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2017 year-end reconciliation phase closes December 31, 2017

There are two phases to year-end reconciliation. The first phase focuses on correcting and posting suspended records for calendar year 2017. The second phase is PERS' final push to get records posted before the official close of 2017 calendar year.

The first phase of 2017 year-end reconciliation will conclude December 31, 2017. We ask that employers make every effort to correct and post remaining suspended records and reports for calendar year 2017. The Year-to-Date Wage and Contribution Summary screen and the eligibility reports are good tools to answer questions about wages, hours, and contributions reported and posted in 2017. Contact your Employer Service Center Account Representative if you have questions about correcting remaining suspended records or reports for 2017.

The second phase of 2017 year-end reconciliation begins January 2, 2018. Although 2017 year-end reconciliation will close February 28, 2018, employers are encouraged to continue correcting and posting records for the 2017 calendar year through the first March 2018 statement date, which is March 5, 2018. Contributions invoiced through March 5, 2018, and paid when due, will be credited with earnings from the PERS trust for calendar year 2017. If contributions are not paid when due, earnings for 2017 will be invoiced to the employer.

Employer EDX training 2018 class schedule

The Employer EDX training class schedule for 2018 is now available online. EDX training presentations are offered online-only through iLinc, PERS' distance presentation platform. Internet-based training can be done from any site with an internet-capable workstation and phone (preferably with speakerphone capability).

Registration for EDX employer Basic Concepts and Advanced Topics presentations can be found at <http://www.oregon.gov/pers/EMP/Pages/Training-and-Presentation-Schedules.aspx> or through the PERS Employer web page: www.oregon.gov/pers/emp/pages/index.aspx and then clicking links in this order: "Training & Presentation Schedules" (found under the Resources heading) > "Employer Class Schedule, and Information, and Registration."

The EDX Basic Concepts class is recommended for those new to PERS reporting duties. This course will review:

- PERS reporting roles,
- Regular and Demographics and Adjustment reports and their functions, and
- DTL1 Member Demographics and DTL2 Wage and Services records, which will be reviewed in depth, field-by-field, and followed by hands-on lab session.

The EDX Advanced Topics class will cover a variety of reporting topics, including:

- reporting leave without pay (LWOP),
- determination and reporting of USERRA-qualified military service,
- completion of Salary Breakdown (SBD) forms,
- changing member account contribution methods,

Reminder: Please do not use full Social Security numbers in emails to PERS

The PERS email system is not considered secure for the use of full Social Security numbers. If you need to reference a member in an email to PERS, please use the individual's PERS ID or the last four digits of the individual's Social Security number.

- determination of “employee” status, and
- Police and Fire Unit program participation.

The presentation also includes a review of PERS membership eligibility rules and a review of reporting retirees returning to work part-time as retirees.

For specific training needs or suggestions, please contact pers-employer.info.services@pers.state.or.us.

Advisory employer contribution rates

Advisory rates are provided for employer planning purposes and prepared by the actuary in the fall of odd-numbered years. Actual employer contribution rates are adopted by the PERS Board in the fall of even-numbered years.

Individual employer reports, reflecting the December 31, 2016 system valuation, will be distributed by email between December 4 and December 15 and posted to the Employer website and available to interested parties once the initial distribution is complete.

Actual 2019-21 employer rates will be based on the December 31, 2017 system valuation and could differ substantially from the advisory employer rates that reflect the December 31, 2016 system valuation. Employers may choose to use advisory rates for planning purposes only, but please keep in mind that the recently published advisory rates are not your actual 2019-21 rates.

Advisory Employer Contribution Rates can be found on the PERS Employer website:

<http://www.oregon.gov/pers/EMP/Documents/Contribution-Rates/Employer-Advisory-Contribution-Rates-2019-2021.pdf>

Please contact Actuarial.Services@PERS.state.or.us for additional information. Please do not contact the PERS actuary directly without prior authorization from PERS.

New lump-sum payment/side account options for employers

On December 1 the PERS Board adopted updates to administrative rules that allow employers to deposit funds to lower their contribution rates. The updated rules provide employers with increased flexibility and lower costs.

Currently, any employer can make a lump-sum payment to PERS to reduce its future contribution rates. In most cases these payments are placed into a side account, where they are credited with actual investment earnings or losses each year and are used to reduce the contributions for which the employer is invoiced each reporting period.

