



**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**BOARD MEETING AGENDA**

Friday June 4, 2021 9:00 A.M.		PERS 11410 SW 68 <sup>th</sup> Parkway Tigard, OR
ITEM		PRESENTER
<b>A. Administration</b>		
1.	<a href="#">March 29, 2021 Board Meeting Minutes</a>	SHENOY
2.	<a href="#">Board Governance Assignments</a>	
3.	<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>	
4.	<a href="#">Annual Report of Board Member Training Activities</a>	OLINECK
5.	<a href="#">Board Scorecard Report on Agency Performance Measures</a>	RICKARD
<b>B. Administrative Rulemaking</b>		
1.	<a href="#">Notice of Optional/Alternative Retirement Plans</a>	VAUGHN
2.	<a href="#">Notice of Divorce Rules</a>	
<b>C. Action and Discussion Items</b>		
1.	<a href="#">Legislative Update</a>	CASE
2.	<a href="#">SB 1049 Implementation Update</a>	ELLEDGE-RHODES
3.	<a href="#">PERS Health Insurance Plan Annual Update</a>	CHAVEZ
4.	<a href="#">2022 Retiree Health Insurance Plan Renewals and Rates</a>	CHAVEZ
5.	<a href="#">Overview of Actuarial Methods &amp; Economic Assumptions</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: July 23\*, October 1, December 3\***  
**2022 Meetings: January 31, March 28\*, May 27, July 22\*, September 30, December 2\***  
 \*Audit Committee planned for post-Board meeting

## Administration

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# OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING MINUTES

March 29, 2021

## **Board members present:**

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

## **Staff present:**

Amanda Marble, Anne Marie Vu, Chris Geier, Colin Campi, Daniel Rivas, Elizabeth Rossman, Heather Case, Jake Winship, Janice Richards, Jason Stanley, Jeff Cunningham, Jonathan Yost, Jordan Masanga, Katie Brogan, Katie Davis, Kevin Olineck, MaryMichelle Sosne, Matt Graves, Megan Ujakovich, Melanie Chandler, Michiru Farney, Neil Jones, Phuongnam Tran, Richard Horsford, Roger Smith, Susie Bodman, Sam Paris, Shawn Dempewolf, Stephanie Vaughn, Tammy Nguyen, and Yvette Elledge-Rhodes attended virtually.

## **Others present:**

Matt Larrabee, Scott Preppernau, Rex Kim, Ann Adams, Aruna Masih, Cari Pickett, Carol Samuels, Claire Illo, Courtney Waters, Curtis Sanders, David Randall, Deborah Tremblay, Eugene Bentley, Gay Lynn Bath, Glenda Villamar, Hillary Egna, Janet Chenard, Jeff Gudman, Jim Stultz, Joan Bolls, John Scanlan, Kathy Martin-Willis, Katie Kicza, Kenny Bao, Kristi Jenkins, Michelle Morrison, Nancy Brewer, Nate Carter, R. Wray, Robert Burket, Roman Olivera, Shelly Egli, Stephanie Tung, Stephen Baron, Tahni Fagerberg, Tan Cao, Trudy Vidal, and Wil Hiles attended virtually.

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

## **ADMINISTRATION**

### **A.1. MEETING MINUTES OF FEBRUARY 1, 2021**

Board Member Buckley suggested that the year referenced in item C.5., on page four, be updated from 2010 to 2020 in two instances. Vice Chair Furnstahl moved to approve the minutes from the February 1, 2021 PERS Board meeting with the suggested changes. Board Member Buckley seconded the approval of the minutes. The motion passed unanimously.

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

Director Olineck noted that senate confirmation hearings were postponed until the week of April 5, 2021. Consequently, the board will review and update the board governance assignments at the June 4, 2021 meeting. Olineck and Chair Shenoy acknowledged Board Member Demarest's contributions as a board member since September 2017, including his work on the PHIP advisory committee.

### **A.3. DIRECTOR'S REPORT**

Director Kevin Olineck presented the Director's Report. The Director's Report contains information on other activities that the organization is working on that do not appear on the agenda.

Olineck presented the forward looking calendar. The proposed dates for the 2022 meetings are included on the calendar with a scheduled start time of 9:00 a.m. The joint meeting with the PERS

Board and the Oregon Investment Council will be held June 2, 2021. Audit Committee dates are also listed.

The Oregon Public Employees Retirement Fund (OPERF) returns, for the period ending February 28, 2021 were 2.43%.

Operating expenditures for January, preliminary expenditures for February, and preliminary expenditures for March are \$4,081,007, \$3,929,082, and \$4,973,416 respectively. Final expenditures for March will close in the Statewide Financial Management System (SFMS) on April 16 and will be included in the June 2021 report to the board.

For this biennium, the agency has expended a total of \$87,087,681, or 74.8% of PERS' legislatively approved operations budget of \$116,441,606. At this time, the agency's projected variance is \$6,690,978.

#### A.4. OREGON INVESTMENT COUNCIL PERFORMANCE REVIEW

Rex Kim, Oregon State Treasury Chief Investment Officer, presented the Oregon Investment Council (OIC) Investment Report of the Oregon Public Employees Retirement Fund (OPERF) for the period ending December 31, 2020. He reviewed the OPERF 20-year net asset value history, current asset allocation, staffing, fees, cost savings, and the IAP target date funds investment performance summary.

#### A.5. OREGON INVESTMENT COUNCIL PERFORMANCE REVIEW

Roger Smith, Deferred Compensation Program Manager presented the Oregon Savings Growth Plan (OSGP) Annual Report. The presentation reflected information for the 2020 calendar year and included information regarding governance, administrative support, and plan and participant demographics. The report also summarized assets, cash flow and investment composition as well as investment performance, options, and fees.

### ADMINISTRATIVE RULEMAKING

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

#### B.1. ADOPTION OF SALARY AND CONTRIBUTION LIMITS

Vaughn presented Adoption 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), and OAR 459-080-0500, Limitation on Contributions.

No rulemaking hearing was held because the PERS building is closed to the public. The public comment period ended March 1, 2021, at 5:00 p.m. No public comments were received.

Board Member Demarest moved to adopt the Salary and Contribution Limits rules, as presented. Vice Chair Furnstahl seconded. The motion passed unanimously.

## ACTION AND DISCUSSION ITEMS

### C.1. LEGISLATIVE PREVIEW/UPDATE

Heather Case, Senior Policy Advisor, presented.

Case provided an update on the 2021 legislative session and the bills impacting the agency. She outlined the status of the 3 PERS' agency bills, SB 111, 112, and 113. PERS budget presentations were held in February and March. Statutory reporting requirements for the 2021 session will be fulfilled after the March 29, 2021 PERS Board meeting. An update will be provided at the June 4, 2021 PERS Board meeting.

No board action was required.

### C.2. SB 1049 IMPLEMENTATION UPDATE

Yvette Elledge-Rhodes, Deputy Director, presented.

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

The SB 1049 program is in red status due to the Member Redirect project going beyond the end of the biennium. Three of the individual projects are in green status, one is in yellow and one is in red.

No board action was required.

### C.3. FINAL 2020 EARNINGS CREDITING AND RESERVING

Richard Horsford, Chief Financial Officer, and Amanda Marble, Financial Reporting Manager, presented final earnings crediting for 2020.

The final crediting rates as presented include:

Tier One member regular accounts:	7.20%
Tier Two member regular accounts:	7.18%
OPSRP Pension:	7.24%

Board Member Buckley motioned to adopt the final crediting of earnings as presented for calendar year 2020. Board Member Jaramillo seconded. The motion passed unanimously.

### C.4. PREPARATORY DISCUSSION FOR UPCOMING EXPERIENCE STUDY

Scott Preppernau and Matt Larrabee of Milliman presented economic assumptions and rate-setting methods. The presentation reviewed the non-investment and economic assumptions as well as the long-term investment return assumptions, which will be considered in preparation for the July 2021 presentation. At the July 2021 presentation, demographic assumptions will be discussed before asking for adoption of the assumptions and methods for the current and next year's advisory valuation. They will come back with those results in October 2021. No board action was required.

Chair Shenoy adjourned the PERS Board meeting at 11:39 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Kevin Olineck", written in a cursive style.

Kevin Olineck, Director

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**PERS Board Governance Assignments**

**Proposed for 2021**

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



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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 is finishing on implementing elements from three of the five projects associated with SB 1049. More detailed SB 1049 implementation reports on the overall program and projects will be provided in the board packet.

One item to highlight is how the project management office (PMO) has advanced the PERS project methodology and introduced program management through the work on Senate Bill 1049. The project team worked closely with Deloitte consultants, at the recommendation of our Enterprise Information Services (EIS) oversight analyst, to review and improve many aspects of our project and program management. This included a more structured and predictable schedule format, schedule, and resource governance, as well as the addition of work efforts and estimations in the schedules.

Through a recommendation from Deloitte, our project managers attended training for Microsoft Project 2016 Orange Belt Certifications. This training gives project managers exposure and hands-on experience using the more advanced features available in Microsoft Project schedules.

One of the main benefits realized is that we are now utilizing an effort-based scheduling methodology. While this process is initially more time consuming, it allows a greater view into resource utilization, resource management, and schedule feasibility.

PERS currently has six project managers who are either in the process of completing, or who have completed, the Microsoft Project 2016 Orange Belt training. Four have completed the testing process and are now certified.

These are important first steps in creating a foundation for a more mature Enterprise Portfolio Management Office as our Project Management Office continues the path to maturity. Also, by learning and using this more comprehensive methodology, we will be able to benefit from increased transparency to agency enterprise leadership.

**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.

It appears that, if vaccination trends continue, the vast majority of eligible Oregonians will be vaccinated over the next few months, thereby allowing for a review and eventual loosening of current restrictions. This means that PERS, as well as other state agencies, are beginning to plan for reopening our agencies to the public, probably in early fall. We are working with Department of Administrative Services (DAS) to understand and incorporate state-level guidance while ensuring that PERS-specific business needs are reflected in our plan.

# Highlights

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

## Agency initiatives and accomplishments

**Semi-annual staff meeting** Based on the success of our virtual staff meeting on December 17, the Executive Leadership Team decided to hold semi-annual staff meetings, the first of which occurred virtually on May 13. Topics included updates from the Director and Deputy Director on initiatives the agency is involved in, as well as an Executive Team Question and Answer Session. One of the highlights was having Board Member Jaramillo attend these sessions and provide welcoming remarks and comments on behalf of the PERS Board; this interaction was appreciated by all in attendance.

**Public Service Recognition Week** The state chose “Resiliency” as this year’s Public Service Recognition Week (May 2-8) theme to showcase state employees



Oregon's Public Service Ambassador logo.

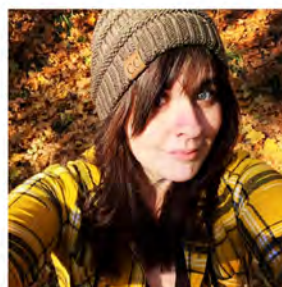
who have persevered in the face of adversity. They coordinated a virtual event to recognize state employees who are ambassadors of public service and have demonstrated resiliency over the past year.

PERS asked staff members to nominate employees they think exemplify these traits, and sixteen staff were nominated. The PERS' Employee Recognition Work Group reviewed the nominations and selected three staff members—Debbie Foote, Brooke Holtzheimer, and Laralyn Spencer—for submission. The state subsequently notified honorees the last week of April about their recognition and award. The PERS nominees and honorees were also recognized during the agency's May 13 staff meeting, noted above.

