section, will be amortized
17 based on the Board’s adopted assumed earnings rate and amortization period. If at the end
18 of the amortization period a surplus remains, the surplus will continue to be amortized as
19 determined by the Board.

20 (f) If the PERS Board should change the assumed earnings rate, as it applies to ORS
21 238.255, in effect at the time of the amortization provided for in subsection (a), (b), or (c)
22 of this section, the actuary will recalculate the remaining liability or surplus being

1 amortized using the new assumed earnings rate. The amortization period provided in
2 subsection (e) of this section will not change due to this recalculation.

3 (11) Employer UAL lump-sum payment. If an employer elects to make a UAL lump-
4 sum payment to offset the unfunded actuarial liabilities under subsection (10)(a), (b), (c),
5 or (d) of this rule, or as provided under ORS 238.225(8), the payment shall be made in
6 accordance with ORS 238.225 and OAR 459-009-0084.

7 (12) New employers and integrations. Political subdivisions entering PERS, as
8 provided in ORS 238.015(3), 238.035, or 238.680, will be pooled upon election to join
9 the State and Local Government Rate Pool as follows:

10 (a) To join the pool upon entering PERS, the election as well as the methods and
11 effective date of entry, must be included in the coverage agreement or contract of
12 integration. If the election is made after the effective date of joining PERS, the political
13 subdivision will join the pool effective the first day of the next actuarial valuation period
14 following the date of receipt of the election.

15 (b) An election completed by an integrating employer or a partially integrated
16 employer will apply to all current and future groups of employees who are integrated into
17 PERS by the employer. Upon entering the respective pool, any unfunded actuarial
18 liabilities or surplus of such employers will be actuarially accounted for as provided in
19 section (10) of this rule.

20 (13) Dissolution of an employer or non-participating employer. In the event a public
21 employer is dissolved, no longer has PERS eligible employees, or is no longer eligible to
22 participate in PERS, the employer or its successor will be required to make the
23 contributions necessary to fund any remaining unfunded actuarial liability, as provided

1 for in subsection (10)(a), (b), or (c) of this rule, for PERS benefits. The Board will
2 determine the method and amount of funding this unfunded actuarial liability or the return
3 of any surplus, as well as the determination of the employer’s successor.

4 (14) Consolidation of political subdivisions. In the event a political subdivision
5 consolidates with another political subdivision, the succeeding employer will determine
6 the status in the pool by election into the pool.

7 (a) If the succeeding employer has not elected to join the pool as of the effective date
8 of the consolidation, the following will occur:

9 (A) The pooled and non-pooled assets, liabilities, and employees of the former
10 employers will continue as they were prior to the consolidation;

11 (B) Any unfunded actuarial liability or surplus of the former employers as of the
12 effective date of the consolidation will be combined and assumed by the succeeding
13 employer;

14 (C) New hires will not be pooled; and

15 (D) If the succeeding employer consists of pooled and non-pooled employees,
16 separate payrolls must be maintained for each and reported to PERS.

17 (E) At any time after the consolidation, the succeeding employer may elect to join
18 the pool and the effective date will be the first day of the next actuarial valuation period
19 following the date of receipt of an election.

20 (b) If the succeeding employer elects to join the pool as of the effective date of the
21 consolidation, the following will occur:

22 (A) Any non-pooled assets, liabilities, and employees of the former employers will
23 be added to the pool;

1 (B) Any unfunded actuarial liability or surplus of the former employers as of the
2 effective date of the consolidation will be combined and assumed by the succeeding
3 employer and provided for as in subsection (10)(a) or (b) of this rule; and

4 (C) New hires will be pooled.

5 (c) The succeeding employer must join the pool as of the effective date of the
6 consolidation if it consists of only pooled employers. Any unfunded actuarial liability or
7 surplus of the former employers as of the effective date of the consolidation will be
8 combined and assumed by the succeeding employer.

9 (15) Merger of political subdivisions. In the event a political subdivision merges with
10 another political subdivision, the status of the surviving employer in the pool depends on
11 its status prior to the merger.

12 (a) If the surviving employer was not in the pool and has not elected to join the pool
13 as of the effective date of the merger, the following will occur:

14 (A) The pooled and non-pooled assets, liabilities, and employees of the former
15 employers will continue as they were prior to the merger;

16 (B) Any unfunded actuarial liability or surplus of the former employers as of the date
17 of the merger will be transferred to the surviving employer;

18 (C) New hires will not be pooled; and

19 (D) If the surviving employer consists of pooled and non-pooled employees, separate
20 payrolls must be maintained for each and reported to PERS.

21 (E) At any time after the merger, the surviving employer may elect to join the pool
22 and the effective date will be the first day of the next actuarial valuation period following
23 the date of receipt of an election.

1 (b) If the surviving employer was in the pool as of the effective date of the merger,
2 the following will occur:

3 (A) Any non-pooled assets, liabilities, and employees of the former employers will
4 be added to the pool as of the effective date of the merger;

5 (B) Any unfunded actuarial liability or surplus of the former employers as of the
6 effective date of the merger will be transferred to the surviving employer and provided for
7 in subsection (10)(a) or (b) of this rule; and

8 (C) New hires will be pooled.

9 (16) In the event of any legal mandates or changes adopted by the Board:

10 (a) If the change provides for an increased or decreased benefit to police officer and
11 firefighter members, but is not applicable to general service members, the PERS Board
12 will direct the actuary to attribute the cost or savings of the change to the rate indicated in
13 subsection (7)(a) of this rule.

14 (b) If the change provides for an increased or decreased benefit to general service
15 members, but is not applicable to police officer or firefighter members, the PERS Board
16 will direct the actuary to attribute the cost or savings of the change to the rate indicated in
17 subsection (7)(b) of this rule.

18 (17) Section (8) of this rule is repealed effective January 2, 2025.

19 Stat. Auth.: ORS 238.650

20 Stats. Implemented: 2005 OL, Ch. 808, Sec. (12), (13), (14), ORS 238.225 &
21 238.605, 2019 OL, Ch. 355, Sec. 35 & 37

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 017 – REEMPLOYED RETIRED MEMBERS**

1 **459-017-0060**

2 **Reemployment of Retired Members**

3 (1) For purposes of this rule:

4 (a) “Bona fide retirement” means that the retired member has been absent from
5 service with all participating employers and all employers in a controlled group with a
6 participating employer for at least six full calendar months between the effective date of
7 retirement and the date of hire.

8 (b) “Retired member” means a member of the PERS Chapter 238 Program who is
9 retired for service.

10 (2) A retired member may be employed under ORS 238.082 by a participating
11 employer without loss of retirement benefits provided:

12 (a) The period or periods of employment with one or more participating employers
13 total less than 1,040 hours in a calendar year; or

14 (b) If the retired member is receiving retirement, survivors, or disability benefits
15 under the federal Social Security Act, the period or periods of employment total less than
16 either 1,040 hours in a calendar year, or the total number of hours in a calendar year that,
17 at the retired member’s specified hourly rate of pay, would cause the annual
18 compensation of the retired member to exceed the following Social Security annual
19 compensation limits, whichever is greater.

20 (A) For retired members who have not reached full retirement age under the Social
21 Security Act, the annual compensation limit is \$18,240; or

1 (B) For the calendar year in which the retired member reaches full retirement age
2 under the Social Security Act and only for compensation for the months before reaching
3 full retirement age, the annual compensation limit is \$48,600.

4 (3) The limitations on employment in section (2) of this rule do not apply if the
5 retired member has reached full retirement age under the Social Security Act.

6 (4) The limitations on employment in section (2) of this rule do not apply if:

7 (a) The retired member meets the requirements of ORS 238.082(4), (5), (6), (7), or
8 (8), and did not retire at a reduced benefit under the provisions of ORS 238.280(1), (2), or
9 (3);

10 (b) The retired member retired at a reduced benefit under ORS 238.280(1), (2), or
11 (3), is employed in a position that meets the requirements of ORS 238.082(4), the date of
12 hire is more than six months after the member’s effective retirement date, and the
13 member’s retirement otherwise meets the standard of a bona fide retirement;

14 (c) The retired member is employed by a school district or education service district
15 as a speech-language pathologist or speech-language pathologist assistant and:

16 (A) The retired member did not retire at a reduced benefit under the provisions of
17 ORS 238.280(1) or (3); or

18 (B) The retired member retired at a reduced benefit under the provisions of ORS
19 238.280(1) or (3), but is not employed by any participating employer until more than six
20 months after the member’s effective retirement date, and the member’s retirement
21 otherwise meets the standard of a bona fide retirement;

22 (d) The retired member meets the requirements of section 2, chapter 499, Oregon
23 Laws 2007, as amended by section 1, chapter 108, Oregon Laws 2015;

1 (e) The retired member meets the requirements of section 2, chapter 475, Oregon
2 Laws 2015;

3 (f) The retired member is employed for service during a legislative session under
4 ORS 238.092(2);

5 (g) The retired member meets the requirements of ORS 238.088(2), and did not
6 retire at a reduced benefit under the provisions of ORS 238.280(1), (2), or (3); or

7 (h) The retired member is on active state duty in the organized militia and meets the
8 requirements under ORS 399.075(8).

9 (i) The retired member is employed as a special campus security officer
10 commissioned by a public university and meets the requirements under section 5, chapter
11 152, Oregon Laws 2019.

12 (j) The retired member is employed as a security officer for a community college and
13 meets the requirements under section 5, chapter 152, Oregon Laws 2019.

14 (k) The retired member is employed by Harney County Health District as a person
15 licensed, registered or certified to provide health services and meets the requirements
16 under section 2, chapter 496, Oregon Laws 2019.

17 (5) For purposes of population determinations referenced by statutes listed in this
18 rule, the latest federal decennial census shall first be operative on the first day of the
19 second calendar year following the census year.

20 (6) For purposes of ORS 238.082(6), a retired member replaces an employee if the
21 retired member:

22 (a) Is assigned to the position of the employee; and

23 (b) Performs the duties of the employee or duties that might be assigned to an
24 employee in that position.

1 (7) If a retired member is reemployed subject to the limitations of ORS 238.082 and
2 section (2) of this rule, the period or periods of employment subsequently exceed those
3 limitations, and employment continues into the month following the date the limitations
4 are exceeded:

5 (a) If the member has been retired for six or more calendar months:

6 (A) PERS will cancel the member's retirement.

7 (i) If the member is receiving a monthly service retirement allowance, the last
8 payment to which the member is entitled is for the month in which the limitations were
9 exceeded.

10 (ii) If the member is receiving installment payments under ORS 238.305(4), the last
11 installment payment to which the member is entitled is the last payment due on or before
12 the last day of the month in which the limitations were exceeded.

13 (iii) If the member received a single lump sum payment under ORS 238.305(4) or
14 238.315, the member is entitled to the payment provided the payment was dated on or
15 before the last day of the month in which the limitations were exceeded.

16 (iv) A member who receives benefits to which he or she is not entitled must repay
17 those benefits to PERS.

18 (B) The member will reestablish active membership the first of the calendar month
19 following the month in which the limitations were exceeded.

20 (C) The member's account must be rebuilt in accordance with the provisions of
21 section (9) of this rule.

22 (b) If the member has been retired for less than six calendar months:

23 (A) PERS will cancel the member's retirement effective the date the member was
24 reemployed.

1 (B) All retirement benefits received by the member must be repaid to PERS in a
2 single payment.

3 (C) The member will reestablish active membership effective the date the member
4 was reemployed.

5 (D) The member account will be rebuilt as of the date that PERS receives the single
6 payment. The amount in the member account must be the same as the amount in the
7 member account at the time of the member's retirement.

8 (8) For purposes of determining period(s) of employment in section (2) of this rule:

9 (a) Hours of employment are hours on and after the retired member's effective
10 retirement date for which the member receives wages, salary, paid leave, or other
11 compensation.

12 (b) Hours of employment that are performed under the provisions of section (4) of
13 this rule on or after the later of January 1, 2004, or the operative date of the applicable
14 statutory provision, are not counted.

15 (9) If a member has been retired for service for more than six calendar months and is
16 reemployed in a qualifying position by a participating employer under the provisions of
17 238.078(1):

18 (a) PERS will cancel the member's retirement effective the date the member is
19 reemployed.

20 (b) The member will reestablish active membership on the date the member is
21 reemployed.

22 (c) If the member elected a benefit payment option other than a lump sum option
23 under ORS 238.305(2) or (3), the last monthly service retirement allowance payment to
24 which the member is entitled is for the month before the calendar month in which the

1 member is reemployed. Upon subsequent retirement, the member may choose a different
2 benefit payment option.

3 (A) The member's account will be rebuilt as required by ORS 238.078 effective the
4 date active membership is reestablished.

5 (B) Amounts from the Benefits-In-Force Reserve (BIF) credited to the member's
6 account under the provisions of paragraph (A) of this subsection will be credited with
7 earnings at the BIF rate or the assumed rate, whichever is less, from the date of retirement
8 to the date of active membership.

9 (d) If the member elected a partial lump sum option under ORS 238.305(2), the last
10 monthly service retirement allowance payment to which the member is entitled is for the
11 month before the calendar month in which the member is reemployed. The last lump sum
12 or installment payment to which the member is entitled is the last payment due before the
13 date the member is reemployed. Upon subsequent retirement, the member may not
14 choose a different benefit payment option unless the member has repaid to PERS in a
15 single payment an amount equal to the lump sum and installment benefits received and
16 the earnings that would have accumulated on that amount.

17 (A) The member's account will be rebuilt as required by ORS 238.078 effective the
18 date active membership is reestablished.

19 (B) Amounts from the BIF credited to the member's account under the provisions of
20 paragraph (A) of this subsection, excluding any amounts attributable to repayment by the
21 member, will be credited with earnings at the BIF rate or the assumed rate, whichever is
22 less, from the date of retirement to the date of active membership.

23 (e) If the member elected the total lump sum option under ORS 238.305(3), the last
24 lump sum or installment payment to which the member is entitled is the last payment due

1 before the date the member is reemployed. Upon subsequent retirement, the member may
2 not choose a different benefit payment option unless the member has repaid to PERS in a
3 single payment an amount equal to the benefits received and the earnings that would have
4 accumulated on that amount.

5 (A) If the member repays PERS as described in this subsection the member's
6 account will be rebuilt as required by ORS 238.078 effective the date that PERS receives
7 the single payment.

8 (B) If any amounts from the BIF are credited to the member's account under the
9 provisions of paragraph (A) of this subsection, the amounts may not be credited with
10 earnings for the period from the date of retirement to the date of active membership.

11 (f) If the member received a lump sum payment under ORS 238.315:

12 (A) If the payment was dated before the date the member is reemployed, the member
13 is not required or permitted to repay the benefit amount. Upon subsequent retirement:

14 (i) The member may choose a different benefit payment option.

15 (ii) The member's retirement benefit will be calculated based on the member's
16 periods of active membership after the member's initial effective retirement date.

17 (B) If the payment was dated on or after the date the member is reemployed, the
18 member must repay the benefit amount. Upon subsequent retirement:

19 (i) The member may choose a different benefit payment option.

20 (ii) The member's retirement benefit will be calculated based on the member's
21 periods of active membership before and after the member's initial effective retirement
22 date.

23 (iii) The member's account will be rebuilt as described in ORS 238.078(2).

1 (g) A member who receives benefits to which he or she is not entitled must repay
2 those benefits to PERS.

3 (10) If a member has been retired for less than six calendar months and is
4 reemployed in a qualifying position by a participating employer under the provisions of
5 238.078(2):

6 (a) PERS will cancel the member's retirement effective the date the member is
7 reemployed.

8 (b) All retirement benefits received by the member must be repaid to PERS in a
9 single payment.

10 (c) The member will reestablish active membership effective the date the member is
11 reemployed.

12 (d) The member account will be rebuilt as of the date that PERS receives the single
13 payment. The amount in the member account must be the same as the amount in the
14 member account at the time of the member's retirement.

15 (e) Upon subsequent retirement, the member may choose a different benefit payment
16 option.

17 (11) Upon the subsequent retirement of any member who reestablished active
18 membership under ORS 238.078 and this rule, the retirement benefit of the member must
19 be calculated using the actuarial equivalency factors in effect on the effective date of the
20 subsequent retirement.

21 (12) The provisions of paragraphs (9)(c)(B), (9)(d)(B), and (9)(e)(B) of this rule are
22 applicable to retired members who reestablish active membership under ORS 238.078
23 and this rule and whose initial effective retirement date is on or after March 1, 2006.

1 (13) A participating employer that employs a retired member must notify PERS in a
2 format acceptable to PERS under which statute the retired member is employed.

3 (a) Upon request by PERS, a participating employer must certify to PERS that a
4 retired member has not exceeded the number of hours allowed under ORS 238.082 and
5 section (2) of this rule.

6 (b) Upon request by PERS a participating employer must provide PERS with
7 business and employment records to substantiate the actual number of hours a retired
8 member was employed.

9 (c) Participating employers must provide information requested under this section
10 within 30 days of the date of the request.

11 (14) Accumulated unused sick leave reported by an employer to PERS upon a
12 member's retirement, as provided in ORS 238.350, may not be made available to a
13 retired member returning to employment under sections (2) or (9) of this rule.

14 (15) Subsections (4)(c) and (4)(d) of this rule are repealed effective January 2, 2026.

15 (16) Subsection (4)(e) of this rule is repealed effective June 30, 2023.

16 (17) A member who is retired for service maintains their status as a retired member
17 of the system, and does not accrue additional benefits during the period of employment.
18 A retired member may not participate in the pension program or the Individual Account
19 Program as an active member, except as provided by ORS 238.092(1) or 237.650.

20 (18) For calendar years 2020 through 2024, a public employer employing a retired
21 member shall apply the employer's net contribution rate for its *[active members]* covered
22 payroll to the wages paid to the retired member. The public employer shall make a
23 payment to the Public Employees Retirement Fund in that amount. This payment is in
24 addition to the employer's contribution required under ORS 238.225, and will be applied

1 to the employer’s liabilities, including pension benefit costs and retiree medical benefit
2 costs. If the employer is a member of a pool established under ORS 238.227, the
3 additional payment will be applied to the employer’s rate pool’s liabilities.

4 (19) For calendar years 2020 through 2024, the limitations on employment in section
5 (2) of this rule do not apply to a retired member unless the member retired under the
6 provisions of ORS 238.280(1), (2), or (3), and does not have a bona fide retirement.

7 (20) For calendar years 2020 through 2024, if the member retired under the
8 provisions of ORS 238.280(1), (2), or (3), and does not have a bona fide retirement, the
9 member is subject to the limitations on employment in section (2) of this rule.

10 (21) Sections (18), (19), and (20) of this rule are repealed effective January 2, 2025.

11 Stat. Auth.: ORS 238.650 & ORS 238.630

12 Stats. Implemented: ORS 238.078, ORS 238.082, ORS 238.088, ORS 238.092, ORS
13 399.075, 2007 OL Ch. 499 & 774, 2015 OL Ch. 108 & 475, 2018 OL Ch. 48 & 2019 OL
14 Ch. 355

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 075 – OPSRP PENSION PROGRAM**

1 **459-075-0300**

2 **Reemployment of a Retired Member of the OPSRP Pension Program**

3 (1) For purposes of this rule, “bona fide retirement” means that the retired member
4 has been absent from service with all participating employers and all employers in a
5 controlled group with a participating employer for at least six full calendar months
6 between the effective date of retirement and the date of hire.

7 (2) If a retired member of the OPSRP Pension Program who is receiving monthly
8 pension payments is employed by a participating public employer in a qualifying
9 position:

10 (a) The member’s retirement is canceled effective the first of the month in which the
11 member was hired.

12 (b) The last pension payment the member is entitled to receive is for the month
13 before the calendar month in which the member was hired. A member who receives
14 benefits to which he or she is not entitled must repay those benefits to PERS.

15 (c) The member reestablishes active membership effective the date the member was
16 hired.

17 (3) If a retired member of the OPSRP Pension Program who received a lump sum
18 benefit in lieu of a small pension under ORS 238A.195 is employed by a participating
19 public employer in a qualifying position, the member reestablishes active membership
20 effective the date of hire.

21 (a) If the member was hired after the date of the payment, the member is not required
22 or permitted to repay the benefit amount.

1 (b) If the member was hired on or before the date of the payment, the member must
2 repay the gross benefit amount.

3 (4) A retired member of the OPSRP Pension Program who is hired by a participating
4 public employer in a non-qualifying position may receive pension payments or a lump
5 sum payment under ORS 238A.195 without affecting the member’s status as a retired
6 member, provided the period or periods of employment worked as a retired member total
7 less than 600 hours in a calendar year.

8 (a) If, by reason of hours of service performed by the retired member, the non-
9 qualifying position becomes qualifying in a calendar year, the position is qualifying
10 effective the later of the first day of the calendar year or the date of hire.

11 (A) If the member retired under the provisions of ORS 238A.185 and was retired for
12 six or more calendar months before returning to work for a PERS participating employer,
13 the member’s retirement benefits shall end and the member shall reestablish active
14 membership as of the date the position becomes qualifying under subsection (a) of this
15 section.

16 (B) If the member retired under the provisions of ORS 238A.185 and was retired for
17 less than six calendar months before returning to work for a PERS participating
18 employer, the member’s retirement shall be canceled and the member shall reestablish
19 active membership as of the date the position becomes qualifying under subsection (a) of
20 this section.

21 (b) If a position becomes qualifying under subsection (a) of this section, the retired
22 member is subject to the provisions of sections (2) and (3) of this rule.

1 (5) A retired member who reestablishes active membership may, at subsequent
2 retirement, elect any option provided in ORS 238A.180 and 238A.190, subject to the
3 provisions of ORS 238A.195.

4 (a) The member’s subsequent retirement benefit will be calculated based on the
5 member’s periods of active membership before and after the member’s initial effective
6 retirement date if at the initial retirement:

7 (A) The member received a monthly pension; or

8 (B) The member received a lump sum payment under ORS 238A.195 and repaid the
9 benefit amount under subsection (3)(b) of this rule.

10 (b) The member’s subsequent retirement benefit will be calculated based on the
11 member’s periods of active membership after the member’s initial effective retirement
12 date if:

13 (A) At initial retirement, the member received a lump sum payment under ORS
14 238A.195 and was not required to repay the benefit amount under subsection (3)(a) of
15 this rule; or

16 (B) The member is required to repay the benefit amount under subsection (3)(b) of
17 this rule and, as of the effective retirement date of the member’s subsequent retirement,
18 the member has not repaid the benefit amount.

19 (c) The member’s subsequent retirement benefit will be calculated using the actuarial
20 equivalency factors in effect on the effective retirement date of the subsequent retirement.

21 (6) A member who is retired for service maintains the member’s status as a retired
22 member of the system and does not accrue additional benefits during the period of
23 employment. A retired member may not participate in the pension program or the

1 Individual Account Program as an active member, except as provided by ORS 238A.250
2 or 237.650.

3 (7) For calendar years 2020 through 2024, a public employer employing a retired
4 member shall apply the employer’s contribution rate for its *[active members]* covered
5 payroll to the wages paid to the retired member. The public employer shall make a
6 payment to the Public Employees Retirement Fund in that amount. This payment is in
7 addition to the employer’s contribution required under ORS 238A.220 and will be
8 applied to the employer’s liabilities, including pension benefit costs and retiree medical
9 benefit costs.

10 (8) For calendar years 2020 through 2024, the limitations on employment in section
11 (4) of this rule do not apply to a retired member unless the member retired under the
12 provisions of ORS 238A.185 and does not have a bona fide retirement.

13 (9) For calendar years 2020 through 2024, if a member retired under the provisions
14 of ORS 238A.185 and does not have a bona fide retirement, the member is subject to the
15 limitations on employment in section (4) of this rule.

16 (10) Sections 7, 8, and 9 of this rule are repealed effective January 2, 2025.

17 Stat. Auth.: ORS 238.630 & 238A.450

18 Stats. Implemented: ORS 238A.245, 2019 OL, Ch. 355, Sec. 37



Oregon

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December 4, 2020

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Adoption of Police Officer and Firefighter Eligibility Rule:
OAR 459-075-0200, *Retirement Eligibility for Police Officer and Firefighter Members*

OVERVIEW

- Action: Adopt the Police Officer and Firefighter Eligibility rule.
- Reason: Define “continuously” as a period during which the member is employed in a qualifying position as a police officer or firefighter in consecutive months without interruption. Clarify that Leave Without Pay (LWOP) is not a break in service even for periods of more than a month.
- Policy Issue: None identified.

BACKGROUND

ORS 238A.160 and 238A.165 pertaining to normal and early retirement age for OPSRP members provide that police officer and firefighter (P&F) members must hold their positions “continuously” for a period of not less than five years immediately preceding their effective retirement date to qualify for the earlier P&F retirement age eligibility (age 60 instead of 65). When OAR 459-075-0200 was last updated in 2012, a definition for “continuously” was added for the previously undefined term, providing that it meant a “period of employment during which the member accrues retirement credit in consecutive months without interruption.”

Over time, however, it became clear that the definition, as written, inadvertently caused any Leave Without Pay (LWOP) period totaling one month or longer to restart the clock on the five-year statutory period to qualify for the earlier P&F retirement age eligibility. This was an unintended consequence. We are bringing the rule back to the board to address this LWOP issue. The rule has been edited to clarify that continuous employment is when a member is employed in a qualifying position as a P&F member in consecutive months without interruption. Because a member is still employed when they are on LWOP, an LWOP of more than a month will not restart the clock for the five-year requirement.

SUMMARY OF MODIFICATIONS TO RULES SINCE NOTICE

No modifications were made to the rule.

PUBLIC COMMENT AND HEARING TESTIMONY

No rulemaking hearing was held because the PERS building is closed to the public. The public comment period ended November 3, 2020, at 5:00 p.m. No public comment was received.

LEGAL REVIEW

The attached draft 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.

Benefit: Clarifies that LWOP is not a break in service for P&F retirement eligibility, even for periods of more than a month, so long as a member remains employed in one or more qualifying positions as a police officer or firefighter in consecutive months without interruption.

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

RULEMAKING TIMELINE

September 30, 2020	Staff began the rulemaking process by filing a Notice of Rulemaking with the Secretary of State.
October 2, 2020	PERS Board notified that staff began the rulemaking process.
October 2, 2020	Secretary of State publishes the Notice in the Oregon Administrative Rules Database. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
November 3, 2020	Public comment period ended at 5:00 p.m.
December 4, 2020	Board may adopt the rule.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “adopt the Police Officer and Firefighter Eligibility rule, as presented.”
2. Direct staff to make other changes to the rule or explore other options.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

B.4. Attachment 1 – 459-075-0200, *Retirement Eligibility for Police Officer and Firefighter Members*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 075 – OPSRP PENSION PROGRAM**

1 **459-075-0200**

2 **Retirement Eligibility for Police Officer and Firefighter Members**

3 (1) For purposes of this rule:

4 (a) “Police officer” and “firefighter” have the same meaning given them in ORS

5 238A.005.

6 (b) “Continuously” means a period *[of employment]* during which the member *[accrues*
7 *retirement credit]* is employed in one or more qualifying positions as a police officer or
8 firefighter in consecutive months without interruption.

9 (2) For the purpose of establishing eligibility for normal retirement under ORS
10 238A.160(2) and early retirement under 238A.165(2), an OPSRP Pension Program member
11 will be considered to have held a position as a police officer or firefighter continuously for a
12 period of not less than five years immediately preceding the effective date of retirement if:

13 (a) The member was employed in a qualifying position as a police officer or firefighter
14 continuously for five years prior to the date of the member’s termination from that
15 employment; and

16 (b) The member’s effective date of retirement is the first of the month following
17 termination from that employment.

18 (3) A member who is concurrently employed by two or more employers in qualifying
19 positions as a police officer or firefighter and as other than a police officer or firefighter is
20 employed as a police officer or firefighter for purposes of this rule.

21 Stat. Auth.: ORS 238A.450

22 Stats. Implemented: 238A.160 & 238A.165



Oregon

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December 4, 2020

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Adoption of Rulemaking for SB 1049 EPSA Earnings Crediting Rule:
OAR 459-007-0370, *Crediting Earnings to the Employee Pension Stability Account on Withdrawal*

OVERVIEW

- Action: Adopt the SB 1049 EPSA Earnings Crediting Rule.
- Reason: Clarify how earnings should be credited to the Employee Pension Stability Account (EPSA) on withdrawal.
- Policy Issue: None identified.

BACKGROUND

Administrative rules implementing the member redirect provision of SB 1049 were adopted prior to the effective date of the provision. Since implementation, staff has been refining processes and making any necessary adjustments to PERS' administration of the provision. To that end, a couple of small adjustments in the administrative rules to address concerns that have been identified since our original implementation.

The Employee Pension Stability Account (EPSA) earnings crediting rule OAR 459-007-0370 was initially adopted at the June 2020 board meeting to explain how earnings should be credited upon withdrawal for the EPSA. The rule was initially modeled after the Tier Two withdrawal rule and was drafted using the same concept of an effective date of withdrawal, which is a defined term. Under the Tier Two process, members receive Tier Two earnings up to their effective date of withdrawal and distribution interest from the effective date of withdrawal to the actual date of distribution. Under ORS 238.470, PERS cannot pay interest on payments from the system unless specifically allowed by statute. The EPSA accounts are established and administered under ORS Chapter 238A and there is no provision allowing for interest on the EPSA payments. However, ORS 238A.353 does require the EPSA accounts to receive earnings until distributed.

As staff worked through the elaboration process and reflected on the statutory requirements involved, we realized that, in situations where there is a delay in processing a withdrawal, under the current rule, it is possible that an EPSA would not receive full earnings crediting required under the statute. To ensure that members receive earnings to the date of distribution, we have altered the structure of the rule to bring it in line with the IAP withdrawal rule. When withdrawals are processed timely, there is no difference in the effect of the two structures, but the structure of the IAP rule will ensure the member receives earnings to the date of distribution in situations where there is a delay in processing.

SUMMARY OF MODIFICATIONS TO RULES SINCE NOTICE

No modifications were made to the rule.

PUBLIC COMMENT AND HEARING TESTIMONY

No rulemaking hearing was held because the PERS building is closed to the public. The public comment period ended November 3, 2020, at 5:00 p.m. No public comment was received.

LEGAL REVIEW

The attached draft 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, but statute authorizes the board to update its rules as necessary to implement Senate Bill 1049 (2019).

Benefit: Clarify how earnings should be credited to the Employee Pension Stability Account (EPSA) on withdrawal.

Cost: There are no discrete costs attributable to the rules.

RULEMAKING TIMELINE

September 30, 2020	Staff began the rulemaking process by filing a Notice of Rulemaking with the Secretary of State.
October 2, 2020	PERS Board notified that staff began the rulemaking process.
October 2, 2020	Secretary of State publishes the Notice in the Oregon Administrative Rules Database. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
November 3, 2020	Public comment period ends at 5:00 p.m.
December 4, 2020	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “adopt the SB 1049 EPSA Earnings Crediting Rule, as presented.”
2. Direct staff to make other changes to the rules or explore other options.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

B.5. Attachment 1 – 459-007-0370, *Crediting Earnings to the Employee Pension Stability Account on Withdrawal*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 7 – EARNINGS AND INTEREST DISTRIBUTION**

1 **459-007-0370**

2 **Crediting Earnings to the Employee Pension Stability Account on Withdrawal**

3 (1) When a member withdraws his or her Employee Pension Stability Account
4 (EPSA) under ORS 238A.375, earnings or losses shall be credited in the manner
5 specified in this rule.

6 (2) Earnings or losses on the member’s EPSA shall be credited as follows:

7 (a) If earnings or losses for the calendar year prior to the date of distribution
8 *[effective date of withdrawal]* have not been credited, earnings or losses for that year
9 shall be credited to the member’s EPSA based on the latest year-to-date calculation for
10 that year.

11 (b) Earnings or losses *[from January 1 of]* credited for the calendar year of
12 distribution *[the effective date of withdrawal to the effective date of withdrawal]* shall be
13 credited to the member’s EPSA based on the latest year-to-date calculation as of the first
14 day of the calendar month of the date of distribution*[effective date of withdrawal]*.

15 Stat. Auth.: ORS 238.650 & 238A.450

16 Stats. Implemented: ORS 238.265 & 238A.353



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December 4, 2020

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Adoption of Rulemaking for PHIP Premium Payment and Employer Incentive Fund (EIF) Rules:
OAR 459-035-0090, *Retiree Health Insurance Premium Payment Process*
OAR 459-009-0092, *Employer Incentive Fund Program*

OVERVIEW

- Actions: Adopt PHIP Premium Payment rule and Employer Incentive Fund (EIF) rule containing COVID-19 mitigation requirements.
- Reason: Revisions mitigate the impact of Coronavirus (COVID-19) outbreak on PERS members and employers.
- Policy Issue: None identified.

BACKGROUND

On March 8, 2020, Governor Kate Brown issued Executive Order 20-03 declaring a state of emergency and instructing state agencies to develop and implement procedures designed to prevent or alleviate the public health threat caused by the COVID-19 outbreak in Oregon.

In response to the COVID-19 outbreak, PERS adopted two temporary rules in April and May 2020 with mitigating provisions for members and employers. These temporary rules addressed PERS Health Insurance Program (PHIP) premium payment deadlines and mitigation actions relating to the Employer Incentive Fund (EIF). Temporary rules expire after 180 days.

Because the state of emergency has extended longer than anticipated, staff presented the board with an updated course of action regarding these COVID-19 mitigation efforts at the October 2, 2020 meeting. Because temporary rules cannot be amended, staff recommended that the board suspend the original temporary rules, adopt new temporary rules to ensure continuity of the two provisions, and issue Notice of Rulemaking to transition the updated temporary rules into a permanent rule. The board accepted this recommendation and issued Notice of Rulemaking regarding OAR 459-035-0090 and OAR 459-009-0092. These amended rules are now ready for adoption.

OAR 459-035-0090 (*Retiree Health Insurance Premium Payment Process*)

On March 25, 2020, the Insurance Commissioner of the Department of Consumer and Business Services (DCBS) issued an emergency Health Insurance Order requiring health insurance providers in Oregon to indefinitely suspend all policy terminations. At its April 2020 meeting, in response to the DCBS emergency order, the board adopted temporary OAR 459-001-0100 suspending all PHIP policy terminations during the Governor's state of emergency.

In May, DCBS allowed its original order to expire and issued a new emergency Health Insurance Order. The new emergency order required health insurance providers to give policyholders a minimum grace period of 60 days to make any premium payments due.

At the October 2020 board meeting, staff recommended that the board suspend the original PHIP temporary rule and issue a new temporary rule that would permit PERS to respond to the changing emergency requirements in real time without engaging the board in further rulemaking each time requirements change. Rather than updating the rule to reflect the precise requirements of the then-current emergency order, the amendments instead provide that no person's PERS-sponsored health insurance coverage will be terminated in a manner contrary to any emergency health insurance order and that any payment due dates will be adjusted to the extent required by the emergency order. A question arose during the board meeting as to whether the rule should be expanded to include orders from any other state or federal regulatory entity. Staff does not believe such a change is necessary as DCBS is the only state agency that regulates our PHIP sponsored health insurance program. And, while the federal Center for Medicare & Medicaid Services provides direction on Medicare/Medicaid eligibility, they do not regulate insurance companies directly; insurance regulation is specifically left to the state.

DCBS has now allowed all emergency Health Insurance Orders to expire. Consistent with the amended temporary rule that the board adopted at its October meeting, PERS has resumed normal administration of PHIP deadlines because no emergency orders remain in effect. We present the rule for permanent adoption today with the same provision in the event any future orders are issued.

OAR 459-009-0092 (*Employer Incentive Fund Program*)

The temporary rule adopted at the October 2020 board meeting contained COVID provisions regarding the EIF. Staff proposed this provision to ensure that EIF COVID mitigation provisions remained in effect between suspension of the original temporary rule and adoption of permanent rule amendments. The EIF provision extended the payment date for the current application cycle to December 1.

In addition to this COVID mitigation provision, staff also recommended additional amendments to the EIF rule that would be included in OAR 459-009-0092 but were not included in the temporary EIF rule. The current EIF rule allows an employer to change certain aspects of their application. To provide PERS the ability to properly manage funds in the EIF, particularly when there are potential or anticipated changes to the amount of funds available to match employer lump sum payments, staff have edited the rule to require any change in the employer's application to be approved by PERS before the change is effective.

SUMMARY OF MODIFICATIONS TO RULES SINCE NOTICE

No modifications were made to the rules.

PUBLIC COMMENT AND HEARING TESTIMONY

No rulemaking hearing was held because the PERS headquarters building was closed to the public. The public comment period ended November 3, 2020, at 5:00 p.m. No public comments were received.

LEGAL REVIEW

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

IMPACT

Mandatory: No, but the Governor has advised agencies to develop and implement procedures, including waiving rules or adopting temporary rules, within the agency's authority, to prevent or alleviate the public health threat presented by COVID.

Benefit: Updates rules to align with current COVID mitigation requirements and mitigate the impact of the COVID outbreak on PERS members and employers. Aligns PHIP administrative rules with potential legal requirements and allows agency to respond to changing requirements in the future.

