



OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

BOARD MEETING AGENDA

Friday October 1, 2021 9:00 A.M.		PERS 11410 SW 68 th Parkway Tigard, OR
ITEM		PRESENTER
A. Administration		
1.	July 23, 2021 Board Meeting Minutes	SHENOY
2.	Director's Report	OLINECK
	a. Forward-Looking Calendar	
	b. OPERF Investment Report	
	c. Budget Execution Report	
3.	Agency Strategic Plan Update	OLINECK
B. Administrative Rulemaking		
1.	Notice of Disability Rules	VAUGHN
C. Action and Discussion Items		
1.	SB 1049 Implementation Update	ALLEN
2.	Member & Employer Survey Results	BODMAN, YOST DEMPEWOLF
3.	Final Adoption of Valuation Methods & Assumptions including Assumed Rate of Return	OLINECK
4.	Adoption of Assumed Rate OAR	VAUGHN
5.	Board Funding Policy Review	OLINECK
6.	December 31, 2020 System-wide Valuation Results	MILLIMAN
7.	Equal to or Better Than Testing	MILLIMAN
<i>Written testimony is included at the end of the meeting packet</i>		

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: December 3*
2022 Meetings: January 31, March 28*, May 27, July 22*, September 30, December 2*
*Audit Committee planned for post-Board meeting

Administration

1. July 23, 2021 Board Meeting Minutes
2. Director's Report
 - a. Forward-Looking Calendar
 - b. OPERF Investment Report
 - c. Budget Execution Report
3. Agency Strategic Plan Update

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING MINUTES

July 23, 2021

Board members present:

Chair Sadhana Shenoy, Vice Chair Lawrence Furnstahl, Jardon Jaramillo, Stephen Buckley, and John Scanlan attended virtually.

Staff present:

Kevin Olineck, Jason Stanley, Sam Paris, Jordan Masanga, Yvette Elledge-Rhodes, Richard Horsford, Greg Gabriel, Stephanie Vaughn, Heather Case, Katie Brogan, Alyse Greer, Amanda Marble, Anne Marie Vu, Chris Geier, Christa Harrison, Daniel Rivas, David Larson, El Rossman, Jake Winship, Janice Richards, Jonathan Yost, Katie Davis, Louise Plata, MaryMichelle Sosne, Matt Graves, Megan Ujakovich, Melanie Chandler, Michiru Farney, Neil Jones, Phuongnam Tran, Samuel Rugi, Susannah Bodman, Shane Perry, Shawn Dempewolf, Yong Yang attended virtually.

Others present:

Matt Larrabee, Scott Preppernau, Mike Reid, Alan Ferschweiler Alma Gmartinez Gomez, Annette Dabashinsky, Arleen Jacobius, Aruna Masih, Camille Harris, Carol Samuels, Christina Dannenbring, Cindi Peterson, Courtney Graham, Dave Fromdahl, Dave Randall, David Barenberg, David Moore, Deborah Tremblay, Douglas Berg, Eric Fruits, Gary Deeth, Gay Lynn Bath, Hasina Wittenberg, Holly Stout, Iva-Marie Connall, Jack Dempsey, Jacob Arnold, Jacqueline Knights, Jadine Jung, Janice Ness, Jan Nordlund, Jeff Gudman, Jennifer Cooperman, John Borden, Kali Leinenbach, Karl Koenig, Katie Kicza, Kenny Bao, Kevin Grainey, Kristi Jenkins, Kristin Edmark, Kristoffer Aas, Ledona Morrison, M.Andre, Marie Marckx, Mary Gibson, Nancy Brewer, Nate Carter, Ray Nielsen, Rex Kim, Richard Little, Richard Ward, Robert Burket, Shauna Tobiasson, Stephen Barrett, Tahni Fagerberg, Ta My Ngan, Tan Cao, Ted Sickinger, Vicky Foster, Wayne Lemler attended virtually.

Chair Shenoy called the meeting to order at 9:01 a.m.

ADMINISTRATION

A.1. MEETING MINUTES OF JUNE 4, 2021

Vice Chair Furnstahl moved to approve the minutes as presented from the June 4, 2021, PERS Board meeting. Board Member Jaramillo seconded the approval of the minutes. Board Member Buckley abstained from voting at this meeting. He was appointed to the Black Butte Service District Board on July 1, 2021, and is waiting for a conflict of interest determination from Department of Justice. The motion passed unanimously.

A.2. BOARD GOVERNANCE ASSIGNMENTS

Board Member Jaramillo moved to accept the proposed board governance assignments as presented. Vice Chair Furnstahl seconded the assignments. Board Member Buckley abstained from voting. The motion passed unanimously.

A.3. 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.

Olineck presented the forward looking calendar. The dates for the 2022 meetings are included on the calendar with a scheduled start time of 9:00 a.m. Audit Committee dates also are listed.

The Oregon Public Employees Retirement Fund (OPERF) returns, for the period ending June 30, 2021, were 11.36%.

Operating expenditures for May and preliminary expenditures for June are \$4,406,314 and \$7,492,549, respectively. Final expenditures for June will close in the Statewide Financial Management System (SFMS) on July 16 and will be included in the October 2021 report to the board.

Through June 27, 2021, the agency has expended a total of \$104,011,852 or 89.3% of PERS' legislatively approved operations budget of \$116,441,606. At this time, the agency's projected variance is \$7,077,964.

Olineck reviewed the meeting agenda. At the meeting opening, he noted that public testimony from Doug Berg was received, had been attached to this meeting's materials, and was provided to the board. (A.1. attachment 1).

A.4. CEM BENCHMARKING RESULTS

Mike Reid, Vice President, CEM Benchmarking, presented.

Reid presented the PERS Pension Administration Benchmarking Report for FY 2020. Oregon PERS has the second highest plan design complexity score among CEM's global universe. High complexity negatively impacts service, front office productivity, and back office costs.

No board action was required.

ADMINISTRATIVE RULEMAKING

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

B.1. ADOPTION OF OPTIONAL/ALTERNATIVE RETIREMENT PLANS

Adoption of Rulemaking for Optional or Alternative Retirement Plans:

OAR 459-005-0310, Date of Participation and Transfer of Employee Funds to the Optional Retirement Plan, OAR 459-005-0350, Membership Status of Persons in Concurrent Employment Eligible to Participate in an Optional or Alternative Retirement Plan, OAR 459-005-0370, Date of Participation and Transfer of Employee Funds to an Alternative Retirement Plan — OHSU, OAR 459-010-0003, Eligibility and Membership for the PERS Tier One/Tier Two Program, and OAR 459-075-0010, Eligibility and Membership.

No rulemaking hearing was held because the PERS building is closed to the public. The public comment period ended June 25, 2021, at 5:00 p.m. PERS received no public comment on the rules.

Vice Chair Furnstahl moved to adopt the Optional or Alternative Retirement Plans rules, as presented. Chair Shenoy seconded. Board Member Buckley abstained from voting. The motion passed unanimously.

B.2. ADOPTION OF DIVORCE RULES

Vaughn presented Adoption of Rulemaking for Division of Benefits Rules Impacted by SB 1049: OAR 459-005-0001, Definitions, OAR 459-045-0012, OPSRP Pension Program Division of Benefits, OAR 459-045-0014, Individual Account Program (IAP) Division of Benefits and OAR 459-045-0034, General Administration for Individual Account Program (IAP).

No rulemaking hearing was held because the PERS building is closed to the public. The public comment period ended June 25, 2021, at 5:00 p.m. PERS received no public comment on the rules.

Board Member Jaramillo moved to adopt the Division of Benefits rules, as presented. Vice Chair Furnstahl seconded. Board Member Buckley abstained from voting. The motion passed unanimously.

ACTION AND DISCUSSION ITEMS

C.1. LEGISLATIVE SESSION REVIEW AND 2021-23 BUDGET UPDATE

C.1.A. SESSION OVERVIEW AND 2022 PREVIEW

Heather Case, Senior Policy Advisor, presented.

Case provided an update on the 2021 legislative session and the bills impacting the agency. She provided an update regarding the bills that impact PERS statutes that were approved by the Oregon Legislature and the governor. There was one bill with technical changes and seven which result in program changes. Case outlined the bills resulting in program changes.

No board action was required.

C.1.B. 2021-2023 BUDGET UPDATE

Greg Gabriel, Budget Officer and Richard Horsford, Chief Financial Officer presented.

Gabriel gave an update on the 2021-23 PERS Agency Budget (SB 5536) that was approved and signed by the governor on June 1, 2021. The operating budget is \$9.4 million or 6.6% above the 2019-21 Legislatively Approved Budget of \$141.2 million. This increase can be attributed to increased program staffing, associated payroll costs, and state government service charges. PERS received approval for 12 policy packages related to operations for the 2021-23 biennium.

C.2. SB 1049 IMPLEMENTATION UPDATE

Yvette Elledge-Rhodes, Deputy Director, presented.

Elledge-Rhodes reviewed the ongoing activities of the five individual projects that make up the SB 1049 Implementation Program. She 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.

Program health will remain in yellow status as Member Redirect is scheduled past the end of the 2021-2023 biennium. The Salary Limit Project ended May 28, 2021. The Employer Programs Project officially ended July 16, 2021. The remaining three individual projects are in green status.

No board action was required.

C.3. VALUATION METHODS AND ASSUMPTIONS INCLUDING ASSUMED RATE OF RETURN

Scott Preppernau and Matt Larrabee of Milliman presented. The presentation reviewed the potential changes to actuarial methods and assumptions so they can complete the 2020 system valuation.

The board discussed multiple topics, including: the impact of House Bill (HB) 2906 on total contribution rates, actuarial methods and assumptions, and rate collaring. Each board member provided their rationale of what assumed rate of return they believed the board should adopt. This process allowed for a fulsome discussion on this particular actuarial assumption, given its impact on the overall actuarial valuation.

Chair Shenoy announced that Department of Justice had responded to the board with the determination that Board Member Buckley can serve on both the PERS Board and the Black Butte Service District Board without a conflict of interest. Member Buckley resumed voting.

Vice Chair Furnstahl moved to maintain the board adopted contribution rates for 2021-2023 and adjust the Member Redirect offset contributions for the 2023-2025 rate setting valuation. Chair Shenoy seconded. The motion passed unanimously.

Chair Shenoy indicated the Board would divide the preliminary adoption of the methods and assumptions into three motions, Rate Collaring Methodology; recommended methods and assumptions presented by Milliman in the 2020 Experience Study, and; the assumed rate.

Vice Chair Furnstahl moved to adopt the proposed Rate Collaring Methodology as presented by the board's actuarial consultants, Milliman. Board Member Jaramillo seconded. The motion passed unanimously.

Vice Chair Furnstahl moved to adopt, the recommended changes to the actuarial methods and assumptions as presented by Milliman in the 2020 Experience Study. Board Member Scanlan seconded. The motion passed unanimously.

Vice Chair Furnstahl moved to set the assumed rate at 6.9%. Board Member Buckley seconded. The motion passed unanimously.

C.4. NOTICE OF ASSUMED RATE OAR

Vaughn presented Notice of Rulemaking for Assumed Rate Rule: OAR 459-007-0007, Assumed Rate.

The PERS Board reviews the assumed rate in odd-numbered years as part of the board's adoption of actuarial methods and assumptions. The rate is then adopted in an administrative rule; even though the actual assumed rate will not be determined until the PERS Board's October 1, 2021, meeting.

No rulemaking hearing will be held because the PERS building is closed to the public. The public comment period ends August 24, 2021, at 5:00 p.m.

No board action was required.

Olineck noted that the 2020 experience study is available in the board packet. The experience study notes recommendations taken from the 2019 Secretary of State audit.

Chair Shenoy adjourned the board meeting at 11:25 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Kevin Olineck", is written over a light blue rectangular background.

Kevin Olineck, Director

Testimony to the PERS Board, July 23, 2021

Members of the PERS Board:

In my [written testimony](#) to the board on June 4, 2021, I urged you to take advantage of a rare confluence of good news and substantially reduce the assumed rate of return.

I contended an historically high valuation of PERS investments and a state projection of \$1 billion in additional revenue over the next biennium allow you to cut the assumed rate substantially with a minimum of pain to public employers.

I am back today to ask you to seize this opportunity and go beyond your actuaries' minimum recommendations in cutting the assumed rate.

In my [op-ed](#) published in The Oregonian/OregonLive on July 11, I showed how your policy of amortizing the unfunded liability over a period of years is hamstrung when the assumed rate is substantially higher than the growth of PERS investments.

In a balanced system, the recent stellar investment growth would have translated to a sharply lower unfunded liability. But on March 9, Milliman's estimate of the unfunded liability was \$24.3 billion, little changed over the last two years. Why so little change?

When the assumed rate persistently exceeds the growth of PERS investments, the amortization policy is applied to an unfunded liability figure that doesn't match the real world. And the mismatch between a realistic unfunded liability figure and the mythical one reported by Milliman is not small.

If we extrapolate Milliman's preliminary unfunded liability calculations at various assumed rates (March 29 board packet, page 128), a much more realistic figure for the current unfunded liability comes into focus. Using Milliman's projections of future returns of 6.27%, we see the unfunded liability is actually about \$35 billion.

So it should be no surprise that PERS investments can grow an astonishing \$17.4 billion over the last two and a half years yet the unfunded liability barely moves. The system is seriously out of balance, and it should now be crystal clear to you that unless you act to increase employer contributions, a burdensome and dangerous unfunded liability will be with us for decades to come.

But there is another policy that misbehaves when the assumed rate is persistently too high: your policy for collaring employer contribution rates.

As you know, the rate collar was conceived to be a smoothing influence on employer contribution changes from period to period. It would prevent a large upward spike in contributions when PERS investments drop significantly and, equally importantly, prevent a dramatic *decrease* in contributions when investments post a large gain. Put another way, when investment returns increase substantially, your calculations should produce a large decrease in contributions. The collar then kicks in and prevents contributions from falling too far. It puts money back in the bank, so to speak, for the day when investments decline.

Over the nearly 12 years of rising values of PERS investments, the rate collar has never worked that way. The closest it has come is right now, where uncollared employer contributions and collared contributions are virtually identical. But it took that historic surge in PERS investments to get even that far. This should be a

huge red flag to you. With investment returns like these, your calculations should have produced a substantial *reduction* in employer contributions.

The rate collar has become the evil twin of the original policy. Unlike the amortization policy, which is merely ineffective, the rate collar has actually made things a lot worse in recent years.

The system's calculations have produced employer contribution increases year after year on rising investments because it is mathematically attempting to correct its serious imbalance. It is literally screaming at you that significant contribution increases need to happen. The evil twin collar has instead allowed you to keep contribution increases to an unsustainable minimum under the guise of "just following policy". And you have done so for years.

It should be unconscionable to you to go on setting contribution rates using policies that only serve to exacerbate the very problems they were designed to correct. You need to accept that employer contributions must rise to the point where your policies at least begin to gain traction.

I note that in today's meeting you are considering modifications to the rate collar policy that appear to make it a little less evil. I applaud this effort. However, it remains to be seen if this change will result in the increase in employer contributions that is needed to make a significant difference in the health of the system.

Today you can choose how those contributions should rise over the next few years. You can choose a chaotic, head-in-the-sand path by continuing to hold contributions dangerously low and hoping for the best. On this path, when the next big drop in PERS investments occurs, the unfunded liability could spike to such a level that not even the evil twin collar will be able moderate the increases. Your actuaries would not permit it. To keep the system solvent, they will insist on immediate and painfully large increases in contributions no matter what the collar says.

Or you can set the system on a path of measured contribution increases over the next few years until your policies once again can work as intended and hope you are not too late to avert a crisis.

It is time finally to right the badly-listing ship that is PERS and set the system on a sustainable course for the future.

Douglas Berg
Eugene, OR
bergdw@icloud.com
206 353-2350

Administration

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3. Agency Strategic Plan Update

Director's Report

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Kevin Olineck, Director

OREGON
PERS

75 years of serving
those who serve Oregon

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 (SB) 1049 Work continues on the Work After Retirement, Member Redirect, and Technical Debt Projects. More detailed SB 1049 implementation reports on the overall program and projects will be provided in the board packet.

COVID-19 Response PERS was poised to reopen to the public September 1. Even though the timeline has been pushed back, we remain focused on ensuring the safety

of our staff and visitors, as well as adhering to a few key principles:

1. We are working to align with the state's reopening guidelines and are reimagining how work gets done now that the nature of how we work has changed significantly.
2. We will try, as best possible, to honor staffs' work location preferences while always keeping business needs at the forefront.
3. We will employ a growth mindset by regularly reviewing, adapting, and adopting new methods of doing business as we continue moving forward.

Our reopening strategy planned to have staff move back into our offices in phases with member-facing staff being the first to return. However, in mid-August, given the surge of the delta variant, state agencies were told to hold off on reopening efforts until it was deemed safe to do so. At the time of writing this report, a new date to reopen has not been established.



PERS is reimagining how work gets done now that the nature of how we work has changed significantly due to COVID-19.

Highlights

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

Agency initiatives and accomplishments

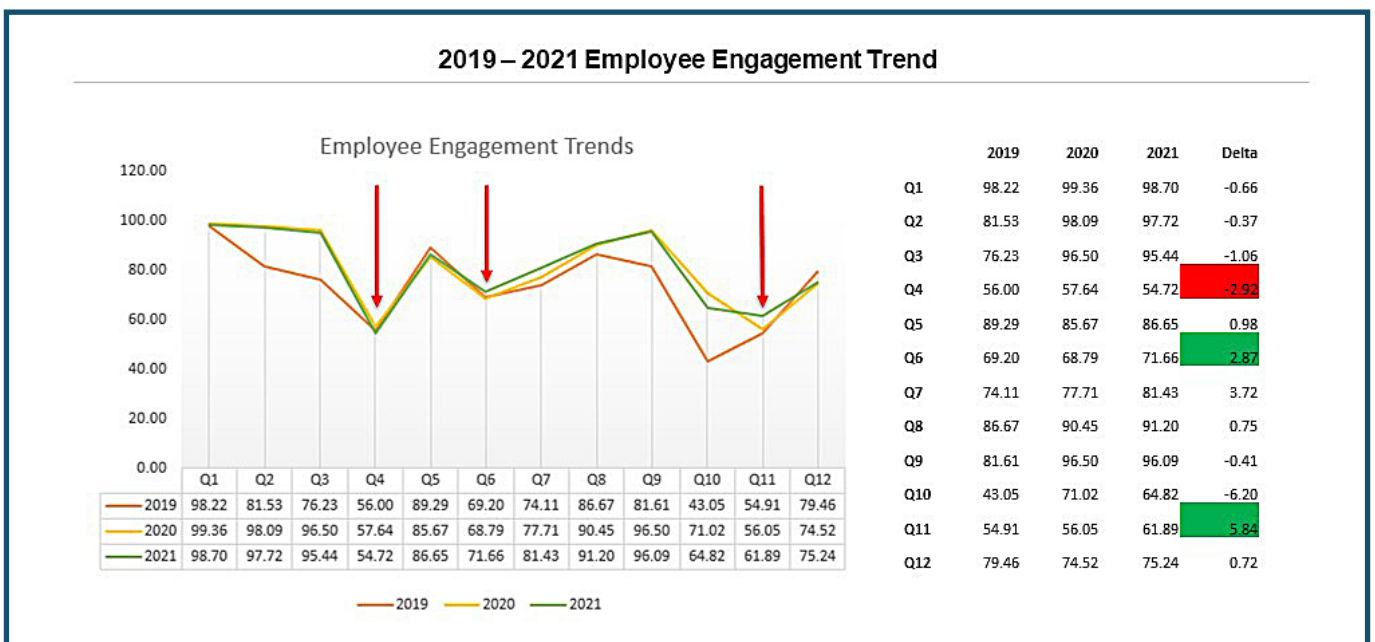
Employee Survey Results In August we conducted the third annual PERS Employee Engagement Survey. The response rate was 78%, which is 4% lower than last year. There were no changes in this year's survey, which allowed for a level of consistency; we continued to use a five-point Likert scale and a Net Promoter Score. A Likert scale allows us to measure attitudes and the degree of agreement about the questions. The Net Promoter Score (NPS) gives us a quick way to understand how staff feel about the agency, helps set internal performance

benchmarks, and allows us to compare our agency with others in our industry.

As shown graphically below, scores overall remained quite consistent for 9 of the 12 questions over last year. A question relating to receiving regular recognition in the past week dipped 5%. The question relating to having a manger encouraging development increased 4%, while the question relating to having a manager talking to you about your development in the past six months increased 10%.

Our Net Promoter Score continues to lag with a score of 10. To better understand how that compares to other organizations, we compared our score against over 130,000 other organizations. Our NPS of 10 placed us in the bottom 25% quartile compared to those organizations whose average score was 42. What that means is the majority of respondents are somewhat satisfied working at PERS but may take another position elsewhere if given the opportunity. They do not spread negative word-of-mouth, but they are not enthusiastic enough about the agency to promote it as a place to work to a friend or colleague.

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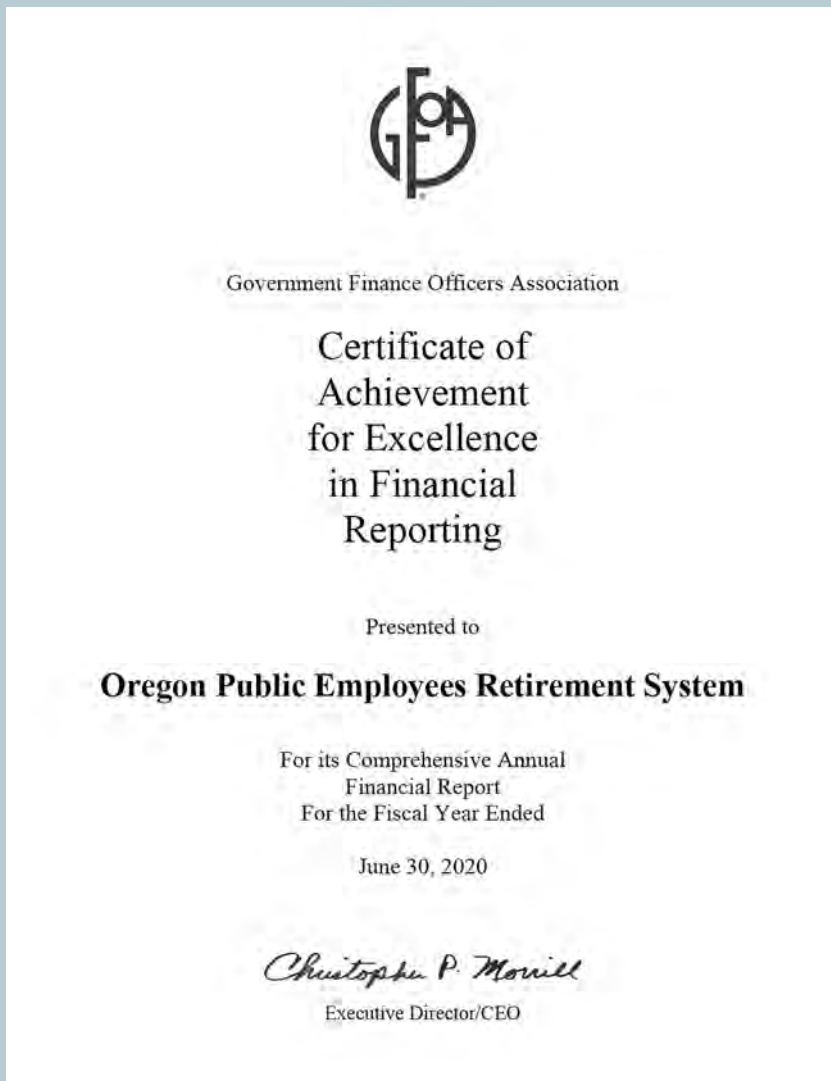
Overall, scores for the third annual PERS Employee Engagement Survey remained quite consistent for 9 of the 12 questions over the previous year.

To break it down further, there are three categories of respondents within the Net Promoter Score. These are as follows:

- Promoters, who would be considered our most positive, motivated and satisfied people, with 38.4% of staff in this category.
- Passives, who would be considered neutral, generally content but not fully committed to the agency, with 33.6% in this category.

- Detractors, who wouldn't recommend PERS and are to some degree either unhappy or disengaged, with 28% in this category. The breakdown between these three categories did not shift from the 2020 to 2021 results.

The PERS Executive Leadership Team is reviewing all the results more deeply and formulating plans to build on all areas over this next year.



GFOA Award

We are pleased that, for the 30th consecutive year, PERS' annual financial report for the fiscal year ended June 30, 2020, qualified for GFOA's Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

At left, GFOA's Certificate of Achievement for Excellence in Financial Reporting.

PERS Board Meeting Forward-Looking Calendar

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

Monday, January 31, 2022

Preliminary Earnings Crediting
Legislative Preview, including legislative concepts

Monday, March 28, 2022*

Final Earnings Crediting
Board Approval to File Legislative Concepts
Agency Budget Preview
Oregon Investment Council Annual Review
Oregon Savings Growth Plan Report Out

Friday, May 27, 2022

PERS Health Insurance Program (PHIP) Renewals and Rates
Agency Budget Development
POBMS Presentation
PHIP Report Out
Review Board Education Policy and Training

Friday, July 22, 2022*

Approval to Submit Agency Request Budget
CEM Benchmarking Presentation

Friday, September 30, 2022

Board Adoption of Actual Employer Rates
Legislative Update (if needed)
Strategic Plan Update
Member and Employer Survey Results

Friday, December 2, 2022*

Presentation of Legislative Concept Drafts Before Filing
POBMS Presentation

**Audit Committee planned for post-board meeting*

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%	\$ 26,645,093	28.3%	17.73	33.14	21.43	12.96	12.75	13.85	10.00	11.50
Private Equity	13.5-21.5%	17.5%	\$ 25,069,569	26.7%	34.96	47.26	24.78	20.91	20.49	19.77	15.90	14.90
Total Equity	45.0-55.0%	50.0%	\$ 51,714,662	55.0%								
Opportunity Portfolio	0-5%	0%	\$ 2,019,674	2.1%	16.72	28.14	15.00	10.76	10.16	9.95	8.36	9.15
Total Fixed	15-25%	20.0%	\$ 19,168,647	20.4%	(0.15)	1.01	3.62	5.47	4.03	3.56	3.36	3.97
Risk Parity	0.0-2.5%	2.5%	\$ 2,288,583	2.4%	14.35	21.91						
Real Estate	9.5-15.5%	12.5%	\$ 9,758,646	10.4%	9.44	12.64	6.88	6.63	7.40	7.72	8.76	9.87
Alternative Investments	7.5-17.5%	15.0%	\$ 9,099,159	9.7%	11.40	12.65	1.48	0.04	0.65	2.28	1.03	1.62
Cash w/Overlay	0-3%	0%	\$ 11,887	0.0%	0.21	0.37	1.27	1.93	1.86	1.74	1.46	1.28
TOTAL OPERF Regular Account		100.0%	\$ 94,061,259	100.0%	16.45	24.62	14.35	10.99	10.66	11.00	8.89	9.70
OPERF Policy Benchmark					12.91	22.00	15.47	11.94	11.30	11.66	9.51	10.35
Value Added					3.54	2.62	(1.11)	(0.95)	(0.63)	(0.66)	(0.62)	(0.65)

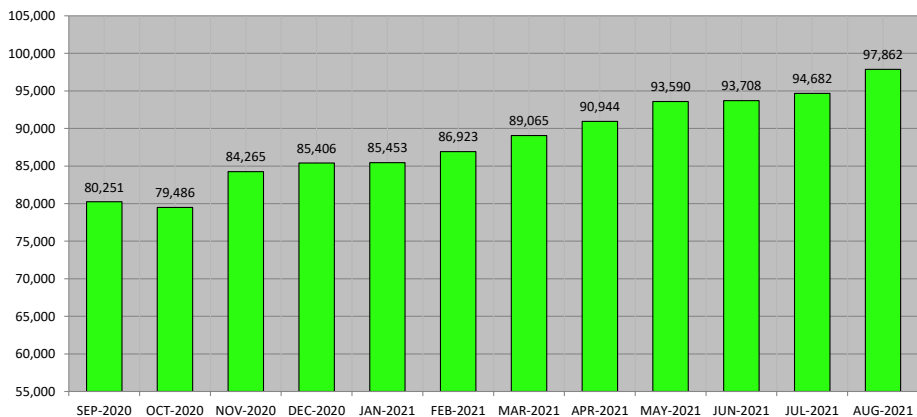
Target Date Funds 3,348,846

TOTAL OPERF Variable Account	\$ 451,907	16.27	30.44	22.87	14.31	13.77	14.52	10.42	11.64
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Asset Class Benchmarks:

Russell 3000	20.39	33.04	27.11	17.85	18.45	17.97	14.34	16.20
OREGON MSCI ACWI EX US IMI NET	10.28	26.29	17.15	9.59	8.04	10.14	5.74	6.80
MSCI ACWI IMI NET	16.05	30.11	22.56	13.97	13.43	14.15	10.04	11.27
RUSSELL 3000+300 BPS QTR LAG	31.05	54.40	26.76	21.69	20.72	21.49	17.77	17.85
CPI + 5%	8.48	10.49	8.41	7.88	7.87	7.70	7.11	6.99
OREGON CUSTOM FI BENCHMARK	(0.18)	0.63	3.28	5.23	3.82	3.24	3.07	3.52
S&P Risk Parity - 12% Target Volatility	15.36	27.57	17.16	15.95	13.36	12.41	9.35	10.07
OREGON CUSTOM REAL ESTATE BENCHMARK	5.52	5.18	3.67	4.39	5.12	5.77	7.55	8.78
CPI +4%	7.79	9.44	7.38	6.86	6.84	6.67	6.09	5.97
91 Day Treasury Bill	0.03	0.08	0.67	1.23	1.30	1.17	0.87	0.63

Total OPERF NAV
(includes Variable Fund assets)
One year ending AUG-2021
(\$ 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

Kate Brown, Governor

Public Employees Retirement System

Headquarters:
11410 S.W. 68th Parkway, Tigard, OR
Mailing Address:
P.O. Box 23700
Tigard, OR 97281-3700
888-320-7377
TTY (503) 603-7766
www.oregon.gov/pers

October 1, 2021

TO: Members of the PERS Board
FROM: Gregory R. Gabriel, Budget Officer
SUBJECT: October 2021 Budget Report

2021-23 OPERATING BUDGET

Operating expenditures for July, preliminary expenditures for August, and preliminary expenditures for September are \$3,639,718, \$3,923,775 and \$10,200,863 respectively. Final expenditures for September will close in the Statewide Financial Management System on October 15 and will be included in the December 2021 report to the Board.

- Through September 12, 2021, the agency has expended a total of \$7,714,095 or 6.3% of PERS' legislatively approved operations budget of \$123,378,866.
- At this time, the agency's projected variance is \$2,837,399.
- Senate Bill (SB) 1049 expenditures for July, preliminary expenditures for August, and preliminary expenditures for September are \$216,079, \$664,323 and \$1,026,429 respectively. As of September 12, the agency has expended \$948,402 of the legislatively approved budget of \$23,614,797.
- At this time, the SB 1049 projected variance is \$7,916,813.

2019-21 OPERATING BUDGET

Operating expenditures paid through September 2021 were \$1,170,483. The current projected positive variance is \$7,032,236 or approximately 6.0% of the operations budget.

To date, the agency has expended a total of \$108,725,647 or 93.6% of PERS' legislatively approved operations budget of \$116,441,606. PERS will continue to pay invoices for goods received and for services rendered as of June 30, 2021, in the following months up until December 31, 2021.

2021-23 NON-LIMITED BUDGET

The adopted budget includes \$12,886,613,593 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 September 12, 2021, are \$1,033,573,472.

A.2.c. Attachment – *2021-23, 2019-21, SB1049 Agency-wide Budget Execution Summary Analysis*

PERS Monthly Budget Report

2021-23 Agency-wide Budget Execution
Preliminary Summary For the Month of September 2021

Limited - Operating Budget

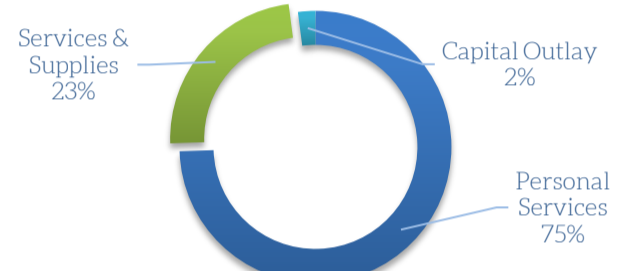
2021-23 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2021-23 LAB	Variance
Personal Services	6,904,342	84,041,809	90,946,151	87,815,865	(3,130,286)
Services & Supplies	809,753	26,456,472	27,266,225	34,894,093	7,627,868
Capital Outlay	0	2,329,091	2,329,091	668,908	(1,660,183)
Unscheduled				0	0
Total	7,714,095	112,827,372	120,541,467	123,378,866	2,837,399

Actual Expenditures



Projected Expenditures



Monthly Summary

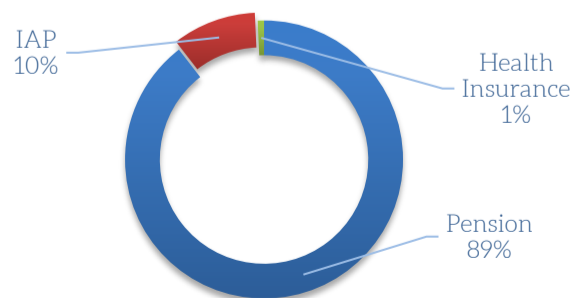
Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	3,538,862	3,667,215	128,353	6,904,342	3,653,992
Services & Supplies	6,152,412	6,375,557	223,144	809,753	1,150,281
Capital Outlay	152,558	158,091	5,533	0	101,265
Total	9,843,834	10,200,863	357,030	7,714,095	4,905,538

Non-Limited Budget

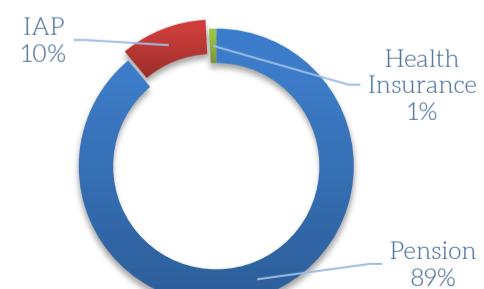
2021-23 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	925,148,235	10,255,014,428	11,180,162,663	11,215,517,678	35,355,015
IAP	100,869,069	1,183,812,907	1,284,681,976	1,298,603,848	13,921,872
Health Insurance	7,556,168	98,508,495	106,064,663	372,492,067	266,427,404
Total	1,033,573,472	11,537,335,830	12,570,909,302	12,886,613,593	315,704,291

Actual Expenditures



Projected Expenditures



PERS Monthly Budget Report

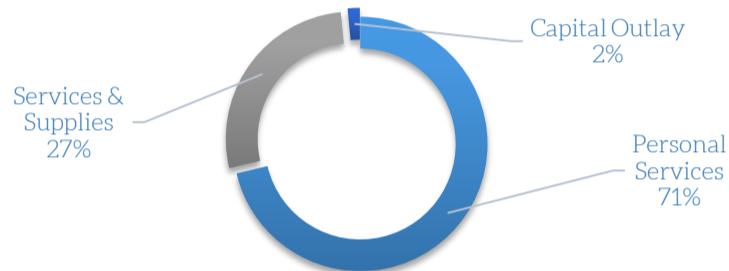
2019-21 Agency-wide Budget Execution
Preliminary Summary For the Month of September 2021

Limited - Operating Budget

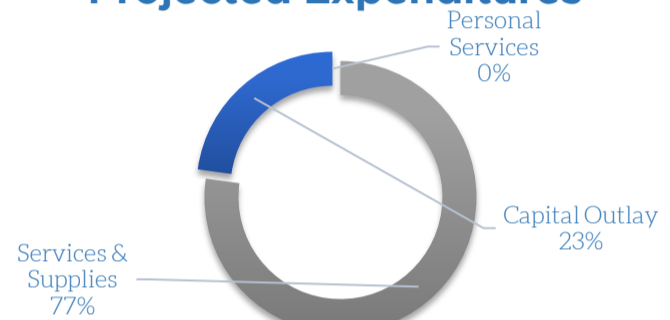
2019-21 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2019-21 LAB	Variance
Personal Services	77,506,700	0	77,506,700	81,510,947	4,004,247
Services & Supplies	29,544,521	527,595	30,072,116	32,757,328	2,685,212
Capital Outlay	1,674,426	156,127	1,830,553	2,173,331	342,778
Total	108,725,647	683,723	109,409,370	116,441,606	7,032,236

Actual Expenditures



Projected Expenditures



Monthly Summary

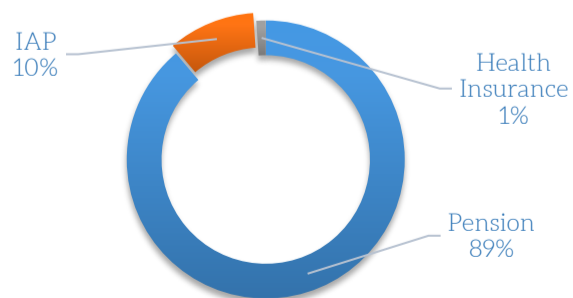
Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	0	0	1	3,523,032	3,465,769
Services & Supplies	1,170,483	1,170,483	0	1,342,933	1,464,410
Capital Outlay	0	0	0	76,110	165,598
Total	1,170,483	1,170,484	1	4,942,075	5,095,778

Non-Limited Budget

2019-21 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	10,386,216,906	0	10,386,216,906	10,347,780,673	(38,436,233)
IAP	1,181,026,808	0	1,181,026,808	1,423,365,167	242,338,359
Health Insurance	127,105,368	0	127,105,368	733,481,352	606,375,984
Total	11,694,349,082	0	11,694,349,082	12,504,627,192	810,278,110

Actual Expenditures



Projected Expenditures



Core Retirement Systems Application

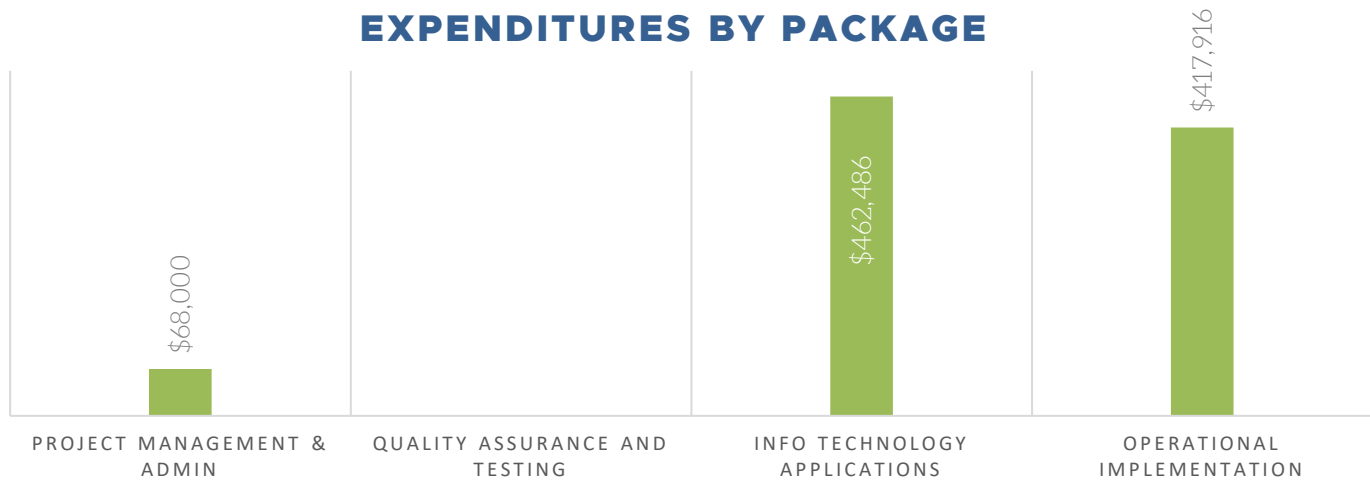
Summary Budget Analysis

Preliminary For The Month of September 2021

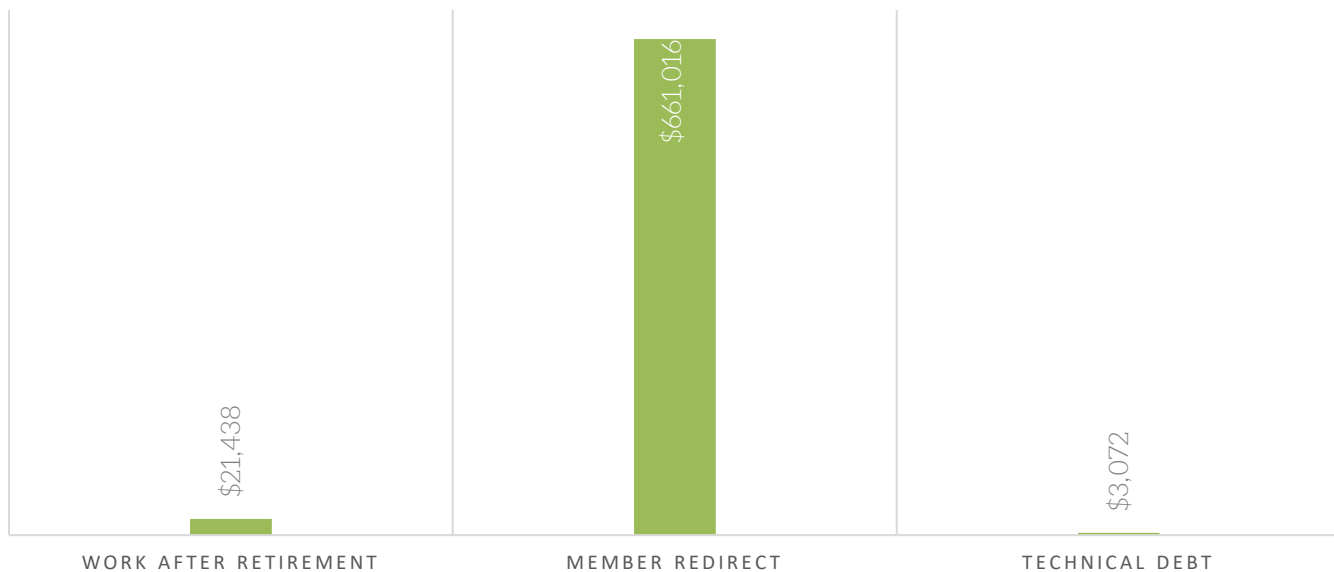
Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2021-23 LAB	Variance
Personal Services	417,916	6,841,449	7,259,365	6,003,697	(1,255,668)
Services & Supplies	530,486	7,908,133	8,438,619	17,556,100	9,117,481
Capital Outlay				55,000	55,000
Total	948,402	14,749,582	15,697,984	23,614,797	7,916,813

EXPENDITURES BY PACKAGE



EXPENDITURES BY PROJECT



Administration

1. July 23, 2021 Board Meeting Minutes
2. Director's Report
 - a. Forward-Looking Calendar
 - b. OPERF Investment Report
 - c. Budget Execution Report
3. Agency Strategic Plan Update



Oregon

Kate Brown, Governor

Public Employees Retirement System

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October 1, 2021

TO: Members of the PERS Board
FROM: Kevin Olineck, Director
SUBJECT: 2018-23 Strategic Plan Update

BACKGROUND

The current PERS Strategic Plan covers the 2018-2023 time period. Now in effect for three years, we are providing the Board with a strategic plan update on progress made to the end of the 2019-21 biennia. Many of the initiatives are still under development through to the end of this current biennia as work was deferred given the agency's continued focus on the implementation of Senate Bill (SB) 1049.