## Ambassadors of Public Service 2021



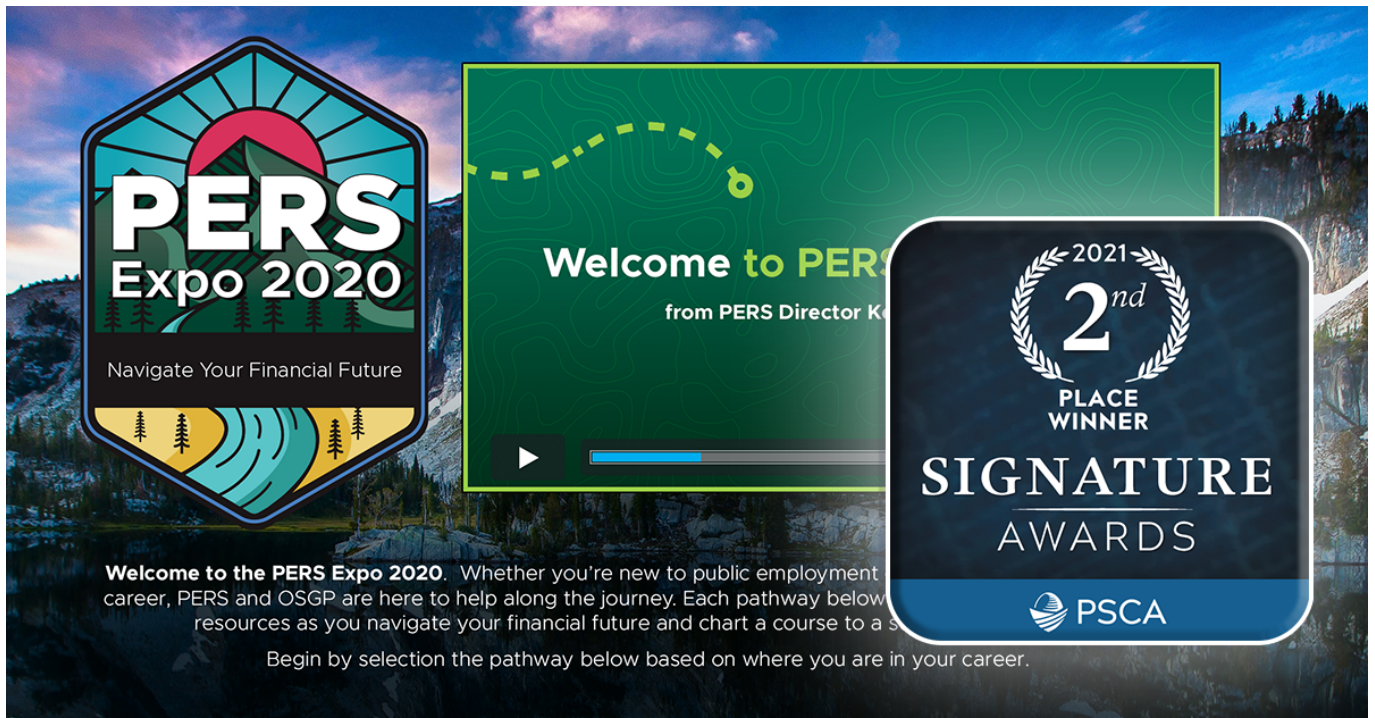
Brooke Holtzheimer



Laralyn Spencer



Debbie Foote



PERS placed second in the Financial Wellness Category for the 2021 Signature Awards, based largely on the digital PERS Expo 2020.

**Affirmative Action Plan** In April, PERS published our 2021-2023 Biennium Affirmative Action Plan (AAP). The opening statement of the plan summarizes the agency’s holistic view of why this action is important:

*PERS recognizes the importance of fostering fairness, inclusion, and maintaining a workplace culture where everyone is treated with respect and dignity regardless of race, color, national origin, religion, sex, sexual orientation, gender identity, marital status, age, veteran status, disability, or status as a victim of domestic violence, harassment, sexual assault, or stalking.*

The AAP lays out strategies and goals the agency wants to achieve on this front over the upcoming biennia.

Guided by Louise Plata, our Human Resources (HR) manager, HR staff were responsible for crafting the AAP, aided by the PERS Community Committee, a group of staff who have volunteered to improve PERS’ working culture, including Diversity, Equity, and Inclusion-related work. To this end, this group will also assist in crafting the agency’s Diversity, Equity and Inclusion Action Plan

later this year.

**OSGP Signature Award nominee** Based on Oregon Savings Growth Plan’s (OSGP) communications efforts, PERS was awarded second place in the Financial Wellness Category for the [2021 Signature Awards](#).

Plan Sponsor Council of America’s (PSCA) annual Signature Awards are given as part of a competition designed to honor excellence in plan communication and investment education. PSCA encourages the sharing of communication ideas and rewards excellence in the above areas. The competition also provides plan sponsors with outside, objective recognition of the efforts of their company and their staff.

OSGP will be featured in the summer issue of *Defined Contribution Insights* magazine as part of recognizing the nominees and winners.

**Production Data Center migration** PERS is preparing to migrate our data center from the server room at headquarters in Tigard, to a colocation site at the State



*The PERS infrastructure team, hard at work scoping out the location for the new servers.*

Data Center (SDC) in Salem, just down the road from the Capitol building.

Colocations are a third-party, physical facility that house privately-owned servers and networking equipment. These facilities are built in such a way as to have greater protection from power outages, provide low-latency networking options, and offer high levels of security in addition to environmental monitoring and cooling. “Racking” the PERS servers and other equipment at the SDC will have the added benefit of reducing operating expenses and reclaiming office space at HQ.

As part of the data center migration project, the agency is also purchasing new equipment to ensure critical applications are being maintained on upgraded and supported hardware. Between the newer equipment, increased connectivity, and better reliability and resiliency, the move to the SDC will give PERS access to a wider range of connectivity and modernization options.

**DAS Chief Financial Office’s Accounts Receivable Honor Roll** For the second straight year, PERS was

awarded the Chief Financial Office’s Accounts Receivable Honor Roll Certificate for submission of timely and accurate accounts receivable (A/R) reports. Achievement of this recognition is due primarily to the agency’s diligent efforts to track and report A/R activities.

Our agency played an important part in meeting statewide efforts to improve accounts receivable management. Our efforts in A/R reporting are critical to the Legislative Fiscal Office publication of the Report on Liquidated and Delinquent Accounts Receivable and to the Chief Financial Office Accounts Receivable Management Report, and the Statewide Write-off, Abated and Canceled Certification Report, which are all submitted to the Legislative Assembly each year.

**Statewide Accounting and Reporting Services**

**(SARS) Star for Financial Reporting** PERS Financial Services Division staff, who are responsible for our Comprehensive Annual Financial Report, received the Department of Administrative Services Chief Financial Office Gold Star Certificate for fiscal year 2020. The Certificate is awarded to state agencies that assist the State in submitting timely and accurate fiscal year-end reports. Achievement of this recognition is due primarily to staffs’ efforts to maintain accurate and complete accounting records throughout the year.



*PERS Financial Services Division staff received the Department of Administrative Services Chief Financial Office Gold Star Certificate for fiscal year 2020.*

# PERS Board Meeting Forward-Looking Calendar

## 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

## 2022 Meeting Dates

9:00 a.m. Start Times

- Monday, January 31, 2022
- Monday, March 28, 2022\*
- Friday, May 27, 2022
- Friday, July 22, 2022\*
- Friday, September 30, 2022
- Friday, December 2, 2022\*

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

Returns for periods ending APR-2021

Oregon Public Employees Retirement Fund

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy <sup>1</sup>	Target <sup>1</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%	\$ 26,579,310	30.4%	11.92	49.10	17.24	12.22	12.94	13.65	9.91	9.41
Private Equity	13.5-21.5%	17.5%	\$ 21,581,285	24.7%	14.66	28.27	19.49	17.50	17.91	16.03	13.70	13.83
<b>Total Equity</b>	<b>45.0-55.0%</b>	<b>50.0%</b>	<b>\$ 48,160,595</b>	<b>55.1%</b>								
Opportunity Portfolio	0-5%	0%	\$ 1,972,763	2.3%	9.36	27.23	12.31	9.73	9.19	9.24	7.74	8.41
<b>Total Fixed</b>	<b>15-25%</b>	<b>20.0%</b>	<b>\$ 17,515,031</b>	<b>20.1%</b>	<b>(2.20)</b>	<b>2.08</b>	<b>5.30</b>	<b>5.20</b>	<b>3.97</b>	<b>3.70</b>	<b>3.27</b>	<b>3.89</b>
Risk Parity	0.0-2.5%	2.5%	\$ 2,024,477	2.3%	1.16	18.82						
Real Estate	9.5-15.5%	12.5%	\$ 9,182,689	10.5%	2.22	2.84	5.14	6.03	6.33	6.77	8.15	9.25
Alternative Investments	7.5-17.5%	15.0%	\$ 8,413,172	9.6%	6.17	4.57	(0.82)	(2.00)	0.33	1.92	1.30	
Cash w/Overlay	0-3%	0%	\$ 67,815	0.1%	0.09	1.05	1.81	2.18	1.96	1.80	1.47	1.25
<b>TOTAL OPERF Regular Account</b>		<b>100.0%</b>	<b>\$ 87,336,542</b>	<b>100.0%</b>	7.76	22.18	11.44	9.45	9.83	9.92	8.21	8.49
<b>OPERF Policy Benchmark</b>					7.00	24.48	14.16	10.94	11.15	11.11	9.18	9.32
Value Added					0.76	(2.31)	(2.72)	(1.49)	(1.31)	(1.19)	(0.97)	(0.83)

Target Date Funds

3,158,556

TOTAL OPERF Variable Account

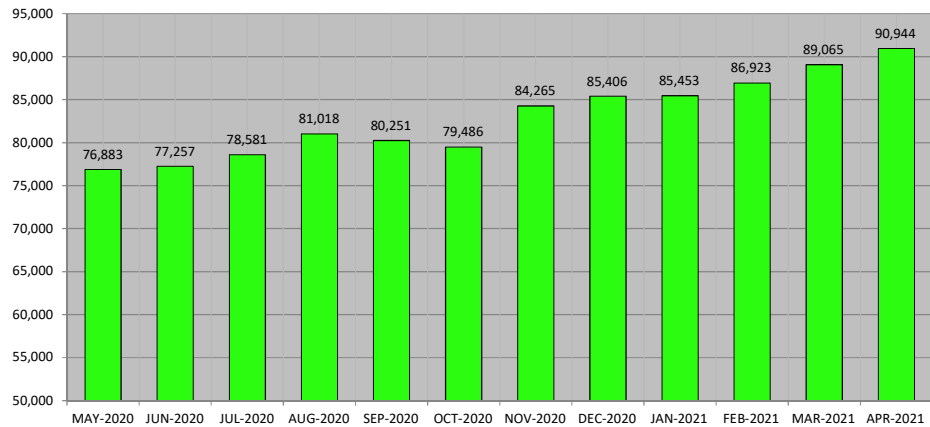
\$ 448,591

9.86	48.56	18.22	13.50	13.80	14.21	10.30	9.57
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Asset Class Benchmarks:

Russell 3000	11.83	50.92	22.21	18.95	17.44	17.67	14.24	14.03
OREGON MSCI ACWI EX US IMI NET	7.06	44.94	13.08	7.08	9.31	9.95	5.75	4.94
MSCI ACWI IMI NET	9.70	48.11	17.86	13.15	13.43	13.82	9.92	9.18
RUSSELL 3000+300 BPS QTR LAG	18.17	37.34	28.06	18.79	20.25	19.40	16.49	17.44
OREGON CUSTOM FI BENCHMARK	(2.14)	0.95	4.97	4.99	3.76	3.34	2.96	3.45
OREGON CUSTOM REAL ESTATE BENCHMARK	1.73	0.72	2.46	3.98	4.82	5.40	7.40	8.74
CPI +4%	3.87	8.31	6.31	6.23	6.31	6.30	5.78	5.80
91 Day Treasury Bill	0.03	0.11	1.09	1.45	1.38	1.18	0.87	0.63

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



# 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  
888-320-7377  
TTY (503) 603-7766  
[www.oregon.gov/pers](http://www.oregon.gov/pers)

June 4, 2021

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

### 2019-21 OPERATING BUDGET

Operating expenditures for March, preliminary expenditures for April, and preliminary expenditures for May are \$4,456,610, \$5,255,659 and \$6,914,477 respectively. Final expenditures for May will close in the Statewide Financial Management System (SFMS) on June 18 and will be included in the July 2021 report to the board.

- Through May 14, 2021, the agency has expended a total of \$97,304,258 or 84.0% of PERS' legislatively approved operations budget of \$116,441,606.
- At this time, the agency's projected variance is \$7,070,979.
- SB 1049 expenditures for March, preliminary expenditures for April, and preliminary expenditures for May are \$987,784, \$1,308,293, and \$1,253,170 respectively. As of May 14, the agency has expended \$22,156,543 of the legislatively approved budget of \$29,033,897.
- At this time the SB 1049 projected variance is \$3,098,097.