Cost: There are no discrete costs attributable to the rules.

RULEMAKING TIMELINE

September 30, 2020	Staff began the permanent rulemaking process by filing Notice of Rulemaking with the Secretary of State.
October 2, 2020	PERS Board suspended the current temporary COVID-19 mitigation rules and adopted the proposed temporary rule, effective for 180 days; PERS staff proceeded with permanent rulemaking.
October 2, 2020	Secretary of State published the Notice in the Oregon Administrative Rules Database. Notice was sent to employers, legislators, and interested parties. Public comment period began.
November 3, 2020	Public comment period ended at 5:00 p.m.
December 4, 2020	Staff will propose adopting the permanent rules, including any changes resulting from public comment or reviews by staff or legal counsel. The permanent rules replace the previously adopted temporary rule.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to "adopt rules OAR 459-035-0090 and 459-009-0092 as presented."
2. Direct staff to make other changes to the rules or explore other options.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

- Reason: Updates rules to align with current COVID mitigation requirements and mitigate the impact of the COVID outbreak on PERS members and employers. Aligns PHIP administrative rules with potential legal requirements and allows agency to respond to changing requirements in the future.

Adoption of COVID-19 Mitigation Rules

12/04/20

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

B.6. Attachment 1 – 459-035-0090, *Retiree Health Insurance Premium Payment Process*

B.6. Attachment 2 – 459-009-0092, *Employer Incentive Fund Program*

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

1 **459-035-0090**

2 **Retiree Health Insurance Premium Payment Process**

3 (1) An eligible person who elects to participate in a PERS-sponsored health
4 insurance plan shall choose one of the following methods for the payment of
5 contributions for that coverage:

6 (a) The direct payment method by an electronic transfer of the monthly contribution
7 for the PERS-sponsored health insurance plan from an eligible person's bank account to
8 the Third Party Administrator; or

9 (b) The direct payment method by issuing a check or money order for the monthly
10 contribution for the PERS-sponsored health insurance plan to the Third Party
11 Administrator; or

12 (c) The pension deduction method wherein PERS shall deduct the monthly
13 contribution from the service or disability retirement allowance or other benefit payable
14 to the eligible person and forward the contribution to the Standard Retiree Health
15 Insurance Account.

16 (A) The total monthly contribution due shall be deducted for the benefit option
17 selected by the eligible person.

18 (B) If an eligible person's monthly PERS benefits are not sufficient to cover the
19 monthly contribution for the PERS-sponsored health insurance plan, the deduction
20 method may not be used.

21 (2) Employee contributions for the PERS-sponsored health insurance plan shall be
22 paid monthly and shall consist of the following:

1 (a) The premium charged by the carrier for the eligible person’s health insurance
2 coverage, less any amount contributed on the eligible person’s behalf from the RHIA or
3 RHIPA; and

4 (b) The eligible person’s share of the administrative costs incurred by PERS in
5 administering the health insurance program as provided for in ORS 238.410(4).

6 (3) If payment is by check or money order, the check or money order must be
7 physically received by the Third Party Administrator on or before the due date.

8 (4) Failure to make the payment by the due date shall result in termination of a
9 person’s PERS-sponsored health insurance coverage.

10 **(5) Notwithstanding section (4) of this rule, no person’s PERS-sponsored health**
11 **insurance coverage shall be terminated in a manner contrary to the requirements of**
12 **any emergency order issued by the Governor or the Department of Consumer and**
13 **Business Services regarding termination of health insurance policies. When any**
14 **such emergency order is in effect, the due date referenced in section (4) of this rule**
15 **shall be extended to the extent required by such emergency order.**

16 **[5](6)** On receipt of an eligible person’s contribution, the Third Party Administrator
17 shall deposit the contributions in the Standard Retiree Health Insurance Account.

18 Amounts deposited in the Standard Retiree Health Insurance Account shall be used only
19 to pay health insurance premiums on behalf of eligible persons and the costs incurred by
20 PERS in administering the health insurance program.

21 Stat. Auth.: ORS 238.410 & 238.650

22 Stats. Implemented: ORS 238.410, 238.415 & 238.420

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 009 – PUBLIC EMPLOYER**

1 **459-009-0092**

2 **Employer Incentive Fund Program**

3 The words and phrases used in this rule have the same meaning given them in OAR
4 459-009-0086.

5 (1) When the PERS Board determines that a sufficient amount of money has been
6 allocated to the Employer Incentive Fund, it shall open an application period by declaring:

7 (a) The date upon which the application period shall open; and

8 (b) The total amount of funds available for matching employer UAL lump-sum
9 payments during the application period.

10 (2) The application period shall end at the earlier of:

11 (a) 12 months after the application period start date; or

12 (b) Once all funds available for matching employer UAL lump-sum payments
13 declared in subsection (1)(b) of this rule have been paid out.

14 (3) Unless otherwise specified in this rule, all the requirements and timelines
15 established in OAR 459-009-0084, 459-009-0085, and 459-009-0086 apply to UAL lump-
16 sum payments made in association with the Employer Incentive Fund Program.

17 (4) During the first 90 days of an application period, applications for the Employer
18 Incentive Fund Program will only be open to employers with an unfunded actuarial
19 liability greater than 200 percent of the employer’s PERS payroll. After the first 90 days
20 have expired, applications will be open to all PERS participating employers.

21 (5) A PERS employer seeking participation in the Employer Incentive Fund Program
22 must submit an application to PERS and provide:

1 (a) The amount of the UAL lump-sum payment. The amount eligible for matching
2 funds excludes:

3 (A) Side account deposits of less than \$25,000; and

4 (B) Any amount that will be applied to any outstanding transition liability;

5 (b) The date the employer made, or intends to make, the UAL lump-sum payment.

6 Such date must be:

7 (A) No earlier than June 2, 2018; and

8 (B) No later than 12 months after the date the application period opens;

9 (c) A statement that the UAL lump-sum payment is not sourced from any type of
10 borrowed funds;

11 (d) The information required under OAR 459-009-0084(2)(c), if the employer is
12 making a UAL lump-sum payment under OAR 459-009-0084(2); and

13 (e) Proof of participation in the Unfunded Actuarial Liability Resolution Program as
14 provided under OAR 459-009-0091.

15 (6) PERS shall allocate a match amount equal to 25 percent of the eligible employer
16 UAL lump-sum payment amount indicated in subsection (5)(a) of this rule upon approval
17 of the employer’s application; however, such allocated match amount may not exceed the
18 greater of:

19 (a) Five percent of the unfunded liability attributable to the employer applying to
20 participate in the Employer Incentive Fund Program; or

21 (b) \$300,000.

22 (7) For the purposes of sections (4) and (6) of this rule, the unfunded actuarial liability
23 calculated by the PERS consulting actuary for the most recent actuarial report prepared
24 under ORS 238.605 as of the application period start date will be used.

1 (8) Notwithstanding section (6) of this rule, in the event that moneys in the Employer
2 Incentive Fund are not sufficient to match the entire 25% of an employer’s UAL lump-sum
3 payment commitment, only available moneys will be used in the match.

4 (9) PERS shall process the applications and allocate matching funds based upon the
5 order in which the applications are received.

6 (10) Except as otherwise provided in this rule, an employer will fail to qualify to
7 participate in the Employer Incentive Fund Program, thereby forfeiting any allocated
8 matching funds, if PERS does not receive the UAL lump-sum payment the employer has
9 committed under subsection (5)(a) of this rule on the due date specified in the application.

10 An employer may change, subject to PERS’ discretion and approval:

11 (a) The amount of the UAL lump-sum payment indicated in its application.

12 (A) If the UAL lump-sum payment amount is increased, only the original amount will
13 be eligible for matching funds; and

14 (B) If the UAL lump-sum payment amount is decreased:

15 (i) The new amount must be at least \$25,000; and

16 (ii) Any allocated matching funds will be decreased proportionately.

17 (b) The date of the UAL lump-sum payment indicated in its application.

18 (A) The employer must notify PERS at least five business days before the date the
19 employer indicated it would make the payment; and

20 (B) The new payment date must be within 12 months after the date the application
21 period opened.

22 (c) The rate offset date or UAL lump-sum payment amount for employers making
23 UAL lump-sum payments under OAR 459-009-0084.

24 (A) The employer will need to request and pay for a new actuarial calculation; and

1 (B) The UAL lump-sum payment must be made within 12 months after the date the
2 application period opens to remain eligible to receive matching funds.

3 (11) An employer must notify PERS and receive approval from PERS if it
4 intends to make the UAL lump-sum payment prior to the payment due date under
5 subsection (5)(b) or (10)(b) of this rule.

6 ~~[(11)]~~(12) Once all the funds identified in subsection (1)(b) of this rule have been
7 allocated, employers applying for matching funds will be placed on a waiting list.

8 (a) If moneys become available again during the same application period, the
9 employers on the waiting list will receive matching allocations based upon the order in
10 which their applications were received.

11 (b) If additional moneys become available on the last day of the application period,
12 employers on the waiting list that are notified they will receive a matching allocation will
13 have an additional five days to submit their UAL lump-sum payment.

14 (13) The Board is extending the EIF employer lump-sum payment deadline from
15 August 31, 2020 to December 1, 2020, for the application cycle established on
16 September 3, 2019. Employers that wish to extend their payment deadline under this
17 section of the rule must notify PERS of the new payment date at least five business
18 days before the date the employer indicated it would make the payment, and the new
19 payment date must be no later than December 1, 2020.

20 ~~[(12)]~~(14) OAR 459-009-0084(8), 459-009-0085(4) and (5), and 459-009-0086(7) do
21 not apply to UAL lump-sum payments receiving matching funds under this rule.

22 Stat. Auth.: ORS 238.650 & 238A.450

23 Stats. Implemented: ORS 238.225 - 238.229



Oregon

Kate Brown, Governor

Public Employees Retirement System

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December 4, 2020

TO: Members of the PERS Board
FROM: Heather Case, Senior Policy Director
SUBJECT: Legislative Updates and Presentation of Final Legislative Concept Drafts

SEPTEMBER LEGISLATIVE DAYS

September legislative days took place September 22, 2020 through September 25, 2020. PERS did not bring forward any concepts during these legislative days, and nothing was heard that would affect PERS.

DECEMBER LEGISLATIVE DAYS

December legislative days are currently scheduled for the week of December 7, 2020. At this time, PERS does not anticipate bringing anything in front of the legislature during these legislative days. However, it is expected that the legislature will distribute money to all state agencies to help pay for increases in salary due to cost of living adjustments (COLA). This is called a “salary pot” and happens every year as budget allows. The legislature will also be confirming executive appointments during this time.

THIRD SPECIAL SESSION OF 2020

During the October 2, 2020 PERS Board meeting, the board was notified that there would not be a third special session in 2020. As of the time of this writing, that has changed. There may be a third special session of the legislature in 2020 to address issues created by the wildfires. The legislature may look at both wildfire cleanup funding, as well as policy. If there is a special session, PERS does not anticipate introducing any concepts to the legislature during this time.

AGENCY LEGISLATION- 2021 SESSION

Legislative concept final drafts have been returned for all three legislative concepts approved by the board in March 2020. The concepts in their final form are presented as summaries below for the board’s information, and full copies of the final drafts are presented as attachments to this memo. In Early November, PERS met with the Governor’s Office and the Department of Administrative Services (DAS) and is prepared to file these legislative concepts as written for the 2021 legislative session.

Legislative Concept 588 (LC 588) - SB 1049 (2019) and PERS Administration Refinements

There have been few changes to LC 588 with respect to the fixes it proposes for SB 1049. However, during the COVID-19 pandemic, an issue was brought to the agency's attention that warrants a legislative change to the definition of salary for OPSRP members. The definition of salary in Chapter 238A (i.e. for OPSRP members) is based on the member's salary being subject to Oregon income taxes. With many members who are residents of neighboring (or other) states working from home due to the COVID-19 pandemic, the salary earned by these individuals while working from home (because the work is not performed in Oregon) is not subject to Oregon income tax and, therefore, not considered subject salary for PERS purposes. Therefore, to allow for administration of the PERS plan to continue as intended, PERS has proposed a narrow adjustment to the definition of salary in ORS 238A.005 to allow employees whose income would be subject to Oregon income tax if they were an Oregon resident to have that salary considered subject salary for PERS purposes.

SB 1049 (2019) is a complex and comprehensive piece of legislation that, among other things, allows PERS retirees to work unlimited hours, redirects a portion of member contributions to a new account to help fund the member's pension benefit, and revised provisions of the Employer Incentive Fund (EIF) and the Unfunded Actuarial Liability Resolution Program (UALRP). During 2019 legislative discussions, PERS acknowledged that we may need to refine portions of SB 1049 to more effectively implement the legislative intent of the measure. As PERS has worked through implementation, the following revisions have been identified.

The agency-requested legislative concept proposes the following changes (Attachment 1):

- Work after retirement provisions of SB 1049 (2019)
 - Clarify that all early retirees must be absent from all PERS employment for six months to be eligible to work unlimited hours.
 - Remove language from the unlimited hour provisions that requires an hourly limit for Social Security recipients until they attain full social security age (Note: This language remains in the existing statute (ORS 238.082) for when PERS is reverted back to the hourly standard (or for anyone who may be subject to the hourly standard in the interim) in 2025.
 - Equalize the unlimited hour standard for T1/T2 and OPSRP members (T1/T2 elected officials are still limited under the original SB 1049 language).
- Member redirect provisions of SB 1049 (2019)
 - Clarify that termination of membership on OPSRP Pension withdrawal applies to all OPSRP members, not just vested members.
 - Clarify that the new Employee Pension Stability Account is required to be repaid if a member either elects, or is required to, redeposit their member account.
- Employer programs provisions of SB 1049 (2019)

- Clarify requirements of application process by removing reference to funds "projected to become" so application cycles can be clearly identified.
- Remove the misleading "improve the employer's funded status" from the UAL resolution program language, as pooled employers cannot individually improve their funded status.
- Coordination of SB 1049 and HB 2417 (both 2019)
 - Add language to clarify how the new death benefit option provided under HB 2417 will be funded in light of the new EPSA established in SB 1049.
- Definition of salary for Chapter 238A (OPSRP members)
 - Amend the definition of salary for OPSRP members so salary earned by a member that is currently non-PERS salary because it is not subject to OR income tax, will still be salary for PERS purposes.

The above amendments will assist PERS in implementing the long-term effects and administration of SB 1049. In addition, PERS is requesting a retroactive effective date for the amendment to the definition of salary for OPSRP members in order to avoid any unintended consequences that may otherwise result from the COVID-19 pandemic. This will allow employers to continue providing PERS benefits (service time and contributions) that employees were promised, while following the Governor's COVID-19 mandates.

LC 589 – Common-Law Employment for PERS Purposes

There have been no changes to this legislative concept as initially introduced to the board at the March board meeting.

The agency-requested legislative concept proposes the following changes (Attachment 2):

- Amending ORS 238.005(8) to clarify that the definition of "employee" for PERS Tier 1 and Tier 2 purposes includes "persons considered employees of a participating public employer under 26 U.S.C. 3121(d)(2)," the provision of the Internal Revenue Code that defines "employee" to include common-law employees.
- Amending ORS 238A.005(4) to insert the same language into the definition of "eligible employee" for purposes of the OPSRP pension plan.

These amendments will mitigate long-term risk caused by the *EWEB* court decision. The Court's decision in *EWEB* to link "service" to being on an employer's payroll reversed PERS' longstanding interpretation and administration of statute. For nearly 30 years, PERS' administrative rules have provided that common-law employees are considered "employees" for purposes of PERS membership and retirement benefits. PERS began including language regarding common-law employees in rule to provide clarity in response to concerns that employers could attempt to avoid PERS contributions through misuse of independent contractor classifications. This solution would not affect the scope of employee/independent contractor classifications, nor affect employers' ability to use the services of independent contractors, but

instead would clarify that the source of a person's payroll is not the exclusive factor to be considered in determining whether an individual is an "employee" for purposes of PERS membership.

LC 590 – Prior Year Earnings on IAP Contributions

There have been no changes to the original concept idea as presented to the PERS Board at the March board meeting.

The agency-requested legislative concept proposes the following changes (Attachment 3):

- Amending ORS 238A.330, 238A.335, and 238A.340 to include the following language: "The board may charge a participating public employer accrued earnings for late payment of employee contributions made by a member under this section and remitted to the board by the employer."

These amendments will provide statutory support for the current agency practice of collecting earnings from employers for late IAP contributions. The practice was formally reviewed and adopted by the PERS Board in 2006. However, statute provides that employers who make delinquent payments can be charged interest on the total amount of contributions at one percent per month (or fraction thereof) but that the fee is used to pay for administrative expenses of the system. PERS has not applied this statutory interest penalty against employers, and this penalty may not be paid to member IAP accounts.

We look forward to providing updates throughout the 2021 legislative session on these bills and others that may be reviewed in various policy committees.

C.1. Attachment 1- *LC0588 (10/12/2020)*

C.1 Attachment 2- *LC0589 (08/19/2020)*

C.1 Attachment 3- *LC0590 (09/16/2020)*

D R A F T

SUMMARY

Modifies provisions relating to public employee retirement.

A BILL FOR AN ACT

1
2 Relating to public employee retirement; creating new provisions; and
3 amending ORS 238.082, 238.105, 238.395, 238.730, 238A.005, 238A.120 and
4 238A.375 and section 2, chapter 105, Oregon Laws 2018, and sections 35
5 and 37, chapter 355, Oregon Laws 2019.

Be It Enacted by the People of the State of Oregon:

6 **SECTION 1.** ORS 238.082 is amended to read:

7
8 238.082. (1) Subject to the limitations in this section, any public employer
9 may employ any member who is retired for service if the administrative head
10 of the public employer is satisfied that such employment is in the public in-
11 terest.

12 (2) Except as provided in this section, the period or periods of employment
13 by one or more public employers of a retired member who is reemployed
14 under this section may not total 1,040 hours or more in any calendar year.

15 (3) A retired member who is receiving old-age, survivors or disability in-
16 surance benefits under the federal Social Security Act may be employed un-
17 der this section for the number of hours permitted by subsection (2) of this
18 section, or for the number of hours for which the salary equals the maximum
19 allowed for receipt of the full amount of those benefits to which the person
20 is entitled, whichever is greater.

21 (4) Except as provided in subsection (9) of this section, the limitations on

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted.
New sections are in **boldfaced** type.

1 employment imposed by subsections (2) and (3) of this section do not apply
2 to a retired member who is employed as a teacher or as an administrator,
3 as those terms are defined in ORS 342.120, if the retired member is employed
4 by a school district or community college district located within a county
5 with a population of not more than 35,000 inhabitants according to the latest
6 federal decennial census, or is employed by an education service district and
7 the retired member's primary work duties are performed in a county with a
8 population of not more than 35,000 inhabitants according to the latest federal
9 decennial census. A retired member who is employed under this subsection
10 as a teacher, as defined in ORS 342.120, by the same public employer that
11 employed the member at the time of retirement remains in the same collec-
12 tive bargaining unit that included the member before retirement.

13 (5) Except as provided in subsection (9) of this section, the limitations on
14 employment imposed by subsections (2) and (3) of this section do not apply
15 to a retired member who is employed:

16 (a) By the sheriff of a county with a population of fewer than 75,000 in-
17 habitants, according to the latest federal decennial census;

18 (b) By the municipal police department of a city with a population of
19 fewer than 15,000 inhabitants, according to the latest federal decennial cen-
20 sus;

21 (c) By the state or a county for work in a correctional institution located
22 in a county with a population of fewer than 75,000 inhabitants, according to
23 the latest federal decennial census;

24 (d) By the Black Butte Ranch Rural Fire Protection District, the Black
25 Butte Ranch Service District or the Sunriver Service District;

26 (e) By the Oregon State Police for work in a county with a population
27 of fewer than 75,000 inhabitants, according to the latest federal decennial
28 census;

29 (f) As a deputy director or assistant director of the Department of Human
30 Services, if the Governor approves the exemption for the person from the
31 limitations on employment imposed in subsections (2) and (3) of this section;

1 (g) As a deputy director or assistant director of the Oregon Health Au-
2 thority, if the Governor approves the exemption for the person from the
3 limitations on employment imposed in subsections (2) and (3) of this section;

4 (h) As a special campus security officer commissioned by the governing
5 board of a public university listed in ORS 352.002 under ORS 352.118;

6 (i) As a security officer for a community college, as defined in ORS
7 341.005; or

8 (j) By the Harney County Health District as a person licensed, registered
9 or certified to provide health services.

10 (6) Except as provided in subsection (9) of this section, the limitations on
11 employment imposed by subsections (2) and (3) of this section do not apply
12 to a retired member who is employed to temporarily replace an employee who
13 serves in the National Guard or in a reserve component of the Armed Forces
14 of the United States and who is called to federal active duty.

15 (7) Except as provided in subsection (9) of this section, the limitations on
16 employment imposed by subsections (2) and (3) of this section do not apply
17 to a retired member who is employed by a road assessment district organized
18 under ORS 371.405 to 371.535.

19 (8) Except as provided in subsection (9) of this section, the limitations on
20 employment imposed by subsections (2) and (3) of this section do not apply
21 to a retired member who is a nurse and is employed by a public employer
22 as a nurse or for the purpose of teaching nursing during the period in which
23 a nursing workforce shortage declared by the Legislative Assembly or the
24 Governor is in effect.

25 (9)(a) Except as provided in paragraph (b) of this subsection, subsections
26 (4) to (8) of this section do not apply to any member who retires under the
27 provisions of ORS 238.280 (1), (2) or (3).

28 (b) Subsection (4) of this section applies to a person who retires under the
29 provisions of ORS 238.280 (1), (2) or (3) as long as the [*person's date of re-*
30 *tirement is more than*] **person is absent from service with all participat-**
31 **ing public employers for at least** six months before the date the person is

1 employed under subsection (4) of this section.

2 (10) Employment under this section does not affect the status of a person
3 as a retired member of the system and a recipient of retirement benefits un-
4 der this chapter.

5 (11) Hours worked by a person employed under subsections (4) to (8) of
6 this section shall not be counted for the purpose of the limitations on em-
7 ployment imposed by subsections (2) and (3) of this section.

8 **SECTION 2.** Section 35, chapter 355, Oregon Laws 2019, is amended to
9 read:

10 **Sec. 35.** (1) Notwithstanding ORS [238.082 (2)] **237.650 and any provision**
11 **of this chapter** and subject to the limitations in this section, during calen-
12 dar year 2020, 2021, 2022, 2023 or 2024, a participating public employer may
13 employ any retired member without limitation on the hours worked by the
14 retired member if the administrative head of the public employer is satisfied
15 that the employment is in the public interest.

16 (2) A public employer that employs a retired member [*under ORS 238.082*
17 *or 238.088 (2)*] during calendar year 2020, 2021, 2022, 2023 or 2024 shall con-
18 tribute to the Public Employees Retirement Board the percentage of the
19 member's wages that would have been contributed to the board under ORS
20 238.225 if the member were an active member of the Public Employees Re-
21 tirement System. Employer contributions made under this section are in ad-
22 dition to employer contributions made under ORS 238.225. The board shall
23 apply contributions made by a public employer under this subsection against
24 the liabilities of the public employer. The board shall adopt rules governing
25 payments made under this subsection.

26 [(3) *A retired member who is receiving old-age, survivors or disability in-*
27 *surance benefits under the federal Social Security Act may be employed during*
28 *calendar year 2020, 2021, 2022, 2023 or 2024 for no more than the number of*
29 *hours for which the salary equals the maximum allowed for receipt of the full*
30 *amount of those benefits to which the person is entitled.*]

31 [(4)] (3) This section does not apply to any member who retires under the

1 provisions of ORS 238.280 (1), (2) or (3), unless the *[person's date of retirement*
 2 *is more than]* **person is absent from employment with all participating**
 3 **public employers for at least** six months before the date the person is
 4 employed under this section.

5 [(5)] (4) Employment under this section does not affect the status of a
 6 person as a retired member of the system and a recipient of retirement ben-
 7 efits under this chapter.

8 **SECTION 3.** Section 37, chapter 355, Oregon Laws 2019, is amended to
 9 read:

10 **Sec. 37.** (1) Notwithstanding ORS [238A.245] **237.650 and any provision**
 11 **of this chapter** and subject to the limitations in this section, during calen-
 12 dar year 2020, 2021, 2022, 2023 or 2024, a participating public employer may
 13 employ any retired member without limitation on the hours worked by the
 14 retired member if the administrative head of the public employer is satisfied
 15 that the employment is in the public interest. The Public Employees Retire-
 16 ment Board shall continue making pension payments to a retired member of
 17 the pension program who is reemployed under this section.

18 (2) A public employer that employs a retired member during calendar year
 19 2020, 2021, 2022, 2023 or 2024 shall contribute to the board the percentage
 20 of the member's wages that would have been contributed to the board under
 21 ORS 238A.220 if the member were an active member of the Public Employees
 22 Retirement System. Employer contributions made under this section are in
 23 addition to employer contributions made under ORS 238A.220. The board
 24 shall apply contributions made by a public employer under this subsection
 25 against the liabilities of the public employer. The board shall adopt rules
 26 governing payments made under this subsection.

27 [(3) *A retired member who is receiving old-age, survivors or disability in-*
 28 *surance benefits under the federal Social Security Act may be employed during*
 29 *calendar year 2020, 2021, 2022, 2023 or 2024 for no more than the number of*
 30 *hours for which the salary equals the maximum allowed for receipt of the full*
 31 *amount of those benefits to which the person is entitled.]*

1 [(4)] **(3)** This section does not apply to any member who retires under the
 2 provisions of ORS 238A.185, unless the [*person's date of retirement is more*
 3 *than*] **person is absent from employment with all participating public**
 4 **employers for at least** six months before the date the person is employed
 5 under this section.

6 [(5)] **(4)** Employment under this section does not affect the status of a
 7 person as a retired member of the pension program and a recipient of re-
 8 tirement benefits under this chapter.

9 **SECTION 4.** ORS 238A.120 is amended to read:

10 238A.120. [*A vested*] **An** inactive member who withdraws from the indi-
 11 vidual account program under ORS 238A.375 cancels the person's membership
 12 in the Public Employees Retirement System. If the person is thereafter re-
 13 employed by a participating public employer:

14 (1) The person may reestablish membership in the pension program only
 15 for the purpose of service performed after the person is reemployed; and

16 (2) Any service performed before the withdrawal may not be credited to-
 17 ward the period of service required by ORS 238A.100 or 238A.115 or toward
 18 the accrual of retirement credit under ORS 238A.140, 238A.150 or 238A.155.

19 **SECTION 5.** ORS 238A.375 is amended to read:

20 238A.375. (1)(a) An inactive member of the individual account program
 21 may elect to receive a distribution of the amounts in the member's employee
 22 account, rollover account, employer account and employee pension stability
 23 account to the extent the member is vested in those accounts under ORS
 24 238A.320 if the inactive member:

25 (A) Has [*separated*] **a bona fide separation** from all service with par-
 26 ticipating public employers [*and with*];

27 (B) **Is not employed with, or has a bona fide separation from, all**
 28 employers who are treated as part of a participating public employer's con-
 29 trolled group under the federal laws and rules governing the status of the
 30 Public Employees Retirement System and the Public Employees Retirement
 31 Fund as a qualified governmental retirement plan and trust; **and**

1 (C) **Has not attained earliest retirement age.**

2 (b) **The board shall deny the distribution, or take all steps necessary**
3 **to recover distributed amounts, if the board determines that the**
4 **member's separation is not a bona fide separation.**

5 (2) If an inactive member of the individual account program who is not
6 vested in the employer account receives a distribution under subsection (1)
7 of this section, the employer account of the member is permanently forfeited
8 as of the date of the distribution.

9 (3) A member may not make an election under this section for less than
10 all of the member's individual accounts described in ORS 238A.350, and the
11 member's employee pension stability account described in ORS 238A.353, in
12 which the member is vested.

13 (4) A member who is [*vested in*] **also a member of** the pension program
14 established under this chapter and who withdraws the member's accounts
15 under this section cancels all membership rights in the system.

16 (5) A member who has a member account established under ORS chapter
17 238 may make an election under this section only if the member also with-
18 draws that member account in the manner provided by ORS 238.265. A
19 member who has an account established under ORS 238.440 may make an
20 election under this section only if the member also withdraws the account
21 established under ORS 238.440.

22 (6) If an inactive member receives a distribution under subsection (1) of
23 this section and is subsequently reemployed by a participating public em-
24 ployer, any service performed before the date the member became an inactive
25 member may not be used toward the period of service required for vesting
26 in the employer account under ORS 238A.320.

27 **SECTION 6.** ORS 238.105 is amended to read:

28 238.105. (1) Whenever, within five years after the employee is separated
29 from all service entitling the employee to membership in the Public Em-
30 ployees Retirement System, an employee who has withdrawn the amount
31 credited to the member account of the member reenters the service of an

1 employer participating in the system, the employee's rights in the system
2 that were forfeited by the withdrawal shall be restored upon repaying to the
3 Public Employees Retirement Board within one year after reentering the
4 service of the employer, the full amount so withdrawn, **including the**
5 **amount withdrawn from the member's account established under ORS**
6 **238A.353**, together with the interest that would have been accumulated on
7 the sum had the amount not been withdrawn.

8 (2) Restoration of rights under this section does not affect any forfeiture
9 of rights of a person by reason of[:]

10 [(a)] withdrawal of an account established under ORS 238.440[; or]

11 [(b) *Withdrawal of individual accounts pursuant to ORS 238A.375.*]

12 **SECTION 7.** ORS 238.730 is amended to read:

13 238.730. (1) The Public Employees Retirement Board shall establish an
14 Unfunded Actuarial Liability Resolution Program. Under the program, the
15 board shall provide technical expertise [*to participating public employers in*
16 *developing funding plans to improve the employers' funded status and*] to
17 manage projected employer contribution rate changes. Funding plans devel-
18 oped under the program must be based on actuarial reports prepared under
19 ORS 238.605.

20 (2) A participating public employer shall participate in the program.

21 (3) The board may use moneys in the Employer Incentive Fund established
22 in section 1, chapter 105, Oregon Laws 2018, for reasonable administrative
23 costs incurred under this section.

24 **SECTION 8.** ORS 238.730, as amended by section 55, chapter 355, Oregon
25 Laws 2019, is amended to read:

26 238.730. (1) The Public Employees Retirement Board shall establish an
27 Unfunded Actuarial Liability Resolution Program. Under the program, the
28 board shall provide technical expertise [*to participating public employers in*
29 *developing funding plans to improve the employers' funded status and*] to
30 manage projected employer contribution rate changes. Funding plans devel-
31 oped under the program must be based on actuarial reports prepared under

1 ORS 238.605.

2 (2) A participating public employer shall participate in the program.

3 **SECTION 9.** Section 2, chapter 105, Oregon Laws 2018, as amended by
4 section 47, chapter 355, Oregon Laws 2019, is amended to read:

5 **Sec. 2.** (1)(a) The Public Employees Retirement Board shall establish a
6 process for distributing the moneys in the Employer Incentive Fund estab-
7 lished under section 1, chapter 105, Oregon Laws 2018.

8 (b) The process must allow a participating public employer to apply to
9 reserve matching amounts in the Employer Incentive Fund by committing to
10 make a qualifying lump sum payment of at least \$25,000 to an account es-
11 tablished under ORS 238.229.

12 (2) The board shall adopt rules establishing:

13 (a) The percentage of a lump sum payment that may be matched by dis-
14 tributions from the fund, not to exceed 25 percent of a qualifying lump sum
15 payment.

16 (b) The maximum matching amount that may be reserved by a partic-
17 ipating public employer, not to exceed the greater of:

18 (A) Five percent of the unfunded actuarial liability attributable to the
19 employer, as determined in the most recent report prepared under ORS
20 238.605; or

21 (B) \$300,000.

22 (c) The qualifications for lump sum payments that may be matched under
23 this section, including a requirement that a qualifying lump sum payment
24 may not be a payment from moneys borrowed by the employer.

25 (d) A requirement that the participating public employer participate in
26 the Unfunded Actuarial Liability Resolution Program to develop a plan un-
27 der [section 26, chapter 105, Oregon Laws 2018] **ORS 238.730.**

28 (3)(a) For 90 days after the board begins accepting applications under
29 subsection (1) of this section, a participating public employer may apply to
30 reserve matching amounts from the Employer Incentive Fund under sub-
31 section (1) of this section only if the unfunded actuarial liability attributable

1 to the employer, as determined in the most recent report prepared under ORS
2 238.605, is more than 200 percent of the employer's payroll for members of
3 the Public Employees Retirement System.

4 (b) After the 90-day period described in paragraph (a) of this subsection,
5 any participating public employer may apply to reserve matching funds from
6 the Employer Incentive Fund under subsection (1) of this section.

7 (4)(a) The board shall approve applications that meet the qualifications
8 established under subsection (2) of this section in the order in which the
9 applications are submitted. The board shall continue approving applications
10 as long as adequate moneys in the Employer Incentive Fund are [*projected*
11 *to become*] available.

12 (b) After all of the moneys [*projected to become*] available in the Employer
13 Incentive Fund are reserved for matching under paragraph (a) of this sub-
14 section, the board may establish a waiting list for the remaining timely
15 submitted applications and, if sufficient moneys in the Employer Incentive
16 Fund become available, shall approve, in the order in which the applications
17 were submitted, applications that meet the qualifications established under
18 subsection (2) of this section.

19 (5) The board shall transfer matching amounts approved under subsection
20 (4) of this section from the Employer Incentive Fund to the approved
21 employers' accounts established under ORS 238.229.

22 (6) The board may transfer moneys from the Employer Incentive Fund to
23 the Public Employees Retirement Fund established under ORS 238.660 for
24 crediting to the reserves for pension accounts and annuities as provided in
25 ORS 238.670 (2).

26 (7) The board may use moneys in the Employer Incentive Fund for rea-
27 sonable administrative costs incurred under this section.

28 **SECTION 10.** ORS 238.395 is amended to read:

29 238.395. (1)(a) In addition to any other benefits under this chapter, a death
30 benefit, provided by contributions of the public employer under ORS 238.225
31 and, for benefits that accrue on or after July 1, 2020, amounts in the em-

1 ployee pension stability account established for the member under ORS
2 238A.353, shall be paid to the beneficiaries designated under ORS 238.390 (1)
3 of a person who is an active or inactive member of the Public Employees
4 Retirement System and who dies as a result of injuries received while em-
5 ployed in the service of the public employer or within 120 days after termi-
6 nation from service with a participating public employer. A member who is
7 on a leave of absence without pay from employment with a participating
8 public employer has not terminated service with that participating public
9 employer for the purposes of this section.

10 (b) The death benefit under this subsection is an amount equal to the
11 amount in the member account of the deceased member at the time of death.

12 (c) In the event that a beneficiary has not been named as provided in
13 paragraph (a) of this subsection and ORS 238.390 (1), the death benefit under
14 this subsection shall be paid in the manner provided for payment of money
15 credited to the member account of the member in ORS 238.390 (2).

16 (d) The beneficiary designated under paragraph (a) of this subsection and
17 ORS 238.390 (1) may elect to receive the amount payable in actuarially de-
18 termined monthly payments for the life of such beneficiary as long as such
19 monthly payments, plus the monthly amount if elected under ORS 238.390 (3),
20 are at least \$200.

21 (e) Interest upon the death benefit provided by this subsection accrues
22 until the date that the benefit is distributed. The Public Employees Retire-
23 ment Board shall establish procedures for computing interest to be credited
24 on the benefit for the period between the date of death and date of distrib-
25 ution.

26 (2)(a) If a member of the system dies while employed in the service of a
27 participating public employer or within 120 days after termination from ser-
28 vice with a participating public employer and the member's spouse is the
29 member's beneficiary under ORS 238.390, the member's spouse may elect to
30 receive the benefit provided under this subsection in lieu of the death bene-
31 fits provided under ORS 238.390 and subsection (1) of this section.

1 (b) The member's spouse must notify the board in writing of an election
2 under this section no later than 60 days after the date of death of the mem-
3 ber.

4 (c) The death benefit to be paid under this subsection is for the life of the
5 member's spouse and is the actuarial equivalent of 50 percent of the service
6 retirement allowance that would otherwise have been paid to the deceased
7 member **under ORS 238.300**, which shall be calculated:

8 (A) As of the date of death, if the member dies after the earliest retire-
9 ment date for the member under ORS 238.280; or

10 (B) As if the member became an inactive member on the date of death and
11 retired at the earliest retirement date for the member under ORS 238.280.

12 (d) The death benefit provided under this subsection **shall be funded in**
13 **the same manner as described under ORS 238.300 and** is first effective
14 on the first day of the month following the election of the member's spouse
15 to receive the death benefit under this subsection. The member's spouse may
16 elect to delay payment of the death benefit, but payment must commence no
17 later than December 31 of the calendar year in which the deceased member
18 would have reached 70-1/2 years of age.

19 (3) Payment by the board of additional death benefits in the manner pro-
20 vided by this section completely discharges the board and system on account
21 of the death, and shall hold the board and system harmless from any claim
22 for wrongful payment.

