



**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**BOARD MEETING AGENDA**

Friday February 1, 2021 9:00 A.M.		PERS 11410 SW 68 <sup>th</sup> Parkway Tigard, OR
ITEM		PRESENTER
<b>A. Administration</b>		
1.	<a href="#">December 4, 2020 Board Meeting Minutes</a>	SHENOY
2.	<a href="#">Director's Report</a>	OLINECK
	a. <a href="#">Forward-Looking Calendar</a>	
	b. <a href="#">OPERF Investment Report</a>	
	c. <a href="#">Budget Execution Report</a>	
	d. <a href="#">Annual Report of Director's Financial Transactions</a>	STANLEY
<b>B. Administrative Rulemaking</b>		
1.	<a href="#">Notice of Salary and Contribution Limits</a>	VAUGHN
2.	<a href="#">Adoption of Employer Contribution Rate</a>	
3.	<a href="#">Adoption of Confidentiality of Member Records</a>	
4.	<a href="#">Adoption of Payment of Death Benefits</a>	
<b>C. Action and Discussion Items</b>		
1.	<a href="#">Legislative Preview/Update</a>	CASE
2.	<a href="#">SB 1566 Reporting Requirements</a>	SOSNE
3.	<a href="#">SB 1049 Implementation Update</a>	ELLEDGE-RHODES
4.	<a href="#">Preliminary 2020 Earnings Crediting and Reserving</a>	HORSFORD, MARBLE
5.	<a href="#">Verbal Update Reflecting on Earnings through December 31, 2020</a>	MILLIMAN

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

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

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

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

## Administration

1. December 4, 2020 Board Meeting Minutes
2. Director's Report
  - a. Forward-Looking Calendar
  - b. OPERF Investment Report
  - c. Budget Execution Report
  - d. Annual Report of Director's Financial Transactions

# OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING MINUTES

December 4, 2020

## **Board members present:**

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

## **Staff present:**

Alyse Greer, Anne Marie Vu, Brandon Armatas, Chris Geier, Elizabeth Rossman, Heather Case, Jake Winship, Jason Stanley, Janice Richards, Jordan Masanga, Katie Brogan, Katie Davis, Kevin Olineck, MaryMichelle Sosne, Matt Graves, Matt Rickard, Melanie Chandler, Neil Jones, Phuongnam Tran, Richard Horsford, Sam Paris, Stephanie Vaughn, Susannah Bodman, and Yvette Elledge-Rhodes attended virtually.

## **Others present:**

Matt Larrabee, Scott Preppernau, Adam Rees, Amy Lieuallen, Aruna Masih, Cari Pickett, Carol Samuels, Christi Kent-Adair, Courtney Kent-Adair, Courtney Johnson, Curtis Sanders, David Barenberg, David Moore, Deborah Tremblay, Diana Herb, Eliva Warrington, Elizabeth Bolte, Gay Lynn Bath, Gregory Zupan, Jeff Gudman, John Borden, John Cummings, Joshua Eggleston, Joy Gutknecht, Kali Leinenbach, Kathleen Suiter, Lee Hullinger, Linda Compton, Lori Doke, Maurizio Bottalico, Michelle Morrison, Nancy Brewer, Rachel Bernadelli, Rex Kim, Robert Barron, Ronald Vaught, Sabrina Pederson, Shauna Tobiasson, Tahni Fagerberg, Tau Porter, Timothy Collier, Trudy Vidal, Twylla Miler, Tyler Janzen, Victoria Fung, and Zach Evans attended virtually.

Chair Shenoy called the meeting to order at 9:02 a.m.

## **ADMINISTRATION**

### **A.1. MEETING MINUTES OF OCTOBER 2, 2020**

Board Member Buckley moved to approve the minutes as presented from the October 2, 2020 PERS Board meeting. Vice Chair Furnstahl seconded the approval of the minutes. The motion passed unanimously.

### **A.2. BOARD GOVERNANCE ASSIGNMENTS**

Board Member Demarest moved to accept the proposed board governance assignments as presented. Vice Chair Furnstahl seconded the assignments. The motion passed unanimously.

### **A.2. DIRECTOR'S REPORT**

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

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

The Oregon Public Employees Retirement Fund (OPERF) returns, for the period ending October 31, 2020 were -0.02%.

Operating expenditures for September, preliminary expenditures for October, and preliminary expenditures for November are \$4,023,931, \$7,819,555 and \$4,097,744 respectively. At this time, the agency's projected variance is \$1,896,034.

On December 1, 2020 the Governor's Recommended Budget was released. With the exception of consulting dollars to support the agency risk and information security program all other elements of the Agency Request Budget were included.

Matt Rickard of PERS' Outcome-Based Management System Council presented the Board Scorecard Report for the third quarter 2020. The next report will be presented at the June 4, 2021 meeting, showing the scorecard results for the first quarter 2021.

### **ADMINISTRATIVE RULEMAKING**

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

#### **B.1. NOTICE OF CONFIDENTIALITY OF MEMBER RECORDS RULE**

Vaughn presented Notice of Rulemaking for Confidentiality of Member's Records Rule: *OAR 459-060-0020*, Confidentiality of Member Records. No rulemaking hearing will be held because the PERS building is closed to the public, however, public comment may be submitted to PERS by U.S. mail, email, or fax. The public comment period ends January 4, 2021, at 5:00 p.m.

No board action was required.

#### **B.2. NOTICE OF PAYMENT OF DEATH BENEFITS RULE**

Vaughn presented Notice of Rulemaking for Designation of Beneficiary at Retirement and Survivor Benefits Rule: *OAR 459-014-0050*, Designation of Beneficiary at Retirement and Survivor Benefits. No rulemaking hearing will be held because the PERS building is closed to the public, however, public comment may be submitted to PERS by U.S. mail, e-mail, or fax. The public comment period ends January 4, 2021, at 5:00 p.m.

No board action was required.

#### **B.3. NOTICE OF EMPLOYER CONTRIBUTION RATE AND FIRST READING OF WAR PAYROLL RULES**

Vaughn presented Notice of Rulemaking for Employer Contribution Rate Rule: *OAR 459-009-0098*, Employer Contribution Rate.

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

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

#### B.4. ADOPTION OF POLICE & FIRE RETIREMENT ELIGIBILITY RULE

Vaughn presented Adoption of Police Officer and Firefighter Eligibility Rule: *OAR 459-075-0200*, Retirement Eligibility for Police Officer and Firefighter Members.

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

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

#### B.5. ADOPTION OF SB 1049 EPSA EARNINGS CREDITING RULE

Vaughn presented Adoption of Rulemaking for SB 1049 EPSA Earnings Crediting Rule: *OAR 459-007-0370*, Crediting Earnings to the Employee Pension Stability Account on Withdrawal.

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

Board Member Demarest moved to adopt the SB 1049 EPSA Earnings Crediting Rule, as presented. Vice Chair Furnstahl seconded. The motion passed unanimously.

#### B.6. ADOPTION OF PHIP PREMIUM PAYMENT AND EMPLOYER INCENTIVE FUND (EIF) RULES

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

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

Board Member Demarest moved to adopt rules *OAR 459-035-0090* and *459-009-0092* as presented. Vice Chair Furnstahl seconded. The motion passed unanimously.

### **ACTION AND DISCUSSION ITEMS**

#### C.1. PRESENTATION OF FINAL LEGISLATIVE CONCEPT DRAFTS AND LEGISLATIVE UPDATE

Heather Case, Senior Policy Advisor, presented.

Case provided an update on September and December Legislative days. Legislative concept final drafts have been returned to PERS for all three legislative concepts that were approved by the board in March 2020. Case summarized amendments to the concepts and provided final drafts in

the meeting packet. They will be filed as written for the 2021 legislative session. An update will be provided at the February 1, 2021 PERS Board meeting.

### C.2. EMPLOYER INCENTIVE FUND REPORT

MaryMichelle Sosne, Actuarial Business Specialist, presented.

Sosne provided an Employer Incentive Fund (EIF) update. The EIF program has provided, or will provide, matches to 45 State and Local Government Rate Pool (SLGRP) employer payments, 35 School District Pool employer payments and 15 Independent employer payments. The EIF is funded through proceeds from sports betting; the September economic forecast estimates total earnings from 2019 through 2023 to be \$22.638 million. PERS has begun discussions about the next application cycle.

No board action was required.

### C.3. 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.

The SB 1049 program is in red status due to the Member Redirect project going beyond the end of the biennium. All five individual projects are green status.

No board action was required.

### C.7. ACTUARIAL FINANCIAL MODELING PRESENTATION

Actuaries Matt Larrabee and Scott Preppernau of Milliman presented long-term financial modeling projections reflecting published investment results through October 31, 2020. These included system average contribution rates, system funded status, and system unfunded actuarial liability.

No board action was required.

Chair Shenoy adjourned the PERS Board meeting at 12:01 p.m.

Respectfully submitted,



Kevin Olineck, Director

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# Director's Report

## OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Kevin Olineck, Director



## Overview

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

### Ongoing efforts

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



Above, Oregon's Stay Home, Save Lives COVID-19 campaign logo.

**COVID-19 Response** I am very proud of the collaborative efforts shown by all areas of the agency in responding to this situation. I am particularly proud of the fact that, operationally, PERS continues to provide our regular services with minimal interruption to normal service levels. As per the Sector Level Risk Guidance established by the Governor, effective December 3, 2020, PERS staff continue to telecommute to the greatest extent possible to reduce overall risk.

## Highlights

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

### Agency initiatives and accomplishments

**Agency Budget Update** As noted at the December PERS Board meeting, with the exception of the request for consulting dollars to set up the Agency's Enterprise Risk Management Program, all other elements of the Agency Request Budget the board approved in July 2020 have been incorporated into the Governor's Recommended Budget. This includes funding for SB 1049 work, our IT modernization journey, continued work on our Information Security and Continuity Management Programs, and additional staff where needed, including Operations and the Information Services Division.



We expect we will begin budget discussions with the Joint Committee on Ways and Means Subcommittee on General Government later this month, with the goal being to have all these elements incorporated into the Legislatively Approved Budget, which will be finalized at the end of session.

**BoardSmart – Board Training Software** As noted to the board in late 2020, PERS has engaged BoardSmart to provide an online board training platform. The learning format, similar to podcasts, is called Board Smart Talks and allows board members to both listen and to access related information.

The Talks are organized into ten topical series, as follows:

1. Overview
2. Governance Matters
3. Board Operations and Dynamics  
(Conducting the Business of the Board)
4. Decision & Risk Intelligence
5. Reporting & Reassurance
6. Asset Management Oversight
7. Pension Administration
8. Health Benefits Management
9. Defined Contribution/Deferred  
Compensation Plans
10. Enterprise Administration

This is an evolving platform and the number of talks associated with each of these topic areas will increase over the next 18 months. Additionally, the platform will house a repository of board-related documents that can be accessed by the different peer users. For instance, we will be posting our new Funding Policy, Audit Committee Terms of Reference, etc. onto the platform. We will also be able to see what other peer organizations have, with respect to similar documentation. It appears that there are currently around 20 other public sector plans that are subscribers, in addition to ourselves, and we anticipate more joining over time, including the Oregon Investment Council.

One item that will assist us in establishing a baseline for our governance practices is the Governance Effectiveness Management survey. This is composed of 300 questions over 18 categories that will allow us to understand the maturity of our governance practices, as well as compare these practices against our peers. Staff have completed the initial baseline survey responses. These will assist us in identifying areas of the PERS Board's governance practices that require review and strengthening.



*Portland-based motivational speaker Greg Bell gave two presentations at PERS all-staff meetings held in November.*

**All-Staff Meeting** We had originally planned to have an All-Staff meeting in early 2020, however, these plans changed due to COVID-19 and our mitigation efforts. As part of the original agenda, we had invited Greg Bell, a motivational speaker and author, to provide a seminar and training to staff. In November, we pivoted to the online environment and provided staff with two different training sessions by Bell. The first session was titled, “Now What? Tools for Difficult Times” and the second was a training based on Greg’s book, “Water the Bamboo,” which centered on unleashing the potential of teams and individuals. Both sessions were well received by staff.

We then had a virtual staff meeting on December 17, at which we had further discussions around the two earlier training sessions, as well as other interactions with the Executive Leadership Team. One of the highlights was having Chair Shenoy attend these sessions and provide welcoming remarks and comments on behalf of the PERS Board; this interaction was appreciated by all in attendance.

# PERS Publications

Over the past few months, we've published three documents that are useful information sources for PERS.

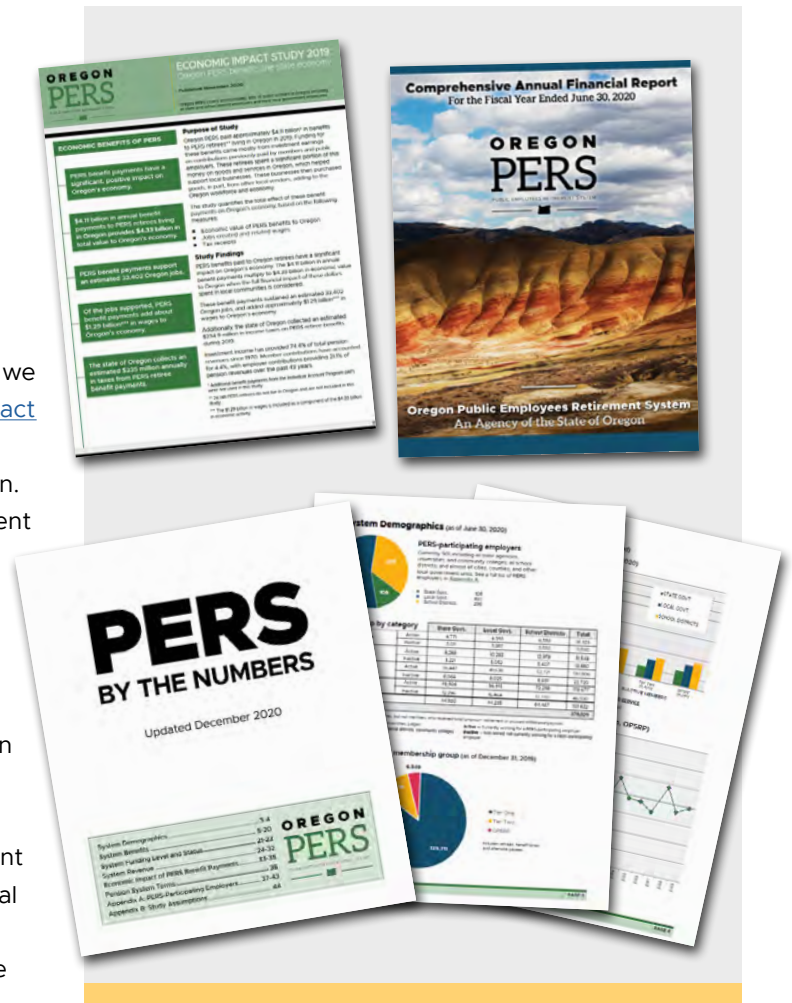
**PERS Economic Impact Study for 2019** In November, we published our [2019 version of the PERS Economic Impact Study](#). During 2019, Oregon PERS paid approximately \$4.11 billion in benefits to PERS retirees living in Oregon. Funding for these benefits came mostly from investment earnings on contributions previously paid by members and public employers. These retirees spent a significant portion of this money on goods and services in Oregon, which helped support local businesses. These businesses then purchased goods, in part, from other local vendors, adding to the Oregon workforce and economy.

PERS benefits paid to Oregon retirees have a significant impact on Oregon's economy. The \$4.11 billion in annual benefit payments multiply to \$4.33 billion in economic value to Oregon when the full financial impact of these dollars spent in local communities is considered.

These benefit payments sustained an estimated 33,402 Oregon jobs, and added approximately \$1.29 billion in wages to Oregon's economy.

Additionally, the state of Oregon collected an estimated \$234.9 million in income taxes on PERS retiree benefits during 2019.

**Comprehensive Annual Financial Report (CAFR)** Our [2019 Comprehensive Annual Financial Report](#) was published on December 3. The CAFR represents a significant effort by the agency, as it truly lives up to its descriptor of "comprehensive." The agency is proud to win, for the 17th year running, the 2019 Public Pension Standards Award For Funding and Administration related to our 2019 CAFR, as recognized by the Public Pension



*Clockwise from top left, PERS' 2019 Economic Impact Study, the 2020 edition of the Comprehensive Annual Financial Report, and a sampling of pages from the 2020 edition of PERS by the Numbers.*

Coordinating Council, a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR). Additionally, for the 29th consecutive year, we were awarded a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for our 2018 CAFR.

**PERS by the Numbers** In mid-December, PERS published its latest [PERS by the Numbers](#). This document is a great resource for both internal staff, as well as external stakeholders. It provides up-to-date, pertinent, legislative and financial information about PERS.