### 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 May 14, 2021 are \$10,745,009,632.

A.3.c. Attachment – 2019-21, SB1049 Agency-wide Budget Execution Summary Analysis



# PERS Monthly Budget Report

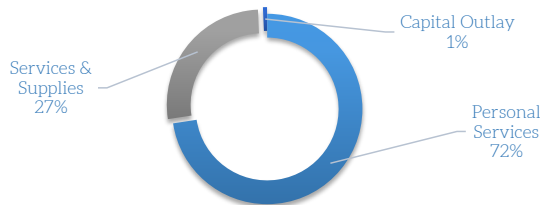
2019-21 Agency-wide Budget Execution  
Preliminary Summary for the Month of May 2021

## Limited - Operating Budget

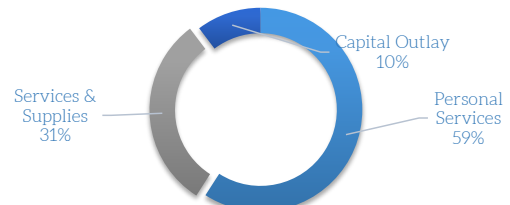
### 2019-21 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2019-21 LAB	Variance
Personal Services	70,625,498	7,129,839	77,755,337	81,510,947	3,755,610
Services & Supplies	26,006,482	3,695,287	29,701,769	32,757,328	3,055,559
Capital Outlay	672,278	1,241,243	1,913,521	2,173,331	259,810
<b>Total</b>	<b>97,304,258</b>	<b>12,066,369</b>	<b>109,370,627</b>	<b>116,441,606</b>	<b>7,070,979</b>

### Actual Expenditures



### Projected Expenditures



### Monthly Summary

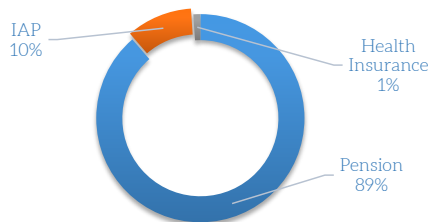
Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	3,407,031	3,530,602	123,572	3,210,250	3,465,769
Services & Supplies	2,637,458	2,691,284	53,826	1,182,113	1,464,410
Capital Outlay	869,988	887,743	17,755	30,558	165,598
<b>Total</b>	<b>6,914,477</b>	<b>7,109,630</b>	<b>195,153</b>	<b>4,422,921</b>	<b>5,095,778</b>

## Non-Limited Budget

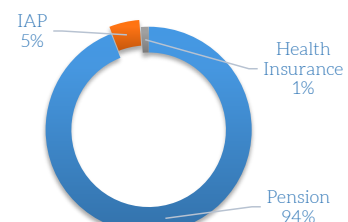
### 2019-21 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	9,527,810,541	857,103,135	10,384,913,675	10,347,780,673	(37,133,002)
IAP	1,100,623,078	43,233,023	1,143,856,102	1,423,365,167	279,509,065
Health Insurance	116,576,013	10,997,541	127,573,555	733,481,352	605,907,797
<b>Total</b>	<b>10,745,009,632</b>	<b>911,333,699</b>	<b>11,656,343,331</b>	<b>12,504,627,192</b>	<b>848,283,861</b>

### Actual Expenditures



### Projected Expenditures



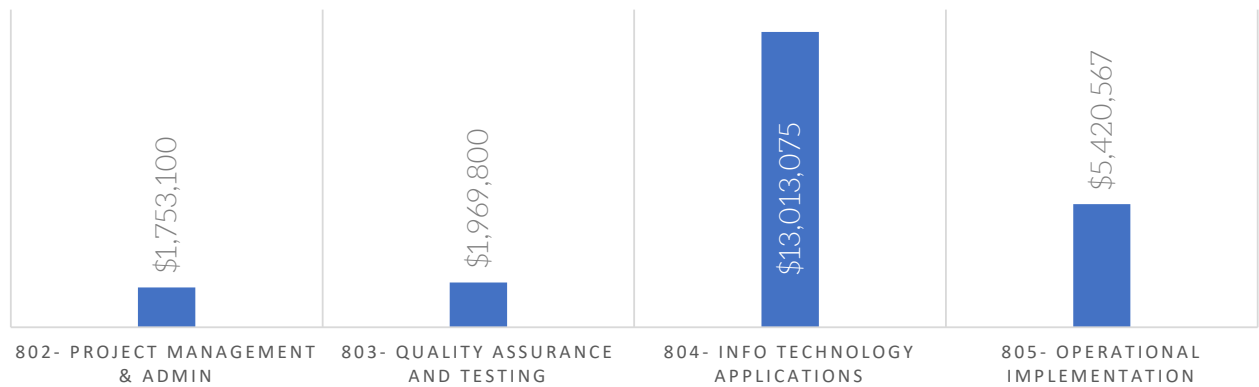
# SB 1049 Budget Report

## Preliminary Summary Budget Analysis for the Month of May 2021

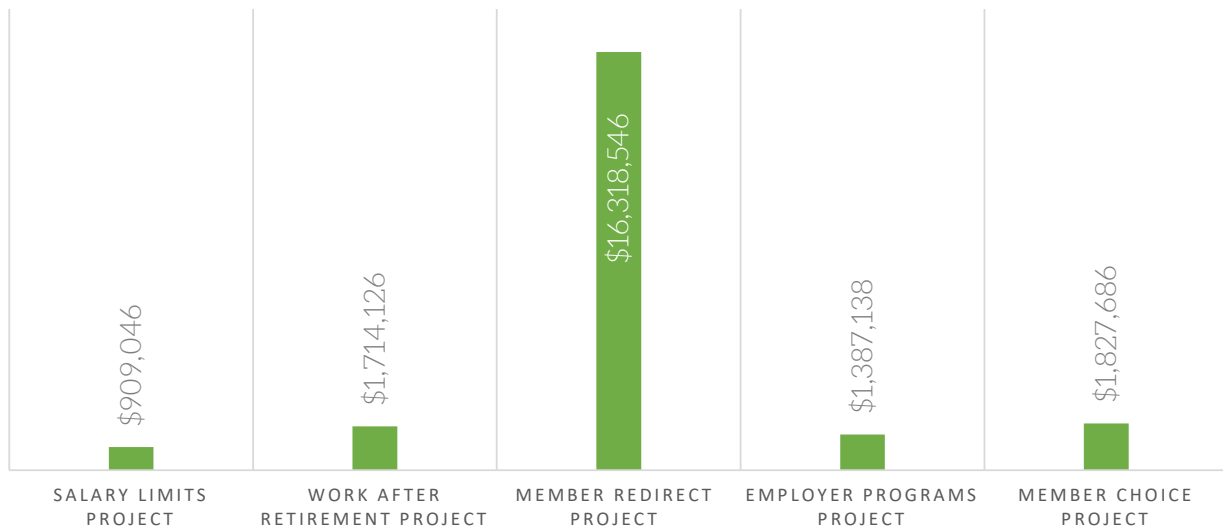
### Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2019-21 LAB	Variance
Personal Services	3,685,516	808,238	4,493,754	6,120,680	1,626,926
Services & Supplies	18,074,058	2,971,019	21,045,077	22,913,217	1,868,140
Capital Outlay	396,969		396,969		(396,969)
<b>Total</b>	<b>22,156,543</b>	<b>3,779,257</b>	<b>25,935,800</b>	<b>29,033,897</b>	<b>3,098,097</b>

### EXPENDITURES BY PACKAGE



### EXPENDITURES BY PROJECT



## Administration

1. March 29, 2021 Board Meeting Minutes
2. Board Governance Assignments
3. Director's Report
  - a. Forward-Looking Calendar
  - b. OPERF Investment Report
  - c. Budget Execution Report
4. Annual Report of Board Member Training Activities
5. Board Scorecard Report on Agency Performance Measures



# 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  
888-320-7377  
TTY (503) 603-7766  
[www.oregon.gov/pers](http://www.oregon.gov/pers)

June 4, 2021

TO: Members of the Board  
FROM: Kevin Olineck, Director

SUBJECT: Annual Report of Board Member Training Activities

Action: Acknowledge Receipt of Report

### BACKGROUND

At the May 2020 Board Meeting, the board adopted the Board Education Policy (Attachment 1). The Policy proposes that each board member be subject to a \$5,000 per annum education limit.

The Policy states the Director will prepare a yearly report on the training activities of the PERS Board members. The report will include the seminar/conference name, sponsor, location, dates, and cost of the training. In the course of this past year, there were no board members who engaged in training activities that were subject to the \$5,000 per annum education limit, due in large part to COVID-19 travel restrictions and cancellation of educational opportunities.

In November, 2020, PERS subscribed to an online board education tool, BoardSmart. This is an evolving platform and the number of talks associated with each of these topic areas will increase over the next 18 months. BoardSmart staff are willing to provide orientation sessions on how best to utilize the educational tools within their software (See Attachment 2 - Overview).

Additionally, the platform will house a repository of board-related documents that can be accessed by the different peer users. For instance, PERS will be posting our Funding Policy, Audit Committee Terms of Reference, etc. onto the platform and will be able to see what other peer organizations have with respect to similar documentation. This will allow staff to do real time best practice reviews as we develop a Board Communications Policy and Governance Manual template this calendar year.

Staff recommends that BoardSmart be the primary educational facility used by PERS Board Members to maximize the subscription and build out peer information.

A.4. Attachment 1 – *Board Education Policy*

A.4 Attachment 2 – *BoardSmart Overview*



## PERS Board Education Policy

As fiduciaries, PERS Board Members are expected to be capable of performing their duties and responsibilities. To that end, each board member should avail themselves of sufficient education to discharge the obligations of the position.

The PERS Board has established this Board Education Policy, which is applicable to all board members.

### A. Board Orientation Manual

As soon as is practicable, the board member should be provided with an up-to-date version of the Board Orientation Manual and meet with the Director to review its contents. Contents of the Orientation Manual should include:

- Objective, Overview, PERS Programs
- Overview of the PERS Board's Role
  - PERS Board Member Information
  - Appointment of Director and Consultants
- PERS System Overview
  - Statutory Authority & Requirements
  - PERS Stakeholders
  - Legislative Process
  - Actuarial Information
  - Oregon Investment Council (OIC)
- PERS Agency Overview
  - Mission Statement
  - PERS Executive & Organizational Structure
  - PERS Strategic Plan
    - PERS Outcome-Based Management System (POBMS)
  - Financial Information
    - Budget Information
    - Comprehensive Annual Financial Report (CAFR)
  - Other PERS Programs
    - Oregon Savings Growth Plan (OSGP)
    - PERS Health Insurance Plan (PHIP)

## **B. Education Policy**

Board members will evaluate their own educational needs to obtain knowledge in specific subject matters. Board members are encouraged to attend educational sessions related to:

- Pension Benefit Design
- Fiduciary Responsibilities
- Actuarial Issues & Trends
- Investment Issues & Trends
- Other subjects related to the administration, management and operation of PERS

The Director will periodically provide the board with information on available conferences and seminars. Examples of conferences and seminars that would be seen to be applicable include the following:

- Conference and Programs (including Trustee certifications) sponsored by the International Foundation of Employee Benefit Plans (IFEBC)
- Conferences and Programs (including Trustee certifications) sponsored by the National Conference of Public Employees Retirement Systems (NCPERS)
- Conferences sponsored by the National Association of State Retirement Administrators (NASRA);
- Conferences sponsored by Pension and Investments
- Conferences sponsored by the National Institute on Retirement Security
- Conferences sponsored by Callan

Each board member will be provided a yearly educational budget of \$5,000. This is intended to cover not only the registration for educational activities, but also travel-related expenses.

Payment and reimbursement of travel-related expenses for training will be in accordance with the State of Oregon's Statewide Travel Policy:

(<https://www.oregon.gov/das/Financial/Acctng/Documents/40.10.00.pdf> )

The Director will prepare a yearly report on the training activities of the PERS Board members. The report will include the seminar/conference name, sponsor, location, dates, and cost of the training.

## **C. State-Mandated Education**

On a yearly basis, each board member must also complete the following state-mandated education sessions via the state learning system:

DAS - CHRO - Preventing Discrimination, Harassment, and Sexual Harassment in the Workplace Required Training. <https://ilearn.oregon.gov/Default.aspx>

## **D. Policy Review and History**

1. This policy shall be reviewed by the PERS Board no less frequently than every two years, for continued relevance and appropriateness.
2. The PERS Board adopted this policy on May 29, 2020.

# Board Smart™

The only Governance eLearning Resource specifically for public pension trustees and executives

Created by experts who understand the unique issues faced by public plans

## The Need

Coping with trustee turnover, steep learning curves, and highly complex issues in a rapidly changing environment?

Good governance practices and knowledgeable board members improve system performance and reduce risk. Board Smart can help.

## The Board Smart Solution

What every public pension trustee needs to know and ask about Governance:

- Get trustees up to speed and collaborating with each other and executives quickly, effectively and efficiently with Board Smart.
- Our online learning system is tailored to each pension system and your individual needs and learning style.
- Our robust curriculum was conceived by highly qualified, nationally recognized subject matter experts with deep knowledge and a range of expertise.
- Our learning system, with a series of short expert Talks, repository of resources, and peer benchmarking, is designed to engage you in a continuing dialogue about the key governance issues facing public retirement systems in general and your system specifically.