23 **SECTION 11.** ORS 238A.005 is amended to read:

24 238A.005. For the purposes of this chapter:

25 (1) "Active member" means a member of the pension program or the in-
26 dividual account program of the Oregon Public Service Retirement Plan who
27 is actively employed in a qualifying position.

28 (2) "Actuarial equivalent" means a payment or series of payments having
29 the same value as the payment or series of payments replaced, computed on
30 the basis of interest rate and mortality assumptions adopted by the board.

31 (3) "Board" means the Public Employees Retirement Board.

1 (4) "Eligible employee" means a person who performs services for a par-
2 ticipating public employer, including elected officials other than judges.

3 "Eligible employee" does not include:

4 (a) Persons engaged as independent contractors;

5 (b) Aliens working under a training or educational visa;

6 (c) Persons provided sheltered employment or make-work by a public em-
7 ployer;

8 (d) Persons categorized by a participating public employer as student
9 employees;

10 (e) Any person who is in custody in a state institution;

11 (f) Employees of foreign trade offices of the Oregon Business Development
12 Department who live and perform services in foreign countries under the
13 provisions of ORS 285A.075 (1)(g);

14 (g) An employee actively participating in an alternative retirement pro-
15 gram established under ORS 353.250 or an optional retirement plan estab-
16 lished under ORS 341.551;

17 (h) Employees of a public university listed in ORS 352.002 who are ac-
18 tively participating in an optional retirement plan offered under ORS 243.815;

19 (i) Persons employed in positions classified as post-doctoral scholar posi-
20 tions by a public university listed in ORS 352.002, or by the Oregon Health
21 and Science University, under ORS 350.370;

22 (j) Any employee who belongs to a class of employees that was not eligi-
23 ble on August 28, 2003, for membership in the system under the provisions
24 of ORS chapter 238 or other law;

25 (k) Any person who belongs to a class of employees who are not eligible
26 to become members of the Oregon Public Service Retirement Plan under the
27 provisions of ORS 238A.070 (2);

28 (L) Any person who is retired under ORS 238A.100 to 238A.250 or ORS
29 chapter 238 and who continues to receive retirement benefits while employed;
30 and

31 (m) Judges.

1 (5) "Firefighter" means:

2 (a) A person employed by a local government, as defined in ORS 174.116,
3 whose primary job duties include the fighting of fires;

4 (b) The State Fire Marshal, the chief deputy state fire marshal and deputy
5 state fire marshals;

6 (c) An employee of the State Forestry Department who is certified by the
7 State Forester as a professional wildland firefighter and whose primary du-
8 ties include the abatement of uncontrolled fires as described in ORS 477.064;
9 and

10 (d) An employee of the Oregon Military Department whose primary duties
11 include fighting structural, aircraft, wildland or other fires.

12 (6) "Fund" means the Public Employees Retirement Fund.

13 (7)(a) "Hour of service" means:

14 (A) An hour for which an eligible employee is directly or indirectly paid
15 or entitled to payment by a participating public employer for performance
16 of duties in a qualifying position; and

17 (B) An hour of vacation, holiday, illness, incapacity, jury duty, military
18 duty or authorized leave during which an employee does not perform duties
19 but for which the employee is directly or indirectly paid or entitled to pay-
20 ment by a participating public employer for services in a qualifying position,
21 as long as the hour is within the number of hours regularly scheduled for
22 the performance of duties during the period of vacation, holiday, illness, in-
23 capacity, jury duty, military duty or authorized leave.

24 (b) "Hour of service" does not include any hour for which payment is
25 made or due under a plan maintained solely for the purpose of complying
26 with applicable unemployment compensation laws.

27 (8) "Inactive member" means a member of the pension program or the
28 individual account program of the Oregon Public Service Retirement Plan
29 whose membership has not been terminated, who is not a retired member and
30 who is not employed in a qualifying position.

31 (9) "Individual account program" means the defined contribution individ-

1 ual account program of the Oregon Public Service Retirement Plan estab-
2 lished under ORS 238A.025.

3 (10) “Institution of higher education” means a public university listed in
4 ORS 352.002, the Oregon Health and Science University or a community
5 college, as defined in ORS 341.005.

6 (11) “Member” means an eligible employee who has established member-
7 ship in the pension program or the individual account program of the Oregon
8 Public Service Retirement Plan and whose membership has not been termi-
9 nated under ORS 238A.110 or 238A.310.

10 (12) “Participating public employer” means a public employer as defined
11 in ORS 238.005 that provides retirement benefits for employees of the public
12 employer under the system.

13 (13) “Pension program” means the defined benefit pension program of the
14 Oregon Public Service Retirement Plan established under ORS 238A.025.

15 (14) “Police officer” means a police officer as described in ORS 238.005.

16 (15) “Qualifying position” means one or more jobs with one or more par-
17 ticipating public employers in which an eligible employee performs 600 or
18 more hours of service in a calendar year, excluding any service in a job for
19 which benefits are not provided under the Oregon Public Service Retirement
20 Plan pursuant to ORS 238A.070 (2).

21 (16) “Retired member” means a pension program member who is receiving
22 a pension as provided in ORS 238A.180 to 238A.195.

23 (17)(a) “Salary” means the remuneration paid to an active member in re-
24 turn for services to the participating public employer, including
25 remuneration in the form of living quarters, board or other items of value,
26 to the extent the remuneration is, **or would be if the member were an**
27 **Oregon resident**, includable in the employee’s taxable income under Oregon
28 law. “Salary” includes the additional amounts specified in paragraph (b) of
29 this subsection, but does not include the amounts specified in paragraph (c)
30 of this subsection, regardless of whether those amounts are includable in
31 taxable income.

1 (b) "Salary" includes the following amounts:

2 (A) Payments of employee and employer money into a deferred compen-
3 sation plan that are made at the election of the employee.

4 (B) Contributions to a tax-sheltered or deferred annuity that are made at
5 the election of the employee.

6 (C) Any amount that is contributed to a cafeteria plan or qualified
7 transportation fringe benefit plan by the employer at the election of the
8 employee and that is not includable in the taxable income of the employee
9 by reason of 26 U.S.C. 125 or 132(f)(4), as in effect on December 31, 2018.

10 (D) Any amount that is contributed to a cash or deferred arrangement by
11 the employer at the election of the employee and that is not included in the
12 taxable income of the employee by reason of 26 U.S.C. 402(e)(3), as in effect
13 on December 31, 2018.

14 (E) Retroactive payments described in ORS 238.008.

15 (F) The amount of an employee contribution to the individual account
16 program that is paid by the employer and deducted from the compensation
17 of the employee, as provided under ORS 238A.335 (1) and (2)(a).

18 (G) The amount of an employee contribution to the individual account
19 program that is not paid by the employer under ORS 238A.335.

20 (H) Wages of a deceased member paid to a surviving spouse or dependent
21 children under ORS 652.190.

22 (c) "Salary" does not include the following amounts:

23 (A) Travel or any other expenses incidental to employer's business which
24 is reimbursed by the employer.

25 (B) Payments made on account of an employee's death.

26 (C) Any lump sum payment for accumulated unused sick leave, vacation
27 leave or other paid leave.

28 (D) Any severance payment, accelerated payment of an employment con-
29 tract for a future period or advance against future wages.

30 (E) Any retirement incentive, retirement bonus or retirement gratuitous
31 payment.

1 (F) Payment for a leave of absence after the date the employer and em-
2 ployee have agreed that no future services in a qualifying position will be
3 performed.

4 (G) Payments for instructional services rendered to public universities
5 listed in ORS 352.002 or the Oregon Health and Science University when
6 those services are in excess of full-time employment subject to this chapter.
7 A person employed under a contract for less than 12 months is subject to this
8 subparagraph only for the months covered by the contract.

9 (H) The amount of an employee contribution to the individual account
10 program that is paid by the employer and is not deducted from the compen-
11 sation of the employee, as provided under ORS 238A.335 (1) and (2)(b).

12 (I) Compensation described and authorized under ORS 341.556 that is not
13 paid by the community college employing the faculty member.

14 (J) Compensation described and authorized under ORS 352.232 that is not
15 paid by the public university employing the officer or employee.

16 (K) Compensation described and authorized under ORS 353.270 that is not
17 paid by Oregon Health and Science University.

18 (L) For years before 2020, any amount in excess of \$200,000 for a calendar
19 year. If any period over which salary is determined is less than 12 months,
20 the \$200,000 limitation for that period shall be multiplied by a fraction, the
21 numerator of which is the number of months in the determination period and
22 the denominator of which is 12. The board shall adopt rules adjusting this
23 dollar limit to incorporate cost-of-living adjustments authorized by the
24 Internal Revenue Service.

25 (M) For years beginning on or after January 1, 2020, any amount in excess
26 of \$195,000 for a calendar year. If any period over which salary is determined
27 is less than 12 months, the \$195,000 limitation for that period shall be
28 multiplied by a fraction, the numerator of which is the number of months in
29 the determination period and the denominator of which is 12. On January 1
30 of each year, the board shall adjust the dollar limit provided by this sub-
31 paragraph to reflect any percentage changes in the Consumer Price Index for

1 All Urban Consumers, West Region (All Items), as published by the Bureau
2 of Labor Statistics of the United States Department of Labor.

3 (18) “System” means the Public Employees Retirement System.

4 (19) “Workers’ compensation benefits” means:

5 (a) Payments made under ORS chapter 656; or

6 (b) Payments provided in lieu of workers’ compensation benefits under
7 ORS 656.027 (6).

8 **SECTION 12. The amendments to ORS 238.082 and sections 35 and**
9 **37, chapter 355, Oregon Laws 2019, by sections 1 to 3 of this 2021 Act**
10 **apply to determinations made under ORS 238.082 and sections 35 and**
11 **37, chapter 355, Oregon Laws 2019, on or after the effective date of this**
12 **2021 Act for all service performed by a retired member employed by a**
13 **participating public employer, whether performed before, on or after**
14 **the effective date of this 2021 Act.**

15 **SECTION 13. The amendments to ORS 238A.005 by section 11 of this**
16 **2021 Act apply to remuneration paid to an active member of the Public**
17 **Employees Retirement System on or after January 1, 2020.**

18

D R A F T

SUMMARY

Provides that common law employees are employees for purposes of Public Employees Retirement System.

Declares emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to public employee retirement; amending ORS 238.005 and 238A.005;
3 and declaring an emergency.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 238.005 is amended to read:

6 238.005. For purposes of this chapter:

7 (1) "Active member" means a member who is presently employed by a
8 participating public employer in a qualifying position and who has completed
9 the six-month period of service required by ORS 238.015.

10 (2) "Annuity" means payments for life derived from contributions made
11 by a member as provided in this chapter.

12 (3) "Board" means the Public Employees Retirement Board.

13 (4) "Calendar year" means 12 calendar months commencing on January 1
14 and ending on December 31 following.

15 (5) "Continuous service" means service not interrupted for more than five
16 years, except that such continuous service shall be computed without regard
17 to interruptions in the case of:

18 (a) An employee who had returned to the service of the employer as of
19 January 1, 1945, and who remained in that employment until having estab-
20 lished membership in the Public Employees Retirement System.

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 (b) An employee who was in the armed services on January 1, 1945, and
2 returned to the service of the employer within one year of the date of being
3 otherwise than dishonorably discharged and remained in that employment
4 until having established membership in the Public Employees Retirement
5 System.

6 (6) "Creditable service" means any period of time during which an active
7 member is being paid a salary by a participating public employer and for
8 which benefits under this chapter are funded by employer contributions and
9 earnings on the fund. For purposes of computing years of "creditable
10 service," full months and major fractions of a month shall be considered to
11 be one-twelfth of a year and shall be added to all full years. "Creditable
12 service" includes all retirement credit received by a member.

13 (7) "Earliest service retirement age" means the age attained by a member
14 when the member could first make application for retirement under the pro-
15 visions of ORS 238.280.

16 (8) "Employee" [*includes, in addition to employees,*]**means a person who**
17 **performs services for a participating public employer, including per-**
18 **sons considered employees of a participating public employer under 26**
19 **U.S.C. 3121(d)(2), as in effect on December 31, 2019, and public**
20 **officers[, but does not include]. "Employee" does not include:**

21 (a) Persons engaged as independent contractors.

22 (b) Seasonal, emergency or casual workers whose periods of employment
23 with any public employer or public employers do not total 600 hours in any
24 calendar year.

25 (c) Persons provided sheltered employment or made-work by a public em-
26 ployer in an employment or industries program maintained for the benefit
27 of such persons.

28 (d) Persons employed and paid from federal funds received under a federal
29 program intended primarily to alleviate unemployment. However, any such
30 person shall be considered an "employee" if not otherwise excluded by para-
31 graphs (a) to (c) of this subsection and the public employer elects to have

1 the person so considered by an irrevocable written notice to the board.

2 (e) Persons who are employees of a railroad, as defined in ORS 824.020,
3 and who, as such employees, are included in a retirement plan under federal
4 railroad retirement statutes. This paragraph shall be deemed to have been
5 in effect since the inception of the system.

6 (f) Persons employed in positions classified as post-doctoral scholar posi-
7 tions by a public university listed in ORS 352.002, or by the Oregon Health
8 and Science University, under ORS 350.370.

9 (9) "Final average salary" means whichever of the following is greater:

10 (a) The average salary per calendar year paid by one or more participat-
11 ing public employers to an employee who is an active member of the system
12 in three of the calendar years of membership before the effective date of re-
13 tirement of the employee, in which three years the employee was paid the
14 highest salary. The three calendar years in which the employee was paid the
15 largest total salary may include calendar years in which the employee was
16 employed for less than a full calendar year. If the number of calendar years
17 of active membership before the effective date of retirement of the employee
18 is three or fewer, the final average salary for the employee is the average
19 salary per calendar year paid by one or more participating public employers
20 to the employee in all of those years, without regard to whether the em-
21 ployee was employed for the full calendar year.

22 (b) One-third of the total salary paid by a participating public employer
23 to an employee who is an active member of the system in the last 36 calendar
24 months of active membership before the effective date of retirement of the
25 employee.

26 (10) "Firefighter" does not include a volunteer firefighter, but does in-
27 clude:

28 (a) The State Fire Marshal, the chief deputy fire marshal and deputy state
29 fire marshals;

30 (b) An employee of the State Forestry Department who is certified by the
31 State Forester as a professional wildland firefighter and whose primary du-

1 ties include the abatement of uncontrolled fires as described in ORS 477.064;
2 and

3 (c) An employee of the Oregon Military Department whose primary duties
4 include fighting structural, aircraft, wildland or other fires.

5 (11) "Fiscal year" means 12 calendar months commencing on July 1 and
6 ending on June 30 following.

7 (12) "Fund" means the Public Employees Retirement Fund.

8 (13) "Inactive member" means a member who is not employed in a quali-
9 fying position, whose membership has not been terminated in the manner
10 described by ORS 238.095 and who is not retired for service or disability.

11 (14) "Institution of higher education" means a public university listed in
12 ORS 352.002, the Oregon Health and Science University and a community
13 college, as defined in ORS 341.005.

14 (15) "Member" means a person who has established membership in the
15 system and whose membership has not been terminated as described in ORS
16 238.095. "Member" includes active, inactive and retired members.

17 (16) "Member account" means the regular account and the variable ac-
18 count.

19 (17) "Normal retirement age" means:

20 (a) For a person who establishes membership in the system before January
21 1, 1996, as described in ORS 238.430, 55 years of age if the employee retires
22 at that age as a police officer or firefighter or 58 years of age if the employee
23 retires at that age as other than a police officer or firefighter.

24 (b) For a person who establishes membership in the system on or after
25 January 1, 1996, as described in ORS 238.430, 55 years of age if the employee
26 retires at that age as a police officer or firefighter or 60 years of age if the
27 employee retires at that age as other than a police officer or firefighter.

28 (18) "Pension" means annual payments for life derived from contributions
29 by one or more public employers.

30 (19) "Police officer" includes:

31 (a) Employees of institutions defined in ORS 421.005 as Department of

1 Corrections institutions whose duties, as assigned by the Director of the
2 Department of Corrections, include the custody of persons committed to the
3 custody of or transferred to the Department of Corrections and employees
4 of the Department of Corrections who were classified as police officers on
5 or before July 27, 1989, whether or not such classification was authorized
6 by law.

7 (b) Employees of the Department of State Police who are classified as
8 police officers by the Superintendent of State Police.

9 (c) Employees of the Oregon Liquor Control Commission who are classi-
10 fied as regulatory specialists by the administrator of the commission.

11 (d) Sheriffs and those deputy sheriffs or other employees of a sheriff
12 whose duties, as classified by the sheriff, are the regular duties of police
13 officers or corrections officers.

14 (e) Police chiefs and police personnel of a city who are classified as police
15 officers by the council or other governing body of the city.

16 (f) Police officers who are commissioned by a university under ORS
17 352.121 or 353.125 and who are classified as police officers by the university.

18 (g) Parole and probation officers employed by the Department of Cor-
19 rections, parole and probation officers who are transferred to county em-
20 ployment under ORS 423.549 and adult parole and probation officers, as
21 defined in ORS 181A.355, who are classified as police officers for the pur-
22 poses of this chapter by the county governing body. If a county classifies
23 adult parole and probation officers as police officers for the purposes of this
24 chapter, and the employees so classified are represented by a labor organ-
25 ization, any proposal by the county to change that classification or to cease
26 to classify adult parole and probation officers as police officers for the pur-
27 poses of this chapter is a mandatory subject of bargaining.

28 (h) Police officers appointed under ORS 276.021 or 276.023.

29 (i) Employees of the Port of Portland who are classified as airport police
30 by the Board of Commissioners of the Port of Portland.

31 (j) Employees of the State Department of Agriculture who are classified

1 as livestock police officers by the Director of Agriculture.

2 (k) Employees of the Department of Public Safety Standards and Training
3 who are classified by the department as other than secretarial or clerical
4 personnel.

5 (L) Investigators of the Criminal Justice Division of the Department of
6 Justice.

7 (m) Corrections officers as defined in ORS 181A.355.

8 (n) Employees of the Oregon State Lottery Commission who are classified
9 by the Director of the Oregon State Lottery as enforcement agents pursuant
10 to ORS 461.110.

11 (o) The Director of the Department of Corrections.

12 (p) An employee who for seven consecutive years has been classified as
13 a police officer as defined by this section, and who is employed or transferred
14 by the Department of Corrections to fill a position designated by the Direc-
15 tor of the Department of Corrections as being eligible for police officer sta-
16 tus.

17 (q) An employee of the Department of Corrections classified as a police
18 officer on or prior to July 27, 1989, whether or not that classification was
19 authorized by law, as long as the employee remains in the position held on
20 July 27, 1989. The initial classification of an employee under a system im-
21 plemented pursuant to ORS 240.190 does not affect police officer status.

22 (r) Employees of a school district who are appointed and duly sworn
23 members of a law enforcement agency of the district as provided in ORS
24 332.531 or otherwise employed full-time as police officers commissioned by
25 the district.

26 (s) Employees at youth correction facilities and juvenile detention facili-
27 ties under ORS 419A.050, 419A.052 and 420.005 to 420.915 who are required
28 to hold valid Oregon teaching licenses and who have supervisory, control or
29 teaching responsibilities over juveniles committed to the custody of the De-
30 partment of Corrections or the Oregon Youth Authority.

31 (t) Employees at youth correction facilities as defined in ORS 420.005

1 whose primary job description involves the custody, control, treatment, in-
2 vestigation or supervision of juveniles placed in such facilities.

3 (u) Employees of the Oregon Youth Authority who are classified as juve-
4 nile parole and probation officers.

5 (v) Employees of the Department of Human Services who are prohibited
6 from striking under ORS 243.726 and whose duties include the care of resi-
7 dents of residential facilities, as defined in ORS 443.400, that house individ-
8 uals with intellectual or developmental disabilities.

9 (20) "Prior service credit" means credit provided under ORS 238.442 or
10 under ORS 238.225 (2) to (6) (1999 Edition).

11 (21) "Public employer" means the state, one of its agencies[,] **or** any city,
12 county, [*or*] municipal or public corporation, [*any*] political subdivision of
13 the state or [*any*] instrumentality thereof, or an agency created by one or
14 more such governmental organizations to provide governmental services. For
15 purposes of this chapter, such agency created by one or more governmental
16 organizations is a governmental instrumentality and a legal entity with
17 power to enter into contracts, hold property and sue and be sued.

18 (22) "Qualifying position" means one or more jobs with one or more par-
19 ticipating public employers in which an employee performs 600 or more hours
20 of service in a calendar year, excluding any service in a job for which a
21 participating public employer does not provide benefits under this chapter
22 pursuant to an application made under ORS 238.035.

23 (23) "Regular account" means the account established for each active and
24 inactive member under ORS 238.250.

25 (24) "Retired member" means a member who is retired for service or dis-
26 ability.

27 (25) "Retirement credit" means a period of time that is treated as credit-
28 able service for the purposes of this chapter.

29 (26)(a) "Salary" means the remuneration paid an employee in cash out of
30 the funds of a public employer in return for services to the employer, plus
31 the monetary value, as determined by the Public Employees Retirement

1 Board, of whatever living quarters, board, lodging, fuel, laundry and other
2 advantages the employer furnishes the employee in return for services.

3 (b) "Salary" includes but is not limited to:

4 (A) Payments of employee and employer money into a deferred compen-
5 sation plan, which are deemed salary paid in each month of deferral;

6 (B) The amount of participation in a tax-sheltered or deferred annuity,
7 which is deemed salary paid in each month of participation;

8 (C) Retroactive payments described in ORS 238.008; and

9 (D) Wages of a deceased member paid to a surviving spouse or dependent
10 children under ORS 652.190.

11 (c) "Salary" or "other advantages" does not include:

12 (A) Travel or any other expenses incidental to employer's business which
13 is reimbursed by the employer;

14 (B) Payments for insurance coverage by an employer on behalf of em-
15 ployee or employee and dependents, for which the employee has no cash op-
16 tion;

17 (C) Payments made on account of an employee's death;

18 (D) Any lump sum payment for accumulated unused sick leave;

19 (E) Any accelerated payment of an employment contract for a future pe-
20 riod or an advance against future wages;

21 (F) Any retirement incentive, retirement severance pay, retirement bonus
22 or retirement gratuitous payment;

23 (G) Payments for periods of leave of absence after the date the employer
24 and employee have agreed that no future services qualifying pursuant to ORS
25 238.015 (3) will be performed, except for sick leave and vacation;

26 (H) Payments for instructional services rendered to public universities
27 listed in ORS 352.002 or the Oregon Health and Science University when
28 such services are in excess of full-time employment subject to this chapter.
29 A person employed under a contract for less than 12 months is subject to this
30 subparagraph only for the months to which the contract pertains;

31 (I) Payments made by an employer for insurance coverage provided to a

1 domestic partner of an employee;

2 (J) Compensation described and authorized under ORS 341.556 that is not
3 paid by the community college employing the faculty member;

4 (K) Compensation described and authorized under ORS 352.232 that is not
5 paid by the public university employing the officer or employee;

6 (L) Compensation described and authorized under ORS 353.270 that is not
7 paid by Oregon Health and Science University; or

8 (M) For years beginning on or after January 1, 2020, any amount in excess
9 of \$195,000 for a calendar year. If any period over which salary is determined
10 is less than 12 months, the \$195,000 limitation for that period shall be
11 multiplied by a fraction, the numerator of which is the number of months in
12 the determination period and the denominator of which is 12. On January 1
13 of each year, the board shall adjust the dollar limit provided by this sub-
14 paragraph to reflect any percentage changes in the Consumer Price Index for
15 All Urban Consumers, West Region (All Items), as published by the Bureau
16 of Labor Statistics of the United States Department of Labor.

17 (27) "School year" means the period beginning July 1 and ending June 30
18 next following.

19 (28) "System" means the Public Employees Retirement System.

20 (29) "Variable account" means the account established for a member who
21 participates in the Variable Annuity Account under ORS 238.260.

22 (30) "Vested" means being an active member of the system in each of five
23 calendar years.

24 (31) "Volunteer firefighter" means a firefighter whose position normally
25 requires less than 600 hours of service per year.

26 **SECTION 2.** ORS 238A.005 is amended to read:

27 238A.005. For the purposes of this chapter:

28 (1) "Active member" means a member of the pension program or the in-
29 dividual account program of the Oregon Public Service Retirement Plan who
30 is actively employed in a qualifying position.

31 (2) "Actuarial equivalent" means a payment or series of payments having

1 the same value as the payment or series of payments replaced, computed on
2 the basis of interest rate and mortality assumptions adopted by the board.

3 (3) "Board" means the Public Employees Retirement Board.

4 (4) "Eligible employee" means a person who performs services for a par-
5 ticipating public employer, including **persons considered employees of a**
6 **participating public employer under 26 U.S.C. 3121(d)(2), as in effect**
7 **on December 31, 2019, and** elected officials other than judges. "Eligible
8 employee" does not include:

9 (a) Persons engaged as independent contractors;

10 (b) Aliens working under a training or educational visa;

11 (c) Persons provided sheltered employment or make-work by a public em-
12 ployer;

13 (d) Persons categorized by a participating public employer as student
14 employees;

15 (e) Any person who is in custody in a state institution;

16 (f) Employees of foreign trade offices of the Oregon Business Development
17 Department who live and perform services in foreign countries under the
18 provisions of ORS 285A.075 (1)(g);

19 (g) An employee actively participating in an alternative retirement pro-
20 gram established under ORS 353.250 or an optional retirement plan estab-
21 lished under ORS 341.551;

22 (h) Employees of a public university listed in ORS 352.002 who are ac-
23 tively participating in an optional retirement plan offered under ORS 243.815;

24 (i) Persons employed in positions classified as post-doctoral scholar posi-
25 tions by a public university listed in ORS 352.002, or by the Oregon Health
26 and Science University, under ORS 350.370;

27 (j) Any employee who belongs to a class of employees that was not eligi-
28 ble on August 28, 2003, for membership in the system under the provisions
29 of ORS chapter 238 or other law;

30 (k) Any person who belongs to a class of employees who are not eligible
31 to become members of the Oregon Public Service Retirement Plan under the

1 provisions of ORS 238A.070 (2);

2 (L) Any person who is retired under ORS 238A.100 to 238A.250 or ORS
3 chapter 238 and who continues to receive retirement benefits while employed;
4 and

5 (m) Judges.

6 (5) "Firefighter" means:

7 (a) A person employed by a local government, as defined in ORS 174.116,
8 whose primary job duties include the fighting of fires;

9 (b) The State Fire Marshal, the chief deputy state fire marshal and deputy
10 state fire marshals;

11 (c) An employee of the State Forestry Department who is certified by the
12 State Forester as a professional wildland firefighter and whose primary du-
13 ties include the abatement of uncontrolled fires as described in ORS 477.064;
14 and

15 (d) An employee of the Oregon Military Department whose primary duties
16 include fighting structural, aircraft, wildland or other fires.

17 (6) "Fund" means the Public Employees Retirement Fund.

18 (7)(a) "Hour of service" means:

19 (A) An hour for which an eligible employee is directly or indirectly paid
20 or entitled to payment by a participating public employer for performance
21 of duties in a qualifying position; and

22 (B) An hour of vacation, holiday, illness, incapacity, jury duty, military
23 duty or authorized leave during which an employee does not perform duties
24 but for which the employee is directly or indirectly paid or entitled to pay-
25 ment by a participating public employer for services in a qualifying position,
26 as long as the hour is within the number of hours regularly scheduled for
27 the performance of duties during the period of vacation, holiday, illness, in-
28 capacity, jury duty, military duty or authorized leave.

29 (b) "Hour of service" does not include any hour for which payment is
30 made or due under a plan maintained solely for the purpose of complying
31 with applicable unemployment compensation laws.

1 (8) "Inactive member" means a member of the pension program or the
2 individual account program of the Oregon Public Service Retirement Plan
3 whose membership has not been terminated, who is not a retired member and
4 who is not employed in a qualifying position.

5 (9) "Individual account program" means the defined contribution individ-
6 ual account program of the Oregon Public Service Retirement Plan estab-
7 lished under ORS 238A.025.

8 (10) "Institution of higher education" means a public university listed in
9 ORS 352.002, the Oregon Health and Science University or a community
10 college, as defined in ORS 341.005.

11 (11) "Member" means an eligible employee who has established member-
12 ship in the pension program or the individual account program of the Oregon
13 Public Service Retirement Plan and whose membership has not been termi-
14 nated under ORS 238A.110 or 238A.310.

15 (12) "Participating public employer" means a public employer as defined
16 in ORS 238.005 that provides retirement benefits for employees of the public
17 employer under the system.

18 (13) "Pension program" means the defined benefit pension program of the
19 Oregon Public Service Retirement Plan established under ORS 238A.025.

20 (14) "Police officer" means a police officer as described in ORS 238.005.

21 (15) "Qualifying position" means one or more jobs with one or more par-
22 ticipating public employers in which an eligible employee performs 600 or
23 more hours of service in a calendar year, excluding any service in a job for
24 which benefits are not provided under the Oregon Public Service Retirement
25 Plan pursuant to ORS 238A.070 (2).

26 (16) "Retired member" means a pension program member who is receiving
27 a pension as provided in ORS 238A.180 to 238A.195.

28 (17)(a) "Salary" means the remuneration paid to an active member in re-
29 turn for services to the participating public employer, including
30 remuneration in the form of living quarters, board or other items of value,
31 to the extent the remuneration is includable in the employee's taxable in-

1 come under Oregon law. “Salary” includes the additional amounts specified
2 in paragraph (b) of this subsection, but does not include the amounts speci-
3 fied in paragraph (c) of this subsection, regardless of whether those amounts
4 are includable in taxable income.

5 (b) “Salary” includes the following amounts:

6 (A) Payments of employee and employer money into a deferred compen-
7 sation plan that are made at the election of the employee.

8 (B) Contributions to a tax-sheltered or deferred annuity that are made at
9 the election of the employee.

10 (C) Any amount that is contributed to a cafeteria plan or qualified
11 transportation fringe benefit plan by the employer at the election of the
12 employee and that is not includable in the taxable income of the employee
13 by reason of 26 U.S.C. 125 or 132(f)(4), as in effect on December 31, 2018.

14 (D) Any amount that is contributed to a cash or deferred arrangement by
15 the employer at the election of the employee and that is not included in the
16 taxable income of the employee by reason of 26 U.S.C. 402(e)(3), as in effect
17 on December 31, 2018.

18 (E) Retroactive payments described in ORS 238.008.

19 (F) The amount of an employee contribution to the individual account
20 program that is paid by the employer and deducted from the compensation
21 of the employee, as provided under ORS 238A.335 (1) and (2)(a).

22 (G) The amount of an employee contribution to the individual account
23 program that is not paid by the employer under ORS 238A.335.

24 (H) Wages of a deceased member paid to a surviving spouse or dependent
25 children under ORS 652.190.

26 (c) “Salary” does not include the following amounts:

27 (A) Travel or any other expenses incidental to employer’s business which
28 is reimbursed by the employer.

29 (B) Payments made on account of an employee’s death.

30 (C) Any lump sum payment for accumulated unused sick leave, vacation
31 leave or other paid leave.

1 (D) Any severance payment, accelerated payment of an employment con-
2 tract for a future period or advance against future wages.

3 (E) Any retirement incentive, retirement bonus or retirement gratuitous
4 payment.

5 (F) Payment for a leave of absence after the date the employer and em-
6 ployee have agreed that no future services in a qualifying position will be
7 performed.

8 (G) Payments for instructional services rendered to public universities
9 listed in ORS 352.002 or the Oregon Health and Science University when
10 those services are in excess of full-time employment subject to this chapter.
11 A person employed under a contract for less than 12 months is subject to this
12 subparagraph only for the months covered by the contract.

13 (H) The amount of an employee contribution to the individual account
14 program that is paid by the employer and is not deducted from the compen-
15 sation of the employee, as provided under ORS 238A.335 (1) and (2)(b).

16 (I) Compensation described and authorized under ORS 341.556 that is not
17 paid by the community college employing the faculty member.

18 (J) Compensation described and authorized under ORS 352.232 that is not
19 paid by the public university employing the officer or employee.

20 (K) Compensation described and authorized under ORS 353.270 that is not
21 paid by Oregon Health and Science University.

22 (L) For years before 2020, any amount in excess of \$200,000 for a calendar
23 year. If any period over which salary is determined is less than 12 months,
24 the \$200,000 limitation for that period shall be multiplied by a fraction, the
25 numerator of which is the number of months in the determination period and
26 the denominator of which is 12. The board shall adopt rules adjusting this
27 dollar limit to incorporate cost-of-living adjustments authorized by the
28 Internal Revenue Service.

29 (M) For years beginning on or after January 1, 2020, any amount in excess
30 of \$195,000 for a calendar year. If any period over which salary is determined
31 is less than 12 months, the \$195,000 limitation for that period shall be

1 multiplied by a fraction, the numerator of which is the number of months in
2 the determination period and the denominator of which is 12. On January 1
3 of each year, the board shall adjust the dollar limit provided by this sub-
4 paragraph to reflect any percentage changes in the Consumer Price Index for
5 All Urban Consumers, West Region (All Items), as published by the Bureau
6 of Labor Statistics of the United States Department of Labor.

7 (18) "System" means the Public Employees Retirement System.

8 (19) "Workers' compensation benefits" means:

9 (a) Payments made under ORS chapter 656; or

10 (b) Payments provided in lieu of workers' compensation benefits under
11 ORS 656.027 (6).

12 **SECTION 3. This 2021 Act being necessary for the immediate pres-**
13 **ervation of the public peace, health and safety, an emergency is de-**
14 **clared to exist, and this 2021 Act takes effect on its passage.**

15

D R A F T

SUMMARY

Provides that Public Employees Retirement Board may charge participating public employer accrued earnings for late payment of employee and employer contributions to individual account program.

Declares emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to public employee retirement; amending ORS 238A.330, 238A.335
3 and 238A.340; and declaring an emergency.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 238A.330 is amended to read:

6 238A.330. (1) A member of the individual account program must make
7 employee contributions to the individual account program of six percent of
8 the member's salary.

9 (2) Employee contributions made by a member of the individual account
10 program under this section shall be credited by the Public Employees Re-
11 tirement Board as follows:

12 (a) Except as provided in paragraph (c) of this subsection, for a member
13 who established membership in the Public Employees Retirement System be-
14 fore August 29, 2003, as described in ORS 238A.025:

15 (A) If the member's salary does not exceed \$2,500 in a calendar month, the
16 board shall credit all employee contributions made by the member under this
17 section to the employee account established for the member under ORS
18 238A.350 (2).

19 (B) If the member's salary exceeds \$2,500 in a calendar month, the board

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 shall credit:

2 (i) 3.5 percent of the member's salary to the employee account established
3 for the member under ORS 238A.350 (2); and

4 (ii) 2.5 percent of the member's salary to the employee pension stability
5 account established for the member under ORS 238A.353.

6 (b) Except as provided in paragraph (c) of this subsection, for a member
7 who established membership in the system on or after August 29, 2003, as
8 described in ORS 238A.025:

9 (A) If the member's salary does not exceed \$2,500 in a calendar month, the
10 board shall credit all employee contributions made by the member under this
11 section to the employee account established for the member under ORS
12 238A.350 (2).

13 (B) If the member's salary exceeds \$2,500 in a calendar month, the board
14 shall credit:

15 (i) 5.25 percent of the member's salary to the employee account estab-
16 lished for the member under ORS 238A.350 (2); and

17 (ii) 0.75 percent of the member's salary to the employee pension stability
18 account established for the member under ORS 238A.353.

19 (c) During a biennium following a rate setting valuation prepared by the
20 actuary under ORS 238.605 that shows that the funded status of the system,
21 including any lump sum payments made under ORS 238.229, is 90 percent or
22 greater, the board shall credit all employee contributions made by a member
23 of the individual account program to the employee account established for
24 the member under ORS 238A.350 (2).

25 (3) If any contributions made by a member of the individual account
26 program are credited to the employee pension stability account under sub-
27 section (2) of this section, the member may make additional employee con-
28 tributions to the individual account program in the amount credited to the
29 employee pension stability account. The board shall credit employee contri-
30 butions made under this subsection to the employee account established for
31 the member under ORS 238A.350 (2). Contributions under this subsection may

1 not be paid by the employer under ORS 238A.335.

2 (4) A new member of the individual account program shall first make
3 contributions under this section for those wages that are attributable to
4 services performed by the employee during the first full pay period following
5 the six-month probationary period required under ORS 238A.300, without re-
6 gard to when those wages are considered earned for other purposes under
7 this chapter.

8 (5) On January 1 of each year, the board shall adjust the dollar amounts
9 provided in subsection (2) of this section to reflect any percentage increase
10 in the cost of living for the previous calendar year, based on changes in the
11 Consumer Price Index for All Urban Consumers, West Region (All Items),
12 as published by the Bureau of Labor Statistics of the United States Depart-
13 ment of Labor.