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# PERS Board Meeting Forward-Looking Calendar

## **Monday, March 29, 2021\***

OIC Annual Review  
Legislative Update  
Final Earnings Crediting  
Oregon Savings Growth Plan Report Out

## **Wednesday, June 2, 2021, (Joint Meeting with Oregon Investment Council at Treasury)**

*(PERS Board will be joining the second half of the regular OIC Board meeting 9:00 a.m.-1:00 p.m.)*

## **Friday, June 4, 2021**

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

## **Friday, July 23, 2021\***

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

## **Friday, October 1, 2021**

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

## **Friday, December 3, 2021\***

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

*\*Audit Committee planned for post-board meeting*

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Returns for periods ending DEC-2020

Oregon Public Employees Retirement Fund

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy <sup>1</sup>	Target	\$ Thousands <sup>2</sup>	Actual	Year-To-Date <sup>3</sup>	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
Public Equity	27.5-37.5%	32.5%	\$ 25,260,786	30.8%	12.66	12.66	18.79	8.10	11.98	11.54	8.34	9.12
Private Equity	13.5-21.5%	17.5%	\$ 19,245,718	23.5%	12.74	12.74	11.92	13.96	14.79	13.03	12.59	12.98
<b>Total Equity</b>	<b>45.0-55.0%</b>	<b>50.0%</b>	<b>\$ 44,506,504</b>	<b>54.3%</b>								
Opportunity Portfolio	0-5%	0%	\$ 1,718,880	2.1%	10.15	10.15	8.14	7.37	8.14	7.73	7.07	8.35
<b>Total Fixed</b>	<b>15-25%</b>	<b>20.0%</b>	<b>\$ 16,342,826</b>	<b>19.9%</b>	<b>7.66</b>	<b>7.66</b>	<b>8.24</b>	<b>5.51</b>	<b>5.06</b>	<b>4.66</b>	<b>3.90</b>	<b>4.45</b>
Risk Parity	0.0-2.5%	2.5%	\$ 2,001,324	2.4%								
Real Estate	9.5-15.5%	12.5%	\$ 8,737,169	10.7%	2.66	2.66	4.93	5.95	6.96	7.15	8.51	10.02
Alternative Investments	7.5-17.5%	15.0%	\$ 8,319,181	10.1%	(6.61)	(6.61)	(4.00)	(3.48)	(0.66)	0.75	0.53	
Cash w/Overlay	0-3%	0%	\$ 338,157	0.4%	1.56	1.56	2.44	2.30	2.06	1.88	1.49	1.28
<b>TOTAL OPERF Regular Account</b>		<b>100.0%</b>	<b>\$ 81,964,041</b>	<b>100.0%</b>	<b>7.66</b>	<b>7.66</b>	<b>10.57</b>	<b>7.10</b>	<b>9.11</b>	<b>8.71</b>	<b>7.52</b>	<b>8.42</b>
OPERF Policy Benchmark					12.38	12.38	13.18	9.04	10.66	10.31	8.72	9.33
Value Added					(4.72)	(4.72)	(2.61)	(1.94)	(1.54)	(1.60)	(1.20)	(0.91)

Target Date Funds

2,999,503

TOTAL OPERF Variable Account

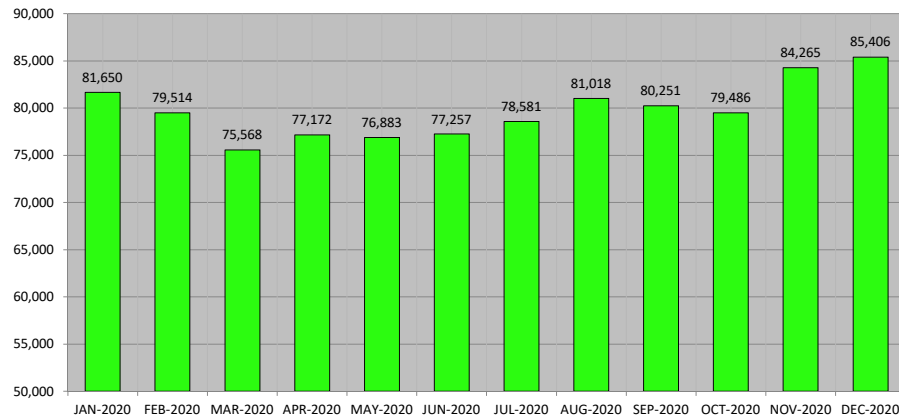
\$ 442,338

	16.54	16.54	21.50	10.07	13.49	12.53	9.15	9.46
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Asset Class Benchmarks:

Russell 3000	20.89	20.89	25.85	14.49	16.12	15.43	12.76	13.79
OREGON MSCI ACWI EX US IMI NET	11.12	11.12	16.26	4.83	10.16	8.98	5.03	5.05
MSCI ACWI IMI NET	16.25	16.25	21.20	9.72	13.12	12.15	8.77	9.09
RUSSELL 3000+300 BPS QTR LAG	18.42	18.42	12.04	14.97	16.74	17.06	15.44	16.85
OREGON CUSTOM FI BENCHMARK	7.26	7.26	7.76	5.22	4.74	4.29	3.51	3.86
OREGON CUSTOM REAL ESTATE BENCHMARK	0.52	0.52	2.56	4.25	4.86	5.65	7.52	9.04
CPI +4%	5.41	5.41	5.89	5.92	5.99	6.02	5.66	5.80
91 Day Treasury Bill	0.67	0.67	1.47	1.61	1.42	1.20	0.87	0.64

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



<sup>1</sup>OIC Policy revised April 2019.

<sup>2</sup>Includes impact of cash overlay management.

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

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy <sup>1</sup>	Target <sup>2</sup>	\$ Thousands <sup>2</sup>	Actual	Year-To-Date <sup>3</sup>	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
Public Equity	27.5-37.5%	32.5%	\$ 24,830,870	30.7%	7.11	10.84	11.52	6.86	11.21	9.93	7.85	9.36
Private Equity	13.5-21.5%	17.5%	\$ 20,103,917	24.9%	13.92	14.14	13.27	14.55	16.03	13.17	13.61	13.68
<b>Total Equity</b>	<b>45.0-55.0%</b>	<b>50.0%</b>	<b>\$ 44,934,787</b>	<b>55.6%</b>								
Opportunity Portfolio	0-5%	0%	\$ 1,655,558	2.0%	6.80	7.76	6.10	6.26	7.52	7.02	6.72	8.15
<b>Total Fixed</b>	<b>15-25%</b>	<b>20.0%</b>	<b>\$ 15,546,440</b>	<b>19.2%</b>	<b>7.36</b>	<b>7.45</b>	<b>8.70</b>	<b>5.54</b>	<b>5.07</b>	<b>4.48</b>	<b>3.85</b>	<b>4.45</b>
Risk Parity	0.0-2.5%	2.5%	\$ 1,923,148	2.4%								
Real Estate	9.5-15.5%	12.5%	\$ 8,611,083	10.7%	2.35	2.35	4.63	5.91	7.59	7.44	8.84	10.36
Alternative Investments	7.5-17.5%	15.0%	\$ 8,178,519	10.1%	(7.78)	(7.91)	(4.95)	(3.80)	(0.70)	0.31	0.36	
Cash w/Overlay	0-3%	0%	\$ 473	0.0%	1.53	1.73	2.55	2.32	2.07	1.87	1.49	1.28
<b>TOTAL OPERF Regular Account</b>		<b>100.0%</b>	<b>\$ 80,850,007</b>	<b>100.0%</b>	<b>5.93</b>	<b>7.22</b>	<b>8.50</b>	<b>6.82</b>	<b>9.20</b>	<b>8.16</b>	<b>7.61</b>	<b>8.73</b>
OPERF Policy Benchmark					9.63	11.30	10.67	8.57	10.57	9.37	8.72	9.65
Value Added					(3.70)	(4.08)	(2.17)	(1.74)	(1.37)	(1.21)	(1.11)	(0.92)

Target Date Funds

2,986,679

TOTAL OPERF Variable Account

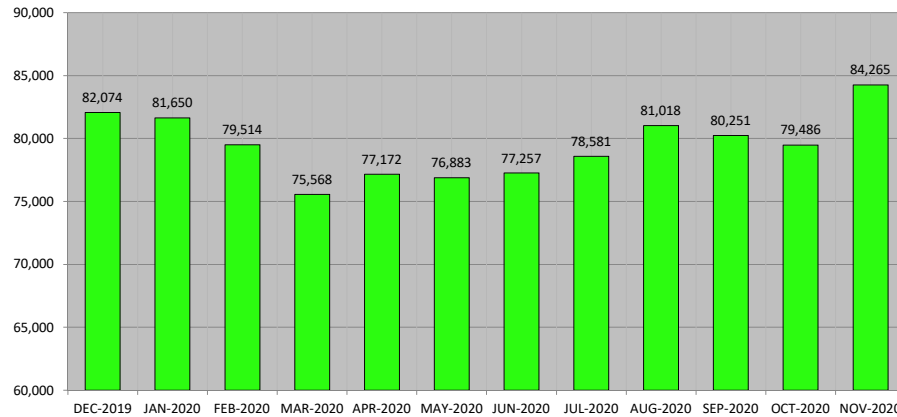
\$ 427,919

11.03	14.98	14.26	8.90	12.73	11.03	8.67	9.72
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Asset Class Benchmarks:

Russell 3000	15.68	19.02	17.24	13.20	15.40	13.95	12.47	14.04
OREGON MSCI ACWI EX US IMI NET	5.21	9.85	10.46	3.74	9.34	7.45	4.36	5.30
MSCI ACWI IMI NET	10.75	14.67	13.93	8.54	12.35	10.65	8.30	9.35
RUSSELL 3000+300 BPS QTR LAG	14.72	15.44	11.68	14.42	17.28	14.76	16.05	17.85
OREGON CUSTOM FI BENCHMARK	7.01	7.07	8.29	5.28	4.75	4.15	3.47	3.76
OREGON CUSTOM REAL ESTATE BENCHMARK	0.43	0.79	2.83	4.41	5.31	6.27	7.90	9.45
CPI +4%	4.97	5.22	5.67	5.87	5.97	5.93	5.65	5.81
91 Day Treasury Bill	0.66	0.80	1.56	1.64	1.43	1.20	0.87	0.64

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



<sup>1</sup>OIC Policy revised April 2019.

<sup>2</sup>Includes impact of cash overlay management.

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

## Administration

1. December 4, 2020 Board Meeting Minutes
2. Director's Report
  - a. Forward-Looking Calendar
  - b. OPERF Investment Report
  - c. Budget Execution Report
  - d. Annual Report of Director's Financial Transactions





# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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February 1, 2021

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

### 2019-21 OPERATING BUDGET

Operating expenditures for November, preliminary expenditures for December, and preliminary expenditures for January are \$4,296,735, \$4,069,876 and \$6,464,771 respectively. Final expenditures for January will close in the Statewide Financial Management System (SFMS) on February 12 and will be included in the March 2021 report to the PERS Board.

- Through January 8, 2021, the agency has expended a total of \$79,067,529 or 67.9% of PERS' legislatively approved operations budget of \$116,441,606.
- At this time, the agency's projected variance is \$6,574,362.
- SB 1049 expenditures for November, preliminary expenditures for December, and preliminary expenditures for January are \$1,207,378, \$1,923,525, and \$1,102,363 respectively. As of January 8, the agency has expended \$17,532,450 of the legislatively approved budget of \$29,033,897.

### 2019-21 NON-LIMITED BUDGET

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

- Non-Limited expenditures through January 8, 2020 are \$8,306,559,970.

### DECEMBER LEGISLATIVE ACTION

- On December 11, 2020, the Oregon Legislative Emergency Board approved funding for state employee compensation and benefits adjustments. The adjustments resulted in an increase of \$3,784,145 to the PERS operating budget and \$474,183 to the SB 1049 operating budget. These changes are reflected in the total legislatively approved figures.

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

2021-23 BUDGET DEVELOPMENT ACTIVITIES

The Governor’s Budget (GB), the second of three phases of budget development for the 2021-23 biennium, was released on December 1. During this phase, the Governor’s office releases updates and changes to the previously submitted Agency Request Budget. The following updates were made to the 2021-23 PERS budget request:

<i>Package</i>	<i>Name</i>	<i>Requested</i>	<i>Approved</i>	<i>Change</i>
101	SB1049	121,664	22,477,797	22,356,133
102	Modernization	9,800,000	9,800,000	
103	Information Security	1,274,931	1,202,450	(72,481)
104	Senior System Admin.	17,033	17,033	
105	Enterprise Risk Mgmt.	860,525	198,025	(662,500)
106	Specialty Qualification	278,924	278,924	
107	Qualifying/Non-qualifying	436,606	436,606	
108	Communications	275,324	0	(275,324)
109	Strunk/Eugene Recovery	180,819	180,819	
110	Education Team	300,034	287,661	(12,373)
112	Deferred Maintenance	702,988	702,988	
	Total	<b>14,248,848</b>	<b>35,582,303</b>	<b>21,333,455</b>

The following statewide policy package adjustments were introduced to the 2021-23 PERS budget:

<i>Package</i>	<i>Name</i>	<i>Amount</i>
090	SB1566 Funding (Employer Programs)	52,588,052
091	Elimination of Inflation	(752,186)
092	Personal Services Adjustment	(2,016,393)
096	State Government Service Charges	(4,560,018)
097	Attorney General Fee	(91,131)
099	Microsoft 365 Consolidation	(295,563)
	Total	<b>44,872,761</b>

# PERS Monthly Budget Report

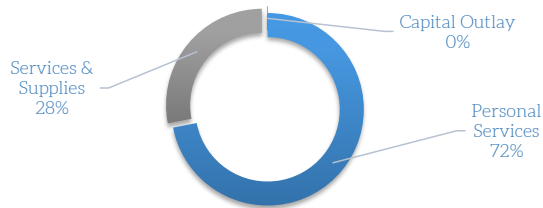
## 2019-21 Agency-wide Budget Execution Preliminary Summary for the Month of January 2021

### Limited - Operating Budget

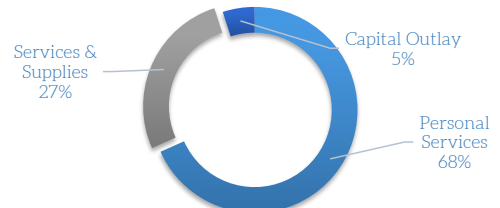
#### 2019-21 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2019-21 LAB	Variance
Personal Services	56,892,650	21,043,578	77,936,228	81,510,947	3,574,719
Services & Supplies	22,100,316	8,217,178	30,317,494	32,757,328	2,439,834
Capital Outlay	74,563	1,538,959	1,613,522	2,173,331	559,809
<b>Total</b>	<b>79,067,529</b>	<b>30,799,715</b>	<b>109,867,244</b>	<b>116,441,606</b>	<b>6,574,362</b>

#### Actual Expenditures



#### Projected Expenditures



#### Monthly Summary

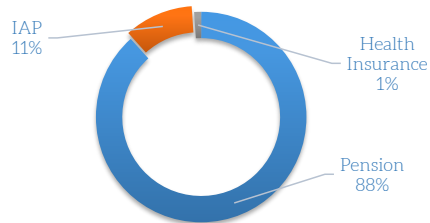
Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	3,398,786	3,485,934	87,149	3,112,106	3,465,769
Services & Supplies	1,389,482	1,439,877	50,395	1,126,947	1,464,410
Capital Outlay	1,485,095	1,538,959	53,864	5,150	165,598
<b>Total</b>	<b>6,273,363</b>	<b>6,464,771</b>	<b>191,408</b>	<b>4,244,203</b>	<b>5,095,778</b>

### Non-Limited Budget

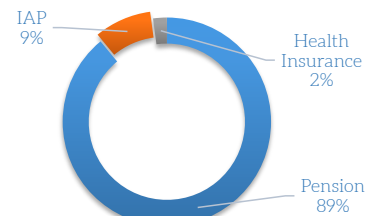
#### 2019-21 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	7,337,280,108	3,075,481,650	10,412,761,758	10,347,780,673	(64,981,085)
IAP	880,417,595	306,111,114	1,186,528,709	1,423,365,167	236,836,458
Health Insurance	88,862,267	73,287,000	162,149,267	733,481,352	571,332,085
<b>Total</b>	<b>8,306,559,970</b>	<b>3,454,879,764</b>	<b>11,761,439,734</b>	<b>12,504,627,192</b>	<b>743,187,458</b>

#### Actual Expenditures



#### Projected Expenditures



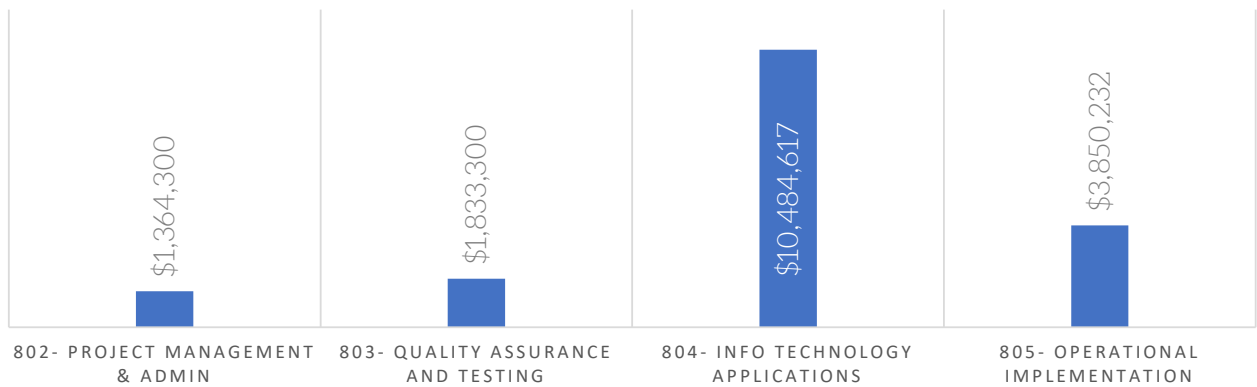
# SB 1049 Budget Report

## Preliminary Summary Budget Analysis Preliminary for the Month of January 2020

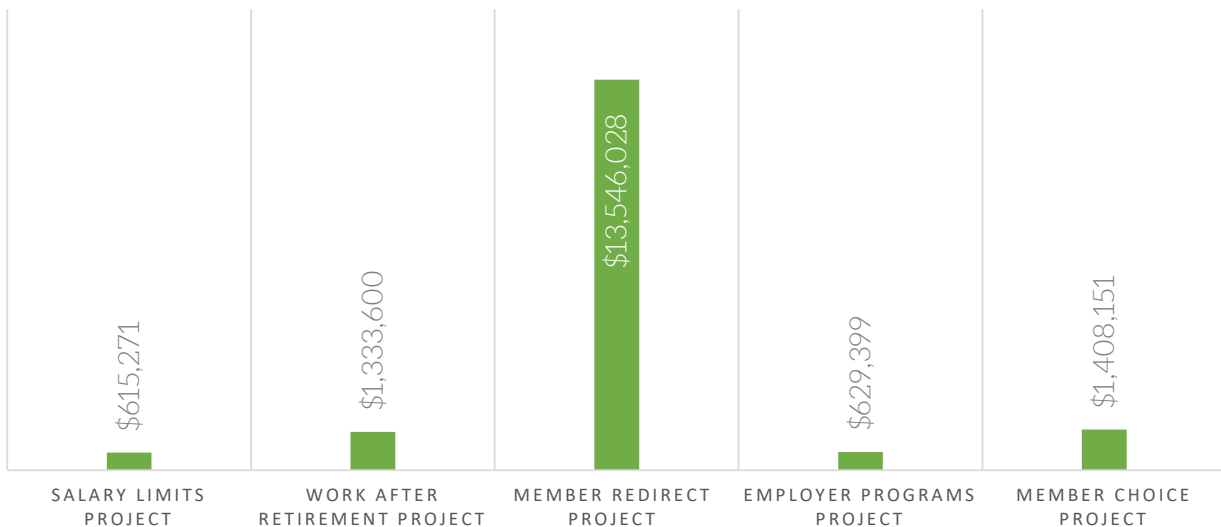
### Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2019-21 LAB	Variance
Personal Services	2,714,299	1,891,566	4,605,865	6,120,680	1,514,815
Services & Supplies	14,454,659	7,030,749	21,485,408	22,913,217	1,427,809
Capital Outlay	363,491		363,491		(363,491)
<b>Total</b>	<b>17,532,449</b>	<b>8,922,315</b>	<b>26,454,764</b>	<b>29,033,897</b>	<b>2,579,133</b>

### EXPENDITURES BY PACKAGE



### EXPENDITURES BY PROJECT



## Administration

1. December 4, 2020 Board Meeting Minutes
2. Director's Report
  - a. Forward-Looking Calendar
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February 1, 2021

TO: Members of the PERS Board

FROM: Jason Stanley, Chief Compliance, Audit, and Risk Officer

SUBJECT: Review the Annual Report of Financial Transactions of the PERS Director for the fiscal year ended June 30, 2020

### REQUESTED ACTION

In accordance with PERS policy and procedure, the Chair of the Audit Committee has reviewed the summary of salary, benefits, personnel expenses, travel, and other financial charges incurred by PERS Director Kevin Olineck in the aggregate amount of \$290,213. This amount covers the period of July 1, 2019, through June 30, 2020. Details of this amount were provided at the December 4, 2020 Audit Committee meeting. The financial records supporting this summary are maintained in the Fiscal Services Division (FSD).