In 2019, the Board added in a new strategic plan pillar, "Enterprise Risk Management," given the heightened sensitivity and awareness levels around risk management generally, as well as information security and continuity management specifically. While we have yet to secure funding to properly resource this new strategic pillar, we are looking at ways to begin this important work this biennia.

The attached strategic plan has been updated in the introductory section only, all other sections were not updated. At the bottom of the update, specific "compliance" areas have been added to show that require these compliance activities require our attention and commensurate resourcing.

NEXT STEPS

The strategic plan forms the foundation for the agency's activities and priorities. Building off the current strategic plan pillars, we will present a draft 2023-28 strategic plan at the September 30, 2022, meeting and a final plan at the December 2, 2022, meeting.

A.3. Attachment 1 – *Strategic Plan 2018-23*

A.3. Attachment 2 – *Strategic Plan Update*

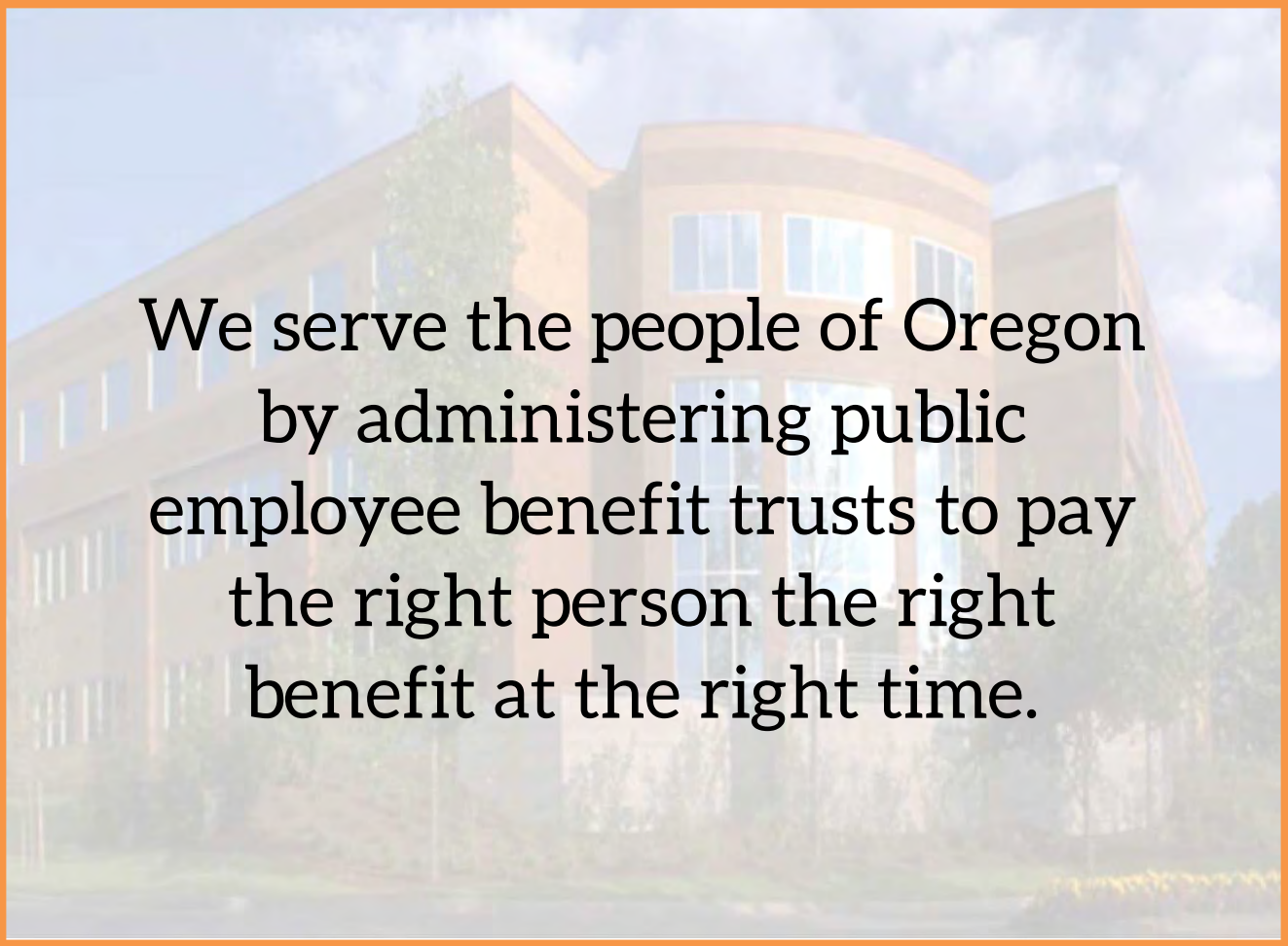
Oregon Public Employees Retirement System



OREGON
PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

2018-2023 Strategic Plan

MISSION STATEMENT



We serve the people of Oregon
by administering public
employee benefit trusts to pay
the right person the right
benefit at the right time.

SHARED VISION

Honoring your public service through secure retirement benefits.

CORE VALUES

Service Focus

We work together to meet the needs of others with dependability, professionalism, and respect.

Accountability

We take ownership for our decisions, actions, and outcomes.

Integrity

We inspire trust through transparency and ethical, sound judgment.

OPERATING PRINCIPLES

Professional

We are responsive, respectful, and sensitive to the needs of our members, employers, and staff.

Accurate

We ensure data integrity and provide consistent, dependable information and benefits.

Judicious

We use sound judgment and prudent, principled decision-making in upholding our fiduciary responsibility.

Information Security

We are constantly vigilant to safeguard confidential information.

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INTRODUCTION

This strategic plan looks to a five-year horizon and answers the questions: If we are to become better at delivering on our mission, where will we, as an agency, be able to improve over this time? The strategic focus areas that we identified derive from a comprehensive review of organizational challenges and strengths, thoughtful consideration of stakeholder needs and perspectives, and the provocative and insightful conversations that we engage in regularly as we strive to foster a climate of consistent improvement and build upon our strengths in achieving our vision. This version updates the status three years into the 2018-23 timeframe.

The plan articulates ambitious goals to achieve through 2023 within these focus areas, with specific, achievable goals and objectives related to each. The plan also links our objectives to the core outcome and process measures documented in PERS' Fundamentals Map, a key artifact in our PERS Outcome-Based Management System. Our strategies to achieve these goals and objectives leverage the resources any organization has to affect change – people, process, and technology – but unifies and prioritizes the allocation of these resources to assure that they are directed consistently and productively on the highest purposes we can achieve.

Achieving the goals outlined in this strategic plan depends upon successful execution of the strategies identified, as well as regular monitoring our progress, and strategic decisions during plan implementation on how to further our progress. As such, this strategic plan is a living document, and we anticipate that changes may be necessary to achieve the goals we set forth. In the 2019 legislative session, Senate Bill (SB) 1049 was passed which introduced substantial changes to many aspects of the System and the Plan. Consequently, the agency's focus had to shift to implementing SB 1049. This placed significant resource constraints with respect to our ability to make substantive progress on many of this plan's goals and objectives and continues, to a lesser extent, for the last two years of this plan. The agency is hopeful that work on those constrained goals and objectives can begin anew in the 2021-23 biennium.

PERS will use its existing strategic and operational planning function to prioritize and allocate resources for each of the strategies identified. Strategies will be executed with a variety of approaches, including problem-solving, project management, breakthrough initiatives, and integration into core business practices. Specific performance metrics will be identified for tracking our progress as part of strategy initiation.

Some strategies depend on additional funding. We submitted corresponding policy option packages with the agency's budget requests, for the 2021-23 budget cycle and had limited success on funding strategic initiatives.

INTRODUCTION

One new pillar, added in 2019, is Enterprise Risk Management (ERM). Implementing an ERM practice would enable the agency to truly understand, at an enterprise as well as divisional level, our overall risk levels and use this information to prioritize and plan how best to mitigate those risks that have the most potential to derail the agency from achieving its mission. This was not funded in the agency's Legislative Approved Budget (LAB); however, we are reviewing ways of beginning work on this important initiative with current internal resources.

We also asked for funding to begin our Oregon Retirement Information Online Network (ORION) modernization initiative. We received partial funding in the LAB to build out our architectural roadmap and framework; however, we need to procure funding at the February 2022 legislative session to begin implementation efforts.

Introduction

This strategic priority includes goals related to three organizational management and development focus areas: workforce development, organizational communications, and PERS' Outcome Based Management System (POBMS).

PERS' success in delivering upon our mission depends on having a highly skilled workforce supported by leadership that sets clear policies, procedures, and performance expectations. The plan's workforce development goals and strategies recognize that this can only be achieved by continued investment in the development, implementation, and performance management of workforce and leadership best practices.

Enhancing organizational communications is also priority for PERS. Access to timely, accurate, and relevant internal information helps ensure that we, as an agency, communicate effectively with our members, employers, and stakeholders. This priority was identified by staff in PERS' employee engagement survey. Survey results indicate many staff would like greater transparency and different content regarding information relevant to their jobs; staff also noted the desire for more information on decisions and policies that could affect them.

The third focus area relates to the work of fully integrating POBMS. The agency initiated POBMS in 2012 to improve operations and processes by engaging employees through an outcome-based approach, allowing those closest to the work to drive the improvement. Completing the integration and normalization of POBMS is important to continuing to improve performance outcomes. Employees support and benefit from POBMS because it provides a clear line of sight and a transparent approach to connect to the agency's goals and objectives and staff's role in meeting them.

Focus Area: Workforce Development

GOAL

Develop and support a culture of workforce excellence and effective leadership practices.

Objective 1

Define and communicate PERS' measures of workforce excellence and desired leadership practices, consistent with organizational needs and strategic priorities.

Strategies

1. Identify the desired workforce competencies and the obstacles to achieving workforce excellence.
2. Develop a change management plan to ensure communication of the defined workforce competencies and associated measures.
3. Create an action plan to drive measurable adoption of these competencies.

Related measure

SP5: Managing and Developing the Workforce

Objective 2

Develop and implement hiring, training, and performance management practices that support a culture of workforce and leadership excellence.

Strategies

1. Use defined competencies for workforce excellence and leadership from Objective 1 to assess current hiring, training, and performance management practices.
2. Create standards of practice for effective hiring, training, and performance management.
3. Reinforce the use of these management practices throughout the agency through consistent review.

Related measures

OM2: Employee Engagement

OM3: Operating Effectiveness

SP1: Communicating Internally and Externally

SP5: Managing and Developing the Workforce

SP6: Strategic and Operational Planning

Focus Area: Organizational Communication

GOAL

Foster and enhance transparency, relevancy, and employee satisfaction with internal communications.

Objective 1

Develop and implement an inclusive internal communication strategy to build a knowledgeable, engaged workforce.

Strategies

1. Determine which tools and processes will lead to effective internal communications. Use staff meetings, surveys, and employee focus groups to achieve this.
2. Maximize the intranet as a communication channel.

Related measure

OM1: Clear, Concise Communication

OM2: Employee Engagement

SP1: Communicating Internally and Externally

SP5: Managing and Developing the Workforce

Focus Area: PERS Outcome Based Management System (POBMS)

GOAL

Complete POBMS integration throughout the agency.

Objective 1

Fully develop team scorecards to measure performance and drive strategic, tactical, and operational decisions.

Strategies

1. Communicate the consistent expectation and value of POBMS and scorecard development for all staff.
2. Train the remaining staff in measures development and POBMS.
3. Complete scorecard development for divisions that do not have them at the team level.

Related measure

SP6: Strategic and Operational Planning

Objective 2

Normalize POBMS-related methods throughout the agency.

Strategies

1. Build a structure to support all POBMS components such as the fundamentals map; agency, division, and team scorecards; and problem-solving and breakthrough methodology.
2. Build a structure to support using the problem-solving methodology from initiation through implementation.
3. Ensure a structure is in place to support initiation and implementation of breakthroughs and alignment with the strategic plan and priorities.

Related measures

SP6: Strategic and Operational Planning

MEMBER SERVICES AND COMMUNICATIONS

Introduction

PERS administers public employee benefit trusts to provide retirement benefits and services to our members. In fact, all of PERS' strategic priorities ultimately support our ability to provide the services needed by members and to ensure we “pay the right person, the right benefit, at the right time.” As a strategic priority, enhancing member services and communications addresses two focus areas: member relations, and quality delivery methods.

For the last decade, PERS' member education and outreach has focused primarily on those who are within two years of their effective retirement date. This just-in-time focus does not provide members with a full understanding of the need to financially prepare for retirement over their entire career. PERS recognizes that providing members with useful tools, resources, and education earlier, and throughout their careers, will better support our goal of having engaged and educated stakeholders. A key component of this education will be the need for members to augment their PERS retirement with other means, such as deferred compensation and personal savings. Additionally, efforts will be taken to better integrate communications alignment, such that members understand their PERS benefits [Tier One, Tier Two, Oregon Public Service Retirement Plan (OPSRP) and Individual Account Program (IAP)], as well as benefits offered under the Oregon Savings Growth Plan (OSGP) and the PERS Health Insurance Plan (PHIP).

Engaging and supporting our members in making informed retirement decisions engenders a broader role for PERS as a retirement education and planning resource. To be that resource, we must support members by providing the information and easy-to-use tools to track their retirement benefits. Our current tool set needs to be more accessible and include a broader array of relevant content: not only account and benefit information but transaction status tracking. This is what our goals under quality delivery methods aim to accomplish.

Focus Area: Member Relations

GOAL

Engage members throughout their careers so they are better prepared for retirement.

Objective 1

Develop tools and profiles relevant to members at different life and career stages.

Strategies

1. Develop tools and profiles relevant to members at different life and career stages. Identify profiles, life events, and career stages and create tailored information, resources, and tools for each profile, event, or stage.
2. Engage with, and provide relevant information to, members at known events or career stages.
3. Leverage member annual statements to vet and verify account data.

Related measure

OM1: Clear/Concise Communication

OM7: Member Service Satisfaction

OM10: Informed Retirement Decisions

SP1: Communicating Internally and Externally

Objective 2

Brand PERS as a retirement education and planning resource.

Strategies

1. Create an identity that will personalize PERS, instill a sense of ownership (“my” PERS) among our members, and promote the agency as an accessible, comprehensive, and easy-to-use resource.
2. Develop and execute a plan to connect members to PERS through collaboration with employers and other stakeholders and the use of multiple communication channels.

Related measures

OM1: Clear/Concise Communication

OM7: Member Service Satisfaction

OM10: Informed Retirement Decisions

SP1: Communicating Internally and Externally

MEMBER SERVICES AND COMMUNICATIONS

Focus Area: Quality Delivery Methods

GOAL

Improve members' online experience and access to secure content.

Objective 1

Enhance and modernize Online Member Services (OMS) with more electronic transactions and views into workflow progress.

Strategies

1. Collaborate with Information Services Division (ISD) to understand issues, budgets, technical debt, and timeframes necessary to improve OMS.
2. Use member and stakeholder feedback to design and implement enhancements to OMS.

Related measure

OM1: Clear, Concise Communication
OM7: Member Service Satisfaction
OM10: Informed Retirement Decisions
SP1: Communicating Internally and Externally

Objective 2

Launch new education tools and resources valuable to the member journey from hire to retire.

Strategies

1. Integrate member and stakeholder feedback on what additional educational tools and resources are needed.
2. Establish a member education webinar program and continuously improve other education channels such as the PERS website and videos.

Related measures

OM1: Clear/Concise Communication
OM7: Member Service Satisfaction
OM10: Informed Retirement Decisions
SP1: Communicating Internally and Externally

DATA RELIABILITY

Introduction

Data reliability is the cornerstone of PERS' mission to "pay the right person the right benefit at the right time." Good, reliable data is compromised by many factors: changes in determinations of service credit, contributions, and other key retirement data elements over a member's career; changes in employer reporting and recordkeeping systems, as well as retroactive changes to member data by employers; and changes in technology. Furthermore, PERS is a complex plan, with data terms that confound comprehension by members and employers alike. All of these factors result in data that may be incomplete, inconsistent, and even missing, which in turns erodes confidence and trust in PERS by our members, employers, and the public.

To improve data reliability PERS will take a three-pronged approach. First, we will engage members as the primary quality checkpoint for their data. They are in the best position to know whether their data is valid, accurate, and complete. We will support members in fulfilling this responsibility by providing the tools and information they need. We will target specific data elements for remediation and work with members and employers to correct the data of record.

PERS has made improvements in our online services to support members' ability to review their data in the hopes that data corrections would result. Before 2011, members' only access to their data was through annual statements, written estimates, and verbal conversations with PERS staff. PERS introduced Online Member Services (OMS) in 2011 to allow members to view their data: employment history, salary details, and service credit. However, we have found that members need education about the relevancy of this data and their role in ensuring the data is ready for PERS to process. We will prioritize and target data for remediation and develop an expanded set of tools for members to access information and review their data, including more online applications and access via mobile devices.

Second, to achieve data constancy, PERS will institute new procedures to lock member data on an annual basis. This is important as data inconsistencies that are not resolved until after the member has received a benefit can disrupt their plans and come at a time after the member has made a life-altering decision to retire. Retroactive data corrections can also present a significant financial burden to employers. Any problems with a member's data should be resolved before the transaction is final.

Our third focus area for improving data reliability relates to PERS' internal data management procedures. Having access to good, reliable data is important for PERS staff, too, and our current data management structure presents many challenges that result in data that is difficult to access or inconsistent. Data management practices that contribute to internal data inconsistencies include: different methodologies used to access data; data sources are not mapped; lacking common data definitions and business context descriptions; and the need for an integrated structure to leverage existing data expertise in the agency. PERS' central data management goals derive from the 2013 central data management breakthrough and implementation of the breakthrough plan. PERS has completed a comprehensive data

DATA RELIABILITY

information gathering and cataloging effort. We are currently in the development phase of data tool and data warehouse redesign projects and a restructuring of functions and staff with the formation of a Central Data Team. The objectives identified in this plan will support completion of the central data management structure and tools.

Focus Area: Member Accountability

GOAL

Establish members as the primary quality check-point on their data of record.

Objective 1

Target specific data for remediation to allow members to more meaningfully review the content.

Strategies

1. Identify those data elements that are or may be in a member's record that are inaccurate or most likely to be misunderstood, and develop an education plan to address those elements.
2. Prioritize remediation of the most critical data elements to resolve potential misunderstandings.

Related measure

OP1: Managing Client Data and Services

OM10: Informed Retirement Decisions

Objective 2

Educate members on the use and limitations of Online Member Service (OMS) legacy data.

Strategies

1. Leverage our existing and to-be-developed communication tools to connect members to these data issues.
2. Execute a campaign to recruit members to review and confirm data issues as they engage in activities related to their accounts.

Related measures

OM1: Clear/Concise Communication

Focus Area: Data Constancy

GOAL

Ensure data remains static after it is used in a transaction or payment.

Objective 1

Lock submitted data for each calendar year.

Strategies

1. Establish the requirement to lock member data at the close of each calendar year.
2. Resolve system reporting issues that may prevent employers from completing their calendar year reports.

Related measure

OP1: Managing Client Data and Services

Objective 2

Lock legacy data after allowing employers to review and correct prior records.

Strategies

1. Create a staging plan to close access for employers to change currently submitted data of record over time, based on priority demographic groups and managing the volume of work required.

Related measures

OP1: Managing Client Data and Services

Focus Area: Agency Data Warehouse

GOAL

Provide staff access to consistent, prompt, and reliable data reports.

Objective 1

Define all data terms and map data as it relates to technical and business needs and usage.

Strategies

1. Create a data dictionary to lay the foundation for the technical framework of the data.
2. Map data on end users' screens to where it is stored and derived.
3. Redesign the data warehouse to make query process more efficient and less complex.

Related measure

OP1: Managing Client Data and Services

Objective 2

Provide staff a data reporting structure that allows the user to derive and customize data reports.

Strategies

1. Create a user-friendly data tool for end users to request and create customizable reports.
2. Create a glossary of business terms to define various contextual uses of data terms.
3. Form the Central Data Team to establish a central structure for data delivery.

Related measures

SP1: Communicating Internally and Externally

Introduction

PERS' information technology (IT) system provides the foundational data and information management necessary to “pay the right person the right benefit at the right time.” Our primary IT system is the Oregon Retirement Information Online Network (ORION). ORION needs to be continuously maintained and enhanced to provide necessary business functionality due to changes initiated both internally and by outside stakeholders. PERS must continuously work to optimize controls over the change management process because it impacts efficiency and responsiveness in meeting evolving business needs.

Focus Area: Information Governance Practices

GOAL

Improve management of agency information by standardizing processes and procedures.

Objective 1

Stand up an Enterprise Information Governance Program that support industry standards.

Strategies

1. Adopt industry and regulatory standards and best practices as the guides for building an enterprise framework for information governance.
2. Implement an Enterprise Information Governance Training Program that focuses on the capture, maintenance, and retrieval of all stored information.

Related measure

SP3: Leveraging Technology

OM1: Clear, Concise Communication

Objective 2

Establish and implement information repository standards for the management of the information governance program across the enterprise.

Strategies

1. Develop policies and processes that implement standard classifications and naming conventions for enterprise storage locations that reflect the functional activity of the information retained.
2. Develop repositories that support enterprise content with appropriate access and versioning for all agency policies, practices, and knowledge-based programs.

Related measures

SP3: Leveraging Technology

OP1: Managing Client Data and Services

OM1: Clear, Concise Communication

Focus Area: ORION Business Modernization

GOAL

Improve IT efficiency and responsiveness to business operational changes.

Objective 1

Re-architect core applications in ORION as independent, discrete business services.

Strategies

1. Resolve key issues that are affecting ORION's administration, performance, maintainability, and sustainability to prepare for modernization.
2. Refactor batch processes to improve maintainability and efficiency, and reduce the batch processing window.
3. Redesign logging, monitoring, and error handling systems of the batch process and core applications.
4. Explore opportunities to externalize business rules from core applications.
5. Create an application-programming interface (API) ecosystem to allow ORION to loosely integrate between applications, commercial-off-the-shelf (COTS) solutions, and external services.

Related measure

SP3a: Number of business days in a month ORION systems are not available within the standard service window

SP3d: Number of batch incidents/abends in a month

SP3h: Percentage of time ORION systems are available during the service window

Objective 2

Architect, plan, and design the PERS Production Data Center migration.

Strategies

1. Migrate existing services from PERS Data Center to the State Data Center (SDC), as appropriate, with minimal disruption to ORION.
2. Research and explore opportunities between the SDC and private cloud providers as architected by the ORION Modernization.

Related measures

SP3: Leveraging Technology

OP1: Managing Client Data and Services

Focus Area: IT Digital Transformation

GOAL

Improve workforce environment and prepare for and attract the next generation of technical talent.

Objective 1

Transform Information Services Division (ISD) working environment to encourage collaboration and innovation.

Strategies

1. Deploy innovative and collaborative tools for effective real-time communication to support teleworking and telecommuting between staff, outside contractors, and other partners.
2. Create an open-space working environment and reorganize staff to encourage collaboration, enable flexible co-location of teams by project, and reduce topical and functional silos within ISD.

Related measure

SP3: Leveraging Technology

SP5: Managing and Developing the Workforce

Objective 2

Attract and retain IT talent at PERS.

Strategies

1. Build relationships and community outreach to state and community colleges to provide a clear path for IT careers at PERS and the State.
2. Initiate a formal internship program to graduating students as an entry into IT positions with PERS and the State.
3. Cultivate a career path to retain IT staff by encouraging innovation and investment in training.

Related measures

SP3: Leveraging Technology

SP5: Managing and Developing the Workforce

FINANCIAL MANAGEMENT

Introduction

As the financial world continues to evolve with a focus on greater transparency and ease of use for consumers, so too must PERS develop strategies to keep pace with these changes and meet member expectations. This level of responsiveness and transparency requires investing in an enhancement to our financial management tools, resources, and knowledge. Over the past decade, PERS has been required to provide multiple pension plan options and enhancements, and the increasing demands appear likely to continue. To meet these and future needs, we need to create a financial management strategy that allows greater flexibility to pivot when legislation or members demand it. To succeed, we need to enhance and integrate our financial management systems as well as invest in professional and organizational development.

Our current financial management systems require intense manual oversight, which exposes us to quality control and duplicative work. As a result, we spend an inordinate amount of time not only verifying staff work but also verifying the data we receive. Enhancing our systems promotes efficiency, limits manual oversight, and streamlines workflows.

Additionally, we need to invest in our financial management division's professional development. As we invest in technology upgrades, we must ensure our workforce is able to meet the demands of new programs and be educated on the most up-to-date processes. This group will influence and inform the implementation of our financial strategy and we need to insure we invest the same amount of attention in their development as we have in the technology meant to assist them.

Focus Area: Technology Upgrades and System Integration

GOAL

Enhance and improve productivity, reduce manual processes, and accurately and quickly respond to legislative and stakeholder needs.

Objective 1

Increase efficiency, improve communication, and reduce manual work.

Strategies

1. Enhance our current technology systems and tools to provide integration and sustainability within our existing infrastructure.
2. Secure communication with third-party administrators and vendors.
3. Ease and enhance the development of financial reporting.
4. Automate wholly manual processes and integrate them into existing infrastructure.

Related measure

OP6a: Manual Checks

Objective 2

Standardize financial data organization and reduce manual reconciliation between systems to improve accuracy and responsiveness to legislative and stakeholder needs.

Strategies

1. Enhance the Oregon Retirement Information Online Network (ORION) and its interactions with the General Ledger to minimize manual processes.
2. Create Financial and Administrative Services Division (FASD) documentation standards, including file structure and organizational management.
3. Enhance ORION to improve data accuracy and reconciliations.

Related measure

OP6e: Tax Reporting

FINANCIAL MANAGEMENT

Objective 3

Evaluate and implement electronic filing and paperless processes to effectively and promptly respond to inquiries and efficiently process transactions.

Strategies

1. Convert physical records and existing paper intake to electronic filing, including introducing e-signature capability.
2. Enhance our ability to send electronic funds transfer (EFT) and promote its use for members, vendors, and employees.

Related measure

OP6b: Direct Deposit

SP4d: Timely Payment Processing

Focus Area: Financial Management Resource Development

GOAL

Ensure PERS has the appropriate level of professional staff to perform the financial accounting, reporting, budgeting, analysis, and forecasting required to be compliant and deliver exceptional service to our stakeholders.

Objective 1

Ensure financial operations has the appropriate staffing to provide timely and accurate service to all stakeholders.

Strategies

1. Evaluate and develop a plan for the structure and staff level requirements needed, including acquiring the resources to execute such a plan.
2. Determine the staffing resources needed to support continuous process improvement, query development, systems research and testing, and tool development.

Objective 2

Increase professional certification and training within financial operations to engage staff and prepare them for potential shifts in expectations as our processes evolve, ensuring adherence to compliance and implementation of best practices.

Strategies

1. Develop standardized competencies as well as a fully funded training program to ensure adoption of these new standards.
2. Determine a benchmark for the percent of certifications along with a funding plan to ensure that the benchmark is attainable.

ENTERPRISE RISK MANAGEMENT

Introduction

Risk is defined as the “effect of uncertainty on objectives.” The consequences associated with a risk can enhance the achievement of objectives (i.e., positive consequences) or can limit or diminish the achievement of objectives (i.e., negative consequences). Management of risk, therefore, is an essential business activity required to help the agency achieve its core mission.

Enterprise Risk Management (ERM) is a process applied across the enterprise designed to identify potential events (risks) that may affect the agency and to manage risk to be within the agency’s risk appetite (tolerance), in order to provide reasonable assurance regarding the achievement of the agencies objectives.

Information Security and Risk section (SRS) is tasked with developing and implementing an ERM program, designed to provide oversight, guidance, and monitoring activities for evaluating agency risk for business and technological activities necessary to achieve agency objectives. The agency’s ERM program will focus on the following types of risk:

- Reputational Risk
- Operational Risk
- Financial Risk
- Strategic Risk
- Hazard Risk
- Compliance Risk

To this end, it is essential for agency staff to have a common understanding of risks associated with the decisions we make while performing our mission. Establishing an ERM function will serve to guide management and staff during their decisions making process to ensure reducing agency risk is paramount when choosing one path over another.

ENTERPRISE RISK MANAGEMENT

Focus Area: Enterprise Risk Management

GOAL

To establish an Enterprise Risk Management (ERM) program within the Security and Risk Section.

Objective 1

Secure Legislative support and funding to stand up an ERM program that meets industry standards.

Strategies

1. Adopt industry and regulatory standards, such as ISO 31000-2018, and best practices as the guidelines for building and operating an enterprise framework for ERM.
2. Develop a compelling business case for submission to the Legislative Fiscal Office for consideration.

Related measure

SP2: Conducting enterprise risk management efforts

SP6: Nurturing the agency's mission, values, and core operating principles

OM1: Clear, Concise Communication

Objective 2

Establish and implement an ERM program throughout the agency.

Strategies

1. Utilizing the ISO 31000-2018 Risk Management Guidelines, develop a program charter, policies, standards, and processes to establish and govern the ERM program.
2. Develop and implement an Enterprise Risk Management Governance Training Program which focuses on ensuring enterprise risk is engrained into staff's decision making process

Related measures

SP2: Conducting enterprise risk management efforts

SP6: Nurturing the agency's mission, values, and core operating principles

OM1: Clear, Concise Communication

Strategic Plan Pillars

	Goals	Objectives	
Organizational Management & Development	Goal 1 Objective 1	Develop and support a culture of workforce excellence and effective leadership practices.	Define and communicate PERS' measures of workforce excellence and desired leadership practices, consistent with organizational needs and strategic priorities.
	Goal 1 Objective 2	Develop and support a culture of workforce excellence and effective leadership practices.	Develop and implement hiring, training, and performance management practices that support a culture of workforce and leadership excellence.
	Goal 2 Objective 1	Foster and enhance transparency, relevancy, and employee satisfaction with internal communications.	Develop and implement an inclusive internal communications strategy to build a knowledgeable, engaged workforce.
	Goal 3 Objective 1	Complete POBMS integration throughout the agency.	Fully develop team scorecards to measure performance and drive strategy decisions.
	Goal 3 Objective 2	Complete POBMS integration throughout the agency.	Normalize POBMS-related methods throughout the agency.
Member Services & Communications	Goal 1 Objective 1	Engage members throughout their careers so they are better prepared for retirement.	Develop tools and profiles relevant to members at different life and career stages.
	Goal 1 Objective 2	Engage members throughout their careers so they are better prepared for retirement.	Brand PERS as a retirement education and planning resource.
	Goal 2 Objective 1	Improve members' online experience and access to secure content.	Enhance and modernize Online Member Services (OMS) with more electronic transactions and view into workflow progress.
	Goal 2 Objective 2	Improve members' online experience and access to secure content.	Launch new education tools and resources valuable to the member journey from hire to retire.
Data Reliability	Goal 1 Objective 1	Establish members as the primary quality check-point on their date of record.	Target specific data for remediation to allow members to more meaningfully review the content.
	Goal 1 Objective 2	Establish members as the primary quality check-point on their date of record.	Educate members on the use and limitations of OMS legacy data.
	Goal 2 Objective 1	Ensure data remains static after it is used in a transaction or payment.	Lock submitted data for each calendar year.
	Goal 2 Objective 2	Ensure data remains static after it is used in a transaction or payment.	Lock legacy data for each calendar year.
	Goal 3 Objective 1	Provide staff access to consistent, prompt, and reliable data reports.	Define all data terms and map data as it relates to technical and business needs and usage.
	Goal 3 Objective 2	Provide staff access to consistent, prompt, and reliable data reports.	Provide staff a data reporting structure that allows the use to derive and customize data reports.
Information Governance & Technology	Goal 1 Objective 1	Improve management of agency information by standardizing processes and procedures.	Stand up an Enterprise Information Management Governance program that supports industry standards.
	Goal 1 Objective 2	Improve management of agency information by standardizing processes and procedures.	Establish and implement information repository standards for the management of the information governance program across the enterprise.
	Goal 2 Objective 1	Improve IT efficiency and responsiveness to business operational changes.	Re-architect core applications in ORION as independent, discrete business services.
	Goal 2 Objective 2	Improve IT efficiency and responsiveness to business operational changes.	Architect, plan and design the PERS Production Data Center migration.
	Goal 3 Objective 1	Improve workforce environment and prepare for and attract the next generation of technical talent.	Transform Information Services Division (ISD) working environment to encourage collaboration and innovation.
Financial Management	Goal 3 Objective 2	Improve workforce environment and prepare for and attract the next generation of technical talent.	Attract and retain IT talent at PERS.
	Goal 1 Objective 1	Enhance and improve productivity, reduce manual processes, and accurately and quickly respond to legislative and stakeholder needs.	Increase efficiency, improve communications, and reduce manual work.
	Goal 1 Objective 2	Enhance and improve productivity, reduce manual processes, and accurately and quickly respond to legislative and stakeholder needs.	Standardize financial data organization and reduce manual reconciliation between systems to improve accuracy and responsiveness to legislative and stakeholder needs.
	Goal 1 Objective 3	Enhance and improve productivity, reduce manual processes, and accurately and quickly respond to legislative and stakeholder needs.	Evaluate and implement electronic filing and paperless processes to effectively and promptly respond to inquiries and efficiently process transactions.
	Goal 2 Objective 1	Ensure PERS has the appropriate level of professional staff to perform the financial accounting, reporting, budgeting, analysis and forecasting required to be compliant and deliver exceptional service to our stakeholders.	Ensure financial operations has the appropriate staffing to provide timely and accurate services to all stakeholders.
Enterprise Risk Management	Goal 2 Objective 2	Ensure PERS has the appropriate level of professional staff to perform the financial accounting, reporting, budgeting, analysis and forecasting required to be compliant and deliver exceptional service to our stakeholders.	Increase professional certification and training within financial operations to engage staff and prepare them for potential shifts in expectations as our processes evolve, ensuring adherence to compliance and implementation of best practices.
	Goal 1 Objective 1	Establish an Enterprise Risk Management Program within the Security & Risk Section.	Secure Legislative support and funding to stand up an Enterprise Risk Management Program which meets industry standards.
	Goal 1 Objective 2	Establish an Enterprise Risk Management Program within the Security & Risk Section.	Establish and implement an Enterprise Risk Management Program throughout the agency.