14 **(6) The board may charge a participating public employer accrued**
15 **earnings for late payment of employee contributions made by a mem-**
16 **ber under this section and remitted to the board by the employer.**

17 **SECTION 2.** ORS 238A.335 is amended to read:

18 238A.335. (1) A participating public employer may agree, by a written
19 employment policy or by a collective bargaining agreement, to pay the em-
20 ployee contribution required under ORS 238A.330 (1). The policy or agree-
21 ment need not include all members of the individual account program
22 employed by the employer.

23 (2) An agreement under this section may provide that:

24 (a) Amounts be deducted from employee compensation to generate the
25 funds needed to make employee contributions; or

26 (b) Additional amounts be paid by the employer for the purpose of making
27 employee contributions.

28 (3) A participating public employer must give written notice to the Public
29 Employees Retirement Board at the time that an agreement under subsection
30 (1) of this section is adopted or changed. The notice must specifically indi-
31 cate whether the agreement is as described in subsection (2)(a) or (b) of this

1 section. An agreement under this section, and any change to an agreement
2 under this section, applies only to employee contributions for pay periods
3 beginning on or after the date that the notice is received by the board.

4 **(4) The board may charge a participating public employer accrued**
5 **earnings for late payment of employee contributions made under this**
6 **section.**

7 **SECTION 3.** ORS 238A.340 is amended to read:

8 238A.340. (1) A participating public employer may agree, by a written
9 employment policy or agreement, to make employer contributions for mem-
10 bers of the individual account program employed by the employer. The per-
11 centage of salary paid as employer contributions may not be less than one
12 percent of salary or more than six percent of salary, and must be a whole
13 number. A participating public employer may make an agreement under this
14 section for specific groups of employees employed by the public employer.

15 (2) If a participating public employer makes employer contributions under
16 this section and the member for which the contributions are made fails to
17 vest in the employer account under the provisions of ORS 238A.320, the
18 Public Employees Retirement Board shall apply the contributions in the
19 employer account against other obligations of the employer under the Oregon
20 Public Service Retirement Plan.

21 **(3) The board may charge a participating public employer accrued**
22 **earnings for late payment of employer contributions made under this**
23 **section.**

24 **SECTION 4.** This 2021 Act being necessary for the immediate pres-
25 ervation of the public peace, health and safety, an emergency is de-
26 clared to exist, and this 2021 Act takes effect on its passage.

27



Oregon

Kate Brown, Governor

Public Employees Retirement System

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December 4, 2020

TO: Members of the PERS Board

FROM: MaryMichelle Sosne, Actuarial Business Specialist

SUBJECT: Employer Incentive Fund Wrap up

BACKGROUND

The Employer Incentive Fund (EIF) program, established with Senate Bill 1566 and modified, as well as funded, through Senate Bill 1049, began accepting applications from PERS employers on September 3, 2019 and the application cycle closed on December 1, 2020. The program has provided up to a 25% match to 89 employers making a lump sum payment of \$25,000 or more from non-borrowed funds. Despite a \$35.2 million reduction in the original \$100 million allocation for EIF matching funds, the program is expected to bring in \$342,424,911.20¹ in funds to the system.

EMPLOYER INCENTIVE FUND

The EIF program has many achievements to tout as the program draws to a close:

PERS has continued to invest in its relationship with its employers. EIF presented an opportunity for many one-on-one conversations to discuss rate dynamics and rate mitigation options. For the first time, many employers learned about rate components, the rate cycle and side accounts. PERS learned more about employer needs, what information they need from an actuarial perspective and how we can partner together. This work will be carried on as a function of the Unfunded Actuarial Liability Resolution Program (UALRP).

The EIF program has provided, or will provide, matches to 45 State and Local Government Rate Pool (SLGRP) employer payments, 35 School District Pool employer payments and 15 Independent employer payments.²

SB 1049 required employers with a UAL exceeding 200% to have preference in the EIF application process, providing a 90 day window for employers that fell into this category. Of the 74 employers with a side account effective on or before 7/1/2021, the average UAL as a percentage of payroll decreased from 208% to 174% when comparing the 2017 valuation results to the 2019 valuation results.³

¹ See Attachment 1

² See Attachment 2

³ See Attachment 3

- School District Pool employers had an average decrease in UAL as a percent of payroll of 42%; for comparison, the School District pool reduced by 23% as a whole.
- SLGRP employers had an average decrease in UAL as a percent of payroll of 31%; for comparison, the SLGRP pool reduced by 3% as a whole.
- Independent employers had an average decrease of 29% in UAL as a percent of payroll; for comparison, Independent employers' UAL as a percent of payroll increased 9.7%.
- Dunes City, an SLGRP employer, had the greatest reduction in UAL as a percent of payroll from 289% to 70%.

The EIF inspired many employers to mitigate their rates, however the EIF wasn't an option for all, either due to limited EIF funds, the employer's own limited funding, or other statutory limitations. PERS ensured all interested employers were made aware of the rate mitigation options available to them, including those beyond the EIF program. Through these conversations, 16 additional employers invested nearly \$147 million through transition liability payments, deferred rate set payments, shortened amortization options, making deposits into existing side accounts, or establishing new side accounts.⁴

Although COVID-19 was, and continues to be, a devastating financial blow for employers, the majority of EIF employers making new lump sum payments made their payments in 2020.⁵

With a final waitlist of 44 employers⁶ representing a potential employer investment of nearly \$150 million, the EIF program is clearly a compelling program for employers. SB 1049's Employer Programs incentivize employers to participate in an established process, investing assets into the system without reducing member benefits. In fact, side accounts will now have a greater function in member benefits as a portion of the funded status—should the funded status hit 90%, including side accounts, the member redirect of IAP funds will stop for a valuation cycle. In the 12/31/2019 valuation, side accounts improved the system-wide funded status by 6.1%. Continued employer enthusiasm and program support could see this number increase over the next few biennia, eliminating the need for member redirected funds.

The EIF is funded through proceeds from sports betting; the September economic forecast estimates total earnings from 2019 through 2023 to be \$22.638 million. PERS has begun discussions about the next application cycle and will report to the board with suggestions.

⁴ See Attachment 4

⁵ See Attachment 1

⁶ The final approved EIF employer was number 4 on the waitlist, waitlisted employers 1-3 refused the match.

EIF Employers

Employer Name	Employer type	Pool	Lump Sum Payment	EIF Match	Transition Liability	Rate Offset Date
The Portland Village School	Charter School	School Districts	\$200,000.00	\$50,000.00		11/1/2019
Black Butte Ranch RFPD	Special District	Independent	\$250,000.00	\$62,500.00		11/1/2019
Clatskanie PUD	Special District	SLGRP	\$1,778,156.20	\$444,539.05		11/1/2019
Alliance Charter Academy	Charter School	School Districts	\$250,000.00	\$62,500.00		11/1/2019
City of Tualatin	City	SLGRP	\$808,045.00	\$202,011.00	\$1,191,955.00	11/1/2019
Eugene Water & Electric Board	Special District	SLGRP	\$21,980,041.60	\$5,495,010.40		11/1/2019
Sherman County	County	SLGRP	\$1,200,000.00	\$300,000.00	\$298,436.00	11/1/2019
Molalla RFPD #73	Special District	SLGRP	\$53,427.00	\$13,356.75	\$134,036.00	12/1/2019
The Emerson School	Charter School	School Districts	\$100,000.00	\$25,000.00		12/1/2019
City of Condon	City	SLGRP	\$50,000.00	\$12,500.00	\$181,371.00	12/1/2019
Wasco County School District # 29	School District	School Districts	\$106,335.00	\$26,583.75		1/1/2020
Dufur School District #1 (Pleasant Hill School District)	School District	School Districts	\$300,000.00	\$75,000.00		1/1/2020
City of Dunes City	City	SLGRP	\$28,885.00	\$7,221.00	\$25,323.00	1/1/2020
Rogue River Valley Irrigation District	Special District	SLGRP	\$25,000.00	\$6,250.00	\$177,017.00	1/1/2020
Port of Portland ¹	Special District	SLGRP	\$20,000,000.00	\$4,961,469.00		1/1/2020
City of Woodburn	City	SLGRP	\$2,823,043.20	\$705,760.80		1/1/2020
Lane County School District #69 (Junction City SD #69)	School District	School Districts	\$400,000.00	\$100,000.00		1/1/2020
City of Philomath	City	SLGRP	\$1,000,000.00	\$250,000.00		2/1/2020

Dayton School District #8	School District	School Districts	\$100,000.00	\$25,000.00		2/1/2020
Bend Parks and Recreation	Special District	Independent	\$1,500,000.00	\$375,000.00		2/1/2020
Columbia River Public Utility District	Special District	Independent	\$1,601,323.32	\$400,330.83		2/1/2020
Jackson County Chemeketa Community College	County	SLGRP	\$16,725,588.20	\$4,181,397.05	\$2,425,803.00	2/1/2020
Deschutes County	Community College	SLGRP	\$5,000,000.00	\$1,250,000.00		3/1/2020
City of Wilsonville	County	SLGRP	\$13,000,000.00	\$3,250,000.00		7/1/2020
Madras School District	City	SLGRP	\$3,426,333.00	\$856,583.25		7/1/2020
City of Bend	School District	School Districts	\$1,000,000.00	\$250,000.00		7/1/2020
Klamath County Emergency Communications District	City	Independent	\$6,957,338.94	\$1,739,334.74		7/1/2020
City of Dundee	Special District	SLGRP	\$130,000.00	\$32,500.00	\$81,472.00	8/1/2020
Sheridan AllPrep Academy	City	SLGRP	\$300,000.00	\$75,000.00		8/1/2020
Bend -La Pine Schools	Charter School	School Districts	\$300,000.00	\$75,000.00		9/1/2020
Housing Authority of Jackson County	School District	School Districts	\$1,000,000.00	\$250,000.00		9/1/2020
City of Eugene	Special District	SLGRP	\$600,000.00	\$150,000.00		10/1/2020
Jefferson County Education Service District	City	SLGRP	\$5,000,000.00	\$1,250,000.00		12/1/2020
Lake County School District #14 (North Lake School District #14)	Education Service District	School Districts	\$50,000.00	\$12,500.00		12/1/2020
Oregon State University	School District	School Districts	\$250,000.00	\$62,500.00		12/1/2020
Sunrise Water Authority	State Agency	SLGRP	\$10,000,000.00	\$2,225,303.00		12/1/2020
City of Hubbard	Special District	Independent	\$1,200,000.00	\$300,000.00		2/1/2021
	City	SLGRP	\$25,000.00	\$6,250.00		7/1/2021

Oakland School District	School District	School Districts	\$500,000.00	\$125,000.00	7/1/2021
Clackamas River Water	Special District	SLGRP	\$25,000.00	\$6,250.00	7/1/2021
Douglas County School District #21 (Camas Valley School District #21)	School District	School Districts	\$250,000.00	\$62,500.00	7/1/2021
Molalla River Academy	Charter School	School Districts	\$100,000.00	\$25,000.00	7/1/2021
West Multnomah Soil and Water Conservation District	Special District	SLGRP	\$25,000.00	\$6,250.00	7/1/2021
Siuslaw RFPD #1	Special District	SLGRP	\$300,000.00	\$75,000.00	7/1/2021
Forest Grove Community School	School District	School Districts	\$50,000.00	\$12,500.00	7/1/2021
Yamhill County School District #48j (Sheridan School District)	School District	School Districts	\$400,000.00	\$100,000.00	7/1/2021
Roseburg Public Schools	School District	School Districts	\$874,737.60	\$218,684.40	7/1/2021
City of Monmouth	City	SLGRP	\$168,634.00	\$42,158.50	7/1/2021
City of Silverton	City	SLGRP	\$450,000.00	\$112,500.00	7/1/2021
Phoenix Talent School District #4	School District	School Districts	\$1,500,000.00	\$375,000.00	7/1/2021
Redmond Fire and Rescue	Special District	SLGRP	\$100,000.00	\$25,000.00	7/1/2021
High Desert Education Service District	Education Service District	School Districts	\$500,000.00	\$125,000.00	7/1/2021
City of Dallas	City	SLGRP	\$200,000.00	\$50,000.00	7/1/2021
Forest Grove School District	School District	School Districts	\$2,858,604.00	\$714,651.14	7/1/2021
City of Lincoln City	City	SLGRP	\$500,000.00	\$125,000.00	7/1/2021
Linn County School District #95c (Scio School District #95c)	School District	School Districts	\$1,604,735.80	\$401,183.95	7/1/2021

Lane County	County	Independent	\$10,000,000.00	\$2,500,000.00	7/1/2021
Union County School District #15 (Cove School District)	School District	School Districts	\$250,000.00	\$62,500.00	7/1/2022
Grant County Education Service District	Education Service District	School Districts	\$250,000.00	\$62,500.00	7/1/2022
Grant County School District #4 (Prairie School District)	School District	School Districts	\$183,000.00	\$45,750.00	7/1/2022
Grant County School District #8 (Monument School District)	School District	School Districts	\$100,000.00	\$25,000.00	7/1/2022
Baker County	County	SLGRP	\$400,000.00	\$100,000.00	7/1/2022
Sweet Home School District #55	School District	School Districts	\$1,200,000.00	\$300,000.00	7/1/2022
City of Canby	City	SLGRP	\$500,000.00	\$125,000.00	7/1/2022
City of Clatskanie	City	Independent	\$1,200,000.00	\$300,000.00	7/1/2022
Tualatin Valley Fire and Rescue	Special District	SLGRP	\$4,000,000.00	\$1,000,000.00	7/1/2022
Jefferson County School District #8 (Ashwood School District 8)	School District	School Districts	\$25,000.00	\$6,250.00	7/1/2022
Lake County School District #11c (Paisley School District)	School District	School Districts	\$200,000.00	\$50,000.00	7/1/2022
City of Hood River	City	SLGRP	\$1,638,737.60	\$409,684.40	7/1/2022
Sherman County School District	School District	School Districts	\$1,200,000.00	\$300,000.00	7/1/2022
Jefferson County Library District	Special District	SLGRP	\$50,000.00	\$12,500.00	7/1/2022
Clackamas County School District #53 (Colton School District)	School District	School Districts	\$500,000.00	\$125,000.00	7/1/2022
Oregon Trail School District #46	School District	School Districts	\$1,000,000.00	\$250,000.00	7/1/2022
City of Wood Village	City	SLGRP	\$300,000.00	\$75,000.00	7/1/2022

Jefferson School District #41 (Black Butte School District #41)	School District	School Districts	\$100,000.00	\$25,000.00		7/1/2022
City of Lincoln City	City	SLGRP	\$1,590,262.00	\$397,565.00		7/1/2022
Lane County School District #52 (Bethel School District)	School District	School Districts	\$1,000,000.00	\$250,000.00		7/1/2022
<i>Sisters-Camp Sherman RFPD</i>	<i>Special District</i>	<i>Independent</i>	<i>\$1,200,000</i>	<i>\$300,000.00</i>		<i>9/1/2019</i>
<i>Washington County</i>	<i>County</i>	<i>SLGRP</i>	<i>\$14,500,000.00</i>	<i>\$3,625,000.00</i>	<i>\$349,880.00</i>	<i>12/1/2019</i>
<i>Deschutes Valley Water District</i>	<i>Special District</i>	<i>Independent School Districts</i>	<i>\$1,000,000.00</i>	<i>\$250,000.00</i>		<i>7/1/2021</i>
<i>Roseburg Public Schools</i>	<i>School District</i>	<i>Districts</i>	<i>\$6,000,000.00</i>	<i>\$1,500,000.00</i>		<i>7/1/2021</i>
<i>City of Hillsboro</i>	<i>City</i>	<i>Independent</i>	<i>\$5,000,000.00</i>	<i>\$1,250,000.00</i>		<i>7/1/2021</i>
<i>City of Corvallis</i>	<i>City</i>	<i>SLGRP</i>	<i>\$4,546,080.00</i>	<i>\$1,136,520.00</i>		<i>7/1/2021</i>
<i>Deschutes Valley Water District</i>	<i>Special District</i>	<i>Independent</i>	<i>\$1,000,000.00</i>	<i>\$250,000.00</i>		<i>7/1/2021</i>
<i>City of Ontario</i>	<i>City</i>	<i>Independent</i>	<i>\$949,445</i>	<i>\$237,361.25</i>		<i>7/1/2021</i>
<i>City of Prineville</i>	<i>City</i>	<i>Independent</i>	<i>\$800,000.00</i>	<i>\$200,000.00</i>		<i>7/1/2021</i>
<i>Clean Water Services</i> ²	<i>Special District</i>	<i>SLGRP</i>	<i>\$15,000,000.00</i>	<i>\$2,252,438.00</i>		<i>7/1/2021</i>
<i>Benton County</i>	<i>County</i>	<i>SLGRP</i>	<i>\$5,000,000.00</i>	<i>\$1,250,000.00</i>		<i>7/1/2021</i>
<i>Tualatin Valley Water District</i> ³	<i>Special District</i>	<i>SLGRP</i>	<i>\$10,000,000.00</i>	<i>\$860,588.55</i>		<i>7/1/2021</i>
<i>City of Ontario</i>	<i>City</i>	<i>Independent</i>	<i>\$1,243,103.94</i>	<i>\$310,775.99</i>		<i>7/1/2021</i>
<i>City of Bend</i>	<i>City</i>	<i>Independent</i>	<i>\$4,297,000.00</i>	<i>\$1,074,250.00</i>		<i>7/1/2021</i>
<i>City of Happy Valley</i>	<i>City</i>	<i>SLGRP</i>	<i>\$1,660,000.00</i>	<i>\$415,000.00</i>		<i>7/1/2021</i>
<i>OHSU</i>	<i>Special District</i>	<i>SLGRP</i>	<i>\$10,000,000.00</i>	<i>\$2,500,000.00</i>		<i>7/1/2021</i>
<i>OHSU</i>	<i>Special District</i>	<i>SLGRP</i>	<i>\$10,000,000.00</i>	<i>\$2,500,000.00</i>		<i>7/1/2021</i>
<i>Multnomah County</i>	<i>County</i>	<i>SLGRP</i>	<i>\$25,000,000.00</i>	<i>\$6,250,000.00</i>		<i>7/1/2021</i>
		Total	\$272,807,856.40	\$64,751,761.80	\$4,865,293.00	
		Grand Total	\$342,424,911.20			

EIF Employer Payment Count by Pool and Type
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Row Labels	Count of Pool
Independent	15
City	7
County	1
Special District	7
School Districts	35
Charter School	5
Education Service District	3
School District	27
SLGRP	45
City	19
Community College	1
County	7
Special District	17
State Agency	1
Grand Total	95

EIF Employer Count by Pool and Type
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Row Labels	Count of Employer Name
Alliance Charter Academy	1
Baker County	1
Bend -La Pine Schools	1
Bend Parks and Recreation	1
Benton County	1
Black Butte Ranch RFPD	1
Chemeketa Community College	1
City of Bend	2
City of Canby	1
City of Clatskanie	1
City of Condon	1
City of Corvallis	1
City of Dallas	1
City of Dundee	1
City of Dunes City	1

City of Eugene	1
City of Happy Valley	1
City of Hillsboro	1
City of Hood River	1
City of Hubbard	1
City of Lincoln City	2
City of Monmouth	1
City of Ontario	2
City of Philomath	1
City of Prineville	1
City of Silverton	1
City of Tualatin	1
City of Wilsonville	1
City of Wood Village	1
City of Woodburn	1
Clackamas County School District #53 (Colton School District)	1
Clackamas River Water	1
Clatskanie PUD	1
Clean Water Services	1
Columbia River Public Utility District	1
Dayton School District #8	1
Deschutes County	1
Deschutes Valley Water District	2
Douglas County School District #21 (Camas Valley School District #21)	1
Eugene Water & Electric Board	1
Forest Grove Community School	1
Forest Grove School District	1
Grant County Education Service District	1
Grant County School District #4 (Prairie School District)	1
Grant County School District #8 (Monument School District)	1
High Desert Education Service District	1
Housing Authority of Jackson County	1
Jackson County	1
Jefferson County Education Service District	1
Jefferson County Library District	1
Jefferson County School District #8 (Ashwood School District 8)	1
Jefferson School District #41 (Black Butte School District #41)	1
Klamath County Emergency Communications District	1
Lake County School District #11c (Paisley School District)	1
Lake County School District #14 (North Lake School District #14)	1

Lane County	1
Lane County School District #1 (Pleasant Hill School District)	1
Lane County School District #52 (Bethel School District)	1
Lane County School District #69 (Junction City SD #69)	1
Linn County School District #95c (Scio School District #95c)	1
Madras School District	1
Molalla RFPD #73	1
Molalla River Academy	1
Multnomah County	1
Oakland School District	1
OHSU	2
Oregon State University	1
Oregon Trail School District #46	1
Phoenix Talent School District #4	1
Port of Portland	1
Redmond Fire and Rescue	1
Rogue River Valley Irrigation District	1
Roseburg Public Schools	2
Sheridan AllPrep Academy	1
Sherman County	1
Sherman County School District	1
Sisters-Camp Sherman RFPD	1
Siuslaw RFPD #1	1
Sunrise Water Authority	1
Sweet Home School District #55	1
The Emerson School	1
The Portland Village School	1
Tualatin Valley Fire and Rescue	1
Tualatin Valley Water District	1
Union County School District #15 (Cove School District)	1
Wasco County School District # 29 Dufur School District	1
Washington County	1
West Multnomah Soil and Water Conservation District	1
Yamhill County School District #48j (Sheridan School District)	1
Grand Total	95

EIF Employers UAL as a Percent of Payroll¹

Employer Name	SLGRP	
	12/31/2017 UAL as a % of payroll	12/31/2019 UAL as a % of payroll
Benton County	151%	145%
Chemeketa Community College	118%	119%
City of Canby	151%	165%
City of Condon	306%	175%
City of Corvallis	136%	136%
City of Dallas	189%	189%
City of Dundee	181%	126%
City of Dunes City	289%	70%
City of Eugene	216%	220%
City of Happy Valley	192%	152%
City of Hood River	184%	189%
City of Hubbard	204%	199%
City of Lincoln City	150%	158%
City of Monmouth	161%	162%
City of Philomath	170%	166%
City of Silverton	171%	159%
City of Tualatin	204%	186%
City of Wilsonville	187%	153%
City of Wood Village	167%	177%
City of Woodburn	173%	142%
Clackamas River Water	216%	194%
Clatskanie PUD	236%	133%

¹ Only reflects employers with a side account effective on or before 7/1/2021

Clean Water Services	151%	112%
Columbia River Public Utility District	183%	214%
Deschutes County	156%	149%
Eugene Water & Electric Board	275%	131%
High Desert Education Service District	166%	161%
Housing Authority of Jackson County	206%	174%
Jackson County	182%	141%
Klamath County Emergency Communications District	209%	204%
Molalla RFPD #73	220%	200%
Multnomah County	161%	149%
OHSU	147%	145%
Oregon State University	158%	165%
Port of Portland	145%	110%
Redmond Fire and Rescue	164%	169%
Rogue River Valley Irrigation District	269%	197%
Sherman County	206%	144%
Sisters-Camp Sherman RFPD	300%	219%
Siuslaw RFPD #1	204%	162%
Tualatin Valley Water District	168%	87%
Washington County	249%	183%
West Multnomah Soil and Water Conservation District	192%	201%
Average	192%	161%

Employer Name	School Districts Pool	
	12/31/2017 UAL as a % of payroll	12/31/2019 UAL as a % of payroll
Molalla River Academy	249%	214%
Forest Grove Community School	249%	219%
Alliance Charter Academy	249%	209%
The Portland Village School	249%	207%
The Emerson School	249%	202%
Forest Grove School District	184%	169%
Dayton School District #8	90%	93%
Jefferson County Education Service District	249%	206%
Yamhill County School District #48j (Sheridan School District)	249%	214%
Wasco County School District # 29 Dufur School District	249%	222%
Linn County School District #95c (Scio School District #95c)	249%	173%
Lane County School District #69 (Junction City SD #69)	249%	67%
Lane County School District #1 (Pleasant Hill School District)	249%	220%
Lake County School District #14 (North Lake School District #14)	249%	206%
Madras School District	177%	161%
Phoenix Talent School District #4	140%	128%
Douglas County School District #21 (Camas Valley School District #21)	249%	201%
Roseburg Public Schools	122%	96%
Oakland School District	249%	205%
Bend -La Pine Schools	172%	166%
Sheridan AllPrep Academy	249%	165%
Average	220%	178%

Employer Name	Independents	
	12/31/2017 UAL as a % of payroll	12/31/2019 UAL as a % of payroll
Bend Parks and Recreation	92%	75%
Black Butte Ranch RFPD	215%	345%
City of Bend	122%	96%
City of Clatskanie	605%	530%
<i>City of Hillsboro</i>	136%	134%
City of Ontario	584%	471%
<i>City of Prineville</i>	91%	112%
Deschutes Valley Water District	319%	236%
Lane County	231%	214%
Sunrise Water Authority	115%	4%
Average	251%	222%

Employer Group	2017 results	2019 Results	Difference
SLGRP	192%	161%	31%
School Districts Pool	220%	178%	42%
Independents	251%	222%	29%

Employer Incentive Fund Summary
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Number of Employers	Employer Funds	EIF Match	Total
89	\$ 272,807,856.40	\$ 64,751,761.80	\$ 337,559,618.20

Transitional Liabilities Paid Off
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Number of Employers	Employer Funds	Total
4 ¹	\$ 35,170,251.00	\$ 35,170,251.00
9 ²	\$ 4,865,293.00	\$ 4,865,293.00
5 ³	\$ 484,446.00	\$ 484,446.00

Deferred Rate Offset or Revised Amortization Schedule
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Number of Employers	Employer Funds	Total
2	\$ 107,000,000.00	\$ 107,000,000.00

New Side Accounts Established - No EIF Match to Date

Number of Employers	Employer Funds	Total
17 ⁴	\$ 56,652,000.00	\$ 56,652,000.00

¹ SB 1566 Launch to EIF Launch

² EIF Launch to end date

³ Non EIF Matched Employers

⁴ Includes employers on the wait list that preemptively made a payment or applied with a side account established in June 2018

SIDE ACCOUNT TOTALS

\$ 541,731,608.20

Employers on Waitlist

Number of Employers	Employer Funds		Total
41 ⁵	\$ 148,108,750.20	\$ 36,599,424.85 ⁶	\$ 184,708,175.05
27 ⁷	\$ 94,547,641.00	\$ 23,636,910.00	\$ 118,184,551.00

⁵ All employers on the waitlist, including those accounted for above under "new side accounts established-no EIF match". 2 employers had a total of 5 entries on the waitlist, they have only been counted as 1 employer each.

⁶ Amount represents the potential EIF match waitlist employers would have qualified for had additional funds become available. This amount represents potential for future application cycles.

⁷ Only employers on the waitlist that have not made a lump sum payment



Oregon

Kate Brown, Governor

Public Employees Retirement System

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December 4, 2020

TO: Members of the PERS Board
FROM: Yvette Elledge-Rhodes, Deputy Director
SUBJECT: SB 1049 Implementation Update

Senate Bill 1049 was signed into law by the Governor on June 11, 2019. PERS staff continue to focus on completing work in an efficient and effective manner.

PROGRAM/PROJECT IMPLEMENTATION

The SB 1049 Implementation Program is being managed as one comprehensive program, with the following five individual projects. All projects are going through the Enterprise Information Services (EIS) stage gate process.

Project	Effective Date	Project Health and Status
SB 1049 Program		Program health: Red <ul style="list-style-type: none"> • Program is Red due to Member Redirect project going beyond the end of the biennium. • Continued focus on project schedule standardization and effort estimation validation with Deloitte. • Release consolidation planned for jClarety releases occurring March through July 2021, reducing releases from nine to five.
Employer Programs Project	Effective 7/1/2019	Project health: Green <ul style="list-style-type: none"> • Resources on-boarded. • Construction for Work Package (WP) 1 continues on schedule toward a 3/30/2021 deployment.
Salary Limit Project	Effective 1/1/2020	Project health: Green <ul style="list-style-type: none"> • Successful deployment of WP3 on 11/19/20 (Planned deployment on 10/22/20 was delayed). • Completed Functional Design Specification for WP4.
Work After Retirement Project	Effective 1/1/2020	Project health: Green <ul style="list-style-type: none"> • Successful deployment of WP2 on 11/19/20 (Planned deployment on 10/22/20 was delayed). • Construction for WP3 began on 11/13/20.

Member Redirect Project	Effective 7/1/2020	Project health: Green <ul style="list-style-type: none"> • Successful deployment of Voluntary Contributions Long-Term Functionality Release on 11/19/20. • Decision made on the IAP Data Locking Change Request. It will not be included in this project.
Member Choice Project	Effective 1/1/2021	Project health: Green <ul style="list-style-type: none"> • Elaboration for WP3 began on 11/10/20. • Continued construction for WP2.

Highlighted activities completed or in progress since early October 2020:

- Program and project activities
 - iQMS activities
 - Quarterly QA Status and Improvement Report received on 10/28/20
 - Program team working on updating program and project action logs from recommendations
 - Deloitte activities
 - Post-release assessment for Member Redirect received 10/22/20
 - Test Execution Planning and Dashboard continue to be supported and utilized; began knowledge transfer of this work
 - Most activities wrapping up by end of November 2020
 - Organizational Change Management support continues through mid-December 2020
 - Monthly project team meetings continue to be held
- Resources
 - Staff recruitments; 43 total positions
 - 39 positions filled
 - Active Recruitments – 3
 - Hold - 1
- EIS Stage Gate process requirements
 - Member Redirect project received conditional Stage Gate 3 approval
 - Member Choice project received State Gate 3 approval
- Budget reporting
 - Continuing monthly meetings with the Chief Financial Office, Legislative Fiscal Office, and the Governor’s office
- Communications
 - Internal communication activities have focused on:
 - Keeping staff informed of the project progress and various releases
 - Ensuring Member Services and Employer Service Center staff have talking points for calls and correspondence

- External Communications activities include:
 - Employer Programs
 - Published UALRP Guide
 - Member Redirect
 - Updated website pages referencing retroactive voluntary contribution elections since the election period ended 10/31/20
 - Monthly Employer Newsletters
 - November edition contained articles about:
 - The delay of the new WAR wage codes and invoices for contributions on retiree wages due to the deployment change.
 - The October 31 closure of the period to make voluntary contributions retroactive to July 1. Instructions for starting and stopping voluntary contributions are on the PERS website.
 - Employer Advisory Group meeting held 10/16/20
 - Rulemaking for Member Redirect and WAR projects
- Organizational Change Management
 - Four work streams in process: Communications, Leadership, Change Impact and Readiness, and Training
 - PERS staff are more comfortable with the change management cycle
 - Second Change Readiness Assessment survey will conclude mid-December

PROGRAM/PROJECT BUDGET

The high-level budget information is contained within page 2 of the attachment to agenda item A.3.c. PERS budget staff recently went through a rebalancing of the SB 1049 program budget to allow for a better representation of expected overhead costs to each one of the projects, and this required updating the project budget amounts and related projections. The detailed updates can be viewed in the attached Monthly Status Report.

PERS staff will continue to update the board as program implementation continues throughout the year.

C.1. Attachment 1 – *Monthly Project Status Report and Roadmap*

Program information:

Program start: July 1, 2019 | **Program end:** April 30, 2024

Subprojects:

Project 1: Employer Programs

- Project start: July 1, 2019 | Project end: July 16, 2021
- Project status: **Green**

Project 2: Work After Retirement (WAR)

- Project start: July 1, 2019 | Project end: August 11, 2021
- Project status: **Green**

Project 3: Salary Limit

- Project start: July 1, 2019 | Project end: May 28, 2021
- Project status: **Green**

Program statement:

SB 1049 is comprehensive legislation intended to address the increasing cost of funding Oregon's Public Employees Retirement System (PERS), reduce system Unfunded Actuarial Liability (UAL) obligations, and provide relief to escalating contribution rate increases for public employers. Implementation will occur across five subprojects.

Project 4: Member Redirect

- Project start: July 1, 2019 | Project end: April 24, 2024
- Project status: **Green**

Project 5: Member Choice

- Project start: October 23, 2019 | Project end: August 4, 2021
- Project status: **Green**

For details regarding individual project status, please refer to the respective project section(s) below.

Overall program status: **Red**

The program status continues to be red. Member Redirect has long-term implementation activities scheduled beyond the 2019-21 biennium.

The combined WAR, Salary Limit and Member Redirect production release was successfully deployed on 11/19/2020. This deployment resolved the UAT delay experienced by WAR and Salary Limit and returned these projects to green. No long-term impacts are expected from this delay.

The program has completed the jClarety production release realignment for January through June 2021. This realignment minimizes the number of distinct releases and increases the time in between releases. This change has been approved by the PERS SB 1049 Steering Team and will be re-baselined after the Deloitte schedule recommendations are also added to program and project schedules. All projects are tracking on schedule.

Deloitte nears completion of their SB 1049 engagement, which will conclude in December 2020. They have delivered their schedule analysis and recommendations, schedule reports, and continue to finalize Organizational Change Management, Test Coordination, and Release Management activities. Efforts are underway to transition their responsibilities to PERS staff prior to their departure.

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Budget health: **Red**

Activities are planned beyond 2019-21 biennium, but 2021-2023 budget has not yet been approved.

29560- SB 1049 Implementation Program by POP							21-23 Policy Package	Program Cost
Other Funds Lmt	19-21 Budget	Actual to Date	Projections	19-21 Total	Variance			
802- Project Management & Admin	\$ 2,500,000	\$ 1,198,700	\$ 1,008,600	\$ 2,207,300	\$ 292,700	\$ 2,044,800	\$ 4,252,100	
803- Quality Assurance and Testing	\$ 2,500,000	\$ 1,521,800	\$ 853,316	\$ 2,375,116	\$ 124,884	\$ 812,500	\$ 3,187,616	
804- Info Technology Applications	\$ 15,992,000	\$ 8,674,266	\$ 7,306,478	\$ 15,980,744	\$ 11,256	\$ 13,000,000	\$ 28,980,744	
805- Operational Implementation	\$ 7,567,714	\$ 3,052,932	\$ 2,747,319	\$ 5,800,251	\$ 1,767,463	\$ 6,620,497	\$ 12,420,748	
806- Contingency Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total	\$ 28,559,714	\$ 14,447,698	\$ 11,915,713	\$ 26,363,411	\$ 2,196,303	\$ 22,477,797	\$ 48,841,208	

AFN
\$ 20,281,494

Schedule health: **Red**

Member Redirect has long-term work package implementation activities are scheduled beyond the 2019-21 biennium. The Program and all projects are reviewing schedule feedback and recommendations provided by Deloitte and are updating schedules as appropriate.

Scope health: **Green**

The program and project scope is understood and has been incorporated into program-level plans and schedules.

Quality Assurance activities:

- iQMS Deliverable 3.3.3 Periodic Quality Status Report started on 9/30/2020, due 12/11/2020.
- iQMS Deliverable 4.1.3 Quarterly QA Status and Improvement Report started on 9/9/2020, completed 11/17/2020.
- iQMS Deliverable 4.1.4 Quarterly QA Status and Improvement Report starts on 12/9/2020, due 1/14/2021.

Emerging concerns/needs/impacts:

- Resource constraints - resources working on multiple SB 1049 projects continue to constrain availability for individual projects.
- Schedule feedback provided by Deloitte was based on an incomplete resourcing model. PERS is evaluating reports provided by Deloitte to see how they can assist PERS in completing the resourcing model and finalizing effort-based schedules for all of SB 1049.

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Program Risks and Mitigation

Listed below are the most critical risks for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [SB 1049 Program Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
4	Internal Staffing: Resource shifting, competing priorities, or over allocation impact the availability of dedicated project resources, or a key resource leaves PERS or is out for an extended period, and/or staff experience levels are inadequate. (Cross Project Effort)	<ul style="list-style-type: none"> ➤ Monitor work assignments for SB 1049 activities. Ensure on-time completion and address/escalate if being impacted by external duties. ➤ Proactively negotiate time for critical resources during specific SB 1049 activities 	Initial concern was for Subject Matter Experts during UAT periods. The current UAT period has ended, but future UAT efforts need to be proactively planned.
38	Schedule impact due to competing resources: Critical resources are involved in multiple concurrent SB 1049 projects, limiting availability for individual projects	<ul style="list-style-type: none"> ➤ Coordinated schedule planning and priorities within the Program and all projects; reassign other staff to help cover absences or help offset extreme workload periods. 	Deloitte has delivered their schedule recommendations. Additional cleanup is needed in project schedules to fully convert to effort-based schedules started by Deloitte. PERS project management staff is undergoing MS Project training to develop the skills necessary to complete the remaining schedule updates.

Program Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [SB 1049 Program Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
8	Realized Risk #64: Technical Infrastructure: PERS infrastructure upgrades delayed: Infrastructure has not been upgraded as planned due to a Legislative memo requirement to move the PERS datacenter to the State Data Center in Salem.	<ul style="list-style-type: none"> ➤ The SAN infrastructure upgrade done earlier this year for SB 1049 had unexpected communication issues, limiting the effectiveness of the upgrade. A solution for the communication issues has been identified, and the team is in the process of rolling out the fix across all servers. ETA for completion 11/30/2020. 	11/30/2020

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Program information: Cross Project Effort

Start: May 28, 2020 | End: TBD
Project Manager: Susan K. Mundell

Overall status: **Green**

Narrative: The Cross Project Effort is still primarily focused on development of the Business Requirements Documents (5 out of 7 are complete), Risk Assessment, and Schedule for each of the seven work packages. The Work Packages are currently on track as planned, the Risk Assessment is in process and the Cross Project Effort schedule is approximately 75% complete. Each work package is dependent upon functionality from a release from one or more of the SB 1049 projects.