### BACKGROUND

Oregon Accounting Manual (OAM) policy number 10.90.00.PO requires boards and commissions to establish a formal structure to ensure the proper review and approval of the agency head's financial transactions. This is supported by PERS policy number 1.01.02.00.001.POL.

The policy requires the Chief Compliance, Audit, and Risk Officer or Deputy Director to review and approve all financial transactions of the Director, including monthly timesheets, travel claims (both in-state and out-of-state), Small Purchase Order Transaction System (SPOTS) card purchases, etc. The policy also requires that the Chair of the Audit Committee report to the Audit Committee, and the PERS Board, annually, that they have reviewed the Director's financial transactions, and that their review and approval be documented in the board meeting minutes.

I reviewed the detailed transactions (payroll time reports, travel expense reimbursement claims, and SPOTS card purchases) of the PERS Director for the period of July 1, 2019, through fiscal year ended June 30, 2020, and found no exceptions or inappropriate transactions.

The PERS Board minutes for this meeting will reflect receipt of this report on the Director's financial transactions for the fiscal year ended June 30, 2020, as submitted by the Chief Compliance, Audit, and Risk Officer in compliance with OAM 10.90.00 PO.

February 1, 2021  
PERS Board Meeting Agenda

## Administrative Rulemaking

1. Notice of Salary and Contribution Limits
2. Adoption of Employer Contribution Rate
3. Adoption of Confidentiality of Member Records
4. Adoption of Payment of Death Benefits



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February 1, 2021

TO: Members of the PERS Board

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

SUBJECT: Notice of Rulemaking for Salary and Contribution Limits Rules:  
 OAR 459-005-0525, *Ceiling on Compensation for Purposes of Contributions and Benefits*  
 OAR 459-005-0545, *Annual Addition Limitation*  
 OAR 459-080-0400, *Employee Pension Stability Account (EPSA)*  
 OAR 459-080-0500, *Limitation on Contributions*

### OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Update rules to reflect the 2021 Internal Revenue Code (IRC), salary limit, and monthly salary threshold for the Employee Pension Stability Account (EPSA).
- Policy Issue: None identified.

### BACKGROUND

The Internal Revenue Service revises various dollar limits annually based on cost-of-living adjustments. These revisions are used throughout the PERS plan's statutes and rules, but revisions to the limits must be adopted by the legislature or PERS Board to be effective.

The proposed rule modifications incorporate these federal adjustments for calendar year 2021 and are necessary to ensure compliance with the federal limits on the amount of annual compensation allowed for determining contributions and benefits.

Also, under ORS 238.005, 238A.005 and 238A.330, as amended by SB 1049 (2019), on January 1 of each year, the PERS Board shall adjust the overall salary limit, and the salary threshold for EPSA contributions to reflect cost of living increases from the previous year, based on the Consumer Price Index for All Urban Consumers, West Region (All Items), as published by the Bureau of Labor Statistics of the United States Department of Labor. The amendments to the rules update these amounts to \$197,730 for the calendar year salary limit, and \$2,535 for the monthly threshold for contributions to the EPSA for 2021.

### 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 March 8, 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 are incorporated in the rules as presented for adoption.



IMPACT

Mandatory: Yes, statute requires the PERS Board to update its rules to reflect revisions by the IRS and Social Security Administration and to update its rules to reflect cost of living increases from the previous year for salary limit and EPSA contributions salary threshold.

Benefit: Clarifies the limits for contributions and benefits under federal law for calendar year 2021 and clarifies salary limit and EPSA contributions salary threshold for calendar year 2021.

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

RULEMAKING TIMELINE

January 29, 2021	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
February 1, 2021	PERS Board notified that staff began the rulemaking process.
February 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.
March 1, 2021	Public comment period ends at 5:00 p.m.
March 29, 2020	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

The rule is scheduled to be brought before the PERS Board for adoption at the March 29, 2021 board meeting.

B.3. Attachment 1 - 459-005-0525, *Ceiling on Compensation for Purposes of Contributions and Benefits*

B.3. Attachment 2 - 459-005-0545, *Annual Addition Limitation*

B.3. Attachment 3 - 459-080-0400, *Employee Pension Stability Account (EPSA)*

B.3. Attachment 4 - 459-080-0500, *Limitation on Contributions*

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 005 – ADMINISTRATION**

1 **459-005-0525**

2 **Ceiling on Compensation for Purposes of Contributions and Benefits**

3 (1) This administrative rule shall be construed consistently with the requirements of  
4 the Internal Revenue Code (IRC) Section 401(a)(17) relating to the limitation on annual  
5 compensation allowable for determining contribution and benefits under ORS Chapters  
6 238 and 238A.

7 (2) For purposes of this rule:

8 (a) “Annual compensation” means “salary,” as defined in ORS 238.005 and 238.205  
9 with respect to Chapter 238 and in 238A.005 with respect to Chapter 238A paid to the  
10 member during a calendar year or other 12-month period, as specified in this rule.

11 (b) “Eligible participant” means a person who first becomes a member of PERS  
12 before January 1, 1996.

13 (c) “Employer” means a “public employer” as defined in ORS 238.005, for the  
14 purposes of this rule as it applies to Chapter 238. For the purposes of this rule as it  
15 applies to Chapter 238A, an “employer” means a “participating public employer” as  
16 defined in 238A.005.

17 (d) “Noneligible participant” means a person who first becomes a member of PERS  
18 after December 31, 1995.

19 (e) “Participant” means an active or inactive member of PERS.

20 (3) For eligible participants, the limit set forth in IRC Section 401(a)(17) shall not  
21 apply for purposes of determining the amount of employee or employer contributions that  
22 may be paid into PERS, and for purposes of determining benefits due under ORS

1 Chapters 238 and 238A. The limit on annual compensation for eligible participants shall  
2 be no less than the amount which was allowed to be taken into account for purposes of  
3 determining contributions or benefits under former ORS 237.001 to 237.315 as in effect  
4 on July 1, 1993, for calendar years before 2020. Beginning in ~~[2020]~~ 2021, the limit on  
5 annual compensation taken into account for purposes of determining contributions or  
6 benefits under ORS Chapter 238 or 238A for eligible participants shall be measured on a  
7 calendar year basis, and shall not exceed ~~[\$195,000]~~ \$197,730 per calendar year.

8 (4) For noneligible participants, the annual compensation taken into account for  
9 purposes of determining contributions or benefits under ORS Chapters 238 and 238A  
10 shall be measured on a calendar year basis, and shall not exceed ~~[\$195,000]~~ \$197,730 per  
11 calendar year beginning in ~~[2020]~~ 2021.

12 (5) A participant employed by two or more agencies or instrumentalities of a PERS  
13 participating employer in a calendar year, whether concurrently or consecutively, shall  
14 have all compensation paid by the employer combined for determining the allowable  
15 annual compensation under this rule.

16 (6) PERS participating employers shall monitor annual compensation and  
17 contributions to assure that reports and remitting are within the limits established by this  
18 rule and IRC Section 401(a)(17).

19 (7) For a participant, Final Average Salary under ORS 238.005 with respect to  
20 Chapter 238 and under 238A.130 with respect to Chapter 238A shall be calculated based  
21 on the amount of compensation that is allowed to be taken into account under this rule.

22 (8) With respect to ORS Chapter 238, creditable service, as defined in 238.005, shall  
23 be given for each month that an active member is paid salary or wages and allowable

1 contributions have been remitted to PERS, or would be remitted but for the annual  
2 compensation limit in this rule. With respect to Chapter 238A, retirement credit as  
3 determined in 238A.140, shall be given for each month that an active member is paid  
4 salary or wages and allowable contributions have been remitted to PERS, or would be  
5 remitted but for the annual compensation limit in this rule.

6 (9) Beginning in 2020, the limitation on annual compensation under sections (3) and  
7 (4) of this rule will be indexed by cost-of-living adjustments in subsequent years as  
8 provided in the Consumer Price Index for All Urban Consumers, West Region (All  
9 Items), as published by the Bureau of Labor Statistics of the United States Department of  
10 Labor.

11 Stat. Auth.: ORS 238.630, 238.650, 238A.370 & 238A.450

12 Stats. Implemented: ORS 238.005 & 238A.005

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 005 – ADMINISTRATION**

1 **459-005-0545**

2 **Annual Addition Limitation**

3 (1) This administrative rule shall be construed consistently with the requirements of  
4 the Internal Revenue Code (IRC) Section 415(c) and the Treasury regulations and  
5 Internal Revenue Service rulings and other interpretations issued thereunder.

6 (2) Except as otherwise provided in this rule, a member’s annual additions to PERS  
7 for any calendar year after ~~2019~~ 2020 may not exceed ~~[\$57,000]~~ \$58,000 (as adjusted  
8 under IRC Section 415(d)).

9 (3) For purposes of this rule, the term “annual additions” has the same meaning as  
10 under IRC Section 415(c)(2).

11 (4) The following special rules shall apply with respect to purchases of permissive  
12 service credit, as defined in OAR 459-005-0540, Permissive Service Credit:

13 (a) If a member’s after-tax contributions to purchase permissive service credit are  
14 included in the member’s annual additions under section (3) of this rule, the member  
15 shall not be treated as exceeding the limitation under section (2) of this rule solely  
16 because of the inclusion of such contributions.

17 (b) With respect to any eligible participant, the annual addition limitation in section  
18 (2) of this rule shall not be applied to reduce the amount of permissive service credit to an  
19 amount less than the amount that could be purchased under the terms of the plan as in  
20 effect on August 5, 1997. As used in this subsection, the term “eligible participant”  
21 includes any individual who became an active member before January 1, 2000.

1            (5) If a member makes a payment to PERS to purchase retirement credit for service  
2 in the Armed Forces pursuant to 238.156(3)(c) or 238A.150 and the service is covered  
3 under Internal Revenue Code Section 414(u), the following special rules shall apply for  
4 purposes of applying the annual addition limitation in section (2) of this rule:

5            (a) The payment shall be allocated as an annual addition to the calendar year to  
6 which it relates; and

7            (b) The member shall be treated as having received the following amount of  
8 compensation for the period of service in the Armed Forces to which the payment relates:

9            (A) The amount of compensation the member would have received from a  
10 participating employer had the member not been in the Armed Forces; or

11           (B) If the amount in paragraph (A) of this subsection is not reasonably certain, the  
12 member's average compensation from the participating employer during the 12-month  
13 period immediately preceding the period of service in the Armed Forces (or, if shorter,  
14 the period of employment immediately preceding the period of service in the Armed  
15 Forces).

16           (6) The provisions of this rule are effective on January 1, 2004.

17           Stat. Auth.: ORS 238.630, 238.650, 238A.370 & 238A.450

18           Stats. Implemented: ORS 238.005 - 238.715, 238A.370

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

1 **459-080-0400**

2 **Employee Pension Stability Account (EPSA)**

3 (1) The Employee Pension Stability Account (EPSA) is a member account under the IAP  
4 as established in ORS 238A.353. A portion of the member contributions is credited to the  
5 member's EPSA when the member's monthly salary exceeds the threshold amount and  
6 the system funded status is below 90%.

7 (2) The monthly salary threshold amount:

8 (a) Is *[\$2,500 for calendar year 2020]* **\$2,535 for calendar year 2021;**

9 (b) Includes salary from all PERS covered employment during the calendar month; and

10 (c) Is determined based on the date the salary is paid except for retroactive salary  
11 payments, which are allocated to the period when the salary was earned or would have  
12 been earned.

13 (3) Though part of the IAP, EPSA funds are not invested in target date funds. EPSA  
14 funds are held in a separate member account that will be credited annually with earnings  
15 or losses in accordance with OAR 459-007-0005. There is no guaranteed rate of return on  
16 a member's EPSA.

17 (4) Unless withdrawn prior to earliest retirement age, a member's EPSA will be applied  
18 to the cost of the member's retirement or other pension benefit attributable to service on  
19 and after July 1, 2020. The portion of the member's benefit attributable to service on and  
20 after July 1, 2020 will be determined by dividing the number of months of service after  
21 July 1, 2020 by the total months of service.

1 (5) If the amount in the EPSA exceeds the cost of the pension or other retirement benefits  
2 that are payable to the member or the member's beneficiary determined according to  
3 section (4) of this rule, the board shall pay the excess amounts in a lump sum to the  
4 member or the member's IAP beneficiary.

5 Stat. Auth.: ORS 238A.450

6 Stats. Implemented: ORS 238A.050, OL 2019, Ch. 355, Sec. 2, & OL 2018, Ch. 118

7 Hist.: F. & cert. ef. 6-23-20



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

1 **459-080-0500**

2 **Limitation on Contributions**

3 (1) For purposes of this rule, “annual addition” has the same meaning given the term  
4 in 26 U.S.C. 415(c)(2).

5 (2) Except as otherwise provided in this rule, the annual addition to a member  
6 account for any calendar year may not exceed [~~\$57,000~~] \$58,000 effective January 1,  
7 [~~2020~~] 2021.

8 (3) If a payment of employee contributions for a period of military service is made  
9 under OAR 459-080-0100:

10 (a) The payment shall be allocated as an annual addition to the calendar year(s) of  
11 military service to which it relates; and

12 (b) For the purpose of determining the amount of the payment under this section, the  
13 member’s compensation shall be determined under OAR 459-080-0100(3)(d).

14 Stat. Auth.: ORS 238A.450

15 Stats. Implemented: ORS 238A.370

## Administrative Rulemaking

1. Notice of Salary and Contribution Limits
2. Adoption of Employer Contribution Rate
3. Adoption of Confidentiality of Member Records
4. Adoption of Payment of Death Benefits



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February 1, 2021

TO: Members of the PERS Board

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

SUBJECT: Adoption of Employer Contribution Rate Rules:  
OAR 459-009-0098, *Employer Contribution Rate*  
OAR 459-009-0070, *Actuarial Pooling of Employer Liability*  
OAR 459-017-0060, *Reemployment of Retired Members*  
OAR 459-075-0300, *Reemployment of a Retired Member of the OPSRP Pension Program*

### OVERVIEW

- Action: Adopt the Employer Contribution Rate Rules for Employers.
- Reason: Clarify work after retirement payroll rules, including clarifying how PERS will determine the employer contribution rate for certain employers, if a rate does not exist.
- Policy Issue: None identified.

### BACKGROUND

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

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

At the October board meeting, PERS proposed new amendments to change the term "active members" to "covered payroll" throughout these rules with respect to determining employer contribution rates, for consistency. PERS also noted that staff was working to address unintended consequences that occur in certain circumstances.

The standard methodology of applying the employer's contribution rate for its active members to retiree wages results in a rate that is within a reasonable range when compared to the system-wide average for most employers who have five or more active members in their employ.

However, it results in an anomalous rate for employers that have a very small or nonexistent active member payroll. For example, it results in a 0% contribution rate if an employer has no active member payroll when employer rates are set, and thus no employer contributions. Similarly, if an employer has a small active member payroll of fewer than five active members in their employ when employer rates are set, then the resulting employer rate would be disproportionately high.

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

#### SUMMARY OF MODIFICATIONS TO RULES SINCE NOTICE

The word "net" was removed from paragraph (8) of OAR 459-009-0070, as the term "net employer rate" is an undefined term. Paragraph (8)(c) specifies that the employer will receive the rate adjustments for any individual surplus, liability, or side account, which was staff's original intent of using the term "net employer rate." With the specificity of paragraph (8)(c), there is no need to use the term "net."

OAR 459-017-0060 has been updated to reflect the 2021 Internal Revenue Code (IRC) and Social Security annual compensation limitations for retirement contributions and benefits.

#### PUBLIC COMMENT AND HEARING TESTIMONY

No rulemaking hearing was held because the PERS building is closed to the public, however, public comment could have been submitted to PERS by U.S. mail, e-mail, or fax. The public comment period ended January 4, 2021, at 5:00 p.m. No public comment was received.

#### LEGAL REVIEW

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

#### IMPACT

Mandatory: No.

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

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

### RULEMAKING TIMELINE

September 30, 2020	Staff began the rulemaking process for Employer Contribution Rate rules by filing a Notice of Rulemaking with the Secretary of State.
October 2, 2020	PERS Board notified that staff began the rulemaking process for Employer Contribution Rate rules.
October 2, 2020	Secretary of State publishes the Notice for Employer Contribution Rate rules in the Oregon Administrative Rules Database. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
November 3, 2020	Public comment period for Employer Contribution Rate rules ends at 5:00 p.m.
December 4, 2020	PERS Board first reading of Employer Contribution Rate rules.
January 4, 2021	Public comment period for Employer Contribution Rate rule ended at 5:00 p.m.
February 1, 2021	Staff proposes 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 Employer Contribution Rate rules, as presented.”
2. Direct staff to make other changes to the rules or explore other options.

### STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

B.2. Attachment 1 - 459-009-0098, *Employer Contribution Rate*

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

B.2. Attachment 3 - 459-017-0060, *Reemployment of Retired Members*

B.2. Attachment 4 - 459-075-0300, *Reemployment of a Retired Member of the OPSRP Pension Program*

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

1 **OADR 459-009-0098**

2 **Employer Contribution Rate**

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

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

8 **2019**

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

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

1 **459-009-0070**

2 **Actuarial Pooling of Employer Liability**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16            (B) All community colleges; and

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15 (10) Unfunded actuarial liabilities or surplus.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 (C) New hires will be pooled.

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

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

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

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

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

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

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

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

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

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

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

8 (C) New hires will be pooled.

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

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

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

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

19 Stat. Auth.: ORS 238.650

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



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

1 **459-017-0060**

2 **Reemployment of Retired Members**

3 (1) For purposes of this rule:

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

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

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

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

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

20 (A) For retired members who have not reached full retirement age under the Social  
21 Security Act, the annual compensation limit is ~~[\$18,240]~~ \$18,960; or

1            (B) For the calendar year in which the retired member reaches full retirement age  
2 under the Social Security Act and only for compensation for the months before reaching  
3 full retirement age, the annual compensation limit is [~~\$48,600~~] \$50,520.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

11 Stat. Auth.: ORS 238.650 & ORS 238.630

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

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

1 **459-075-0300**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

February 1, 2021  
PERS Board Meeting Agenda

## Administrative Rulemaking

1. Notice of Salary and Contribution Limits
2. Adoption of Employer Contribution Rate
3. Adoption of Confidentiality of Member Records
4. Adoption of Payment of Death Benefits



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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February 1, 2021

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

### OVERVIEW

- Action: Adopt Confidentiality of Member's Records Rule
- Reason: Allow PERS to disclose member information to employers to enable proper reporting of wages and payment of contributions to PERS.
- Policy Issue: None identified.