Strategic Plan Pillars	Objectives	Still valid?	Percentage Complete	Resources/Plans		Comments
				In Place for 2019-2021?	Required for 2021-2023?	
Organizational Management & Development	Goal 1 Objective 1	Y	Strategy 1 – 25% Strategy 2 – 0% Strategy 3 – 0%	25%	Y	Strategy 1 – DAS has released an Enterprise Values & Competencies Guide that illustrates leadership competencies in detail along with proficiency levels. This guide is the backbone of our Succession Plan and will become the core asset when developing the training associated with each skill, and knowledgebase competency. Strategy 2 – Plan implementation includes regular communications as well as an organizational change management plan. Strategy 3 – As a result of Strategy 2, we will measure results through and implement the necessary changes to reach adoption.
	Goal 1 Objective 2	Y	Strategy 1 – 25% Strategy 2 – 20% Strategy 3 – 15%	Y Y Y	Y	Strategy 1 – This strategy reflects work completed in Goal 1. Through succession planning efforts, we have identified new work that involves planning for critical positions that are needed and defined in our Strategic Plan. Understanding the competencies and skills in advance, will allow for employee professional development and other proactive work in preparation of our future needs. This work is in progress. Strategy 2 – We have identified standards to improve our practices of effective training, and performance management. Through the SB1049 program, we have successfully captured features, changes, processes and procedures to enable staff to transition seamlessly when performing tasks differently. We still need to continue our progress and institutionalize changes in this area and in our hiring and retention practices. This includes hiring and retaining a diverse workforce. Strategy 3 – Workday provides the capability to review management opportunities. This view has provided us with knowledge to enlist third party training (Leadership IQ) and develop specialized training consistent with management competencies.
	Goal 2 Objective 1	Y	Strategy 1 – 80% Strategy 2 – 30%	Constrained	Y	Strategy 1 – Agency leadership continues to foster support and enlist the communications team for internal/external engagement. The Monthly Contribution, Weekly Wrap, updates to our website and other communications on key activities have improved workforce engagement. Strategy 2 – Due to SB 1049, the project to transition the intranet to a better content management platform is on hold. Initial planning complete.
	Goal 3 Objective 1	Y	Strategy 1 - 100% Strategy 2 – 30% Strategy 3 – 0%	Constrained	Y	Strategy 1 – POBMS Council and ELT have communicated expectations around the value of POBMS. Strategy 2 – Training dependent on ability to revise team scorecards. Resources constrained by SB 1049 implementation. Strategy 3 – Looking at using BI Publisher to enhance reporting capabilities. Need to implement team scorecards and cascading measures.
	Goal 3 Objective 2	Y	Strategy 1 - 100% Strategy 2 – 75% Strategy 3 – 0%	Constrained	Y	Strategy 1 – POBMS has an enterprise awareness level (QTRs). With the change to performance and accountability metrics, this work in conjunction with the Performance, Accountability and Feedback model will further section goals and accomplishments. Strategy 2 – Problem solving is written into most-all management position descriptions. If a manager is in need of assistance, there are resources available. Strategy 3 – Need to understand how these efforts would be integrated into Enterprise Portfolio Management.
Member Services & Communications	Goal 1 Objective 1	Y	30%	Y	Y	We have lightly targeted different demographics in GovDelivery, but just now getting more complete information to help make current tools more robust and allow us to identify new tools. Modernization road map will help prioritize efforts
	Goal 1 Objective 2	Y	50%	Y	Y	Branding developed and transitioning all corporate materials to new brand underway. As we expand our visibility, through better tools, outreach and cross-branding, we will continue to promote the fact that we aren't only here to educate people right before they retire, but all along their journey.
	Goal 2 Objective 1	Y	20%	N	Y	Strategies not yet accomplished as POP 105 (Member Communications and Self-Service Platform) was not approved in 2019-21; retain objective in Strategic Plan and resubmit for 2021-23.
	Goal 2 Objective 2	Y	20%	Constrained	Y	New tools launched to enhance member services; additional tools chosen to improve education (Vyond), but resources constrained by SB 1049 implementation.
Data Reliability	Goal 1 Objective 1	Y	15%	Constrained	N	Additional data analytics required to help identify and prioritize our efforts. Resources constrained by SB 1049 implementation.
	Goal 1 Objective 2	Y	0%	Constrained	N	Additional data analytics required to help identify and prioritize our efforts. Resources constrained by SB 1049 implementation.
	Goal 2 Objective 1	Y	25%	N	Y	Operational work has been completed, but system updates are required to reach goal.
	Goal 2 Objective 2	Y	20%	Constrained	Y	Policy work has been completed. Additional implementation is needed, including ORION programing. Resources constrained by SB 1049.
	Goal 3 Objective 1	Y	75%	Constrained	N	PERS Data Warehouse has been deployed. Additional efforts will be done through operational initiatives. Resources constrained by SB 1049 implementation.
	Goal 3 Objective 2	Y	60%	Constrained	N	A Central Data Management portal has been deployed for end users. Additional efforts will be done through operational initiatives. Resources constrained by SB 1049 implementation.
Information Governance & Technology	Goal 1 Objective 1	Y	100%	Y	N	Both Strategies are now operational.
	Goal 1 Objective 2	Y	100%	Y	N	Both Strategies are now operational.
	Goal 2 Objective 1	Y	10%	N	Y	Received funding (\$800K) for Architecture and Planning in the 2021-23 biennium. Initial focus are 1) Business Needs Assessment, 2) Architecture Assessment, 3) Gap Analysis, 4) Strategic Roadmap, and 5) Business Case and Planning Documents. Will need to request additional funds in the upcoming short legislature session in February 2022 for the first project in the modernization roadmap.
	Goal 2 Objective 2	Y	75%	Constrained	Y	Currently in full implementation. Most of the refreshed hardware have been received and currently building out the racks and cabling.
	Goal 3 Objective 1	Y	50%	N	Y	Significant changes as a direct impact from the COVID-10 Pandemic – Work From Home and Hybrid Workforce have impacted the strategy for Workforce and Workplace strategies. Also, Centers of Excellence (CoE) have impacted the ISD Workforce Development Strategic Plan. Finalized strategic plan for workforce development should be completed by October 2021.
	Goal 3 Objective 2	Y	50%	N	Y	This is dependent on the ISD Workforce Development Strategic Plan. PERS Internship program have been re-aligned to CHRO's program, anticipating Spring 2022 to initiate internships to attract workers for entry level positions.
Financial Management	Goal 1 Objective 1	Y	10%	N	Y	Strategy 1 - Modernization funding received in 21-23 budget. The Financial Services Division (FSD) to work in concert with project team to identify areas where modernization work can reduce manual processes and increase efficiencies. Strategy 2 - Staff are building out an 'inventory' of manual processes and inefficiencies to help drive the focus of these efforts
	Goal 1 Objective 2	Y	20%	N	Y	Strategy 1 - Modernization funding received in 21-23 budget. FSD to work in concert with project team to identify areas where modernization work can reduce manual processes and increase efficiencies. Strategy 2 - FSD and CDM staff are collaborating to identify and address areas for improved data gathering and organization to help achieve this objective
	Goal 1 Objective 3	Y	90%	Constrained	Y	Strategy 1 – Many processes such as transaction approvals have been converted to paperless as we have shifted to remote work Strategy 2 – EFT have been promoted and a large percentage of members have signed on to this process Strategy 3 – continue to evaluate and implement opportunities to transition processes to electronic/paperless where efficiencies can be gained by such transition
	Goal 2 Objective 1	Y	75%	Y	N	Strategy 1 - Actuarial Activities Section Created and Actuary brought on staff during 19-21 biennium Strategy 2 - FSD section managers have reviewed section staffing models, and an annual review of each section organization has been included in each manager's annual goals.
	Goal 2 Objective 2	Y	50%	Y	N	Strategy 1 – Quarterly check in process for managers has been implemented and includes specific goals related to training and certifications Strategy 2 – include goals related to training and certifications in quarterly check in process as it is implemented to represented staff
Enterprise Risk Management (ERM)	Goal 1 Objective 1	Y		N	N	Budget request for resource in 2021-2023 biennia was not approved. CARD reviewing options as to how to resource this internally and begin steps to build out Program.
	Goal 1 Objective 2	Y		N	N	Budget request for resource in 2021-2023 biennia was not approved. CARD reviewing options as to how to resource this internally and begin steps to build out Program.
Compliance	Internal Audit Work	N/A		Y	N	Internal Audit conducted a complete review of outstanding audit recommendations and presented updated plan to Audit Committee in July 2021.
	External Audit Work	N/A			N	Secretary of State Audit released October 2018. 14 of 16 recommendations complete as of June 30, 2021, 1 in progress with remaining 1 to be completed by December 2022.
	Budget Notes	N/A		Y	N	SB5536 - SB 1049 reporting at February 2022 session. SB 5536 – are required to provide report to LFO on SDC and BDC projects in January 2022.

October 1, 2021
PERS Board Meeting Agenda

Administrative Rulemaking

1. Notice of Disability Rules



Oregon

Kate Brown, Governor

Public Employees Retirement System

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October 1, 2021

TO: Members of the PERS Board

FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section

SUBJECT: Notice of Rulemaking for Disability Rules:

459-015-0001, *Definitions*
459-015-0005, *Eligibility for Disability Retirement Allowances*
459-015-0010, *Criteria for Granting and Denying Disability Retirement Allowances*
459-015-0025, *Application Processing – Independent Examinations and Appeals*
459-015-0050, *Periodic Reviews*
459-076-0001, *Definitions*
459-076-0005, *Eligibility for Disability Benefits*
459-076-0010, *Criteria for Granting and Denying Disability Benefits*
459-076-0025, *Application Processing – Independent Examinations and Appeals*
459-076-0050, *Periodic Reviews*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Revision to disability rules to clarify PERS' standards and practices and to provide improved guidance to members applying for a disability retirement allowance (Tier 1 and 2) or disability benefit (OPSRP).
- Policy Issue: None identified.

BACKGROUND

PERS administers two disability programs — one for the Chapter 238 Plan and another for the OPSRP Pension Plan. The statutory standards for both programs are similar but not identical. PERS uses the same administrative standards and processes for the two programs to the extent permitted by statute, as unified standards and practices are more cost-effective to administer and easier for members to understand. Accordingly, the proposed changes to Division 15 (Chapter 238 disability rules) and Division 76 (OPSRP disability rules) are largely identical.

The disability programs affect a relatively small population of members. For the five-year period between 2016-20, PERS has received an average of 188 disability applications per year across all plans and membership tiers. The majority of disability applications are approved. Over the same five-year period, PERS has approved approximately 66% of the disability applications received.¹

¹ For specific data year to year, see attached chart.

Staff have identified several common issues in the disability application and periodic review processes where improved clarity in the rules would provide better guidance to members regarding PERS' standards and practices. These include clarifications regarding how and when PERS treats business income as earned income, how PERS calculates years of service when evaluating nonduty disability eligibility, how a member's receipt of unemployment benefits impacts disability eligibility, and the medical and financial information PERS requires during a member's periodic review.

The proposed revisions also include two notable changes to PERS' disability standards. First, staff have modified the specialist requirement for mental and emotional disorders in OAR 459-015-0010 and 459-076-0010 to require *either* a supportive psychiatrist *or* doctor of psychology.² The current standard requires a second supportive physician when the mental health provider is a psychologist. In many cases, the second physician does not participate in the member's mental health treatment and thus the standard adds complexity for members but is not particularly useful in evaluating the member's disabling condition. The proposed revision reduces the complexity for members while still complying with PERS' statutory requirements for establishing eligibility.

The second notable change are proposed revisions to OAR 459-015-0025 and OAR 459-076-0025 that outline PERS' use of independent medical examinations, physical capacity evaluations, and vocational evaluations. Staff frequently receive reports that the disability application process can impose financial barriers and hardship for members. This is often because the member's health insurance will not cover an examination conducted for purposes of evaluating disability eligibility, as opposed to an examination related to medical treatment. Additionally, members who reside in rural areas frequently report an inability to see an appropriate specialist because there are no such specialists in their area. Staff are also increasingly encountering an issue where physicians of certain hospital systems simply refuse to complete PERS' disability forms or provide an opinion as to a member's disability. The amendments to the rule outline some specific circumstances when PERS can exercise its discretion to arrange independent examinations and evaluations when these situations arise.

PUBLIC COMMENT AND HEARING TESTIMONY

No rulemaking hearing will be held because the PERS building is closed to the public. The public comment period ends on October 25, 2021, at 5:00 p.m.

LEGAL REVIEW

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

IMPACT

Mandatory: No.

² The phrase "doctor of psychology" is intended to exclude psychologists who have obtained only a master's degree, as these providers do not meet the definition of "physician" in OAR 459-015-0001 or OAR 459-076-0001.

Impact: Edits to improve administration of the Chapter 238 and OPSRP disability programs by providing additional clarity to members and staff.

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

RULEMAKING TIMELINE

September 30, 2021	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
October 1, 2021	PERS Board notified that staff began the rulemaking process.
October 1, 2021	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.
October 25, 2021	Public comment period ends at 5:00 p.m.
December 3, 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 December 3, 2021 Board meeting.

B.1. Attachment 1 - OAR 459-015-0001-3, *Definitions*

B.1. Attachment 2 - OAR 459-015-0005-2, *Eligibility for Disability Retirement Allowances*

B.1. Attachment 3 - OAR 459-015-0010-2, *Criteria for Granting and Denying Disability Retirement Allowances*

B.1. Attachment 4 - OAR 459-015-0025-1, *Application Processing — Independent Examinations and Appeals*

B.1. Attachment 5 - OAR 459-015-0050-1, *Periodic Reviews*

B.1. Attachment 6 - OAR 459-076-0001-2, *Definitions*

B.1. Attachment 7 - OAR 459-076-0005-1, *Eligibility for Disability Benefits*

B.1. Attachment 8 - OAR 459-076-0010-2, *Criteria for Granting and Denying Disability Benefits*

B.1. Attachment 9 - OAR 459-076-0025-1, *Application Processing — Independent Examinations and Appeals*

B.1. Attachment 10 - OAR 459-076-0050-1, *Periodic Reviews*

B.1. Attachment 11 - PERS Disability Application Data 2016-20

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 015: DISABILITY RETIREMENT ALLOWANCES**

1 **459-015-0001**

2 **Definitions**

3 The words and phrases used in this division have the same meaning given them in ORS
4 Chapter 238 and OAR 459-005-0001. Additional terms are defined as follows unless the context
5 requires otherwise.

6 (1) “Any work for which qualified” means a job, not necessarily the last or usual job, which
7 the applicant for a disability retirement allowance:

8 (a) Is physically and psychologically capable of performing ; and

9 (b) Has, or may obtain with reasonable training, the knowledge, skills and abilities, to
10 perform the job

11 (2) “Certified vocational consultant” means a person who satisfies the criteria set forth
12 under either of the following:

13 (a) A Master’s Degree in vocational rehabilitation, and one year of experience in performing
14 vocation evaluations or developing individualized return-to-work plans; or a Bachelor’s Degree
15 and two years of such experience. All degrees must have been earned at an accredited institution;
16 or

17 (b) Accredited as a Certified Rehabilitation Counselor (CRC) by the Commission on
18 Rehabilitation Counselor Certification; as a Certified Disability Management Specialist (CDMS)
19 by the Certification of Disability Management Specialists Commission; or a Certified Vocational
20 Evaluation Specialist (CVE) or a Certified Work Adjustment Specialist (CWA) by the
21 Commission on Certification of Work Adjustment and Vocational Evaluation Specialists.

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 015: DISABILITY RETIREMENT ALLOWANCES**

1 (3) “Confidential information” means information of a personal nature such that disclosure
2 would constitute an unreasonable invasion of privacy as defined by state law.

3 (4) “Date an application for disability retirement is filed” means the receipt date as
4 determined pursuant to OAR 459-005-0220.

5 (5) “Date of disability” means the later of:

6 (a) The date an active member ceased to work because of inability to perform any work for
7 which qualified due to injury or disease; or

8 (b) The date an inactive member became unable to perform any work for which qualified
9 provided such inability occurred within six months after the date of separation from service.

10 (6) “Date of separation from service” means the later of: the last day worked or the last day
11 of paid leave with a PERS participating employer.

12 (7) “Date of termination” means the date a member terminates from employment such that
13 an employee/employer relationship no longer exists.

14 (8) “Earned income” means income that includes, but is not limited to:

15 (a) Salary or wages received as an employee;

16 (b) Self-employment income from:

17 (A) Services industry;

18 (B) Sales;

19 (C) Assembly or manufacturing;

OREGON ADMINISTRATIVE RULE
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DIVISION 015: DISABILITY RETIREMENT ALLOWANCES

- 1 (D) Consulting;
- 2 (E) Property management;
- 3 (F) Gambling, other than income from sweepstakes, lotteries, bingo, keno, or slot machines;
- 4 (G) Hobby income; or
- 5 (H) Book advances.

6 (c) “Earned income” does not include:

- 7 (A) Investment income;
- 8 (B) Rent; and
- 9 (C) Royalties.

10 (d) Earned income is deemed to be received by the member on the date it is issued by the
11 payer, except retroactive payments included in ORS 238.008 shall be deemed to be received
12 by the member during the period for which the payment is allocated.

13 (e) Earned income includes the net profits of any business entity owned solely or jointly
14 by a member and for which the member materially participates in the business, as defined
15 by the Internal Revenue Service under 26 CFR 1.469-5T, as in effect on July 1, 2021.

16 (9) “Effective date of disability retirement” means the first day of the month following the
17 date of disability in which all of the following has been met:

- 18 (a) The member is paid no salary from a participating employer, and

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OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
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DIVISION 015: DISABILITY RETIREMENT ALLOWANCES

1 (b) The member does not receive paid leave from a participating employer except for any
2 lump sum payment for accrued vacation leave or compensatory time.

3 (10) “Extended duration” means a period of not less than 90 consecutive calendar days,
4 unless the disability is expected to result in the death of the disabled member in less than 90
5 days.

6 (11) “Granted service” means that portion of creditable service used solely to calculate a
7 disability retirement allowance under ORS 238.320 that is not performed or earned.

8 (12) “Independent medical exam” means an exam or exams conducted by a physician
9 chosen by PERS for purposes other than treatment which results in the issuance of a report or
10 reports based on those exams, giving an opinion regarding the claimed injury or disease.

11 (13) “Material contributing cause” means the efficient, dominant, and proximate cause of
12 the disability, without which the member would not be disabled.

13 (14) “Monthly salary” means “salary” as defined in ORS 238.005 that is earned in the last
14 full calendar month of employment, and includes employer payments under ORS 238A.335 and
15 differential wage payments as defined in OAR 459-005-0001.

16 (a) Retroactive payments or payments made due to clerical errors, paid in accordance with
17 ORS 238.005, are allocated to the period the salary was earned or should have been earned.

18 (b) Payments of salary paid within 31 days of separation are allocated to the period the
19 salary was earned and should be considered as paid on the last date of employment.

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1 (15) “Monthly salary received” means the greater of the monthly salary paid for the last full
2 calendar month of:

3 (a) Employment before the date of disability; or

4 (b) Differential wage payments made before the date of disability. This subsection is
5 effective January 1, 2009.

6 (16) “Normal retirement age” means the age at which a member can retire without a reduced
7 benefit as set forth under ORS 238.005 and 238.280.

8 (17) “Performance of duty” means whatever an employee may be directed, required or
9 reasonably expected to do in connection with his or her employment, and not solely the duties
10 particular to his or her position.

11 (18) “Periodic review” means a review of a member receiving a disability retirement
12 allowance to determine whether or not a continued allowance is warranted.

13 **(19) “Physical capacity evaluation” means a comprehensive and objective evaluation**
14 **performed by a physician, physical therapist, or occupational therapist to determine a**
15 **member’s physical or functional capacity to perform work. The evaluation may include an**
16 **analysis of the member’s ability to perform a specified job based on a position description**
17 **and the member’s abilities or limitations.**

18 ~~[(19)]~~ **(20)** “Physician” means a *[medical]* doctor **of medicine**, a doctor of osteopathy, a
19 doctor of oral surgery, a chiropractic doctor, a naturopathic doctor, **a doctor of podiatric**
20 **medicine**, or a doctor of psychology practicing only within the purview of their license issued by
21 the designated authority of a state.

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1 ~~[(20)]~~(21) “Pre-existing condition” means a condition that was not sustained in actual
2 performance of duty in a qualifying position with a participating employer.

3 ~~[(21)]~~(22) “Protected health information” means health information created or received by a
4 health care provider, health plan, or health care clearinghouse, where an individual has a
5 reasonable belief that the information can identify the individual, which relates to:

- 6 (a) The past, present, or future physical or mental health of an individual;
- 7 (b) The provision of health care to an individual; or
- 8 (c) The past, present, or future payment for the provision of health care to an individual.

9 ~~[(22)]~~(23) “Similar in compensation” means salary or other earned income, excluding
10 overtime, equaling at least 80% of the monthly salary.

11 ~~[(23)]~~(24) “Total disability” means the inability to perform any work for which qualified for
12 an extended duration due to physical or mental incapacitation.

13 ~~[(24)]~~(25) “Training or vocational rehabilitation program” means a comprehensive,
14 coordinated program, usually state or federally funded, to train and assist individuals with
15 disabilities in securing gainful employment commensurate with their abilities and capabilities.

16 ~~[(25)]~~(26) “Vocational evaluation” means an evaluation conducted by a certified vocational
17 consultant, to determine the ability of an applicant to perform any work for which they are
18 qualified.

19 ~~[(26)]~~(27) “Work related stress” means conditions or disabilities resulting from, but not
20 limited to:

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- 1 (a) Change of employment duties;
 - 2 (b) Conflicts with supervisors;
 - 3 (c) Actual or perceived threat of loss of a job, demotion, or disciplinary action;
 - 4 (d) Relationships with supervisors, coworkers, or the public;
 - 5 (e) Specific or general job dissatisfaction;
 - 6 (f) Work load pressures;
 - 7 (g) Subjective perceptions of employment conditions or environment;
 - 8 (h) Loss of job or demotion for whatever reason;
 - 9 (i) Fear of exposure to chemicals, radiation biohazards, or other perceived hazards;
 - 10 (j) Objective or subjective stresses of employment; or
 - 11 (k) Personnel decisions.
- 12 Stat. Auth.: ORS 238.650
- 13 Stats. Implemented: ORS 238.320 - 238.345
- 14 Hist.: PERS 15-2005, f. & cert. ef. 10-3-05; f. & cert. ef. 2-12-09; f. & cert. ef. 5-28-2010; f. &
- 15 cert. ef. 10-5-11; f. & cert. ef. 10-2-20

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1 **459-015-0005**

2 **Eligibility for Disability Retirement Allowances**

3 (1) A member must be totally, not partially, disabled and unable to perform any work for
4 which qualified for an extended duration to be eligible for a disability retirement allowance.

5 (2) In determining a member’s eligibility for a disability retirement allowance, the burden of
6 proof is upon the applicant. The Board is not required to prove whether the applicant is or is not
7 eligible for a disability retirement allowance.

8 (3) Eligibility requirements for duty disabilities.

9 (a) To be eligible for a duty disability a member must prove:

10 (A) The mental or physical incapacitation arose out of and in the course of duty and was not
11 intentionally self-inflicted; and

12 (B) The on the job injury must be the material contributing cause of the disability even if the
13 member has a pre-existing condition.

14 (b) For work related stress to be considered the material contributing cause of the disability
15 all of the following criteria must be met:

16 (A) The employment conditions producing the work-related stress exist in a real and
17 objective sense;

18 (B) The employment conditions producing the work-related stress are conditions other than
19 conditions generally inherent in every working situation or reasonable disciplinary, corrective or

1 job performance evaluation actions by the employer, or cessation of employment or employment
2 decisions attendant upon ordinary business or financial cycles;

3 (C) There is a diagnosis of a mental or emotional disorder which is generally recognized in
4 the medical or psychological community; and

5 (D) There is evidence that the work-related stress arose out of and in the course of
6 employment.

7 (4) Eligibility requirements for non-duty disabilities. A member applying for non-duty
8 disability retirement must have a minimum of 10 years of employment in a PERS qualifying
9 position[*as calculated pursuant to ORS 238.320(6)*]. Years of employment are calculated
10 pursuant to ORS 238.320(6) as follows:

11 (a) Members with no prior service credit under ORS 238.442 receive:

12 (A) One year of employment for each 12-month period or major fraction thereof,
13 calculated from the date on which the member begins the six-month waiting period
14 required for establishing membership under ORS 238.015 to the date of disability; and

15 (B) Up to 90 days for sick leave used after the date of disability. No other leave of
16 absence after the date of disability will count toward years of employment.

17 (b) Members with prior service credit under ORS 238.442 receive:

18 (A) One year of employment for each year of prior service credit; and

19 (B) One year of employment for any minor fraction of a year of prior service, if
20 continuous as certified by the employer and for which no prior service credit was granted;
21 and

1 (C) One year of employment for each 12-month period or major fraction thereof,
2 calculated from the date on which membership is established in the system to the date of
3 disability; and

4 (D) Up to 90 days for sick leave used after the date of disability. No other leave of
5 absence after the date of disability will count toward years of employment.

6 (5) A member’s disability retirement allowance shall be calculated based on:

7 (a) Creditable service; and

8 (b) Granted service if the member had not attained:

9 (A) Age 55 if the last qualifying position was as a police officer or a firefighter.

10 (B) Age 58 if the last qualifying position was as other than a police officer or firefighter.

11 (6) Granted service is:

12 (a) Not included in the calculation of increased benefits payable under ORS 238.364.

13 (b) Included in the calculation of increased benefits payable under ORS 238.366.

14 (7) Termination of membership. Disability retirement allowances are available only to
15 PERS members. Former PERS members who have terminated their membership pursuant to
16 ORS 238.095 are not eligible to receive PERS disability retirement allowances.

17 Stat. Auth.: ORS 238.650

18 Stats. Implemented: ORS 238.320 - 238.345

19 Hist.: PERS 2-1992, f. & cert. ef. 1-14-92; PERS 15-2005, f. & cert. ef. 10-3-05; f. & cert. ef. 5-
20 28-2010; f. & cert. ef. 11-23-11

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1 **459-015-0010**

2 **Criteria for Granting and Denying Disability Retirement Allowances**

3 **(1) PERS shall determine eligibility for disability retirement allowances based on an**
4 **applicant's capacity and qualifications as set forth below.**

5 ~~[(1)]~~(2) Medical documentation is required by PERS. Each disability retirement applicant
6 shall supply any treating or consulting physician's examination report or other medical
7 information requested by PERS. PERS may base its determination on either a treating or
8 consulting physician's medical examination report or have the applicant examined by one or
9 more physicians selected by PERS, or both.

10 ~~[(2)]~~(3) All claims of a disability must be supported by at least one physician's report,
11 resulting from a ~~[physical]~~ **medical** examination, documenting how the injury or disease
12 incapacitates the member. **A physician assistant's examination report will be accepted as a**
13 **physician's report when signed by a supervising physician who has examined the member.**

14 ~~[(3)]~~(4) In addition, a disability retirement applicant shall be required to furnish the
15 following:

16 (a) For claims of mental or emotional disorder, at least one report ~~[of examination]~~ by a
17 **treating or consulting** psychiatrist or ~~[at least one report of evaluation by a psychologist when~~
18 ~~accompanied by a report of physical examination by a treating or consulting physician]~~ **doctor**
19 **of psychology;**

20 (b) For claims of orthopedic injury or disease, at least one report of a treating or consulting
21 orthopedic **or physical medicine and rehabilitation** specialist;

1 (c) For claims of neurological or neurosurgical injury or disease, at least one report of a
2 treating or consulting neurologist or neurosurgeon;

3 (d) For claims of fibromyalgia, at least one documented diagnosis by a rheumatologist,
4 and at least one report of a treating or consulting rheumatologist or physical medicine and
5 rehabilitation specialist; and

6 (e) Any other specialized physician’s report that PERS deems necessary.

7 ~~[(4)]~~(5) To demonstrate that he or she is unable to perform any work for which qualified, as
8 defined in OAR 459-015-0001(1), the applicant shall document how the injury or disease
9 incapacitates the applicant. The standard is subjective (that is, whether the applicant is actually
10 incapacitated) not objective (that is, whether a “normal” member would have been incapacitated
11 by the same events).

12 (a) In determining what work for which a member is qualified, the following factors shall be
13 considered:

14 (A) Previous employment experience;

15 (B) Formal education;

16 (C) Formal training;

17 (D) Transferable skills;

18 (E) Age; and

19 (F) Physical or mental impairment.

1 (b) In determining what work for which a member is qualified, PERS may request, at PERS’
2 expense, a vocational evaluation be done by a vocational consultant who is fully certified as set
3 forth in OAR 459-015-0001(2).

4 (c) The inability of the applicant to perform the duties of his or her last job, in itself, does
5 not satisfy the criterion.

6 **(d) An applicant’s receipt of weekly unemployment insurance benefits after the date of**
7 **disability shall create a rebuttable presumption that the member was able, available, and**
8 **willing to perform any work for which qualified during the week for which the applicant**
9 **received the benefits.**

10 ~~[(5)]~~(6) When there is a dispute among medical experts, more weight will be given to those
11 medical opinions that are both well-reasoned and based on complete information.

12 ~~[(6)]~~(7) The Board may deny any application or discontinue any disability retirement
13 allowance if an applicant:

14 (a) Refuses to submit to an independent medical or vocational examination; or

15 (b) Refuses to submit to any medical examination or supply a completed application or
16 review form.

17 Stat. Auth.: ORS 238.650

18 Stats. Implemented: ORS 238.320 & 238.335

19 Hist.: PERS 2-1992, f. & cert. ef. 1-14-92; PERS 4-1992, f. & cert. ef. 5-4-92; PERS 15-2005, f.
20 & cert. ef. 10-3-05; f. & cert. ef. 7-25-1

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1 **459-015-0025**

2 **Application Processing – Independent Examinations and Appeals**

3 (1) Following the timely filing of a completed application, PERS may, at its discretion,
4 request an independent medical exam, physical capacity evaluation, or [a] vocational
5 evaluation. If PERS requests one or more of these exams or evaluations, PERS will pay the
6 reasonable associated expenses.

7 (a) PERS is not required or obligated to request any examination or evaluation. The
8 burden of proof for eligibility for a disability retirement allowance is upon the applicant,
9 whether or not PERS requests any examination or evaluation. Situations in which PERS
10 may exercise its discretion to request an examination or evaluation include, but are not
11 limited to:

12 (A) When PERS receives conflicting opinions from two physicians of the same
13 specialty;

14 (B) When an applicant cannot afford to see a physician of the appropriate specialty
15 under OAR 459-015-0010(4) because:

16 (i) The applicant does not have health insurance;

17 (ii) The examination or evaluation will not be covered by the applicant's health
18 insurance; or

19 (iii) No such physician practices medicine within 50 miles of the applicant's home and
20 the cost of traveling to such a physician would create a financial hardship for the applicant.

1 (C) When an applicant has been examined by a physician of the appropriate specialty
2 under OAR 459-015-0010(4), but the physician declines to provide an opinion to PERS as
3 to the applicant's claimed disability.

4 (b) For independent medical exams and physical capacity evaluations, PERS shall inform
5 the applicant in writing and postmarked not less than ten days prior to a scheduled examination
6 or evaluation of the identity of the *[physician(s)]* person or entity selected to examine or
7 evaluate the applicant, together with location, date and time.

8 *[(b)]* (c) For vocational evaluations, the vocational consultant or locator service shall inform
9 the applicant of the location, date and time of the scheduled examination.

10 *[(c)]* (d) If the applicant fails to meet the scheduled appointment or fails to reschedule the
11 examination within five days of notification, PERS will not reschedule an examination at PERS'
12 expense unless the applicant can demonstrate good cause for having failed to meet the scheduled
13 appointment or reschedule the appointment as required.

14 *[(d)]* (e) Good cause includes, but is not limited to:

15 (A) Physical or mental incapacitation preventing the member from meeting or rescheduling
16 the examination;

17 (B) Failure of PERS or the vocational consultant or locator service to send the member
18 notice as described above; or

19 (C) A death in the member's immediate family.

20 *[(e)]* (f) Good cause does not include:

21 (A) A member's refusal to attend the scheduled appointment;

1 (B) A member’s failure to meet the appointment with no reason provided; or

2 (C) A member’s failure to make appropriate transportation arrangements.

3 (2) When PERS requires an applicant to travel to be examined by a physician, vocational
4 consultant, or other professional, PERS will reimburse the applicant’s reasonable transportation
5 costs based on the least costly alternative and on availability. Travel by private vehicle shall be
6 compensated at the rate applicable to travel by unrepresented state employees on state business.
7 Transportation by taxi, bus, rail, or other public carrier shall be paid only upon presentation of
8 receipts from the providers. Lodging and subsistence shall be allowed only when an overnight
9 stay is necessary and shall be paid at the rate applicable to unrepresented state employees
10 traveling on state business. Reimbursements will be reduced by the amount of any penalty
11 assessed by PERS because of a member’s failure to meet a scheduled appointment.

12 (3) In the event a member fails to meet a scheduled appointment in accordance with section
13 (1) of this rule, and PERS is assessed a penalty by the service provider for the failure to meet the
14 scheduled appointment, the disability applicant shall bear the cost of the penalty as follows:

15 (a) If the disability application is not approved, by making direct payment to the service
16 provider who assessed the penalty; or

17 (b) If the disability application is approved:

18 (A) By making direct payment to the service provider who assessed the penalty; or

19 (B) By having the amount of the penalty deducted from the monthly disability retirement
20 allowance, as provided for under ORS 238.715, payable to the member until the invoice is
21 satisfied.

1 (4) The Director, or the Director’s designee, is hereby authorized to approve or deny a
2 disability retirement application. Upon receipt and review of all necessary documentation, staff
3 shall present applicant’s claim to the Director, or the Director’s designee, with a
4 recommendation to approve or to deny a disability retirement allowance. The Director, or the
5 Director’s designee, may accept or reject the staff’s recommendation, or refer the application
6 back to staff for further documentation and review.

7 (a) If the Director, or the Director’s designee, approves a disability claim, the staff will
8 notify the applicant and the applicant’s employer of such approval.

9 (b) If the disability claim is denied, the staff shall issue an Intent to Deny letter by regular
10 and certified mail, return receipt requested. The denial letter shall advise the applicant that
11 additional information to substantiate the claim, or a request for an extension of 30 days to
12 present additional information, may be submitted to the staff in writing within 30 days of the
13 date of the Intent to Deny letter.

14 (c) An applicant who is otherwise eligible for a service retirement allowance shall have 30
15 days from the date of the Intent to Deny letter to apply for a service retirement allowance and be
16 entitled to establish an effective date of service retirement for the first of the month that the
17 application for disability retirement allowance was received by PERS.

18 (d) The application for a service retirement allowance as provided for in subsection (c) of
19 this section shall not preclude a disability applicant from requesting a contested case hearing
20 under OAR 459-015-0030.

21 (5) Following the issuance of an Intent to Deny letter, staff will review any additional
22 information which is submitted within 30 days from the issuance of the Intent to Deny letter.

1 (a) If the additional information results in a recommendation to approve the application,
2 staff shall resubmit the application to the Director, or the Director’s designee, with the
3 recommendation.

4 (b) If the additional information does not result in a recommendation to approve the
5 application, PERS will issue a final denial letter by regular and certified mail, return receipt
6 requested.

7 (c) If no additional information is received, PERS will issue a final denial letter by regular
8 and certified mail, return receipt requested.

9 (6) The final denial letter will provide the applicant with notification of the right to request a
10 contested case hearing as provided for in OAR 459-015-0030 and 459-001-0035.

11 (7) PERS will notify the most recent employer of the approval or the denial of an
12 application for a disability retirement allowance, a request for review of the Director’s
13 determination, and the Director’s final action. Such notification will not contain any confidential
14 information as defined in OAR 459-015-0001(3).

15 Stat. Auth.: ORS 238.650

16 Stats. Implemented: ORS 238.320 & 238.335

17 Hist.: PERS 2-1992, f. & cert. ef. 1-14-92; PERS 5-1992, f. & cert. ef. 5-4-92; PERS 15-2005, f.
18 & cert. ef. 10-3-05

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1 **459-015-0050**

2 **Periodic Reviews**

3 (1) Members receiving a disability retirement allowance are subject to periodic reviews of
4 their disabled status until the member reaches normal retirement age or staff determines that
5 periodic reviews are no longer warranted.

6 (2) Periodic reviews will be used to determine that continued disability retirement
7 allowances are warranted. In recommending the continuance or discontinuance of a disability
8 retirement allowance, PERS will follow the criteria established under OAR 459-015-0005 for the
9 original approved disabling condition or a new medical condition. PERS will also consider the
10 Return to Work provisions of ORS 238.330(3), 238.340, and OAR 459-015-0045.

11 (3) For duty disability, the periodic review will not revisit the original determination that the
12 injury or disease was duty caused, unless there is evidence of misrepresentation or fraud.

13 (4) PERS will establish review dates for each member subject to a periodic review
14 depending on type of disability, extent of disability, *[and]* medical reports, and earned income
15 unique to each individual case.

16 (a) The reviews may be medical or vocational in nature, or both.

17 (b) Upon review, PERS may accept or require:

18 (A) New treating or consulting physician or specialist reports;

19 (B) Updated physician or specialist reports;

20 (C) Independent medical or vocational examinations; or

1 (D) Employment and wage information, including but not limited to, tax returns or
2 information from the State Employment Department.

3 (c) PERS may immediately discontinue the disability retirement allowance of any person
4 who *[refuses]* **fails** to provide current medical evidence; **submit requested employment, wage,**
5 **income, or tax information;** or refuses to submit to a *[n]* **medical or vocational** examination.

6 (A) If the disability claim is discontinued, the staff shall issue an Intent to Discontinue letter by
7 regular and certified mail, return receipt requested. The discontinuation letter shall advise the
8 applicant that additional information to substantiate the claim, or a request for an extension of 30
9 days to present additional information, may be submitted to the staff in writing within 30 days of
10 the date of the Intent to Discontinue letter.

11 (B) Following the issuance of an Intent to Discontinue letter, staff will review any additional
12 information which is submitted within 30 days.

13 (i) If the additional information results in a recommendation to approve the application, staff
14 shall resubmit the application to the Director, or the Director’s designee, with the
15 recommendation.

16 (ii) If the additional information does not result in a recommendation to approve the
17 application, PERS will issue a final discontinuation letter by regular and certified mail, return
18 receipt requested.

19 (C) If no additional information is received within 30 days, PERS will issue a final
20 discontinuation letter by regular and certified mail, return receipt requested.