Cross Project Effort objective:

The Cross Project Effort is focused on technical tools, and extracts that are used across multiple SB 1049 projects. Originally, these efforts were included as Work Packages within the individually impacted projects. The scope of this effort has not changed, but the work has been restructured to ensure it receives an appropriate level of coordination and ensure the success of the necessary inter-project integrations.

Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
Initial Risk Assessment Completed			12/24/2020	
Baselined Project Schedule			12/31/2020	
WP4: IAP Adjustment Calculator Deployed			04/30/2021	
WP1: IAP Validator Tool Deployed			05/12/2021	
WP5: PYE Invoicing Tool Deployed			06/04/2021	
WP7: Actuarial Extract Deployed			06/29/2021	
WP2: IAP Payment Recon Deployed			08/16/2021	
WP3: IAP Divorce Tool Deployed			02/07/2022	Dependency on Member Redirect Long-term
WP6: IAP Balance Comparison Tool Deployed			TBD	Schedule should be known by 12/15/2020

*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late

Note: Future milestones exist and will be rotated in as the timing becomes more relevant.

SB 1049 Implementation Program

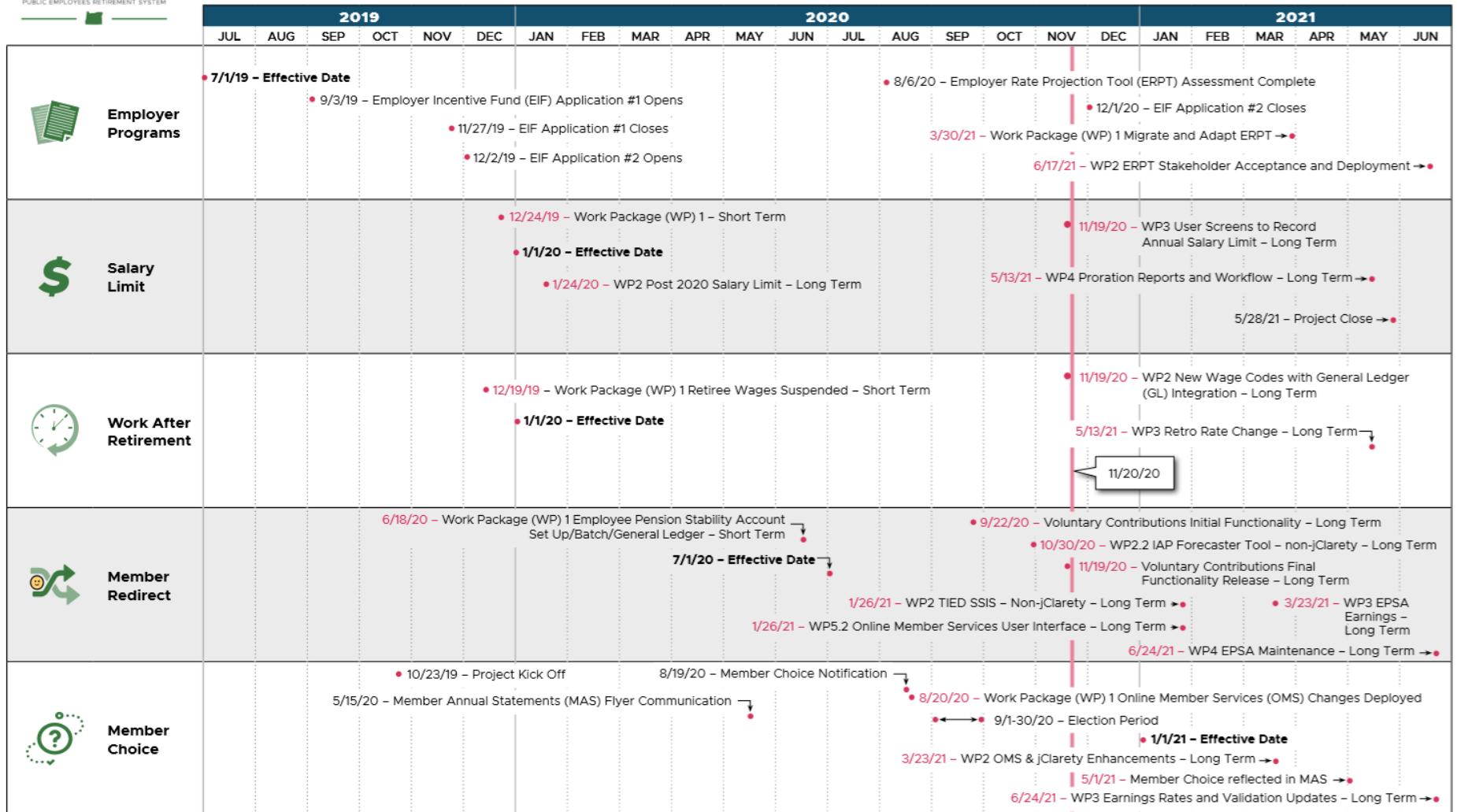
Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison



Senate Bill (SB) 1049 Implementation Road Map

2019-2021 Biennium







SB 1049 Implementation Program


Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

2021-2023 Biennium

PROJECTS	2021						2022						2023												
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	
 Employer Programs		• 7/16/21 – Project Close																							
 Work After Retirement																									
 Member Redirect																									
 Member Choice		• 8/4/21 – Project Close																							

2023-2025 Biennium

PROJECTS	2023						2024						2025												
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	
 Member Redirect																									

Project information: Employer Programs

Project start: July 1, 2019 | **Project end:** July 16, 2021

Project Manager: Joli Whitney

Project objective:

The Employer Programs section of SB 1049 expands the requirements for the Employer Incentive Fund (EIF); and appropriates \$100 million from the General Fund to the Employer Incentive Fund; directs net proceeds from Oregon Lottery Sports betting to the Employer Incentive Fund; allows participating public employers who make larger than \$10 million deposits to side accounts to determine when they wish to have these funds included in their employer rate assessment; and requires all public employers to participate in the Unfunded Actuarial Liability Resolution Program (UALRP).

Overall project status: **Green**

Project Narrative: The project team has completed elaboration of the second business requirements document (BRD) for the Employer Rate Projection Tool (ERPT) and this is currently in technical review. The technical team is busy with the first work package (WP1) converting the acquired tool from operating on an Oracle platform to the PERS standard SQL. Once this conversion is complete, the enhancements outlined in the second BRD will be implemented. The business team will test following the SQL conversion but there will not be a release to production until the enhancements are added and testing with external stakeholders is completed in work package 2 (WP2).

The Employer Incentive Fund (EIF) has completed all approved matching applications. The EIF period is scheduled to close on 12/1/2020. The current status of the EIF is below.

Employer Incentive Fund (EIF) Status

- Opened 9/3/2019
- 115 total applications were approved through 8/1/2020
- 86 Employers paid and received EIF matches as of 8/1/2020
- \$ 57,778,893.80 was distributed to employers as of 8/1/2020
- Application period closes 12/1/2020
- 48 employers are currently on the waitlist

Employer Rate Projection Tool Work Packages

WP1

- Acceptance Quality Gate: 3/30/2021
- Convert tool to use PERS standard platform
 - Move from Oracle to SQL
- Add SB 1049 related requirements

WP2

- Production Deployment Date: 6/17/2021
- Enhance external facing requirements
- Cloud hosting

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Budget health: Green

Employer Programs is currently within the budget allocated by the Legislature.

29560 SB1049 - Employer Programs Project					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 900,000	\$ 599,762	\$ 300,000	\$ 899,762	\$ 238
General Overhead Allocation	\$ 328,438	\$ 162,705	\$ 156,127	\$ 318,832	\$ 9,606
Personal Services - SB1049	\$ 207,102	\$ 109,842	\$ 96,388	\$ 206,230	\$ 872
Office Expenses	\$ 5,000	\$ 77	\$ 4,000	\$ 4,077	\$ 923
IT Professional Services	\$ 1,306,083	\$ 19,474	\$ 1,275,000	\$ 1,294,474	\$ 11,609
Professional Services	\$ 170,752	\$ -	\$ -	\$ -	\$ 170,752
IT Expendable Prop	\$ 10,000	\$ 5,883	\$ 4,000	\$ 9,883	\$ 117
SB1049 Expenses	\$ 2,027,375	\$ 297,981	\$ 1,535,515	\$ 1,833,496	\$ 193,879
Project Total	\$ 2,927,375	\$ 897,742	\$ 1,835,515	\$ 2,733,257	\$ 194,118
Average Monthly Spend (Burn Rate)		\$ 18,623.78	\$ 191,939.38		
*Not included in SB1049 Expenses					

Schedule health: Green

The schedule was rebaselined on 9/29/2020, to include the modification and implementation of the CalPERS ERPT tool. Deloitte has completed their schedule analysis and provided feedback. PERS is reviewing their feedback and updating schedules as appropriate.

Scope health: Green

The initial scope of requirements for deploying the ERPT into PERS environment has completed elaboration. Elaboration of business requirements for the second and final work package is complete and under technical review.

Quality Assurance activities:

- Quality Check Point (QCP) of the WP1 System Design Specification (SDS) document was completed on 11/10/2020.
- QCP of the WP1 Functional Design Specification (FDS) document is scheduled to begin on 11/30/2020.

Emerging concerns/needs/impacts:

- No emerging concerns.

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [Employer Programs Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
7	Business needs, requirements, and scope - The business needs, requirements and scope are missing or not clearly defined.	➤ Discovery of missing or poorly defined need/requirement/scope may lead to items which will be addressed through the change request management process as documented in the change request management plan.	This risk will continue to be closely monitored as the team completes elaboration of the second work package.
17	Continuity in Key Project or Program roles: A key role leaves after initiation of the project causing disruption and delay.	➤ Process maps documenting work have been built and can be followed by new staff.	The small and specialized team in actuarial services make it difficult to quickly replace subject matter expert staff. Also the team has no backfill to perform other agency critical activities which may pull these resources from project work.
35	Non-Dedicated Actuarial SME: A critical technical resource is not fully dedicated to the project and has limited availability due to other critical agency commitment	➤ Develop detailed schedule of agency critical activities and clarify scope of work. Carefully plan testing schedule around critical agency and other program commitments. Close communication with Business Owner who may act as back up to SME in some circumstances.	As the testing schedule is refined, this risk will continue to be closely monitored.

Project Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [Employer Programs Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
	No current issues		

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
Rebaseline Project Schedule	100%	9/29/2020	9/29/2020	
Receive EIS Endorsement Memo	100%	9/30/2020	9/30/2020	
EIF Application Closes (Window #2)	0%	12/1/2020	12/1/2020	
WP1 Development Complete	0%	1/7/2021	1/7/2021	
WP1 Business Functional Testing Complete	0%	1/28/2021	2/26/2021	Following elaboration, the team determined there would only be one release to production following WP2. More time will be dedicated to testing WP1.
WP1 User Testing Complete	0%	3/4/2021	3/24/2021	
WP1 Final Acceptance Quality Gate	0%	3/18/2021	3/30/2021	
WP2 Development Complete	0%	4/8/2021	4/8/2021	
WP2 Business Functional Testing Complete	0%	4/28/2021	4/28/2021	
WP2 User Acceptance Testing Complete	0%	6/7/2021	6/7/2021	
WP2 Deployment Complete (ERPT Complete)	0%	6/17/2021	6/17/2021	
Launch UALRP	0%	6/17/2021	6/17/2021	
Project End	0%	7/16/2021	7/16/2021	

*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Project information: Work After Retirement (WAR)

Project start: July 1, 2019 | **Project end:** August 11, 2021

Project Manager: Susan K. Mundell

Overall project status: **Green**

Project Narrative: WAR Work Package 2: New Wage Codes with G/L Integration has had a successful User Acceptance Testing (UAT) followed by deployment on 11/19/2020. This release is the first of two long-term releases for WAR.

The technical team began development of WAR Work Package 3: Retro Rate Change on 11/13/2020 and is now in full swing with coding and unit testing.

In addition to the development of WAR Work Package 3: Retro Rate Change the technical team is helping business with an automated method to transition the suspended DTL2-07 records to the new DTL2-17 Wage Code. This automated transition is anticipated to significantly reduce the time necessary for this transition and move over 75% of the approximately 74,000 suspended records into jClarety using the new DTL2-17 wage code. The balance of the records not corrected by the automation are anticipated to be records that have multiple issues for their suspended status. These will have to be managed manually by our Employer Service Center (ESC) staff.

Work Packages:

Work Package 1: Suspend DTL2-07 Retiree Wage Codes – Short-term

- Production Deployment Date: 12/19/2019 (Complete)

Work Package 2: New Wage Codes with G/L Integration – Long-term

- Production Deployment Date: 11/19/2020 (Complete)
- Business Functional Testing completed on 9/8/2020
- User Acceptance Testing is completed on 11/16/2020

Work Package 3: Retro Rate Change – Long-term

- Production Deployment Date: 5/13/2021
- Retro Rate Change: Modification of SD610 Batch Job requires significant testing
- Development & Unit Testing began 11/13/2020
- BFT is scheduled to begin on 2/1/2021
- UAT is scheduled to begin on 3/8/2021

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Budget health: Green

The WAR Project is currently within the budget allocated by the Legislature.

29560 SB1049 - Work After Retirement (WAR) Project					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 1,214,174	\$ 861,092	\$ 350,000	\$ 1,211,092	\$ 3,082
General Overhead Allocation	\$ 637,166	\$ 325,411	\$ 311,754	\$ 637,165	\$ 1
Personal Services - SB1049	\$ 414,669	\$ 220,510	\$ 192,770	\$ 413,280	\$ 1,389
Office Expenses	\$ 2,194	\$ 97	\$ 500	\$ 597	\$ 1,597
Professional Services	\$ 140,000	\$ -		\$ -	\$ 140,000
IT Professional Services	\$ 931,392	\$ 538,286	\$ 343,858	\$ 882,144	\$ 49,248
IT Expendable Property	\$ 10,000	\$ 5,536	\$ 3,000	\$ 8,536	\$ 1,464
SB 1049 Total Expenses	\$ 2,135,421	\$ 1,089,840	\$ 851,882	\$ 1,941,722	\$ 193,699
Project Total	\$ 3,349,595	\$ 1,950,932	\$ 1,201,882	\$ 3,152,814	\$ 196,781
Average Monthly Spend (Burn Rate)		\$ 68,114.99	\$ 106,485.25		
*Not included in SB1049 expenses					

Schedule Health: Green

Development and unit testing of WAR Work Package 3: Retro Rate Change is on schedule. This is the final Work Package for WAR.

The SB 1049 Steering Team has approved schedule changes to WAR to accommodate 2021 release realignment. These changes are reflected in the Milestones section of this report. The WAR schedule will be re-baselined after Deloitte's recommendations are also incorporated into the schedule.

Scope health: Green

The scope for the remaining Work Package has been defined and is understood.

Quality Assurance activities:

- A Quality Check Point (QCP) review was completed on 10/30/2020 for contractual deliverable D1.0.14 Contractor Support Log.
- A Quality Check Point (QCP) review is in progress for contractual deliverable D3.2.1 Final Work Package Design for WP2, due 11/30/2020.

Emerging concerns/needs/impacts:

- The lack of institutional knowledge and the Technical Debt issue of inadequate documentation for the G/L development in jClarety is the primary factor for another G/L concern. This concern is in relation to how jClarety manages the Side Accounts for Work After Retirement participating employers. Some employers participate in Side Accounts that offset their rates. The Side Account issue is currently being researched by Subject Matter Experts (SMEs). We don't know yet if this will affect SB 1049 WAR.

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [WAR Weekly Status Report](#)

	Risk Description	Mitigation and/or Contingency Plan	Notes
2	Complexity of Effort: The forecasted amount of work, timing, available documentation and complexity is inaccurate or assumptions made that are off base.	<ul style="list-style-type: none"> ➤ Schedule additional time to verify complex code. ➤ Use iterative development to reverse engineer the G/L code to meet Business need. ➤ Ensure effective inter-team project communication. 	G/L assumptions may have been made with WAR WP2 that do not adequately function with WAR Side Account invoicing and allocation.
54	Technical Debt Impact to Timelines: Technical Debt Limits Ability to Provide SB 1049 Functionality within the mandated or planned timeframes.	<ul style="list-style-type: none"> ➤ Work iteratively to develop G/L due to lack of adequate documentation. ➤ Ensure the appropriate research is done to fully understand G/L functionality in jClarety. 	The lack of G/L documentation again raises up a concern regarding how Side Accounts are being managed for Work After Retirement employees.
75	ESC Conversion Work: DTL2-07 to DTL2-17 Modifying the suspended DTL2-07 records to DTL2-17 records and reposting them to jClarety is a significant workload that ESC cannot manage with their normal workload. Employers will not be invoiced until the records are changed to DTL2-17.	<ul style="list-style-type: none"> ➤ Develop an automated process to transition the DTL2-07 to DTL2-17. ➤ Hire temporary staff to assist ESC with this workload. ➤ Develop a report to assist with this workload. 	WAR Technical team is working with ESC to develop an automated process for this transition workload.

Project Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [WAR Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
	No current issues		

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP1 - Phase Closure Complete	100%	2/13/2020	2/13/2020	
WP2 - Business Functional Testing (BFT) Complete	100%	9/15/2020	9/8/2020	
WP2 - Ready for User Acceptance Testing (UAT) Quality Gate	100%	09/15/2020	09/16/2020	
WP3 - Initial Development Begun	100%	11/13/2020	11/13/2020	
WP2 - User Acceptance Testing (UAT) Complete	100%	10/13/2020	11/16/2020	
WP2 - Quality Assurance Testing Complete	100%	10/21/2020	11/18/2020	
WP2 - Move to Production Quality Gate Complete	100%	10/21/2020	11/18/2020	
WP2 - Deployment Complete	100%	10/22/2020	11/19/2020	
WP3 - Requirements Complete	0%	10/27/2020	11/23/2020	
WP3 - Development Complete	0%	2/3/2021	2/01/2021	
WP3 - Business Functional Testing (BFT) Complete	0%	3/11/2021	3/01/2021	
WP3 - Ready for User Acceptance Testing (UAT) Quality Gate	0%	4/1/2021	3/08/2021	
WP3 - User Acceptance Testing Complete	0%	4/1/2021	4/19/2021	
WP3 - Quality Assurance Testing Complete	0%	4/1/2021	4/26/2021	
WP3 - Move to Production Quality Gate Complete	0%	4/16/2021	5/12/2021	
WP3 - Deployment Complete	0%	4/22/2021	5/13/2021	
WP3 - Phase Closure Complete	0%	6/4/2021	5/20/2021	
WAR Project Complete	0%	8/6/2021	8/11/2021	

*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late

The SB 1049 Steering Team has approved the schedule changes above. This schedule will be re-baselined after Deloitte's recommendations are also incorporated into the schedule.

Project information: Salary Limit

Project start: 7/01/ 2019 | Project end: 5/28/2021

Project Manager: Bruce Rosenblatt

Project objective:

The Salary Limit Project is necessary because SB 1049 redefined "salary," which changes the calculation method for Final Average Salary, and contributions for members with subject salary greater than \$195,000. This limit is on salary for plan purposes, and is not a salary cap. The Salary Limit will be indexed annually to the Consumer Price Index, beginning on or after 1/01/2021. The redefinition impacts the data and business processes used by diverse teams at PERS, including Benefit Calculations, Member Estimates, Data Verifications, Employer Data Reporting, and Account Data Reviews and Reporting.

Overall project status: **Green**

Project Narrative: The 2020 Salary Limit Project is comprised of four Work Packages. Work Package 1 (WP1) delivered a short-term solution in 2019, delivering new reports so PERS can manually report on impacted members and their employers for Tier 1/Tier 2, and Oregon Public Service Retirement Plan (OPSRP). Work Package 2 (WP2) implemented a Data Change Request (DCR) on 1/23/2020 to post the 2020 limit. Work Package 3 (WP3) provides entry screens and approval roles to record annual salary limit changes and effective dates for all plans. Work Package 4 (WP4) addresses the proration processes for partial year activities.

Work Packages:

Work Package 3: User screens to record annual salary limit, adding Tier1 to messages for Salary Limit, similar to Tier2 and Oregon Public Service Retirement Plan (OPSRP) - Long-term

- Production release date: 11/19/2020 (Complete)
- User Acceptance Testing (UAT) completed 11/17/2020
- Release Notes are approved and ready for publication
- Sample calculation examples are drafted for December Employer Newsletter

Work Package 4 - Enhances proration work processes by indicating when partial year calculations may apply - Long-term

- Production Deployment Date: 5/13/2021
- This aligns with the 2021 production dates approved by the SB 1049 Steering Team, to consolidate several releases and reduce system management activities of individual releases
- Project team completed technical elaboration on 11/17/2020
- Development team drafted Function Design Specification
- WP4 Business Function Testing (BFT) will finish by 4/02/2021
- WP4 UAT will begin on 4/08/2021

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Budget Health: **Green**

Salary Limit Project budget projections are currently lower than the budget allocated by the Legislature.

29560 SB1049 - Salary Limit					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 970,000	\$ 740,534	\$ 229,000	\$ 969,534	\$ 466
General Overhead Allocation	\$ 318,583	\$ 162,705	\$ 155,878	\$ 318,583	\$ -
Personal Services - SB1049	\$ 208,647	\$ 109,842	\$ 96,385	\$ 206,227	\$ 2,420
Services and Supplies	\$ 1,088	\$ 240	\$ 500	\$ 740	\$ 348
IT Professional Services	\$ 860,000	\$ 185,074	\$ 589,691	\$ 774,765	\$ 85,235
IT Expendable Prop	\$ 10,000	\$ 5,535	\$ 4,000	\$ 9,535	\$ 465
SB1049 Total Expenses	\$ 1,398,318	\$ 463,396	\$ 846,454	\$ 1,309,850	\$ 88,468
Project Total	\$ 2,368,318	\$ 1,203,930	\$ 1,075,454	\$ 2,279,384	\$ 88,934
Average Monthly Spend (Burn Rate)		\$ 28,962.24	\$ 105,806.75		
*Not included in SB1049 Expenses					

Schedule health: **Green**

WP3 was released to production 11/19/2020, returning the schedule health to Green Status. Work Package 4 (WP4) was not negatively impacted by this delay in Work Package 3, and WP4 is on track.

The SB 1049 Steering Team has approved schedule changes to Salary Limit to accommodate 2021 release realignment. These changes are reflected in the Milestones section of this report. The Salary Limit schedule will be re-baselined after Deloitte's recommendations are also incorporated into the schedule.

Scope health: **Green**

Scope, including detailed requirements contained in Business Requirements Documents (BRD), and the Functional Design Specification (FDS), have been defined for WP4, which is the final work package.

Quality Assurance activities:

- The Quality Gate for WP3 was completed on 11/17/2020.
- The WP4 Functional Design Specification (FDS) document will include the Quality Check Point (QCP) process, to begin on 12/09/2020.

Emerging concerns/needs/impacts:

- No emerging concerns.

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [Salary Limit Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
82	Centralized Data Management (CDM) Reporting team may require additional resources to meet project support requirements	Developer assigned to Change Requests, and is actively working on the reports; CDM Team Business Systems Analysts is tracking requirements	These will impact PERS staff operations if not completed by 12/31/2020

Project Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [Salary Limit Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
6	WP3 - User Acceptance (UAT) Testing is behind schedule (Resolved with Production Release)	➤ UAT is now complete, following minor test cases which were rerun. Issue has been closed.	11/19/2020
7	UAT environment not available due to Code Merge issues (Resolved with Production Release)	➤ UAT is now complete, following successful code merge activities. Issue has been closed.	11/19/2020

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP2 - Post New Salary Limit - Release to Production	100%	1/23/2020	1/23/2020	
WP3 - Requirements Complete	100%	3/13/2020	3/13/2020	
Change Request Approval (SL_01)	100%	5/15/2020	5/15/2020	
Baseline the project schedule	100%	6/17/2020	6/17/2020	
WP4 - Requirements Complete	100%	7/14/2020	7/14/2020	
WP3 - Development Complete	100%	8/14/2020	8/14/2020	
WP3 - Business Function Testing (BFT) Complete	100%	9/04/2020	9/02/2020	
WP3 - User Acceptance Testing (UAT) Complete	100%	9/04/2020	11/13/2020	
WP3 - Deployment Complete	100%	10/22/2020	11/19/2020	
WP4 - Signoff User Stories & Acceptance Criteria Complete	100%	8/18/2020	11/17/2020	
WP4 - Development Complete	0%	1/19/2021	3/19/2021	
WP4 - Business Function Testing (BFT) Complete	0%	2/09/2021	4/02/2021	
WP4 - User Acceptance Testing (UAT) Complete	0%	3/23/2021	5/07/2021	
WP4 - Deployment Complete	0%	4/01/2021	5/13/2021	
Project Complete	0%	4/15/2021	5/28/2021	

*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late

The SB 1049 Steering Team has approved the schedule changes above. This schedule will be re-baselined after Deloitte's recommendations are also incorporated into the schedule.

Project information: Member Redirect

Project start: July 1, 2019 | **Project end:** April 24, 2024
Project Manager: Chris Yu

Overall project status: **Green**

Project Narrative: Work package VC1: Voluntary Contributions Final Functionality went into production on 11/19/2020. The next step will be for the project manager to schedule the lessons learned lesson for Work Package VC1. The next priority will be to complete construction on work package 3.1 (EPSA Earnings) and 3.2 (Member Annual Statement Extract), which will deploy on 1/26/2021. Both work packages continue to proceed with construction on schedule without any issues.

Work Packages:

Work Package VC1: Voluntary Contributions Final Functionality - Long-Term

- Production Deployment Date: 11/19/2020 (Complete)

Work Package 5.2 OMS UI- Long-Term

- Production Deployment Date: 1/26/2021
- BFT will be due on 11/20/2020
- User Acceptance testing will begin on 12/7/2020

Work Package 3.2 Member Annual Statement Extract- Long-Term

- Production Deployment Date: 3/23/2021
- Construction will be due on 12/29/2020
- BFT will begin on 12/30/2020

Project objective:

Effective July 1, 2020 this section of the bill redirects a portion of member contributions to a new Employee Pension Stability Account (EPSA) when the funded status of the plan is below 90% and the member’s monthly salary is more than \$2,500.

Work Package 2.1: Tool for IAP Earnings Data (TIED)

- Production Deployment Date: 1/26/2021
- Construction was completed on 9/28/2020
- User Acceptance Testing will begin on 12/7/2020 and will be completed by 1/13/2021

Work Package 3.1 EPSA Earnings - Long-Term

- Production Deployment Date: 3/23/2021
- Construction will be due on 12/29/2020
- BFT will begin on 12/30/2020

Additional long-term work packages exist. See the Milestones Schedule for a complete list of work packages

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Budget health: Green The project is below budget for the current biennium. The issue of additional budget needed for work beyond the current biennium is being tracked at the program level.

29560 SB1049 - Member Redirect Project					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 1,370,000	\$ 977,366	\$ 390,000	\$ 1,367,366	\$ 2,634
General Overhead Allocation	\$ 4,778,742	\$ 2,440,579	\$ 2,338,163	\$ 4,778,742	\$ -
Personal Services - SB1049	\$ 3,755,542	\$ 1,648,764	\$ 1,445,779	\$ 3,094,543	\$ 660,999
Services and Supplies	\$ 426,890	\$ 240,173	\$ 133,958	\$ 374,131	\$ 52,759
IT Professional Services	\$ 11,323,321	\$ 6,700,137	\$ 3,649,260	\$ 10,349,397	\$ 973,924
IT Expendable Property	\$ 200,000	\$ 88,573	\$ 110,000	\$ 198,573	\$ 1,427
Data Processing Hardware	\$ 200,000	\$ 193,798	\$ 6,000	\$ 199,798	\$ 202
SB1049 Total Expenses	\$ 20,684,495	\$ 11,312,024	\$ 7,683,160	\$ 18,995,184	\$ 1,689,311
Project Total	\$ 22,054,495	\$ 12,289,391	\$ 8,073,160	\$ 20,362,551	\$ 1,691,944
Average Monthly Spend (Burn Rate)		\$ 754,134.95	\$ 853,684.44		
*Not included in SB1049 Expenses					

Schedule Health: Green

The current project tasks are on schedule for all current milestone dates. Deloitte has completed their schedule analysis and provided feedback. PERS is reviewing their feedback and updating schedules as appropriate.

The issue of long-term work packages scheduled beyond the 2019-21 biennium are being tracked at the program level.

Scope health: Green

The project scope is understood for all releases.

Quality Assurance activities:

- The Quality Check Point (QC) for the 9.11 Monthly Release Management Report was completed on 11/2/2020
- The Quality Gate for Voluntary Contributions Final Functionality was completed on 11/17/2020
- The QCP for the 9.12 Monthly Release Management Report will be completed by 12/1/2020

Emerging concerns/needs/impacts:

- The emerging concern is with the yearly CPI process and the potential to adding this scope to Member Redirect. The team is analyzing the requirements and potential impact to Member Redirect.

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [Member Redirect Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
62	Communication draft review process: There is a risk in terms of reviewing communication drafts in the appropriate time due to inconsistent processes.	➤ The project manager and business owner will validate a new process.	The business owner will take the initiative to specifically assign SMEs for review and the Project Manager will create a standard practice prior to a Jira ticket.
63	Yearly CPI Process: There are no resources assigned to the yearly CPI process that impacts Member Redirect.	➤ The Business Owner will identify the resources to complete the CPI process.	The SB 1049 Project Managers will confirm which project will track this additional scope.

Project Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [Member Redirect Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
	No current issues		

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP9.3 - FileNet Workflow	100%	9/29/2020	9/29/2020	
Phase 1 - TIED Process	100%	10/15/2020	10/15/2020	
WPVC - Release 2 (Full Functionality)	100%	11/19/2020	11/19/2020	
WP2.2 - IAP Forecaster Tool	100%	1/26/2021	10/30/2021	Released early
WP2.1 - TIED	0%	1/26/2021	1/26/2021	
WP 5.2 - OMS UI	0%	1/26/2021	1/26/2021	
WP3.1 - EPSA Earnings	0%	3/23/2021	3/23/2021	
WP3.2 - Member Annual Statement Extract	0%	3/23/2021	3/23/2021	
WP4 - EPSA Maintenance	0%	6/24/2021	6/24/2021	
WP5 - Voluntary Contribution maintenance	0%	10/29/2021	10/29/2021	
WP6 - EPSA Retirement	0%	1/27/2022	1/27/2022	
WP7 - EPSA Divorce	0%	4/28/2022	4/28/2022	
WP8 - Pre-Retirement Death	0%	7/28/2022	7/28/2022	
WP9 - Withdrawals	0%	11/17/2022	11/17/2022	
WP10 - Post-Retirement Death	0%	3/31/2023	3/31/2023	
WP11 - Maintaining Benefits	0%	8/24/2023	8/24/2023	
WP12 - Full EPSA Set up screen	0%	12/21/2023	12/21/2023	
Migration Finalization	0%	3/29/2024	3/29/2024	



SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
Project Complete	0%	4/24/2024	4/24/2024	

*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Project information: Member Choice

Project start: October 23, 2019 | **Project end:** August 4, 2021
Project Manager: Joli Whitney

Overall project status: **Green**

Project Narrative: The release dates for the two remaining work packages (WP) have changed to accommodate a combined release schedule with other SB 1049 projects. WP2 will release on 3/23/2021 and WP3 will release on 6/24/2021. The project team is busy with construction on the next body of work, Work Package 2.1 (WP2.1) which contains only backlog items from the first work package. WP2.1 is on track as scheduled. Elaboration for the third and final work package (WP3) began on 11/10/2020. WP3 will add IAP earnings calculations into jClarety and provide validation functionality for a member's date of birth.

Short-term Solutions (to meet 1/1/21 Member Choice effective date)

WP1: Member Election - Short-term

WP1.1 Online Election

- Production Deployment Date: 8/20/2020 (Complete)
- OMS Election Ability
- jClarety User Interface

Other Sub-packages of WP1

- WP1.2 Voya's updates to website and nightly sweep program- Deploys 1/19/2021
- WP1.3 PERS paper form election process including workflow Deployment Date: 8/12/2020 (Complete)
- WP1.4 Development of new reports (to Voya and internal) - Deployment Date 9/29/2020 (Complete)

Project objective:

The Member Choice sections of SB 1049 give members a say in how their Individual Account Program (IAP) accounts will be invested. Members' regular IAP accounts are currently allocated to Target-Date Funds (TDF) based on their year of birth. Beginning with calendar year 2021, members will be able to elect a TDF other than the default TDF.

WP2- Refining TDF Processes - Long-term

WP2.1 -WP1.1 Backlog

- Production Deployment Date: 3/23/2021

WP2.2 Central Data Management (CDM) Reports

- Production Deployment Date: 5/27/2021
- Reports for Financial Reporting Services which have a dependency on status data delivered in WP2.1

WP3- Earnings Rates and Validations Updates in jClarety - Long-term

- Production Deployment Date: 6/24/2021
- Add IAP Earnings Rate table to jClarety
- Date of Birth (DOB) validation updates for jClarety employer reporting

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Budget health: Green

Member Choice Project is currently within the budget allocated by the Legislature.

29560 SB1049 - Member Choice Project Budget					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 860,000	\$ 658,611	\$ 200,000	\$ 858,611	\$ 1,389
General Overhead Allocation	\$ 318,583	\$ 162,705	\$ 155,878	\$ 318,583	\$ -
Personal Services - SB1049	\$ 287,484	\$ 109,842	\$ 142,815	\$ 252,657	\$ 34,827
Office Expenses	\$ 500	\$ 114	\$ 250	\$ 364	\$ 136
Professional Services	251,198	\$ 280,000	-	\$ 280,000	\$ (28,802)
IT Professional Services	\$ 1,450,000	\$ 726,259	\$ 699,259	\$ 1,425,518	\$ 24,482
IT Expendable Prop	\$ 6,340	\$ 5,535	\$ 500	\$ 6,035	\$ 305
SB1049 Total Expenses	\$ 2,314,105	\$ 1,284,456	\$ 998,702	\$ 2,283,158	\$ 30,947
Project Total	\$ 3,174,105	\$ 1,943,067	\$ 1,198,702	\$ 3,141,769	\$ 32,336
Average Monthly Spend (Burn Rate)		\$ 80,278.49	\$ 124,837.75		
*Not included in SB1049 Expenses					

Schedule Health: Green

The combined release schedule has been integrated into project plans. An additional development resource with substantial IAP experience was added to assist with the remaining work packages.

The SB 1049 Steering Team has approved schedule changes to Member Choice to accommodate 2021 release realignment. These changes are reflected in the Milestones section of this report. The Member Choice schedule will be re-baselined after Deloitte's recommendations are also incorporated into the schedule.

Scope health: Green

The project scope is well understood.