### BACKGROUND

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

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

### PUBLIC COMMENT AND HEARING TESTIMONY

No rulemaking hearing was held because the PERS building is closed to the public, however, public comment could have been submitted to PERS by U.S. mail, e-mail, or fax. The public comment period ended January 4, 2021, at 5:00 p.m. No public comment was received.



SUMMARY OF MODIFICATIONS TO RULES SINCE NOTICE

No modifications were made to the rule.

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: No.

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

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

RULEMAKING TIMELINE

December 1, 2020	Staff began the rulemaking process by filing a Notice of Rulemaking with the Secretary of State.
December 4, 2020	PERS Board notified that staff began the rulemaking process.
December 4, 2020	Secretary of State publishes the Notice in the Oregon Administrative Rules Database. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
January 4, 2021	Public comment period ends at 5:00 p.m.
February 1, 2021	Staff proposes 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 Confidentiality of Member Records rule, as presented.”
2. Direct staff to make other changes to the rules or explore other options.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

B.3. Attachment 1 – 459-060-0020, *Confidentiality of Member Records*

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

1    **459-060-0020**

2    **Confidentiality of Member Records**

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

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

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

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

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

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

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

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

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

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

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

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

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

15 *(i) Salary information;*

16 *(ii) Employment history; or*

17 *(iii) Contribution history].*

18 (b) PERS will not provide the information described in subsection (a) of this section  
19 unless the employer demonstrates to the satisfaction of PERS that the information is  
20 necessary to accomplish one of the purposes described in paragraphs (A), (B), (C) and  
21 (D) of subsection (a) and the employer certifies in writing that it will not disclose the  
22 information to any third party except to the extent permitted under this division and ORS  
23 192.502(10).

1 (5) *[To enable an employer to comply with OAR 459-070-0100,]* PERS may disclose  
2 to the employer *[an employee’s status as an active, inactive, or retired member, or a non-*  
3 *member]* information from the member’s records that, as determined by PERS, will  
4 enable the employer to properly remit contributions and furnish reports to PERS.

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

7 Stat. Auth.: ORS 192.355 & 238.650

8 Stat. Implemented: ORS 192.311 - 192.478, 237.410-520, 237.610-620, 237.950-  
9 980 & 238

February 1, 2021  
PERS Board Meeting Agenda

## Administrative Rulemaking

1. Notice of Salary and Contribution Limits
2. Adoption of Employer Contribution Rate
3. Adoption of Confidentiality of Member Records
4. Adoption of Payment of Death Benefits



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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February 1, 2021

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

### OVERVIEW

- Action: Adopt the Designation of Beneficiary at Retirement and Survivor Benefits Rule.
- Reason: Edit rule to conform with statutory language regarding payment of death benefits.
- Policy Issue: None identified.

### BACKGROUND

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

### PUBLIC COMMENT AND HEARING TESTIMONY

No rulemaking hearing was held because the PERS building is closed to the public, however, public comment could have been submitted to PERS by U.S. mail, e-mail, or fax. The public comment period ended January 4, 2021, at 5:00 p.m. No public comment was received.

### SUMMARY OF MODIFICATIONS TO RULES SINCE NOTICE

No modifications were made to the rule.

### 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: No.

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

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

#### RULEMAKING TIMELINE

December 1, 2020	Staff began the rulemaking process by filing a Notice of Rulemaking with the Secretary of State.
December 4, 2020	PERS Board notified that staff began the rulemaking process.
December 4, 2020	Secretary of State published the Notice in the Oregon Administrative Rules Database. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
January 4, 2021	Public comment period ended at 5:00 p.m.
February 1, 2021	Staff proposes 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 Designation of Beneficiary at Retirement and Survivor Benefits rule, as presented.”
2. Direct staff to make other changes to the rules or explore other options.

#### STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

B.4. Attachment 1 – 459-014-0050, *Designation of Beneficiary at Retirement and Survivor Benefits*

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

1   **459-014-0050**

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

## Action and Discussion Items

1. Legislative Preview/Update
2. SB 1566 Reporting Requirements
3. SB 1049 Implementation Update
4. Preliminary 2020 Earnings Crediting and Reserving
5. Update Reflecting on Earnings Through December 31, 2020



# Oregon

Kate Brown, Governor

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February 1, 2021

TO: Members of the PERS Board  
FROM: Heather Case, Senior Policy Advisor  
SUBJECT: Legislative Preview and Updates

### DECEMBER LEGISLATIVE DAYS

December legislative days were held the week of December 7, 2020. PERS was not a subject of discussion during legislative days, and we did not bring anything before the legislature. The legislature did distribute money to all state agencies to help pay for increases in salary due to cost of living adjustments (COLA). This is called a “salary pot” and happens every year as budget allows, and was funded at 100%.

### THIRD SPECIAL SESSION OF 2020

The legislature convened for the third and final special session of 2020 on Monday, December 21, 2020. The session ended that same day. The legislature passed four bills during the session, none of which effected PERS. These focused on: extending the eviction moratorium to June 30, 2021, limiting the liability of schools from claims arising from COVID-19 exposure, allowing restaurants to serve to-go cocktails with purchase of a substantial food item, and appropriating \$600 million to the emergency board for allocations during the current biennium. The emergency board met January 8, 2021 to distribute those, and other, funds.

### AGENCY LEGISLATION- 2021 SESSION

PERS’ legislative concepts, which had a final review at the December board meeting, were filed as bills for the upcoming 2021 legislative session. They will begin their journey in the Senate as SB 111, SB 112, and SB 113. PERS will, of course, be monitoring and lobbying for the agency’s bills throughout the 2021 session.

### LEGISLATIVE PREVIEW- 2021 SESSION

So far, approximately 3,200 bills have been filed for the 2021 legislative session. This session begins on January 11, 2021. The first week of the session will be “organizational week,” which will include the swearing in of new legislators. The session will begin in earnest on January 19, 2021. Due to COVID, at least the first couple months of the session will continue to see the capitol building closed to the public, and remote committee meetings. Floor sessions (which are constitutionally required to be held in person) will be severely reduced and socially distanced, and expected to increase around April.

We look forward to providing updates throughout the 2021 legislative session on PERS' bills and all bills that will impact our agency and/or the plan.

#### REPORTING REQUIREMENTS FOR 2021 LEGISLATIVE SESSION

There are a number of statutory reporting requirements the agency must submit to the legislature every year. The following is a brief summary of those reporting requirements:

- According to SB 1566 (2018), PERS is required to report to the legislature on the implementation of employer programs, including the School Districts Unfunded Liability Fund, Employer Incentive Program, and the Unfunded Actuarial Liability Resolution Program.
- Each year, PERS reports to the legislature on board action related to Preliminary Earnings Crediting. Final Earnings Crediting action taken by the PERS Board on March 29, 2021 will also be reported to the legislature.
- Senate Bill 5723 (2020) included direction to report to the Joint Committee on Information Management and Technology regarding implementation of SB 1049 (2019). PERS will submit this information as a report when requested by the committee, as well as appear in front of the committee to present our progress on implementation.

## Action and Discussion Items

1. Legislative Preview/Update
2. SB 1566 Reporting Requirements
3. SB 1049 Implementation Update
4. Preliminary 2020 Earnings Crediting and Reserving
5. Update Reflecting on Earnings Through December 31, 2020



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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January 5, 2020

TO: George Naughton, Chief Financial Officer, Department of Administrative Services

CC: John Borden, Senior Legislative Analyst, Legislative Fiscal Office

Patrick Heath, Policy and Budget Analyst, Department of Administrative Services

FROM: Kevin Olineck, Director, Public Employees Retirement System

SUBJECT: Senate Bill 1566-School Districts Unfunded Liability Fund Distribution Report

### **Purpose**

Senate Bill 1566 (2018) requires PERS to report to the Department of Administrative Services (DAS) and the Legislative Fiscal Office (LFO), no later than February 2 of each odd-numbered year, an estimate of how moneys in the School Districts Unfunded Liability Fund (SDULF) will be distributed in the following biennium.

### **Background**

The School Districts Unfunded Liability Fund (SDULF) is a pooled side account intended to provide rate relief to all public school districts, public charter schools, and education service districts. The SDULF originally had five defined revenue sources: interest on unclaimed property from the Department of State Lands; proceeds from debt collection; proceeds from estate taxes; proceeds from capital gains taxes; and a one-time payment from repatriation of corporate taxes, as described in Senate Bill 1529 (2018).

#### *Funding Sources 2019-2021*

On January 30, 2020 the SDULF received a transfer of interest on unclaimed property from the Department of State Lands in the amount of \$21,360,850<sup>1</sup>. No transfers were received from debt collection in 2020. Proceeds from Estate and Capital Gains taxes are only expected during odd-numbered years.

In August 2020, during the Second Special Legislative Session, the Legislature passed House Bill 4304 as well as Senate Bill 5723. These bills redirected revenue streams previously reserved for SDULF and withdrew \$33,133,022.20 million held in the SDULF from unclaimed property proceeds and interest. Governor Brown vetoed sections 18, 18a, and 18c of HB 4304, partially restoring the revenue streams of the SDULF. However, the provisions redirecting the one-time infusion of funds from repatriation of corporate taxes and the \$33,133,022.20 million previously held were not vetoed, and became law. The Office of Economic Analysis expects a transfer of

<sup>1</sup> Department of State Lands transferred \$11,539,471, upon transfer the SDULF fund earned \$232,701.20 in excess interest during 2019.

proceeds from Estate taxes in the amount of \$33.251 million to the SDULF during 2021. No proceeds from Capital Gains taxes, transfers from interest on unclaimed property, nor proceeds from debt collection are expected in 2021.

**Biennium Distribution**

PERS does not anticipate a distribution from the SDULF during this biennium. Per the 2019 rate-setting valuation, a 1% rate offset for the School Districts Pool would require a minimum lump sum payment of \$560 million.<sup>2</sup>

Sincerely,



Kevin Olineck, Director  
Oregon Public Employees Retirement System

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<sup>2</sup> The lump sum payment required to provide an offset will continue to increase as the School District Pool's combined valuation payroll increases. The side account rate offset is determined by dividing the total lump sum payment by the total combined valuation payroll of the School Districts Pool by the amortization factor, in this case we are using the 20 year amortization factor of 14.163. A shorter amortization period is possible but an earlier survey of the School Districts Pool indicated a 20 year amortization period was preferred.



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January 4, 2021

The Honorable Senator Betsy Johnson, Senate Co-Chair  
The Honorable Senator Elizabeth Steiner Hayward, Co-Chair  
The Honorable Representative Dan Rayfield, Co-Chair  
Joint Committee on Ways and Means  
900 Court St NE  
H-178 State Capitol  
Salem, OR 97301-4048

### Nature of the Request

As required by Senate Bill 1566 (2018), PERS is providing the status of the Employer Incentive Fund, the School Districts Unfunded Liability Fund, and the Unfunded Actuarial Liability Resolution Program, as of December 2020.

### Agency Action

#### *School Districts Unfunded Liability Fund*

The School Districts Unfunded Liability Fund (SDULF) is a pooled side account intended to provide rate relief to all public school districts, public charter schools, and education service districts. The SDULF has five defined revenue sources: interest on unclaimed property from the Department of State Lands; proceeds from debt collection; proceeds from estate taxes; proceeds from capital gains taxes; and a one-time payment from repatriated corporate taxes. These revenue sources are prescribed in Senate Bill 1529 (2018).

During the Second Special Legislative Session of 2020, the Legislature passed House Bill 4304, as well as Senate Bill 5723. These bills redirected revenue streams previously reserved for SDULF and withdrew \$33.1 million held in the SDULF from unclaimed property proceeds and interest. Governor Brown vetoed sections 18, 18a, and 18c of HB 4304, partially restoring the revenue streams of the SDULF. However, the provisions redirecting the one-time infusion of funds from repatriation of corporate taxes and the \$33.1 million previously held were not vetoed, and became law.

Per SB 1566 (2018), revenues from Capital Gains and Estate taxes are only expected during odd-numbered years, through 2023. PERS did not receive transfers in either 2019 or 2021. The Office of Economic Analysis estimates that a transfer of \$33.251 million from Estate taxes will occur in 2023. There is no transfer expected from Capital Gains during this year.

After consultation with Department of State Lands and the Statewide Accounts Receivable Management team, there are no expected transfers from interest on unclaimed property, nor proceeds from debt collection, in 2021. Interest on unclaimed property is eligible for potential annual transfers through 2027, while proceeds from Debt Collection are eligible for transfer to the SDULF annually, through 2024.



PERS does not anticipate a distribution from the SDULF during this biennium. Per the 2019 rate setting valuation, a 1% rate offset for the School Districts Pool would require a minimum lump sum payment of \$560 million<sup>1</sup>.

### *Employer Incentive Fund*

The Employer Incentive Fund (EIF) provides a 25% match to employers making a lump sum payment from non-borrowed funds of at least \$25,000 on or after June 2, 2018. This lump sum deposit may be used to establish a new side account or as a payment into an existing side account and is subject to the limitations stated in the statute. Senate Bill 1049 removed provisions of the EIF in Senate Bill 1566, which had imposed timeline restrictions on the application period. It also provided a \$100 million appropriation from the General Fund for matching funds.

During the Second Special Legislative Session in August 2020, the Legislature passed HB 4304 and SB 5723, redirecting sports betting revenue and the 18% transfer of proceeds from repatriated corporate income. These bills also reduced the \$100,000,000 appropriation for EIF by \$35,248,198 thereby reducing the EIF appropriation to \$64,751,802. Governor Brown vetoed the HB 4304 sections 15, 15a, and 16, restoring the allocation of sports betting proceeds for EIF funding.

The first application cycle for EIF closed on December 1, 2020. Eighty-nine employers participated in the program with 95 side accounts receiving EIF matches.<sup>2</sup> The EIF program added \$377,595,062.20 to the PERS system; this total represents employer side account and transition liability payments, as well as the EIF match.<sup>3</sup> EIF was a successful and popular program, which increased awareness of employer contribution rates and side accounts. Additionally, the EIF incentivized employers to proactively contribute an additional \$64,051,839.20 in side account and transition liability payments to the EIF program, despite not receiving matching funds.<sup>4</sup>

The largest count of EIF matches were made to School Districts (26 EIF matches). In addition, 23 EIF matches were given to cities, 22 to Special Districts, 8 to counties, 5 to Charter Schools, 3 to Education Service Districts, 1 to a Community College, and 1 to a State Agency (Oregon State University).

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<sup>1</sup> Assumes a 20 year amortization. The lump sum payment required to provide an offset will increase as the School District Pool's combined valuation payroll increases. The side account rate offset is calculated by dividing the total lump sum payment by the total combined valuation payroll by an amortization factor.

<sup>2</sup> Six employers received 2 EIF matches, 2 of which had UAL that exceeded 200% of their valuation payroll.

<sup>3</sup> \$35,170,251 in transition liability payments were received after SB 1566 was established to insure eligibility for EIF; \$272,807,856.40 was received to establish side accounts and \$64,751,661.80 in EIF funds were matched to these payments; and \$4,865,293 were received by EIF employers to pay off transition liability payments in addition to their side account payments.

<sup>4</sup> \$63,486,334.20 in lump sum payments were made by EIF waitlisted employers or non-waitlisted employers through December 2020. An additional \$565,505 was made in transition liability payments.

EIF funds were distributed to employers across 26 counties in Oregon:

County	EIF match	County	EIF match
Baker	\$100,000.00	Lake	\$112,500.00
Benton	\$4,861,723.00	Lane	\$9,752,231.40
Clackamas	\$2,178,690.00	Lincoln	\$522,565.00
Columbia	\$1,144,869.88	Linn	\$701,183.95
Crook	\$200,000.00	Malheur	\$548,137.24
Deschutes	\$7,201,084.74	Marion	\$2,074,510.80
Douglas	\$1,906,184.40	Multnomah	\$16,367,719.00
Gilliam	\$12,500.00	Polk	\$92,158.50
Grant	\$133,250.00	Sherman	\$600,000.00
Hood River	\$409,684.40	Union	\$62,500.00
Jackson	\$4,712,647.05	Wasco	\$26,583.75
Jefferson	\$806,250.00	Washington	\$9,917,188.69
Klamath	\$32,500.00	Yamhill	\$275,000.00

The EIF has received a transfer of \$19,337,052 in sports betting proceeds for the 2021-23 biennium. The EIF also contains just over \$15,000 in interest from the prior appropriation.<sup>5</sup>

PERS anticipates aligning future EIF application cycles with the system valuation cycle to maximize the effect of side account contributions on rate-setting valuations and the system-wide funded status. Specific implementation dates will depend upon revenue availability and employer feedback.

#### *Unfunded Actuarial Liability Resolution Program*

Senate Bill 1049 modified the UAL Resolution Program (UALRP) to include the development of funding plans to improve the employers' funded status and to manage contribution rates. The bill also requires all PERS participating employers to participate in the UALRP whereas SB 1566 (2018) only required employers participating in EIF to participate in the program.

In 2020, PERS formalized measures to implement this program in response to insightful feedback from UALRP employer focus groups. There are two key features of this program: an enhanced rate projection tool and additional educational resources.

PERS consistently receives positive feedback on the Employer Rate Projection tool with several employers stating they use the tool as part of their budgeting and forecasting process. Based on employer feedback from surveys and focus groups held in early 2020, PERS plans to offer an enhanced tool with the ability to model additional scenarios of earnings and payroll growth as an enhancement in future versions, along with all of the tool's current capabilities of modeling future contributions and the effect of side accounts on contributions. These enhanced capabilities

<sup>5</sup> Due to budget appropriation limitations, PERS could not use this interest to provide additional matches.

will allow greater insight into the way emerging experience can impact future contribution rates and funding status and enhance the employer budgeting process for PERS.

As for educational resources, PERS has already published one guide, “Guide to Understanding Your Rates”. This will be followed by future editions of “Guide to Understanding...” and topics will include both the UAL, as well as rate collaring. The goal is to translate these difficult concepts into understandable terms explaining how employers can use the information PERS and the consulting actuary provide for budgeting purposes.

### *Shortened Amortization Options*

Senate Bill 1566 (2018) introduced the option to select a shortened amortization period of six, 10, or 16 years. Since then, nine of the 15 eligible employers have selected a shortened amortization option.<sup>6</sup> SB 1049 (2019) further enhanced employer amortization options by introducing deferred rate offset, which allows employers to choose the year their rate offset begins in addition to a shortened amortization period.