## Each Board Smart™ Subscription includes:

Features	Benefits
Governance eLearning Platform	<ul style="list-style-type: none"> <li>• Unlimited access to Expert Talks and much more</li> <li>• Customizable to your system and each trustee &amp; executive</li> <li>• Central repository to track trustee and executive CE</li> </ul>
Context for Trustees	<ul style="list-style-type: none"> <li>• More rapid understanding and alignment on direction/policy</li> <li>• Complements system-specific on-boarding, conferences and topical webinars</li> <li>• Glossaries, Subject Matter Index</li> </ul>
System and Individual Learning Priorities and Calendars	<ul style="list-style-type: none"> <li>• “One size fits one” learning tailored to system-wide and individual needs and availability</li> <li>• Earn CE credits / automatically tracked by system / badges earned</li> <li>• Individual dashboards</li> </ul>
Available on Demand	<ul style="list-style-type: none"> <li>• Anytime, anyplace, any device</li> </ul>
Short Expert Talks	<ul style="list-style-type: none"> <li>• Learn from nationally recognized faculty of public pension experts in short, easily understood Talks</li> </ul>
Downloadable Transcripts	<ul style="list-style-type: none"> <li>• Choose your style of learning (video/voice/written)</li> <li>• Reference material</li> </ul>
Curated Content, Examples and Further Resources	<ul style="list-style-type: none"> <li>• Links to the best information available from third parties, case examples, further reading</li> </ul>
System Self-Assessment and Peer Comparisons	<ul style="list-style-type: none"> <li>• System comparisons to peers based on leading practices</li> <li>• Instant national comparisons</li> </ul>
System Specific Legislation and Policies	<ul style="list-style-type: none"> <li>• Links to your system’s specific legislation, policies and interpretations</li> </ul>
National Public Pension Policy Repository (N3PR)*	<ul style="list-style-type: none"> <li>• Searchable national database of public pension policies – saves executive time</li> </ul>
InGov® Governance Peer Benchmarking*	<ul style="list-style-type: none"> <li>• Quantitative comparisons on over 300 dimensions of Governance Effectiveness Management (GEM)</li> </ul>
Interviews with Trustees / Executives*	<ul style="list-style-type: none"> <li>• See and hear what peers have to say</li> </ul>
System Specific Reports	<ul style="list-style-type: none"> <li>• Systems can generate their own reports on utilization, completion and feedback</li> <li>• Simpler and easier for trustees and executives to track CE</li> </ul>
User Forums	<ul style="list-style-type: none"> <li>• Anonymous peer to peer exchange on hot topics</li> </ul>
User Feedback	<ul style="list-style-type: none"> <li>• What’s working well? What can be improved?</li> </ul>
Individual Users (minimum 3)	<ul style="list-style-type: none"> <li>• Individual annual fee with unlimited access</li> <li>• Transferable</li> </ul>
Guarantees	<ul style="list-style-type: none"> <li>• No increases for two years for Founders</li> </ul>

\* In development



# The Board Smart™ Curriculum

## Public Retirement Systems in the 21st Century

### Overview Series

#### Currently Available

- The Importance of Balance (Fairness, Diversity, Participation)
- Importance of Public Pension Benefits (Benefits to Retirees and the Broader Economy)
- The State of Public Pensions (Economic Stability / Funded Status)
- Key Differences Between Defined Benefit and Defined Contribution Plans
- Annual Required Contributions Basics

#### Planned

- Pension Fundamentals: Public v. Private Sector Plans
- Expected Rate of Return Basics
- Pension Soundness Basics (Solvency)
- Pension Plan Funding and Actuarial Processes

### Governance Matters Series

#### Currently Available

- The Prudent Fiduciary
- Fiduciary Fundamentals
- The Role of the Fiduciary Board
- Powers of the Fiduciary Board
- Public Pension Governance Structures
- Operating in the Public Sector Fishbowl

#### Planned

- Governing Legislation: Common and System Specific Policies and Interpretations; Statutory Governance
- Governance Policies
- Continuing Education and Continuous Learning
- Board Self-Evaluation
- Co-Fiduciary Duty – no blind eye to the wrong-doings of others
- Ethics, Code of Conduct, Conflicts of Interest

### Board Operations and Dynamics Series (Conducting the Business of the Board)

#### Currently Available

- Choosing the Right Leadership (Hiring and Succession Planning for the CEO/CIO)
- The Role of Committees
- The Role of Chair and Vice-Chair

#### Planned

- Prudent Board Delegations
- Board Use of Third-Party Service Providers
- Evaluating the Chief Executive
- Making the Most of the Board's Time

### Decision and Risk Intelligence Series

#### Currently Available

- The Board's Focus on Strategy

#### Planned

- Enterprise Risk and Performance Oversight
- Enterprise Risk Management and Risk Assessment
- The Board Portal
- Operational Risk

### Reporting and Reassurance Series

#### Currently Available

- Financial Management Essentials

#### Planned

- Enterprise Reassurance and Verification (The Role of Internal Audit, Compliance and Risk, External Audit, and Other Third Parties)
- Compliance and Controls

# Vital Retirement Functions

## Asset Management Oversight Series

### Currently Available

- Setting the Course (Asset Management Basics) Investment Risk
- Overseeing the Course
- Investment Beliefs
- Overseeing Investment Operations

### Planned

- Should We Manage Assets Internally?
- Investment Strategies and Policies Overview
- What Trustees Should Know About Investment Management Fees
- The Special Challenge of Private Equity Fees
- What the Board Should Know About Due Diligence and Monitoring
- Understanding Performance Reporting, Valuations, Investment Accounting
- A Primer on Asset Classes
- ESG, Sustainability, Impact Investing, or None of the Above?
- The Key Investment Theories Trustees Should Know

## Pension Administration Series

### Currently Available

- Actuarial Basics for Defined Benefit Plans

### Planned

- Defined Benefit Plan Design and Rules
- Hybrid Pension Plans
- Appeals and Rules Interpretation
- Basics of Pension Operations and Board Oversight

## Defined Contribution/Deferred Compensation Plans Series

### Planned

- Types of Public Sector Defined Contribution and Deferred Compensation Plans (401(a), 403(b), 457, etc.)
- Fiduciary Responsibilities of DC Boards
- Selecting DC Service Providers: Record Keepers, Consultants, Fee Management
- Participant Education and Optimizing Participation
- Investment Options
- Benchmarking Performance

## Health Benefits Management Series

### Planned

- Health Insurance Administration Overview
- What Trustees Should Know About Health Care Plans
- Triple Aim (Care, Health, Cost)
- Importance of Health Insurance in Workforce Recruitment and Retention
- Health Insurance Benchmarking: Vital Signs of Vital Functions
- Health Care Management
- Pharmacy Management

## Enterprise Administration Series

### Planned

- The Chief Financial Officer's Role
- Information Technology and the Board's Role
- Security and Cybersecurity
- Human Resources
- Continuity of Operations
- Organization and Staff Operations
- Procurement / Vendor Relationships
- Resourcing and Budgeting
- Legal Support

<b><u>Faculty</u></b>	<b><u>Experience</u></b>
<b><u>Alberto Cota</u></b>	<i>Formerly Principal and Chief Operating Officer at Rocaton Investment Advisors, a Goldman Sachs Company</i>
<b><u>Ken Bertsch</u></b>	<i>Former Executive Director, Council of Institutional Investors</i>
<b><u>Ilana Boivie</u></b>	<i>Economist Formerly with the International Association of Machinists and Aerospace Workers</i>
<b><u>Keith Bozarth</u></b>	<i>Former Executive Director State of Wisconsin Investment Board</i>
<b><u>William “Flick” Forna</u></b>	<i>President, Pension Trust Advisors Inc.</i>
<b><u>Rick Funston</u></b>	<i>CEO Board Smart LLC and Funston Advisory Services LLC Former Deloitte National Leader Governance and Risk Oversight</i>
<b><u>Mike Gold</u></b>	<i>Former Senior Managing Director &amp; Head of Asset Management Services TIAA-CREF New Heights Solutions Managing Member</i>
<b><u>Keith Johnson</u></b>	<i>Head of Reinhart Law Institutional Investor Legal Services</i>
<b><u>Ken Johnson</u></b>	<i>Former Chief Operating Officer for the State of Wisconsin Investment Board</i>
<b><u>Sharmila Kassam</u></b>	<i>Former Deputy Chief Investment Officer for the Employees Retirement System of Texas</i>
<b><u>Jon Lukomnik</u></b>	<i>Managing Partner for Sinclair Capital, internationally recognized governance expert Former NYC Deputy Controller for Pensions</i>
<b><u>Randy Miller</u></b>	<i>Funston Advisory Services Chief Operating Officer Former Deloitte Senior Partner</i>
<b><u>Lisa Morris</u></b>	<i>Former Executive Director of the School Employees’ Retirement System of Ohio</i>
<b><u>Tiffany Reeves</u></b>	<i>Former Deputy Executive Director and Chief Legal Counsel at the Chicago Teachers’ Pension Fund (CTPF) currently Reinhart Law Shareholder</i>
<b><u>Steven J. Ross</u></b>	<i>Executive Principal Risk Masters Int’l. Former Deloitte Director and Global Practice Leader</i>
<b><u>Laurel Rutledge</u></b>	<i>Human Resources Specialist, SPHR, SHRM-SCP</i>
<b><u>Ivan Sanaev</u></b>	<i>Board Smart Chief Technology Officer</i>
<b><u>Paul J. Sobel</u></b>	<i>Chairman of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), former Chairman of the Institute of Internal Auditors</i>
<b><u>Rachel Tillman</u></b>	<i>Board Smart Chief Content Officer</i>
<b><u>Chris Waddell</u></b>	<i>Senior Counsel at Olson Remcho Former CalSTRS General Counsel</i>

<i>Advisory Panel</i>	<i>Experience</i>
<a href="#"><u>Tom Cavanaugh</u></a>	<i>Former CEO of Cavanaugh MacDonald Consulting</i>
<a href="#"><u>Scott Evans</u></a>	<i>Former Chief Investment Officer, New York City Retirement System &amp; Former President, TIAA-CREF Asset Management</i>
<a href="#"><u>Gary Findlay</u></a>	<i>Current Board Member &amp; Former Executive Director of the Missouri State Employees' Retirement System</i>
<a href="#"><u>Dave Mills</u></a>	<i>Former Executive Director of the State of Wisconsin Investment Board</i>
<a href="#"><u>Tony Oliveira</u></a>	<i>Economist, Former member of the CalPERS Board of Administration</i>
<a href="#"><u>Dave Stella</u></a>	<i>Former Secretary of the Wisconsin Department of Employee Trust Funds</i>

Contact us to learn more about Board Smart or to schedule a demo:

**Email:** [rfunston@boardsmart.com](mailto:rfunston@boardsmart.com)  
**Phone:** (727) 440-8858  
**Fax:** (727) 341-5890  
**Toll-free:** (833) 421-1102

Corporate Mailing Address:  
340 9th Street North #103  
Naples, FL 34102

## Administration

1. March 29, 2021 Board Meeting Minutes
2. Board Governance Assignments
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# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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June 4, 2021

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

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

The attached Board Scorecard Report for the first quarter 2021 focuses on several measures we currently track based on essential business operations. A targeted performance range is created for each measure:

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

Highlights include:

- Four consecutive quarters in the Green range for both Estimates Completed and Eligibility Reviews Completed.
- A 100% rating in Accuracy of Calculations.
- Three of the eight measures performing in the green ranges.
- Continued improvement with overall Outcome/Process Measure Performance and Quarterly Green Performance.