Under the existing option, which will continue, an employer can establish a new side account after a calculation by the PERS actuary, Milliman, of the minimum and maximum payment amounts and the rate relief that would result from a lump-sum payment in either of those amounts. The employer pays the full cost of that calculation directly to Milliman after approval by PERS. The fee depends on the number of variables the employer requests, but starts at \$1,000. The minimum lump-sum payment amount to establish a new side account is \$250,000 or 25 percent of the employer’s unfunded actuarial liability (UAL), whichever is less. PERS staff will estimate the minimum payment amount on request.

Each side account is charged an annual administrative fee of \$1,500 for the first year and \$500 per year thereafter. Administrative fees are deducted from the side account balance each year and are not invoiced to the employer.

Side accounts provide varying amounts of ongoing rate relief, depending on investment performance and changes in the employer’s payroll. The rate relief is set at the level that will reduce the account balance to zero over a period of 20 years from the account’s creation, using a mix of actual experience and standardized assumptions.

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The above option requires a minimum of 45 days' notice to PERS, allowing time for the employer to submit payment to the actuary and for the actuary to perform the calculation. The rate relief from the new side account will begin on the first of the month following receipt of the lump-sum payment or on a future date designated by the employer.

In addition to the existing option, the new rules allow any employer to create a new side account without an actuarial calculation. The minimum payment amount is the same as above but will be calculated by PERS staff at no charge to the employer. PERS staff will not estimate the rate relief from any specific payment amount. The annual administrative fees are the same as above.

A side account established without an actuarial calculation will not begin to provide rate relief to the employer until July 1 of the year following publication of the actuarial valuation for the year in which the account is established. For example, a new side account established under this option in 2018 will be included in the 2018 valuation, which will be published in the fall of 2019, and the rate relief from the new side account will begin on July 1, 2020. The side account will be credited with actual investment earnings or losses and charged administrative fees for the period before rate relief begins.

The advantages of this option are that it allows the employer to skip the cost of an actuarial calculation and to earn interest on the new side account for 18-30 months before the account starts amortizing if investment returns are positive. The disadvantages are that the employer won't know what rate relief the side account will provide until the valuation for the deposit year is published and won't have any control over the date on which the rate relief begins.

Under this option, an employer must establish the new side account by December 31, 2017, for it to be included in the 2017 valuation and reduce the employer's rates as of July 1, 2019. This option requires at least 30 days' notice to PERS before the payment can be made.

Another new option under the revised rules allows an employer to deposit additional funds into an existing side account. This option doesn't require an actuarial calculation (although one may be requested and paid for by the employer if the employer wants an estimate of the rate relief the additional deposit will provide), and there is no minimum payment required. There is a limit of two deposits per side account per calendar year.

Additional deposits into a side account won't change the amortization period on that side account and won't be tracked separately from the rest of the side account by either PERS or its actuary, so employers that need to know how those specific funds are amortizing will not be able to use this option.

The rate relief from the additional deposit will be calculated in the valuation for the year in which the deposit is made and will be effective July 1 of the year following publication of that valuation (the same timing as the option directly above).

The advantages of this option are that there's no minimum payment, no requirement for an actuarial calculation, and the employer will earn interest on the additional deposit for 18-30 months before it starts being amortized if investment returns are positive. The disadvantages are that the funds will not be trackable separately from the remainder of the side account, there will be a delay before the additional funds begin to provide rate relief, and the rate relief won't be known until the valuation for the deposit year is published.

Under this option, an employer must make the additional deposit by December 31, 2017, for it to be included in the 2017 valuation and reduce the employer's rates as of July 1, 2019. This option requires at least five days' notice to PERS before the payment is made if the employer doesn't want an actuarial calculation of the rate impact of the additional deposit. An actuarial calculation requires a minimum of 45 days' notice.

The administrative rules that govern side accounts and lump-sum payments with and without an actuarial calculation are OAR 459-009-0084, 0085, and 0086. These rules are posted to the PERS website at <http://www.oregon.gov/PERS/Pages/Admin-Rules/PERS-Administrative-Rulemaking.aspx>.

Please contact Actuarial.Services@PERS.state.or.us for additional information. Please do not contact the PERS actuary directly without prior authorization from PERS.