Employers choosing the shortened amortization option are eligible for EIF but employers opting for a deferred rate offset are not. Eight of the shortened amortization side account funds are tracked either in the EIF amounts or waitlisted EIF funds earlier in this memo. However, PERS received \$107 million in employer payments from employers either choosing the deferred rate offset option or that opted not to apply for EIF but had a shortened amortization period.<sup>7</sup>

### **Summary**

Employer Programs have been well received by PERS participating employers despite budgetary uncertainty. Employers appreciate gaining added flexibility and incentives to manage their contribution rates. They have also expressed appreciation for PERS’ partnership to develop needed resources to optimize their budget and forecasting needs.

### **Action Requested**

PERS requests the Committee Acknowledge receipt of the report.

### **Legislation Affected**

No legislation is affected by this request.

Sincerely,



Kevin Olineck, Director  
Oregon Public Employees Retirement System

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<sup>6</sup> One six year amortization, five 10 year amortizations and three 16 year amortizations

<sup>7</sup> Deferred Rate Offset Side account: \$10 Million, 16 year side account: \$97 million

## Action and Discussion Items

1. Legislative Preview/Update
2. SB 1566 Reporting Requirements
3. SB 1049 Implementation Update
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February 1, 2021

TO: Members of the PERS Board  
FROM: Yvette Elledge-Rhodes, Deputy Director  
SUBJECT: SB 1049 Implementation Update

Senate Bill 1049 was signed into law by the Governor on June 11, 2019. PERS staff continue to focus on completing work in an efficient and effective manner.

### PROGRAM/PROJECT IMPLEMENTATION

The SB 1049 Implementation Program is being managed as one comprehensive program, with the following five individual projects. All projects are going through the Enterprise Information Services (EIS) stage gate process.

Project	Effective Date	Project Health and Status
SB 1049 Program		Program health: Red <ul style="list-style-type: none"> <li>• Program is Red due to Member Redirect project extending beyond the end of the biennium.</li> <li>• Continued focus on project schedule standardization and effort estimation validation.</li> </ul>
Employer Programs Project	Effective 7/1/2019	Project health: Yellow <ul style="list-style-type: none"> <li>• Project is Yellow due to uncertainty of scope and impact on schedule.</li> <li>• A Change Request to reduce the scope was approved at the 1/12/21 Steering Team meeting, which will ensure that minimum requirements will be implemented.</li> <li>• Construction for Work Package (WP) 1 continues on schedule toward a 3/30/2021 deployment.</li> </ul>
Salary Limit Project	Effective 1/1/2020	Project health: Green <ul style="list-style-type: none"> <li>• Salary limit for 2021 has been updated using the Consumer Price Index.</li> <li>• Development continues for WP4; on track to begin Business Functional Testing (BFT) on 2/22/21.</li> </ul>
Work After Retirement Project	Effective 1/1/2020	Project health: Green <ul style="list-style-type: none"> <li>• Successful Data Change Request on 12/15/20, which automated the clean-up of 74,000 records. 96% of the original records have been converted</li> </ul>

		<p>leaving approximately 2,800 wage codes requiring manual intervention.</p> <ul style="list-style-type: none"> <li>• Construction for WP3 on track for completion on 2/1/2021.</li> </ul>
Member Redirect Project	Effective 7/1/2020	<p>Project health: Yellow</p> <ul style="list-style-type: none"> <li>• Project is Yellow due to WP 5.2 Deployment being at risk for 1/21/21 deployment.</li> <li>• User Acceptance Testing for WP2 began on 1/7/2021.</li> <li>• BFT for WP3 began on 1/4/2021.</li> <li>• Monthly salary requirement for 2021 has been updated using the Consumer Price Index.</li> </ul>
Member Choice Project	Effective 1/1/2021	<p>Project health: Yellow</p> <ul style="list-style-type: none"> <li>• Project is Yellow due to WP2 missing the 12/29/20 construction completion milestone.</li> <li>• WP2 construction completed 1/8/21 and BFT started 1/11/21.</li> <li>• Project should return to green status if WP2 development delay does not impact deployment date of 3/23/21.</li> </ul>

**Highlighted activities completed or in progress since early December 2020:**

- Program and project activities
  - iQMS activities
    - Draft of the next Quarterly QA Status and Improvement Report is due on 1/15/21
    - Program team continues to work on updating program and project action logs from recommendations
  - Deloitte activities
    - All activities completed
    - New set of reports helping program manager review resource allocations
    - PERS will be receiving a closure report
  - Project team meetings continue to be held monthly
- EIS Stage Gate process requirements
  - Member Redirect project received conditional Stage Gate 3 approval
  - Member Choice project received State Gate 3 approval
- Budget reporting
  - Preparing for JLCIMT and Budget Presentations to the Legislature
  - Continuing monthly meetings with the Chief Financial Office, Legislative Fiscal Office, and the Governor’s Office
- Communications
  - Internal communication activities have focused on:
    - Keeping staff informed of the project progress and various releases, in support of Organizational Change Management efforts

- Ensuring Member Services and Employer Service Center staff have talking points for calls and correspondence, as applicable
- External Communications activities include:
  - Employer Programs
    - Enhanced navigation of the Employer Programs webpages
    - Updated the EIF webpage to replace application instructions with a summary of cycle one of the program
      - Includes a section called Future of EIF
    - Updated Salary Limit and Member Redirect overviews to inform employers that the salary limits would be adjusted in early 2021 to reflect inflation:
      - 2021 Salary Limit raised to \$197,730/year
      - 2021 Member Redirect salary requirement raised to \$2,535/month
    - Updated the member facing webpage with new salary limit information
  - GovDelivery bulletin sent to 6,000+ employers informing them of increased full-year and partial-year salary limits in effect as of January 1
  - December Employer Newsletter included information on:
    - New Work After Retirement wage codes
    - New Member Redirect features in EDX
    - New Salary Limit functionality
    - Employer Incentive Fund (EIF) cycle 1 closed
    - New educational guides for the Unfunded Actuarial Liability Resolution Program (UALRP)
  - Employer Advisory Group meeting held on 1/15/21
  - Rulemaking for Salary Limits
- Organizational Change Management
  - Second Change Readiness Assessment survey results were positive

### **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.1. Attachment 1 – *Monthly Project Status Report and Roadmap*

### Program information:

Program start: July 1, 2019 | Program end: April 30, 2024

### Subprojects:

#### Project 1: Employer Programs

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

#### Project 2: Work After Retirement (WAR)

- Project start: July 1, 2019 | Project end: July 27, 2021
- Project status: **Green**

#### Project 3: Salary Limit

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

### Program statement:

SB 1049 is comprehensive legislation intended to address the increasing cost of funding Oregon's Public Employees Retirement System (PERS), reduce system Unfunded Actuarial Liability (UAL) obligations, and provide relief to escalating contribution rate increases for public employers. Implementation will occur across five subprojects.

#### Project 4: Member Redirect

- Project start: July 1, 2019 | Project end: April 24, 2024
- Project status: **Green**

#### Project 5: Member Choice

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

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

### Overall program status: **Red**

The program status continues to be red. Member Redirect has long-term implementation activities scheduled beyond the 2019-21 biennium.

The effort to complete and validate the conversion of duration-based schedules to work-effort based schedules is largely complete. This work included review of all tasks, resources and estimates across each project as well as an in-depth resource allocation review across the program. New portfolio resource allocation views, combined with a more detailed month by month resource allocation plan, has allowed the program to identify and resolve all resource allocation concerns. All of the SB 1049 schedules are now fully effort based and Quality Check Point reviews will begin on 1/25/2021. The schedules will be re-baselined once the reviews are approved. The results of the schedule validation show that our projects are correctly resourced and the reported end dates are realistic and valid.

Three projects are green, and two are yellow: Employer Programs, Member Choice. Employer Programs is refining the activities in the schedule related to WP2 Azure cloud hosted environment and needs to validate that it can be delivered within the current schedule. Member Choice is validating that WP3 Earnings Rates and Validations Updates in jClarety can be delivered within the current schedule.



# SB 1049 Implementation Program

## Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

**Budget health: Red**

Activities are planned beyond 2019-21 biennium, but 2021-2023 budget has not yet been approved.

29560- SB 1049 Implementation Program by POP							
Other Funds Lmt	19-21 Budget	Actual to Date	Projections	19-21 Total	Variance	21-23 Policy Package	Program Cost
802- Project Management & Admin	\$ 2,500,000	\$ 1,463,300	\$ 744,000	\$ 2,207,300	\$ 292,700	\$ 2,044,800	\$ 4,252,100
803- Quality Assurance and Testing	\$ 2,500,000	\$ 1,858,300	\$ 516,816	\$ 2,375,116	\$ 124,884	\$ 812,500	\$ 3,187,616
804- Info Technology Applications	\$ 15,992,000	\$ 10,622,525	\$ 5,358,219	\$ 15,980,744	\$ 11,256	\$ 13,000,000	\$ 28,980,744
805- Operational Implementation	\$ 8,041,897	\$ 4,091,463	\$ 1,800,141	\$ 5,891,604	\$ 2,150,293	\$ 6,620,497	\$ 12,512,101
806- Contingency Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 29,033,897</b>	<b>\$ 18,035,589</b>	<b>\$ 8,419,176</b>	<b>\$ 26,454,765</b>	<b>\$ 2,579,132</b>	<b>\$ 22,477,797</b>	<b>\$ 48,932,562</b>

AFN
\$ 19,898,665

**Schedule health: Red**

Member Redirect has long-term work package implementation activities are scheduled beyond the 2019-21 biennium.

The Program and all projects have converted from duration-based schedules to work effort-based schedules with validated resource allocations. Quality Check Point reviews of the schedules will begin 1/25/2021, and once approved the schedules will be baselined.

**Scope health: Green**

The program and project scope is understood and has been incorporated into program-level plans and schedules.

Quality Assurance activities:

- iQMS Deliverable 3.3.3 Periodic Quality Status Report started on 9/30/2020 and completed on 12/16/2020.
- iQMS Deliverable 4.1.4 Quarterly QA Status and Improvement Report started on 12/9/2020, due 2/10/2021.

Emerging concerns/needs/impacts:

- Resource constraints -Many SB 1049 resources appeared over-allocated in previous program and project schedules. This concern is decreasing as a result of to the data reflected in our new work-effort based schedules, and will decrease even more once the schedules are baselined.

# SB 1049 Implementation Program

## Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

### Program Risks and Mitigation

Listed below are the most critical risks for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [SB 1049 Program Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
4	<b>Internal Staffing:</b> Resource shifting, competing priorities, or over allocation impact the availability of dedicated project resources, or a key resource leaves PERS or is out for an extended period, and/or staff experience levels are inadequate. (Cross Project Effort)	<ul style="list-style-type: none"> <li>➤ Monitor work assignments for SB 1049 activities. Ensure on-time completion and address/escalate if being impacted by external duties.</li> <li>➤ Proactively negotiate time for critical resources during specific SB 1049 activities</li> </ul>	Schedules have been updated to show true work effort for resources. This risk will be downgraded once the new work-effort based schedules are baselined.
38	<b>Schedule impact due to competing resources:</b> Critical resources are involved in multiple concurrent SB 1049 projects, limiting availability for individual projects	<ul style="list-style-type: none"> <li>➤ Coordinated schedule planning and priorities within the Program and all projects; reassign other staff to help cover absences or help offset extreme workload periods.</li> </ul>	Schedules have been updated to show true work effort for resources. This risk will be downgraded once the new work-effort based schedules are baselined.
98	<b>Project Interdependencies:</b> Project/Section interdependencies can cause schedule slippage, requirement adjustments, and/or development rework.	<ul style="list-style-type: none"> <li>➤ Maintain clear and regular communication between dependent projects</li> <li>➤ Link dependencies together within the project schedules</li> </ul>	Example inter-dependencies include the STRUTS upgrade with Member Redirect, Member Choice, and Salary Limit. Most cross-project work packages are dependent on specific SB 1049 jClarety production implementations.

### 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 January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

### 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: **Green**

**Narrative:** Business Requirements Documents have been completed for all work packages (WP) except WP5: Prior Year Earnings Invoicing Tool and that tool is currently in elaboration. Additionally, Work Package 2.1: Individual Account Program (IAP) Payment Recon is in User Acceptance Testing and is scheduled for a 1/26/2021 deployment. The project schedule is still holding for input from three work packages before baseline. These work packages are WP5: IAP Account Balance Comparison tool which is holding for approval from Enterprise Information Services to develop a new tool to support SB 1049 functionality, WP7.3 Payout Actuarial Extract which cannot be developed before a 2022 Member Redirect release and WP8: Operations Technical Support Tool SQL Upgrade which is in Proof of Concept testing. Most of the work packages in the Cross Project Effort are dependent on releases from other SB 1049 projects which puts the end date of this project into 2022 due to a dependency on releases from Member Redirect which has an end date in 2024.

### Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP2.1: IAP Payment Recon Short-Term Deployed			01/26/2021	
WP1.2: IAP Validator Tool Long-Term Deployed			04/23/2021	
WP2.2: IAP Payment Recon Long-Term Deployed			04/23/2021	
WP5: PYE Invoicing Tool Deployed			04/23/2021	
WP4: IAP Adjustment Calculator Deployed			04/30/2021	
WP7.1 & 7.2 : Actuarial Extracts Deployed			06/29/2021	

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

Note: Future milestones exist and will be rotated in as the timing becomes more relevant.

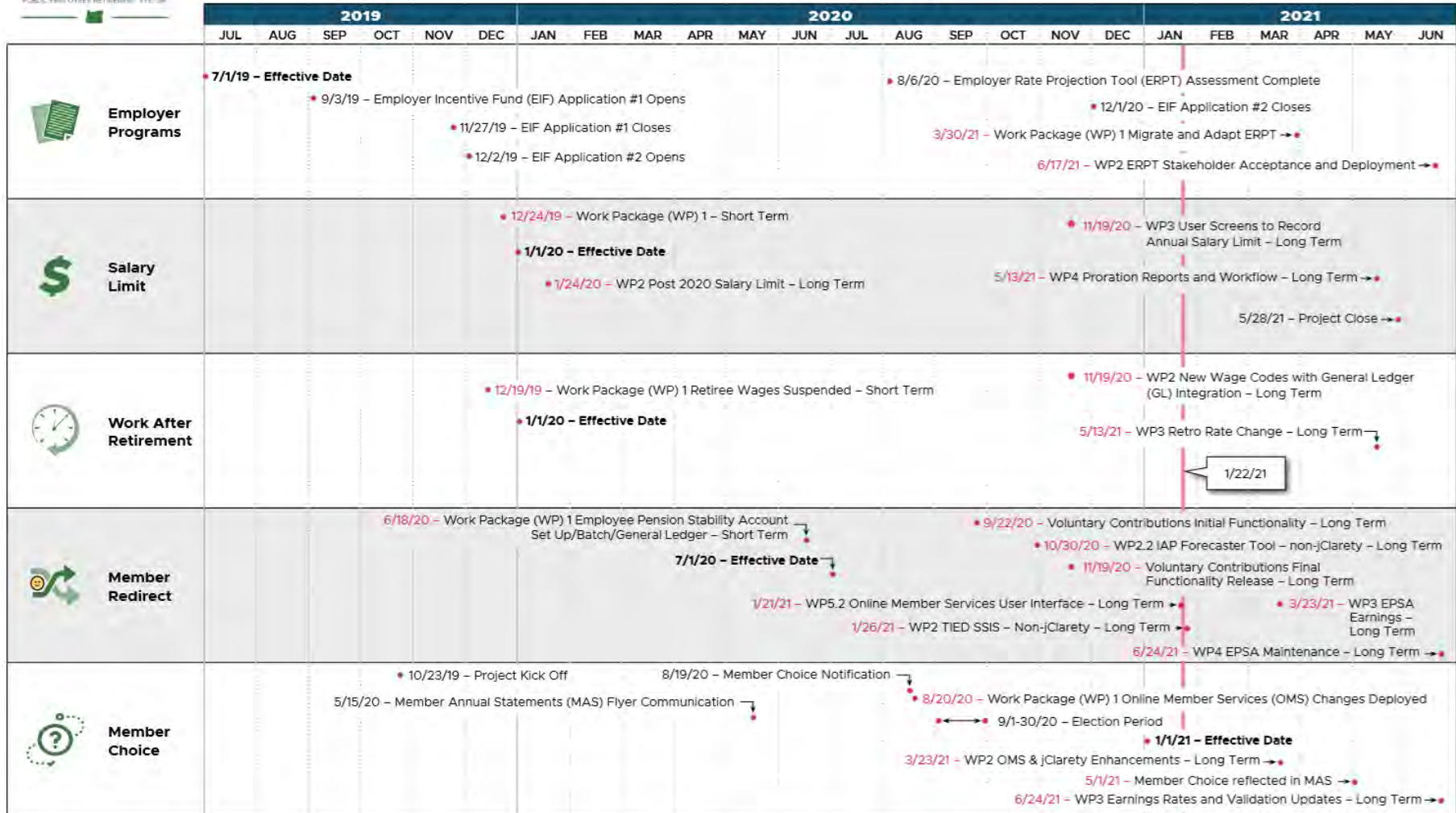
# SB 1049 Implementation Program

Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison



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







Revised: January 20, 2021

# SB 1049 Implementation Program

Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

## 2021-2023 Biennium

PROJECTS	2021						2022						2023										
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
 <b>Employer Programs</b>	• 7/16/21 – Project Close																						
 <b>Work After Retirement</b>	• 7/27/21 – Project Close																						
 <b>Member Redirect</b>							• 10/28/21 – WP5 Voluntary Contribution Maintenance – Long Term						• 11/17/22 – WP9 Withdrawals – Long Term										
							• 1/27/22 – WP6 EPSA Retirement – Long Term						• 3/31/23 – WP10 Post-Retirement Death – Long Term										
							• 4/28/22 – WP7 EPSA Divorce – Long Term						• 7/28/22 – WP8 Pre-Retirement Death – Long Term										
 <b>Member Choice</b>	• 8/4/21 – Project Close																						

## 2023-2025 Biennium

PROJECTS	2023						2024						2025										
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
 <b>Member Redirect</b>	• 8/24/23 – WP11 Maintaining Benefits – Long Term						• 12/21/23 – WP12 Full EPSA Set up Screen – Long Term																
							• 3/29/24 – Migration Finalization																
							• 4/24/24 – Project Close																

Revised: January 20, 2021

### 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: **Yellow**

**Project Narrative:** A project change request (CR) was approved by the SB 1049 Steering Team on 1/12/2021. The CR clearly defines the business requirements to be delivered within the scope of the project and clarifies what work will occur in each of the two work packages. The technical team is busy with the first work package (WP1) converting the acquired Employer Rate Projection Tool (ERPT) from operating on an Oracle platform to the PERS standard SQL. Once this conversion is complete, the specific business requirements as identified in the CR will be implemented.