21 (D) The final discontinuation letter will provide the applicant with notification of the right to
22 request a contested case hearing as provided for in OAR 459-015-0030 and 459-001-0035.

1 (5) The member has the burden to prove continuing eligibility for a disability retirement
2 allowance.

3 (6) The Director, or the Director’s designee, may approve or deny the continuance of a
4 disability retirement allowance.

5 Stat. Auth.: ORS 238.650

6 Stats. Implemented: ORS 238.320 & 238.335

7 Hist.: PERS 2-1992, f. & cert. ef. 1-14-92; PERS 5-1992, f. & cert. ef. 5-4-92; PERS 15-2005, f.

8 & cert. ef. 10-3-05; f. & cert. ef. 10-5-11

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1 **459-076-0001**

2 **Definitions**

3 The words and phrases used in this division have the same meaning given them in ORS
4 Chapter 238A and OAR 459-070-0001. Additional terms are defined as follows unless the
5 context requires otherwise.

6 (1) “Any work for which qualified” means a job, not necessarily the last or usual job, which
7 the applicant for disability benefits:

8 (a) Is physically and psychologically capable of performing; and

9 (b) Has or may obtain with reasonable training, the knowledge, skills and abilities, to
10 perform the job.

11 (2) “Certified vocational consultant” means a person who satisfies the criteria set forth
12 under either of the following:

13 (a) A Master's Degree in vocational rehabilitation, and one year of experience in performing
14 vocation evaluations or developing individualized return-to-work plans; or a Bachelor's Degree
15 and two years of such experience. All degrees must have been earned at an accredited institution;
16 or

17 (b) Accredited as a Certified Rehabilitation Counselor (CRC) by the Commission on
18 Rehabilitation Counselor Certification; as a Certified Disability Management Specialist (CDMS)
19 by the Certification of Disability Management Specialists Commission; or a Certified Vocational
20 Evaluation Specialist (CVE) or a Certified Work Adjustment Specialist (CWA) by the
21 Commission on Certification of Work Adjustment and Vocational Evaluation Specialists.

1 (3) “Confidential information” means information of a personal nature such that disclosure
2 would constitute an unreasonable invasion of privacy as defined by state law.

3 (4) “Date an application for a disability benefit is filed” means the receipt date as
4 determined pursuant to OAR 459-005-0220.

5 (5) “Date of disability” means the date an active member ceased to work because of inability
6 to perform any work for which qualified due to injury or disease.

7 (6) “Date of separation from service” means the later of: the last day worked or the last day
8 of paid leave with a PERS participating employer.

9 (7) “Date of termination” means the date a member terminates from employment such that
10 an employee/employer relationship no longer exists.

11 (8) “Earned income” includes, but is not limited to:

12 (a) Salary or wages received as an employee;

13 (b) Self-employment income from:

14 (A) Services industry;

15 (B) Sales;

16 (C) Assembly or manufacturing;

17 (D) Consulting;

18 (E) Property management;

19 (F) Gambling, other than income from sweepstakes, lotteries, bingo, keno, or slot machines;

20 (G) Hobby income; or

1 (H) Book advances.

2 (c) “Earned income” does not include:

3 (A) Investment income;

4 (B) Rent; and

5 (C) Royalties.

6 (d) Earned income is deemed to be received by the member on the date it is issued by the
7 payer, except retroactive payments included in ORS 238.008 shall be deemed to be received
8 by the member during the period for which the payment is allocated.

9 (e) Earned income includes the net profits of any business entity owned solely or jointly
10 by a member and for which the member materially participates in the business, as defined
11 by the Internal Revenue Service under 26 CFR 1.469-5T, as in effect on July 1, 2021.

12 (9) “Effective date of disability benefit” means the first day of the month following the date
13 of disability, in which:

14 (a) The member is paid no salary from a participating employer; and

15 (b) The member does not receive paid leave from a participating employer, except for any
16 lump sum payment for accrued vacation leave or compensatory time.

17 (10) “Extended duration” means a period of not less than 90 consecutive calendar days
18 unless the disability is expected to result in the death of the disabled member in less than 90
19 days.

1 (11) “Independent medical exam” means an exam or exams conducted by a physician
2 chosen by PERS for purposes other than for treatment which results in the issuance of a report or
3 reports based on those exams, giving an opinion regarding the claimed injury or disease.

4 (12) “Material contributing cause” means the efficient, dominant, and proximate cause of
5 the disability, without which the member would not be disabled.

6 (13) “Monthly salary” means salary as defined in ORS 238A.005 that is earned in the last
7 full calendar month of employment and includes a differential wage payment, as defined in OAR
8 459-005-0001.

9 (a) Retroactive payments or payments made due to clerical errors, paid in accordance with
10 ORS 238A.005, are allocated to the period the salary was earned or should have been earned.

11 (b) Payments of salary paid within 31 days of separation are allocated to the period the
12 salary was earned and should be considered as paid on the last date of employment.

13 (14) “Monthly salary received” means the greater of the salary paid for the last full calendar
14 month of:

15 (a) Employment before the date of disability; or

16 (b) Differential wage payments made before the date of disability. This subsection is
17 effective January 1, 2009.

18 (15) “Performance of duty” means whatever an employee may be directed, required or
19 reasonably expected to do in connection with his or her employment, and not solely the duties
20 particular to his or her position.

21 (16) “Periodic review” means a review of a member receiving a disability benefit to
22 determine whether or not a continued benefit is warranted.

1 (17) “Physical capacity evaluation” means a comprehensive and objective evaluation
 2 performed by a physician, physical therapist, or occupational therapist to determine a
 3 member’s physical or functional capacity to perform work. The evaluation may include an
 4 analysis of the member’s ability to perform a specified job based on a position description
 5 and the member’s abilities or limitations.

6 ~~[(17)]~~(18) “Physician” means a ~~[medical]~~ doctor of medicine, a doctor of osteopathy, a
 7 doctor of oral surgery, a chiropractic doctor, a naturopathic doctor, a doctor of podiatric
 8 medicine, or a doctor of psychology practicing only within the purview of their license issued by
 9 the designated authority of a state.

10 ~~[(18)]~~(19) “Pre-existing condition” means a condition that was not sustained in actual
 11 performance of duty in a qualifying position with a participating employer.

12 ~~[(19)]~~(20) “Protected health information” means health information created or received by a
 13 health care provider, health plan, or health care clearinghouse, where an individual has a
 14 reasonable belief that the information can identify the individual, which relates to:

- 15 (a) The past, present, or future physical or mental health of an individual;
- 16 (b) The provision of health care to an individual; or
- 17 (c) The past, present, or future payment for the provision of health care to an individual.

18 ~~[(20)]~~(21) “Total disability” means the inability to perform any work for which qualified for
 19 an extended duration due to physical or mental incapacitation.

20 ~~[(21)]~~(22) “Vocational evaluation” means an evaluation conducted by a certified vocational
 21 consultant, to determine the ability of an applicant to perform any work for which they are
 22 qualified.

1 ~~[(22)]~~(23) “Work related stress” means conditions or disabilities resulting from, but not
2 limited to:

3 (a) Change of employment duties;

4 (b) Conflicts with supervisors;

5 (c) Actual or perceived threat of loss of a job, demotion, or disciplinary action;

6 (d) Relationships with supervisors, coworkers, or the public;

7 (e) Specific or general job dissatisfaction;

8 (f) Work load pressures;

9 (g) Subjective perceptions of employment conditions or environment;

10 (h) Loss of job or demotion for whatever reason;

11 (i) Fear of exposure to chemicals, radiation biohazards, or other perceived hazards;

12 (j) Objective or subjective stresses of employment; or

13 (k) Personnel decisions.

14 Stat. Auth.: ORS 238A.450

15 Stats. Implemented: ORS 238A.235

16 Hist.: PERS 16-2005, f. & cert. ef. 10-3-05; PERS 7-2007, f. & cert. ef. 4-4-07; f. & cert. ef. 2-

17 12-09; f. & cert. ef. 10-5-11; f. & cert. ef. 10-2-20

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 015: DISABILITY RETIREMENT ALLOWANCES**

1 **459-076-0005**

2 **Eligibility for Disability Benefits**

3 (1) A *[n active]* member who was an active member as of the date of disability must be
4 totally, not partially, disabled and unable to perform any work for which qualified for an
5 extended duration to be eligible for a disability benefit.

6 (2) A member with disabilities arising after the member’s date of termination from a
7 qualifying position(s) is not eligible for a disability benefit.

8 (3) In determining a member’s eligibility for disability benefits, the burden of proof is upon
9 the applicant. The Board is not required to prove whether the applicant is or is not eligible for
10 disability benefits.

11 (4) Eligibility requirements for duty disabilities.

12 (a) To be eligible for a duty disability a member must prove:

13 (A) The mental or physical incapacitation arose out of and in the course of duty and was not
14 intentionally self-inflicted; and

15 (B) The on the job injury must be the material contributing cause of the disability, even if
16 the member has a pre-existing condition.

17 (b) For work related stress to be considered the material contributing cause of the disability
18 all of the following criteria must be met:

19 (A) The employment conditions producing the work related stress exist in a real and
20 objective sense;

1 (B) The employment conditions producing the work related stress are conditions other than
2 conditions generally inherent in every working situation or reasonable disciplinary, corrective or
3 job performance evaluation actions by the employer, or cessation of employment or employment
4 decisions attendant upon ordinary business or financial cycles;

5 (C) There is a diagnosis of a mental or emotional disorder which is generally recognized in
6 the medical or psychological community; and

7 (D) There is evidence that the work related stress arose out of and in the course of
8 employment.

9 (5) Eligibility requirements for non-duty disabilities. A member applying for non-duty
10 disability benefits must meet the 10 or more years of service requirements pursuant to ORS
11 238A.235(2)(a) or (b).

12 (6) Termination of OPSRP membership. Disability benefits are available only to *[active*
13 *OPSRP Pension Program members. Former]*OPSRP Pension Program members who have not
14 terminated membership pursuant to ORS 238A.110 *[are not eligible to receive OPSRP disability*
15 *benefit]*.

16 (7) Return to work. If a member who is receiving a disability benefit becomes employed or
17 receives earned income, the member’s disability benefit will be terminated, effective the first of
18 the month following employment or issuance of earned income. PERS will invoice the member
19 for, or recover under ORS 238.715, any overpayment of benefits.

20 (8) PERS may contact other public or private agencies, such as the Oregon Employment
21 Department, the Oregon Department of Revenue, or the U.S. Internal Revenue Service to obtain
22 employment information.

1 (9) Upon request by PERS, a member must provide PERS with a copy of the member's
2 federal income tax returns, together with copies of IRS forms W-2.

3 Stat. Auth.: ORS 238A.450

4 Stats. Implemented: ORS 238A.235

5 Hist.: PERS 16-2005, f. & cert. ef. 10-3-05; f. & cert. ef. 10; f. & cert. ef. 11-23-11

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 015: DISABILITY RETIREMENT ALLOWANCES**

1 **459-076-0010**

2 **Criteria for Granting and Denying Disability Benefits**

3 **(1) PERS shall determine eligibility for disability benefits based on an applicant's**
4 **capacity and qualifications as set forth below.**

5 ~~[(1)]~~(2) Medical documentation is required by PERS. Each disability benefit applicant shall
6 supply any treating or consulting physician's examination report or other medical information
7 requested by PERS. PERS may base its determination on either a treating or consulting
8 physician's medical examination report or have the applicant examined by one or more
9 physicians selected by PERS, or both.

10 ~~[(2)]~~(3) All claims of a disability must be supported by at least one physician's report,
11 resulting from a ~~[physical]~~**medical** examination, documenting how the injury or disease
12 incapacitates the member. **A physician assistant's examination report will be accepted as a**
13 **physician's report when signed by a supervising physician who has examined the member.**

14 ~~[(3)]~~(4) In addition, a disability benefit applicant shall be required to furnish the following:

15 (a) For claims of mental or emotional disorder, at least one report of ~~[examination by]~~ a
16 **treating or consulting** psychiatrist or ~~[at least one report of evaluation by a psychologist when~~
17 ~~accompanied by a report of physical examination by a treating or consulting physician;]~~**doctor**
18 **of psychology;**

19 (b) For claims of orthopedic injury or disease, at least one report of a treating or consulting
20 orthopedic **or physical medicine and rehabilitation** specialist;

1 (c) For claims of neurological or neurosurgical injury or disease, at least one report of a
2 treating or consulting neurologist or neurosurgeon;

3 (d) For claims of fibromyalgia, at least one documented diagnosis by a rheumatologist,
4 and at least one report of a treating or consulting rheumatologist or physical medicine and
5 rehabilitation specialist; and

6 (e) Any other specialized physician’s report PERS deems necessary.

7 ~~[(4)](5)~~ To demonstrate that he or she is unable to perform any work for which qualified, as
8 defined in OAR 459-076-0001(1), the applicant shall document how the injury or disease
9 incapacitates the applicant. The standard is subjective (that is, whether the applicant is actually
10 incapacitated) not objective (that is, whether a "normal" member would have been incapacitated
11 by the same events).

12 (a) In determining what work for which a member is qualified, the following factors shall be
13 considered:

14 (A) Previous employment experience;

15 (B) Formal education;

16 (C) Formal training;

17 (D) Transferable skills;

18 (E) Age; and

19 (F) Physical or mental impairment.

1 (b) *[In determining what work for which a member is qualified,]* PERS may request, at
 2 PERS’ expense, a vocational evaluation be done by a vocational consultant who is fully certified
 3 as set forth in OAR 459-076-0001(2).

4 (c) The inability of the applicant to perform the duties of his or her last job, in itself, does
 5 not satisfy the criterion.

6 (d) An applicant’s receipt of weekly unemployment insurance benefits after the date of
 7 disability shall create a rebuttable presumption that the member was able, available, and
 8 willing to perform any work for which qualified during the week for which the applicant
 9 received the benefits.

10 *[(5)](6)* When there is a dispute among medical experts, more weight will be given to those
 11 medical opinions that are both well-reasoned and based on complete information.

12 *[(6)](7)* The Board may deny any application or discontinue any disability benefit if an
 13 applicant:

14 (a) *[Refuses]* Fails to submit to an independent medical exam, physical capacity
 15 evaluation, or vocational *[examination]* evaluation; or

16 (b) *[Refuses]* Fails to submit to any medical examination or supply a completed application
 17 or review form.

18 Stat. Auth.: ORS 238A.450

19 Stats. Implemented: ORS 238A.235

20 Hist.: PERS 16-2005, f. & cert. ef. 10-3-05; f. & cert. ef. 7-25-14

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 015: DISABILITY RETIREMENT ALLOWANCES**

1 **459-076-0025**

2 **Application Processing – Independent Examinations and Appeals**

3 (1) Following the timely filing of a completed application, PERS may, at its discretion,
4 request an independent medical exam, physical capacity evaluation, or [a] vocational
5 evaluation. If PERS requests one or more of these exams or evaluations, PERS will pay the
6 reasonable associated expenses.

7 (a) PERS is not required or obligated to request any examination or evaluation. The
8 burden of proof for eligibility for a disability benefit is upon the applicant, whether or not
9 PERS requests any examination or evaluation. Situations in which PERS may exercise its
10 discretion to request an examination or evaluation include, but are not limited to:

11 (A) When PERS receives conflicting opinions from two physicians of the same
12 specialty;

13 (B) When an applicant cannot afford to see a physician of the appropriate specialty
14 under OAR 459-076-0010(4) because:

15 (i) The applicant does not have health insurance;

16 (ii) The examination or evaluation will not be covered by the applicant's health
17 insurance; or

18 (iii) No such physician practices medicine within 50 miles of the applicant's home and
19 the cost of traveling to such a physician would create a financial hardship for the applicant.

20 (C) When an applicant has been examined by a physician of the appropriate specialty
21 under OAR 459-076-0010(4), but the physician declines to provide an opinion to PERS as

1 to the applicant's claimed disability. (b) For independent medical exams and physical
2 capacity evaluations, PERS will inform the applicant in writing and postmarked not less than
3 *[10 days before]* ten days prior to a scheduled examination or evaluation, of the identity of the
4 *[physician(s)]* person or entity selected to examine or evaluate the applicant, together with
5 location, date and time.

6 *(b)(c)* For vocational evaluations, the vocational consultant or locator service shall inform
7 the applicant of the location, date and time of the scheduled examination.

8 *(c)(d)* If the applicant fails to meet the scheduled appointment or fails to reschedule the
9 examination within five days of notification, PERS will not reschedule an examination at PERS'
10 expense unless the applicant can demonstrate good cause for having failed to meet the scheduled
11 appointment or reschedule the appointment as required.

12 *(d)(e)* Good cause includes, but is not limited to:

13 (A) Physical or mental incapacitation preventing the member from meeting or rescheduling
14 the examination;

15 (B) Failure of PERS or the vocational consultant or locator service to send the member
16 notice as described above; or

17 (C) A death in the member's immediate family.

18 *(e)(f)* Good cause does not include:

19 (A) A member's refusal to attend the scheduled appointment;

20 (B) A member's failure to meet the appointment with no reason provided; or

21 (C) A member's failure to make appropriate transportation arrangements.

1 (2) When PERS requires an applicant to travel to be examined by a physician, vocational
2 consultant, or other professional, PERS will reimburse the applicant’s reasonable transportation
3 costs based on the least costly alternative and on availability. Travel by private vehicle will be
4 compensated at the rate applicable to travel by unrepresented state employees on state business.
5 Transportation by taxi, bus, rail, or other public carrier will be paid only upon presentation of
6 receipts from the providers. Lodging and subsistence will be allowed only when a stop-over is
7 necessary and will be paid at the rate applicable to unrepresented state employees traveling on
8 state business. Reimbursements will be reduced by the amount of any penalty assessed PERS
9 because of a member’s failure to meet a scheduled appointment.

10 (3) In the event a member fails to meet a scheduled examination in accordance with section
11 (1) of this rule, and PERS is assessed a penalty by the service provider for the failure to meet the
12 scheduled appointment, the disability applicant will bear the cost of the penalty as follows:

13 (a) If the disability application is not approved, by making direct payment to the service
14 provider who assessed the penalty; or

15 (b) If the disability application is approved:

16 (A) By making direct payment to the service provider who assessed the penalty; or

17 (B) By having the amount of the penalty deducted from the monthly disability benefit, as
18 provided for under ORS 238.715, payable to the member until the invoice is satisfied.

19 (4) The Director, or the Director’s designee, is hereby authorized to approve or deny a
20 disability benefit application. Upon receipt and review of all necessary documentation, staff will
21 present applicant’s claim to the Director, or the Director’s designee, with a recommendation to
22 approve or to deny a disability benefit. The Director, or the Director’s designee, may accept or

1 reject the staff's recommendation, or refer the application back to staff for further documentation
2 and review.

3 (a) If the disability claim is approved, the staff will notify the applicant and the applicant's
4 employer of such approval.

5 (b) If the disability claim is denied, the staff will issue an Intent to Deny letter by regular
6 and certified mail, return receipt requested. The Intent to Deny letter will advise the applicant
7 that additional information to substantiate the claim, or a request for an extension of 30 days to
8 present additional information, may be submitted to the staff in writing within 30 days of the
9 date of the Intent to Deny letter.

10 (5) Following the issuance of an Intent to Deny letter, staff will review any additional
11 information submitted within 30 days from the issuance of the Intent to Deny letter.

12 (a) If the additional information results in a recommendation to approve the application,
13 staff will resubmit the application to the Director, or the Director's designee, with the
14 recommendation.

15 (b) If the additional information does not result in a recommendation to approve the
16 application, PERS will issue a final denial letter by regular and certified mail, return receipt
17 requested.

18 (c) If no additional information is received, PERS will issue a final denial letter by regular
19 and certified mail, return receipt requested.

20 (6) The final denial letter will provide the applicant with notification of the right to request a
21 contested case hearing as provided for in OAR 459-015-0030 and 459-001-0035.

1 (7) A contested case hearing on the denial of disability benefits shall be conducted
2 according to OAR 459-015-0030, 459-015-0035, and 459-015-0040.

3 (8) PERS will notify the most recent employer of the approval or the denial of an
4 application for a disability benefit, a request for review of the Director’s determination, and the
5 Director’s final action. Such notification will not contain any confidential information as defined
6 in OAR 459-076-0001(3).

7 Stat. Auth.: ORS 238A.450

8 Stats. Implemented: ORS 238A.235

9 Hist.: PERS 16-2005, f. & cert. ef. 10-3-05; f. & cert. ef. 10-5-11

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 015: DISABILITY RETIREMENT ALLOWANCES**

1 **459-076-0050**

2 **Periodic Reviews**

3 (1) Members receiving a disability benefit are subject to periodic reviews of their disabled
4 status until the member reaches normal retirement age or staff determines that periodic reviews
5 are no longer warranted.

6 (2) Periodic reviews will be used to determine that continued disability benefits are
7 warranted. In recommending the continuance or discontinuance of a disability benefit, PERS will
8 follow the criteria established under OAR 459-076-0005 for the original approved disabling
9 condition or a new medical condition. If a member receiving a disability benefit becomes
10 employed, the member's disability benefit will be terminated as provided in OAR 459-076-0005.

11 (3) For a duty disability, the periodic review will not revisit the original determination that
12 the injury or disease was duty caused, unless there is evidence of misrepresentation or fraud.

13 (4) PERS will establish review dates for each member subject to a periodic review
14 depending on type of disability, extent of disability, and medical reports unique to each
15 individual case:

16 (a) The reviews may be medical or vocational in nature, or both;

17 (b) Upon review, PERS may accept or require:

18 (A) New treating or consulting physician or specialist reports;

19 (B) Updated physician or specialist reports;

20 (C) Independent medical or vocational examinations; or

1 (D) Employment and wage information, including but not limited to, tax returns or
2 information from the State Employment Department.

3 (c) PERS may immediately discontinue the disability benefit of any person who
4 *[refuses]*fails to provide current medical evidence; submit requested employment, wage,
5 income, or tax information; or refuses to submit to a *[n]* medical or vocational examination:.

6 (A) If the disability claim is discontinued, the staff shall issue an Intent to Discontinue letter
7 by regular and certified mail, return receipt requested. The *[discontinuation]*Intent to
8 Discontinue letter shall advise the applicant that additional information to substantiate the claim,
9 or a request for an extension of 30 days to present additional information, may be submitted to
10 the staff in writing within 30 days of the date of the Intent to Discontinue letter;

11 (B) Following the issuance of an Intent to Discontinue letter, staff will review any additional
12 information which is submitted within 30 days:

13 (i) If the additional information results in a recommendation to *[approve the*
14 *application]*continue the disability benefit, staff shall resubmit the *[application]*disability
15 claim to the Director, or the Director's designee, with the recommendation;

16 (ii) If the additional information does not result in a recommendation to *[approve the*
17 *application]*continue the disability benefit, PERS will issue a final discontinuation letter by
18 regular and certified mail, return receipt requested.

19 (C) If no additional information is received within 30 days, PERS will issue a final
20 discontinuation letter by regular and certified mail, return receipt requested;

21 (D) The final discontinuation letter will provide the applicant with notification of the right to
22 request a contested case hearing as provided for in OAR 459-015-0030 and 459-001-0035.

1 (5) The member has the burden to prove continuing eligibility for a disability benefit.

2 (6) The Director, or Director’s designee, may approve or deny the continuance of a
3 disability benefit.

4 Stat. Auth.: ORS 238A.450

5 Stats. Implemented: ORS 238A.235

6 Hist.: PERS 16-2005, f. & cert. ef. 10-3-05; PERS 7-2007, f. & cert. ef. 4-4-07; f. & cert. ef. 10-
7 5-11

**PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 015: DISABILITY RETIREMENT ALLOWANCES**

PERS Disability Application Data 2016-20

	2016		2017		2018		2019		2020	
Applications Received	213		199		212		195		164	
Applications Approved	134	62.91%	121	60.80%	146	68.87%	122	62.56%	103	62.80%
Applications Denied	79	37.09%	78	39.20%	66	31.13%	73	37.44%	61	37.20%
Annual Reviews	450		296		365		465		306	
Continued	438	97.33%	275	92.91%	355	97.26%	443	95.27%	251	82.03%
Discontinued	12	2.67%	21	7.09%	10	2.74%	22	4.73%	45	14.71%
Appeals/CCH	12	13.19%	17	17.17%	13	17.11%	21	22.11%	23	21.70%
Upheld	6	50.00%	5	29.41%	3	23.08%	5	23.81%	2	8.70%
Reversed/Approved	4	33.33%	8	47.06%	4	30.77%	8	38.10%	9	39.13%
Withdrawn	2		4		4		4		1	
Outstanding	0		0		2		4		11	

Action and Discussion Items

1. SB 1049 Implementation Update
2. Member & Employer Survey Results
3. Final Adoption of Valuation Methods & Assumptions including Assumed Rate of Return
4. Adoption of Assumed Rate OAR
5. Board Funding Policy Review
6. December 31, 2020 System-wide Valuation Results
7. Equal to or Better Than Testing



Oregon

Kate Brown, Governor

Public Employees Retirement System

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October 1, 2021

TO: Members of the PERS Board
FROM: James Allen, Program Manager
SUBJECT: SB 1049 Implementation Update

Senate Bill (SB) 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 go through the Enterprise Information Services (EIS) stage gate process.

Project	Effective Date	Project Health and Status (as of 9/10/21)
SB 1049 Program		Program health: Yellow <ul style="list-style-type: none"> Program health will remain in Yellow status as Member Redirect is scheduled past the end of the 2021-23 biennium. SB 1049 Technical Debt project schedule for Work Package (WP) 1 is nearly complete. Cross Project Effort health has moved from red to yellow. Once schedules for WP6 and WP7.3 are baselined, the project should return to green status.
Employer Programs Project	Effective 7/1/2019	Project ended 7/16/21.
Salary Limit Project	Effective 1/1/2020	Project ended 5/28/21.
Work After Retirement Project	Effective 1/1/2020	Project health: Green <ul style="list-style-type: none"> Development for WP4 is scheduled to complete on 10/5/21.
Member Redirect Project	Effective 7/1/2020	Project health: Green <ul style="list-style-type: none"> Project schedule rebaselined due to Change Request 006. UAT for WP5.1 (Voluntary Contributions Maintenance) began on 9/7/21 and concludes 10/1/21. Construction for WP4.3 (EPSA CMA) continues towards the 10/29/21 completion date.

		<ul style="list-style-type: none"> Elaboration for WP9.2 (Alter OPSRP Withdrawal) is scheduled to complete on 10/1/21.
Member Choice Project	Effective 1/1/2021	Project ended 8/4/21.

Highlighted activities completed or in progress since mid-July 2021:

- Program and project activities
 - iQMS activities
 - Final Periodic Quality Status Report for August 2021 received 9/3/21.
 - Next Quarterly QA Status and Improvement Report due 10/13/21.
- EIS Stage Gate process requirements
 - PERS received updated endorsement memos for WAR on 7/14/21 and Member Choice on 8/11/21.
- Budget reporting
 - Continuing monthly meetings with the Chief Financial Office, Legislative Fiscal Office, and the Governor’s Office.
- Communications
 - Posted link to the new Employer Rate Projection Tool (ERPT) and user guide. Announcement went out via GovDelivery on 7/28/21.
 - Sent GovDelivery to employers summarizing the bills from the 2021 legislative session that affect PERS. This included an announcement that the Employer Incentive Fund will receive \$16 million, which is not enough for a second round, but if sports betting revenue increases, there could be a round next year.
 - August [Employer News](#) announced the new ERPT and the September Member Choice window.
 - Employer Advisory Group meeting scheduled for 10/16/21.
 - PERS is scheduled to present at the Oregon Government Finance Officers Association fall conference in October.

PROGRAM/PROJECT BUDGET

The high-level budget information is contained within Page 2 of the attachment to agenda item A.3.c. The detailed budget 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.2. Attachment 1 – *Monthly Project Status Report and Roadmap*

Program information:

Program start: July 1, 2019 | Program end: June 19, 2024

Subprojects:

Project 1: Employer Programs

- Project start: July 1, 2019 | Project end: July 16, 2021
- Project status: **Complete**

Project 2: Work After Retirement (WAR)

- Project start: July 1, 2019 | Project end: February 28, 2021
- Project status: **Green**

Project 3: Salary Limit

- Project start: July 1, 2019 | Project end: May 28, 2021
- Project status: **Complete**

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 25, 2024
- Project status: **Green**

Project 5: Member Choice

- Project start: October 23, 2019 | Project end: August 4, 2021
- Project status: **Complete**

Project 6: Technical Debt

- Project start: June 22, 2021 | Project end: 8/31/2022
- Project status: **Green**

For details regarding individual project status, please refer to the respective project section(s) below.

Overall program status: **Yellow**

The program status continues to be yellow. Member Redirect has activities that continue into the 2023-2025 biennium, and that budget has neither been requested nor approved. In addition, the Cross Project Effort (CPE) is yellow due to a delay to the design of one of the tools (details in the CPE section below).

The Member Redirect, WAR and Technical Debt projects all continue to progress on schedule. Member Redirect is in UAT for WP5.1 EPSA Voluntary Contribution Maintenance, and is on target for their 10/14/2021 production deployment. Development and functional validation testing are in process for WAR WP4 Side Account plus Defect Remedy, and the project remains on target for their 12/16/2021 production deployment.

Schedule updates have been approved for Member Redirect change request CR-006, which reorganized the remaining long-term work packages, and the project was rebaselined on 9/15/2021. The Technical Debt schedule for Work Package 1 Employer Statements was also approved and that project was baselined on 9/14/2021. New baseline dates are reflected in this report. Note that the Member Redirect changes did extend the overall schedule by 8 weeks (extension was expected).

SB 1049 Implementation Program

Status Report for September 17, 2021

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Budget health: Yellow

Work is planned for Member Redirect beyond the 2021-2023 biennium, but that budget has not been requested/approved yet.

29560- SB 1049 Implementation Program by Project					
Other Funds Lmt	21-23 Budget	Actual to Date	Projections	21-23 Total	Variance
Work After Retirement	\$ 927,730	\$ 33,811	\$ 742,132	\$ 775,942	\$ 151,788
Member Redirect	\$ 19,296,337	\$ 920,659	\$ 11,250,940	\$ 12,171,599	\$ 7,124,738
Technical Debt	\$ 2,590,730	\$ 16,132	\$ 675,419	\$ 691,551	\$ 1,899,179
				\$ -	\$ -
Total	\$ 22,814,797	\$ 970,602	\$ 12,668,490	\$ 13,639,092	\$ 9,175,705

29560- SB 1049 Implementation Program by POP					
Other Funds Lmt	21-23 Budget	Actual to Date	Projections	21-23 Total	Variance
Project Management & Admin	\$ 2,044,800	\$ 68,000	\$ 1,579,360	\$ 1,647,360	\$ 397,440
Quality Assurance and Testing	\$ 812,500			\$ -	\$ 812,500
Info Technology Applications	\$ 13,337,000	\$ 484,686	\$ 5,503,349	\$ 5,988,035	\$ 7,348,965
Operational Implementation	\$ 6,620,497	\$ 417,916	\$ 5,585,781	\$ 6,003,697	\$ 616,800
Total	\$ 22,814,797	\$ 970,602	\$ 12,668,490	\$ 13,639,092	\$ 9,175,705

SB 1049 Implementation Program

Status Report for September 17, 2021

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Schedule health: **Yellow**

There is one Cross Project Effort work package whose design is delayed due to the complexity of the requirements. Unknown yet what impact, if any, this delay may have. Otherwise, all projects have a schedule health of green and are on track to deliver required functionality according to their schedules.

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 3.3.6 Periodic Quality Status Report started on 7/27/2021, completed on 9/9/2021.
- iQMS Deliverable 4.1.7 Quarterly QA Status and Improvement Report started on 9/9/2021, due 11/3/2021.

Emerging concerns/needs/impacts:

- PERS is at risk of losing SB 1049 staff as a result of Executive Order 21-29. This executive order requires COVID-19 vaccinations for all staff by 10/18/2021. Unknown at this time how many SB 1049 staff may be lost due to this mandate, which roles are at risk, or the criticality of individual resources that may be impacted.
- As discussed in last month's report, the SB 1049 team has completed re-alignment of the 2022 production release schedules to provide a more sustainable release cadence. Updates to the schedules are complete and have been baselined.
- Resource allocation analysis across SB 1049 and non-SB 1049 work is in process. Early results indicate there are SB 1049 resource concerns that may need to be addressed and mitigated, particularly in the early-to-mid 2022 timeframe.

SB 1049 Implementation Program

Status Report for September 17, 2021

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

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
45	COVID-19: Loss of staff due to illness or non-compliance with Executive Order 21-29 (mandatory COVID-19 vaccinations). Key personnel or support staff become unavailable.	<ul style="list-style-type: none"> ➤ Assess Identify scenarios for key personnel and plan staff backups, re-distribution of workload, etc. ➤ Utilize Business Continuity Plan for pandemic mitigation 	Unknown how many staff may be impacted or the criticality of their roles
81	Technology Risk: Complexity and fragility of jClarety system.	<ul style="list-style-type: none"> ➤ Some or all of the SB 1049 projects may require attention to fixing technical debt or finding appropriate work arounds. See the individual project risks logs for specific mitigation activities. 	
39	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.	<ul style="list-style-type: none"> ➤ Assess project and resource plans for any new work effort to determine impact to SB 1049 ➤ Proactively manage any identified resource constraints and work with managers to mitigate SB 1049 impact. 	New efforts include, but are not limited to: <ul style="list-style-type: none"> • W-4 Tax Form Project (federally mandated, non-SB 1049) • Maintenance and Enhancements • Modernization

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
	No current issues		

SB 1049 Implementation Program

Status Report for September 17, 2021

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Program information: Cross Project Effort

Start: May 28, 2020 | End: TBD
Project Manager: Susan K. Mundell

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.

Overall status: **Yellow**

Narrative: The schedule for Work Package (WP) 5.2: Prior Year Earnings Invoicing tool has been finalized and elaboration is moving forward. A high level estimate for WP6: Individual Account Program (IAP) Balance Comparison tool has been delivered which enables the schedule development to begin. The technical team is developing a System Requirements Specification document and User Interface Specification while research and training are currently underway for the new Power Apps platform that is to be used for the development of WP6. The schedule for WP7.3: Payouts Actuarial Extract is next in line for development and that work should begin soon. WP7.3 is dependent on multiple Member Redirect releases and the extract cannot be developed before they are deployed. The project moved from red to yellow based on the ability to develop the schedules for the final two work packages of this effort. When WP7.3 schedule is completed, the schedule will be rebaselined.

Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP7.2 : Employer Actuarial Extract Deployed	100%	05/13/2021	05/13/2021	
WP5.1: Prior Year Earnings Invoicing Tool Deployed	100%	05/13/2021	06/21/2021	
WP4.1: IAP Adjustment Calculator Deployed	100%	06/02/2021	06/24/2021	
WP7.1: Non-Retired Actuarial Extract Deployed	100%	06/24/2021	06/24/2021	
WP3: IAP Divorce Tool Deployed	0%	2/22/2022	2/22/2022	
WP5.2: Prior Year Earnings Invoice Tool Deployed	0%		5/20/2022	
WP4.2: IAP Adjustment Calculator Deployed	0%		6/01/2022	
WP6: IAP Balance Comparison Tool	0%		TBD	
WP7.3: Payouts Actuarial Extract	0%		TBD	

*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late

SB 1049 Implementation Program

Status Report for September 17, 2021

Executive Sponsor: Kevin Olineck
Program Manager: James Allen



Senate Bill (SB) 1049 Implementation Road Map 2019-2021 Biennium

	2019						2020						2021											
	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"> 7/1/19 – Effective Date 9/3/19 – Employer Incentive Fund (EIF) Application #1 Opens 11/27/19 – EIF Application #1 Closes 12/2/19 – EIF Application #2 Opens 												<ul style="list-style-type: none"> 8/6/20 – Employer Rate Projection Tool (ERPT) Assessment Complete 12/1/20 – EIF Application #2 Closes 3/30/21 – Work Package (WP) 1 Migrate and Adapt ERPT → 6/30/21 – WP2 ERPT Stakeholder Acceptance and Deployment → 											
Salary Limit							<ul style="list-style-type: none"> 12/24/19 – Work Package (WP) 1 – Short Term 1/1/20 – Effective Date 1/24/20 – WP2 Post 2020 Salary Limit – Long Term 						<ul style="list-style-type: none"> 11/19/20 – WP3 User Screens to Record Annual Salary Limit – Long Term 5/13/21 – WP4 Proration Reports and Workflow – Long Term → 5/28/21 – Project Close → 											
Work After Retirement							<ul style="list-style-type: none"> 12/19/19 – Work Package (WP) 1 Retiree Wages Suspended – Short Term 1/1/20 – Effective Date 						<ul style="list-style-type: none"> 11/19/20 – WP2 New Wage Codes with General Ledger (GL) Integration – Long Term 5/13/21 – WP3 Retro Rate Change – Long Term → 											
Member Redirect	<ul style="list-style-type: none"> 6/18/20 – Work Package (WP) 1 Employee Pension Stability Account Set Up/Batch/General Ledger – Short Term → 						<ul style="list-style-type: none"> 7/1/20 – Effective Date → 1/21/21 – WP5.2 Online Member Services User Interface – Long Term → 1/26/21 – WP2 TIED SSIS – Non-jClarety – Long Term → 6/24/21 – WP4.2 EPSA Display, and WP12 Full EPSA Set up Screen – Long Term → 						<ul style="list-style-type: none"> 9/22/20 – Voluntary Contributions Initial Functionality – Long Term 10/30/20 – WP2.2 IAP Forecaster Tool – non-jClarety – Long Term 11/19/20 – Voluntary Contributions Final Functionality Release – Long Term 3/23/21 – WP3 EPSA Earnings – Long Term 											
Member Choice	<ul style="list-style-type: none"> 10/23/19 – Project Kick Off 5/15/20 – Member Annual Statements (MAS) Flyer Communication → 						<ul style="list-style-type: none"> 8/19/20 – Member Choice Notification → 8/20/20 – Work Package (WP) 1 Online Member Services (OMS) Changes Deployed 9/1-30/20 – Election Period 3/23/21 – WP2 OMS & jClarety Enhancements – Long Term → 5/1/21 – Member Choice reflected in MAS → 6/24/21 – WP3 Online Member Services (OMS) Election and Bugs → 						<ul style="list-style-type: none"> 1/1/21 – Effective Date 											
PROGRAM INITIATIVE																								
Cross Project Effort	<ul style="list-style-type: none"> 1/26/21 – WP2.1 IAP Payment Recon (short-term) → 3/18/21 – WP1.2 IAP Validator Tool (long-term) → 4/27/21 – WP2.2 IAP Payment Recon (long-term) → 5/13/21 – WP7.2 Employer Information Actuarial Extract → 6/18/21 – WP5.1 PYE Invoicing Tool → 6/24/21 – WP7.1 Non-Retired Census Actuarial Extract → 6/28/21 – WP4.1 IAP Adjustment Calculator → 																							

SB 1049 Implementation Program

Status Report for September 17, 2021

Executive Sponsor: Kevin Olineck
Program Manager: James Allen



Senate Bill (SB) 1049 Implementation Road Map 2021-2023 Biennium

	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																								
Technical Debt																								
PROGRAM INITIATIVE																								
Cross Project Effort																								

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																								

Status Report for September 17, 2021

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project information: Work After Retirement (WAR)

Project start: July 1, 2019 | **Project end:** 2/28/2021

Project Manager: Susan K. Mundell

Overall project status: **Green**

Project Narrative:

The development team is primarily performing functional validation testing at this time on WAR Work Package (WP) 4: Side Account plus Defect Remedy. This testing precedes the Business Functional Testing that is scheduled to begin on October 6, 2021. The Side Account functionality is critical to employer invoicing by ensuring that the WAR receivables credit Side Accounts in the same manner as active member receivables currently work. The Defect Remedy part of the scope for WAR WP4 includes seven WAR related production defects. Other than functional validation testing, the team is working on test script development and the closing and transition documentation that is part of the contractual Work Package Development documents due 10/27/2021.