Quality Assurance activities:

- Quality Check Point (QCP) of the High Level Estimate (HLE) for WP3 is scheduled for 11/30/2020

Emerging concerns/needs/impacts:

- No emerging concerns

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [Member Choice Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
17	Competing SB 1049 Resources: Critical resources are involved in multiple concurrent SB 1049 projects, limiting availability for individual projects	➤ Careful coordinated schedule planning with Program Manager and other Project Managers; reassign staff to help cover absences or help offset extreme workload periods.	Shared resources across the SB 1049 Program continue to be a challenge. Continuing work for resource-loaded schedule to validate project assignments across all projects in the program. Concerns over quality of work have been expressed, but these concerns have not resulted in any issues.
18	Critical Resources Allocated to non-SB 1049 Work: Critical SB 1049 resources are allocated to non-SB 1049 work, impacting availability for SB 1049 work and causing schedule delays.	➤ Reassign non-SB 1049 work to operational resources not working on SB 1049	This risk is a particular concern as we enter into year-end financial processing activities. This work is time critical to meet deadlines outside of SB 1049 and often there are limited backfill opportunities in these positions.
33	Technical debt Impact to Timelines- Technical Debt Limits Ability to Provide SB 1049 Functionality within the mandated timeframes.	➤ Assess the individual technical debt items to determine if it is required or optional. Escalate to Steering as required.	Technical debt of IAP related functions is a concern as we enter into the last two work packages which may encounter unknown challenges within jClarety

Project Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [Member Choice Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
	No current issues		

SB 1049 Implementation Program

Status Report for November 20, 2020

Executive Sponsor: Kevin Olineck
Program Manager: Christa Harrison

Project Schedule Deliverables and Milestones

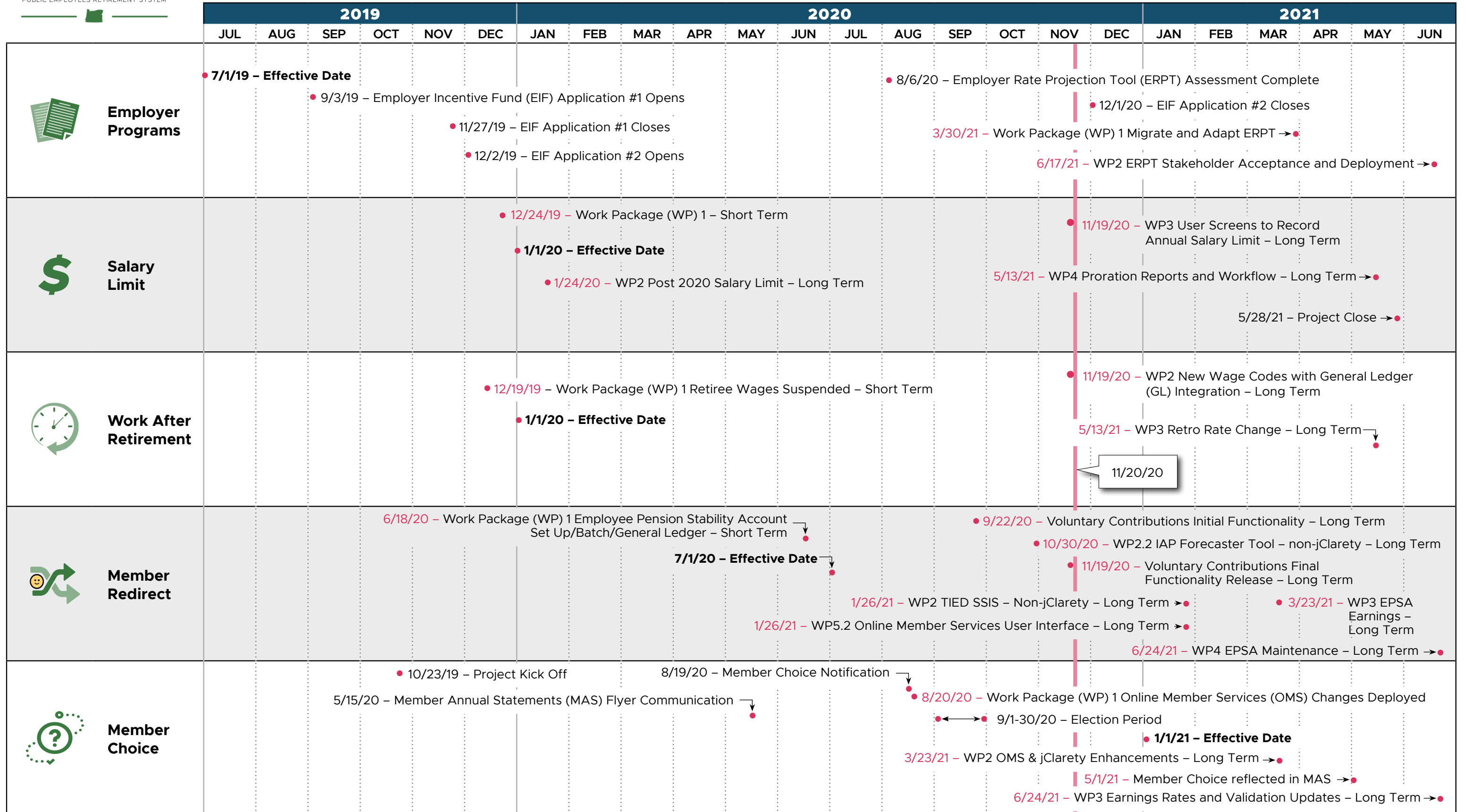
Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
Member Choice TDFs Effective (Legislative deadline)	0%	1/1/2021	1/1/2021	
WP2.1 Development Complete	0%	1/5/2021	12/29/2020	
WP2.1 Business Functional Testing Complete	0%	1/26/2021	2/5/2021	
WP2.1 User Acceptance Testing Complete	0%	2/4/2021	3/12/2021	
WP2.1 Deployment Complete	0%	2/23/2021	3/23/2021	Extension is not expected to impact the project's critical path
WP3 Development Complete	0%	5/4/2021	4/26/2021	
WP3 Business Functional Testing Complete	0%	5/24/2021	5/14/2021	
WP3 User Acceptance Testing Complete	0%	6/23/2021	6/14/2021	
WP3 Deployment Complete	0%	6/30/2021	6/24/2021	
Project Close	0%	8/4/2021	8/4/2021	

*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late





The SB 1049 Steering Team has approved the schedule changes above. This schedule will be re-baselined after Deloitte's recommendations are also incorporated into the schedule.

Senate Bill (SB) 1049 Implementation Road Map


2019-2021 Biennium



2021-2023 Biennium

PROJECTS	2021						2022												2023					
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
 Employer Programs	<ul style="list-style-type: none"> 7/16/21 – Project Close 																							
 Work After Retirement	<ul style="list-style-type: none"> 8/11/21 – Project Close 																							
 Member Redirect							<ul style="list-style-type: none"> 10/28/21 – WP5 Voluntary Contribution Maintenance – Long Term 1/27/22 – WP6 EPSA Retirement – Long Term 4/28/22 – WP7 EPSA Divorce – Long Term 7/28/22 – WP8 Pre-Retirement Death – Long Term 11/17/22 – WP9 Withdrawals – Long Term 3/31/23 – WP10 Post-Retirement Death – Long Term 																	
 Member Choice	<ul style="list-style-type: none"> 8/4/21 – Project Close 																							

2023-2025 Biennium

PROJECTS	2023						2024												2025					
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
 Member Redirect	<ul style="list-style-type: none"> 8/24/23 – WP11 Maintaining Benefits – Long Term 						<ul style="list-style-type: none"> 12/21/23 – WP12 Full EPSA Set up Screen – Long Term 3/29/24 – Migration Finalization 4/24/24 – Project Close 																	



FINANCIAL MODELING

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Presented by:

Matt Larrabee, FSA, EA

Scott Preppernau, FSA, EA

December 4, 2020

This work product was prepared for discussion purposes only and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Any recipient of this work product who desires professional guidance should engage qualified professionals for advice appropriate to its own specific needs.

Introduction

- July: System-average valuation results
 - Calculated as of December 31, 2019 for the Tier 1/Tier 2 & OPSRP programs
- October: Employer-specific 2021-2023 contribution rates
 - Based on the December 31, 2019 actuarial valuation
- **Today: Long-term financial modeling projections reflecting published investment results through September 30**
 - System average contribution rates
 - System funded status
 - System unfunded actuarial liability (UAL)

Models and Inputs

- System financials are projected using two different models
 - Steady return model – consistent year-to-year future investment returns
 - Variable return model – future investment returns vary from year to year
- Modeling starts with liabilities and actuarial assumptions from the 12/31/2019 system-wide actuarial valuation report
 - This includes the current Board-adopted 7.20% return assumption for valuing liabilities
- Modeling uses 12/31/2019 assets adjusted for **published regular account returns of +0.14% through September 2020**
 - Returns for October through December 2020 vary in our models based on scenario

Financial Modeling

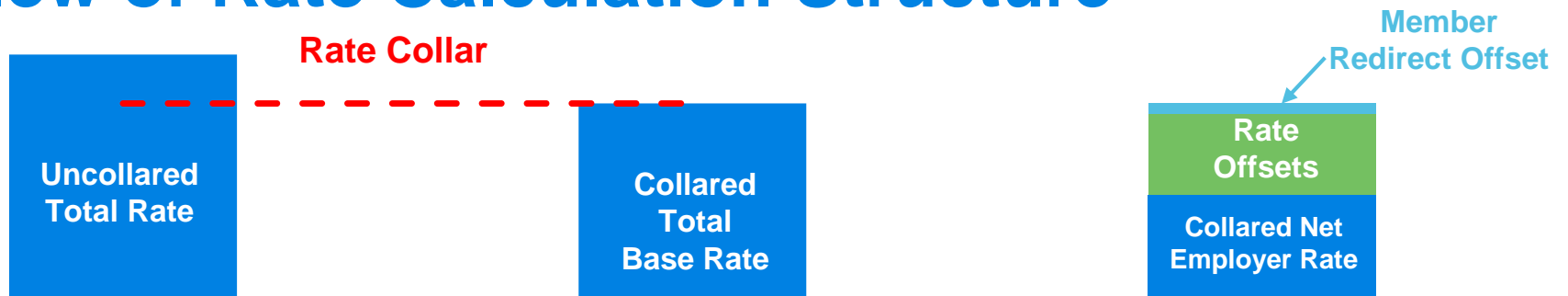
Comments on System Average Rates

- Projections depict **system average** funded status and employer contribution rates
 - Comparable to system average rates shown in October 2020 presentation
- Rates shown in this presentation are “employer” rates
 - Redirected member contributions serve as an offset to “total” effective with 2021-2023 rate setting
- No single employer pays the system average rate
 - Contribution rates vary both by employer and by type of payroll
- Under majority of scenarios, average employer rates for the 2023-2025 biennium are projected to increase, due to effect of asset underperformance so far in 2020
 - Actual outcome will vary by rate pool and employer
- Rates shown do not include:
 - Contribution rates for the Individual Account Plan (IAP)
 - Employer contribution rates for the RHIA & RHIPA retiree healthcare programs
 - Debt service payments on employer-specific pension obligation bonds

Rate Collaring

- PERS applies a “rate collar” as part of rate-setting process, as discussed in March and July Board meetings
- With the December 31, 2019 valuation, rate collar is not currently limiting rates for the large rate pools
 - Collared and uncollared rates are equal

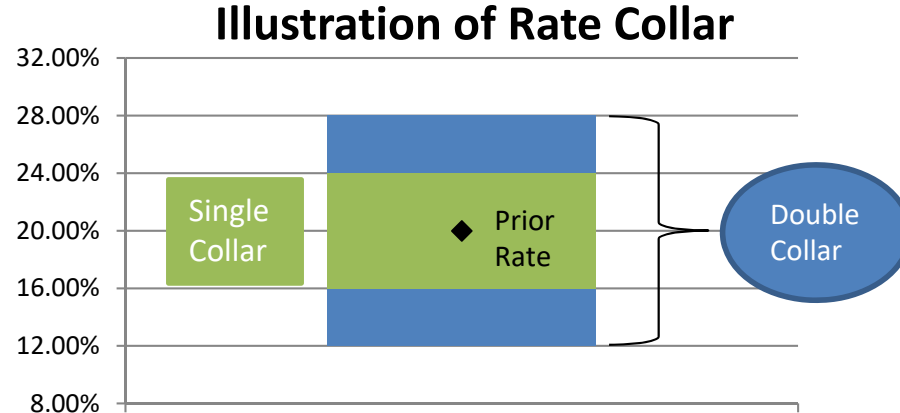
Overview of Rate Calculation Structure



- The ***uncollared total rate*** is the theoretical contribution rate to reach 100% funded status over a specified amortization period if:
 - Contributions at that rate started on the actuarial valuation date, and
 - Actual future experience mirrors the actuarial valuation's assumptions, and
 - The normal cost rate does not change in subsequent years
- The rate collar sets a biennium's ***collared total base rate***, limiting the base rate change for a single biennium when there is a large change in the uncollared rate
- ***Member redirect offset*** reflects estimated portion of collared total base rate paid by redirected member contributions
- Employers pay the ***collared net employer rate***, which reflects the member redirect offset and any rate offset adjustments from:
 - Side account rate offsets for employers with side accounts
 - SLGRP charges/offsets (e.g., Transition Liability/Surplus)

Width of the Rate Collar - Current Structure

- The maximum change typically permitted by the collar is:
 - 20% of the rate currently in effect (3% of payroll minimum collar width)
- If funded status excluding side accounts is 60% or lower, the width of the collar doubles
 - 40% of rate currently in effect (6% of payroll minimum collar width)
- If the funded status is between 60% and 70%, the collar size is pro-rated between the single collar width and the double collar width



- Collars are calculated at a rate pool level and limit the biennium to biennium increase in the UAL Rate for a given rate pool

Rate Collaring

- As discussed in prior Board meetings, today's financial modeling includes illustration of potential modifications to the collar structure
 - For this purpose, our model treats the entire system as one employer, with the rate pool calculated separately for Tier 1/Tier 2 and OPSRP at the system level
- Illustrations are for informational purposes, no decisions anticipated today
 - Any change to rate collar structure would be adopted with review of actuarial methods and assumptions with next year's experience study
 - If changes are made, Board could consider distinguishing between treatment of Tier 1/Tier 2 rate collar for large rate pools (SLGRP, School District) vs. independent employers
- Alternatives modeled:
 - Elimination or modification of the "double collar" component
 - Rate collar defined as a fixed percent of payroll (4% for Tier 1/Tier 2, 1% for OPSRP), rather than as a percentage of the current rate
 - Rate collar defined as a fixed percent of payroll (4% for Tier 1/Tier 2, 1% for OPSRP), AND rates are not allowed to decrease unless funded status (excluding side accounts) is greater than 90%



Steady Return Model with Current Rate-Setting Policy

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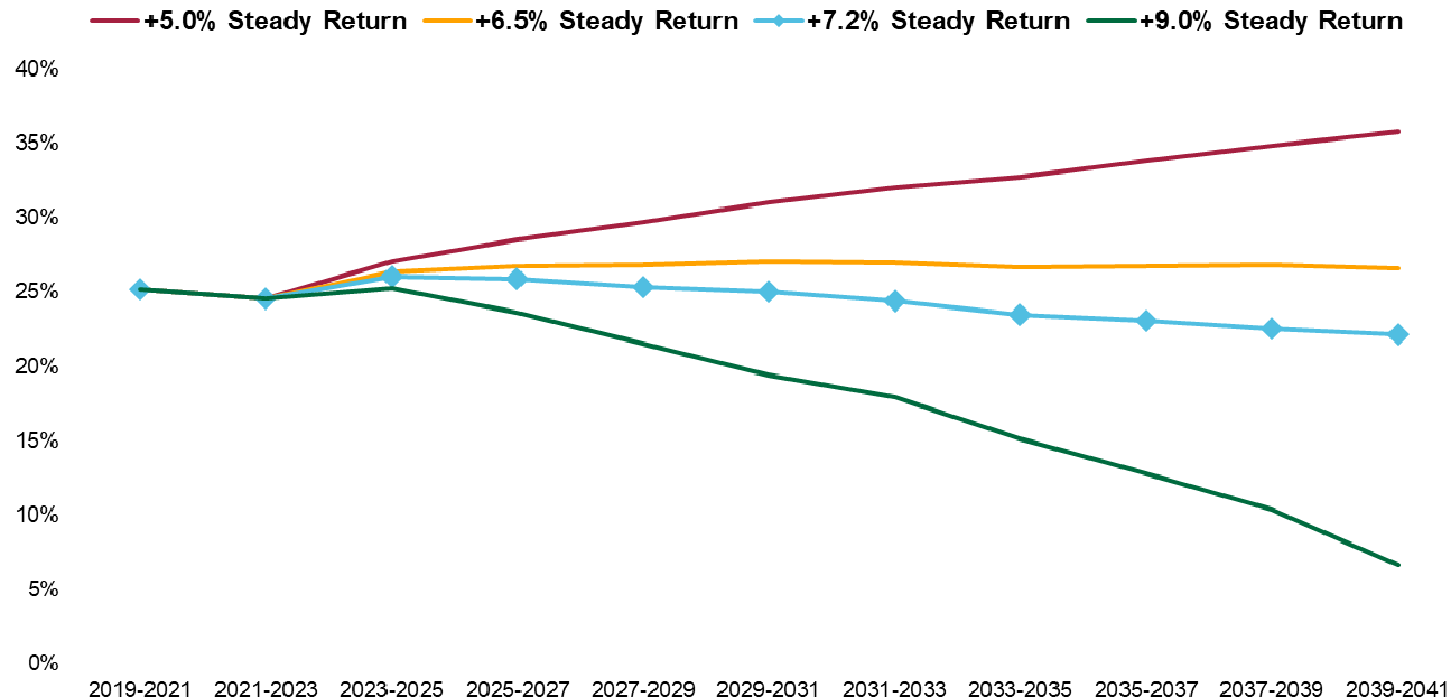
Steady Return Model

Current Rate Setting Structure

- The next four slides show financial projections under the current rate setting structure
 - Employer rates adjust each biennium, with changes limited by the rate collar
- Four scenarios for steady annual actual future investment return are shown
 - +5.0%; +6.5%; +7.2%; +9.0%
- While actual future returns won't be steady year-to-year, the steady return model clearly illustrates the financial dynamics
 - More realistic “noisy” future returns will be shown in the variable return model later in this presentation
 - The effects of near-term and/or long-term future returns worse than +5.0% are captured in the variable return model
- Model incorporates published returns through September 2020

Employer Collared Base Pension Rates (System Average)

Current Rate Setting Structure

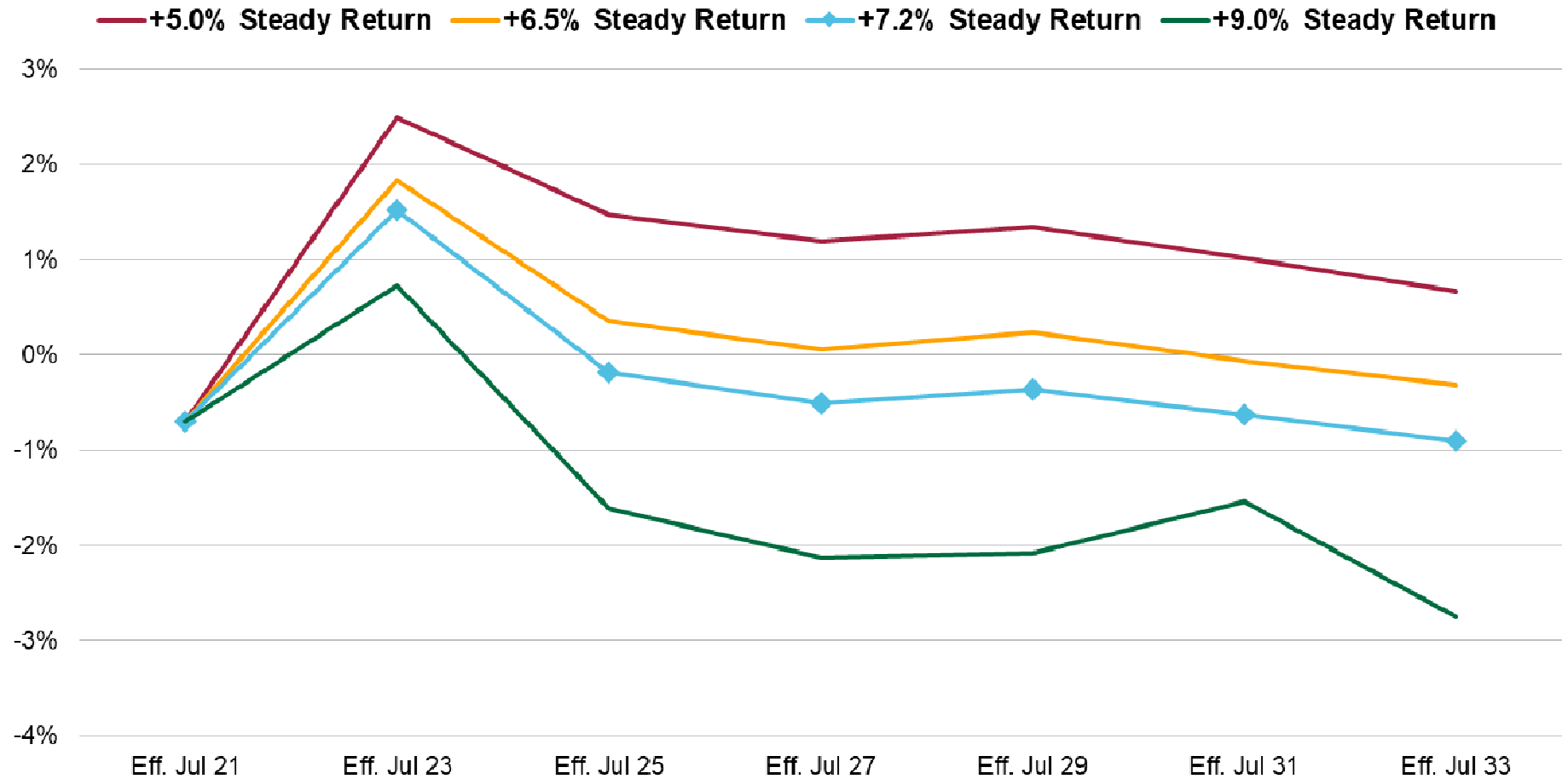


- If future investment results are near assumption, system average employer collared base pension rates in 2023-25 are projected to increase from 2021-23 rates, due to asset underperformance so far during 2020
- Blue line: rates decrease as new OPSRP members replace exiting Tier 1 / Tier 2s
- 2023-25 rates are based on asset returns through December 31, 2021, along with assumptions and methods adopted after the upcoming Experience Study

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Biennial Change in Collared Base Rate (System Average)

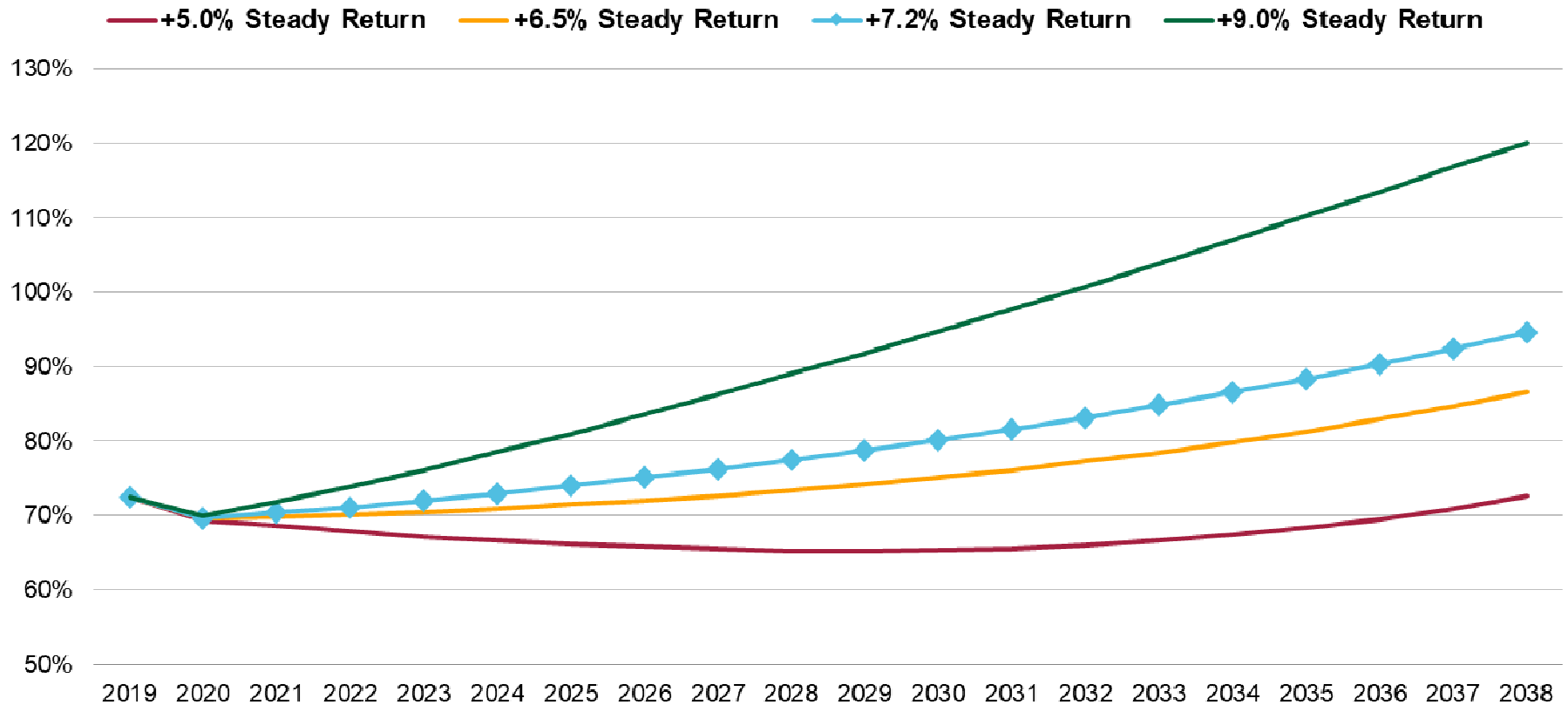
Current Rate Setting Structure



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System Funded Status (Excluding Side Accounts)

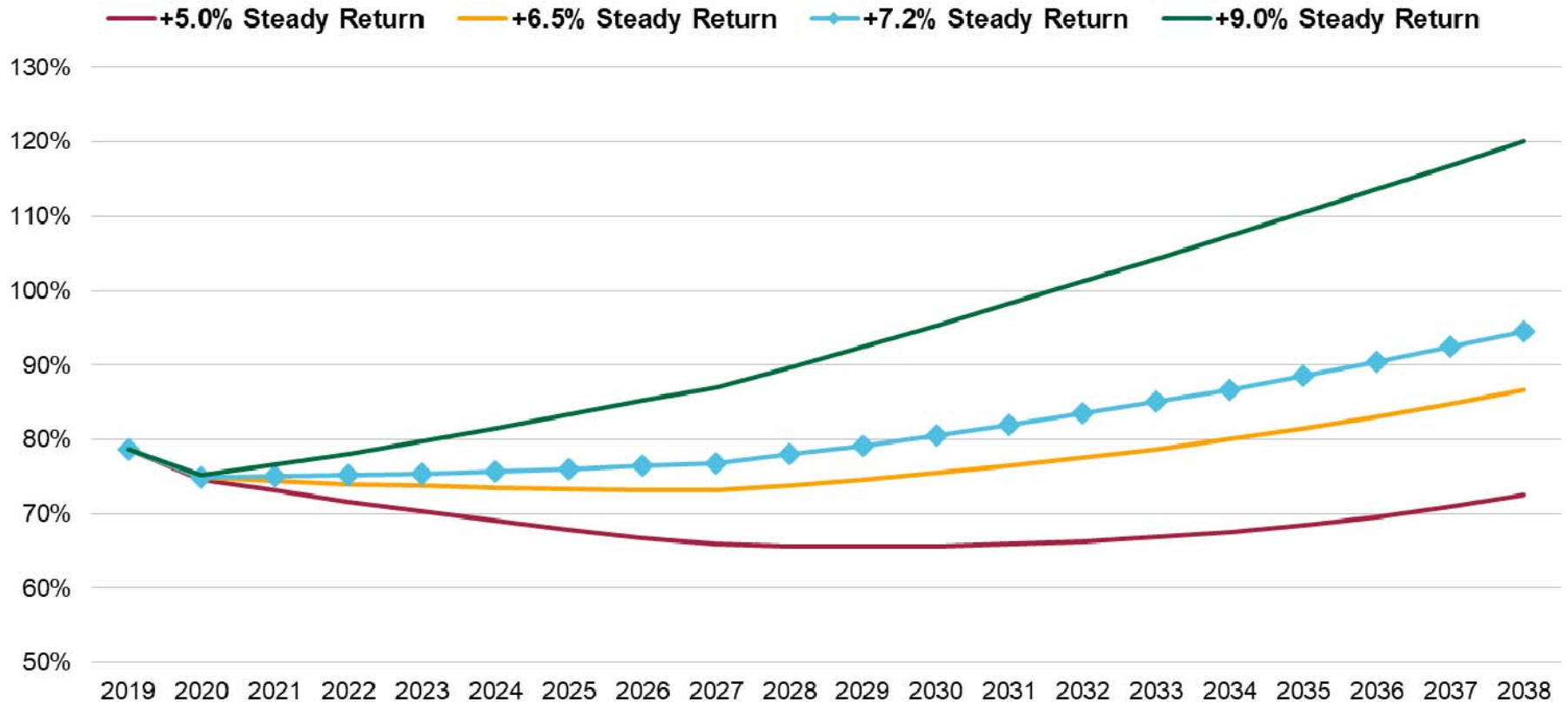
Current Rate Setting Structure



- 2020 funded status decreases due to estimated year-end 2020 investment returns
- In steady +7.2% return scenario, funded status projected to reach 95% in 2038

System Funded Status (Including Side Accounts)

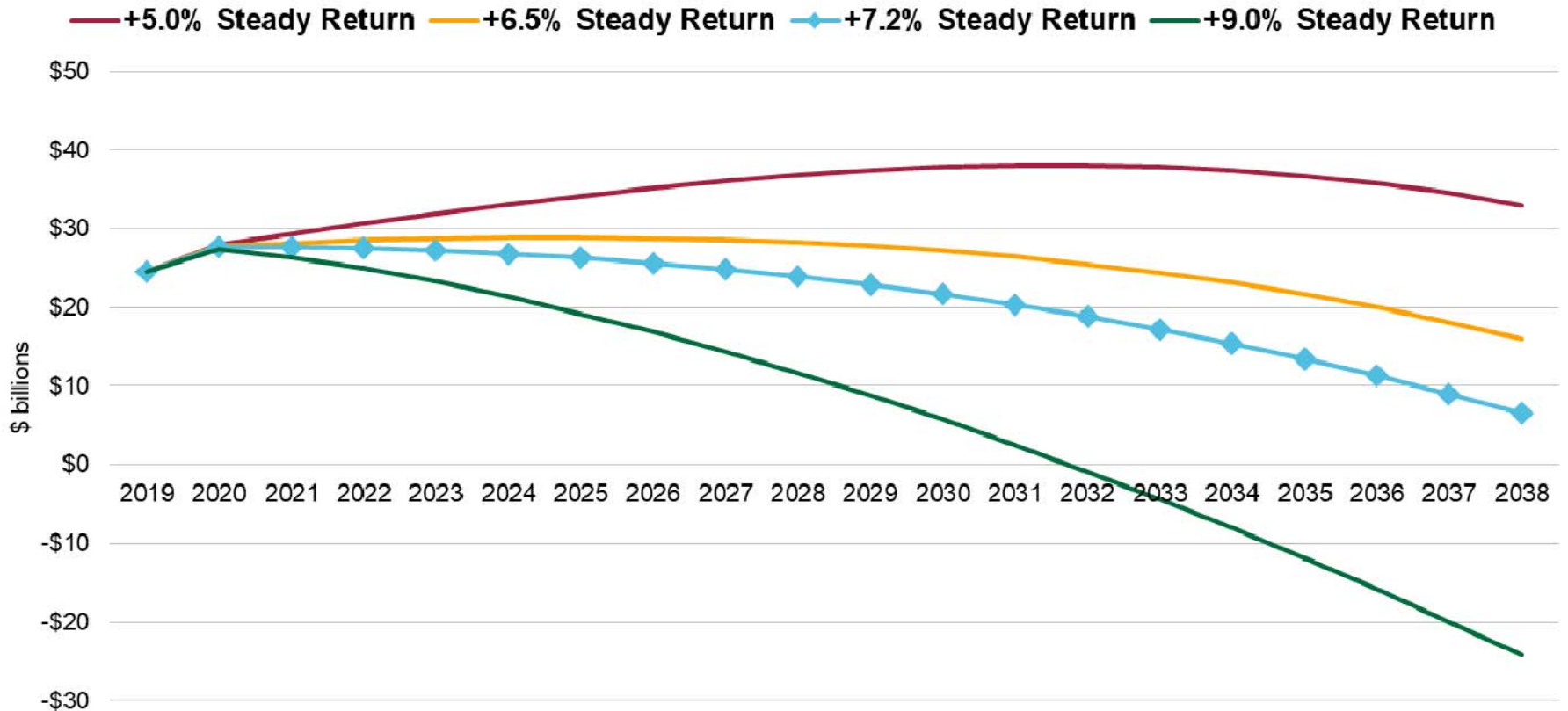
Current Rate Setting Structure



- 2020 funded status decreases due to estimated year-end 2020 investment returns
- In steady +7.2% return scenario, funded status projected to reach 95% in 2038

UAL (Unfunded Actuarial Liability) Excluding Side Accounts

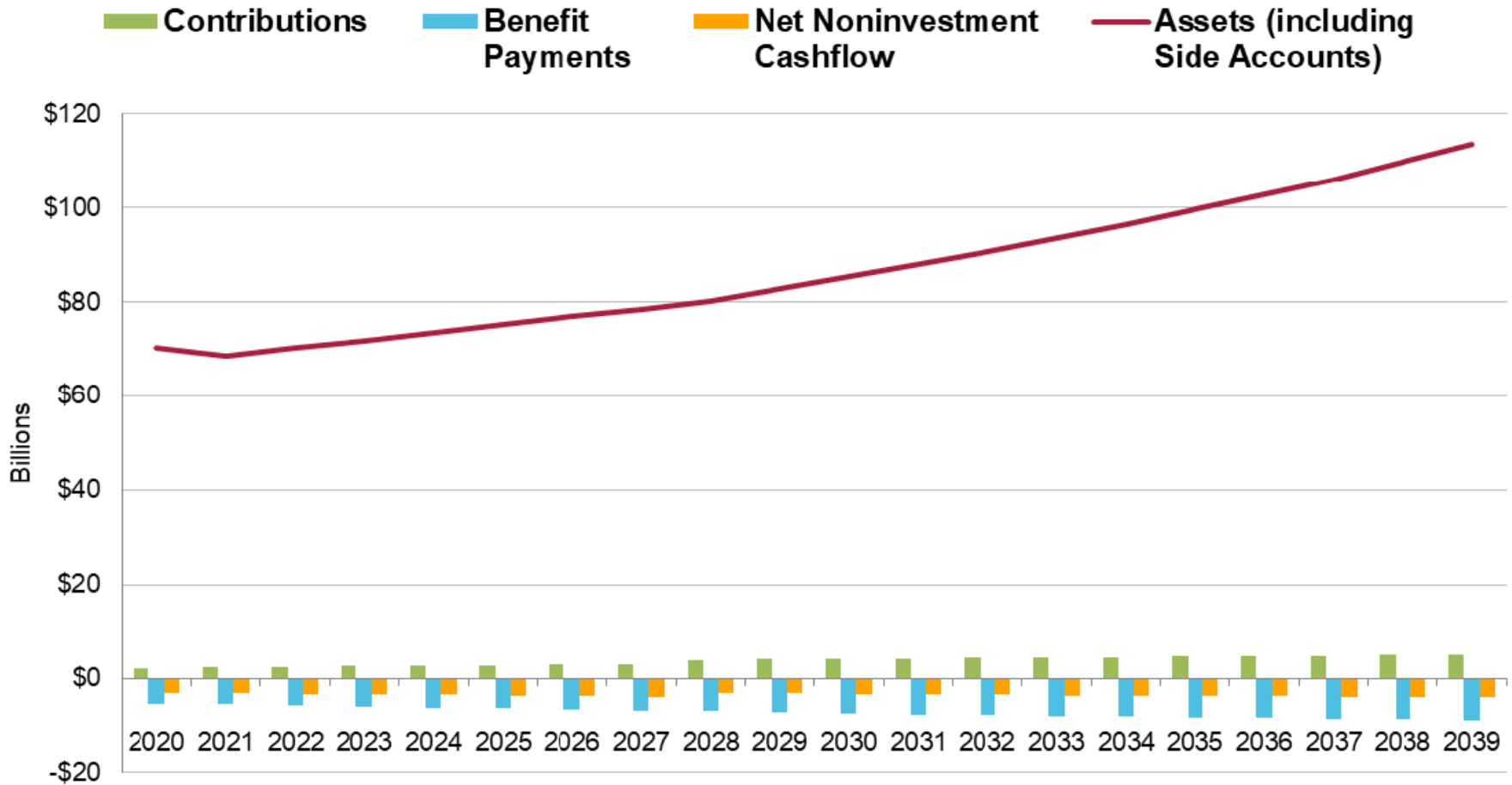
Current Rate Setting Structure



- 2020 UAL increases due to estimated year-end 2020 investment returns
- At steady +7.2% returns, UAL remains relatively level for several years before declining to below \$7 billion at year-end 2038