The second work package (WP2) will move the new ERPT from the internal datacenter to an Azure cloud hosted environment. The team is busy updating the project schedule to reflect the tasks and resources needed to complete the work as described in the CR.

The project health is anticipated to return to green status once the schedule has been updated and we validate the new activities do not exceed the project's baselined end date.

### Employer Rate Projection Tool Work Packages

#### WP1 Migrate and Adapt ERPT

- Acceptance Quality Gate: 3/30/2021 (this WP will not be released to production)
- Convert tool to use PERS standard platform
  - Move from Oracle to SQL
- Enhance tool to meet PERS branding standards and add disclaimer language

#### WP2 ERPT Stakeholder Acceptance and Deployment to Cloud

- Production Deployment Date: 6/17/2021
- User Acceptance Testing with Employer Stakeholders
- Cloud hosting

# SB 1049 Implementation Program

**Status Report for January 22, 2021**

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

**Budget health: Green**

Employer Programs is currently within the budget allocated by the Legislature.

29560 SB1049 - Employer Programs Project					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 900,000	\$ 727,823	\$ 171,512	\$ 899,335	\$ 665
General Overhead Allocation	\$ 328,438	\$ 192,916	\$ 123,801	\$ 316,717	\$ 11,721
Personal Services - SB1049	\$ 230,811	\$ 135,694	\$ 70,731	\$ 206,425	\$ 24,386
Office Expenses	\$ 5,000	\$ 77	\$ 4,000	\$ 4,077	\$ 923
IT Professional Services	\$ 1,306,083	\$ 302,436	\$ 992,039	\$ 1,294,475	\$ 11,608
Professional Services	\$ 170,752	\$ -	\$ 170,752	\$ 170,752	\$ -
IT Expendable Prop	\$ 10,000	\$ 5,883	\$ 4,000	\$ 9,883	\$ 117
SB1049 Expenses	\$ 2,051,084	\$ 637,005	\$ 1,365,323	\$ 2,002,328	\$ 48,756
<b>Project Total</b>	<b>\$ 2,951,084</b>	<b>\$ 1,364,828</b>	<b>\$ 1,536,835</b>	<b>\$ 2,901,663</b>	<b>\$ 49,421</b>
Average Monthly Spend (Burn Rate)		\$ 35,389.19	\$ 227,553.83		
*Not included in SB1049 Expenses					

**Schedule health: Yellow**

The recent CR to define the scope of the ERPT has led to the need to review and clarify the planned tasks in WP2 to better reflect the work which will be performed in this work package. Work is in process with the project architect and Microsoft to ensure all of the necessary activities are identified and estimated appropriately. Once the plan is developed it will be integrated into the project schedule and resourced appropriately.

**Scope health: Green**

The CR to define the scope of the Employer Rate Projection Tool (ERPT) has clarified all discrepancies in what requirements will be delivered by the end of the project.

**Quality Assurance activities:**

- Quality Check Point of the WP2 System Design Specification document completed on 1/8/2021.
- Quality Check Point of the Quality Assurance Test Plan document completed on 1/12/2021.
- Quality Check Point of the Draft Work Package Development documentation is scheduled to begin on 1/29/2021.

**Emerging concerns/needs/impacts:**

- This project represents the first time PERS has deployed an application into a cloud hosted environment. As with all new processes, there may be unanticipated obstacles or challenges to provide the tool in this new manner.

# SB 1049 Implementation Program

## Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

### High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [Employer Programs Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
8	<b>Level of Effort-</b> The forecasted amount of work, timing, and complexity is inaccurate or assumptions made that are off base.	➤ Request more resources from executive sponsor or request scope change	This risk will be re-evaluated once the activities and tasks associated with the cloud hosting of WP2 are better understood
32	<b>Ability to Deliver Solution within the 19-21 biennium-</b> The employer rate projection tool solution selected by the team may not be fully delivered within the 19-21 biennium.	➤ Control scope of tool, create baseline schedule with new activities	This risk will also be re-evaluated once the activities and tasks associated with the cloud hosting of WP2 are better understood

### Project Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [Employer Programs Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
	No current issues		



# SB 1049 Implementation Program

Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

## Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
Rebaseline Project Schedule	100%	9/29/2020	9/29/2020	
Receive EIS Endorsement Memo	100%	9/30/2020	9/30/2020	
EIF Application Closes (Window #2)	100%	12/1/2020	12/1/2020	
WP1 Development Complete	0%	1/7/2021	1/29/2021	This delay will not impact the critical path
WP1 Business Functional Testing Complete	0%	1/28/2021	2/26/2021	More time has been dedicated to testing WP1
WP1 User Testing Complete	0%	3/4/2021	3/24/2021	
WP1 Final Acceptance Quality Gate	0%	3/18/2021	3/30/2021	
WP2 Development Complete	0%	4/8/2021	4/8/2021	
WP2 Business Functional Testing Complete	0%	4/28/2021	4/28/2021	
WP2 User Acceptance Testing Complete	0%	6/7/2021	6/7/2021	
WP2 Deployment Complete (ERPT Complete)	0%	6/17/2021	6/17/2021	
Launch UALRP	0%	6/17/2021	6/17/2021	
Project End	0%	7/16/2021	7/16/2021	

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

# SB 1049 Implementation Program

## Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

**Project information: Work After Retirement (WAR)**

**Project start:** July 1, 2019 | **Project end:** July 27, 2021  
**Project Manager:** Susan K. Mundell

**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.

**Overall project status:** **Green**

**Project Narrative:** WAR Work Package 3 (WP3): Retro Rate Change is currently in Development and Unit testing. Functional Validation Testing is expected to begin on 2/1/2021 followed by Business Functional Testing (BFT) on 2/22/2021.

WAR Work Package 1 suspended retiree records in the system from 1/1/2020 through to WAR Work Package 2 deployment on 11/19/2020. There are 522 of the original 74,000 plus records left to adjust and move to the new wage code and we are on track to complete this workload well before the year end closure deadline of 2/26/2021.

PERS Central Data Management team is working on a report that will determine the number of WAR retirees reported in 2020 and the amount of invoiced dollars attributed to that population. This report is scheduled for delivery on 1/25/2021.

Project Management focus has been to incorporate Deloitte D2.2.1 Project Management Plan recommendations and prepare schedule for second baseline. Schedule updates were completed by 1/21/2021 and will undergo a Quality Check Point review prior to rebaselining.

The July 27, 2021 project end date is primarily project closure tasks. The final work package will be delivered 5/13/2021 which is well before the end of the biennium.

**Work Packages:**

**Work Package 1: Suspend DTL2-07 Retiree Wage Codes - Short-term**

- Production Deployment Date: 12/19/2019 (Complete)

**Work Package 2: New Wage Codes with G/L Integration - Long-term**

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

**Work Package 3: Retro Rate Change - Long-term**

- Production Deployment Date: 5/13/2021
- Retro Rate Change: Modification of SD610 Batch Job requires significant testing
- Development and Unit Testing began 11/13/2020
- Functional Validation Testing is scheduled to begin on 2/1/2021
- Business Functional Testing is scheduled to begin on 2/22/2021
- User Acceptance Testing is scheduled to begin on 3/8/2021

# SB 1049 Implementation Program

Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

**Budget health: Green**

The WAR Project is currently within the budget allocated by the Legislature.

29560 SB1049 - Work After Retirement (WAR) Project					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 1,214,174	\$ 1,050,703	\$ 160,389	\$ 1,211,092	\$ 3,082
General Overhead Allocation	\$ 637,166	\$ 385,832	\$ 251,252	\$ 637,084	\$ 82
Personal Services - SB1049	\$ 462,087	\$ 272,213	\$ 141,459	\$ 413,672	\$ 48,415
Office Expenses	\$ 2,194	\$ 97	\$ 500	\$ 597	\$ 1,597
Professional Services	\$ 140,000	\$ 131,000	\$ -	\$ 131,000	\$ 9,000
IT Professional Services	\$ 931,392	\$ 639,134	\$ 243,119	\$ 882,253	\$ 49,139
IT Expendable Property	\$ 10,000	\$ 5,536	\$ 3,000	\$ 8,536	\$ 1,464
SB 1049 Total Expenses	\$ 2,182,839	\$ 1,433,812	\$ 639,330	\$ 2,073,142	\$ 109,697
<b>Project Total</b>	<b>\$ 3,397,013</b>	<b>\$ 2,484,515</b>	<b>\$ 799,719</b>	<b>\$ 3,284,234</b>	<b>\$ 112,779</b>
Average Monthly Spend (Burn Rate)		\$ 79,656.21	\$ 106,555.00		
*Not included in SB1049 expenses					

**Schedule Health: Green**

Development and unit testing of WAR Work Package 3: Retro Rate Change is on schedule. Please note that this is the final work package for WAR.

**Scope health: Green**

The scope for all work packages has been defined and is understood.

Quality Assurance activities:

- A Quality Check Point review was completed on 1/5/2021 for contractual deliverable D1.0.16 Contractor Support Log.
- Specification technical documentation is being reviewed by business with updated WAR WP2 wage code and General Ledger information.

Emerging concerns/needs/impacts:

- The lack of institutional knowledge and the Technical Debt issue of inadequate documentation for the General Ledger development in jClarety is the primary factor for a Side Account General Ledger concern. How jClarety manages the Side Accounts for Work After Retirement participating employers is not functioning in the same manner as it does for Active employees. A Change Request is under development to add side account offsets for WAR wages that mirrors the Side Account offset for Active members.

# SB 1049 Implementation Program

## Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

### High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [WAR Weekly Status Report](#)

	Risk Description	Mitigation and/or Contingency Plan	Notes
1	<b>Business Needs, Requirements, and Scope:</b> The business needs, requirements and scope are missing or not clearly defined.	<ul style="list-style-type: none"> <li>➤ Ensure requirements are complete, accurate, thorough, and have business buy in.</li> <li>➤ Regular checks during development to ensure what is being built meets business expectations.</li> </ul>	Assumptions were made by business with WAR WP2 that do not adequately function with WAR Side Account invoicing and allocation. A CR is being developed for this issue.
2	<b>Complexity of Effort:</b> 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"> <li>➤ Schedule additional time to verify complex code.</li> <li>➤ Use iterative development to reverse engineer the General Ledger code to meet Business need.</li> <li>➤ Ensure effective inter-team project communication.</li> </ul>	The same CR as listed in Risk 1 is being developed to fix the side account for retired members to work as it does for Active members.
85	<b>Lack of Backup for Associate Product Owners:</b> The Associate Product Owners do not have backup staff to cover their agency critical non-SB work. Associate Product Owners are responsible for both SB 1049 testing and production issue trouble shooting. Associate Product Owners do not have backup to cover agency critical production duties and planned or unplanned absences.	<ul style="list-style-type: none"> <li>➤ Product Owners support Associate Product Owners SB 1049 work when an Associate Product Owners is out of the office or must focus on non-Senate Bill production issues</li> <li>➤ Hire &amp; train additional Associate Product Owners.</li> <li>➤ Assign backup from non-SB allocated PERS staff.</li> </ul>	Associate Product Owners still do not have backups other than the Product Owners.

### 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](#)

#	Issue	Resolution / Notes	Estimated Resolution Date
	No current issues		

# SB 1049 Implementation Program

Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

## Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP1 - Phase Closure Complete	100%	2/13/2020	2/13/2020	
Baselined Project Schedule	100%	2/25/2020	2/25/2020	
WP3 - Initial Development Began	100%	11/13/2020	11/13/2020	
WP2 - User Acceptance Testing (UAT) Complete	100%	10/13/2020	11/16/2020	
WP2 - Quality Assurance Testing Complete	100%	10/21/2020	11/18/2020	
WP2 - Move to Production Quality Gate Complete	100%	10/21/2020	11/18/2020	
WP2 - Deployment Complete	100%	10/22/2020	11/19/2020	
WP3 - Requirements Complete	100%	10/27/2020	11/23/2020	
WP3 - Development Complete	0%	2/3/2021	2/19/2021	
WP3 - Business Functional Testing (BFT) Complete	0%	3/11/2021	3/01/2021	
WP3 - Ready for User Acceptance Testing (UAT) Quality Gate	0%	4/1/2021	3/08/2021	
WP3 - User Acceptance Testing Complete	0%	4/1/2021	4/19/2021	
WP3 - Quality Assurance Testing Complete	0%	4/1/2021	4/26/2021	
WP3 - Move to Production Quality Gate Complete	0%	4/16/2021	5/12/2021	
WP3 - Deployment Complete	0%	4/22/2021	5/13/2021	
WP3 - Phase Closure Complete	0%	6/4/2021	5/20/2021	
WAR Project Complete	0%	8/6/2021	7/27/2021	

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

The SB 1049 Steering Team has approved the schedule changes above. Conversion from a duration-based schedule to an effort-based schedule is complete. This schedule will undergo Quality Check Point review and will be re-baselined immediately afterwards.

### Project information: Salary Limit

Project start: 7/01/ 2019 | Project end: 5/28/2021

Project Manager: Bruce Rosenblatt

### Project objective:

The Salary Limit Project is necessary because SB 1049 redefined “salary,” which changes the calculation method for Final Average Salary, and contributions for members with subject salary greater than \$195,000. This limit is on salary for plan purposes, and is not a salary cap. The Salary Limit will be indexed annually to the Consumer Price Index, beginning on or after 1/01/2021. The redefinition impacts the data and business processes used by diverse teams at PERS, including Benefit Calculations, Member Estimates, Data Verifications, Employer Data Reporting, and Account Data Reviews and Reporting.

### Overall project status: **Green**

**Project Narrative:** The 2020 Salary Limit Project is comprised of four Work Packages. Work Package 1 (WP1) delivered a short-term solution in 2019, delivering new reports so PERS can manually report on impacted members and their employers for Tier 1/Tier 2, and Oregon Public Service Retirement Plan. Work Package 2 (WP2) implemented a Data Change Request on 1/23/2020 to post the 2020 limit. Work Package 3 (WP3) provided entry screens, and approval roles, to record annual salary limit changes and effective dates for all plans. Work Package 4 (WP4) addresses the proration processes for partial year activities.

### Work Packages:

#### Work Package 3: User screens to record annual salary limit, adding Tier1 to messages for Salary Limit, similar to Tier2 and Oregon Public Service Retirement Plan - Long-term

- Production Deployment Date: 11/19/2020 (Complete)
- Annual Consumer Price Index adjustment to the salary limit was posted 1/04/2021, using the new screens and security roles
- Communications strategy included multiple websites and a GovDelivery email to 6,000 recipients, as the first formal notice to employers that the salary limit was changing

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

- Production Deployment Date: 5/13/2021
- Functional Design Specification delivered 12/04/2020
- WP4 Business Functional Testing will start on 2/22/2021
- WP4 User Acceptance Testing will start on 3/26/2021
- Project End date is 5/28/2021

# SB 1049 Implementation Program

## Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

**Budget Health: Green**

Salary Limit Project budget projections are currently lower than the budget allocated by the Legislature.

29560 SB1049 - Salary Limit					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 970,000	\$ 888,277	\$ 81,277	\$ 969,554	\$ 446
General Overhead Allocation	\$ 318,583	\$ 192,916	\$ 125,587	\$ 318,503	\$ 80
Personal Services - SB1049	\$ 232,356	\$ 135,694	\$ 70,728	\$ 206,422	\$ 25,934
Services and Supplies	\$ 47,088	\$ 46,240	\$ 500	\$ 46,740	\$ 348
IT Professional Services	\$ 814,000	\$ 256,291	\$ 518,474	\$ 774,765	\$ 39,235
IT Expendable Prop	\$ 10,000	\$ 5,535	\$ 4,000	\$ 9,535	\$ 465
SB1049 Total Expenses	\$ 1,422,027	\$ 636,676	\$ 719,289	\$ 1,355,965	\$ 66,062
<b>Project Total</b>	<b>\$ 2,392,027</b>	<b>\$ 1,524,954</b>	<b>\$ 800,566</b>	<b>\$ 2,325,520</b>	<b>\$ 66,507</b>
Average Monthly Spend (Burn Rate)		\$ 37,451.55	\$ 102,755.57		
*Not included in SB1049 Expenses					

**Schedule health: Green**

Work package 4 (WP4), addressing proration processes for partial year activities, will begin Business Functional Testing on 2/22/2021, and complete by 3/19/2021  
Conversion from a duration-base schedule to an effort-based schedule is complete. This schedule will undergo Quality Check Point review and will be re-baselined immediately afterwards.

**Scope health: Green**

The project scope is understood for all releases.

Quality Assurance activities:

- The Functional Design Specification document is scheduled for formal approval on 2/19/2021

Emerging concerns/needs/impacts:

- No emerging concerns

# SB 1049 Implementation Program

## Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

### High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [Salary Limit Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
87	Lack of Backup for Associate Product Owners' role, to support SB 1049 and Production	➤ Train additional subject matter experts for regression testing, with test planning activities and tools training, so that potential operations activities do not impact the User Acceptance Testing schedule	Subject matter experts have the business experience, and can be introduced to the testing tools and procedures, so they can use their business experience to participate in testing activities as required

### Project Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [Salary Limit Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
	No current issues		



# SB 1049 Implementation Program

Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

## Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP2 - Post New Salary Limit - Release to Production	100%	1/23/2020	1/23/2020	
WP3 - Requirements Complete	100%	3/13/2020	3/13/2020	
Change Request Approval (SL_01)	100%	5/15/2020	5/15/2020	
Baseline the project schedule	100%	6/17/2020	6/17/2020	
WP4 - Requirements Complete	100%	7/14/2020	7/14/2020	
WP3 - Development Complete	100%	8/14/2020	8/14/2020	
WP3 - Business Function Testing (BFT) Complete	100%	9/04/2020	9/02/2020	
WP3 - User Acceptance Testing (UAT) Complete	100%	9/04/2020	11/13/2020	
WP3 - Deployment Complete	100%	10/22/2020	11/19/2020	
WP4 - Signoff User Stories & Acceptance Criteria Complete	100%	8/18/2020	11/17/2020	
WP4 - Development Complete	0%	1/19/2021	2/19/2021	
WP4 - Business Function Testing (BFT) Complete	0%	2/09/2021	3/19/2021	
WP4 - User Acceptance Testing (UAT) Complete	0%	3/23/2021	5/07/2021	
WP4 - Deployment Complete	0%	4/01/2021	5/13/2021	
Project Complete	0%	4/15/2021	5/28/2021	

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

The SB 1049 Steering Team has approved the schedule changes above. Conversion from a duration-base schedule to an effort-based schedule is complete. This schedule will undergo Quality Check Point review and will be re-baselined immediately afterwards.