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 General Ledger Integration – Long-term

- Production Deployment Date: 11/19/2020 (Complete)

Project objective:

Effective January 1, 2020, the Work After Retirement (WAR) sections of SB 1049 allow most service retirees to work unlimited hours for PERS participating employers in calendar years 2020-2024 while retaining their retirement benefit. It also requires employers to pay employer contributions on retirees' salary during that period.

Work Package 3: Retro Rate Change – Long-term

- Production Deployment Date: 5/13/2021 (Complete)

Work Package 4: Side Account Credit Allocation

- Production Deployment Date: 12/16/2021
- Business Requirements Document: 7/12/2021 (Complete)
- Development completion 10/5/2021
- Business Functional Testing completion: 10/26/2021
- User Acceptance Testing completion: 12/10/2021

SB 1049 Implementation Program

Status Report for September 17, 2021

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Budget health: Green

29560 SB1049 - Work After Retirement (WAR) Project					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 200,000		\$ -	\$ -	\$ 200,000
Personal Services - SB1049	\$ 200,000	\$ 17,815	\$ 182,185	\$ 200,000	\$ -
Office Expenses	\$ 100,000		\$ -	\$ -	\$ 100,000
Professional Services	\$ 285,730		\$ 280,051	\$ 280,051	\$ 5,679
IT Professional Services	\$ 337,000	\$ 15,995	\$ 279,896	\$ 295,891	\$ 41,109
IT Expendable Property	\$ 5,000		\$ -	\$ -	\$ 5,000
SB 1049 Total Expenses	\$ 927,730	\$ 33,811	\$ 742,132	\$ 775,942	\$ 151,788
Project Total	\$ 1,127,730	\$ 33,811	\$ 742,132	\$ 775,942	\$ 351,788
Average Monthly Spend (Burn Rate)		\$ 33,810.54	\$ 32,266.59		
*Not included in SB1049 expenses					

Schedule Health: Green

All major milestones are currently on track.

Scope health: Green

The scope for the remaining work package is defined and understood.

Quality Assurance activities:

- A Quality Check Point review was completed on 9/10/2021 for contractual deliverable D1.0.24 Contractor Support Log.

Emerging concerns/needs/impacts:

- Three new high priority projects, W4 Tax Forms, Technical Debt and Modernization, are beginning within the agency. These projects are competing with WAR WP4 for resources. At this time, the resource sharing is not causing negative impact to WAR.
- WAR WP4 must be deployed prior to the 12/20/2021 credit wash job to prevent overbilling of employers.

SB 1049 Implementation Program

Status Report for September 17, 2021

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

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"> ➢ Use iterative development to reverse engineer the code to meet Business need. ➢ Ensure effective inter-team project communication ➢ Schedule additional time to analyze complex code 	Side Account code within jClarety is some of the most complex code. The technical team will have to navigate this code successfully to deploy the deliverable for WAR WP4.
78	Code Merge Impact: Code merges from releases to development, Business Functional Testing (BFT) & User Acceptance Testing (UAT) environments cause delays and rework.	<ul style="list-style-type: none"> ➢ Ensure communication happens quickly and is inclusive. ➢ Avoid merges during UAT testing whenever possible. ➢ Contingency plan for needed UAT merges. 	Multiple code merges will be happening during WAR WP4 BFT, these merges are being monitored closely. The plan is still to avoid merges during UAT.
81	Technology Risk: Complexity and Fragility of jClarety system: New code could negatively affect or be negatively affected by legacy jClarety system.	<ul style="list-style-type: none"> ➢ Iteratively develop more complex code structure. ➢ Add necessary technical debt fix to project scope. ➢ Regression Test to ensure technical issue does not negatively affect new code. 	Side Account code within jClarety is some of the most complex code. The technical team will have to navigate this code successfully to deploy the deliverable for WAR WP4.
93	WAR WP4 Deployment Delay: WP4 needs to be deployed before the 12/20/2021 Side Account Wash Job to prevent significant overcharging of employers.	<ul style="list-style-type: none"> ➢ Carefully monitor any delays to the schedule. ➢ Carefully monitor competing projects and their impact to the WP4 schedule. ➢ Communicate urgency of deployment timeline to stakeholders. 	Multiple new projects in the portfolio may cause resource conflicts with WAR WP4. Currently, the resource sharing between projects is not negatively affecting WAR.

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](#)

	Risk Description	Mitigation and/or Contingency Plan	Notes
	No Current Issues		

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 - Deployment Complete	100%	10/22/2020	11/19/2020	
WP4 - High Level Estimate Complete	100%	2/25/2021	2/25/2021	
WAR - Baselined Effort Based Project Schedule	100%	3/5/2021	3/5/2021	
WP3 - Business Functional Testing (BFT) Complete	100%	3/19/2021	3/19/2021	
WP3 - Ready for User Acceptance Testing (UAT) Quality Gate	100%	3/29/2021	3/26/2021	
WP3 - User Acceptance Testing Complete	100%	5/7/2021	5/07/2021	
WP3 - Quality Assurance Testing Complete	100%	5/7/2021	5/07/2021	
WP3 - Move to Production Quality Gate Complete	100%	5/12/2021	5/11/2021	
WP3 - Deployment Complete	100%	5/13/2021	5/13/2021	
WAR - Rebaselined Effort Based Project Schedule (WP4)	100%	5/20/2021	5/20/2021	
WP3 - Phase Closure Complete	100%	5/27/2021	5/27/2021	
WP4 - Business Requirements Document Complete	100%	7/12/2021	7/12/2021	
WP4 - Development Complete	0%	10/5/2021	10/5/2021	
WP4 - Business Functional Testing (BFT) Complete	0%	10/26/2021	10/26/2021	
WP4 - User Acceptance Testing (UAT) Complete	0%	12/10/2021	12/10/2021	
WP4 - Deployment Complete	0%	12/16/2021	12/16/2021	
WP4 - Phase Closure Complete	0%	1/04/2021	1/4/2021	
WAR Project Complete	0%	2/28/2021	2/28/2022	

*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late

Project information: Member Redirect

Project start: July 1, 2019 | **Project end:** April 25, 2024

Project Manager: Chris Yu

Overall project status: **Green**

Project Narrative: The overall project health is green and activities are progressing on schedule. The Business Owner approved the Project Schedule in Quality Check Point review on 9/13/2021, and the Project Schedule was re-baselined on 9/15/2021. The re-baseline was due to the updates from Change Request 006 that re-organized the long-term work packages and extends the project closure date to 4/25/2021. The next steps will be to update the work order contracts to reflect the updated deliverable dates.

The current technical priority is to proceed with User Acceptance Testing for work package 5.1 (EPSA Voluntary Contribution Maintenance), which will be completed by 10/1/2021. In addition, the development for work package 4.3 (EPSA Correct Member Account) continues to progress on schedule towards the 10/29/2021 completion date.

Work Packages:

Work Package 5.1 EPSA Voluntary Contribution Maintenance- Long-Term

- Production Deployment Date: 10/14/2021
- Construction was completed on 7/9/2021
- Business Functional Testing was completed on 8/20/2021
- User Acceptance Testing will be complete on 10/1/2021

Work Package 4.3 EPSA Correct Member Account - Long-Term

- Production Deployment Date: 2/24/2022
- Construction will be completed on 10/29/2021
- Business Functional Testing will begin on 11/1/2021

Additional long-term work packages exist. See the Milestones Schedule for a complete list of work packages

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 6.1 EPSA Voluntary Contribution Maintenance- Long-Term

- Production Deployment Date: 7/21/2022
- Construction will be completed on 1/31/2022
- Business Functional Testing will be completed on 3/29/2022
- User Acceptance Testing will be completed on 7/5/2022

Work Package 9.1 EPSA Correct Member Account - Long-Term

- Production Deployment Date: 2/23/2023
- Construction will begin on 9/20/2021
- Business Functional Testing will begin on 10/3/2022

Work Package 9.2 Alter OPSRP Withdrawal - Long-Term

- Production Deployment Date: 2/23/2023
- Construction will begin on 9/20/2021
- Business Functional Testing will begin on 10/3/2022

SB 1049 Implementation Program

Status Report for September 17, 2021

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Budget health: Green

There will need to be additional funding for 2023-2025, which will be tracked at the program level.

29560 SB1049 - Member Redirect Project					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 1,658,226		\$ -	\$ -	\$ 1,658,226
Personal Services - SB1049	\$ 5,603,697	\$ 397,028	\$ 5,206,669	\$ 5,603,697	\$ -
Services and Supplies	\$ 2,327,640	\$ 24	\$ 1,087,234	\$ 1,087,258	\$ 1,240,382
IT Professional Services	\$ 11,110,000	\$ 523,607	\$ 4,957,037	\$ 5,480,644	\$ 5,629,356
IT Expendable Property	\$ 200,000		\$ -	\$ -	\$ 200,000
Data Processing Hardware	\$ 55,000		\$ -	\$ -	\$ 55,000
SB1049 Total Expenses	\$ 19,296,337	\$ 920,659	\$ 11,250,940	\$ 12,171,599	\$ 7,124,738
Project Total	\$ 20,954,563	\$ 920,659	\$ 11,250,940	\$ 12,171,599	\$ 8,782,964
Average Monthly Spend (Burn Rate)		\$ 38,360.80	\$ 11,250,939.57		
*Not included in SB1049 Expenses					

Schedule Health: Green

The current project tasks are on schedule for all current milestone dates.

Scope health: Green

The project scope is understood for all releases.

Quality Assurance activities:

- The Project Schedule was accepted in the Quality Check Point review on 9/13/2021
- The Monthly Release Management Report will be submitted for Quality Check Point review on 9/30/2021.

Emerging concerns/needs/impacts:

- No emerging concerns

SB 1049 Implementation Program

Status Report for September 17, 2021

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

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
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 and meet quality needs	➤ Coordinate with other SB 1049 and non-SB 1049 project managers to validate resource allocations and constraints	SB 1049 Project Managers are currently reviewing the 2022 calendar to identify over allocated resources and determine mitigation strategies
77	WP9.1 Development/Coding: The coding for WP9.1 EPSA Withdrawal will have a dependency on the W4 Tax Form project, which is external to SB 1049	➤ The Member Redirect Project Manager will monitor and revisit this risk when the timeline gets closer to the construction task, which is in March 2022	The development of WP9.1 is dependent on the completion of the development of the W4 Tax Project

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 September 17, 2021

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP4.1 - EPSA Minimum Salary	100%	12/22/2020	12/22/2020	
WP 5.2 - Online Member Services User Interface	100%	1/21/2021	1/21/2021	
WP2.1 - Tool for IAP Earnings Data	100%	1/26/2021	1/26/2021	
WP3.1 - EPSA Earnings	100%	3/23/2021	3/23/2021	
WP3.2 - Member Annual Statement Extract	100%	3/23/2021	3/23/2021	
WP4.2 - EPSA Transaction Display	100%	6/24/2021	6/24/2021	
WP12 - Full EPSA Set up screen	100%	6/24/2021	6/24/2021	
WP5 - Voluntary Contribution maintenance	0%	10/14/2021	10/14/2021	
WP4.3 - EPSA Correct Member Account	0%	3/24/2022	3/24/2022	
WP6.1 - EPSA Retirement	0%	7/21/2022	7/21/2022	
WP9.1 - EPSA Withdrawal	0%	2/23/2023	2/23/2023	
WP9.2 - Alter OPSRP Withdrawal	0%	2/23/2023	2/23/2023	
WP8.1 - EPSA Pre-Retirement Death	0%	7/20/2023	7/20/2023	
WP10 - Backlog Implementation	0%	7/20/2023	7/20/2023	
WP11.1 - Re-Employment	0%	12/14/2023	12/14/2023	
WP11.2 - Excess EPSA	0%	12/14/2023	12/14/2023	
WP12.2 - Final Backlog Implementation	0%	2/22/2024	2/22/2024	
Migration Finalization	0%	2/29/2024	2/29/2024	

SB 1049 Implementation Program

Status Report for September 17, 2021

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
Project Complete	0%	4/25/2024	4/25/2024	

*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late

Project information: Technical Debt

Project start: June 22, 2021 | **Project end:** August 31, 2022

Project Manager: Joli Whitney

Project objective:

The SB 1049 Technical Debt Project will address areas of technical debt which have been encountered and identified in the SB 1049 Implementation Program and prioritized for resolution. Resolution of technical debt will be limited to those items that are created by SB 1049, are exacerbated by SB 1049, or inhibit PERS' ability to complete SB 1049 requirements.

Overall project status: **Green**

Project Narrative: The team elaborated business requirements for Work Package 1 (WP1- Employer Statements). The first draft of the Business Requirements Document (BRD) was delivered on 8/23/2021. The initial project schedule was baselined on 9/14/2021. The release for WP1 has been evaluated with other planned releases and has been fit into the enterprise release schedule combined with a Member Redirect release in July 2022.

A change request to add a second work package to address missing SB 1049 batch reporting functionality is in the solution analysis phase. A proof of concept is in development with Microsoft to determine the feasibility of using power BI to provide the requested information. Once this information gathering is complete, a change request will be presented to the SB 1049 Steering Team for consideration of adding this work to the SB 1049 Technical Debt project schedule.

All identified SB 1049 Technical Debt was collected on a spreadsheet throughout the last biennium and reviewed on an ad hoc basis. The project team is working to update this spreadsheet with any new technical debt items. This work will be actively managed and prioritized by the project team, with regular feedback from the SB 1049 Steering Team, once the data has been refreshed.

Work Packages:

Work Package 1: Employer Statements

- Production Deployment Date: July 21, 2022
- Development in process and scheduled to end 11/9/2021
- BFT scheduled to begin on 11/10/2021
- UAT scheduled to begin on 4/25/2022

SB 1049 Implementation Program

Status Report for September 17, 2021

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Budget health: Green

Technical Debt Project is currently within the budget allocated by the Legislature.

29560 SB1049 - Technical Debt Project					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 200,000	\$ -	\$ -	\$ -	\$ 200,000
Personal Services - SB1049	\$ 200,000	\$ 3,072	\$ 196,928	\$ 200,000	\$ -
Office Expenses	\$ 105,000		\$ -	\$ -	\$ 105,000
IT Professional Services	\$ 1,985,000	\$ 13,060	\$ 198,440	\$ 211,500	\$ 1,773,500
Professional Services - QA + PM	\$ 285,730	\$ -	\$ 280,051	\$ 280,051	\$ 5,679
IT Expendable Prop	\$ 15,000		\$ -	\$ -	\$ 15,000
SB1049 Expenses	\$ 2,590,730	\$ 16,132	\$ 675,419	\$ 691,551	\$ 1,899,179
Project Total	\$ 2,790,730	\$ 16,132	\$ 675,419	\$ 691,551	\$ 2,099,179
Average Monthly Spend (Burn Rate)		\$ 16,132.28	\$ 29,366.04		
*Not included in SB1049 Expenses					

Schedule Health: Green

The project schedule was baselined on 9/14/2021. This baseline is only for WP1 Employer Statements. The schedule will be rebaselined as new work packages are approved through the SB 1049 change request management process.

Scope health: Green

The high-level project scope of WP1 Employer Statements is understood. The Business Requirements Document for WP1 was delivered as scheduled on 8/23/2021. No other scope is approved for this project at this time but may be considered through the SB 1049 change request management process as appropriate.

Quality Assurance activities:

- Quality Check Point review of the initial project schedule was approved 9/13/2021
- Work Package 1 (WP1- Employer Statements) Functional Design Specification will enter Quality Check Point review on 9/27/2021

Emerging concerns/needs/impacts:

- None at this time

SB 1049 Implementation Program

Status Report for September 17, 2021

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

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: [Technical Debt Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
1	Competing SB 1049 Resources	Careful coordinated schedule planning and priorities within the program and all projects	This risk will be re-evaluated following further review of program resource allocations
2	Complexity of Effort	Set additional Elaboration Meetings or set additional elaboration timeline; Use iterative development to reverse engineer the code to meet Business need; Ensure effective inter-team project communication; Schedule additional time to analyze complex code.	
4	Lack of Project Portfolio Management	Develop or purchase project portfolio management tool that helps manage resources.	This risk will continue to be monitored with resource allocation reviews
5	Technology Risk- Complexity and fragility of jClarety system	Iteratively develop more complex code structure; Add necessary technical debt fix to project scope; Regression Test to ensure technical issue does not negatively affect new code.	The project leadership team agreed that this risk was a high level concern for this project as we wade into the unfamiliar waters of technical debt. It is difficult to see what challenges lie below the surface.

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: [Technical Debt Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
	No current issues	.	

SB 1049 Implementation Program

Status Report for September 17, 2021

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
Program CR002- Technical Debt approved by Steering Team	100%	6/22/2021	6/22/2021	
Finalize project charter	100%	6/30/2021	6/30/2021	
Project kick off	100%	7/1/2021	7/1/2021	
Baselined project schedule	100%	9/14/2021	9/14/2021	
WP1- Development Complete	0%	11/9/2021	11/9/2021	
WP1- Business functional testing (BFT) complete	0%	1/19/2022	1/19/2022	
WP1- User acceptance testing (UAT) complete	0%	7/5/2022	7/5/2022	
WP1- Release to production Quality Gate complete	0%	7/20/2022	7/20/2022	
WP1- Production deployment complete	0%	7/21/2022	7/21/2022	
WP1- Lessons Learned	0%	8/4/2022	8/4/2022	
Project Closure Quality Gate	0%	8/31/2022	8/31/2022	
Project ends	0%	8/31/2022	8/31/2022	

*Finish Date Color: Green = on Schedule, Yellow = in Jeopardy, Red = Late

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 was adjusted for the Consumer Price Index, on 1/04/2021. 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: Complete

Project Narrative: The Salary Limit Project was successfully closed on 5/28/2021.

Work Packages:

Work Package 1: Short-term Minimum Viable Product (MVP)

- Production Deployment Date: 12/24/2019 (Complete)

Work Package 2: Annual Implementation of New Salary Limit

- Production Deployment Date: 1/23/2020 (Complete)

Work Package 3: Adding self-service screens to jClarety system to record annual changes and effective dates - Long-term

- Production Deployment Date: 11/19/2020 (Complete)

Work Package 4 - Enhances proration work processes when partial year calculations may apply - Long-term

- Production Deployment Date: 5/13/2021 (Complete)

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: Complete

Project Narrative: The Employer Programs project was successfully closed on 7/16/2021.

Work Packages:

WP1 Migrate and Adapt ERPT (Completed)

- Acceptance Quality Gate: 3/23/2021 (this WP was not released to production) (Complete)

WP2 ERPT Stakeholder Acceptance and Deployment to Cloud

- Production Deployment Date: 6/3/2021 (Complete)

Status Report for September 17, 2021

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project information: Member Choice

Project start: October 23, 2019 | **Project end:** August 4, 2021

Project Manager: Joli Whitney

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.

Overall project status: Complete

Project Narrative: The Member Choice project was successfully closed on 8/4/2021.

Work Packages:

WP1.1 Online Election

- Production Deployment Date: 8/20/2020 (Complete)

WP1.2 Voya's updates to website and nightly sweep program

- Production Deployment Date: 1/19/2021 (Complete)

WP1.3 PERS paper form election process including workflow

- Production Deployment Date: 8/12/2020 (Complete)

WP1.4 Development of new reports (to Voya and internal)

- Production Deployment Date 9/29/2020 (Complete)

WP2- Refining TDF Processes - Long-term

WP2.1 -Online Member Services and jClarety Enhancements

- Production Deployment Date: 3/23/2021 (Complete)

WP2.2 Central Data Management Reports







- Production Deployment Date: 6/15/2021 (Complete)

WP3- Online Member Services Election and Bugs

- Production Deployment Date: 6/24/2021 (Complete)

Senate Bill (SB) 1049 Implementation Road Map

2019-2021 Biennium

	2019						2020						2021											
	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"> 7/1/19 – Effective Date 9/3/19 – Employer Incentive Fund (EIF) Application #1 Opens 						<ul style="list-style-type: none"> 11/27/19 – EIF Application #1 Closes 12/2/19 – EIF Application #2 Opens 						<ul style="list-style-type: none"> 8/6/20 – Employer Rate Projection Tool (ERPT) Assessment Complete 12/1/20 – EIF Application #2 Closes 3/30/21 – Work Package (WP) 1 Migrate and Adapt ERPT →● 6/30/21 – WP2 ERPT Stakeholder Acceptance and Deployment →● 											
 Salary Limit							<ul style="list-style-type: none"> 12/24/19 – Work Package (WP) 1 – Short Term 1/1/20 – Effective Date 1/24/20 – WP2 Post 2020 Salary Limit – Long Term 						<ul style="list-style-type: none"> 11/19/20 – WP3 User Screens to Record Annual Salary Limit – Long Term 5/13/21 – WP4 Proration Reports and Workflow – Long Term →● 5/28/21 – Project Close →● 											
 Work After Retirement							<ul style="list-style-type: none"> 12/19/19 – Work Package (WP) 1 Retiree Wages Suspended – Short Term 1/1/20 – Effective Date 						<ul style="list-style-type: none"> 11/19/20 – WP2 New Wage Codes with General Ledger (GL) Integration – Long Term 5/13/21 – WP3 Retro Rate Change – Long Term →● 											
 Member Redirect							<ul style="list-style-type: none"> 6/18/20 – Work Package (WP) 1 Employee Pension Stability Account Set Up/Batch/General Ledger – Short Term 7/1/20 – Effective Date 						<ul style="list-style-type: none"> 9/22/20 – Voluntary Contributions Initial Functionality – Long Term 10/30/20 – WP2.2 IAP Forecaster Tool – non-jClarety – Long Term 11/19/20 – Voluntary Contributions Final Functionality Release – Long Term 1/21/21 – WP5.2 Online Member Services User Interface – Long Term →● 1/26/21 – WP2 TIED SSIS – Non-jClarety – Long Term →● 6/24/21 – WP4.2 EPSA Display, and WP12 Full EPSA Set up Screen – Long Term →● 3/23/21 – WP3 EPSA Earnings – Long Term 											
 Member Choice	<ul style="list-style-type: none"> 10/23/19 – Project Kick Off 5/15/20 – Member Annual Statements (MAS) Flyer Communication →● 						<ul style="list-style-type: none"> 8/19/20 – Member Choice Notification →● 						<ul style="list-style-type: none"> 8/20/20 – Work Package (WP) 1 Online Member Services (OMS) Changes Deployed 9/1-30/20 – Election Period 3/23/21 – WP2 OMS & jClarety Enhancements – Long Term →● 5/1/21 – Member Choice reflected in MAS →● 6/24/21 – WP3 Online Member Services (OMS) Election and Bugs →● 1/1/21 – Effective Date 											
PROGRAM INITIATIVE																								
 Cross Project Effort	<ul style="list-style-type: none"> 1/26/21 – WP2.1 IAP Payment Recon (short-term) →● 3/18/21 – WP1.2 IAP Validator Tool (long-term) →● 9/17/20 – WP1.1 IAP Validator Tool (short-term) →● 4/27/21 – WP2.2 IAP Payment Recon (long-term) →● 5/13/21 – WP7.2 Employer Information Actuarial Extract →● 6/18/21 – WP5.1 PYE Invoicing Tool →● 6/24/21 – WP7.1 Non-Retired Census Actuarial Extract →● 6/28/21 – WP4.1 IAP Adjustment Calculator →● 																							

Senate Bill (SB) 1049 Implementation Road Map

2021-2023 Biennium

	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																									
Technical Debt																									
PROGRAM INITIATIVE																									
Cross Project Effort																									

2023-2025 Biennium

	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																									

Action and Discussion Items

1. SB 1049 Implementation Update
2. Member & Employer Survey Results
3. Final Adoption of Valuation Methods & Assumptions including Assumed Rate of Return
4. Adoption of Assumed Rate OAR
5. Board Funding Policy Review
6. December 31, 2020 System-wide Valuation Results
7. Equal to or Better Than Testing



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October 1, 2021

TO: Members of the PERS Board

FROM: Jonathan Yost, Susannah Bodman, and Shawn Dempewolf,
PERS Communications Section

SUBJECT: 2021 Member and Employer Satisfaction Survey Results

In 2005, the Legislature required all agencies to survey for standardized customer service performance measures and report results in their budget presentations. In continued accordance with this requirement, PERS conducted annual satisfaction surveys for members and employers in May 2021. Similar to previous years, PERS informed members and employers about the survey opportunity primarily through GovDelivery emails. Information about the surveys also was made available in the April 2021 member newsletter, Perspectives, the May monthly employer newsletter, Employer News, and on numerous pages on the PERS website. This year, we also created pop-up reminders on targeted landing pages on the PERS website.

2021 MEMBER SATISFACTION SURVEY KEY FINDINGS

- 6,686 total responses (2,878 total nonretirees, 43% of respondents, 3,808 retirees, 57% of respondents)
- Percent rating PERS' overall quality of service as "excellent" or "good" = 83.6% (94.4% among retirees, 73.3% among nonretirees)
- Primary communication channel: GovDelivery (e.g., May 1 email to more than 41,000 contacts, as well as follow-up messaging)

Overall, PERS' 2021 results for members show a decrease in satisfaction from 2020 and were fairly similar to 2019 results, following the trend of lower satisfaction during years when the Legislature is in regular session; this trend is illustrated in the accompanying presentation.

2021 EMPLOYER SATISFACTION SURVEY KEY FINDINGS

- 287 total responses
- Percent rating PERS' overall quality of service as "excellent" or "good" = 85.1%
- Primary communication channels: GovDelivery (e.g., May 1 email to 6,347 contacts, 4.5% response rate)

2021 results for employers show a small decrease in overall satisfaction. The results also reflect a much lower response rate from 2020. We speculate that PERS employers may have remained focused on other reporting requirements during the COVID-19 pandemic, as well as may have been suffering from overall messaging fatigue as more organizations pivoted to email as their primary communications method over the last year.

Analysis and Results: Included with this memo is a presentation outlining the key survey results, analysis, and discussion of themes from member and employer comments. PERS' senior marketing and communications specialist, member communications specialist, and employer communications specialist will highlight key data during the presentation to the board, on behalf of both our section and our member and employer stakeholders here at PERS.

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2021 Member and Employer Satisfaction Survey Results



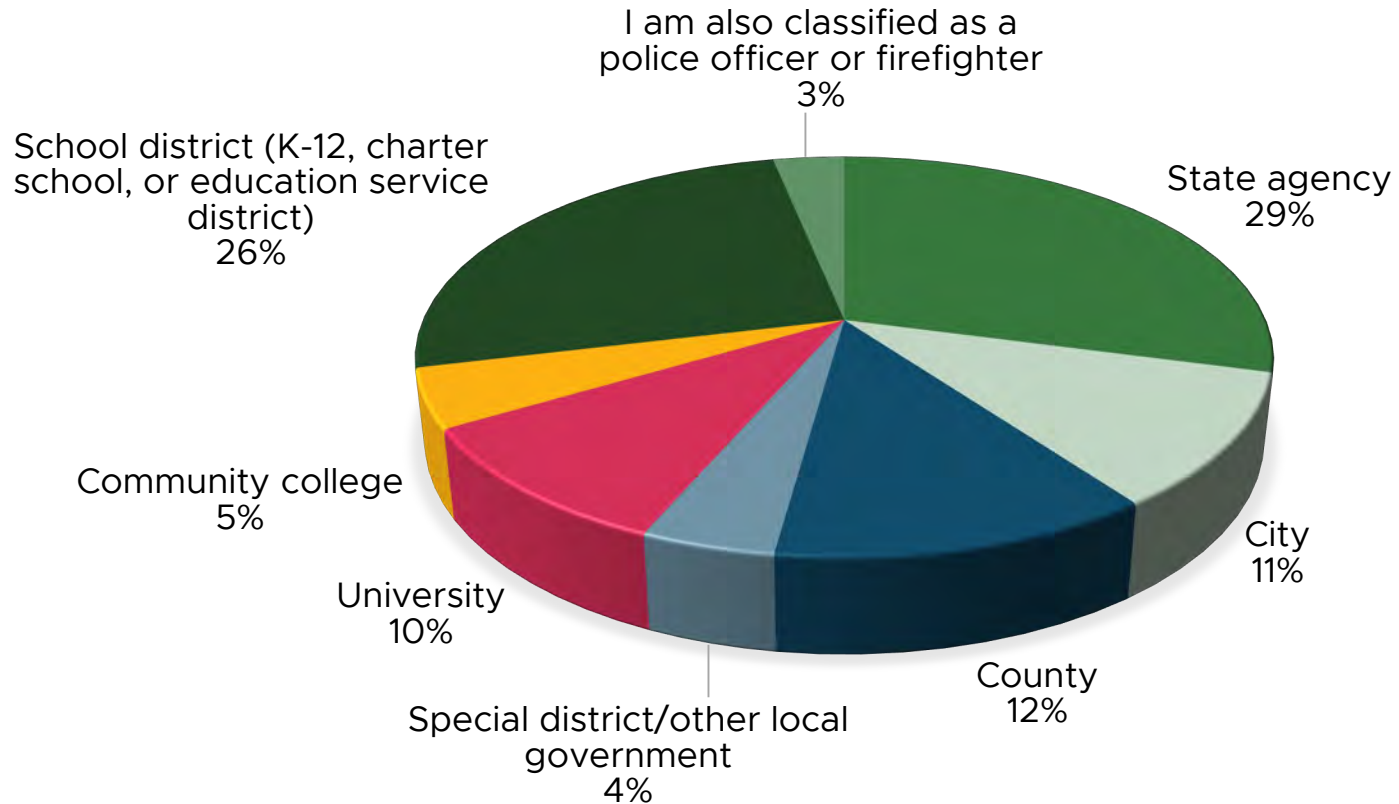
2021 Member Satisfaction Survey

Overview

- Conducted in May 2021.
- More than 41,000 members notified primarily via GovDelivery emails.
- 6,686 members responded (16.3% responded).
- 57% retirees (3,808), 43% nonretirees (2,878).

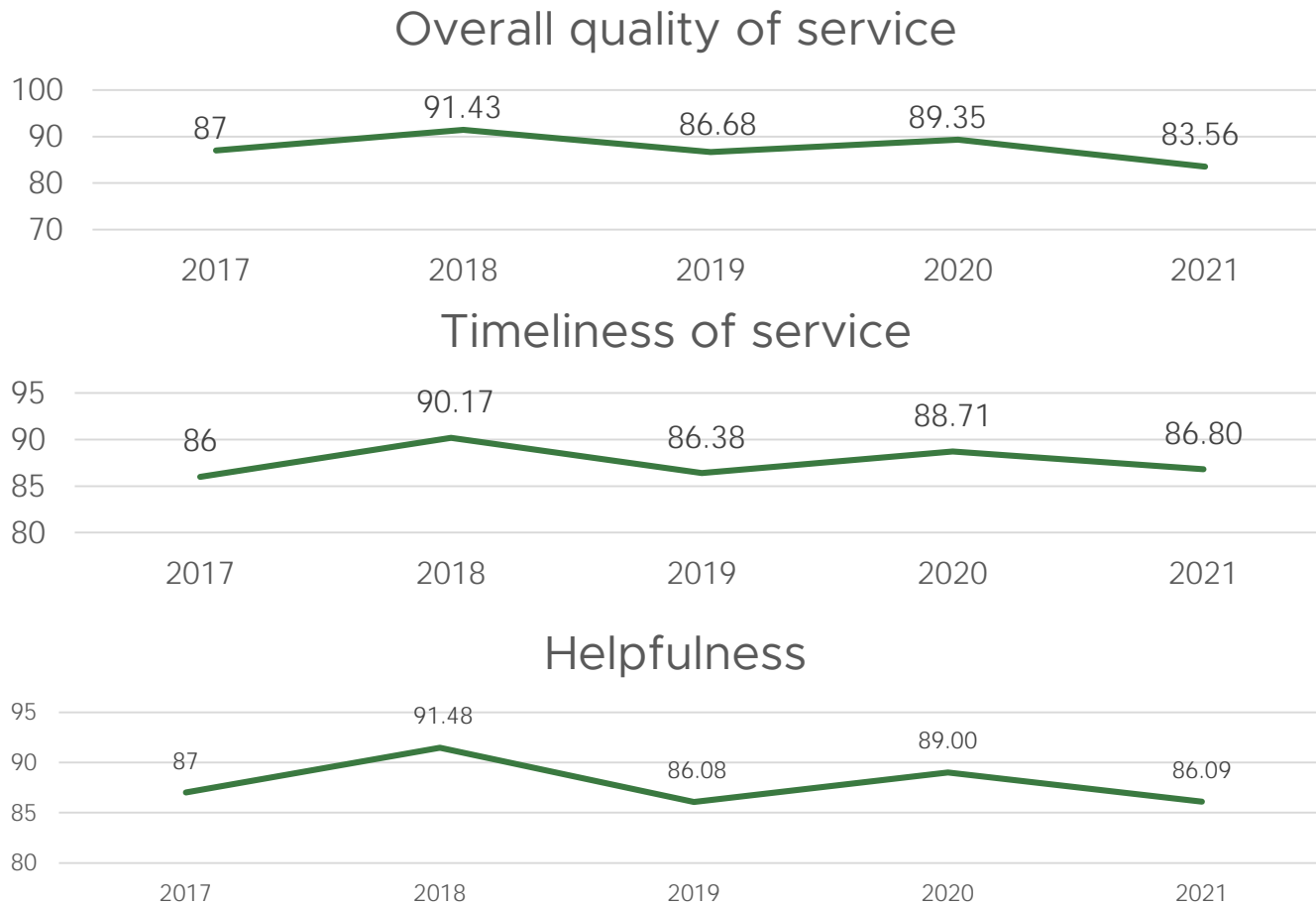
				N/A (I have not contacted PERS about this topic.)
Very satisfied	Somewhat satisfied	Somewhat dissatisfied	Very dissatisfied	
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Where nonretired members work



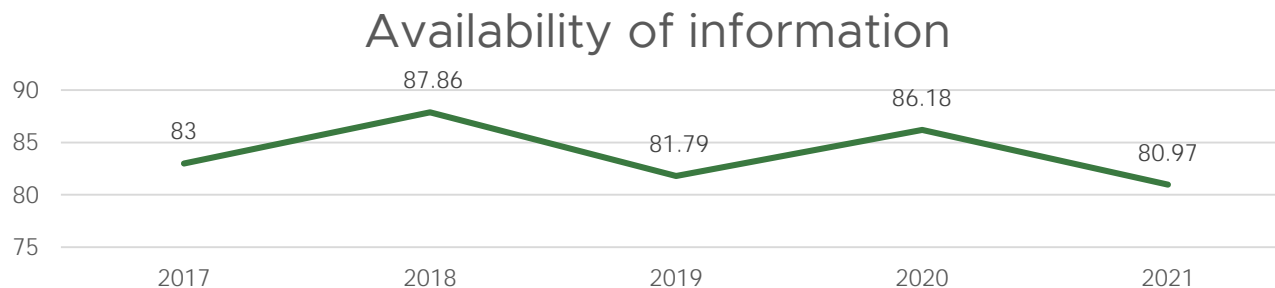
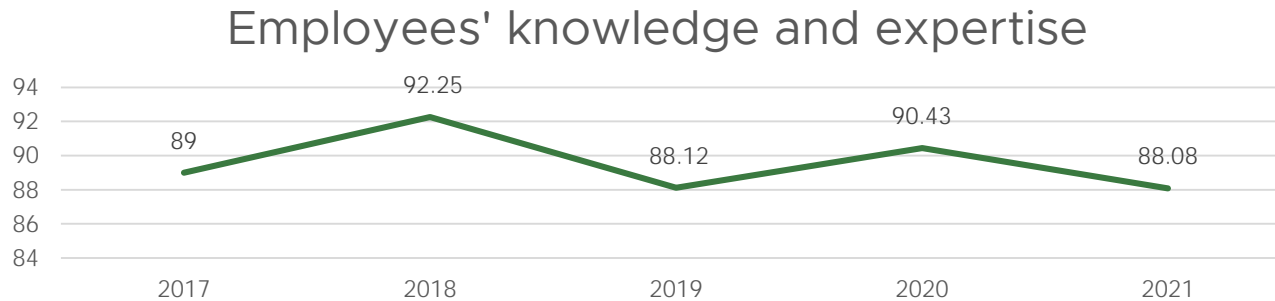
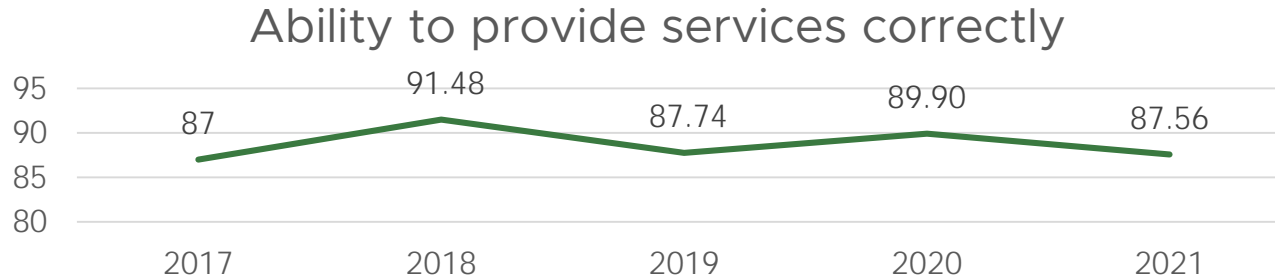
Percentages rounded up

Member satisfaction ratings: 2017-21



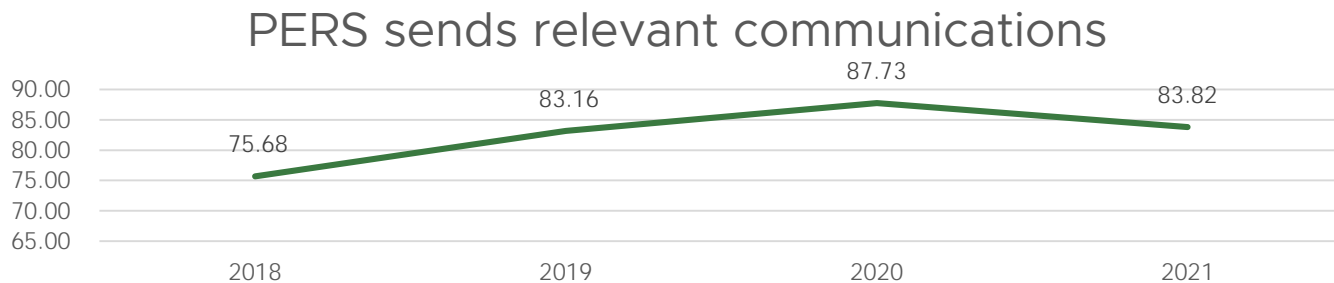
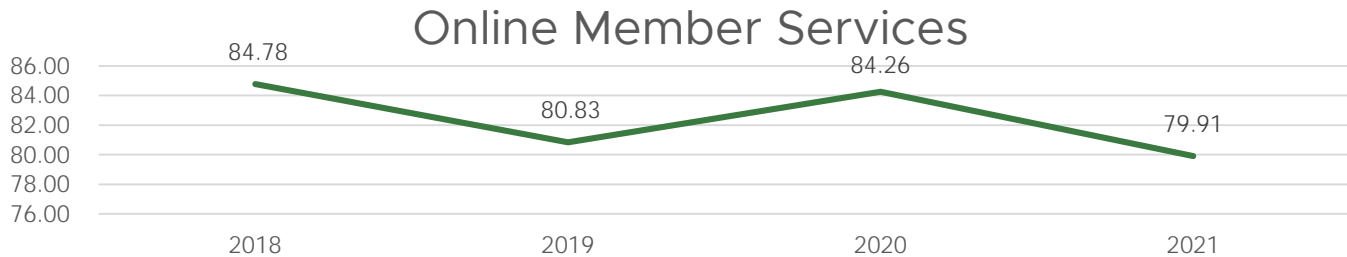
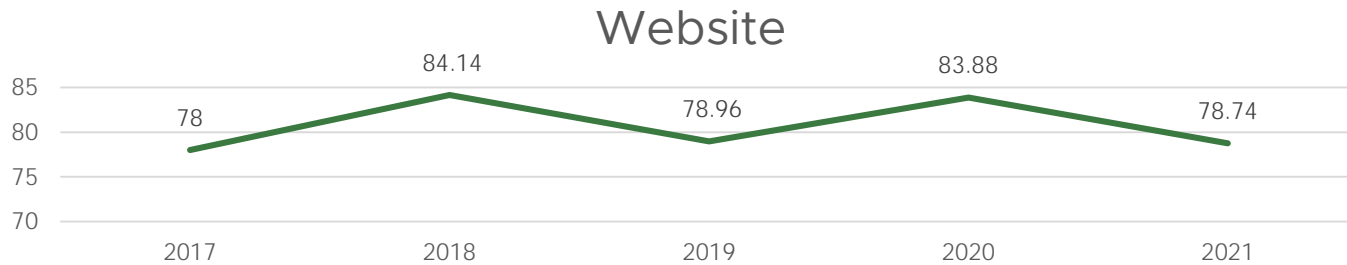
Percentage of respondents that somewhat agree, agree, or strongly agree.