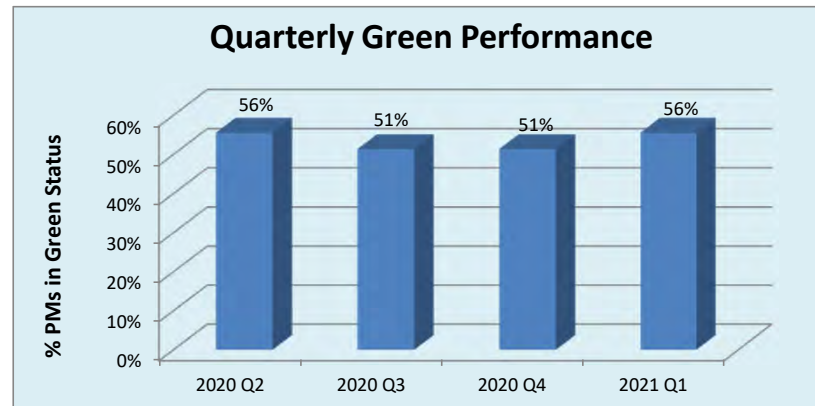
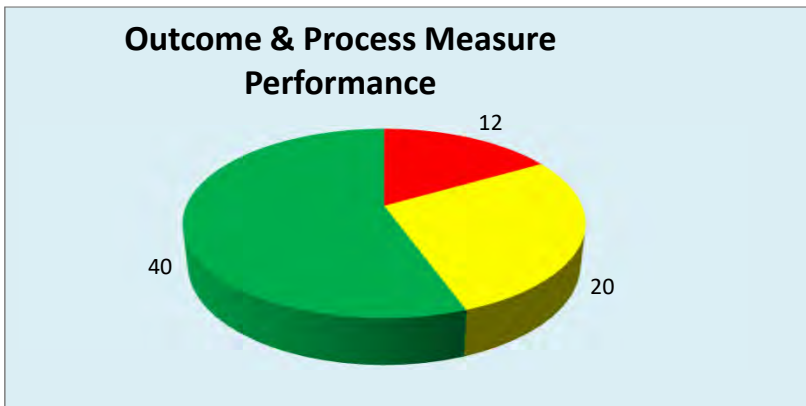
The next report will be presented at the December 3, 2021 board meeting, showing the scorecard results for the third quarter 2021. If you would like us to report on any different measures, please let us know.

A.5. Attachment 1 – Board Scorecard Report for First Quarter 2021

# PUBLIC EMPLOYEES RETIREMENT SYSTEM

## Outcome-Based Performance Review

### PERS Board Scorecard Report - QTR: 2021 Q1 - Quarter ended March 31, 2021



### Operating Processes - Highlighted Measures

	Measure Name	Measure Calculation	RANGE			Target	Desired Perform Trend	Data Collection Frequency	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Trend	Corrective Action & Comments
			Red	Yellow	Green									
OP3c	Estimate KPM	% of estimate requests completed within 30 days of receipt	<75%	75-85	>85%	95%	↑	Quarterly	91.2%	96.4%	98.2%	98.0%	-	
OP4a	Eligibility review completed	% of applications completed by the eligibility team within 30 days of the effective retirement	<50%	50-70	>70%	80%	↑	Monthly	100.0%	79.0%	83.0%	86.0%	+	
OP5b	Accuracy of calculations	% of sample calculations that are accurate within plus or minus \$5	<95%	95-99	>99%	100%	↑	Monthly	98.0%	99.0%	97.0%	100.0%	+	Effective training and growing accuracy with newer team members.
OP5c	Timely benefit calculation	% of calculations completed within 15 calendar days from completed application date	<93%	93-96	>96%	100%	↑	Monthly	92.8%	92.2%	81.6%	79.4%	-	Resource capacity affects this result when there are big retirement months like January. Working on creative ways to address this challenge for next spike in July.

## PUBLIC EMPLOYEES RETIREMENT SYSTEM

### Outcome-Based Performance Review

#### Supporting Processes - Highlighted Measures

	Measure Name	Measure Calculation	RANGE			Target	Desired Perform Trend	Data Collection Frequency	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Trend	Corrective Action & Comments
			Red	Yellow	Green									
OP1f	Call Wait Time	Average length of wait before caller reaches live person	>6 minutes	6-4 minutes	<4 minutes	2 minutes	↓	Monthly	11.5	14.5	16.3	19.5	-	Average handle times and work times went up which created higher wait time; we had 4 staff involved in UAT and training another 4 new hires during this time; by the end of March, we finally we able to reduce abandon rate by 10% and cut wait time by another 4 mins .
SP2c	Appeal reversal rate	% of staff determinations that are reversed on appeal	>15%	15-10	<10%	5%	↓	Quarterly	20.0%	4.0%	10.2%	32.5%	-	30 Tax remedy reversals
SP3h	System uptime	% of time systems are available during the service window	<97%	97-98	>98%	100%	↑	Monthly	96.77%	97.47%	99.53%	97.83%	-	Total Outage (min) 1412 Due to long Batch: 493 (35% of total) Jira: 720 (license expiration issue) ARS: 70 (missing data) File Shares: 18 MS Teams: 68 FileNet: 43
SP5c	Recruitment	% of recruitments closed (from requisition to closure) within 8 weeks	<70%	70-80	>80%	90%	↑	Quarterly	50%	33%	40%	24%	-	5 out of 21 recruitments were closed within 8 weeks.



June 4, 2021  
PERS Board Meeting Agenda

# Administrative Rulemaking

1. Notice of Optional/Alternative Retirement Plans
2. Notice of Divorce Rules



# 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  
(503) 598-7377  
TTY (503) 603-7766  
[www.oregon.gov/pers](http://www.oregon.gov/pers)

June 4, 2021

TO: Members of the PERS Board

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

SUBJECT: Notice of Rulemaking for Optional or Alternative Retirement Plans:

OAR 459-005-0310, *Date of Participation and Transfer of Employee Funds to the Optional Retirement Plan*

OAR 459-005-0350, *Membership Status of Persons in Concurrent Employment Eligible to Participate in an Optional or Alternative Retirement Plan*

OAR 459-005-0370, *Date of Participation and Transfer of Employee Funds to an Alternative Retirement Plan — OHSU*

OAR 459-010-0003, *Eligibility and Membership for the PERS Tier One/Tier Two Program*

OAR 459-075-0010, *Eligibility and Membership*

### OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Modifications needed to clarify PERS administration of optional or alternative retirement plans (“ORP” or “ARP”) to include community colleges and Harney County Health District (HCHD). Current OARs do not address ORP or ARP provisions for community colleges or HCHD even though they may offer ORP or ARPs.
- Policy Issue: No policy issues were identified.

### BACKGROUND

Under Oregon law, a small group of participating public employers may sponsor their own retirement plans as an alternative to PERS for their eligible employees. The option is provided specifically by statute and is only available to the public universities, Oregon Health & Science University (OHSU), community colleges, and most recently Harney County Health District (HCHD). The non-PERS retirement plans are known as either optional retirement plans (ORP) or alternative retirement plans (ARP). Although the employer may offer more than one plan to its eligible employees, an eligible employee may only participate in one plan. Also, once an election is made to participate in any plan, that election cannot be changed during that period of employment, or any subsequent employment with that employer or employer group. PERS created administrative rules to address impacts to PERS membership for persons eligible to participate in an ORP or ARP in order to track elections, manage membership status changes, and effectuate any necessary employee fund transfers.

The current administrative rules are specific to statutory provisions for employees of the public universities (ORS 243.815) and OHSU (353.250). They do not cover community colleges (ORS 341.551) or HCHD (ORS 237.750). The proposed amendments broaden the rules to include these additional employers who are allowed to offer a different retirement plan in lieu of PERS, in order to bridge the gap between the statutes and rules. They also clarify that the membership standards provided in OAR 459-010-0003 and 459-075-0010 are used to establish membership, as well as to maintain active membership once membership has been established.

#### 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 June 25, 2021, at 5:00 p.m.

#### LEGAL REVIEW

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

#### IMPACT

Mandatory: No.

Impact: The amendments will provide employers who offer an ORP or an ARP as an alternative to PERS, and employees who elect ORP or ARP participation, with guidance on how PERS administers such elections.

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

#### RULEMAKING TIMELINE

May 28, 2021	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
June 1, 2021	Secretary of State publishes the Notice in the Oregon Administrative Rules Database.
June 4, 2021	PERS Board notified that staff began the rulemaking process.
June 4, 2021	Notice is sent to employers, legislators, and interested parties. Public comment period begins.
June 25, 2021	Public comment period ends at 5:00 p.m.
July 23, 2021	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

#### NEXT STEPS

The rule is scheduled to be brought before the PERS Board for adoption at the July 23rd, 2021 board meeting.

Notice of Rulemaking for Optional or Alternative Retirement Plans

6/4/2021

Page 3 of 3

B.1. Attachment 1 – 459-005-0310-1, *Date of Participation and Transfer of Employee Funds to the Optional Retirement Plan*

B.1. Attachment 2 – 459-005-0350, *Membership Status of Persons in Concurrent Employment Eligible to Participate in an Optional or Alternative Retirement Plan*

B.1. Attachment 3 – 459-005-0370-1, *Date of Participation and Transfer of Employee Funds to an Alternative Retirement Plan — OHSU*

B.1. Attachment 4 – 459-010-0003, *Eligibility and Membership for the PERS Tier One/Tier Two Program*

B.1. Attachment 5 – 459-075-0010, *Eligibility and Membership*

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

1 **459-005-0310**

2 **Date of Participation and Transfer of Employee Funds to the Optional Retirement**  
3 **Plan**

4 (1) Definitions. For the purposes of this rule:

5 (a) **“Member’s PERS account(s)” means any of the following accounts that**  
6 **PERS has established for the member:**

7 **(A) A Tier 1 or Tier 2 member’s regular account established under ORS**  
8 **238.250;**

9 **(B) A Tier 1 or Tier 2 member’s variable account established under ORS**  
10 **238.260; and**

11 **(C) The member’s Individual Account Program (IAP) accounts established**  
12 **under ORS 238A.350 and 238A.353, to the extent the member is vested in those**  
13 **accounts.**

14 *[“IAP account” means the member’s employee, rollover, and employer accounts in*  
15 *the Individual Account Program, to the extent the member is vested in those accounts*  
16 *under ORS 238A.320.]*

17 (b) *“[OPSRP Pension account” means the member’s transferable interest in the*  
18 *pension program under ORS 243.800(6)(d).]* **Optional retirement plan” (ORP) means**  
19 **a retirement plan offered by a public university that is authorized under ORS**  
20 **243.815, or an optional retirement plan offered by a community college that is**  
21 **authorized under ORS 341.551.**

1 (c) “ORP provider” means the public university or community college offering  
2 the ORP.

3 *[(c) “PERS member account” includes a “member account” as defined in ORS*  
4 *238.005, an account established under ORS 238.440, and an account subject to ORS*  
5 *238.095(4).]*

6 (2) The effective date of an election by an administrative or academic employee of a  
7 public university, or an administrative employee of a community college, to  
8 participate in an ORP *[the Optional Retirement Plan (ORP) authorized under ORS*  
9 *243.800]* is the first day of the month following a period of six full calendar months of  
10 employment in the qualifying *[an]* administrative or academic position.

11 (a) Unless otherwise agreed upon, notice of the effective date of the election will be  
12 provided to PERS by the ORP provider *[public university]* within 30 days of the date of  
13 the election.

14 (b) If the employee is a vested member of PERS who *[and]* elects to transfer eligible  
15 funds consisting of amounts in the member’s PERS account(s) from PERS to the  
16 ORP *[ptional Retirement Plan]* pursuant to ORS 243.815 *[00]* (6) or 341.551(5), the ORP  
17 provider *[public university]* will forward to PERS copies *[a copy]* of the employee’s  
18 signed ORP election form and the employee’s *[a]* written transfer request as part of the  
19 notice *[from the employee at the time of the notification]* required in subsection (a) of this  
20 section.

21 (3) If an employee *[who is a member of PERS]* requests a transfer of eligible funds  
22 pursuant to section (2)(b) of this rule *[ORS 243.800(6)]*:

1            (a) PERS must transfer the funds to the ORP within the 60-day period following the  
2 later of:

3            (A) The effective date of the employee’s election to participate in the ORP; or

4            (B) The effective date of the transfer.

5            (b) The effective date of a transfer is the first of the month in which PERS completes  
6 reconciliation of the account to be transferred.

7            (c) PERS may not transfer funds to the ORP if the member is concurrently employed  
8 by another PERS participating employer.

9

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

11           Stats. Implemented: ORS 243.815[00], 341.551

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

1 459-005-0350

2 **Membership Status of Persons in Concurrent Employment Eligible to Participate in**  
3 **an Optional or Alternative Retirement Plan**

4 (1) **Definitions.** For the purpose of this rule:

5 **(a) “Alternative retirement plan” (ARP) means a retirement plan offered by**  
6 **Oregon Health and Science University (OHSU) that is authorized under ORS**  
7 **353.250, or a retirement plan offered by Harney County Health District (HCHD)**  
8 **that is authorized under ORS 237.750.**

9 **(b) “C[c]oncurrent employment”** means employment with two or more different  
10 employers participating in the Public Employees Retirement System (PERS) at the same  
11 time.