# SB 1049 Implementation Program

## Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

### Project information: Member Redirect

**Project start:** July 1, 2019 | **Project end:** April 24, 2024  
**Project Manager:** Chris Yu

### Overall project status: **Green**

**Project Narrative:** The User Acceptance Testing (UAT) for Work Package 5.2 (Online Member Services User Interface) was completed on 1/19/2021. The deployment for Work Package 5.2 (Online Member Services User Interface) is on schedule and was deployed on 1/21/2021, returning the project status to green. The next immediate priority is work package 2.1 (Tool for IAP Earnings Data), which is currently in UAT and on schedule for a 1/26/2021 deployment. In addition, the business functional testing (BFT) for work package 3.1 (EPSA Earnings) and 3.2 (Member Annual Statement Extract) continues on schedule.

Conversion from a duration-base schedule to an effort-based schedule is complete. This schedule will undergo Quality Check Point review and will be re-baselined immediately afterwards.

### Work Packages:

#### Work Package 5.2 Online Member Services User Interface- Long-Term

- Production Deployment Date: 1/21/2021
- User Acceptance testing began on 12/16/2020 and will be completed by 1/19/2021
- The Quality Gate Sign-off will be on 1/20/2021

#### Work Package 3.1 EPSA Earnings - Long-Term

- Production Deployment Date: 3/23/2021
- Construction was completed on 12/29/2020
- Business Functional Testing began on 12/30/2020 and will be complete by 2/5/2021

### Project objective:

Effective July 1, 2020 this section of the bill redirects a portion of member contributions to a new Employee Pension Stability Account (EPSA) when the funded status of the plan is below 90% and the member's monthly salary is more than \$2,500.

#### Work Package 2.1: Tool for IAP Earnings Data

- Production Deployment Date: 1/26/2021
- User Acceptance Testing began on 1/6/2021 and will be completed by 1/22/2021

#### Work Package 3.2 Member Annual Statement Extract- Long-Term

- Production Deployment Date: 3/23/2021
- Construction was completed on 12/29/2020
- Business Functional Testing began on 12/30/2020 and will be completed by 2/5/2021

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

# SB 1049 Implementation Program

## Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

**Budget health: Green** The project is below budget for the current biennium. The issue of additional budget needed for work beyond the current biennium is being tracked at the program level.

29560 SB1049 - Member Redirect Project					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 1,370,000	\$ 1,165,941	\$ 201,435	\$ 1,367,376	\$ 2,624
General Overhead Allocation	\$ 4,778,742	\$ 2,893,739	\$ 1,883,783	\$ 4,777,522	\$ 1,220
Personal Services - SB1049	\$ 4,111,180	\$ 2,036,540	\$ 869,940	\$ 2,906,480	\$ 1,204,700
Services and Supplies	\$ 826,890	\$ 463,673	\$ 316,458	\$ 780,131	\$ 46,759
IT Professional Services	\$ 10,923,321	\$ 8,236,015	\$ 1,642,650	\$ 9,878,665	\$ 1,044,656
IT Expendable Property	\$ 200,000	\$ 88,573	\$ 110,000	\$ 198,573	\$ 1,427
Data Processing Hardware	\$ 200,000	\$ 193,798	\$ 6,000	\$ 199,798	\$ 202
SB1049 Total Expenses	\$ 21,040,133	\$ 13,912,338	\$ 4,828,831	\$ 18,741,169	\$ 2,298,964
<b>Project Total</b>	<b>\$ 22,410,133</b>	<b>\$ 15,078,279</b>	<b>\$ 5,030,266</b>	<b>\$ 20,108,545</b>	<b>\$ 2,301,588</b>
Average Monthly Spend (Burn Rate)		\$ 772,907.65	\$ 804,805.17		
*Not included in SB1049 Expenses					

**Schedule Health: Green**

The current project tasks are on schedule for all current milestone dates; however, the Project Manager continues to update the project schedule to reflect an effort based schedule.

The issue of long-term work packages scheduled beyond the 2019-21 biennium are being tracked at the program level.

**Scope health: Green**

The project scope is understood for all releases.

Quality Assurance activities:

- The Quality Gate Meeting for Work Package 5.2 (Online Member Services User Interface) was completed on 1/20/2021.
- The Quality Acceptance Test Plan D4.2.1 will complete Quality Checkpoint Process on 1/27/2021.

Emerging concerns/needs/impacts:

- The emerging concern is with the UAT risk for work package 2.1 (Tool for IAP Earnings Data) because the file from an external vendor contained unexpected data. The Product Owner resolved the issue with Voya and resumed UAT on 1/15/2021.

# SB 1049 Implementation Program

## Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

### High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [Member Redirect Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
66	<b>WP5.2 Quality Risk:</b> Due to multiple defects, there is a quality risk that can impact external users on Online Member Services	➤ Continue to monitor and meet with the project team daily up until the scheduled deployment on 1/21/2021	The deployment was completed on schedule for 1/21/2021
67	<b>WP2.1 UAT risk:</b> UAT is at risk of completing by 1/20/2021 due to defects and Voya file errors	➤ The product owner team is in contact with Voya and resumed UAT on 1/15/2021	The deployment is currently on-schedule for 1/26/2021

### 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
11	<b>Risk 23 QAT Plan D4.2.1:</b> The Quality Acceptance Plan is delayed, which impacts work package 4	The QA analyst updated the QAT plan and the project manager submitted it through the review process and it was submitted to Quality Checkpoint Process on 1/19/2021	1/27/2021

# SB 1049 Implementation Program

Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

## Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP4.1 - EPSA Minimum Salary	100%	6/24/2021	12/22/2021	
WP 5.2 - Online Member Services User Interface	100%	1/26/2021	1/21/2021	
WP2.1 - Tool for IAP Earnings Data	0%	1/26/2021	1/26/2021	
WP3.1 - EPSA Earnings	0%	3/23/2021	3/23/2021	
WP3.2 - Member Annual Statement Extract	0%	3/23/2021	3/23/2021	
WP4.2 - EPSA Transaction Display	0%	6/24/2021	6/24/2021	
WP5 - Voluntary Contribution maintenance	0%	10/29/2021	10/29/2021	
WP6 - EPSA Retirement	0%	1/27/2022	1/27/2022	
WP7 - EPSA Divorce	0%	4/28/2022	4/28/2022	
WP8 - Pre-Retirement Death	0%	7/28/2022	7/28/2022	
WP9 - Withdrawals	0%	11/17/2022	11/17/2022	
WP10 - Post-Retirement Death	0%	3/31/2023	3/31/2023	
WP11 - Maintaining Benefits	0%	8/24/2023	8/24/2023	
WP12 - Full EPSA Set up screen	0%	12/21/2023	12/21/2023	
Migration Finalization	0%	3/29/2024	3/29/2024	
Project Complete	0%	4/24/2024	4/24/2024	

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

# SB 1049 Implementation Program

## Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

**Project information: Member Choice**

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

**Project Manager:** Joli Whitney

**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:** **Yellow**

**Project Narrative:** The construction completion milestone of 12/29/20 was delayed one week for Work Package 2.1 (WP2.1 WP1.1 Backlog items and bugs) to 1/8/2021. Project development resources were used to address critical issues with other SB 1049 releases and emergency production issues causing delays in the planned project work. The start of business functional testing has been delayed, but the production deployment date is still on track as scheduled.

Technical review of the third and final work package (WP3) has been delayed as the team is busy with business functional testing activities of WP2.1. Initial feedback from the technical team regarding the level of effort for WP3 is that it is much larger than originally anticipated. WP3 will add IAP earnings calculations into jClarety and provide validation functionality for a member's date of birth. The technical team will provide a detailed technical evaluation of the WP3 business requirements by the end of the month to help the project team review if the concerns are justified and, if so, develop mitigation strategies to address the gaps in effort and schedule.

**Short-term Solutions (to meet 1/1/21 Member Choice effective date)**

**WP1: Member Election - Short-term**

**WP1.1 Online Election**

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

**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 -WP1.1 Backlog and WP1.1 Bug Fixes**

- Production Deployment Date: 3/23/2021

**WP2.2 Central Data Management (CDM) Reports**

- Production Deployment Date: 5/27/2021
- Reports for Financial Reporting Services which have a dependency on status data delivered in WP2.1

**WP3- Earnings Rates and Validations Updates in jClarety - Long-term**

- Production Deployment Date: 6/24/2021
- Add IAP Earnings Rate table to jClarety
- Date of Birth validation updates for jClarety employer reporting

# SB 1049 Implementation Program

## Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

**Budget health: Green**

Member Choice Project is currently within the budget allocated by the Legislature.

29560 SB1049 - Member Choice Project Budget					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 860,000	\$ 776,106	\$ 82,505	\$ 858,611	\$ 1,389
General Overhead Allocation	\$ 318,583	\$ 192,916	\$ 123,551	\$ 316,467	\$ 2,116
Personal Services - SB1049	\$ 311,193	\$ 135,694	\$ 117,158	\$ 252,852	\$ 58,341
Office Expenses	\$ 1,500	\$ 928	\$ 250	\$ 1,178	\$ 322
Professional Services	251,198	\$ 280,000	-	\$ 280,000	\$ (28,802)
IT Professional Services	\$ 1,449,000	\$ 800,683	\$ 624,944	\$ 1,425,627	\$ 23,373
IT Expendable Prop	\$ 6,340	\$ 5,535	\$ 500	\$ 6,035	\$ 305
SB1049 Total Expenses	\$ 2,337,814	\$ 1,415,756	\$ 866,403	\$ 2,282,159	\$ 55,655
<b>Project Total</b>	<b>\$ 3,197,814</b>	<b>\$ 2,191,862</b>	<b>\$ 948,908</b>	<b>\$ 3,140,770</b>	<b>\$ 57,044</b>
Average Monthly Spend (Burn Rate)		\$ 78,653.11	\$ 144,400.50		
*Not included in SB1049 Expenses					

**Schedule Health: Yellow**

With the construction delays and overlapping work package activities, the project schedule is in jeopardy. Evaluation of the work effort and scope of the final work package is in process to determine whether there will need to be changes to how or what we are planning to deliver the work or schedule adjustments to realign with the updated forecast.

**Scope health: Yellow**

The scope of WP3 has raised concerns with the technical team. The team is expected to provide their development estimates by 1/31/2021.

Quality Assurance activities:

- Quality Check Point of the Work Package Construction Development Support Document for WP2 was completed on 1/11/2021.
- Quality Check Point of the System Design Specification Document for WP3 is scheduled to begin on 1/29/2021.

Emerging concerns/needs/impacts:

- No emerging concerns

### High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

For the complete Risk Log, please see the Risk Log tab in the most recent weekly status report: [Member Choice Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
17	<b>Competing SB 1049 Resources:</b> Critical resources are involved in multiple concurrent SB 1049 projects, limiting availability for individual projects	➤ Coordinated schedule planning with Program Manager and other Project Managers; reassign staff to cover absences or offset peak workload periods.	Schedule has been updated to show true work effort for resources. This risk will be downgraded once the new work-effort based schedules are baselined.
18	<b>Critical Resources Allocated to non-SB 1049 Work:</b> Critical SB 1049 resources are allocated to non-SB 1049 work, impacting availability for SB 1049 work and causing schedule delays	➤ Reassign non-SB 1049 work to operational resources not working on SB 1049.	This risk escalates as we enter into year-end financial processing activities in the first quarter of 2021. This work is time critical to meet deadlines outside of SB 1049 and there are limited backfill opportunities.
43	<b>OMS UI Upgrade/Struts Impact to BFT Timeline-</b> New Online Member Services code to update the user interface will be deployed in a January release while WP2.1 is in Business Functional Testing. This may require more time for regression testing than is available	➤ Closely monitor the progress of Business Functional Testing and request additional resources if necessary to complete work on time to meet combined release schedule,	The code merge of Online Member Services upgrades was not able to be performed as early as anticipated which shortened the timeline for Business Functional Testing. This is forecasted to be completed on 2/17/2021.

### Project Issues and Action Plans

Listed below are the most critical issues for this project.

For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [Member Choice Weekly Status Report](#)

No	Issue	Resolution / Notes	Estimated Resolution Date
6	<b>Overlapping Work Packages-</b> WP closing and starting tasks have become too closely scheduled so they now overlap causing resources to be stretched	The milestones for WP2.1 completion and WP3 are have become concurrent activities due to missed 12/29/2020 construction milestone. Schedule has been updated to show true work effort for resources. This risk will be downgraded once the new work-effort based schedules are baselined.	1/29/2021



# SB 1049 Implementation Program

Status Report for January 22, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

## Project Schedule Deliverables and Milestones

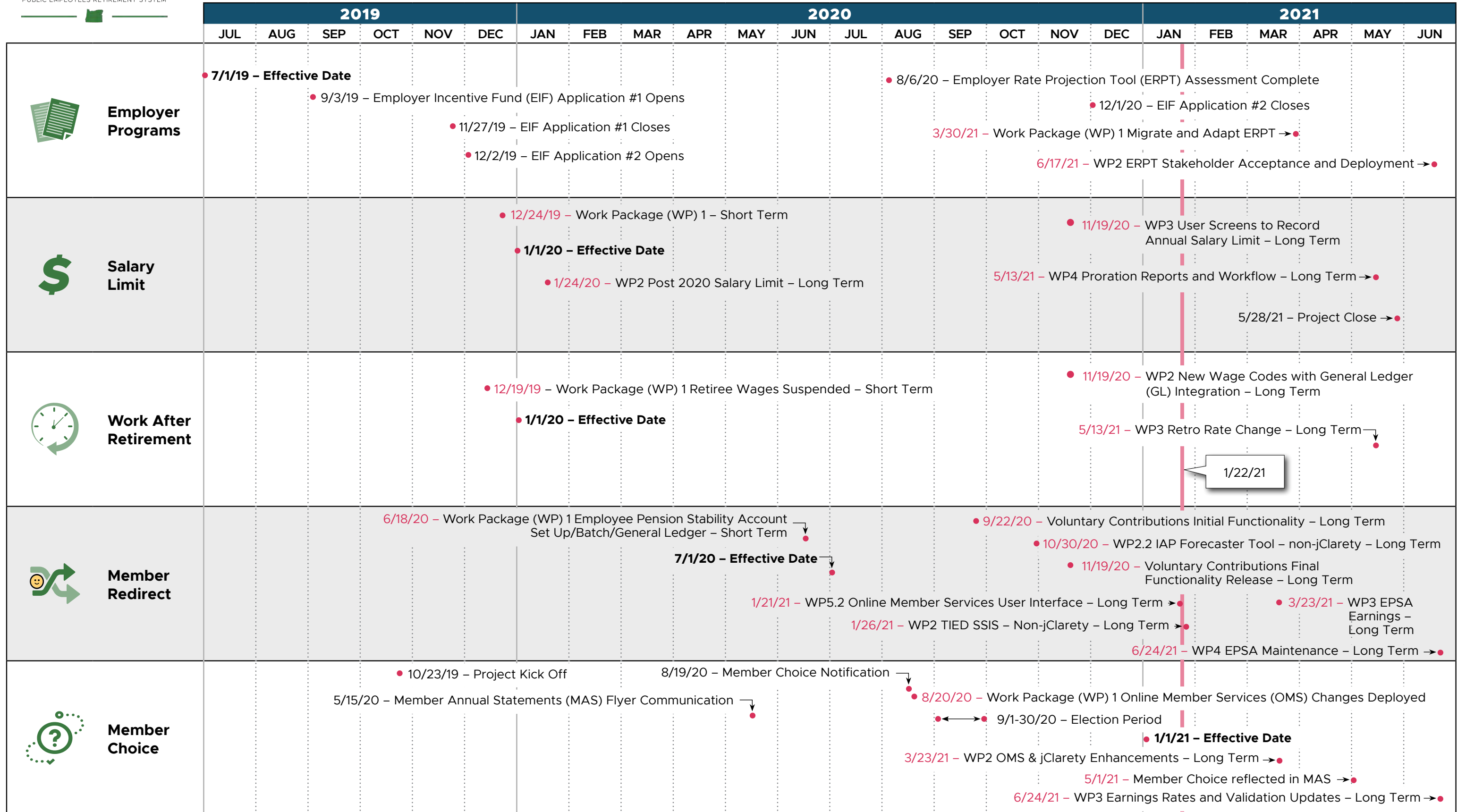
Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
Member Choice TDFs Effective (Legislative deadline)	100%	1/1/2021	1/1/2021	
WP2.1 Development Complete	100%	1/5/2021	1/8/2021	
WP2.1 Business Functional Testing Complete	0%	1/26/2021	2/17/2021	
WP2.1 User Acceptance Testing Complete	0%	2/4/2021	3/19/2021	
WP2.1 Deployment Complete	0%	2/23/2021	3/23/2021	Extension is not expected to impact the project's critical path
WP3 Development Complete	0%	5/4/2021	4/26/2021	
WP3 Business Functional Testing Complete	0%	5/24/2021	5/14/2021	
WP3 User Acceptance Testing Complete	0%	6/23/2021	6/14/2021	
WP3 Deployment Complete	0%	6/30/2021	6/24/2021	
Project Close	0%	8/4/2021	8/4/2021	

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





The SB 1049 Steering Team has approved the schedule changes above. Conversion from a duration-base schedule to an effort-based schedule is complete. This schedule will undergo Quality Check Point review and will be re-baselined immediately afterwards.

# Senate Bill (SB) 1049 Implementation Road Map


2019-2021 Biennium



# 2021-2023 Biennium

PROJECTS	2021						2022												2023					
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
 <b>Employer Programs</b>	<ul style="list-style-type: none"> <li>● 7/16/21 – Project Close</li> </ul>																							
 <b>Work After Retirement</b>	<ul style="list-style-type: none"> <li>● 7/27/21 – Project Close</li> </ul>																							
 <b>Member Redirect</b>							<ul style="list-style-type: none"> <li>● 10/28/21 – WP5 Voluntary Contribution Maintenance – Long Term</li> <li>● 1/27/22 – WP6 EPSA Retirement – Long Term</li> <li>● 4/28/22 – WP7 EPSA Divorce – Long Term</li> <li>● 7/28/22 – WP8 Pre-Retirement Death – Long Term</li> <li>● 11/17/22 – WP9 Withdrawals – Long Term</li> <li>● 3/31/23 – WP10 Post-Retirement Death – Long Term</li> </ul>																	
 <b>Member Choice</b>	<ul style="list-style-type: none"> <li>● 8/4/21 – Project Close</li> </ul>																							

# 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
 <b>Member Redirect</b>	<ul style="list-style-type: none"> <li>● 8/24/23 – WP11 Maintaining Benefits – Long Term</li> </ul>						<ul style="list-style-type: none"> <li>● 12/21/23 – WP12 Full EPSA Set up Screen – Long Term</li> <li>● 3/29/24 – Migration Finalization</li> <li>● 4/24/24 – Project Close</li> </ul>																	

## Action and Discussion Items

1. Legislative Preview/Update
2. SB 1566 Reporting Requirements
3. SB 1049 Implementation Update
4. Preliminary 2020 Earnings Crediting and Reserving
5. Update Reflecting on Earnings Through December 31, 2020



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

Headquarters:  
11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR  
Mailing Address:  
P.O. Box 23700  
Tigard, OR 97281-3700  
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February 1, 2021

TO: Members of the PERS Board  
FROM: Richard Horsford, Chief Financial Officer  
Amanda Marble, Financial Reporting Manager  
SUBJECT: 2020 Preliminary Earnings Crediting and Reserving

### OVERVIEW

- Action: Allocate 2020 preliminary earnings crediting.
- Reason: ORS 238.670(5) requires PERS to submit a preliminary proposal to the appropriate legislative committee at least 30 days before making a final decision on earnings crediting.
- Subject: Crediting earnings for calendar year 2020 to the PERS Fund's accounts and reserves.