Member satisfaction ratings: 2017-21



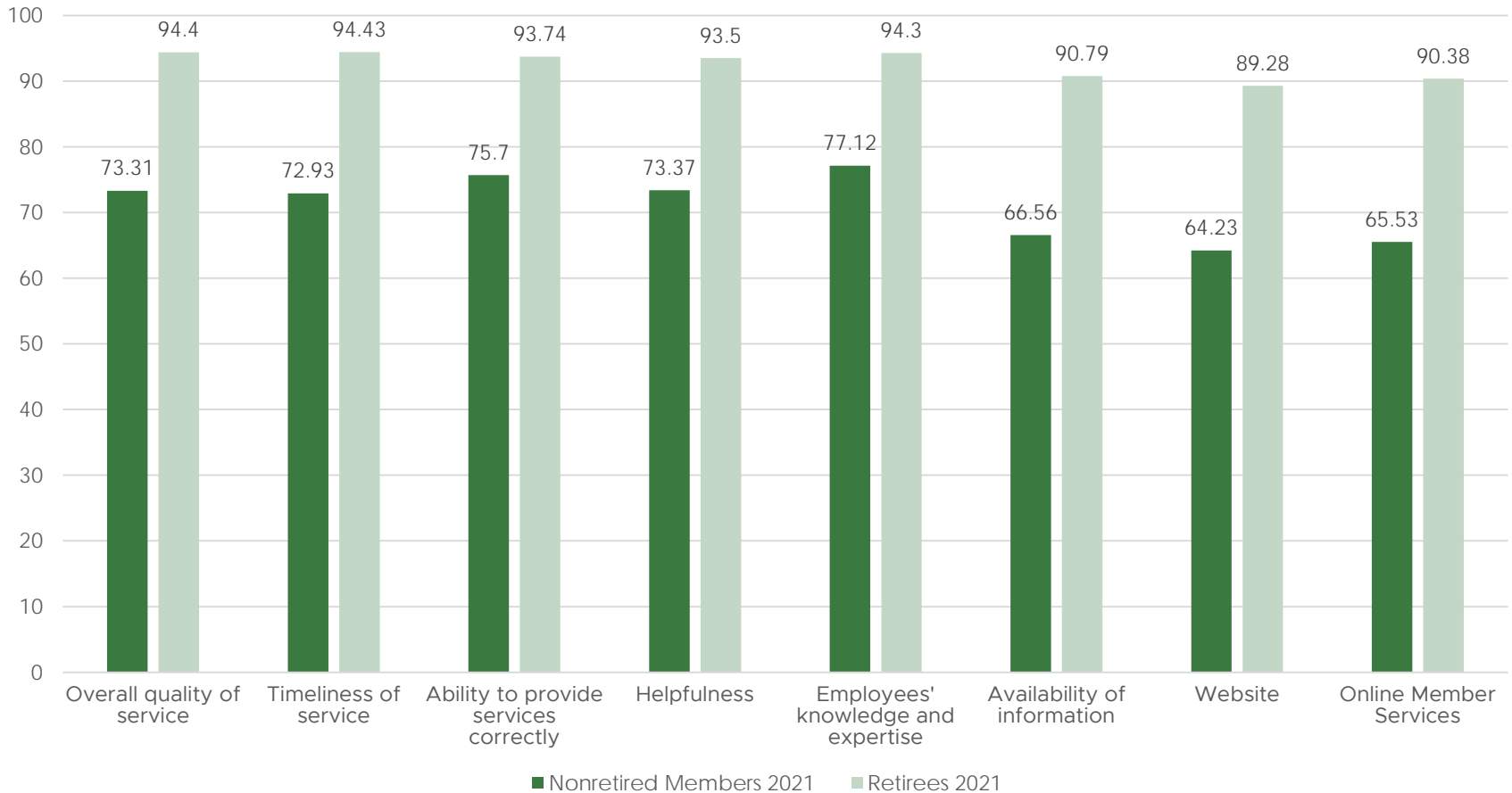
Percentage of respondents that somewhat agree, agree, or strongly agree.

Member satisfaction ratings: 2017-21



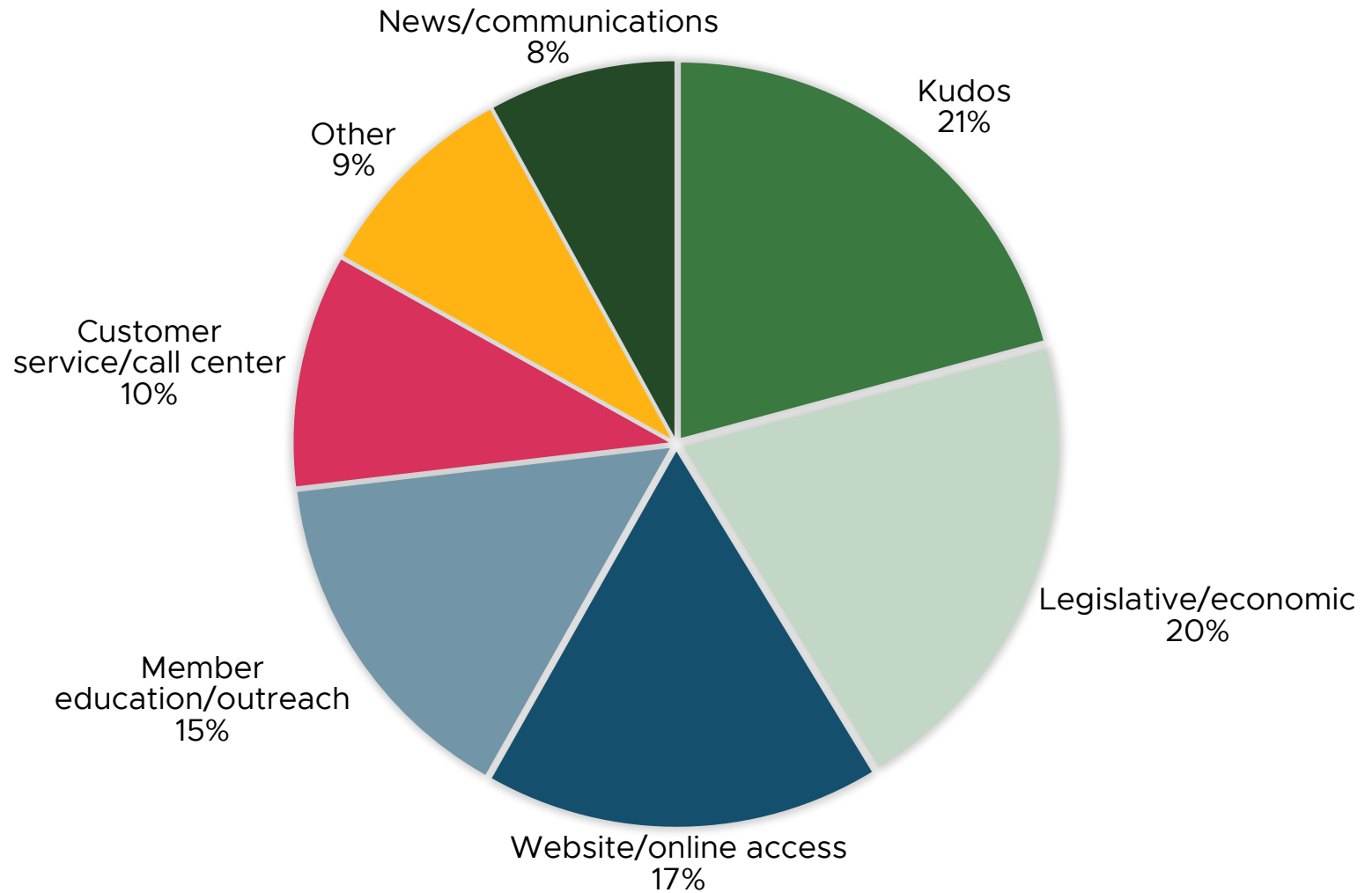
Percentage of respondents that somewhat agree, agree, or strongly agree.

Nonretired members vs. retirees: 2021



Percentage of respondents that somewhat agree, agree, or strongly agree.

Top member comment categories



Top member comments

Kudos — 21% of commenters expressed appreciation for PERS benefits, staff, and/or services.

Notable comments:

“I applaud PERS partnering with OSGP and moving toward educating employees about retirement early on rather than at retirement ...”

“I am so very grateful for those of you who are working so hard for us! Thank YOU!!”

“I appreciate the newsletter that you provide. It usually gives me all the information that I need. But for those times that I needed other answers I was able to call and get great service and informative answers ...”



Top member comments

Legislative/economic — 20% of commenters were concerned about COVID-19; the economy; and legislative changes, including SB 1049.

- **Action steps:**

- PERS continues to update members about pandemic-related information.
- PERS relays 1049 information via multiple channels.
- Communications created to help members understand the roles of the Legislature, Treasury, and PERS the agency.



Top member comments

Website/online access — 17% of commenters shared web concerns.

- **Action steps:**

- Plans for modernization.
- Exploring how to create a single sign-on for IAP accounts.

News/communications — 8% of commenters had news/communications concerns.

- **Action steps:**

- Communications continues to develop more engaging publications and messaging.

Top member comments

Member education/outreach — 15% of commenters said they did not understand member benefits, the retirement process, and PERS forms.

- **Action steps:**

- Continue to refine how information is explained.
- Continue to offer virtual retirement sessions.
- Member Services remains available and committed to working with individual members.



2021 Employer Satisfaction Survey

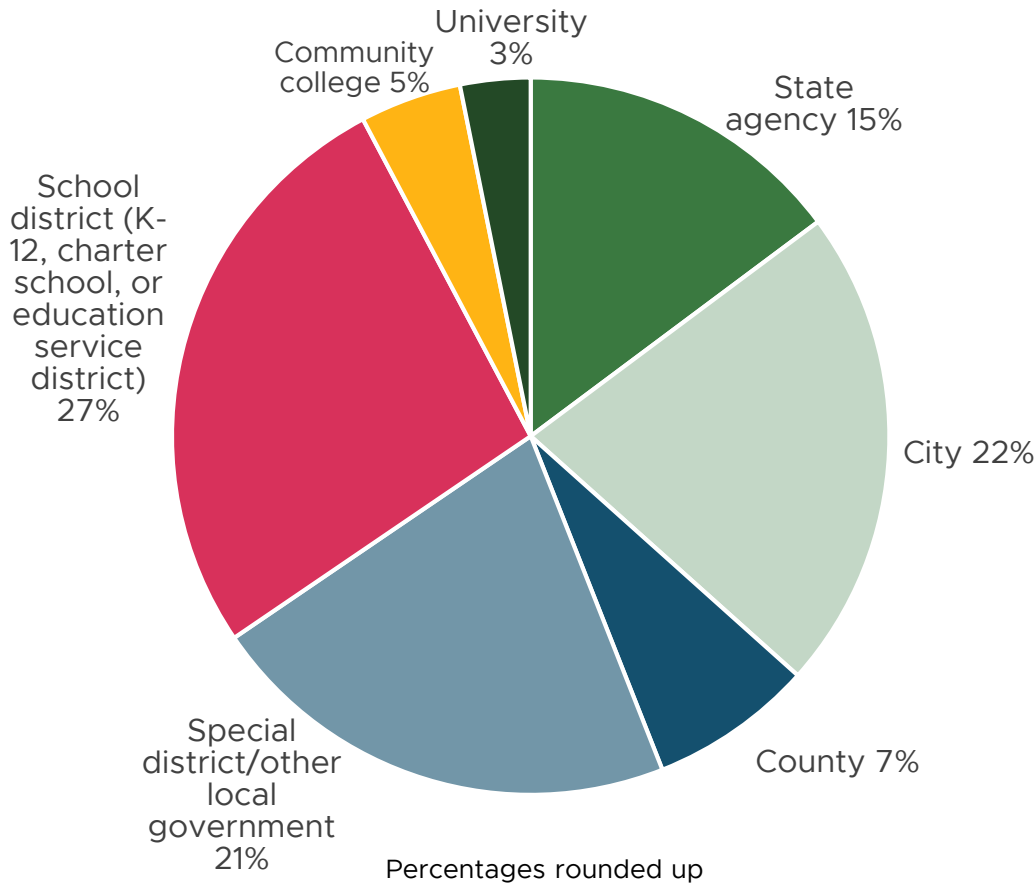
Overview

- May 1-31.
- 6 questions + 10 optional questions for payroll reporters.
- 287 responses out of 6,347 recipients.
 - 4.5% response rate.
 - 17 more responses than last year.

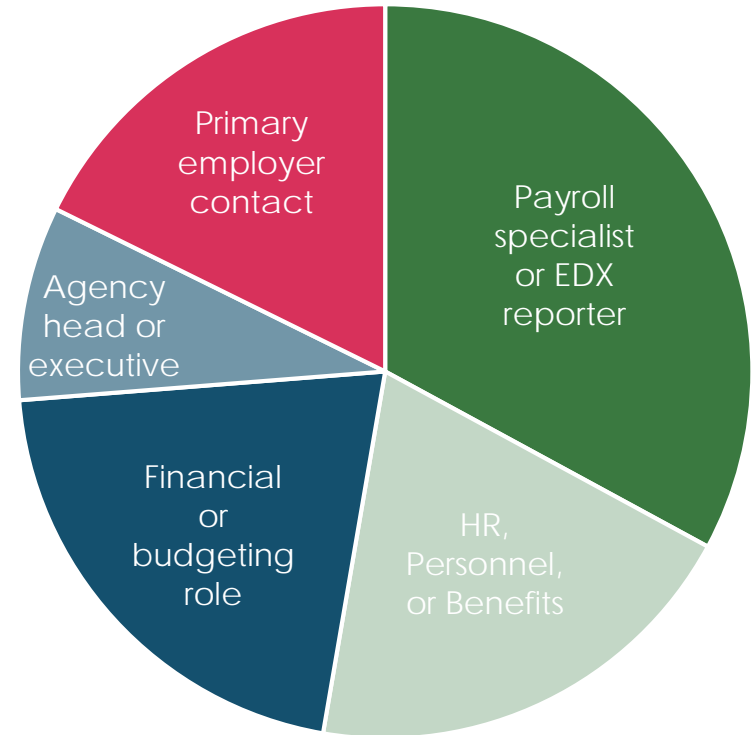
				N/A (I have not contacted PERS about this topic.)
Very satisfied	Somewhat satisfied	Somewhat dissatisfied	Very dissatisfied	
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Employer types and roles

Employer Category



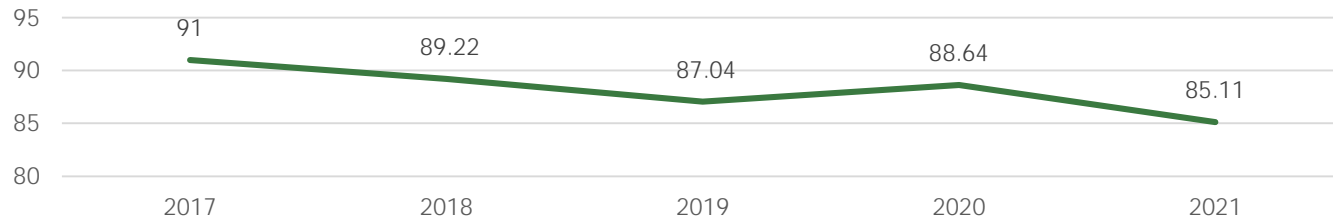
Job Function



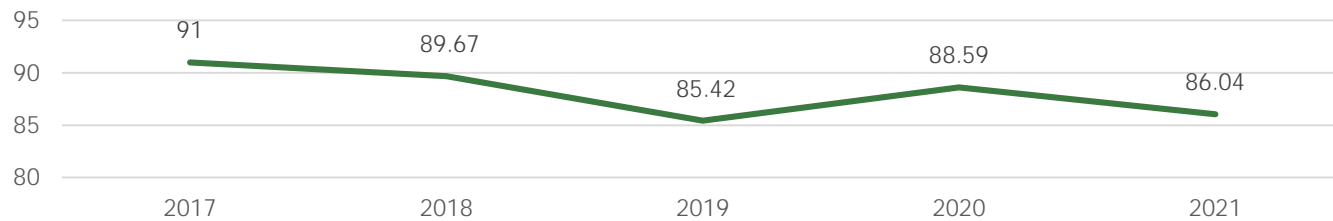
Similar distribution to 2019 results

Employer satisfaction ratings: 2017-21

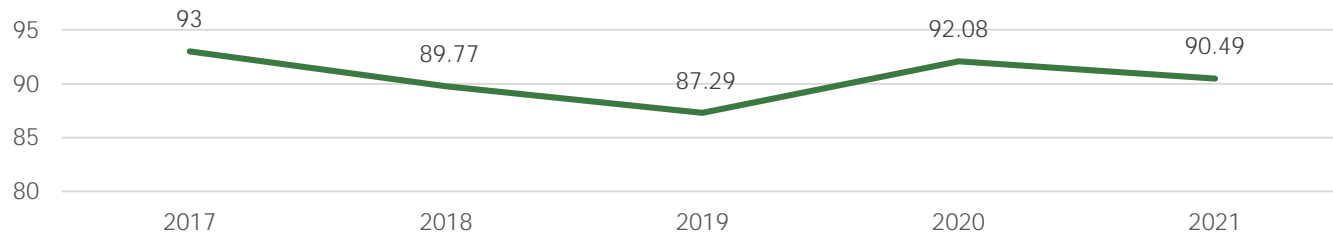
Overall quality of service



Timeliness of service



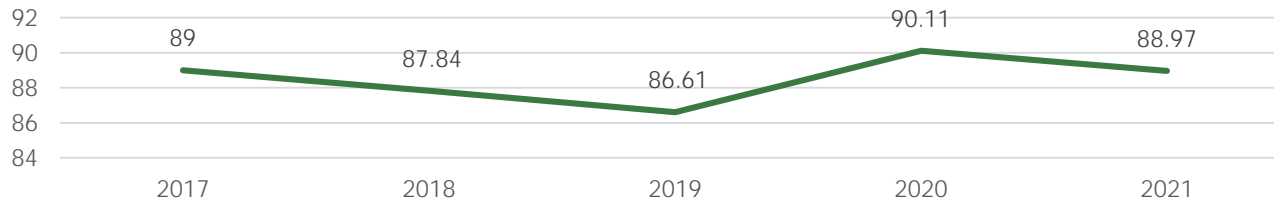
Helpfulness



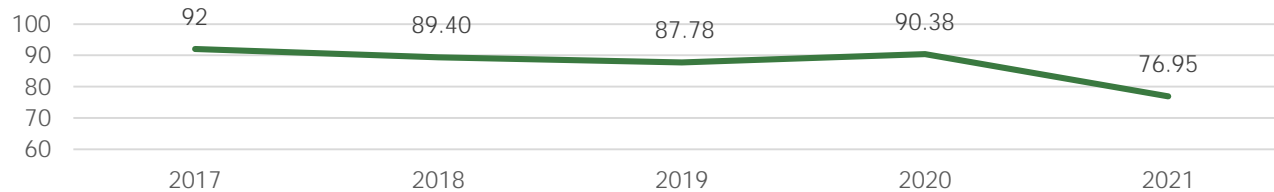
Percentage of respondents that somewhat agree, agree, or strongly agree.

Employer satisfaction ratings: 2017-21

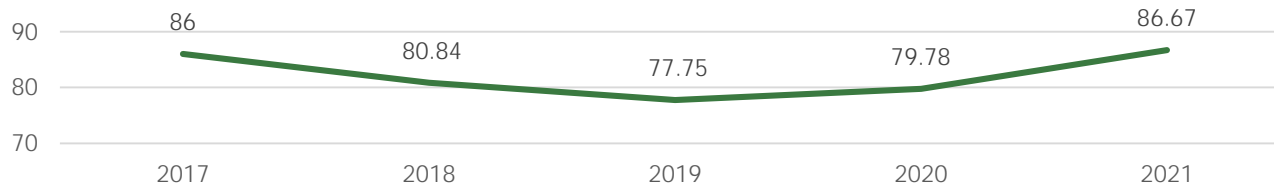
Ability to provide services correctly



Employees' knowledge and expertise



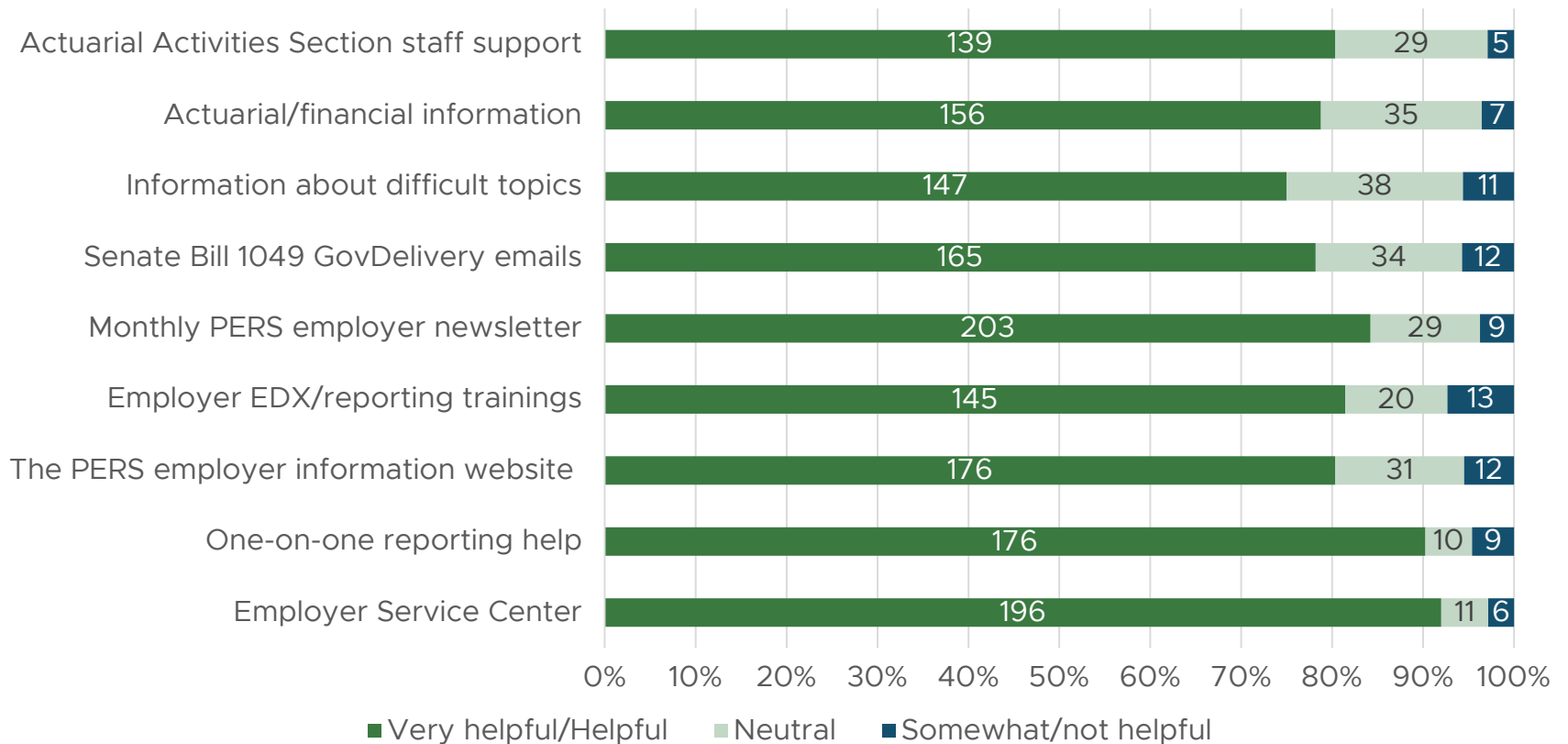
Availability of information



Percentage of respondents that somewhat agree, agree, or strongly agree.

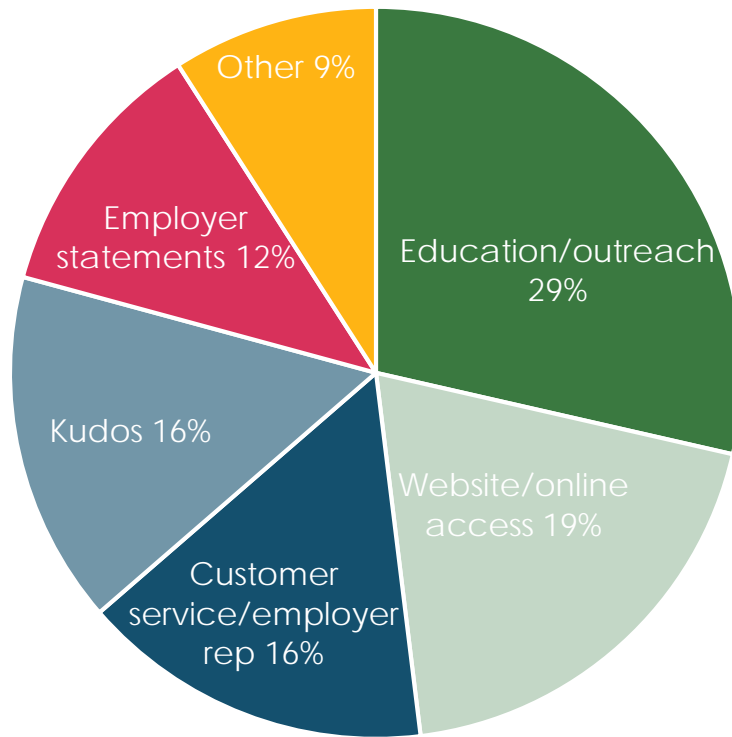
Employer resource ratings

How helpful are the following?



N/A (I do not use this PERS employer resource) answers removed

Top employer comments



Percentages rounded up.
Percentages add to more than
100% due to rounding effect.

- The largest category of comments concerned employer education/outreach.
- Issues with EDX access and the website were the second most common concern.
- Kudos and service categories each accounted for 16% of the comments received.

Top employer comments

Kudos — 15% of commenters expressed appreciation for PERS staff and/or services.

Notable comments:

“PERS is a superbly run organization. I have been very pleased with their service.”

“I know you all are working on the constant changes as fast as you can. It's appreciated!”

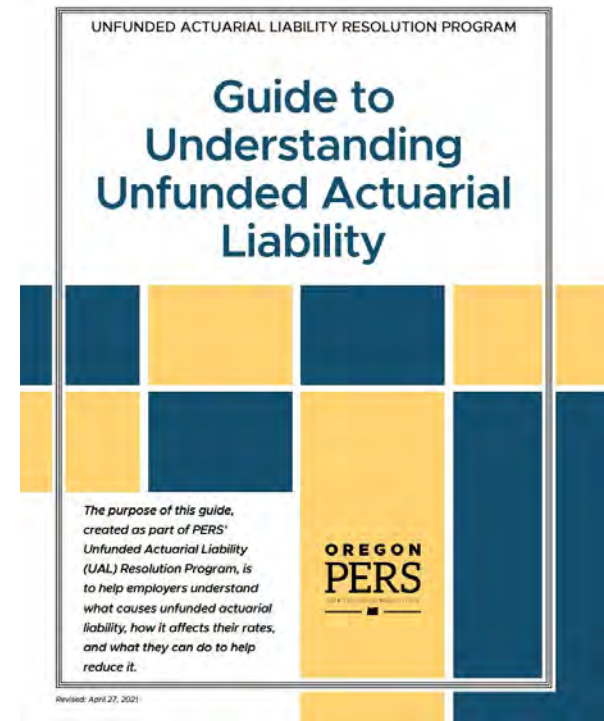


Top employer comments

Employer education/outreach — 29% of commenters expressed concerns regarding contribution rates, budget/forecasting, and general payroll training.

- **Action steps:**

- Unfunded Actuarial Liability Resolution Program (UALRP) educational guides.
- Released a new Employer Rate Project Tool (ERPT).
- New training for EDX.



Top employer comments

Website/online access — 19% of commenters expressed concerns about EDX and website information.

- **Action step:**
 - Website updated to be more user friendly.

Customer service/employer representative — 15% of commenters expressed concerns regarding customer service or their employer representative.

- **Action step:**
 - ESC added new staff, now has 24 employees.

Employer statements — 12% of commenters expressed concerns about employer statements.

- **Action step:**
 - New employer statement format is in development.

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PUBLIC EMPLOYEES RETIREMENT SYSTEM



Thank you

Questions?



Action and Discussion Items

1. SB 1049 Implementation Update
2. Member & Employer Survey Results
3. Final Adoption of Valuation Methods & Assumptions including Assumed Rate of Return
4. Adoption of Assumed Rate OAR
5. Board Funding Policy Review
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October 1, 2021

TO: Members of the PERS Board
FROM: Kevin Olineck, Director
SUBJECT: Final Adoption of Assumptions and Methodologies

Every two years, the Board reviews and adopts actuarial assumptions to be used by the Board's actuary. Over the course of the March, June, and July 2021 Board meetings, the Board's actuary, Milliman, presented and explained the impact of the actuarial assumptions, recommending certain revisions to those assumptions. Prior to 2019, the Board would adopt the actuarial assumptions at the conclusion of Milliman's presentation. However, SB 1049 (2019) established a new standard that requires the Board to "...submit a report to the Joint Committee on Ways and Means or the Joint Interim Committee on Ways and Means detailing the proposed changes and the associated, actuarially determined impact to the total liability of the system, the accrued liability of the system and employer contribution rates" at least 30 days before final adoption of the actuarial assumptions.

At the July 31, 2021 meeting, the board approved the preliminary adoption of the recommended changes to the actuarial methods and assumptions as presented by Milliman in the 2020 Experience Study. In addition, the Board set the plan assumed rate at 6.9 percent, which is presented for final adoption in administrative rule later in this meeting.

PERS submitted the requisite report to the Joint Committee on Ways and Means on August 18, 2021. The report was reviewed at the September 24, 2021 Interim Committee on Ways and Means. Consequently, final adoption of the methodologies and assumptions is now required.

BOARD ACTION

The PERS Board may now pass a motion to "Adopt, on a final basis, the recommended actuarial methods and assumptions as presented by Milliman in the 2020 Experience Study."

Action and Discussion Items

1. SB 1049 Implementation Update
2. Member & Employer Survey Results
3. Final Adoption of Valuation Methods & Assumptions including Assumed Rate of Return
4. Adoption of Assumed Rate OAR
5. Board Funding Policy Review
6. December 31, 2020 System-wide Valuation Results
7. Equal to or Better Than Testing



Oregon

Kate Brown, Governor

Public Employees Retirement System

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11410 S.W. 68th Parkway, Tigard, OR
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October 1, 2021

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis and Compliance Section
SUBJECT: Notice of Rulemaking for Assumed Rate Rule:
OAR 459-007-0007, *Assumed Rate*

OVERVIEW

- Action: Adopt Assumed Rate Rule.
- Reason: Review and establish the assumed rate effective January 1, 2022.
- Policy Issue: No policy issues have been identified at this time.

BACKGROUND

The PERS Board reviews the assumed rate in odd-numbered years as part of the Board's adoption of actuarial methods and assumptions. The assumed rate is then adopted in an administrative rule. At the July 23 meeting, the Board preliminarily determined the assumed rate will be 6.90%, effective January 1, 2022.

The rule specifies that the new assumed rate will be effective for PERS transactions with an effective date of January 1, 2022, consistent with this Board's policy decision from 2013 that changes to the assumed rate will be effective January 1 following the Board's adoption of the new rate, giving staff ample time to perform the necessary preparations and communicate with members and employers. A January 1 effective date also provides equitable treatment to all members who retire in a year that a change is adopted, no matter which month they retire. The new assumed rate will be aligned with the new actuarial equivalency factors (AEFs), which will allow for a clear effective date for all transactions that involve calculations using both the latest year-to-date rate and AEF components.

PUBLIC COMMENT AND HEARING TESTIMONY

No rulemaking hearing was held because the PERS building is closed to the public. The public comment period ended August 24, 2021, at 5:00 p.m. No public comment was received regarding this rulemaking action, however public comment was submitted directly to the PERS Board regarding the assumed rate before both the July 23 and October 1 board meetings.

LEGAL REVIEW

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

IMPACT

Mandatory: Yes, the assumed rate determined by the Board must be adopted by rule and clearly describe the effective date of the assumed rate change on PERS transactions.

Benefit: The proposed rule benefits members, employers, and staff by setting forth the assumed rate and a clear effective date for implementing a change in the rate.

Cost: There are no discrete costs directly attributable to specifying the assumed rate in rule.

RULEMAKING TIMELINE

July 22, 2021	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
July 23, 2021	PERS Board notified that staff began the rulemaking process.
August 2, 2021	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.
August 24, 2021	Public comment period ended at 5:00 p.m.
October 1, 2021	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 Assumed Rate 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.

C.4. Attachment 1 – 459-007-0007, *Assumed Rate*

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

DIVISION 007 – EARNINGS AND INTEREST DISTRIBUTION

1 **459-007-0007**

2 **Assumed Rate**

3 (1) The Board will review the assumed rate in odd-numbered years as part of the
4 Board’s review and adoption of actuarial assumptions and methods.

5 (2) The Board may adopt a change in the assumed rate at any time. A change in the
6 assumed rate is effective the first of the year following the Board’s adoption of the change.

7 (3) The assumed rate is set at ~~7.20~~6.90 percent, effective on January 1, ~~2020~~2022.

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

9 Stats. Implemented: ORS Chapters 238 & 238A

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October 1, 2021

TO: Members of the PERS Board
FROM: Kevin Olineck, Director
SUBJECT: Board Funding Policy

OVERVIEW

Action: Adopt the revised Board Funding Policy

BACKGROUND

The October 2019 Secretary of State Actuarial Review entitled “A Review of the Oregon Public Employees Retirement System,” recommended management develop a single written funding policy document that incorporates the entire rate setting policy, including rate collaring. This Funding Policy (the “Policy” in this memo) was originally adopted at the October 2020 board meeting.

Attachment 1 is the updated Policy for the board’s review and adoption. Management updated the Policy to incorporate the Valuation Methods and Assumptions that were adopted on a preliminary basis in July and are going through final adoption at this meeting.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “adopt the Board Funding Policy, as presented.”
2. Direct staff to make other changes to the Policy or explore other options.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option 1.

Attachment 1 – *Board Funding Policy*



PERS Funding Policy

Statutory Authority

Oregon Revised Statutes Chapter 238 sets out the statutory duties of the PERS Board (“the Board” for the purposes of this document) including:

- Administer the system to create and maintain long-term stability and viability in the system, and shall act to achieve full funding for the benefits provided by the system, giving equal consideration to the interests of the public employer and the employee, to the extent that treatment does not violate the fiduciary duties of the Board.
- Publish an actuarial report at least once every two years, evaluating the system’s current and prospective assets and liabilities and its financial condition, including the mortality, disability, and other experience of the members and employers.
- Adopt actuarial equivalency factor tables at least once every two years, using the best actuarial information on mortality available at the time of adoption.

Funding Policy Background

A funding policy provides a transparent, dependable and systematic process to ensure system funding objectives are met over the long-term. As fiduciaries of the system, the Board has a fundamental objective to ensure the System is adequately funded, through current plan assets and future contributions and investment earnings, in order to provide the benefits to the members when due.

In 2004, the Board adopted high-level objectives to assist in guiding the funding of the System as follows:

- Transparency of shortfall and funded status calculations
- Predictable and stable employer contribution rates
- Protection of the System’s funded status to enhance benefit security for members
- Equity across generations of taxpayers funding the program
- Actuarial soundness — fully fund the System over a selected time period if assumptions are met
- Compliance with GASB (Governmental Accounting Standards Board) requirements

While the Board acknowledges there are inherent conflicts and tensions between the objectives noted above, it recognizes that funding policy decisions should be aligned with the long-term nature of the plans and the System’s funding objectives.