12 **(c) “Controlled group” means a group of employers treated as a single**  
13 **employer for purposes of maintaining qualified status under federal law.**

14 **(d) “Employer group” means the group of similarly situated employers, such as**  
15 **the group of public university employers, or the group of community college**  
16 **employers.**

17 **(e) “Optional retirement plan” (ORP) means a retirement plan offered by a**  
18 **public university that is authorized under ORS 243.815, or a retirement plan offered**  
19 **by a community college that is authorized under ORS 341.551.**

20 (2) If a person employed by a public university, **community college, HCHD,** or by  
21 **OHSU***[the Oregon Health and Science University]* is concurrently employed by another



1 PERS [*or Oregon Public Service Retirement Plan (OPSRP)*] participating employer,  
2 eligibility for PERS [*or OPSRP*] membership shall be based on the following:

3 (a) If the person elects to participate in an ORP [*Optional Retirement Plan offered*  
4 *by a public university under ORS 243.800,*] or an ARP [*alternative retirement plan*  
5 *offered by the Oregon Health and Science University under ORS 353.250,*], and is  
6 concurrently employed with other PERS [*or OPSRP*] participating employers in a non-  
7 qualifying position(s) as defined in OAR chapter 459, the person:

8 (A) Shall not be eligible to establish membership in PERS [*or OPSRP*] as an  
9 employee of a public employer, the employer group, or any of the employers of the  
10 employer’s controlled group, that offers the ORP in which the person has elected  
11 participation [*university or the Oregon Health and Science University*], and

12 (B) Shall not be eligible to establish membership in PERS [*or OPSRP*] as an  
13 employee of the other concurrent PERS employer or employers.

14 (b) If the person who elects to participate in an ORP [*Optional Retirement Plan*],  
15 offered by a public university under ORS 243.815[*00*], or an ARP offered by OHSU or  
16 HCHD [*alternative retirement plan offered by the Oregon Health and Science University*  
17 *under ORS 353.250,*] and is concurrently employed with other PERS [*or OPSRP*]  
18 participating employers [*is*] in a qualifying position(s) as defined in OAR chapter 459,  
19 the person:

20 (A) Shall not be eligible to establish membership in PERS [*or OPSRP*] as an  
21 employee of the[*a*] public employer or employer group that offers the ORP or ARP  
22 in which the person has elected participation [*university or the Oregon Health and*  
23 *Science University*]; and

1 (B) Shall establish membership in OPSRP as an employee of the other concurrent  
2 PERS [*or OPSRP*] employer or employers, if all other membership conditions are met.

3 (c) If the person who elects to participate in an ORP offered by a community  
4 college under ORS 341.551, is concurrently employed with other PERS  
5 participating employers in a qualifying position(s) as defined in OAR chapter 459,  
6 the person shall not be eligible to establish membership in PERS as an employee of  
7 the public employer or employer group that offers the ORP in which the person has  
8 elected participation, or as an employee of the other concurrent PERS employer or  
9 employers, unless the person withdraws from the ORP.

10 (3) A member of PERS with concurrent employment who*[or OPSRP who is*  
11 *concurrently employed and]* establishes PERS [*or OPSRP*] membership under the  
12 provisions of paragraph (2)(b)(B) of this rule shall not be eligible to have any funds *[the*  
13 *member's account]* transferred to an ORP*[Optional]* or ARP*[alternative retirement plan]*  
14 under OAR 459-005-0310 or OAR 459-005-0370.

15

16 Stat. Auth: ORS 238.650

17 Stats. Implemented: ORS 237.750, 238.015, 243.815, 341.551*[775]* & 353.250

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

1 459-005-0370

2 Date of Participation and Transfer of Employee Funds to an Alternative Retirement  
3 Plan [~~— OHSU~~]

4 (1) Definitions. For the purposes of this rule:

5 (a) “Alternative retirement plan” (ARP) means a retirement plan offered by the  
6 Oregon Health and Science University (OHSU) that is authorized under  
7 ORS 353.250, or an ARP offered by Harney County Health District (HCHD) that is  
8 authorized under ORS 237.750.

9 (b) “ARP provider” means OHSU or HCHD.

10 (c) “Controlled group” means a group of employers treated as a single  
11 employer for purposes of maintaining qualified status under federal law.

12 (d)[(1) For the purposes of this rule,] “Member’s PERS account(s)” means any of  
13 the following:

14 (A)[(a)] The Tier 1 or Tier 2 member's regular account as defined in ORS 238.250,

15 (B)[(b)] The Tier 1 or Tier 2 member's variable account as defined in ORS 238.260,

16 (C)[(c)] The member’s Individual Account Program (IAP) accounts under ORS  
17 238A.350, to the extent the member is vested in those accounts; and

18 (D)[(d)] The member’s Employee Pension Stability Account under 238A.353.

19 (2) If an employee elects to participate in an ARP*[alternative retirement plan*  
20 *authorized under ORS 353.250]*:

1 (a) Unless otherwise agreed upon, the effective date of an election to participate in  
2 an ARP*[alternative retirement plan]* shall be certified by the ARP provider*[Oregon*  
3 *Health and Science University (OHSU)]* to PERS within 30 days of that effective date.

4 (b) If the employee is a vested member of PERS who*[, and is eligible for and]* elects  
5 to transfer the balance of the member’s PERS account(s) to the ARP*[alternative*  
6 *retirement plan]*, the ARP provider*[OHSU]* shall forward a copy of the*[that]* election to  
7 transfer together with the participation certification required in subsection (a) of this  
8 section.

9 (c) In the event an eligible employee is disabled or deceased and an election to  
10 participate in an ARP*[alternative retirement plan]*, has not been signed by the employee,  
11 the employee shall be deemed to be an active member of PERS, if all other membership  
12 conditions *[of ORS 238.015]* are met.

13 (3) In accordance with ORS 238A.100 and 238A.300:

14 (a) An employee who is serving a six-month waiting period shall establish active  
15 membership in accordance with ORS 238A.100 and 238A.300 unless PERS receives  
16 notification of an election to participate in an ARP*[alternative retirement plan]* prior to  
17 the completion of that six-month waiting period.

18 (b) Notwithstanding subsection (a) of this section, if PERS receives a notification of  
19 an election to participate in an ARP*[alternative retirement plan]*, active membership in  
20 PERS *[or OPSRP]* shall cease as of the effective date of the election.

21 (4) A vested PERS Chapter 238 Program or OPSRP member electing to  
22 participate in an ARP*[alternative retirement plan]*,*[authorized under ORS 353.250, and]*  
23 who is not concurrently an active member of PERS *[or OPSRP]* with another PERS *[or*

1 *OPSRP*] participating employer, may petition PERS to have the member’s PERS  
2 account(s) transferred directly to the ARP*[an alternative retirement plan]*.

3 (a) A transfer of eligible funds under *[a member’s account as provided in]* this  
4 section shall be transferred directly to the ARP*[alternative retirement plan]* by PERS and  
5 shall not be made available to the employee while *[remaining in the]* employed by the  
6 public employer, or the employer’s controlled group, that offers the ARP in which  
7 the employee has elected participation *[of OHSU]*.

8 (b) A transfer of *[a]* eligible funds from the member’s PERS account(s) as provided  
9 in subsection (a) of this section shall not include any reserves of any PERS-participating  
10 employer.

11 (5) A PERS *[or OPSRP]* member electing to participate in an ARP*[alternative*  
12 *retirement plan]* who has not separated from service in any position with the public  
13 employer, or the employer’s controlled group, that offers the ARP in which the  
14 employee has elected participation,*[at OHSU]* shall *[be]* not be eligible to withdraw  
15 any non-transferred*[the]* member’s PERS accounts, except as provided in section (4) of  
16 this rule.

17 (6) A transfer of a member’s PERS account(s) to an ARP*[alternative retirement*  
18 *plan established under the provisions of ORS 353.250]* shall be in compliance with all  
19 applicable Internal Revenue Code provisions and related Treasury regulation governing  
20 qualified pension plans. The transfer may occur only if the ARP*[alternative retirement*  
21 *plan]*:

22 (a) Is a qualified plan under the Internal Revenue Code;

1 (b) Is capable of accepting funds transferred under the provisions of section (4) of  
2 this rule without the transfer being treated as a taxable event under the Internal Revenue  
3 Code; and

4 (c) Is willing to accept those transfers.

5 (7) The date of distribution of a member’s regular account defined in ORS 238.250,  
6 variable account defined in ORS 238.260, and Employee Pension Stability Account  
7 under ORS 238A.353 to an [ARP](#)*[alternative retirement plan, authorized under ORS*  
8 *353.250]*, as provided for in section (4) of this rule shall be the later of:

9 (a) The first of the calendar month following the date of receipt by PERS of a copy  
10 of the election if such copy is received by PERS on or before the fifteenth of a calendar  
11 month; or

12 (b) The first of the second calendar month following the date of receipt by PERS of a  
13 copy of the election if such copy is received on or after the 16th of a calendar month.

14 (8) The date of distribution of a member’s IAP account(s) under ORS 238A.350 to  
15 an [ARP](#)*[alternative retirement plan]*, *[authorized under ORS 353.250,]* as provided for in  
16 section (4) of this rule will be the date of the actual distribution.

17  
18 Stat. Auth.: ORS 238.650 & 238A.450

19 Stats. Implemented: ORS [237.750](#), 238.015, [238A.100](#), [238A.300](#), & 353.250

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 010 – MEMBERSHIP**

1 **459-010-0003**

2 **Eligibility and Membership for the PERS Tier One/Tier Two Program**

3 (1) For the purpose of this rule:

4 (a) “Concurrent positions” means employment with two or more participating  
5 employers in the same calendar year.

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

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

12 (d) “Qualifying position” means a position designated by the employer as qualifying,  
13 including a position in a partial year of hire, partial year of separation, or short segment,  
14 except:

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

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

21 (C) A position with one employer in which the employee is employed for the entire  
22 calendar year and fails to perform at least 600 hours of service in that position or

1 concurrent positions in the calendar year is non-qualifying regardless of employer  
2 designation.

3 (e) “Service” means a period in which an employee:

4 (A) Is in an employer/employee relationship, as defined in OAR 459-010-0030; and

5 (B) Receives a payment of “salary,” as defined in ORS 238.005 or similar payment  
6 from workers compensation or disability.

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

10 (2) At the time an employee is hired, an employer must designate the employee’s  
11 position as qualifying or non-qualifying. An employer must designate a position as  
12 qualifying if the position is one in which an employee would normally perform at least  
13 600 hours of service in a calendar year.

14 (3) Employer designation of a position as qualifying or non-qualifying must be  
15 determined by PERS from information communicated to PERS by the employer. An  
16 employer designation that is contrary to the provisions of subsection (1)(d) of this rule in  
17 any calendar year will be reversed for that calendar year.

18 (4) Eligibility. An employee who was employed in a qualifying position before  
19 August 29, 2003 by an employer participating in the PERS Chapter 238 Program was  
20 eligible to become a member of that program if the employee:

21 (a) Began the six-month waiting period described in OAR 459-010-0035 before  
22 August 29, 2003;

23



1            (b) Did not elect to participate in an optional or alternative retirement plan as  
2 provided in ORS Chapters 243, 341, or 353; and

3            (c) Was not otherwise ineligible for membership.

4            (5) **Establishing** Membership. An employee who meets the requirements of section  
5 (4) of this rule becomes a member of the PERS Chapter 238 Program on the first day of  
6 the calendar month following the completion of the six-month waiting period described  
7 in OAR 459-010-0035 provided that the employee is employed on that date by the same  
8 employer that employed the employee throughout the waiting period.

9            **(6) Maintaining Membership. An employee who becomes a member of the**  
10 **PERS Chapter 238 Program under section (5) is eligible for membership in the**  
11 **system for service performed in a qualifying position on and after August 29, 2003,**  
12 **unless the employee:**

13            **(a) Terminates their membership under ORS 238.095;**

14            **(b) Elects to participate in an optional or alternative retirement plan as**  
15 **provided in ORS Chapters 237, 243, 341, or 353, and does not qualify for**  
16 **concurrent service eligibility under OAR 459-005-0350; or**

17            **(c) Becomes otherwise ineligible for membership.**

18            Stat. Auth.: ORS 238.650

19            Stats. Implemented: ORS 238.005, 238.015, & 238A.025

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

1 **459-075-0010**

2 **Eligibility and Membership**

3 (1) Eligibility. An employee who is employed in a qualifying position on or after  
4 August 29, 2003 by an employer participating in the OPSRP Pension Program is eligible  
5 to become a member of that program, and maintain such membership, unless the  
6 employee:

7 (a) Has established membership in the PERS Chapter 238 Program before August  
8 29, 2003 under the terms of ORS 238A.025 and has not terminated membership in that  
9 program under ORS 238.095;

10 (b) Is a judge member as defined in ORS 238.500;

11 (c) Elects to participate in an optional or alternative retirement plan as provided in  
12 ORS Chapters 237, 243, 341, or 353; or

13 (d) Is otherwise ineligible for membership.