Cash Flow and Asset Balance at +7.20% Actual Return

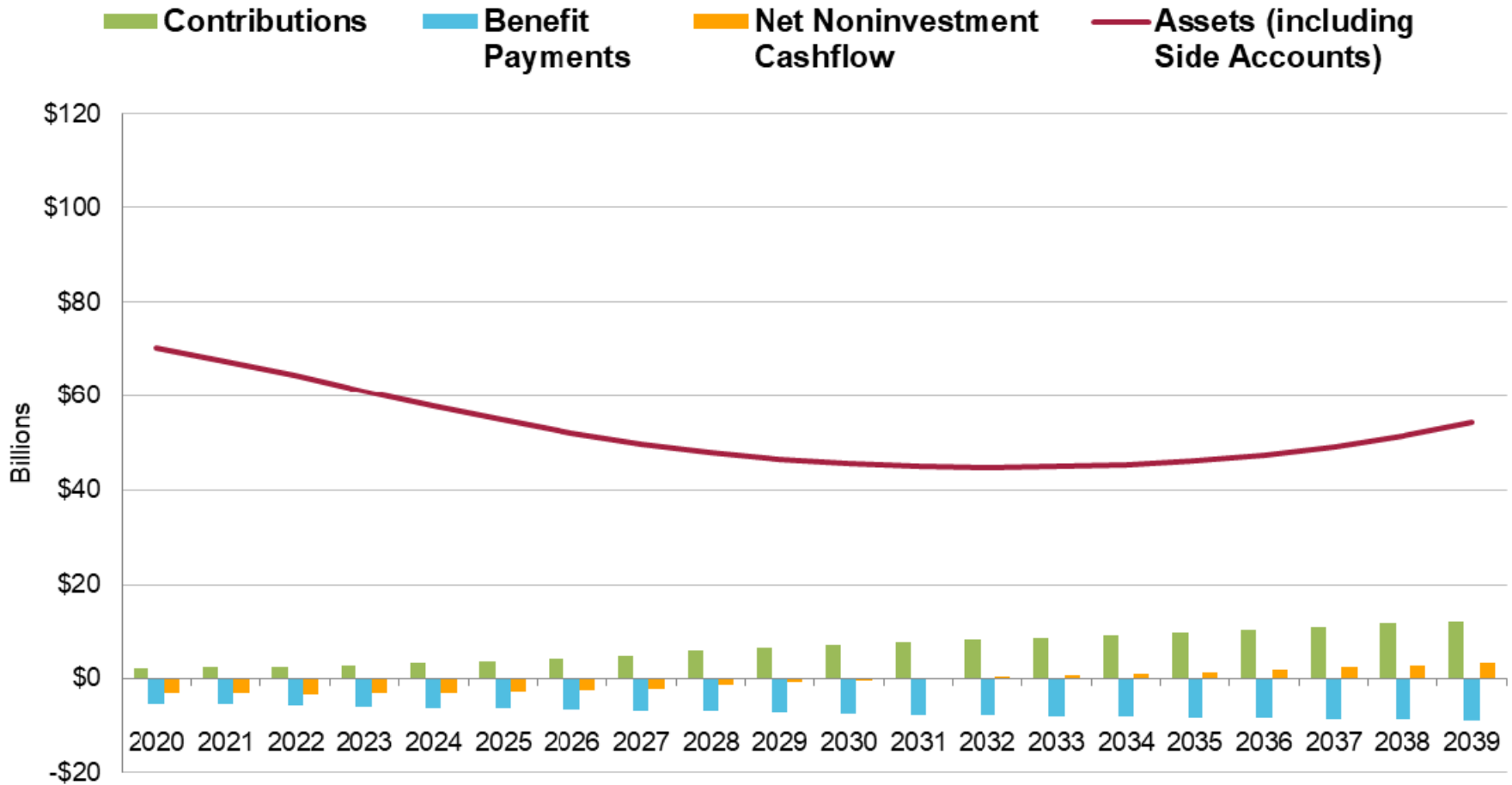
Current Rate Setting Structure



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Cash Flow and Asset Balance at +0.00% Actual Return

Current Rate Setting Structure



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Variable Return Model with Current Rate-Setting Policy

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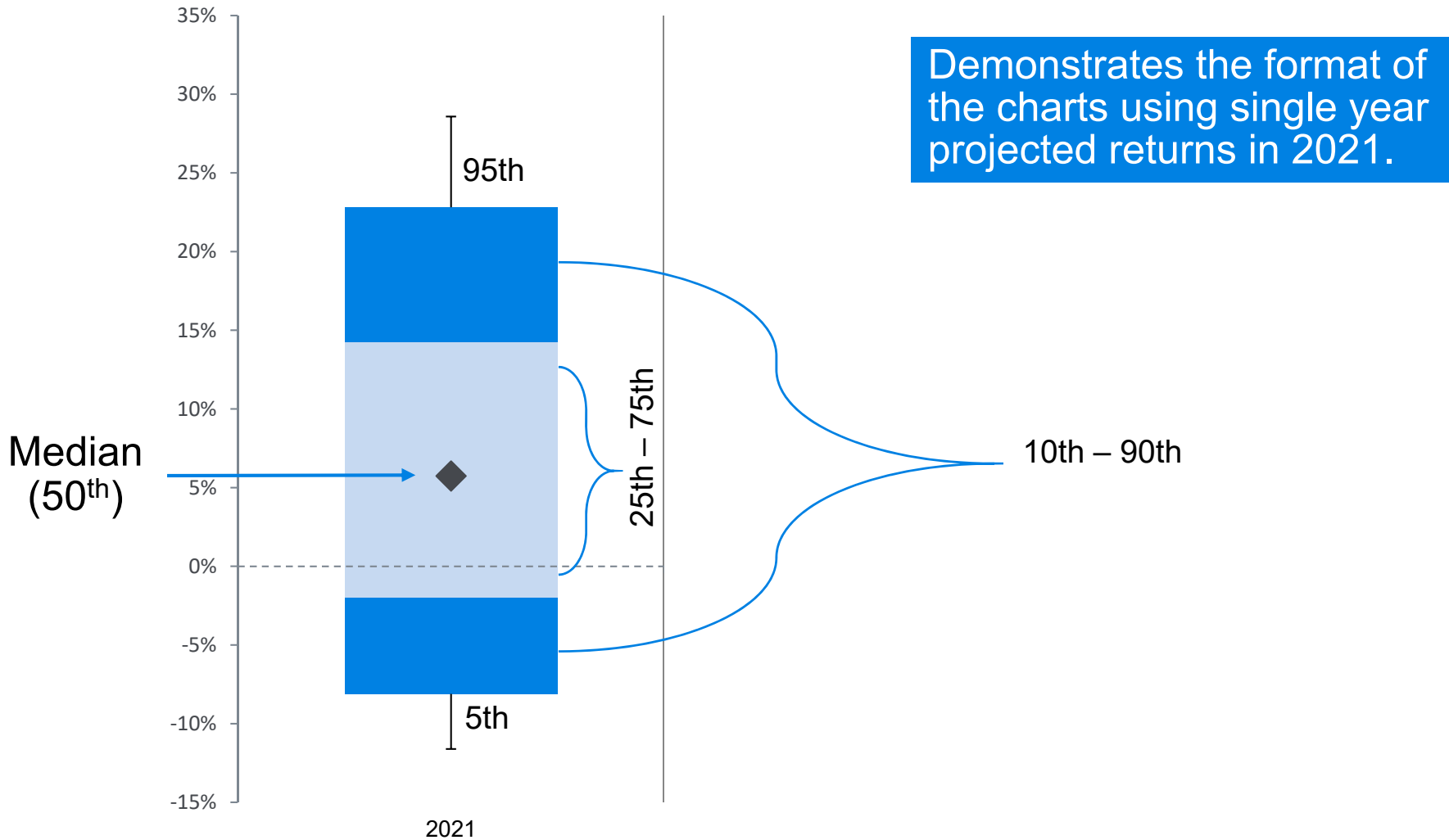
Variable Return Model

Current Rate Setting Structure

- Model results are likelihood ranges instead of a single amount
 - The range's distribution is based on a stochastic simulation using 10,000 trials
 - Scenarios were developed by our national capital market specialists, and use the current OPERF target asset allocation policy; for these scenarios, the **median annualized average geometric 20-year return is 6.68%**
 - When the PERS Board last reviewed the return assumption in July 2019, the median annualized future return was 6.87% using Milliman's capital market outlook assumptions
 - In that review, the median 10-year annualized future return using outlook assumptions from Callan (the outside advisors to Oregon Investment Council) was 7.32%
 - In June 2020, the OIC lowered their expected annual policy return to 7.1%
 - **Model incorporates published returns through September 2020**
- In our results charts, the dots represent median (50th percentile) outcomes
- We display model results from the 5th to 95th percentiles
 - Ten percent of model outcomes fall outside of the depicted range
- The chart format is demonstrated on the next slide

PERS Fund Rate of Return

Projected 2021 Investment Returns

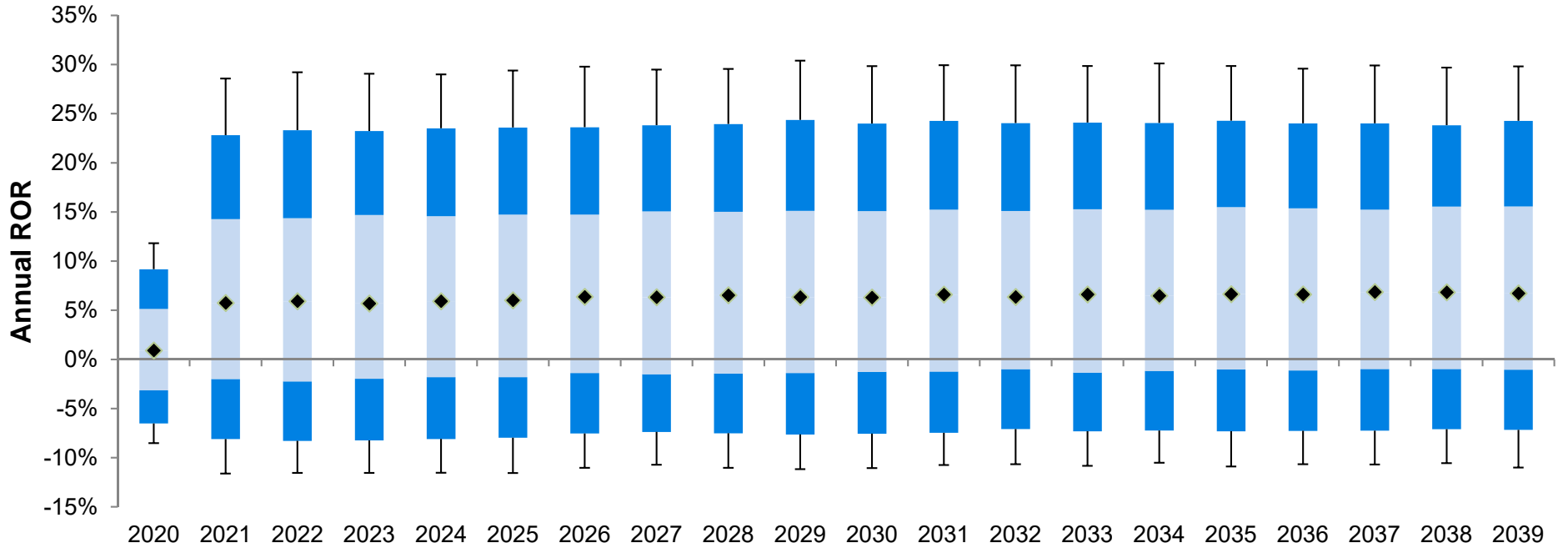


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PERS Fund Rate of Return

Single Calendar Year Investment Returns

Our capital market outlook model projects lower median returns in the first few years following 2020 due to current low yields on fixed income. Higher median returns are projected in the latter portion of the modeling period.



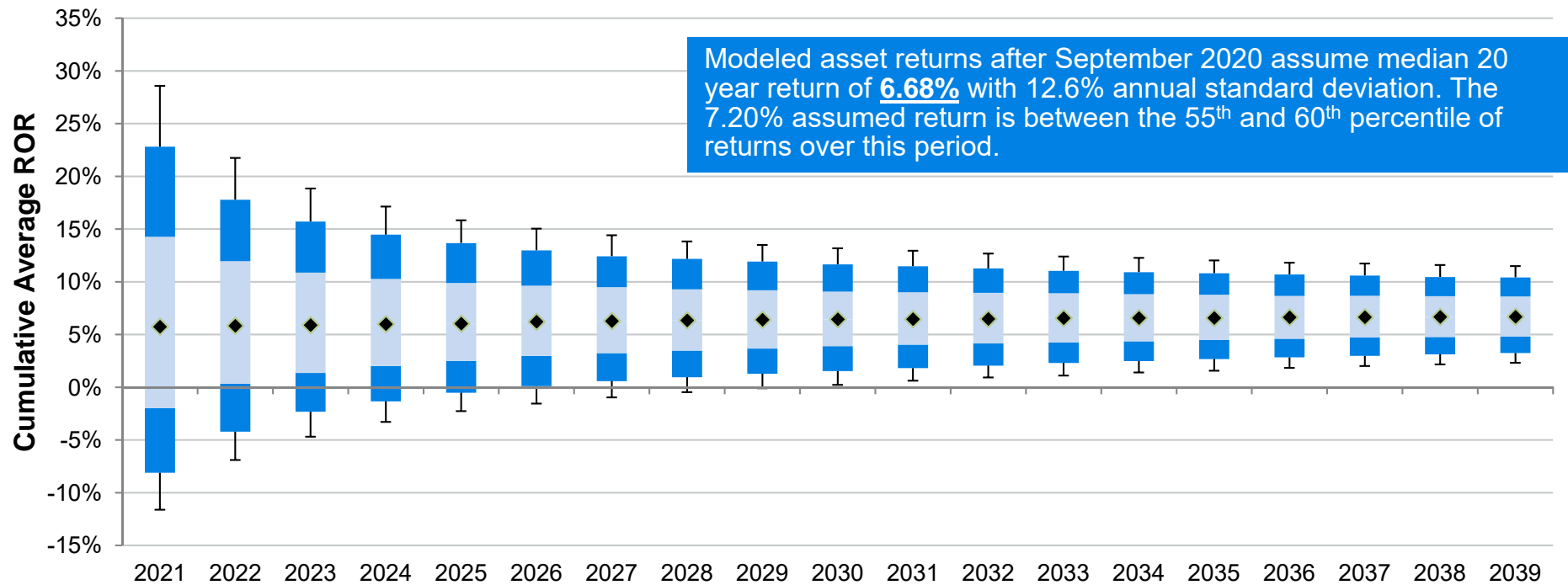
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
95th	11.8%	28.6%	29.2%	29.1%	29.0%	29.4%	29.8%	29.5%	29.6%	30.4%	29.8%	29.9%	29.9%	29.9%	30.1%	29.9%	29.6%	29.9%	29.7%	29.8%
90th	9.2%	22.8%	23.3%	23.2%	23.5%	23.6%	23.6%	23.8%	23.9%	24.4%	24.0%	24.3%	24.0%	24.1%	24.1%	24.3%	24.0%	24.0%	23.8%	24.3%
75th	5.1%	14.3%	14.4%	14.7%	14.6%	14.7%	14.7%	15.1%	15.0%	15.1%	15.1%	15.2%	15.1%	15.3%	15.2%	15.5%	15.4%	15.2%	15.6%	15.6%
50th	0.9%	5.7%	5.9%	5.7%	5.9%	6.0%	6.4%	6.3%	6.5%	6.3%	6.3%	6.6%	6.4%	6.6%	6.5%	6.6%	6.6%	6.9%	6.8%	6.7%
25th	-3.2%	-2.0%	-2.2%	-2.0%	-1.8%	-1.8%	-1.4%	-1.5%	-1.4%	-1.4%	-1.3%	-1.2%	-1.0%	-1.3%	-1.2%	-1.0%	-1.1%	-1.0%	-1.0%	-1.0%
10th	-6.5%	-8.1%	-8.3%	-8.2%	-8.1%	-8.0%	-7.5%	-7.4%	-7.5%	-7.6%	-7.6%	-7.5%	-7.1%	-7.3%	-7.2%	-7.3%	-7.3%	-7.3%	-7.1%	-7.2%
5th	-8.5%	-11.6%	-11.6%	-11.6%	-11.5%	-11.6%	-11.0%	-10.7%	-11.0%	-11.2%	-11.1%	-10.8%	-10.7%	-10.8%	-10.5%	-10.9%	-10.7%	-10.7%	-10.6%	-11.0%

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Average Annualized Rate of Investment Return

Post-2020 Modeled Returns (Geometric Average)

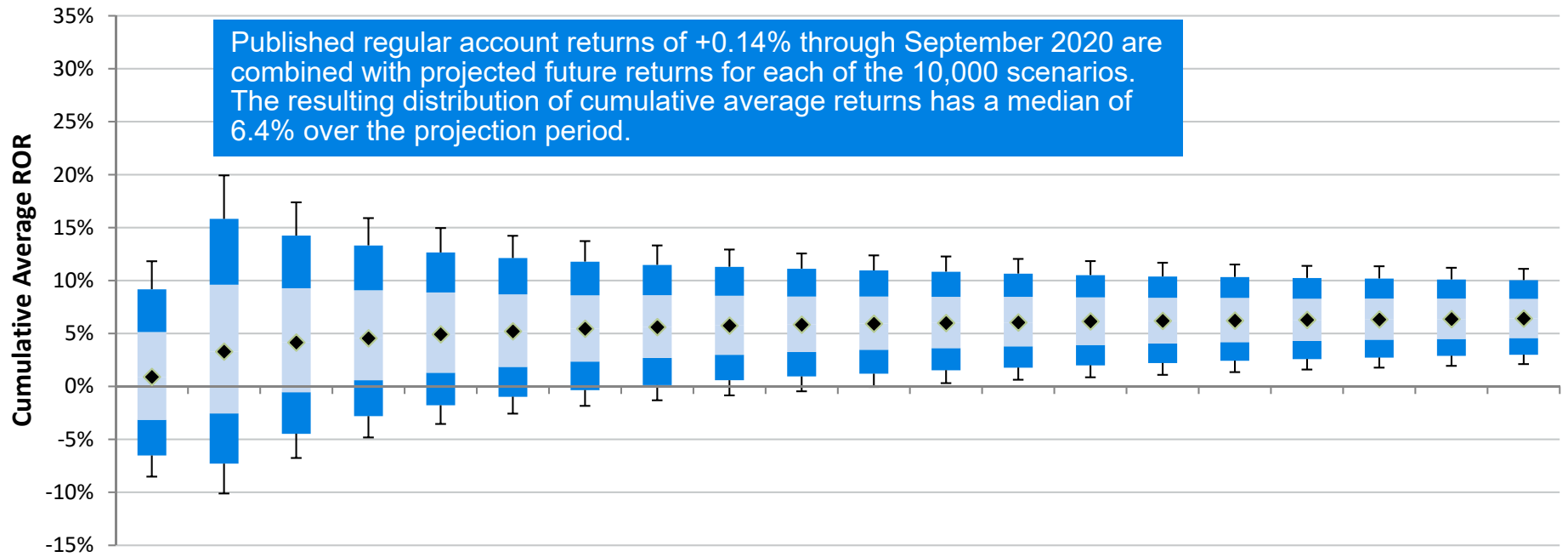


	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
95th	28.6%	21.8%	18.9%	17.1%	15.8%	15.0%	14.4%	13.8%	13.5%	13.2%	13.0%	12.7%	12.4%	12.3%	12.0%	11.8%	11.7%	11.6%	11.5%
90th	22.8%	17.8%	15.7%	14.5%	13.7%	13.0%	12.4%	12.2%	11.9%	11.7%	11.5%	11.3%	11.0%	10.9%	10.8%	10.7%	10.6%	10.5%	10.4%
75th	14.3%	12.0%	10.9%	10.3%	9.9%	9.6%	9.5%	9.3%	9.2%	9.1%	9.0%	9.0%	8.9%	8.8%	8.8%	8.7%	8.7%	8.6%	8.6%
50th	5.7%	5.8%	5.9%	6.0%	6.0%	6.2%	6.3%	6.3%	6.4%	6.4%	6.5%	6.5%	6.6%	6.6%	6.6%	6.6%	6.7%	6.7%	6.7%
25th	-2.0%	0.3%	1.4%	2.0%	2.5%	3.0%	3.2%	3.5%	3.7%	3.9%	4.0%	4.2%	4.3%	4.4%	4.5%	4.6%	4.7%	4.8%	4.8%
10th	-8.1%	-4.2%	-2.3%	-1.3%	-0.5%	0.1%	0.6%	1.0%	1.3%	1.5%	1.8%	2.1%	2.3%	2.5%	2.7%	2.8%	3.0%	3.1%	3.2%
5th	-11.6%	-6.9%	-4.7%	-3.3%	-2.3%	-1.6%	-1.0%	-0.5%	-0.1%	0.2%	0.6%	0.9%	1.1%	1.4%	1.6%	1.8%	2.0%	2.2%	2.3%

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Average Annualized Rate of Investment Return

Post-2019 Modeled Returns (Geometric Average)



	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	
95th	—	11.8%	19.9%	17.4%	15.9%	15.0%	14.2%	13.7%	13.3%	12.9%	12.6%	12.4%	12.3%	12.0%	11.8%	11.7%	11.5%	11.4%	11.4%	11.2%	11.1%
90th	—	9.2%	15.8%	14.2%	13.3%	12.7%	12.1%	11.8%	11.5%	11.3%	11.1%	11.0%	10.8%	10.7%	10.5%	10.4%	10.3%	10.2%	10.2%	10.1%	10.0%
75th	—	5.1%	9.6%	9.3%	9.1%	8.9%	8.7%	8.6%	8.6%	8.6%	8.5%	8.5%	8.5%	8.5%	8.4%	8.4%	8.4%	8.3%	8.3%	8.3%	8.3%
50th	●	0.9%	3.3%	4.2%	4.6%	4.9%	5.2%	5.5%	5.6%	5.8%	5.8%	5.9%	6.0%	6.0%	6.1%	6.2%	6.2%	6.3%	6.3%	6.4%	6.4%
25th	—	-3.2%	-2.6%	-0.5%	0.6%	1.3%	1.9%	2.4%	2.7%	3.0%	3.2%	3.5%	3.6%	3.8%	3.9%	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%
10th	—	-6.5%	-7.3%	-4.5%	-2.8%	-1.8%	-1.0%	-0.4%	0.1%	0.6%	0.9%	1.2%	1.5%	1.8%	2.0%	2.2%	2.4%	2.6%	2.7%	2.9%	3.0%
5th	—	-8.5%	-10.1%	-6.8%	-4.8%	-3.6%	-2.6%	-1.8%	-1.3%	-0.8%	-0.5%	-0.1%	0.3%	0.6%	0.9%	1.1%	1.4%	1.6%	1.8%	1.9%	2.1%

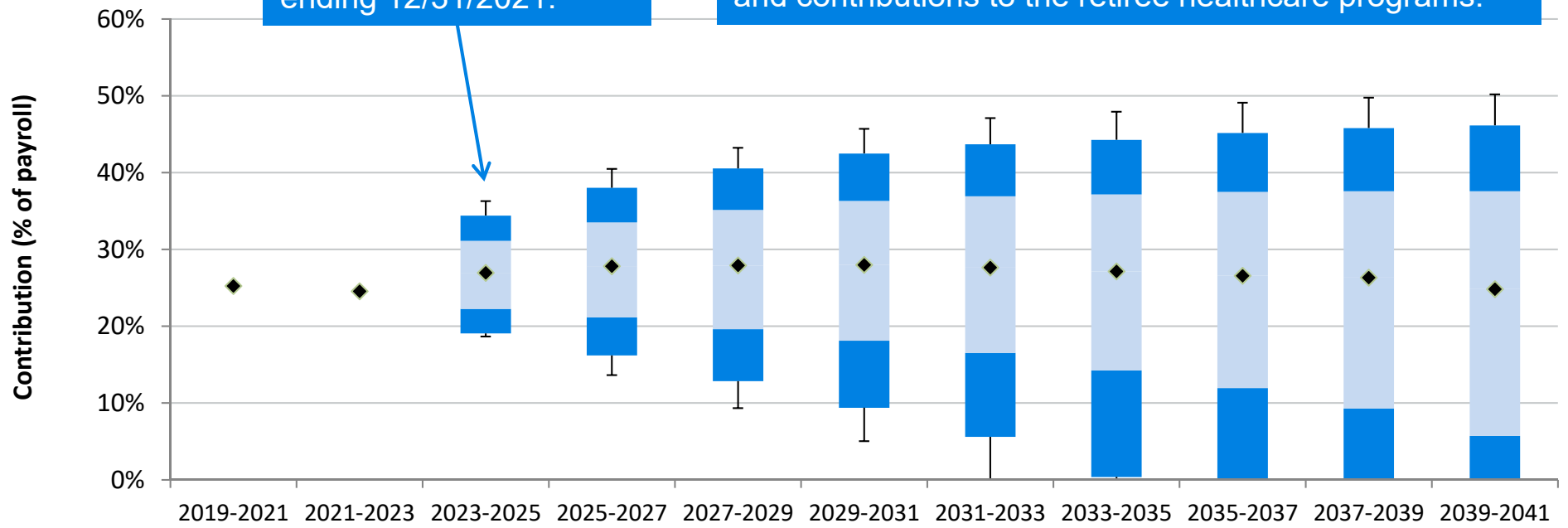
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Employer Collared Base Pension Rates (System Average)

Rates for 2023-2025 are based on the modeled returns for the period ending 12/31/2021.

“Base” rates are system average Tier 1/Tier 2/OPSRP contribution rates excluding IAP contributions, the effect of side accounts & pension bond debt service, and contributions to the retiree healthcare programs.



	2019-2021	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033	2033-2035	2035-2037	2037-2039	2039-2041	
5th	—	25.2%	24.5%	36.3%	40.5%	43.2%	45.7%	47.1%	47.9%	49.1%	49.8%	50.2%
10th	—	25.2%	24.5%	34.4%	38.0%	40.5%	42.5%	43.7%	44.3%	45.2%	45.8%	46.1%
25th	—	25.2%	24.5%	31.1%	33.5%	35.1%	36.3%	36.9%	37.2%	37.5%	37.6%	37.6%
50th	•	25.2%	24.5%	27.0%	27.8%	27.9%	28.0%	27.6%	27.1%	26.6%	26.3%	24.8%
75th	—	25.2%	24.5%	22.3%	21.2%	19.6%	18.1%	16.5%	14.2%	12.0%	9.3%	5.7%
90th	—	25.2%	24.5%	19.1%	16.2%	12.8%	9.4%	5.6%	0.4%	0.0%	0.0%	0.0%
95th	—	25.2%	24.5%	18.7%	13.6%	9.3%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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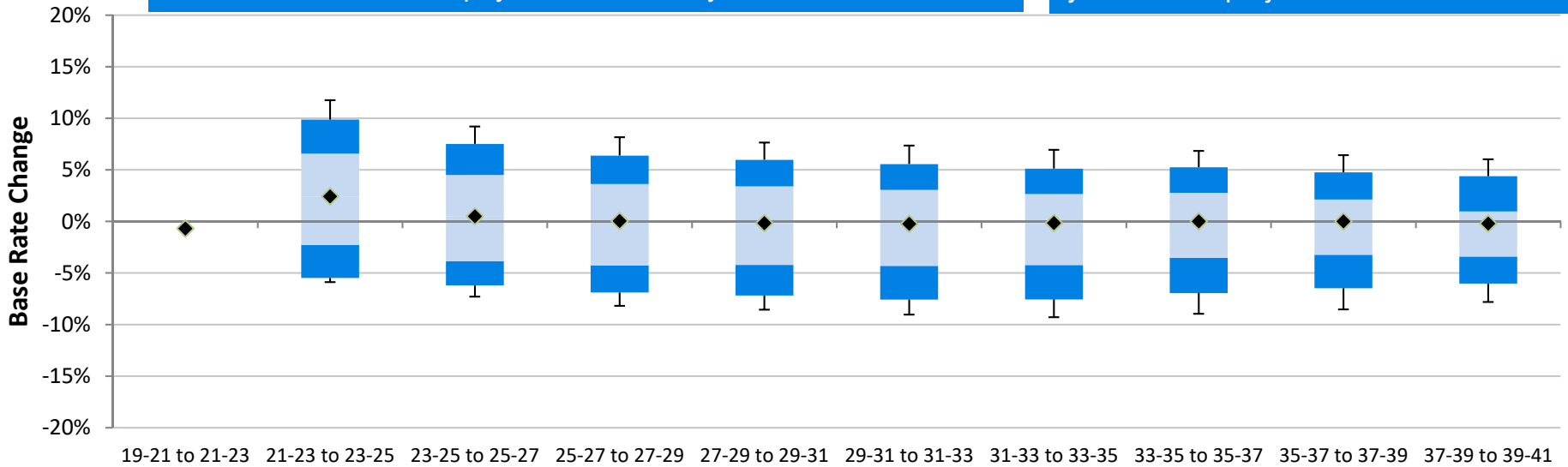


Biennial Change in Collared Base Pension Rate

System Average Rates

About 47% of modeled scenarios show base contribution rate increases above 3% of payroll effective July 2023.

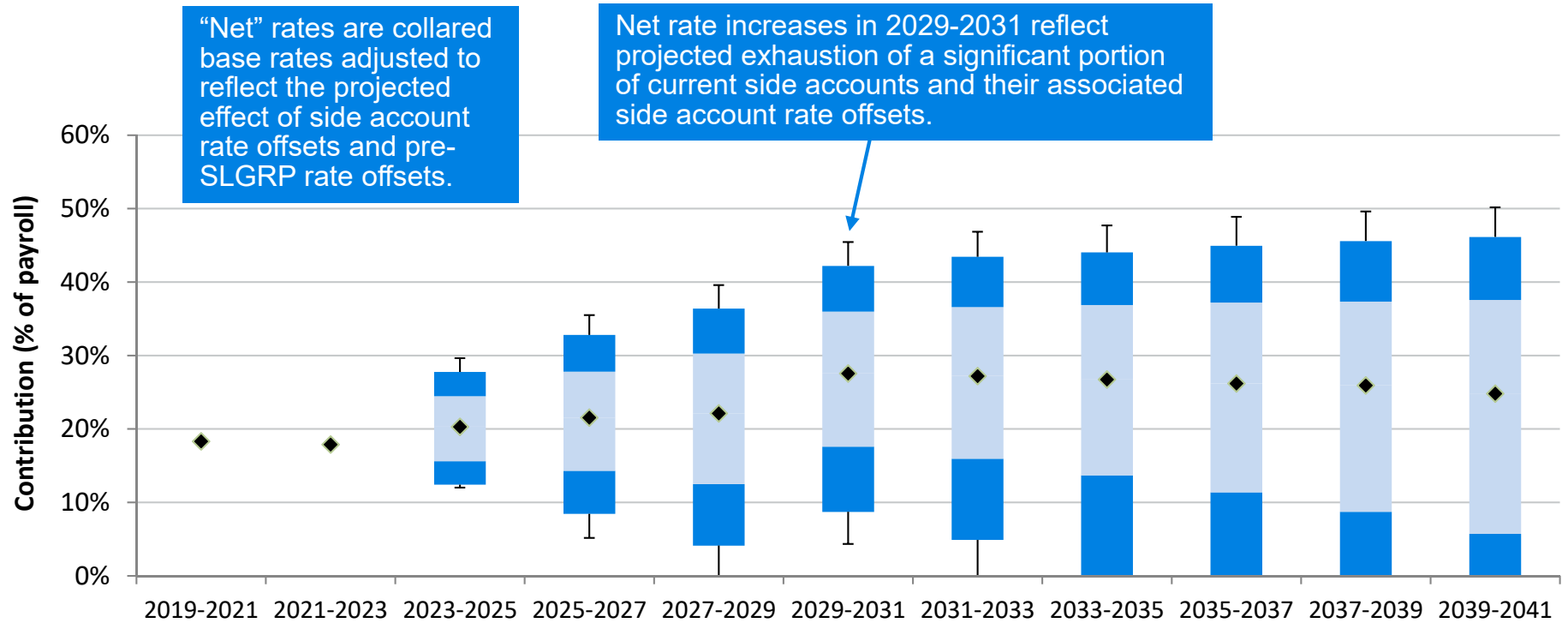
Due to the reamortization of Tier 1/ Tier 2 UAL, there is no longer a significant rate decrease at the median in later years of the projection



	19-21 to 21-23	21-23 to 23-25	23-25 to 25-27	25-27 to 27-29	27-29 to 29-31	29-31 to 31-33	31-33 to 33-35	33-35 to 35-37	35-37 to 37-39	37-39 to 39-41	
5th	—	-0.7%	11.8%	9.2%	8.2%	7.7%	7.4%	6.9%	6.8%	6.4%	6.0%
10th	—	-0.7%	9.9%	7.5%	6.4%	6.0%	5.6%	5.1%	5.3%	4.8%	4.4%
25th	—	-0.7%	6.6%	4.5%	3.6%	3.4%	3.1%	2.7%	2.8%	2.1%	1.0%
50th	●	-0.7%	2.4%	0.5%	0.0%	-0.2%	-0.2%	-0.2%	0.0%	0.0%	-0.2%
75th	—	-0.7%	-2.3%	-3.8%	-4.3%	-4.2%	-4.3%	-4.2%	-3.5%	-3.2%	-3.4%
90th	—	-0.7%	-5.5%	-6.2%	-6.9%	-7.2%	-7.6%	-7.6%	-7.0%	-6.5%	-6.0%
95th	—	-0.7%	-5.9%	-7.3%	-8.2%	-8.6%	-9.0%	-9.3%	-9.0%	-8.5%	-7.8%

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Employer Collared Net Pension Rates (System Average)



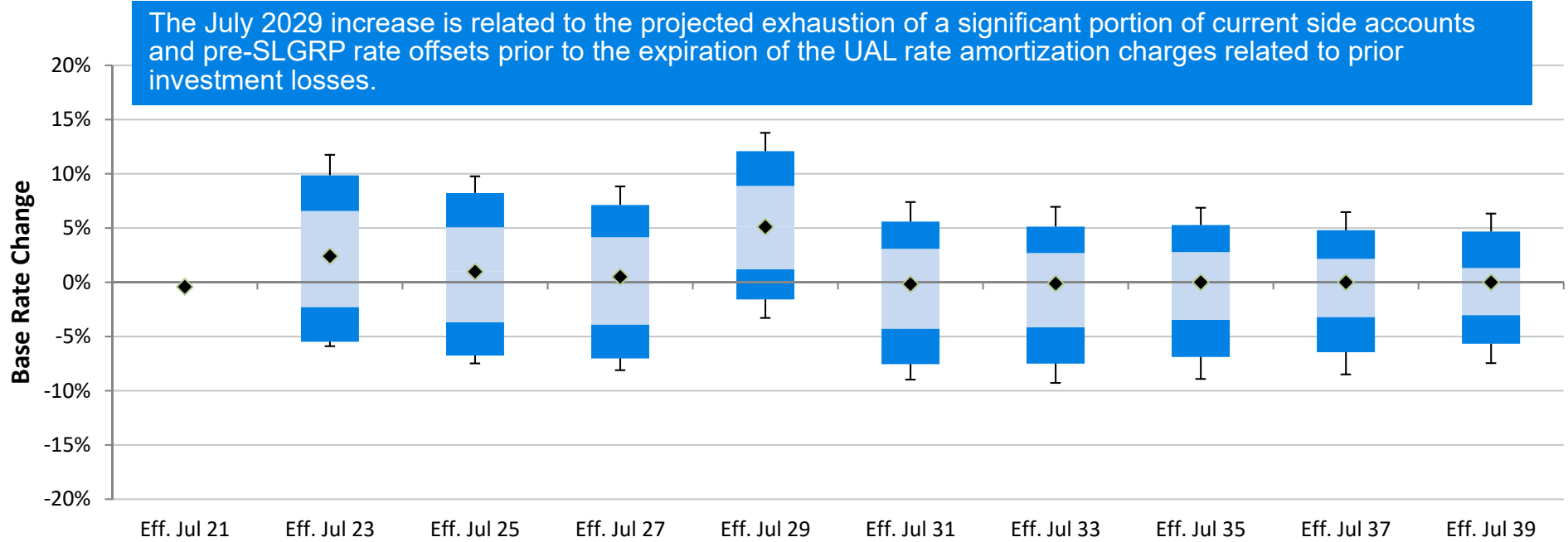
	2019-2021	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033	2033-2035	2035-2037	2037-2039	2039-2041	
5th	—	18.3%	17.9%	29.6%	35.5%	39.6%	45.5%	46.9%	47.7%	48.9%	49.6%	50.2%
10th	18.3%	17.9%	27.8%	32.8%	36.4%	42.2%	43.4%	44.0%	44.9%	45.6%	46.1%	
25th	18.3%	17.9%	24.5%	27.8%	30.3%	36.0%	36.6%	36.9%	37.2%	37.3%	37.6%	
50th	•	18.3%	17.9%	20.3%	21.6%	22.1%	27.6%	27.2%	26.7%	26.2%	25.9%	24.8%
75th	18.3%	17.9%	15.6%	14.3%	12.5%	17.6%	15.9%	13.7%	11.4%	8.7%	5.7%	
90th	18.3%	17.9%	12.4%	8.4%	4.1%	8.7%	4.9%	0.0%	0.0%	0.0%	0.0%	
95th	—	18.3%	17.9%	12.0%	5.2%	0.0%	4.4%	0.0%	0.0%	0.0%	0.0%	

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Biennial Change in Collared Net Pension Rate

System Average Rates

The July 2029 increase is related to the projected exhaustion of a significant portion of current side accounts and pre-SLGRP rate offsets prior to the expiration of the UAL rate amortization charges related to prior investment losses.