The PERS Funding Equation

The Board, as part of this funding policy, acknowledges the fundamental equation of pension plan financing, the role that various entities, including the Board, play within that equation, and the fact that the Board's primary responsibility within the equation is to set a contribution rate that contributes to balancing this equation.

$$B = C + E$$

BENEFITS	=	CONTRIBUTIONS	+	EARNINGS
present value of earned benefits		employer and member funds to pay pension benefits		future returns on invested funds
Design set by: Oregon Legislature		Set by: PERS Board		Managed by: Oregon Investment Council Oregon State Treasury

Investment Decisions and Oversight

The Board is not charged with the investment of the PERS Fund. The Oregon Investment Council (OIC) oversees the investment and allocation of all State of Oregon trust funds, including the Oregon Public Employees Retirement Fund (OPERF). The three primary governance documents that guide the OIC are as follows:

- Statement of OIC Investment Beliefs and Management Beliefs
- Statement of Funds Governance
- Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund

While the Board and the OIC are separate entities and operate accordingly, there is an obvious and necessary requirement for the two entities to be aware of and informed by the other's decisions. To that end, the Board and OIC have instituted regular joint meetings that take place in June of odd-numbered years. This meeting follows the spring OIC meeting where the OIC typically reviews and adopts the OPERF asset allocation policy, including up-to-date market expectations for future investment returns, and precedes the PERS Board meeting where the Board adopts new actuarial assumptions and methodologies, including the actuarial assumed rate of return to be used in future actuarial valuations and actuarial equivalency factors.

Additionally, the PERS Director is an ex-officio member of the OIC and is charged with keeping the OIC informed of any changes to the PERS System that may impact OPERF. As an OIC member, the PERS Director also keeps the PERS Board informed of OIC policies that may impact OPERF.

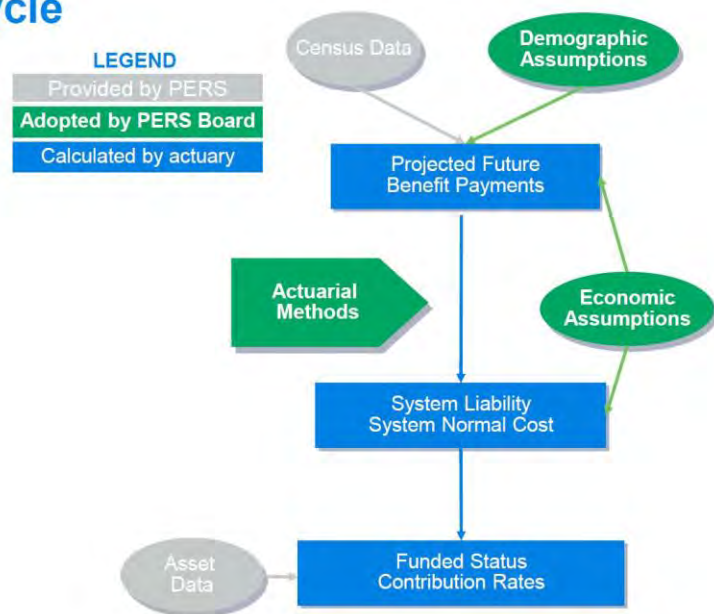
Contribution Rate Setting Cycle

The Board has established a two-year cycle for completing actuarial valuations. The analysis and valuations done in an odd-numbered year (i.e., 2021, with results as of December 31, 2020) are deemed to be "advisory" valuations, in that they do not directly impact employer contribution rates. Instead, these results allow employers an opportunity to understand what their estimated contribution rates are, in order to appropriately budget for future contributions. In the even-numbered years (i.e., 2022, with results as of December 31, 2021) the actuarial results are reviewed and formally adopted by the Board

and the next biennium's (i.e. July 1, 2023, through June 30, 2025) employer contribution rates are set based on those results.

Two-Year Rate-Setting Cycle

- **July 2021: Assumptions & methods adopted by Board in consultation with the actuary**
- October 2021: System-wide 12/31/20 actuarial valuation results
- December 2021: Advisory 2023-2025 employer-specific contribution rates
- July 2022: System-wide 12/31/21 actuarial valuation results
- September 2022: Disclosure & adoption of employer-specific **2023-2025 contribution rates**



Biennial Actuarial Experience Studies and Adoption of Actuarial Assumptions and Methodologies

In odd-numbered years, as part of the biennial Contribution Rate Setting Cycle noted above, the Board, over multiple meetings, shall review, and ultimately adopt as necessary, revised actuarial assumptions and methodologies. As part of this review cycle, the consulting actuary will perform an actuarial experience study to assist the Board in reviewing the experience of the System and provide a recommendation on changes to assumptions and methodologies.

The adopted assumptions and methodologies shall remain in effect for the next two-year valuation cycle absent any subsequent action by the Oregon Legislature that would modify either the assumptions and methods or the level of projected System benefits.

Actuarial Methodology

The following are the key actuarial assumptions and methodologies adopted by the Board in 2021.

Method	December 31, 2020, and December 31, 2021 Valuations
Investment Return Assumption	6.90%
Cost Method	Entry Age Normal
Funded Status	The actuarial value of assets expressed as a percentage of the actuarial accrued liability. For the purposes of this policy, funded status is determined without taking side account balances into effect.
Asset valuation method	Market value of assets, excluding amounts in the Contingency Reserve, Capital Preservation Reserve, and Tier 1 Rate Guarantee Reserve. If the Tier 1 Rate Guarantee

	Reserve is in a deficit status, the market value of assets will be reduced by the amount of deficit.
Unfunded Actuarial Liability (UAL) Amortization Method	UAL amortized using closed, layered periods as a level percent of combined Tier 1/Tier 2 and OPSRP payroll.
UAL Amortization Period	<p>UAL bases – closed amortization from the first rate-setting valuation in which experience is recognized.</p> <ul style="list-style-type: none"> • For the December 31, 2019 valuation only, all existing Tier 1 and Tier 2 UAL were re-amortized over a 22 year period as per SB 1049 (2019). The closed period amortization under Senate Bill 1049 will continue to decline, and will have 20 years remaining as of the December 31, 2021 rate-setting valuation. • Future Tier 1/Tier 2 UAL gains or losses will be amortized over 20 years. • OPSRP – 16 year amortization period. • RHIA/RHIPA – 10 year amortization period. When funded status is over 100% at a rate-setting valuation, amortize the actuarial surplus over Tier 1/Tier 2 payroll using a rolling 20-year amortization basis. Allow the resulting negative UAL Rate to offset the normal cost for the program, but do not allow contribution rates below 0.0%. If either program subsequently fell below 100%, the UAL would then be amortized over combined payroll following the existing 10-year closed, layered amortization policy. • Newly established side accounts — Aligned with the new Tier One/Tier Two base from the most recent rate setting valuation. Employers who make lump sum payments in accordance with the rules of OAR 459-009-0086(9) may select a shorter amortization period of either 6, 10, or 16 years since the most recent rate-setting valuation. • Newly established transition liabilities or surpluses — 18 years from the date joining the SLGRP (State and Local Government Rate Pool).
Rate Collar	<p>Change in UAL Rate contribution rate component limited to:</p> <ul style="list-style-type: none"> • 3% of payroll for Tier 1/Tier 2 SLGRP (State and Local Government Rate Pool) and Tier 1/Tier 2 School District Rate Pool • 1% of payroll for OPSRP • 4% of payroll for Tier 1/Tier 2 UAL Rate of independent employers, but not less than one-third of the difference between the most recent uncollared and collared UAL Rate <p>Additionally, the UAL Rate would not be allowed to decrease for a rate pool until the pool’s funded percentage</p>

	<p>excluding side accounts is over 87% and would not reflect the full collar width until reaching 90% funded. Exclude pension normal cost and RHIA and RHIPA rates from the rate collar calculation.</p>
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Actuarially Determined Contributions and Rate Collaring

It is the Board’s intent to determine, for the next biennium, the actuarially determined contribution rate (ADC). This contribution rate will be calculated in a manner that will fully and systematically fund the long-term costs of promised benefits, while balancing the competing funding objectives noted above.

It is important to note that, for the purposes of describing the ADC, the Board takes into account the rate collaring process set out in the actuarial assumptions and methodologies. The ADC is then described as the collared rate. This policy for determining the ADC has been in effect since it was adopted by the Board for the December 31, 2005, actuarial valuation, which set contribution rates for the 2007-09 biennium. After an extensive review over multiple meetings, a new methodology was adopted by the board at the July 2021 board meeting. The collared rate for an experience-sharing pool consists of the UAL rate, as limited by the rate collar, and the normal cost rate, which is not limited.

In addition to the pension contributions noted above, all employers contribute to the Retirement Health Insurance Account (RHIA). Further, State Agencies and State Judiciary also contribute to the Retiree Health Insurance Premium Account (RHIPA). The Board has determined that the normal cost rates of RHIA and RHIPA are charged only to Tier 1/Tier 2 payroll, as only Tier 1 and Tier 2 members are eligible for these benefits. RHIA and RHIPA UAL rates are charged to all payrolls.

Contribution rate volatility under ADC funding can be mitigated using a number of smoothing techniques, either on the inputs (e.g., asset smoothing) or the output, which is the contribution rate (i.e. rate collaring). Asset smoothing is an actuarial method used to systematically recognize gains and losses in assets over a predetermined period of time (typically five years) to reduce the effects of market volatility and provide stability to actuarially calculated contribution levels. The net effect is the same: smoothing of contribution rates.

The Conference of Consulting Actuaries has stated that use of the rate collaring methodology is acceptable so long as it is “supported by analysis and projections to show the effect on future funded status and future policy based contribution requirements (prior to the application of the contribution collar). There may also need to be a mechanism to ensure adequate funding following extraordinary actuarial losses.” These elements are satisfied by PERS’ rate collaring methodology.

Funding risks

In order to fund the plans at an acceptable projected budgetary contribution cost over the long term, taking on a degree of investment and other funding risks is considered appropriate. The Board is responsible for determining the appropriate overall level of funding risk and determining strategies to mitigate the funding risks as needed. Examples of these strategies include performing yearly actuarial valuations, yearly stochastic financial modeling exercises, and a full experience study on a biannual basis.

The plans are impacted by a range of economic risk factors, including inflation rates and interest rates. Inflation rates can affect overall salary increases, while interest rates can impact the present value of plan liabilities and investment returns.

Investment risk is a significant risk factor that affects the funding of the plans. Investment performance has a direct influence on the plans' funded status, and changes to future investment return expectations influence both the funded status and the projected level of the plans' actuarially calculated contribution rates. The Board considers the OIC's up-to-date market expectations for future investment returns, which includes investment risk, as part of their overall risk review.

Demographic risk factors for the plans include the general characteristics of the plans' populations, such as member age, sex, marital status, expected longevity, salary progression rates, termination rates, and early retirement rates. These variables directly impact the projected pension liability, and there is a risk that the plans' demographic experience varies from the projection. While demographic factors, in general change slowly over the short term, they are important drivers of long-term plan funding risk, particularly long-term longevity factors for retiree life expectancy.

The distinction between Tier 1, Tier 2, and Oregon Public Service Retirement Plan (OPSRP) membership is an important demographic risk factor, since the contribution rates paid by an employer vary by payroll type.

The risks related to having assets readily available to fund benefit payments, when needed, requires effective management of the plans' liquidity. To the extent that the average duration of the plans' liabilities are relatively long, with no immediate net cash outflow, the assets may be managed with a longer time horizon, exhibiting low liquidity and higher equity allocation. When a greater proportion of assets invested by the OIC are expected to directly support near-term benefit payments, managing the liquidity risk related to asset-liability matching will be increasingly important.

Public sector pension plans face a level of scrutiny and attention not faced by other pension plans. There is a risk that funding decisions can become unduly influenced by temporary external pressures or opinions. Adopting a funding policy establishes a solid framework for funding decisions and helps mitigate this risk.

Governance of the plans requires careful coordination between many entities – the PERS Board, OIC and the Oregon Legislature. Authority, accountability, cost monitoring, and reporting related to the plans can be challenging, given the distributed nature of the governance structure.

Confidence in the risk assessment of the plans depends on plan data, computer systems, programs and risk models used to conduct this assessment. Confidence also depends on the transparency, understandability, and soundness of the Board's funding policy. Ensuring accuracy of plan data, systems, and models is important to mitigate risk.

Review Cycle

This funding policy will be reviewed biennially as part of the odd-numbered year review of the System's actuarial assumptions and methodologies.

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PERS

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PERS Board Meeting

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Presented by:

Matt Larrabee, FSA, EA
Scott Preppernau, FSA, EA

October 1, 2021

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Introduction

- Today we will review summary valuation results as of December 31, 2020 for:
 - Tier 1/Tier 2 & OPSRP retirement programs
 - Retiree Health Insurance Account (RHIA), and
 - Retiree Health Insurance Premium Account (RHIPA)
- Formal, detailed results will be presented in our forthcoming December 31, 2020 System-Wide Actuarial Valuation Report
- Results are advisory in nature
 - Indicate where 2023 – 2025 contribution rates would be if set today
 - Assess program funded status and unfunded actuarial liability (UAL) as of December 31, 2020
- All work is based on:
 - Asset levels and member demographics at year-end 2020
 - Updates to methods and assumptions from the 2020 Experience Study
- PERS will deliver employer-specific advisory reports this fall

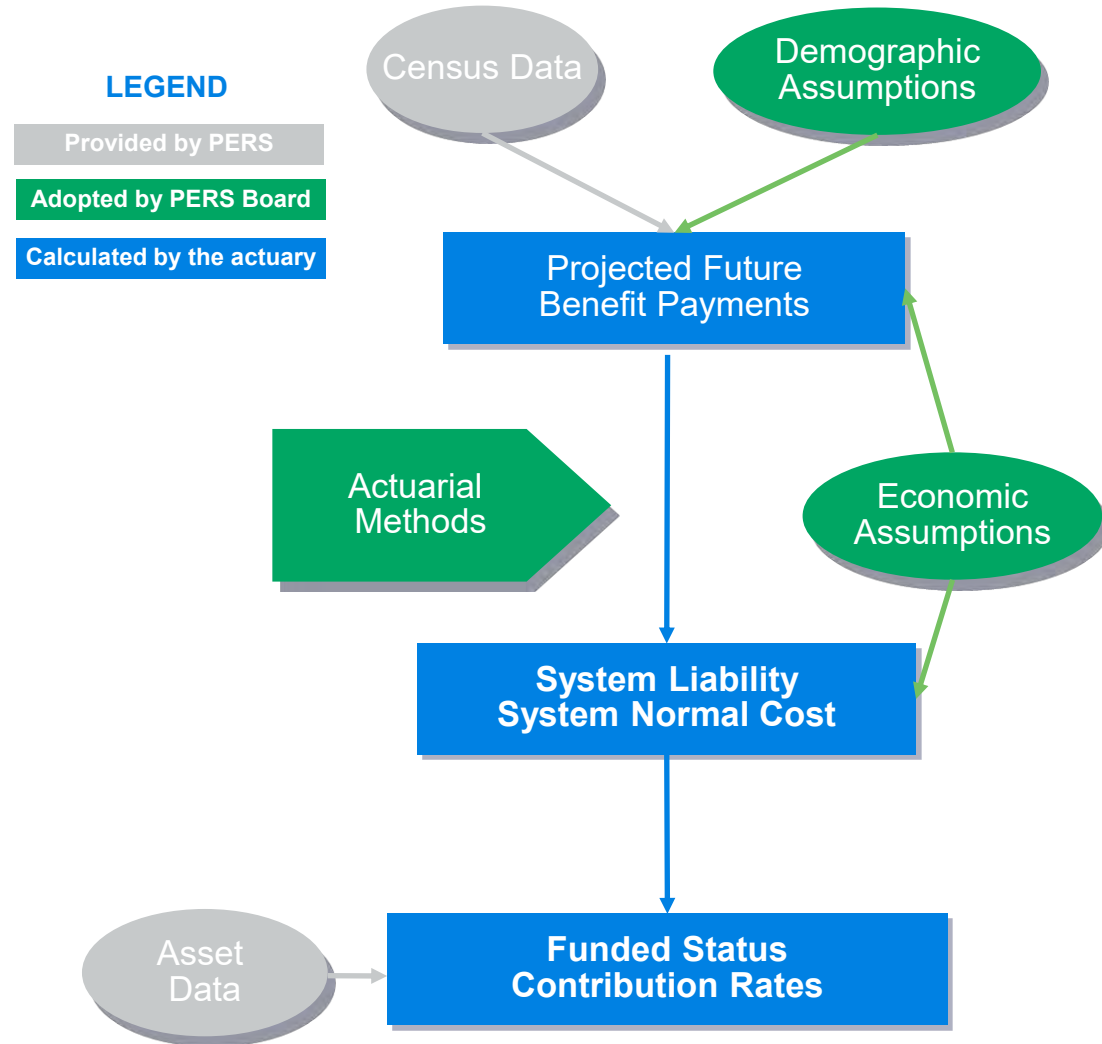
Valuation Process and Timeline

- Actuarial valuations are conducted annually
 - Alternate between “rate-setting” and “advisory” valuations
 - This valuation as of 12/31/2020 is advisory
- Board adopts contribution rates developed in rate-setting valuations, and those rates go into effect 18 months after the valuation date

Rate-Setting Valuation Date	Employer Contribution Rates
12/31/2017 →	July 2019 – June 2021
12/31/2019 →	July 2021 – June 2023
12/31/2021 →	July 2023 – June 2025

Two-Year Rate-Setting Cycle

- July 2021: Assumptions & methods adopted by Board in consultation with the actuary
- October 2021: System-wide advisory 12/31/20 actuarial valuation results**
- December 2021: Advisory 2023-2025 employer-specific contribution rates
- July 2022: System-wide 12/31/21 rate-setting actuarial valuation results
- September 2022: **Presentation and adoption of employer-specific 2023-2025 contribution rates**



Guiding Objectives - Methods & Assumptions

- Transparent
- Predictable and stable rates
- Protect funded status
- Equitable across generations
- Actuarially sound
- GASB compliant

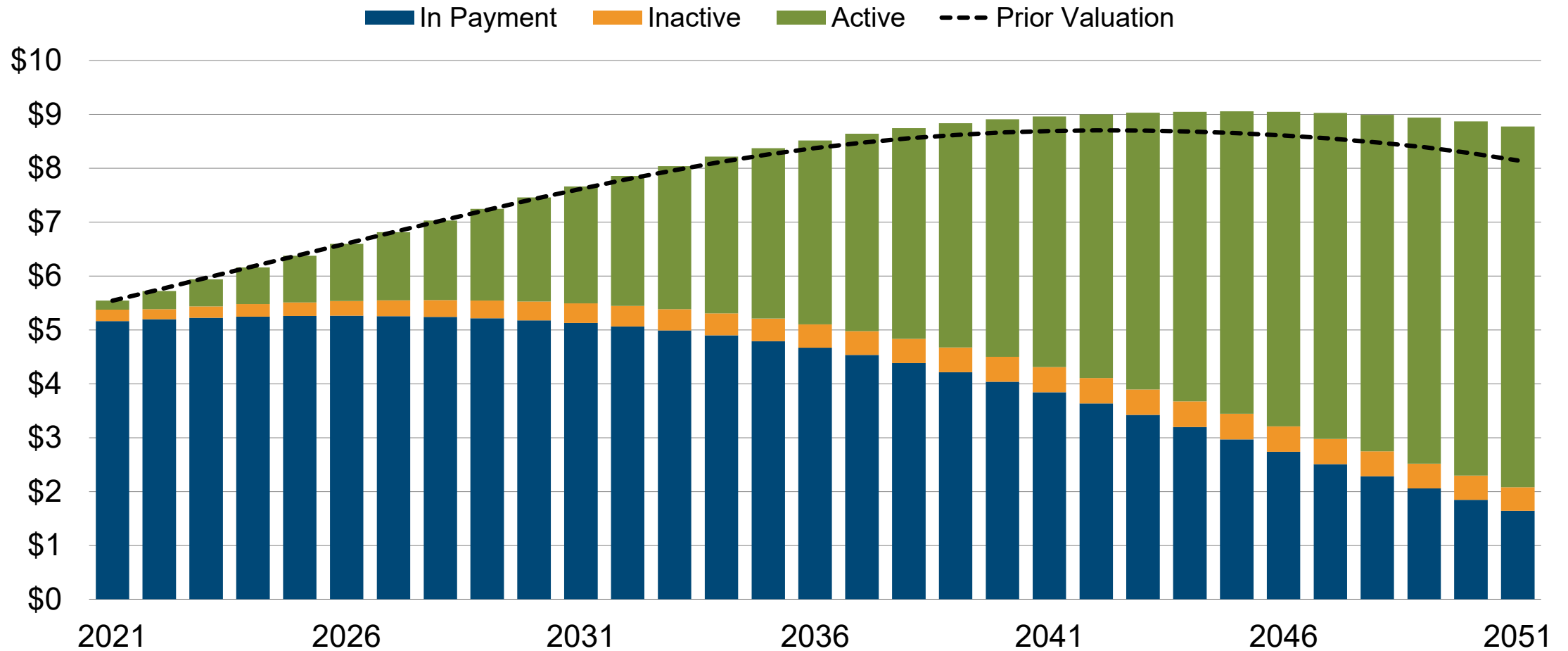
Some of the objectives can conflict, particularly in periods with significant volatility in investment return or projected benefit levels. Overall system funding policies should seek an appropriate balance between conflicting objectives.

Changes Since the Last Valuation

- The 12/31/2019 rate-setting actuarial valuation developed 2021-2023 employer contribution rates
- Since the 12/31/2019 rate-setting valuation:
 - The PERS Board adopted new assumptions and methods from the 2020 Experience Study, including reducing the investment return assumption from 7.20% to 6.90%
 - 2020 asset returns were very close to assumed, with an actual single-year return of +7.18%
 - Year-to-date returns through August 31, 2021 of +16.45% are **not** reflected in this advisory valuation, but will be reflected in next year's rate-setting valuation
 - System payroll increased nearly 4.4%
 - Senate Bill 111 and House Bill 2906 were signed into law in June 2021
 - SB 111 provisions included increased death benefits
 - HB 2906 increased the salary threshold at which member EPSA contributions are required

Projected Benefit Payments

Tier 1/Tier 2 & OPSRP Expected Benefit Payments
by Status as of 12/31/2020 (in \$ billions)



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Funded Status & Unfunded Actuarial Liability (UAL)

System-total Pension Funded Status			
Valuation date:	12/31/2018	12/31/2019	12/31/2020
Assumed return:	7.20%	7.20%	6.90%
Actuarial liability	\$ 86.6	\$ 89.4	\$ 95.3
Assets (excluding side accounts)	<u>59.6</u>	<u>64.8</u>	<u>67.3</u>
UAL (excluding side accounts)	\$ 27.0	\$ 24.6	\$ 28.0
Funded status (excluding side accounts)	69%	72%	71%
Side account assets	<u>\$ 5.2</u>	<u>\$ 5.5</u>	<u>\$ 5.1</u>
UAL (including side accounts)	\$ 21.8	\$ 19.1	\$ 22.9
Funded status (including side accounts)	75%	79%	76%

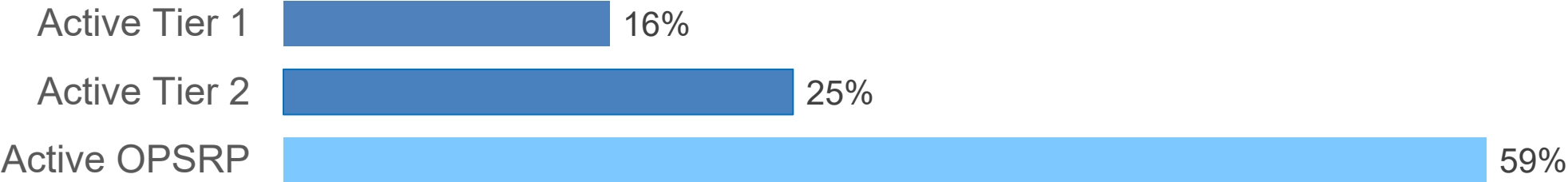
Actuarial Accrued Liability and Normal Cost by Category

12/31/2020 Tier 1/Tier 2 and OPSRP Actuarial Accrued Liability and Normal Cost

Actuarial Accrued Liability by Member Tier and Status on December 31, 2020



Normal Cost by Member Category on December 31, 2020



Accrued Actuarial Liability is the value of benefits allocated to service prior to 2021

Normal Cost is the value of benefits allocated to projected service during 2021

Sources of 2020 UAL (Excluding Side Accounts) Change

(\$ billions)	UAL Increase
Expected UAL increase/(decrease) during 2020	\$ 0.0
2020 actual investment performance	0.0
Assumed rate reduced to 6.9%	2.9
Other assumption and plan changes	0.4
Actual demographic experience different than assumed	<u>0.1</u>
Actual UAL increase/(decrease) during 2020	\$ 3.4

- The **expected UAL increase/(decrease)** is the UAL change, based on 12/31/2019 valuation results, projected to occur during 2020 if actual 2020 experience followed that valuation’s assumptions; in recent years there has been an expected increase, but there was essentially no expected change in 2020
- The 2020 investment gain/loss (i.e., actual versus assumed return) was minimal, reflecting actual 2020 OPERF returns of approximately +7.18% compared to the assumed 7.20% return
- Reducing the assumed rate was the main cause of UAL increase in 2020
- Increased death benefits provided under SB 111 led to \$0.1 - \$0.2 billion of the \$0.4 billion increase shown as “other assumption and plan changes”

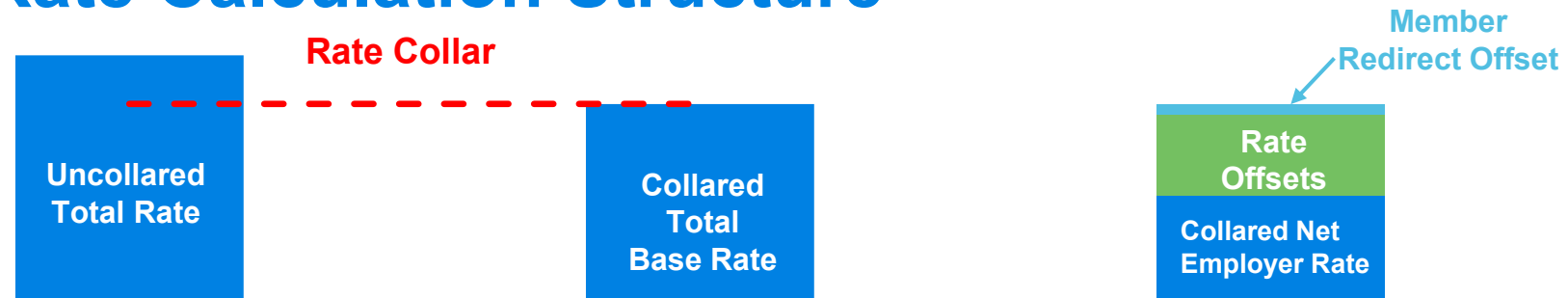
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Tier 1/Tier 2 Rate Pool Funded Status and UAL

Amounts Shown as of December 31, 2020

(\$ billions) <i>totals may not add due to rounding</i>	SLGRP	School Districts
Tier 1/Tier 2 actuarial liability	\$ 46.4	\$ 31.5
Tier 1/Tier 2 assets (excluding side accounts)	<u>31.9</u>	<u>22.9</u>
Tier 1/Tier 2 UAL (excluding side accounts)	\$ 14.5	\$ 8.6
Tier 1/Tier 2 funded status (excluding side accounts)	69%	73%
Projected 2021 Tier 1/Tier 2 + OPSRP payroll	\$ 7.1	\$ 3.8
Assets to payroll ratio (excl. side accounts)	4.5x	6.0x
UAL to payroll ratio (excl. side accounts)	2.0x	2.3x
Side account assets	\$ 2.5	\$ 2.5
Tier 1/Tier 2 UAL (including side accounts)	\$ 12.0	\$ 6.1
Tier 1/Tier 2 funded status (including side accounts)	74%	80%

Overview of Rate Calculation Structure



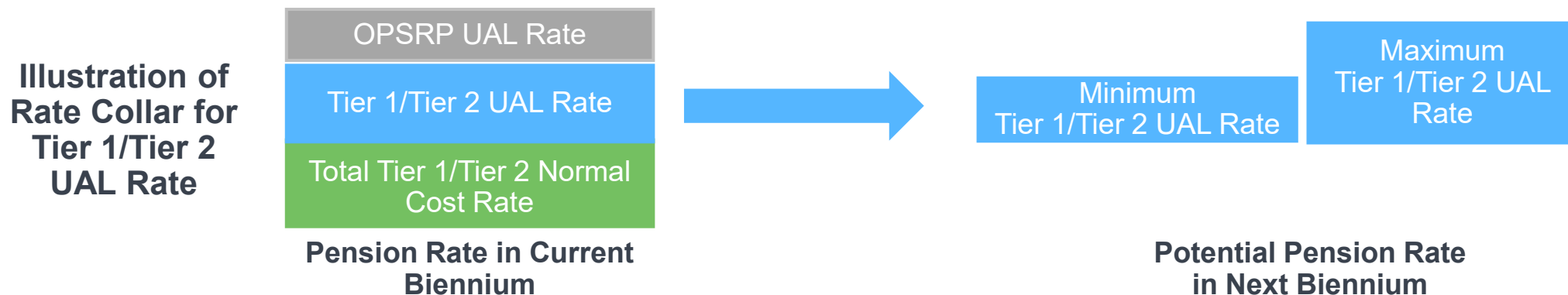
- The ***uncollared total rate*** is the theoretical contribution rate to reach 100% funded status over a specified amortization period if:
 - Contributions at that rate started on the actuarial valuation date, and
 - Actual future experience mirrors the actuarial valuation's assumptions, and
 - The 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)

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Rate Collar Design

The rate collar structure was revised with the assumptions and methods adopted for the 2020 Experience Study

- Rate collar focuses on the biennium-to-biennium change in the UAL Rate component
 - Normal Cost Rate component is always paid in full and is not subject to a rate collar limitation
- The maximum biennium to biennium change in UAL Rate permitted by the rate collar is:
 - **SLGRP and School District Pools Tier 1/Tier 2 UAL Rates:** 3% of pay
 - **OPSRP UAL rate:** 1% of pay
 - **Tier 1/Tier 2 UAL Rates of Independent Employers:** greater of 4% of pay or 1/3rd of the difference between the collared and uncollared Tier 1/Tier 2 UAL Rates at the last rate-setting valuation
- UAL Rate is not allowed to decrease at all unless funded status excluding side accounts is at least 87%, and a full collar width decrease is not allowed unless funded status is at least 90%



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Effect of 2021 Returns on Final 2023-25 Rates

- The advisory valuation uses 12/31/2020 assets and liabilities
 - For the two large Tier 1/Tier 2 experience-sharing rate pools, advisory 2023-2025 rates show projected increases in the collared base and net contribution rates, and project that based on returns through year-end 2020 the rate collar will not be limiting the size of those increases
- Final 2023-2025 rates will be based on assets and liabilities as of 12/31/2021, including actual full-year 2021 investment returns
- Through August 31, OPERF year-to-date regular account returns are +16.45%
 - If returns above the long-term average return assumption of 6.90% continue to year-end, actual 2023-25 increases for the two large rate pools likely will be lower than those shown in this year's advisory employer reports
 - If year-to-date 2021 returns were to hold at August's level until year-end, we estimate that in 2023-2025:
 - System-average UAL rates would remain steady from the 2021-2023 biennium, and
 - Normal cost rates would increase due to the update to the assumed rate
 - If actual year-to-date 2021 returns do not persist and end up near or below the assumed return at year-end, the actual 2023-2025 rate increases could be larger than those shown in this year's advisory employer reports

Comments on Advisory 2023 – 2025 Rates

- No single employer pays the system-wide average rate
 - Individual employer rates reflect either rate pool or independent employer-specific results, not the system-wide average
 - Relative proportion of Tier 1/Tier 2 vs. OPSRP payroll also varies by employer
- Employers in a rate pool do not pay the pool average rate
 - Actual rates reflect employer-specific side account rate offsets and/or any remaining SLGRP charges/offsets
 - SLGRP normal cost rates are specific to an employer's workforce mix of member tier and job classification
- Rates shown do not include the effects of:
 - Individual Account Plan (IAP) contributions
 - Rates for the RHIA & RHIPA retiree healthcare programs
 - Debt service payments on pension obligation bonds

School District Weighted Total* Pension-Only Rates

2009-2011
rates set prior
to economic
downturn

2011-2013
rates first to
reflect -27%
return in 2008

2013-2015
shown before
(dotted line)
and after (solid
line) legislated
changes

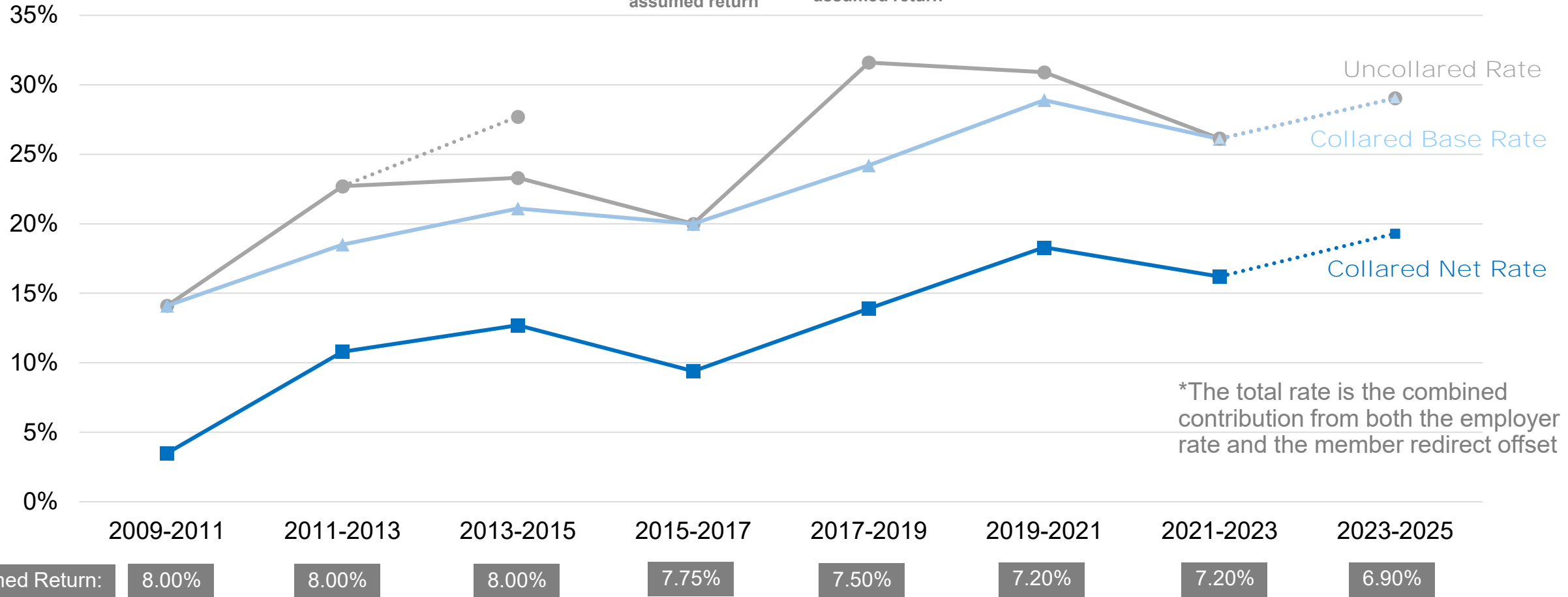
2015-2017
set **pre-Moro**
reflecting 2012
(+14.3%) & 2013
(+15.6%) returns,
first decrease in
assumed return

2017-2019
set **post-Moro**,
reflecting 2015
return (+2.1%)
and second
decrease in
assumed return

2019-2021
reflects 2017
return (+15.4%)
and third
decrease in
assumed return

2021-2023
reflects
legislatively-
mandated Tier
1/Tier 2 UAL
reamortization

2023-2025
advisory rates
reflect fourth
decrease in
assumed return, to
6.90%



*The total rate is the combined contribution from both the employer rate and the member redirect offset

Uncollared Total Pension Rates – School Districts

Excludes Retiree Health Care, IAP Contributions, Rate Collar, Side Accounts

	12/31/2019 Valuation 2021 – 2023 Final Rates			12/31/2020 Valuation 2023 – 2025 Advisory Rates		
	Payroll			Payroll		
	Tier 1 / Tier 2	OPSRP	Weighted Average ¹	Tier 1 / Tier 2	OPSRP	Weighted Average ¹
Total Normal Cost	13.45%	8.64%	10.35%	15.01%	9.99%	11.63%
Tier 1/Tier 2 UAL	14.09%	14.09%	14.09%	15.31%	15.31%	15.31%
OPSRP UAL	<u>1.69%</u>	<u>1.69%</u>	<u>1.69%</u>	<u>2.09%</u>	<u>2.09%</u>	<u>2.09%</u>
Uncollared Total Rate	29.23%	24.42%	26.13%	32.41%	27.39%	29.03%
Increase/(Decrease)				3.18%	2.97%	2.90%

¹ Weighting based on pool payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date

The pool-average collared base and net advisory rates for 2023-2025 are shown on subsequent slides

Rates shown on this slide are “total” rates and include the member EPSA contribution component of the normal cost

Collared Total Pension Base Rates – School Districts

Excludes Retiree Health Care & IAP Contributions, Side Account Offsets

	12/31/2019 Valuation 2021 – 2023 Final Rates			12/31/2020 Valuation 2023 – 2025 Advisory Rates		
	Payroll			Payroll		
	Tier 1 / Tier 2	OPSRP	Weighted Average ¹	Tier 1 / Tier 2	OPSRP	Weighted Average ¹
Uncollared Total Rate	29.23%	24.42%	26.13%	32.41%	27.39%	29.03%
Collar Limitation	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Collared Total Base Rate	29.23%	24.42%	26.13%	32.41%	27.39%	29.03%
Increase/(Decrease)				3.18%	2.97%	2.90%

¹ Weighting based on pool payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date

The 2023 – 2025 advisory total base rates increased primarily due to the reduction in the assumed rate from 7.20% to 6.90%.