14 (2) Establishing Membership:

15 (a) An employee who meets the requirements in section (1) of this rule becomes a  
16 member of the OPSRP Pension Program on the first day of the calendar month following  
17 the employee's completion of a waiting period of six full calendar months of service in a  
18 qualifying position with the same participating public employer. The six full calendar  
19 months of service may not be interrupted by more than 30 consecutive working days.

20 (b) The waiting period begins on:

21 (A) The date the employee is hired, and includes the month of hire as a full calendar  
22 month, if the date of hire is the first business day of the month;

1 (B) The first day of the month following the date of hire; or

2 (C) The first day of the month following the end date of an interruption of service of  
3 more than 30 consecutive working days.

4 (c) In the event an employee is on an official leave of absence as described in OAR  
5 459-010-0010, the period of absence shall not constitute an interruption of the waiting  
6 period under subsection (a) of this section. The waiting period shall be extended by the  
7 length of the leave of absence.

8 (d) Absence from service by an educational employee during periods that the  
9 employing educational institution is not in session shall not constitute an interruption of  
10 the waiting period under subsection (a) of this section.

11 (3) The provisions of this rule are retroactive to November 23, 2007.

12

13 Statutory/Other Authority: ORS 238A.450

14 Statutes/Other Implemented: ORS 238A.025, 238A.100 & OL 2007 Ch. 769

June 4, 2021  
PERS Board Meeting Agenda

## Administrative Rulemaking

1. Notice of Optional/Alternative Retirement Plan
2. Notice of Divorce Rules



# Oregon

John A. Kitzhaber, M.D., 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  
(503) 598-7377  
TTY (503) 603-7766  
[www.oregon.gov/pers](http://www.oregon.gov/pers)

June 4, 2021

TO: Members of the PERS Board

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

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

### OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Update rules pertaining to court-ordered divorce awards to clarify how Employee Pension Stability Accounts (EPSA) will be addressed in divorce awards.
- Policy Issue: No policy issues have been identified at this time.

### BACKGROUND

During the 2019 Legislative Session, the Oregon Legislature passed Senate Bill (SB) 1049, which made significant amendments to ORS Chapters 238 and 238A. The Member Redirect portion of the bill requires that, effective July 1, 2020, a portion of the member 6% mandatory contribution will be directed to a new Employee Pension Stability Account (EPSA). The member's EPSA account will be used to fund benefits provided to the member or the member's beneficiary that are accrued by the member on and after July 1, 2020. If the balance of the EPSA account exceeds the cost of the benefits accrued on and after July 1, 2020, the excess amount will be refunded to the member or their IAP beneficiary in a lump sum.

The EPSA is an additional account under the Individual Account Program (IAP) statutes. The proposed amendments clarify that, as an account under the IAP, any division of the IAP in a divorce decree applies to the EPSA as well. Additionally, the EPSA is not used to determine the amount of the pension benefit; it is used only to help fund the benefits under the pension programs. The amendments to the rules explain that the EPSA is not subject to being awarded independently in a divorce decree. In the event there is no benefit to which the EPSA is applied or the balance of the EPSA exceeds the amount necessary to fund a benefit under the pension program, the member's alternate payee (AP) will receive the same percentage of the excess EPSA as the decree awards of the member's IAP.

Another provision of SB 1049 (2019) amended the withdrawal provisions for the OPSRP Pension Program. All members wishing to withdraw an account are required to withdraw all their PERS accounts ("withdraw from one, withdraw from all"); however, prior to SB 1049 (2019), OPSRP

Pension Program members were not allowed to withdraw from the OPSRP Pension Program if the net present value of their future pension was greater than \$5,000. Under SB 1049 (2019), OPSRP Pension Program members who withdraw their IAP account under ORS 238A.375, terminate their membership in the system, meaning both the IAP and the OPSRP Pension Program.

Staff recognized that the change in the OPSRP withdrawal provision could negatively impact a divorced member's AP. If an OPSRP member whose pension benefit is divided by a divorce decree were to withdraw their IAP, under the new withdrawal provisions, that withdrawal would terminate the member's membership in both the IAP and the OPSRP Pension Program, thereby forfeiting any and all pension benefits for themselves and their AP. The amendments to the rules establish a new requirement for divorce decrees of OPSRP members and the default administration of a decree that is silent regarding the new requirement. If all or a portion of a member's OPSRP pension benefit is awarded in a decree, the decree must also state whether or not the member may withdraw from the IAP under ORS 238A.375. If the decree is silent on the ability to withdraw the IAP, the member will not be able to withdraw from the system.

#### 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 June 25, 2021, at 5:00 p.m.

#### LEGAL REVIEW

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

#### IMPACT

Mandatory: No, but statute authorizes the board to update its rules as necessary to implement Member Redirect.

Impact: Members, their attorneys, employers, and staff will benefit from clear and consistent rules.

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

#### RULEMAKING TIMELINE

May 28, 2021	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
June 1, 2021	Secretary of State publishes the Notice in the Oregon Administrative Rules Database.
June 4, 2021	PERS Board notified that staff began the rulemaking process.

June 4, 2021	Notice is sent to employers, legislators, and interested parties. Public comment period begins.
June 25, 2021	Public comment period ends at 5:00 p.m.
July 23, 2021	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

The rule is scheduled to be brought before the PERS Board for adoption at the July 23rd, 2021 board meeting.

B.2. Attachment 1 – 459-005-0001-2, *Definitions*

B.2. Attachment 2 – 459-045-0012-2, *OPSRP Pension Program Division of Benefits*

B.2. Attachment 3 – 459-045-0014-4, *Individual Account Program (IAP) Division of Benefits*

B.2. Attachment 4 – 459-045-0034-2, *General Administration for Individual Account Program (IAP)*

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 045 – DOMESTIC RELATIONS ORDERS**

1   **459-005-0001**

2   **Definitions, Generally**

3       The words and phrases used in OAR Chapter 459 have the same meaning given  
4   them in ORS chapters 237, 238, 238A, and 243 unless otherwise indicated. Specific and  
5   additional terms used in OAR Chapter 459 generally are defined as follows unless  
6   context requires otherwise:

7       (1) “Ad hoc” means one-time for a specific purpose, case, or situation without  
8   consideration of a broader application.

9       (2) “After-tax” contributions means:

10       (a) Member contributions required or permitted by ORS 238.200 or 238.515, which  
11   a participating employer has not elected to “pick up,” assume or pay in accordance with  
12   ORS 238.205 and 238.515(b). “After-tax” contributions are included in the member’s  
13   taxable income for purposes of state or federal income taxation at the time paid to PERS.  
14   “After-tax” contributions are included in computing FAS and in computing the  
15   employer’s contributions paid to PERS.

16       (b) Payments made by a member to PERS for the purchase of additional benefits.

17       (3) “Before-tax” contributions means member contributions required or permitted by  
18   ORS 238.200 or 238.515, which a participating employer has elected to “pick up,”  
19   assume or pay in accordance with ORS 238.205 and 238.515(b). “Before-tax”  
20   contributions are not included in the member’s taxable income for purposes of state or



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1 federal income taxation at the time paid to PERS. “Before-tax” contributions are included  
2 in:

3 (a) Computing final average salary; and

4 (b) Computing the employer’s contributions paid to PERS if the employer has  
5 elected to “pick up” the member contributions.

6 (4) “Business day” means a day Monday through Friday when PERS is open for  
7 business.

8 (5) “Calendar month” means a full month beginning with the first calendar day of a  
9 month and ending on the last calendar day of that month.

10 (6) “Calendar year” means 12 consecutive calendar months beginning on January 1  
11 and ending on December 31.

12 (7) “Casual worker” means an individual engaged for incidental, occasional,  
13 irregular, or unscheduled intervals or for a period of less than six consecutive calendar  
14 months.

15 (8) “Contributions” means any contributions required or permitted pursuant to ORS  
16 238.200 or 238.515.

17 (9) “Differential wage payment” means a payment made on or after January 1, 2009:

18 (a) By an employer to a member with respect to any period during which the  
19 member is performing service in the uniformed services, as defined in USERRA, while  
20 on active duty for a period of more than 30 consecutive days; and

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1            (b) That represents all or a portion of the wages the member would have received  
2 from the employer if the member were performing service for the employer.

3            (10) “Effective date of withdrawal” means the later of:

4            (a) The first day of the calendar month in which PERS receives a completed  
5 application from a member who requested a withdrawal; or

6            (b) The first day of the second calendar month following the calendar month in  
7 which the member terminated employment with all participating employers and all  
8 employers in a controlled group with a participating employer.

9            (11) “Effective retirement date” means:

10           (a) For Tier One and Tier Two service retirements, the date described in OAR 459-  
11 013-0260.

12           (b) For Tier One and Tier Two disability retirements, the date described in OAR  
13 459-015-0001.

14           (c) For OPSRP Pension Program service retirements, the date described in OAR  
15 459-075-0175.

16           (12) “Elected official” means an individual who is a public official holding an  
17 elective office or an appointive office with a fixed term for the state or for a political  
18 subdivision of the state who has elected to participate in PERS pursuant to ORS  
19 238.015(5).

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1        (13) “Emergency worker” means an individual engaged in case of emergency,  
2 including fire, storm, earthquake, or flood.

3        (14) “Employee” has the same meaning as provided in ORS 238.005 and shall be  
4 determined in accordance with OAR 459-010-0030.

5        (a) For the purposes of ORS 238.005 to 238.750 the term “employee” includes  
6 public officers whether elected or appointed for a fixed term.

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

8        (A) A member of the governing board of a political subdivision unless the individual  
9 qualifies for membership under ORS 238.015.

10        (B) An individual who performs services for a public employer as a contractor in an  
11 independently established business or as an employee of that contractor as determined in  
12 accordance with OAR 459-010-0032.

13        (C) An individual providing volunteer service to a public employer without  
14 compensation for hours of service as a volunteer, except for volunteer firefighters who  
15 establish membership in accordance with ORS 238.015(6).

16        (15) **“Employee Pension Stability Account” and “EPSA” mean the account**  
17 **established in ORS 238A.353.** (16) “Employer contribution account” means a record of  
18 employer contributions to the Fund, as required by ORS 238.225(1), and investment  
19 earnings attributable to those contributions, that the Board has credited to the account  
20 after deducting amounts required or permitted by ORS Chapter 238.

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1        **(17)**~~**(16)**~~ “Employment” is compensated service to a participating employer as an  
2 employee whose:

3        (a) Period or periods of employment includes only the actual hours of compensated  
4 service with a participating employer as an employee; and

5        (b) Compensated service includes, but is not limited to, paid vacation, paid sick  
6 leave, or other paid leave.

7        **(18) “EPSA excess” means any amount remaining after a member’s EPSA has**  
8 **been applied by the board to pay the costs of the pension or other retirement**  
9 **benefits payable to the member or the member’s beneficiary under ORS chapters**  
10 **238 and 238A that accrue on or after July 1, 2020. In the event of an account**  
11 **withdrawal or when there is no eligible benefit against which to apply the EPSA, the**  
12 **entire account is considered EPSA excess.**

13        **(19)**~~**(17)**~~ “Estimate” means a projection of benefits prepared by staff of a service or  
14 disability retirement allowance, a death or a refund payment. An estimate is not a  
15 guarantee or promise of actual benefits that eventually may become due and payable, and  
16 PERS is not bound by any estimates it provides.

17        **(20)**~~**(18)**~~ “FAS” and “final average salary” have the same meaning as provided in:

18        (a) ORS 238.005 for all PERS Tier One members;

19        (b) ORS 238.435(2) for all PERS Tier Two members who are not employed by a  
20 local government as defined in ORS 174.116;

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1           (c) ORS 238.435(4) for all PERS Tier Two members who are employed by a local  
2 government as defined in ORS 174.116; or

3           (d) ORS 238.535(2) for judge members of PERS for service as a judge.

4           **(21)**~~[(19)]~~ “General service member” means membership in PERS as other than a  
5 judge member, a police officer, a firefighter, or a legislator.

6           **(22)**~~[(20)]~~ “Good cause” means a cause beyond the reasonable control of an  
7 individual. “Good cause” exists when it is established by satisfactory evidence that  
8 factors or circumstances are beyond the reasonable control of a rational and prudent  
9 individual of normal sensitivity, exercising ordinary common sense.

10          **(23)**~~[(21)]~~ “Independent contractor” means an individual or business entity that is  
11 not subject to the direction and control of the employing entity as determined in  
12 accordance with OAR 459-010-0032.