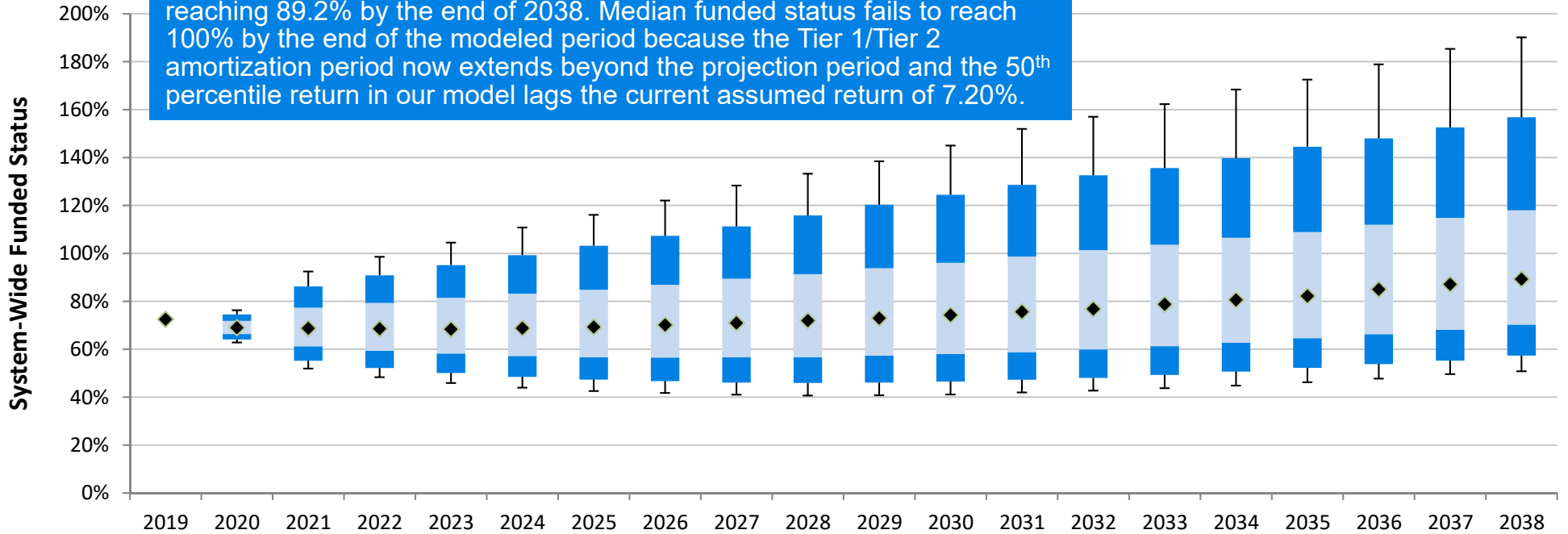
	Eff. Jul 21	Eff. Jul 23	Eff. Jul 25	Eff. Jul 27	Eff. Jul 29	Eff. Jul 31	Eff. Jul 33	Eff. Jul 35	Eff. Jul 37	Eff. Jul 39
5th	-	-0.4%	11.8%	9.8%	8.8%	13.8%	7.4%	7.0%	6.9%	6.5%
10th	-	-0.4%	9.9%	8.2%	7.1%	12.1%	5.6%	5.1%	5.3%	4.8%
25th	-	-0.4%	6.6%	5.1%	4.2%	8.9%	3.1%	2.7%	2.8%	2.2%
50th	•	-0.4%	2.4%	1.0%	0.5%	5.1%	-0.2%	-0.1%	0.0%	0.0%
75th	-	-0.4%	-2.3%	-3.7%	-3.9%	1.2%	-4.3%	-4.2%	-3.5%	-3.2%
90th	-	-0.4%	-5.5%	-6.8%	-7.0%	-1.6%	-7.6%	-7.5%	-6.9%	-6.5%
95th	-	-0.4%	-5.9%	-7.5%	-8.1%	-3.3%	-9.0%	-9.3%	-8.9%	-8.5%

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Funded Status (Excluding Side Accounts)

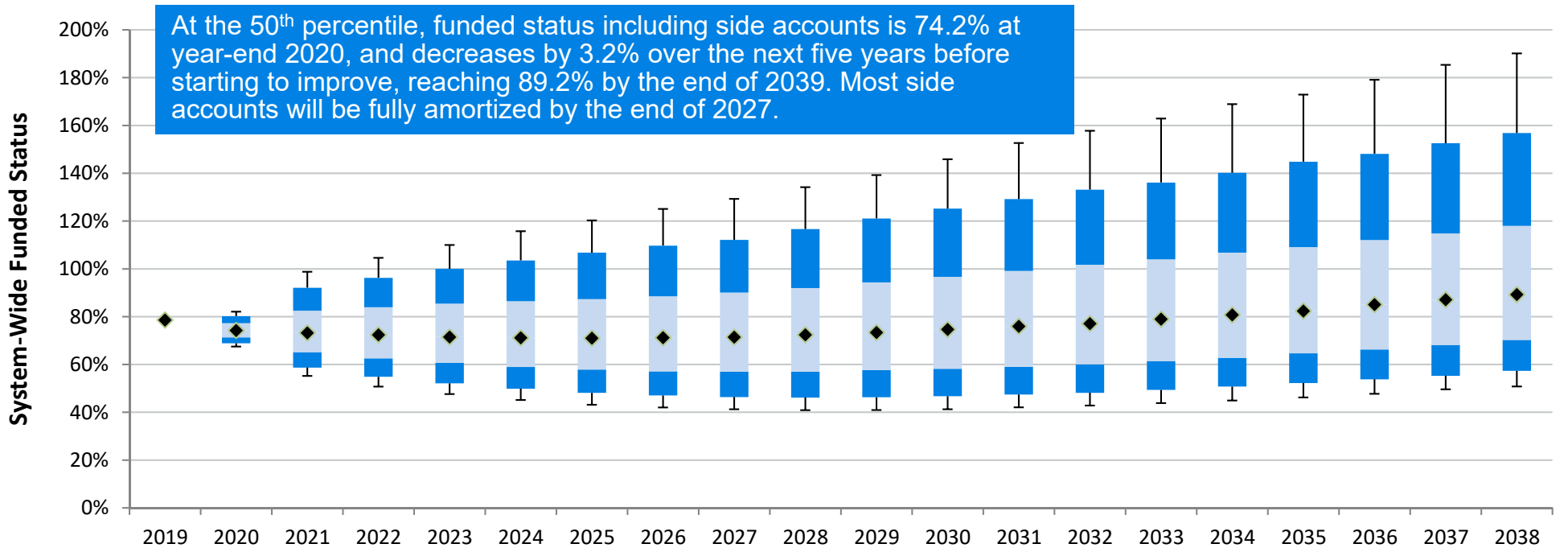
At the 50th percentile, funded status is 69.0% at year-end 2020, and decreases by 0.6% over the next three years before starting to improve, reaching 89.2% by the end of 2038. Median funded status fails to reach 100% by the end of the modeled period because the Tier 1/Tier 2 amortization period now extends beyond the projection period and the 50th percentile return in our model lags the current assumed return of 7.20%.



	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	
95th	—	72.5%	76.3%	92.5%	98.6%	104.5%	110.8%	116.1%	122.1%	128.3%	133.3%	138.5%	145.0%	152.0%	157.0%	162.3%	168.4%	172.5%	178.9%	185.3%	190.1%
90th	—	72.5%	74.5%	86.2%	90.9%	95.1%	99.3%	103.2%	107.3%	111.3%	115.8%	120.3%	124.5%	128.6%	132.6%	135.6%	139.8%	144.5%	148.0%	152.6%	156.8%
75th	—	72.5%	71.9%	77.3%	79.3%	81.5%	83.2%	84.8%	86.9%	89.5%	91.3%	93.8%	96.1%	98.7%	101.3%	103.6%	106.5%	108.9%	112.0%	114.8%	118.0%
50th	●	72.5%	69.0%	68.7%	68.6%	68.4%	68.8%	69.3%	70.1%	71.0%	72.0%	73.0%	74.3%	75.6%	76.8%	78.7%	80.6%	82.2%	85.0%	87.1%	89.2%
25th	—	72.5%	66.4%	61.2%	59.4%	58.2%	57.2%	56.7%	56.5%	56.7%	56.7%	57.4%	58.0%	58.8%	59.9%	61.3%	62.7%	64.6%	66.3%	68.2%	70.3%
10th	—	72.5%	64.1%	55.2%	52.2%	50.1%	48.5%	47.3%	46.7%	46.1%	45.9%	46.1%	46.5%	47.3%	48.0%	49.3%	50.7%	52.2%	53.8%	55.3%	57.3%
5th	—	72.5%	62.8%	51.9%	48.3%	45.9%	44.0%	42.6%	41.7%	41.0%	40.7%	40.8%	41.1%	41.9%	42.7%	43.8%	44.8%	46.2%	47.7%	49.6%	50.8%

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Funded Status (Including Side Accounts)

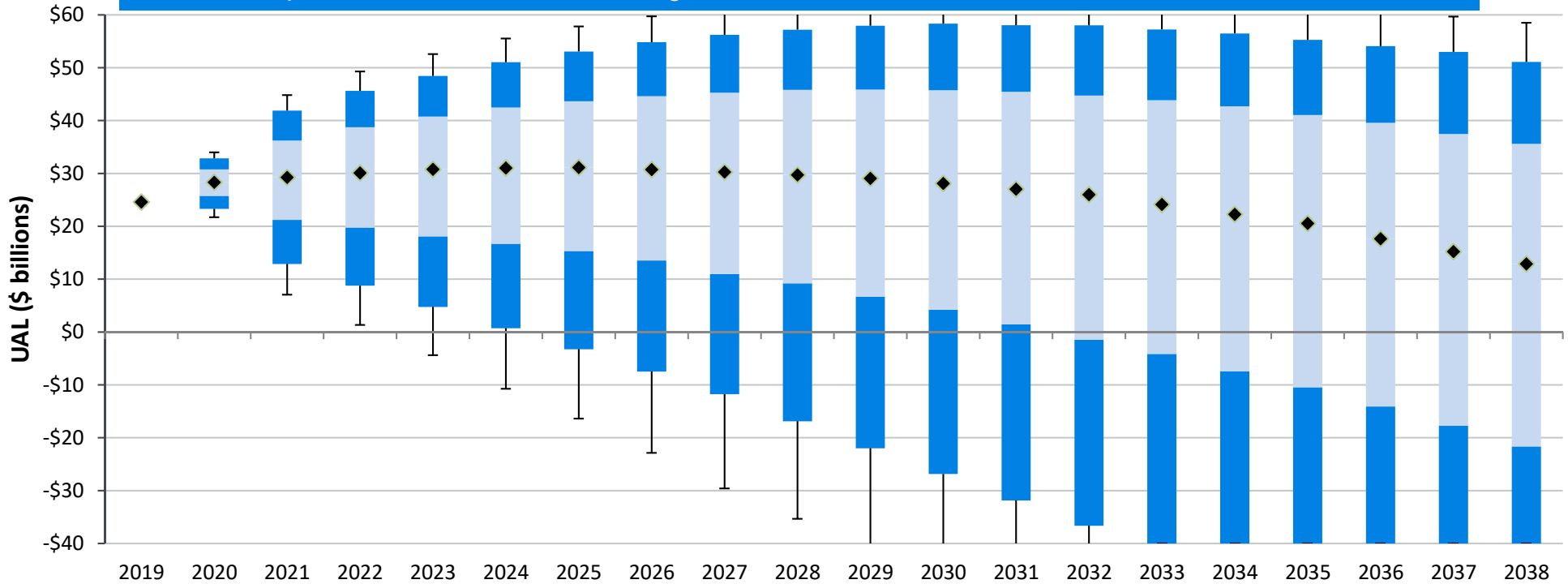


	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	
95th	—	78.6%	82.1%	98.8%	104.6%	110.0%	115.8%	120.3%	125.1%	129.3%	134.2%	139.3%	145.9%	152.7%	157.8%	162.9%	169.0%	172.9%	179.1%	185.3%	190.1%
90th	—	78.6%	80.2%	92.1%	96.3%	100.0%	103.5%	106.8%	109.7%	112.1%	116.6%	121.1%	125.2%	129.2%	133.2%	136.1%	140.2%	144.8%	148.1%	152.6%	156.8%
75th	—	78.6%	77.3%	82.5%	83.9%	85.5%	86.5%	87.3%	88.5%	90.1%	92.0%	94.4%	96.6%	99.1%	101.8%	104.0%	106.8%	109.1%	112.1%	114.8%	118.0%
50th	●	78.6%	74.2%	73.2%	72.4%	71.5%	71.2%	71.0%	71.2%	71.5%	72.4%	73.4%	74.7%	75.9%	77.1%	79.0%	80.8%	82.3%	85.1%	87.1%	89.2%
25th	—	78.6%	71.3%	65.2%	62.6%	60.7%	59.0%	57.9%	57.2%	57.0%	57.0%	57.6%	58.2%	59.0%	60.1%	61.4%	62.8%	64.7%	66.3%	68.2%	70.3%
10th	—	78.6%	68.9%	58.7%	54.9%	52.1%	49.9%	48.1%	47.0%	46.4%	46.2%	46.3%	46.7%	47.4%	48.1%	49.4%	50.8%	52.3%	53.8%	55.3%	57.3%
5th	—	78.6%	67.5%	55.2%	50.7%	47.6%	45.2%	43.2%	42.0%	41.3%	40.9%	41.0%	41.3%	42.1%	42.8%	43.8%	44.9%	46.2%	47.7%	49.6%	50.8%

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UAL (Excluding Side Accounts)

At the 50th percentile, the UAL excluding side accounts is \$28.3 billion at year-end 2020, grows to \$31.1 billion at the end of 2025, then declines to \$12.9 billion by the end of 2039. Median UAL fails to reach \$0 by the end of the modeled period because the Tier 1/Tier 2 amortization period now extends beyond the projection period and the 50th percentile return in our model lags the current assumed return of 7.20%.



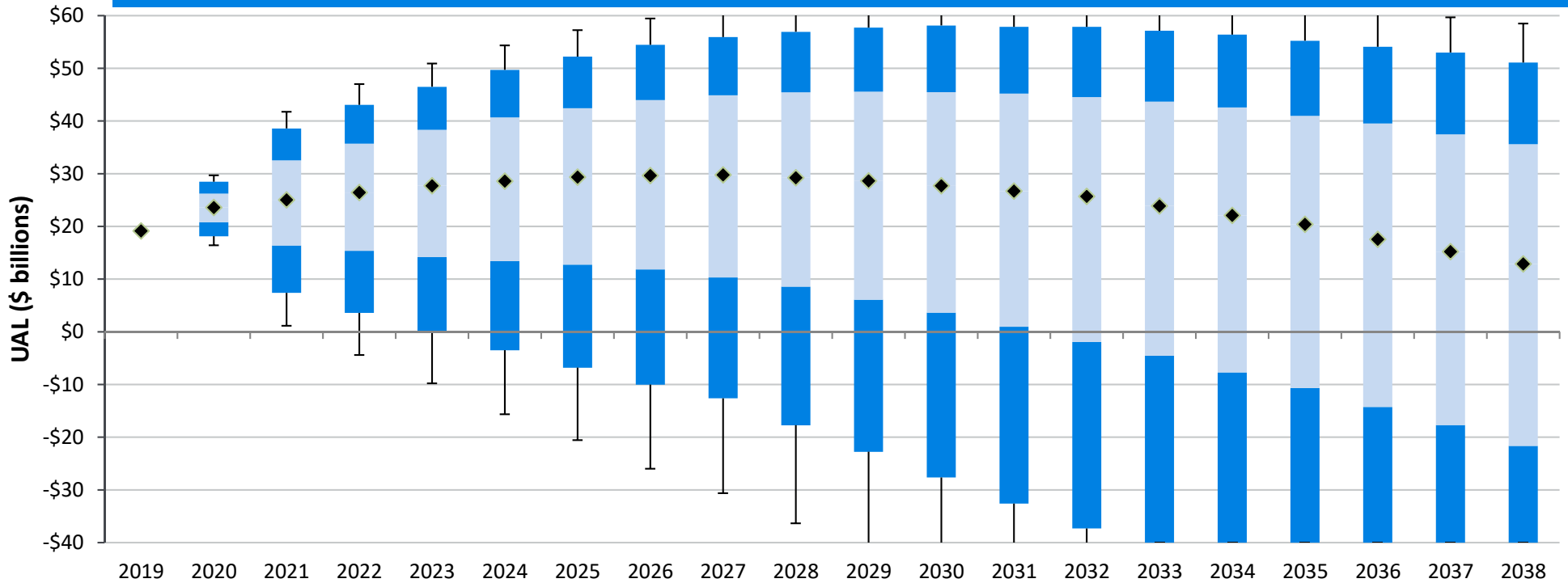
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	
5th	—	24.6	34.0	44.8	49.3	52.6	55.5	57.8	59.7	61.4	62.9	63.7	64.0	64.0	63.9	63.6	62.9	62.2	61.1	59.7	58.5
10th	—	24.6	32.9	41.9	45.6	48.4	51.0	53.1	54.8	56.2	57.2	57.9	58.3	58.0	58.0	57.2	56.5	55.3	54.1	53.0	51.1
25th	—	24.6	30.8	36.2	38.7	40.8	42.5	43.6	44.6	45.3	45.8	45.9	45.7	45.5	44.7	43.9	42.7	41.1	39.6	37.5	35.6
50th	•	24.6	28.3	29.3	30.1	30.8	31.0	31.1	30.7	30.3	29.7	29.1	28.1	27.0	26.0	24.1	22.3	20.5	17.6	15.2	12.9
75th	—	24.6	25.8	21.2	19.8	18.1	16.7	15.3	13.5	11.0	9.2	6.7	4.2	1.5	-1.5	-4.1	-7.4	-10.4	-14.1	-17.7	-21.6
90th	—	24.6	23.3	12.9	8.8	4.7	0.7	-3.3	-7.5	-11.8	-16.9	-22.0	-26.9	-31.9	-36.6	-40.4	-46.0	-51.8	-56.8	-62.9	-68.4
95th	—	24.6	21.7	7.1	1.3	-4.4	-10.7	-16.4	-22.9	-29.6	-35.3	-41.5	-49.4	-57.4	-64.2	-71.3	-78.7	-84.5	-93.1	-101.5	-108.3

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UAL (Including Side Accounts)

At the 50th percentile, the UAL including side accounts is \$23.6 billion at year-end 2020, grows to \$29.8 billion at the end of 2027, then declines to \$12.9 billion by the end of 2038. Most side accounts will be fully amortized by the end of 2027.



	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	
5th	—	19.1	29.7	41.7	47.0	50.9	54.4	57.2	59.5	61.2	62.7	63.5	63.8	63.9	63.8	63.5	62.8	62.2	61.1	59.7	58.5
10th	—	19.1	28.5	38.6	43.1	46.5	49.7	52.2	54.4	55.9	56.9	57.7	58.1	57.9	57.9	57.1	56.4	55.2	54.1	53.0	51.1
25th	—	19.1	26.2	32.5	35.7	38.3	40.7	42.4	44.0	44.9	45.4	45.6	45.5	45.2	44.5	43.7	42.6	41.0	39.5	37.5	35.6
50th	●	19.1	23.6	25.0	26.4	27.7	28.6	29.3	29.6	29.8	29.2	28.6	27.7	26.7	25.7	23.9	22.1	20.4	17.6	15.2	12.9
75th	—	19.1	20.8	16.4	15.4	14.2	13.4	12.8	11.8	10.3	8.6	6.1	3.6	1.0	-1.9	-4.5	-7.7	-10.7	-14.3	-17.7	-21.6
90th	—	19.1	18.1	7.4	3.6	0.0	-3.5	-6.8	-10.0	-12.6	-17.7	-22.8	-27.6	-32.6	-37.3	-41.0	-46.4	-52.1	-56.9	-62.9	-68.4
95th	—	19.1	16.4	1.1	-4.4	-9.8	-15.7	-20.5	-26.0	-30.6	-36.3	-42.5	-50.3	-58.3	-65.0	-72.0	-79.4	-85.0	-93.3	-101.5	-108.3

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Variable Return Model Stress Test

Current Rate Setting Structure

- As in recent years, we also used the variable return model to do a “stress test” of the likelihood of certain events in the 10,000 scenarios modeled
- Before any changes to assumptions or methods adopted after the upcoming Experience Study, median funded status excluding side accounts at year-end 2020 is 69.0%
- The likelihood of specified events occurring at some point during the 20-year projection period is shown below

Likelihood of Event Occurring at Some Point in Next 20 Years	
Funded Status (Excluding Side Accounts) > 100%	57%
Funded Status (Excluding Side Accounts) < 60%	64%
Funded Status (Excluding Side Accounts) < 40%	12%

Variable Return Model Stress Test

Current Rate Setting Structure

- The likelihood of specified events occurring at some point during the 20 year projection period is shown below

Likelihood of Event Occurring at Some Point in Next 20 Years	
Base Rate (Excluding Retiree Healthcare) < 10% of Pay	33%
Base Rate (Excluding Retiree Healthcare) > 30% of Pay	69%
Base Rate (Excluding Retiree Healthcare) > 40% of Pay	33%

- The system-average employer base rate for the 2021-2023 biennium is about 24.5%, per the December 31, 2019 valuation

Variable Return Model Stress Test

Current Rate Setting Structure

- As shown earlier, half of modeled scenarios show an increase in the collared rate above 2.4% of payroll at July 2023
- Table shows likelihood in the model of a collared rate increase exceeding a selected threshold at the July 2023 rate change

Likelihood of the July 2023 Collared Rate Increase Exceeding Threshold		
<u>Threshold Increase</u>	<u>Base Rate</u>	<u>Net Rate</u>
3% of Pay	47%	47%
4% of Pay	40%	40%
5% of Pay	34%	34%
6% of Pay	28%	28%



Alternative Collar Policies

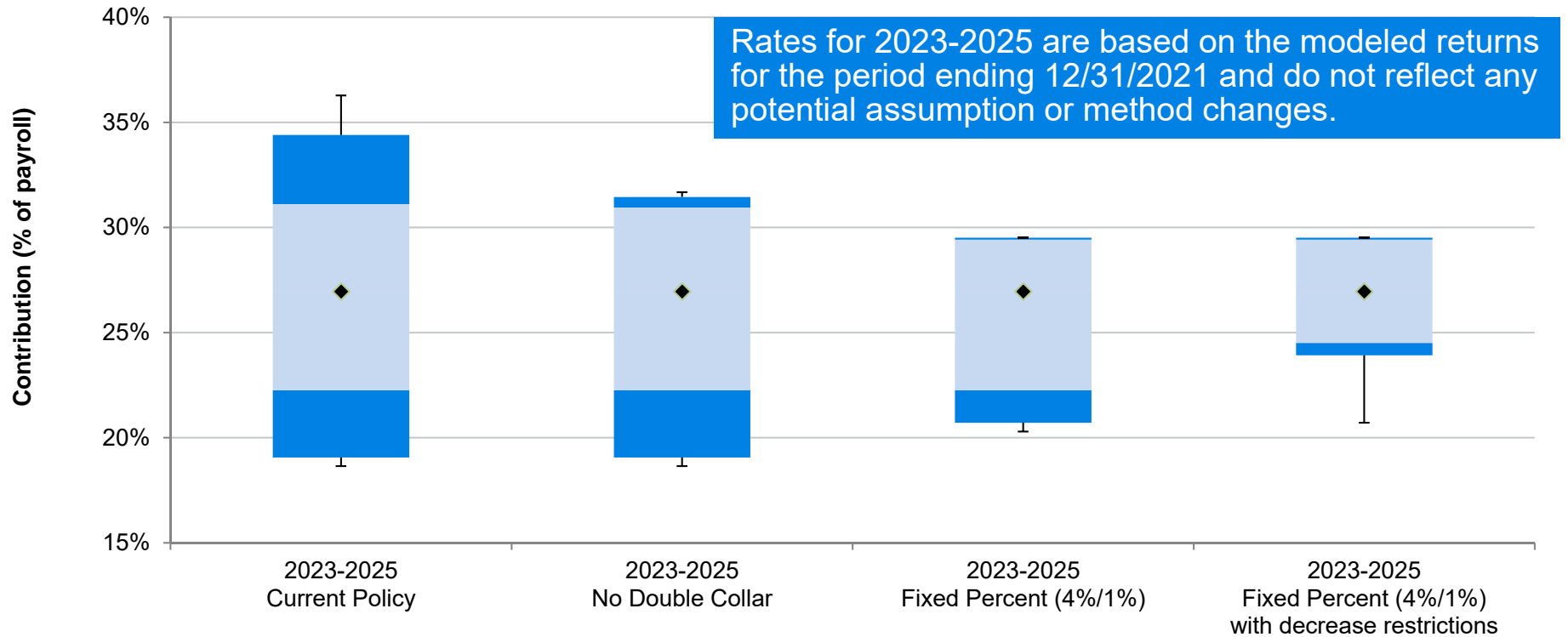
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Collar Alternatives Modeled

- Current Policy
 - Single collar is greater of 3% of pay or 20% of current rate
 - Rate collar widens gradually to double collar based on funded status thresholds
- No double collar
 - Same as current policy, except only “single collar” is used
- Fixed percent (4%/1%)
 - Rate collar defined as a fixed percent of payroll (4% for Tier 1/Tier 2, 1% for OPSRP), rather than as a percentage of the current rate
- Fixed percent (4%/1%) with decrease restrictions
 - Rate collar defined as a fixed percent of payroll (4% for Tier 1/Tier 2, 1% for OPSRP), AND rates are not allowed to decrease unless funded status (excluding side accounts) is greater than 90%

Employer Collared Base Pension Rates (System Average)

2023-2025 Biennium under different collar policies



Percentile	Current Policy	No Double Collar	Fixed Percent (4%/1%)	Fixed Percent (4%/1%) with decrease restrictions
5th	36.3%	31.7%	29.5%	29.5%
10th	34.4%	31.5%	29.5%	29.5%
25th	31.1%	31.0%	29.4%	29.4%
50th	27.0%	27.0%	27.0%	27.0%
75th	22.3%	22.3%	22.3%	24.5%
90th	19.1%	19.1%	20.7%	23.9%
95th	18.7%	18.7%	20.3%	20.7%

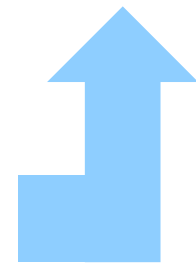
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12/31/2038 Funded Status (Excluding Side Accounts)

Under different collar policies, at end of modeled period

12/31/2038 Funded Status (excluding side accounts)					
Collar Method:	Current	No Double Collar	Fixed Percent (4%/1%)	Fixed Percent (4%/1%) w/ decrease restrictions	
75 th Percentile	118%	118%	121%	127%	
50 th Percentile	89%	89%	89%	93%	
25 th Percentile	70%	70%	68%	70%	

In scenarios near the 50th and 75th percentiles, biennial investment returns frequently are near or above assumption. In some of those scenarios, the first three policies allow a decrease in the subsequent contribution rate while the fourth policy does not allow a decrease until the funded status threshold is satisfied.



Variable Return Model Stress Test

- Can use the “stress test” results to illustrate the effect of alternative collar policies:

Likelihood of Event Occurring at Some Point in Next 20 Years				
<i>Collar Method:</i>	<i>Current</i>	<i>No Double Collar</i>	<i>Fixed Percent (4%/1%)</i>	<i>Fixed Percent (4%/1%) w/ decrease restrictions</i>
Funded Status (Excluding Side Accounts) > 100%	57%	56%	56%	58%
Funded Status (Excluding Side Accounts) < 60%	64%	64%	63%	61%
Funded Status (Excluding Side Accounts) < 40%	12%	13%	15%	14%



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Variable Return Model Stress Test

- Can use the “stress test” results to illustrate the effect of alternative collar policies:

Likelihood of Event Occurring at Some Point in Next 20 Years				
<i>Collar Method:</i>	<i>Current</i>	<i>No Double Collar</i>	<i>Fixed Percent (4%/1%)</i>	<i>Fixed Percent (4%/1%) w/ decrease restrictions</i>
Base Rate (Excluding Retiree Healthcare) < 10% of Pay	33%	32%	30%	32%
Base Rate (Excluding Retiree Healthcare) > 30% of Pay	69%	67%	60%	60%
Base Rate (Excluding Retiree Healthcare) > 40% of Pay	33%	32%	25%	25%



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Wrap Up / Next Steps

- At the February 1, 2021 meeting, preliminary year-end 2020 investment results will be available
 - We can then comment as warranted on estimated impact on the 12/31/2020 actuarial valuation results, which will develop advisory 2023 – 2025 contribution rates
- The biennial experience study review of actuarial methods and assumptions will occur next year, with Board decisions anticipated at the July 23, 2021 meeting



Appendix

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Certification

This presentation summarizes deterministic and stochastic modeling for the Oregon Public Employees Retirement System (“PERS” or “the System”) over a 20 year period beginning December 31, 2019 under a wide range of potential economic scenarios. The results are based upon the same assumptions, methods, and plan provisions as described in the December 31, 2019 System-Wide Actuarial Valuation Report, except where noted otherwise.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System’s staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the System. The valuation results were developed using models intended for valuations that use standard actuarial techniques.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The PERS Board has the final decision regarding the appropriateness of the assumptions.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the System. The computations prepared for other purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System’s funding requirements and goals.



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Certification

The calculations in this report have been made on a basis consistent with our understanding of the plan provisions described in the appendix of this report. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the internal business use of the Oregon Public Employees Retirement System. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are retirement actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct* and *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.



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Appendix

Actuarial Basis

Data

We have based our calculation of the liabilities on the data supplied by the Oregon Public Employees Retirement System and summarized in the Valuation Report.

Assets as of December 31, 2019, were based on values provided by Oregon PERS reflecting the Board's earnings crediting decisions for 2019, as shown in the Valuation Report. Financial model projections reflect September 30, 2020 investment results for regular and variable accounts as published by Oregon State Treasury.

Methods / Policies

Actuarial Cost Method: Entry Age Normal, adopted effective December 31, 2012.

UAL Amortization: The UAL for OPSRP and Retiree Health Care as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed 16 year period for OPSRP and a closed 10 year period for Retiree Health Care. For the Tier 1/Tier 2 UAL, the amortization period was reset at 20 years as of December 31, 2013, and was reset at 22 years as of December 31, 2019, as required by Senate Bill 1049. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over the amortization period (20 years for Tier/Tier 1, 16 years for OPSRP, 10 years for Retiree Health Care) from the odd-year valuation in which they are first recognized.

Contribution rate stabilization method: Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) are confined to a collar based on the prior contribution rate (prior to application of side accounts, pre-SLGRP liabilities, and 6 percent Independent Employer minimum). The new contribution rate will generally not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the prior contribution rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funded percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Appendix

Actuarial Basis

Methods / Policies (cont'd)

Expenses: Annual administration expenses are assumed to be \$32.5M for Tier 1/Tier 2 and \$8.0M for OPSRP, as described in the 2018 Experience Study Report, and are added to the corresponding normal cost for the year in which they are incurred. Administration expenses for each year after 2020 are assumed to increase with inflation, which varies by scenario based on capital market assumptions.

Actuarial Value of Assets: Equal to Market Value of Assets excluding Contingency and Tier 1 Rate Guarantee Reserves. The Tier 1 Rate Guarantee Reserve is not excluded from assets if it is negative (i.e. in deficit status).

Assumptions

Assumptions for valuation calculations are as described in the 2018 Experience Study Report.

Provisions

Provisions valued are as detailed in the December 31, 2019 System-Wide Actuarial Valuation Report.

Appendix

Rate Projection Basis

Assumptions

In general, all assumptions are as described in the 2018 Experience Study Report.

The major actuarial valuation assumptions used in our projections are shown below. They are aggregate average assumptions that apply to the whole population and were held constant throughout the projection period. The economic experience adjustments were allowed to vary in future years given the conditions defined in each economic scenario.

- Valuation interest rate – 7.20%
- Tier 1 Regular account growth – 7.20%
- Actual fund investment return – Varies by scenario according to capital market assumptions
- Variable account growth – Equal to investment return on public equity portion of the fund
- Inflation assumption – 2.50%
- Inflation experience – Varies by scenario according to capital market assumptions
- Wage growth assumption – 3.50%
- Wage growth experience – 1.00% greater than inflation experience
- Demographic experience – as described in 2018 Experience Study Report
- New entrant experience – New members are assumed to be hired at the rate necessary to keep the total number of members in each job class (General Service, School District, Police & Fire, and Judges) constant over the duration of the projection. All new entrants other than judges are assumed to join as OPSRP members. New entrant pay is assumed to grow at the rate necessary for overall system payroll to increase with wage growth experience, as described above.

Appendix

Rate Projection Basis

Reserve Projection

Contingency Reserve as of 12/31/2019 was \$50.0M. No future increases or decreases to this reserve were assumed.

The Tier 1 Rate Guarantee Reserve (“RGR”) was \$492.0 M as of 12/31/2019. The RGR was assumed to grow with excess returns above the 7.20% target growth on Tier 1 Member Accounts. When modeled aggregate returns were below 7.20%, applicable amounts from the RGR were assumed to transfer to Tier 1 Member Accounts to maintain the 7.20% target growth rate. The RGR is allowed to be negative, but the reserve is not excluded from valuation assets when it is negative. We did not include in rates any potential additional employer levy that could be required to eliminate a persistent negative RGR.

Offset for Member Redirect Contributions

Under Senate Bill 1049, a portion of the 6% of pay member contribution previously made to the IAP was redirected to fund Tier 1/Tier 2 and OPSRP defined benefits beginning July 1, 2020. For Tier 1/Tier 2 members, the redirected amount will be 2.50% of pay, and for OPSRP it will be 0.75% of pay. Members with less than \$2,500 in monthly pay (indexed in future years) will be exempt from the redirection.

For the rate projection, member redirect contributions are assumed to offset the contribution rates paid by employers beginning with the July 2021 – June 2023 biennium. The offset is assumed to be 2.45% of total payroll for Tier 1/Tier 2 and 0.70% of total payroll for OPSRP.

Redirected member contributions are assumed to cease in a biennium following a rate-setting valuation where the funded status, including side accounts, is 90% or greater.

Work After Retirement Contributions

Under Senate Bill 1049, starting in 2020 and ending December 31, 2024, employers are required to pay PERS contribution rates on rehired retiree payroll. For 2020, rehired retiree payroll was assumed to be approximately \$179.0 for Tier 1/Tier 2 members and \$4.3 million for OPSRP members. After 2020, rehired retiree payroll was assumed to increase with the wage growth assumption.



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Appendix

Rate Projection Basis

Capital Market Model

For each 20-year projection, we ran 10,000 stochastic scenarios for inflation and asset class rates of return. The scenarios were calibrated to represent Milliman's capital market assumptions in terms of expected average real returns, the expected year-to-year volatility of the returns, and the expected correlation between the returns of different asset classes. Annual rates of return for each of the asset classes and inflation are generated from a multivariate lognormal probability distribution. Rates of return are independent from year to year.

The variable return model includes 10,000 projected scenarios for possible future year-by-year system investment returns and levels of inflation. In developing that model, per Actuarial Standards of Practice we disclose reliance upon a Milliman colleague who is a credentialed actuary and also a credentialed investment professional with expertise in preparing capital outlook modeling. We reviewed overall model results for reasonability while, as part of his work, our investment professional colleague reviewed the investment projections for internal consistency.

For this purpose, we considered the Oregon PERS Fund to be allocated among the model's asset classes as shown on the following slide. This allocation is based on the OIC's Statement of Investment Objectives and Policy Framework for the Oregon PERS Fund, as revised in April 2019.

Appendix

Rate Projection Basis

Capital Market Model

Reflects Milliman's capital market assumptions as of July 1, 2020.

	Annual Arithmetic Mean	20-Year Annualized Geometric Mean	Annual Standard Deviation	Policy Allocation
US Large/Mid-Cap Equity	7.18%	5.99%	16.45%	16.17%
US Small Cap Equity	8.60%	6.69%	21.15%	1.35%
US Micro-Cap Equity	9.24%	6.89%	23.60%	1.35%
Non-US Developed Equity	8.80%	7.34%	18.45%	13.48%
Emerging Markets Equity	10.81%	8.14%	25.40%	4.24%
Non-US Small Cap Equity	9.44%	7.74%	20.00%	1.93%
Private Equity	11.92%	8.29%	30.00%	17.50%
US Core Fixed Income	3.05%	2.99%	3.85%	9.60%
US Short-Term Bonds	2.58%	2.56%	2.05%	9.60%
US Bank/Leveraged Loans	5.20%	4.95%	7.40%	3.60%
High Yield Bonds	6.20%	5.78%	9.70%	1.20%
Real Estate	6.33%	5.69%	12.00%	10.00%
Global REITs	8.52%	6.84%	19.75%	2.50%
Timber	6.54%	5.79%	13.00%	1.13%
Farmland	6.99%	6.24%	13.00%	1.13%
Infrastructure	7.77%	6.79%	15.00%	2.25%
Commodities	5.37%	3.79%	18.85%	1.13%
Hedge Fund of Funds - Diversified	4.42%	4.19%	7.10%	1.50%
Hedge Fund Event-Driven	5.98%	5.64%	8.70%	0.38%
US Inflation (CPI-U)	2.50%	2.49%	1.65%	N/A
Fund Total (reflecting asset class correlations)	7.44%	6.74%*	12.64%	100.00%

* The model's 20-year annualized geometric median is **6.68%**.



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