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

### 2020 PRELIMINARY ALLOCATIONS

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

#### **Non-Discretionary Allocations**

##### **1. Tier One Member Regular Accounts Reserve and Judge Member Accounts**

Credit Tier One member regular accounts and Judge member accounts with the assumed earnings rate (7.20%) in effect during 2020.

**Tier One Rate Guarantee Reserve:** This reserve, established under ORS 238.255(1), is used to fund crediting of the assumed rate to Tier One member regular accounts when earnings are less than the assumed rate. Because earnings on Tier One member regular accounts for 2020 exceed the assumed rate, those excess earnings will be credited to Tier One Rate Guarantee Reserve, resulting in a reserve balance of \$528.1 million.

##### **2. Tier Two Member Regular Accounts**

Credit Tier Two member regular accounts with a proportional share of available PERS Fund Regular Account earnings, which will result in a preliminary rate of 7.21%.

##### **3. Benefits-in-Force and Employer Reserves**

Credit the Benefits-in-Force and Employer Reserves evenly with the remaining available PERS Fund Regular Account earnings, which will result in a preliminary rate of 7.21%.

#### 4. OPSRP Pension Plan Member Accounts

OPSRP member accounts usually are credited with a proportional share of available PERS Fund Regular Account earnings, which will result in a preliminary rate of 7.26%.

Oregon Public Employees Retirement System Calendar Year 2020 Preliminary 2020 Crediting and Reserving (All dollar amounts in millions)								
	Reserves Before Crediting	Gross Investment Income (a)	Investment Expense (b)	Administrative Expenses (c)	Other Adjustments <sup>2</sup> (d)	Net 2020 Crediting (a+b+c+d)	Reserves After Crediting	2020 Rates
Tier One Member Regular Accounts	2,983.5	290.6	(33.7)	(3.9)	(38.2)	214.8	3,198.3	7.20%
Tier One Rate Guarantee Reserve	492.0	-	-	-	36.1	36.1	528.1	N/A
Tier Two Member Regular Accounts	979.6	81.9	(9.5)	(1.1)	(0.6)	70.7	1,050.3	7.21%
Benefits In Force Reserve	19,288.6	1,612.6	(186.8)	(21.4)	(12.0)	1,392.4	20,681.0	7.21%
Employer Reserves	32,653.7	2,729.9	(316.3)	(36.3)	(20.3)	2,357.0	35,010.7	7.21%
OPSRP Pension	7,039.1	610.6	(61.6)	(9.3)	(28.4)	511.3	7,550.4	7.26%
IAP Accounts, as a whole <sup>1</sup>	10,409.8	948.4	(74.1)	(13.9)	17.6	878.0	11,287.8	8.43%
UAL Lump-Sum Pmt. Side Accounts <sup>1</sup>	4,782.1	364.7	(30.3)	(0.2)	-	334.2	5,116.3	Various <sup>3</sup>
Contingency Reserve	50.0	-	-	-	-	-	50.0	N/A
<b>Total</b>	<b>\$78,678.4</b>	<b>\$6,638.7</b>	<b>(\$712.3)</b>	<b>(\$86.1)</b>	<b>(\$45.8)</b>	<b>\$5,794.5</b>	<b>\$84,472.9</b>	

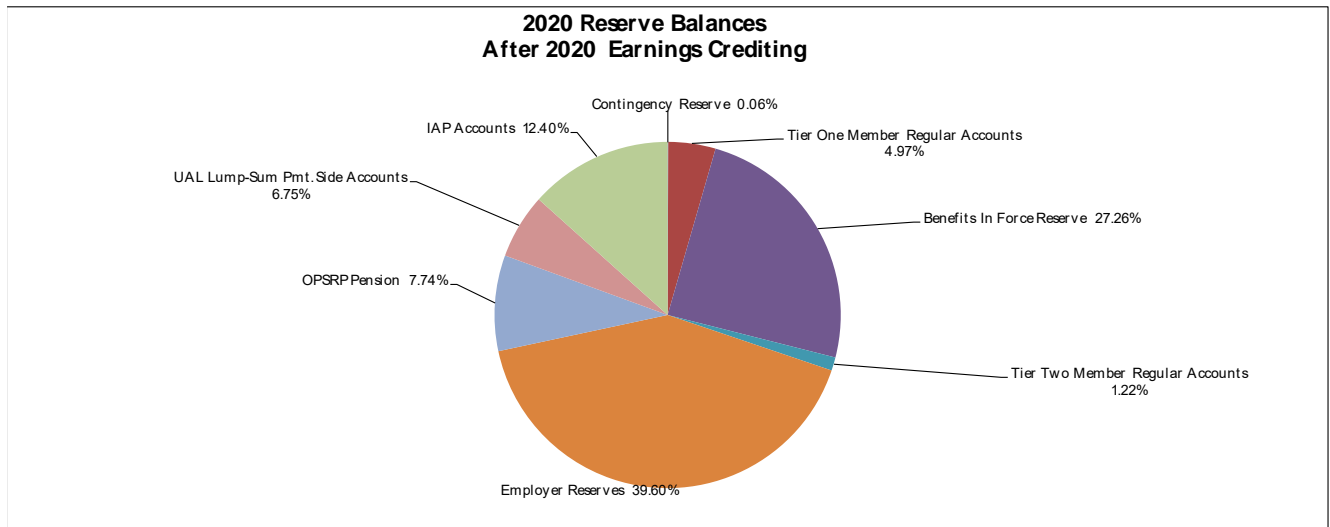
<sup>1</sup> Informational only. Not affected by Board reserving or crediting decisions.

IAP accounts receiving installments have already received 2020 earnings.

<sup>2</sup> Primarily due to One Rate Guarantee Reserve transfer of the Tier One member regular account excess earnings, defined benefit commingled earnings transfer, and the earnings credited to mid-year retirements.

<sup>3</sup> The average of the various final earnings rates is 6.98%

Note: The actual market returns for private equity investments are reported on a three-month lag as additional time is needed to value these non-public assets and returns. Private equity returns for the fourth quarter will be reflected in the following year earnings crediting.



<sup>1</sup> Informational only. Not affected by Board reserving or crediting decisions.

IAP accounts receiving installments have already received 2020 earnings.

EARNINGS ALLOCATIONS DIRECTED BY STATUTE OR RULE

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

- 5. Individual Account Program (IAP):** These member accounts are credited with actual earnings or losses of the PERS Fund Regular Account as required by ORS 238A.350 (1). The overall preliminary IAP earnings for 2020 are 8.43% after deducting IAP expenses. The table below illustrates the IAP earnings by tranche.

<b>Oregon Public Employees Retirement System Preliminary IAP TDF Earnings</b>				
(All dollar amounts in thousands)				
<b>TDF Fund</b>	<b>Reserves Before Crediting</b>	<b>2020 Crediting</b>	<b>Reserves After Crediting</b>	<b>2020 Rates</b>
<b>RAF Fund</b>	\$ 922,053.6	\$ 85,256.1	\$ 1,007,309.7	9.24%
<b>2025 Fund</b>	1,442,388.4	128,037.5	1,570,425.9	8.87%
<b>2030 Fund</b>	1,824,914.2	169,667.5	1,994,581.7	9.29%
<b>2035 Fund</b>	2,004,615.2	164,135.9	2,168,751.1	8.18%
<b>2040 Fund</b>	1,679,994.2	124,574.5	1,804,568.7	7.41%
<b>2045 Fund</b>	1,233,557.8	114,793.9	1,348,351.7	9.30%
<b>2050 Fund</b>	641,907.0	62,657.3	704,564.3	9.76%
<b>2055 Fund</b>	246,439.1	21,815.6	268,254.7	8.85%
<b>2060 Fund</b>	55,984.3	4,181.0	60,165.3	7.46%
<b>2065 Fund</b>	2,898.4	182.9	3,081.3	6.31%
<b>Total</b>	<b>\$10,054,752.2</b>	<b>\$875,302.2</b>	<b>\$10,930,054.4</b>	

In accordance with Senate Bill 1049 (2019), effective July 1, 2020 all currently employed Tier One/Tier Two and OPSRP members earning \$2,500/month or more, have a portion of their 6 percent monthly IAP contributions redirected to an “Employee Pension Stability Account.” The Employee Pension Stability Account (EPSA) is used to pay for part of the member’s future pension benefit.

In accordance with PERS Board’s Annual Earnings Crediting rule (see OAR 459-007-0005), for earnings crediting purposes, Tier One/Tier Two member EPSA accounts will be credited with the same rate as Tier Two Regular Member accounts, which will result in a preliminary rate of 7.21%.

In accordance with PERS Board’s Annual Earnings Crediting rule (see OAR 459-007-0005), for earnings crediting purposes, OPSRP member EPSA accounts will be credited with the same rate as OPSRP Pension Member Accounts, which will result in a preliminary rate of 7.26%.

- 6. Employer Lump Sum Payment Accounts:** These accounts are credited with actual earnings or losses of the PERS Fund Regular Account less administrative expenses, as authorized by ORS 238.225. For 2020, the average preliminary crediting rate for these accounts is 6.98%.

**7. Health Insurance Accounts:** These accounts are created as part of the PERS Fund and directed by statute to be credited with actual earnings or losses, less the expense related to the administration of the programs (ORS 238.410(7); 238.415(4); 238.420(4)). For 2020, the preliminary crediting rate for these accounts are 7.47% for RHIA, 7.13% for RHIPA, and 0.90% for SRHIA (invested in the Treasury Short-Term Fund).

Oregon Public Employees Retirement System Health Insurance Accounts Final Rates	
Health Insurance Fund	2020
RHIA	7.47%
RHIPA	7.13%
SRHIA *	0.90%

\* Invested in the Treasury Short-Term Fund

**8. Variable Annuity Account:** This account is credited with earnings and losses on its distinct asset allocation of the PERS Fund. The Variable Annuity Account is only invested in equities and therefore its earnings are discrete from those of the more diversified PERS Fund Regular Account. For 2020, the preliminary Variable Annuity Account earnings is 11.71%.

**Administrative Expenses:** PERS administrative costs are funded by earnings when they are sufficient, as they were in 2020 (ORS 238.610(1)). As directed by House Bill 4155 (2014 Regular Session), the administrative costs to comply with Governmental Accounting Standards Board (GASB) 68 and 75 reporting standards were \$32,938 and will be recovered from earnings on employer’s contributions.

#### CONTINGENCY RESERVE ALLOCATION

ORS 238.670 (1) to limit the board’s crediting of funds to the Contingency Reserve; specifically, “...the board may not credit further amounts to the reserve account if the amounts in the reserve account exceed \$50 million.”

As the current balance of the Contingency Reserve is \$50 million, with \$2.5 million earmarked for resolving employer insolvencies. The staff recommends no additional allocation at this time.

#### BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “adopt the preliminary crediting of earnings as presented for calendar year 2020, subject to final adoption at the March 29, 2021 PERS Board meeting.”
2. Pass a motion preliminarily allocating 2020 earnings in an alternative proportion, subject to final adoption at the March 29, 2021 PERS Board meeting.

#### STAFF RECOMMENDATION

Staff recommends the board choose Option #1.

#### NEXT STEPS

Preliminary Earnings Crediting: Once the board makes its preliminary allocation, staff will prepare and present the required report to the Joint Legislative Committee on Ways and Means. Any comments



received from the committee will be presented to the PERS Board prior to the final crediting decision at its meeting on March 29, 2021.

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

C.4. Attachment 1 – *ORS 238.670 – Reserve Accounts in Fund*

C.4. Attachment 2 – *OAR 459-007-0005 – Annual Earnings Crediting Rule*

**238.670 Reserve accounts in fund.**

(1) At the close of each calendar year in which the earnings on the Public Employees Retirement Fund equal or exceed the assumed interest rate established by the Public Employees Retirement Board under ORS 238.255, the board shall set aside, out of interest and other income received through investment of the Public Employees Retirement Fund during that calendar year, such part of the income as the board may deem advisable, not exceeding seven and one-half percent of the combined total of such income, which moneys so segregated shall remain in the fund and constitute therein a reserve account. The board shall continue to credit the reserve account in the manner required by this subsection until the board determines that the reserve account is adequately funded for the purposes specified in this subsection, but the board may not credit further amounts to the reserve account if the amounts in the reserve account exceed \$50 million. Such reserve account shall be maintained and used by the board to prevent any deficit of moneys available for the payment of retirement allowances, due to interest fluctuations, changes in mortality rate or, except as provided in subsection (3) or (4) of this section, other contingency. In addition, the reserve account may be used by the board for the following purposes:

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

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

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

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

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

(5) At least 30 days before crediting any interest and other income received through investment of the Public Employees Retirement Fund to any reserve account in the fund, the board shall submit a preliminary proposal for crediting to the appropriate legislative review agency, as defined in ORS 291.371 (1), for its review and comment. [Formerly 237.281; 2001 c.945 §5; 2017 c.746 §11]

## OAR 459-007-0005

**Annual Earnings Crediting**

- (1) For purposes of this rule, “remaining earnings” means earnings available for distribution to a particular account or reserve after deduction of amounts required or authorized by law for other purposes.
- (2) Except as otherwise specified in this division, earnings on all accounts and reserves in the Fund shall be credited as of December 31 of each calendar year in the manner specified in this rule.
- (3) Health insurance accounts. All earnings attributable to the Standard Retiree Health Insurance Account (SRHIA), Retiree Health Insurance Premium Account (RHIPA) or Retirement Health Insurance Account (RHIA) shall be credited to the account from which they were derived, less administrative expenses incurred by each account, as provided in ORS 238.410, 238.415 and 238.420, respectively.
- (4) Employer lump sum payments. All earnings or losses attributable to the employer lump sum payment accounts established under ORS 238.229 shall be credited to the accounts from which they were derived.
- (5) Member variable accounts. Earnings on the Variable Annuity Account shall first be used to pay a pro rata share of administrative expenses in accordance with ORS 238.260(6). If the annual earnings from the Variable Annuity Account are insufficient to pay for the pro rata share of administrative expenses, those administrative expenses shall be paid from earnings on other accounts within the Public Employees Retirement Fund (PERF), if available. If earnings from those accounts within the PERF are insufficient to pay for the administrative expenses, those expenses shall be paid from employer accounts as required by ORS 238.610. All remaining earnings or losses attributable to the Variable Annuity Account shall be credited to the participants of that account, as provided under 238.260(6) and (7)(b).
- (6) Individual Account Program accounts. Earnings on the Individual Account Program accounts established under ORS 238A.350 shall first be used to pay a pro rata share of administrative expenses in accordance with ORS 238A.350(1). Losses on Individual Account Program target date funds shall be increased by a pro rata share of administrative expenses. After administrative expenses, each Individual Account Program account established under ORS 238A.350 shall be credited with the earnings or losses of the specific target date fund to which the account is allocated, except for account balances allocated to the retirement installments fund, which shall be credited with earnings or losses on a monthly basis.
- (7) Administrative expenses. Earnings attributable to Tier One regular accounts, the Tier One Rate Guarantee Reserve, Tier Two member regular accounts, judge member regular accounts, the OPSRP Pension Program reserve, Employee Pension Stability Accounts, employer contribution accounts, the Contingency Reserve, the Benefits-in-Force Reserve and the Capital Preservation Reserve shall first be used to pay the system’s remaining administrative expenses under ORS 238.610.
- (8) Contingency Reserve.
- (a) In any year in which total earnings on the Fund equal or exceed the assumed rate, an amount not exceeding seven and one-half percent of remaining earnings attributable to Tier One regular accounts, the Tier One Rate Guarantee Reserve, Tier Two regular accounts, judge member regular accounts, the OPSRP Pension Program reserve, Employee Pension Stability Accounts, the Benefits-in-Force Reserve, employer contribution accounts, the Capital Preservation Reserve and the Contingency Reserve shall be credited to the Contingency Reserve to the level at which the Board determines it is adequately funded for the purposes specified in ORS 238.670(1).
- (b) The portion of the Contingency Reserve allowed under ORS 238.670(1)(a) for use in preventing a deficit in the fund due to employer insolvency may only be credited using earnings attributable to employer contribution accounts.
- (9) Tier One Member Rate Guarantee Reserve. All remaining earnings attributable to Tier One regular accounts, the Tier One Member Rate Guarantee Reserve, judge member regular accounts, the Benefits-in-Force Reserve, and the Contingency Reserve may be credited to the Tier One Member Rate Guarantee Reserve established under ORS 238.255(1).

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

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

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

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

(14) Employee Pension Stability Account (EPSA). All remaining earnings or losses attributable to the EPSAs shall be credited to all active and inactive EPSAs under ORS 238A.353. For administrative expenses:

(a) EPSA accounts of Tier One and Tier Two members will be treated as Tier Two funds.

(b) EPSA accounts of OPSRP members will be treated as OPSRP Pension Program Reserve funds.

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

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

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

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

**Statutory/Other Authority:** ORS 238.650 & 238A.450

**Statutes/Other Implemented:** ORS 238 & 238A.350

**History:**

PERS 9-2020, amend filed 06/23/2020, effective 06/23/2020

PERS 9-2019, amend filed 12/06/2019, effective 12/06/2019

PERS 2-2018, amend filed 02/02/2018, effective 02/02/2018

PERS 7-2017, temporary amend filed 12/01/2017, effective 12/01/2017 through 05/29/2018

PERS 9-2012, f. & cert. ef. 5-24-12

PERS 4-2009, f. & cert. ef. 4-6-09

PERS 1-2006, f. & cert. ef. 2-1-06

PERS 18-2005(Temp), f. & cert. ef. 10-26-05 thru 4-19-06

PERS 8-2004, f. & cert. ef. 4-15-04

## Action and Discussion Items

1. Legislative Preview/Update
2. SB 1566 Reporting Requirements
3. SB 1049 Implementation Update
4. Preliminary 2020 Earnings Crediting and Reserving
5. Verbal Update Reflecting on Earnings Through December 31, 2020