If actual 2021 investment returns are near assumption, final 2023 – 2025 total base rates are anticipated to be similar to advisory 2023 – 2025 total base rates shown in this presentation

Rates shown on this slide are “total” rates and include the member EPSA contribution

Collared Employer Pension Rates – School Districts

Excludes Retiree Health Care & IAP Contributions

	12/31/2019 ¹ Valuation 2021 – 2023 Final Rates			12/31/2020 ¹ Valuation 2023 – 2025 Advisory Rates		
	Tier 1 / Tier 2	Payroll OPSRP	Weighted Average ²	Tier 1 / Tier 2	Payroll OPSRP	Weighted Average ²
Collared Total Base Rate	29.23%	24.42%	26.13%	32.41%	27.39%	29.03%
Member redirect offset	<u>(2.45%)</u>	<u>(0.70%)</u>	<u>(1.25%)</u>	<u>(2.40%)</u>	<u>(0.65%)</u>	<u>(1.15%)</u>
Collared Base Employer Rate	26.78%	23.72%	24.88%	30.01%	26.74%	27.88%
Side Account (Offset)	<u>(9.93%)</u>	<u>(9.93%)</u>	<u>(9.93%)</u>	<u>(9.74%)</u>	<u>(9.74%)</u>	<u>(9.74%)</u>
Collared Net Employer Rate	16.85%	13.79%	14.95%	20.27%	17.00%	18.14%
Increase/(Decrease)				3.42%	3.21%	3.19%

¹ For this exhibit, adjustments are assumed not to be limited due to an individual employer reaching a 0.00% contribution rate

² Weighting based on pool payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date, OPRSP's payroll weighting increased between valuation dates

Rates vary by employer, as only some employers have side accounts

Weighted-average net employer rates increased more than total base rates, due to a decrease in the average member redirect offset

School Districts Rate Summary

Weighted Average Total Rates (Tier 1/Tier 2 and OPSRP)

	Final 2021 - 2023	Advisory 2023 - 2025	Increase/ (Decrease)
Uncollared Total Base Rate	26.13%	29.03%	2.90%
Collared Total Base Rate	26.13%	29.03%	2.90%
Collared Base Employer Rate	24.88%	27.88%	3.00%
Collared Net Employer Rate	14.95%	18.14%	3.19%

- The advisory collared total base rate for School Districts is equal to the uncollared total base rate
- The uncollared total base rate increase was primarily due to the reduction in the assumed rate from 7.20% to 6.90%
- The collared base employer rate increase was larger than the increase in the collared total base rate due to the reduction in assumed member EPSA redirect contributions based on the provisions of HB 2906

SLGRP Rate Summary

Weighted Average Total Rates (Tier 1/Tier 2 and OPSRP)

	Final 2021 - 2023	Advisory 2023 - 2025	Change
Uncollared Total Base Rate	25.54%	28.38%	2.84%
Collared Total Base Rate	25.54%	28.38%	2.84%
Collared Base Employer Rate	24.29%	27.23%	2.94%
Collared Net Employer Rate	18.61%	21.86%	3.25%

- The advisory collared total base rate for the SLGRP is equal to the uncollared total base rate
- The uncollared total base rate increase was primarily due to the reduction in the assumed rate from 7.20% to 6.90%
- The collared base employer rate increase was larger than the increase in the collared total base rate due to the reduction in assumed member EPSA redirect contributions based on the provisions of HB 2906

System-Wide Rate Summary

Weighted Average Total Rates (Tier 1/Tier 2 and OPSRP)

	Final 2021 - 2023	Advisory 2023 - 2025	Change
Uncollared Total Base Rate	25.91%	28.86%	2.95%
Collared Total Base Rate	25.82%	28.85%	3.03%
Collared Base Employer Rate	24.57%	27.70%	3.13%
Collared Net Employer Rate	17.93%	21.34%	3.41%

- System-wide rates are the payroll-weighted average of rates for School Districts, the SLGRP, and independent employers that do not pool their Tier 1/Tier 2 liability experience
- At a system-wide level the uncollared total base rate is 0.01% higher than the collared total base rate, reflecting that some independent employers have their advisory 2023-2025 rate increases limited by the rate collar

Projected 2023-2025 Total Contributions

(\$ millions)	Projected 2021-23 Payroll*	(A) Projected 2021-23 Total Contribution	Projected 2023-25 Payroll*	(B) Projected 2023-25 Total Contribution	(B - A) Projected Total Contribution Increase / (Decrease)
State Agencies	\$ 7,620	\$ 1,520	\$ 8,150	\$ 1,885	\$ 365
School Districts	7,905	1,260	8,450	1,595	335
All Others	<u>9,385</u>	<u>1,915</u>	<u>10,035</u>	<u>2,390</u>	<u>475</u>
Total	\$24,910	\$ 4,695	\$26,635	\$ 5,870	\$ 1,175

- Collared net rates are used to project 2023-2025 contributions
 - Projections do not reflect the effects of 2021 investment returns
- Projected 2021-23 contributions increased by \$30 million compared to prior estimate (based on 12/31/2019 valuation) as a result of a larger-than-expected increase in system payroll

* Assumes total payroll grows at 3.40% annually based on 12/31/2020 active member census. The collared net rate applied to this payroll reflects the projected change over time in payroll composition as new OPSRP members are hired to replace retiring Tier 1/Tier 2 members

Factors Driving the Projected Contribution Increase

- The projected \$1.2 billion 2023 - 2025 total contribution increase consists of:
 - \$0.9 billion - system-wide average increase in contribution rates
 - Primarily driven by the decrease in the assumed rate from 7.2% to 6.9%
 - Includes impact on average contribution rate of projected change over time in payroll distribution between Tier 1/Tier 2 and OPSRP
 - \$0.3 billion - projected system payroll growth between 2021-2023 and 2023-2025
 - Assumed system payroll growth of 3.4% per year / 6.9% per biennium means the collared net rate increase is applied to a larger payroll base
 - Does not reflect projected change in payroll distribution between Tier 1/Tier 2 and OPSRP
- Redirected member EPSA contributions will continue to offset employer contribution rates in the 2023-2025 biennium
 - An estimate of this effect is shown on the next slide

Projected Split of 2023-2025 Total Contributions

(\$ millions)	(A) Projected 2021- 23 Total Contribution	(B) Projected 2023- 25 Total Contribution	(C) Estimated Member Redirected Contributions*	(B - C) Projected 2023- 25 Employer Contribution
State Agencies	\$ 1,520	\$ 1,885	\$ 85	\$ 1,800
School Districts	1,260	1,595	90	1,505
All Others	<u>1,915</u>	<u>2,390</u>	<u>105</u>	<u>2,285</u>
Total	\$ 4,695	\$ 5,870	\$ 280	\$ 5,590

* Reflects member redirect offset of 2.40% of payroll for Tier 1 and Tier 2, and 0.65% for OPSRP; the statutory 2.50% and 0.75% redirection levels were adjusted downward by 0.10% to estimate the anticipated effect of members below the statutory pay threshold who will not have contributions redirected

12/31/2020 Retiree Health Care Valuations

- Retiree health liabilities combined are less than 1% of the pension liability
- Two separate retiree health care benefit subsidies are valued:
 - RHIA provides a \$60 per month subsidy toward healthcare premiums for Medicare-eligible Tier 1/Tier 2 retirees
 - RHIPA provides Tier 1/Tier 2 state employees who retire prior to age 65 with an alternative to PEBB coverage until they reach Medicare eligibility
- OPSRP retirees are not eligible for either subsidy
- The combination of a shortened UAL amortization period and recent experience has improved both RHIA and RHIPA funded status to over 100%
- With the 2020 Experience Study, the Board adopted a new amortization policy for when these programs are over 100% funded
 - Amortizes the actuarial surplus over Tier 1/Tier 2 payroll using a rolling 20-year amortization, and allows the subsequent negative UAL rate to offset the normal cost, but not below a total rate of 0.0%

12/31/2020 Retiree Health Care Valuations

UAL and Advisory 2023-25 Contribution Rates

	RHIA		RHIPA*	
	12/31/2019	12/31/2020	12/31/2019	12/31/2020
Actuarial Liability	\$ 404	\$ 384	\$ 59	\$ 48
Assets	<u>644</u>	<u>660</u>	<u>52</u>	<u>64</u>
UAL	\$ (240)	\$ (277)	\$ 7	\$ (16)
Funded Status	159%	172%	87%	133%
Normal Cost Rate (T1/T2 payroll only)	0.05%	0.05%	0.11%	0.09%
UAL Rate applied to T1/T2 payroll**	<u>0.00%</u>	<u>(0.05%)</u>	<u>0.17%</u>	<u>(0.09%)</u>
Total Rate	0.05%	0.00%	0.28%	0.00%

* State Agencies, OUS, and State Judiciary are the only employers who pay RHIPA rates

** UAL Rate applied to OPSRP payroll is limited to a minimum of 0.00%

Contribution Rate & Funded Status Projections

- In December, we will return with contribution rate and funded status projections based on this valuation
 - That analysis will use the latest year-to-date investment return information at the time the projections are made
- Projections will be developed using two types of models
 - Steady return
 - Straight lines reflecting steady future actual investment returns
 - Variable return
 - Probability distributions reflecting a wide variety of noisy scenarios for possible actual future investment returns
 - The modeling will include updates to the risk metrics we have used in projection studies conducted in previous years

Wrap Up / Valuation Next Steps

- Between now and the December meeting we will:
 - Assist PERS in preparing financial reporting schedules
 - Prepare system-wide and employer-specific December 31, 2020 actuarial valuation reports
- At the December meeting, we will:
 - Provide listings of employer-specific advisory 2023-2025 contribution rates
 - PERS to distribute employer-specific reports to employers after the meeting
 - Update long-term contribution rate and funded status projections



Appendix

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Certification

This presentation summarizes key preliminary results of an actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2020, for the Plan Year ending December 31, 2020. The results are preliminary in nature and may not be relied upon to, for example, prepare the System’s Annual Comprehensive Financial Report. The reliance document will be the forthcoming formal December 31, 2020 System-Wide Actuarial Valuation Report.

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 a reasonable 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. Our annual financial modeling presentation to the PERS Board should be referenced for additional analysis of the potential variation in future measurements. Our forthcoming December 31, 2020 Actuarial Valuation Report will provide additional discussion of the System’s risks. The PERS Board has the final decision regarding the appropriateness of the assumptions.

Actuarial computations presented in this report are for purposes of presenting advisory contribution rates consistent with the adopted funding policy 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. 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.

Certification

Milliman's work is prepared solely for the internal business use of the Oregon Public Employees Retirement System. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third-party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

- (a) The System may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.
- (b) The System may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

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The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The actuaries are independent of the plan sponsors. 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 of 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. Assumptions related to the claims costs and healthcare trend (cost inflation) rates for the retiree healthcare program discussed in this report were determined by Milliman actuaries qualified in such matters.

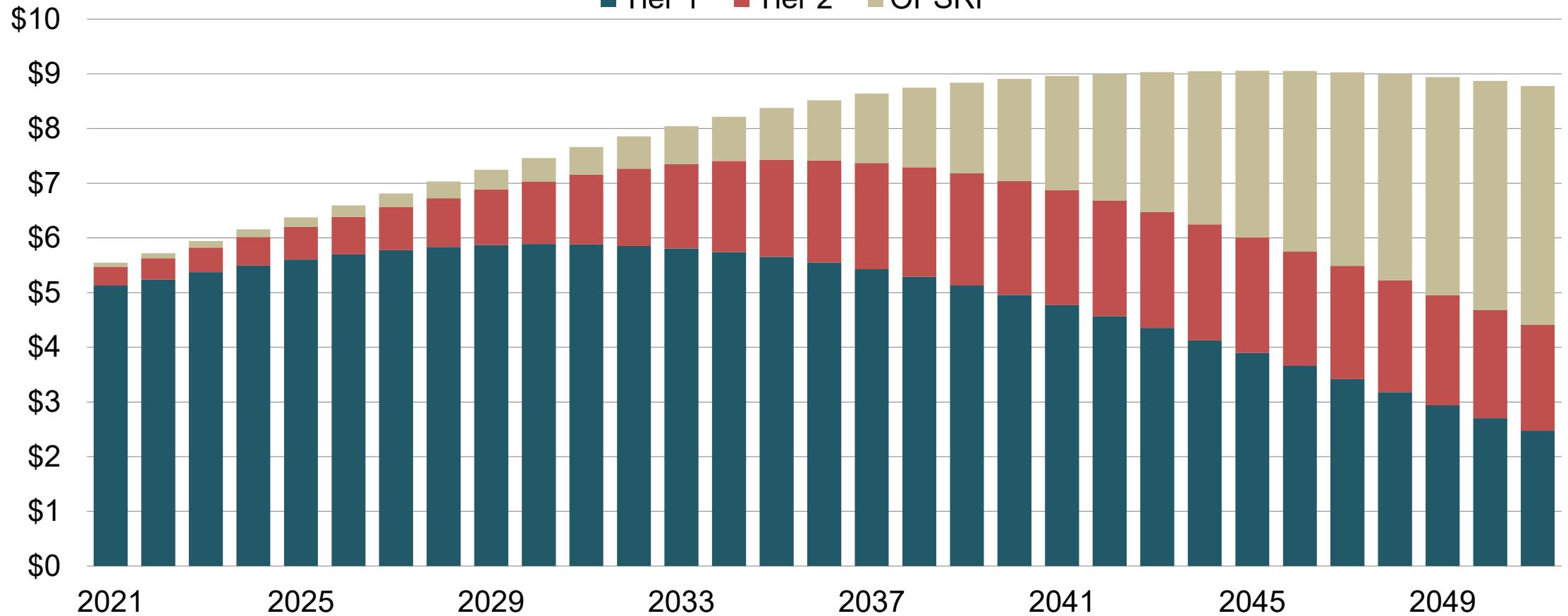
Data Exhibits

	December 31, 2020				December 31, 2019
	Tier 1	Tier 2	OPSRP	Total	Total
Active Members					
Count	14,727	30,156	135,802	180,685	180,757
Average Age	57.3	52.6	43.3	46.0	46.0
Average Service	27.2	19.7	7.1	10.8	10.7
Average prior year Covered Salary	\$ 86,151	\$ 79,909	\$ 57,721	\$ 63,741	\$ 61,914
Inactive Members¹					
Count	10,313	13,803	24,064	48,180	46,792
Average Age	61.2	55.0	48.3	53.0	53.0
Average Monthly Benefit	\$ 2,287	\$ 888	\$ 457	\$ 972	\$ 980
Retired Members and Beneficiaries¹					
Count	129,923	18,356	7,877	156,156	152,978
Average Age	73.4	68.6	68.0	72.5	72.2
Average Monthly Benefit	\$ 3,090	\$ 1,218	\$ 586	\$ 2,743	\$ 2,687
Total Members	154,963	62,315	167,743	385,021	380,527

¹ Inactive and Retiree counts are shown by lives within the system. In other words, a member is counted once for purposes of this exhibit, regardless of their service history for different rate pools. This contrasts with the method used to count inactive participants in some of the later exhibits.

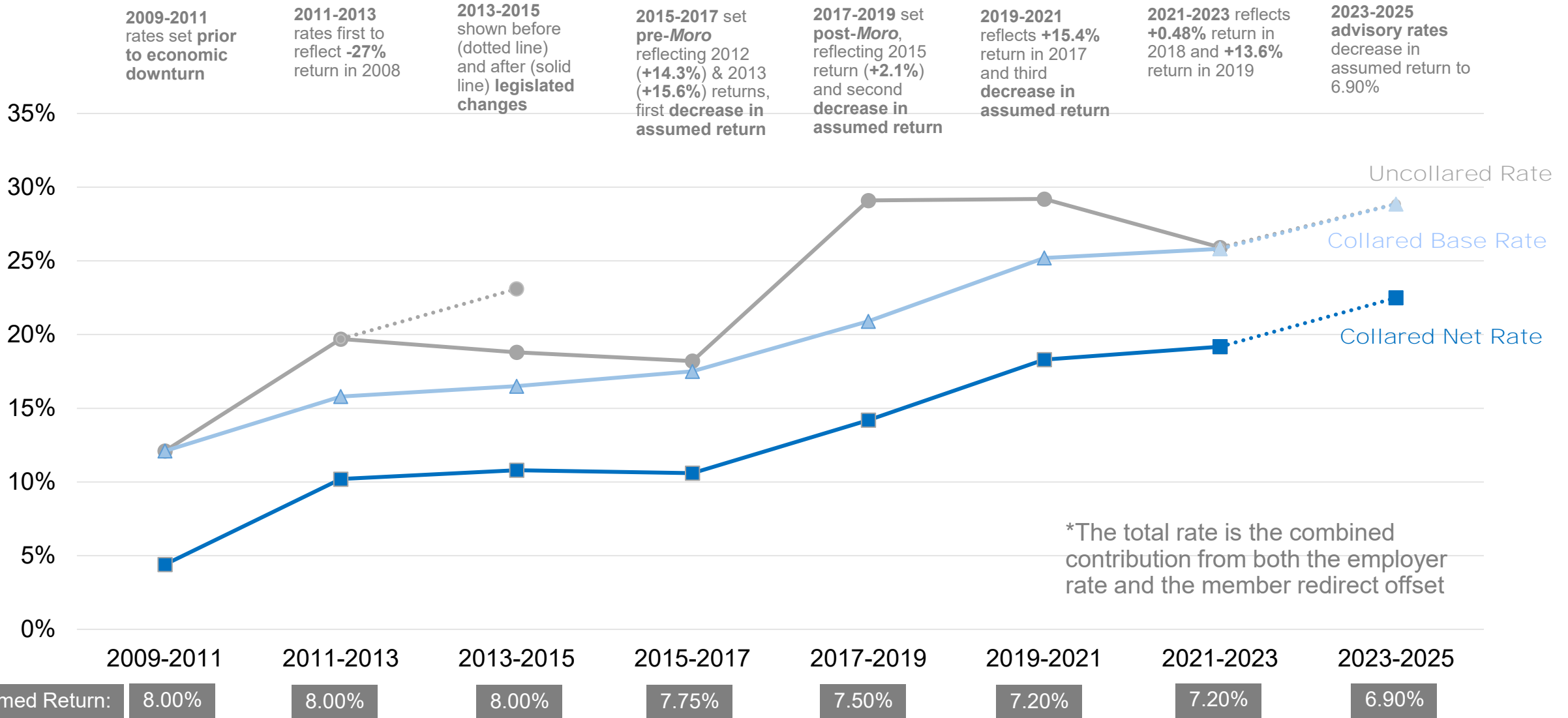
Projected Benefit Payments by Tier

Tier 1/Tier 2 & OPSRP Expected Benefit Payments
by Tier as of 12/31/2020 (in \$ billions)



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System-average Weighted Total* Pension-Only rates



SLGRP Weighted Total* Pension-Only rates

2009-2011 rates set prior to economic downturn

2011-2013 rates first to reflect -27% return in 2008

2013-2015 shown before (dotted line) and after (solid line) legislated changes

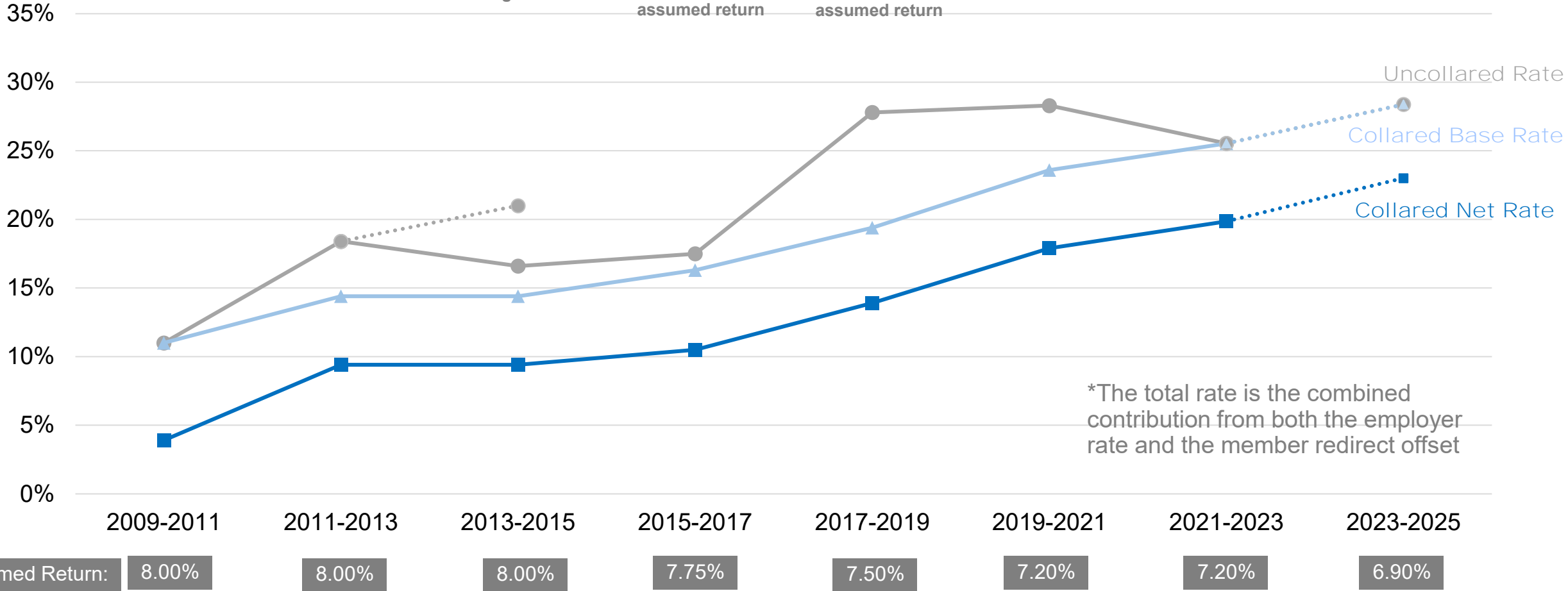
2015-2017 set pre-Moro reflecting 2012 (+14.3%) & 2013 (+15.6%) returns, first decrease in assumed return

2017-2019 set post-Moro, reflecting 2015 return (+2.1%) and second decrease in assumed return

2019-2021 reflects +15.4% return in 2017 and third decrease in assumed return

2021-2023 reflects +0.48% return in 2018 and +13.6% return in 2019

2023-2025 advisory rates decrease in assumed return to 6.90%



*The total rate is the combined contribution from both the employer rate and the member redirect offset

Funded Status and UAL by Program

Pension Funded Status (\$ billions) at 12/31/2020 <i>totals may not add due to rounding</i>			
	Tier 1/Tier 2	OPSRP	Combined
Actuarial liability	\$85.3	\$10.0	\$95.3
Assets (excluding side accounts)	<u>\$59.7</u>	<u>\$7.5</u>	<u>\$67.3</u>
UAL (excluding side accounts)	\$25.6	\$2.5	\$28.0
Funded status (excluding side accounts)	70%	75%	71%
Side account assets			<u>\$5.1</u>
UAL (including side accounts)			\$22.9
Funded status (including side accounts)			76%

Uncollared Total Pension Rates – SLGRP Average

Excludes Retiree Health Care, IAP Contributions, Rate Collar, Side Accounts

	12/31/2019 Valuation 2021 – 2023 Final Rates			12/31/2020 Valuation 2023 – 2025 Advisory Rates		
	Payroll			Payroll		
	Tier 1 / Tier 2	OPSRP	Weighted Average ¹	Tier 1 / Tier 2	OPSRP	Weighted Average ¹
Normal Cost	15.41%	9.16%	11.18%	16.78%	10.57%	12.39%
Tier 1/Tier 2 UAL	12.67%	12.67%	12.67%	13.90%	13.90%	13.90%
OPSRP UAL	<u>1.69%</u>	<u>1.69%</u>	<u>1.69%</u>	<u>2.09%</u>	<u>2.09%</u>	<u>2.09%</u>
Uncollared Total Rate	29.77%	23.52%	25.54%	32.77%	26.56%	28.38%
Increase				3.00%	3.04%	2.84%

¹ Weighting based on pool payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date.

The pool-average advisory collared net rates which employers would be charged are shown on subsequent slides

Rates shown on this slide are “total” rates and include the member EPSA contribution component of the normal cost

Rates vary, sometimes widely among employers in the SLGRP

Collared Total Pension Base Rates – SLGRP Average

Excludes Retiree Health Care & IAP Contributions, Side Account Offsets

	12/31/2019 ¹ Valuation 2021 – 2023 Final Rates			12/31/2020 ¹ Valuation 2023 – 2025 Advisory Rates		
	Payroll		Weighted Average ²	Payroll		Weighted Average ²
	Tier 1 / Tier 2	OPSRP		Tier 1 / Tier 2	OPSRP	
Uncollared Total Rate	29.77%	23.52%	25.54%	32.77%	26.56%	28.38%
Collar Limitation	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Collared Total Base Rate	29.77%	23.52%	25.54%	32.77%	26.56%	28.38%
Increase				3.00%	3.04%	2.84%

¹ For this exhibit, adjustments are assumed not to be limited due to an individual employer reaching a 0.00% contribution rate.

² Weighting based on pool payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date

Rates shown on this slide are “total” rates and include the member EPSA contribution

Collared Employer Pension Rates – SLGRP Average

Excludes Retiree Health Care & IAP Contributions

	12/31/2019 ¹ Valuation 2021 – 2023 Final Rates			12/31/2020 ¹ Valuation 2023 – 2025 Advisory Rates		
	Tier 1 / Tier 2	Payroll OPSRP	Weighted Average ²	Tier 1 / Tier 2	Payroll OPSRP	Weighted Average ²
Collared Total Base Rate	29.77%	23.52%	25.54%	32.77%	26.56%	28.38%
Member redirect offset	<u>(2.45%)</u>	<u>(0.70%)</u>	<u>(1.25%)</u>	<u>(2.40%)</u>	<u>(0.65%)</u>	<u>(1.15%)</u>
Collared Base Employer Rate	27.32%	22.82%	24.29%	30.37%	25.91%	27.23%
Side Account (Offset)	(4.99%)	(4.99%)	(4.99%)	(4.70%)	(4.70%)	(4.70%)
SLGRP Charge/(Offset)	<u>(0.69%)</u>	<u>(0.69%)</u>	<u>(0.69%)</u>	<u>(0.67%)</u>	<u>(0.67%)</u>	<u>(0.67%)</u>
Collared Net Rate	21.64%	17.14%	18.61%	25.00%	20.54%	21.86%
Increase				3.36%	3.40%	3.25%

¹ For this exhibit, adjustments are assumed not to be limited due to an individual employer reaching a 0.00% contribution rate.

² Weighting based on pool payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date

Rates vary by employer, sometimes significantly, as only some employers have side accounts and the SLGRP charge/(offset) varies by employer

Uncollared Total Pension Rates – System-Wide

Excludes Retiree Health Care, IAP Contributions, Rate Collar, Side Accounts

	12/31/2019 Valuation 2021 – 2023 Final Rates			12/31/2020 Valuation 2023 – 2025 Advisory Rates		
	Tier 1 / Tier 2	Payroll OPSRP	Weighted Average ¹	Tier 1 / Tier 2	Payroll OPSRP	Weighted Average ¹
Normal Cost	14.92%	9.16%	11.09%	16.36%	10.57%	12.35%
Tier 1/Tier 2 UAL	13.13%	13.13%	13.13%	14.42%	14.42%	14.42%
OPSRP UAL	1.69%	1.69%	1.69%	2.09%	2.09%	2.09%
Uncollared Total Rate	29.74%	23.98%	25.91%	32.87%	27.08%	28.86%
Increase				3.13%	3.10%	2.95%

¹ Weighting based on system-wide payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date.

Rates shown on this slide are “total” rates and include the member EPSA contribution component of the normal cost

Collared Total Pension Base Rates – System-Wide

Excludes Retiree Health Care & IAP Contributions, Side Account Offsets

	12/31/2019 Valuation 2021 – 2023 Final Rates			12/31/2020 Valuation 2023 – 2025 Advisory Rates		
	Payroll			Payroll		
	Tier 1 / Tier 2	OPSRP	Weighted Average ¹	Tier 1 / Tier 2	OPSRP	Weighted Average ¹
Uncollared Total Rate	29.74%	23.98%	25.91%	32.87%	27.08%	28.86%
Collar Limitation	(0.09%)	(0.09%)	(0.09%)	(0.01%)	(0.01%)	(0.01%)
Collared Total Base Rate	29.65%	23.89%	25.82%	32.86%	27.07%	28.85%
Increase				3.21%	3.18%	3.03%

¹ Weighting based on system-wide payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date.

Rates shown on this slide are “total” rates and include the member EPSA contribution

Collared Employer Pension Rates – System-Wide

Excludes Retiree Health Care & IAP Contributions

	12/31/2019 ¹ Valuation 2021 – 2023 Final Rates			12/31/2020 ¹ Valuation 2023 – 2025 Advisory Rates		
	Payroll		Weighted Average ²	Payroll		Weighted Average ²
	Tier 1 / Tier 2	OPSRP		Tier 1 / Tier 2	OPSRP	
Collared Base Rate	29.65%	23.89%	25.82%	32.86%	27.07%	28.85%
Member redirect offset	(2.45%)	(0.70%)	(1.25%)	(2.40%)	(0.65%)	(1.15%)
Collared Base Employer Rate	27.20%	23.19%	24.57%	30.46%	26.42%	27.70%
Side Account (Offset)	(6.24%)	(6.24%)	(6.24%)	(5.96%)	(5.96%)	(5.96%)
SLGRP Charge/(Offset)	(0.40%)	(0.40%)	(0.40%)	(0.40%)	(0.40%)	(0.40%)
Collared Net Rate	20.56%	16.55%	17.93%	24.10%	20.06%	21.34%
Increase				3.54%	3.51%	3.41%

1 For this exhibit, adjustments are assumed not to be limited due to an individual employer reaching a 0.00% contribution rate.

2 Weighting based on system-wide payroll levels (Tier 1/Tier 2, OPSRP) as of the valuation date

Rates vary by employer, as only some employers have side accounts

Changes in side account offsets are not collared

Retirement System Risks

- Oregon PERS, like all defined benefit systems, is subject to various risks that will affect future system liabilities and contribution requirements, including:
 - **Investment risk:** the potential that investment returns will be different than assumed
 - **Demographic risks:** the potential that mortality experience, retirement behavior, or other demographic experience for the system membership will be different than assumed
 - **Contribution risk:** the potential that actual future contributions will be materially different than expected, for example if there are material changes in the system's covered payroll
- The results of an actuarial valuation are based on one set of reasonable assumptions, but it is almost certain that future experience will not exactly match the assumptions.
- Further discussion of system risks and historical information regarding system experience are shown in our annual actuarial valuations. In addition, our annual financial modeling presentation to the PERS Board illustrates future outcomes under a wide range of future scenarios reflecting variation in key risk factors.

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 data exhibits on the preceding slides.

Assets as of December 31, 2020, were based on values provided by Oregon PERS reflecting the Board's earnings crediting decisions for 2020.

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 were 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. Senate Bill 1049 was signed into law in June 2019 and requires a one-time re-amortization of Tier 1/Tier 2 UAL over a closed 22 year period at the December 31, 2019 rate-setting valuation which will set actuarially determined contribution rates for the 2021-2023 biennium. 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 1/Tier 2, 16 years for OPSRP, 10 years for Retiree Health Care) from the odd-year valuation in which they are first recognized.

For the Retiree Health Care programs (RHIA and RHIPA), beginning with the December 31, 2021 rate-setting valuation the amortization policy when a program is over 100% funded status will be to amortize the actuarial surplus over Tier 1/Tier 2 payroll using a rolling 20-year amortization basis. The resulting negative UAL Rate will offset the normal cost rate for the program, but not below 0.0%. If either program subsequently fell below 100%, the UAL would be amortized over combined payroll following the 10-year closed, layered amortization policy.

Actuarial Basis

Methods / Policies (cont'd)

Contribution rate stabilization method: The UAL Rate contribution rate component for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) is confined to a collared range based on the prior biennium's collared UAL Rate contribution rate component (prior to consideration of side account offsets, SLGRP transition liability or surplus rates, or pre-SLGRP liability rate charges or offsets).

Collar Width: the rate pool's new UAL Rate contribution rate component will generally not increase or decrease from the prior biennium's collared UAL Rate contribution rate component by more than the following amount:

- Tier 1/Tier 2 SLGRP and Tier 1/Tier 2 School District Pool: 3% of payroll
- OPSRP: 1% of payroll
- Tier 1/Tier 2 rates for independent employers: greater of 4% of payroll or one-third of the difference between the collared and uncollared UAL Rate at the prior rate-setting valuation. In addition, the UAL Rate will not be allowed to be less than 0.00% of payroll for any Tier 1/Tier 2 independent employer with a funded status (excluding side accounts) less than 100%.

UAL Rate decrease restrictions: the UAL Rate for any rate pool will not be allowed to decrease if the pool's funded status is 87% (excluding side accounts) or lower; the allowable decrease will phase in to the full collar width from 87% funded to 90% funded.

Expenses: System-wide administration expenses are assumed to be equal to \$59.0M. The assumed expenses are allocated between Tier 1/Tier 2 and OPSRP based on projected payroll and are added to the respective normal costs.

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). The Actuarial Value of Assets includes the value of Employee Pension Stability Accounts (EPSA).

Assumptions

Assumptions for valuation calculations are as described in the 2020 Experience Study for Oregon PERS and presented to the PERS Board in July 2021.

Provisions

Provisions valued are as detailed in the forthcoming 2020 Valuation Report.

Action and Discussion Items

1. SB 1049 Implementation Update
2. Member & Employer Survey Results
3. Final Adoption of Valuation Methods & Assumptions including Assumed Rate of Return
4. Adoption of Assumed Rate OAR
5. Board Funding Policy Review
6. December 31, 2020 System-wide Valuation Results
7. Equal to or Better Than Testing



INTRODUCTION TO ETOB TESTING

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Presented by:

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October 1, 2021

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What does ETOB stand for and who gets tested?

- Equal
 - To
 - Or
 - Better than
-
- Employers with police and fire employees
 - Testing occurs if some or all active police and fire employees are not in PERS

Which benefits get tested?

- Employer-funded pension benefits
 - Employee-funded benefits are excluded from testing
- Focus on benefits:
 - Overall expected employer cost (or value to employee)
 - Available to employees retiring from active service
 - Exiting active service due to disability
- Under current administrative rule, does not reflect:
 - Portability of benefits
 - Tax advantages
 - Social Security participation
 - Workers' compensation

When is testing done?

- Last completed in 2010
- Scheduled completion for next test is 2022
 - Statutory requirement to test at least every 12 years

How many entities were tested last time?

- Ten different entities
- Plan types tested were:
 - Traditional final pay defined benefit monthly annuity
 - Defined contribution account balance
 - Cash balance (hybrid of above two plan types)

What guidance governs the testing?

- Statute
- Administrative rule
- For the 2010 test, the PERS Board further established guiding principles for ETOB testing:
 - Comparability
 - Durability
 - Cost effectiveness

How were test results calculated last time?

- Testing done tier by tier, per statute
 - Separate tests for Tier 1, Tier 2 and OPSRP
- Pass/fail testing for each tier at an employer level
 - Not at an individual employee level
- Testing was based on expected cost of benefit structure
 - Actual after-the-fact benefit outcomes were not tested
 - Consistent with prior testing iterations
- Testing used the PERS active data for each tier
 - Provides more stable test results
 - Avoids costs of data collection and review

Who decides the results and who pays for the testing?

- Statutorily, the PERS Board is responsible for pass/fail determinations
- Financially, entities must pay for the cost of testing

What happens if an employer fails its test?

- If an employer fails, it must make changes to pass
 - In the 2010 test, two employers with defined contribution plans did not originally pass the ETOB test for employees who would have been in PERS Tier 2 based on hire date
 - We understand those employers worked with PERS to determine additional benefits for their affected employees to bring them into compliance

What are some potential concerns over testing?

- Potential conflict of interest concerns
 - Milliman is the actuary for several tested entities' plans
- Magnitude and cost of testing
 - A few entities are sizeable, but some are very small
- Differing perspectives on what a “disability” benefit is
- Should defined benefit and defined contribution plans have the same or differing investment return assumptions
- Assumption basis to convert defined contribution account balances to defined benefit monthly annuities for purposes of testing comparison, or vice versa

What are next steps after this meeting?

- Staff and actuary
 - Solicitation of feedback
 - Employer identification and outreach
 - Development of timeline
 - Development of proposed testing structure
- Board approves approach and estimated timeline

To say that your discussion and decision on the assumed rate of return at your July 23 meeting was disappointing does not adequately capture the appalling display put on by this board.

Your discussion preceding your decision to reduce the assumed rate to 6.9% could not have been more orchestrated. Each of you gave your justification for the rate in short statements. Each suggested the rate should be exactly 6.9%. There was no back-and-forth discussion. And the theme throughout was that you wanted smooth reductions in the rate, not “jerky” ones. More than one of you used the term “smooth glide path”.

Smooth glide path? How quickly history is rewritten. In 2019, Chairperson Shenoy, still in her rookie year on the board, cast the deciding vote to keep the assumed rate unchanged after her predecessor, John Thomas, steadily reduced the rate from 8.0% to 7.2% over six years. Now, under pressure from your actuaries, you reduce the rate 0.3 percent this year. That’s not “smooth”, and to try now to label yourself as the board of smooth reductions is not only dishonest, but also reveals how politics influences this board more than its fiduciary responsibility to PERS beneficiaries. To present a narrative that is demonstrably false amounts to gaslighting, a misdirection tactic usually used only by the most partisan of politicians.

Now we see the “agency of tomorrow” (Kate Brown’s stated expectation of Chairperson Shenoy) is actually the agency of the bad old days when board after board shirked its fiduciary duty to PERS members and did everything in their power not only to keep contributions from public employers low, but also create an unsustainable system that produced pension benefits for many that far exceeded what they earned while working.

You appear destined to lurch from one rate-setting period to the next, doing as little as your actuaries will let you get away with. The irony of this approach is that by holding rates unchanged in 2019 then being forced by your actuaries to cut rates dramatically this year, you have produced the very shock to public employers that you say you are trying to avoid. Today’s Milliman report shows that your actions will produce an increase in contributions of \$1.175 billion in 2023-2025, over twice as much as for the 2021-2023 period. If you had continued the John Thomas’s smooth lowering of rates in 2019, public employers would have had two more years to adapt.

Once again, we have no public entity working to improve the actuarial health of PERS. The legislature continues to throw sand in the gears with measures like Senate Bill 1049, which significantly extended the amortization period for the unfunded liability, actually worsening the funding situation over the next few years and costing PERS tens of millions to implement. And the governor has shown where her priorities lie with the appointment of Chairperson Shenoy.

There is no free lunch. The system needs a lot more money going into it. Investments returns, high as they currently are, come nowhere near to being enough. The only question is how the additional money will come in. Will it be from measured increases in contributions from public employers over a period of years? Or will it come when PERS is on the brink of collapse, and an

Testimony to the PERS Board, October 1, 2021

emergency special session of the Legislature is convened to come up with the billions to save the system?

This board needs to do better, but that now seems impossible. While the PERS time bomb ticks, we will likely have to wait four more years for the possibility that this board will again have at least three board members with the courage, professionalism, and independence to do the right thing for the PERS system and its beneficiaries while avoiding rate shocks to public employers.

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