13          **(24)**~~[(22)]~~ “Judge member” has the same meaning as provided in ORS 238.500(3).  
14 For purposes of this chapter, active, inactive, and retired membership of a judge member  
15 shall have the same meaning as provided in ORS 238.005.

16          **(25)**~~[(23)]~~ “Legislator” means an individual elected or appointed to the Oregon  
17 Legislative Assembly who has elected to participate in PERS for their legislative service.

18          **(26)**~~[(24)]~~ “Member cost” means after-tax member contributions and payments  
19 made by or on behalf of a member to purchase additional benefits.

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1        **(27)**~~[(25)]~~ “Participating employer” means a public employer who has one or more  
2 employees who are active members of PERS.

3        **(28)**~~[(26)]~~ “PERS” and “system” have the same meaning as the Public Employees  
4 Retirement System in ORS 238.600.

5        **(29)**~~[(27)]~~ “Public university” means a public university with a governing board as  
6 listed in ORS 352.002.

7        **(30)**~~[(28)]~~ “Qualifying position” has the same meaning as provided in ORS 238.005  
8 and OAR 459-010-0003.

9        **(31)**~~[(29)]~~ “Regular account” means the account established under ORS 238.250 for  
10 each active and inactive member who has made contributions to the Fund or the account  
11 of an alternate payee of such a member.

12        **(32)**~~[(30)]~~ “Salary” has the same meaning as provided in ORS 238.005.

13        (a) “Salary” includes a differential wage payment, as defined in this rule.

14        (b) For a Tier One member, a lump sum payment for accrued vacation pay is  
15 considered salary:

16        (A) In determining employee and employer contributions.

17        (B) In determining final average salary for the purpose of calculating PERS benefits.

18        (c) For a Tier Two member, a lump sum payment for accrued vacation pay:

19        (A) Is considered salary in determining employee and employer contributions.

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1        (B) Is not considered salary in determining final average salary for the purpose of  
2 calculating PERS benefits.

3        **(33)**~~**(31)**~~ “Seasonal worker” means an individual whose engagement is  
4 characterized as recurring for defined periods that are natural divisions of the employer’s  
5 business cycle or services.

6        **(34)**~~**(32)**~~ “Staff” means the employees of the Public Employees Retirement System  
7 as provided for in ORS 238.645.

8        **(35)**~~**(33)**~~ “Tier One member” means a member who established membership in the  
9 system before January 1, 1996, as defined in ORS 238.430(2).

10       **(36)**~~**(34)**~~ “Tier Two member” means a member who established membership in the  
11 system on or after January 1, 1996, in accordance with ORS 238.430.

12       **(37)**~~**(35)**~~ “USERRA” means the federal Uniformed Services Employment and  
13 Reemployment Rights Act of 1994, 38 U.S.C. 4301-4334, as in effect on the effective  
14 date of this rule.

15       **(38)**~~**(36)**~~ “Vacation pay” means a lump sum payment for accrued leave in a  
16 Vacation Leave Program provided by a public employer which grants a period of  
17 exemption from work for rest and relaxation with pay, and does not include:

18        (a) Sick leave programs;

19        (b) Programs allowing the accumulation of compensatory time, holiday pay or other  
20 special leaves unless the public employer’s governing body indicates by resolution,

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1 ordinance, or other legislative process, that such leave is intended to serve as additional  
2 vacation leave; and

3 (c) Other programs, such as a Personal Time Off (PTO) plan, which are a  
4 combination of vacation, sick, bereavement, personal and other leaves of pay as defined  
5 and described by a public employer unless the employer has a written policy that clearly  
6 indicates the percentage of the plan that represents vacation leave. If the employer’s PTO  
7 has a cash option, the employer must report to PERS the amount of any lump sum pay-  
8 off for the percentage that represents vacation leave.

9 **(39)**~~[(37)]~~ “Variable account” and “member variable account” mean the account in  
10 the Variable Annuity Account established under ORS 238.260(2) for each active and  
11 inactive member who has elected to have amounts paid or transferred into the Variable  
12 Annuity Account.

13 **(40)**~~[(38)]~~ “Variable Annuity Account” means the account established in ORS  
14 238.260(2).

15 **(41)**~~[(39)]~~ “Volunteer” means an individual who performs a service for a public  
16 employer, and who receives no compensation for the service performed. The term  
17 “volunteer” does not include an individual whose compensation received from the same  
18 public employer for similar service within the same calendar year exceeds the reasonable  
19 market value for such service.

20 **(42)**~~[(40)]~~ “Working day” means a day that the employer is open for business.

21 Unless the employer communicates this information to PERS, PERS will presume an



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1 employer’s “working day” is the same as a “business day,” as defined in section (4) of  
2 this rule.

3 **(43)**~~[(41)]~~ “Year” means any period of 12 consecutive calendar months.

4

5 Stat. Auth.: ORS 238.650

6 Stats. Implemented: ORS chapters 237, 238, 238A & 243

7 Hist.: PERS 2-1998, f. & cert. ef. 3-16-98; PERS 3-2003(Temp), f. 6-13-03, cert. ef. 7-1-

8 03 thru 12-26-03; PERS 12-2003, f. & cert. ef. 11-14-03; PERS 14-2003, f. & cert. ef.

9 11-20-03; PERS 15-2003, f. & cert. ef. 12-15-03; PERS 9-2004(Temp), f. 4-15-04 cert.

10 ef. 5-21-04 thru 7-1-04; PERS 15-2004, f. & cert. ef. 6-15-04; PERS 19-2005, f. 11-1-05,

11 cert. ef. 1-1-06; PERS 4-2006, f. & cert. ef. 4-5-06; f. 2-12-09 & cert. ef. 1-1-09; f. &

12 cert. ef. 5-28-2010; f. & cert. ef. 2-1-12; f. & cert. ef. 9-29-14; f. & cert. ef. 11-20-15; f.

13 & cert. ef. 5-27-16

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 045 – DOMESTIC RELATIONS ORDERS**

1       **459-045-0012**

2       **OPSRP Pension Program Division of Benefits**

3       (1) A final court order that provides for a division of pension benefits or disability  
4 benefits must use a method described in this rule.

5       (a) The method must be identified on PERS divorce forms.

6       (b) The PERS divorce forms must be attached as exhibits to the court order, and  
7 incorporated by reference in the court order.

8       (2) Award of Pension Benefits (Non-Retired Member). If a final court order awards  
9 an alternate payee a reduction or deduction amount from the monthly pension benefit that  
10 shall be paid in the future to the member, a court order must provide:

11       (a) The date of annulment, separation, divorce, or property settlement. If no date is  
12 provided, PERS will use the date the judge signed the court order.

13       (b) Whether the award is a reduction or deduction from the member's monthly  
14 pension. If the award is a reduction, the court order must provide whether the alternate  
15 payee is eligible to elect a separate benefit option at any time after the member reaches  
16 earliest retirement eligibility.

17       (c) The method by which the monthly award is to be calculated. One of the  
18 following methods must be used:

19       (A) A percentage, expressed with up to two decimal points; or

20       (B) A dollar amount; or

21       (C) A percentage of the married time ratio. If this method is used, the court order  
22 must provide:

- 1 (i) The percentage, expressed with up to two decimal points; and
- 2 (ii) The years and months of retirement credit accrued by the member during a
- 3 specified period or while married to the alternate payee.
- 4 (d) If there is a specific end date or dollar amount limit to the award, and what that
- 5 date or limit is.
- 6 (e) Whether the member must select a specific benefit payment option at retirement.
- 7 (f) Whether the member must designate the alternate payee as beneficiary.
- 8 (g) Whether the alternate payee and any minor children are awarded a percentage of
- 9 any pre-retirement death benefit pursuant to ORS 238A.230.

10 **(h) Whether a member may withdraw from the Individual Account Program**  
11 **pursuant to ORS 238A.375, thereby cancelling the member’s membership in the**  
12 **Public Employees Retirement System under ORS 238A.120 and forfeiting any and**  
13 **all accrued pension benefits for both member and alternate payee. If a decree**  
14 **administered under this paragraph (2) is silent on a member’s ability to withdraw**  
15 **from the Individual Account Program (IAP) pursuant to ORS 238A.375, the**  
16 **member will not be permitted to withdraw their IAP.**

17 **[(h)](i)** Whether the alternate payee award continues or ends after the member retires  
18 if:

- 19 (A) The member dies before the alternate payee and the member’s beneficiary is not
- 20 the alternate payee.
- 21 (B) If the alternate payee dies before the member.

1 (3) Award of Pension Benefits (Retired Member). If a final court order awards an  
2 alternate payee an amount to be paid from a retired member’s monthly pension, the court  
3 order must provide:

4 (a) The date of annulment, separation, divorce, or property settlement. If no date is  
5 provided, PERS will use the date the judge signed the court order.

6 (b) Whether the award is a reduction or deduction from the member’s monthly  
7 pension.

8 (c) The method by which the monthly award is to be calculated. One of the  
9 following methods must be used:

10 (A) A percentage, expressed with up to two decimal points; or

11 (B) A dollar amount.

12 (d) If there is a specific end date or dollar amount limit to the award, and what that  
13 date or limit is.

14 (e) Whether the member may or must change the beneficiary designation. If the  
15 member’s beneficiary is changed, the member’s pension must be recalculated.

16 (f) Whether a member, who elected to receive their pension under ORS  
17 238A.190(1)(b) or (d), is allowed to receive the higher pension benefit under ORS  
18 238A.190(2)(b).

19 (g) Whether the alternate payee will be the sole beneficiary or any remaining share  
20 not awarded to the alternate payee shall be paid to the member’s secondary beneficiary if  
21 the member dies before the alternate payee and the alternate payee was the member’s  
22 beneficiary.

23 (h) Whether an alternate payee award continues or ends if:

1 (A) The member dies before the alternate payee and the member’s beneficiary is not  
2 the alternate payee.

3 (B) The alternate payee dies before the member.

4 (4) Award of Disability Benefits. If a final court order awards an alternate payee an  
5 amount to be paid from the monthly disability benefit that is being paid or may be paid in  
6 the future to the member, the court order must provide:

7 (a) The date of annulment, separation, divorce, or property settlement. If no date is  
8 provided, PERS will use the date the judge signed the court order.

9 (b) Whether the award is a reduction or deduction from the member’s monthly  
10 disability benefit.

11 (c) A percentage, expressed with up to two decimal points, of the member’s monthly  
12 disability benefit that is awarded to the alternate payee.

13

14 Statutory/Other Authority: ORS 238.465, 238.650 & 238A.450

15 Statutes/Other Implemented: ORS 238.465

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 045 – DOMESTIC RELATIONS ORDERS**

1       **459-045-0014**

2       **Individual Account Program (IAP) Division of Benefits**

3       (1) A final court order that provides for a division of benefits must use a method  
4 described in this rule.

5       (a) The method must be identified on PERS divorce forms.

6       (b) The PERS divorce forms must be attached as exhibits to the court order, and  
7 incorporated by reference in the court order.

8       (2) Award of IAP Alternate Payee Account (Non-Retired Member). If a final court  
9 order provides an award of an alternate payee account to be established from the account  
10 balance of a member, the court order must provide:

11       (a) The date of annulment, separation, divorce, or property settlement. If no date is  
12 provided, PERS will use the date the judge signed the court order.

13       (A) The separate account will be established from the member’s account balance as  
14 of December 31 of the calendar year before this date unless:

15       (i) A prior year is provided in the court order; or

16       (ii) The date is December 31.

17       (B) If the date in subsection (a) of this section is other than December 31,  
18 contributions made during that calendar year will not be included in the calculation of the  
19 alternate payee’s award.

20       (b) That the separate account be established in an alternate payee’s name.

21       (c) The method by which the award is to be calculated. One of the following  
22 methods must be used:

1 (A) A percentage, expressed with up to two decimal points; or

2 (B) A dollar amount.

3 (d) Whether the member may change their pre-retirement beneficiary designation, if  
4 the alternate payee was named as beneficiary.

5 (3) Award of IAP Alternate Payee Account (Retired Member). If a final court order  
6 provides an award of an alternate payee account to be established from the remaining  
7 account balance of a retired member receiving installment payments, to be effective on  
8 the date that PERS establishes the alternate payee account, the court order must provide:

9 (a) The date of annulment, separation, divorce, or property settlement. If no date is  
10 provided, PERS will use the date the judge signed the court order.

11 (b) That a separate account be established in an alternate payee's name.

12 (A) The effective date of the alternate payee account shall be as soon as  
13 administratively feasible after PERS receives and approves a final court order as  
14 administrable.

15 (B) The alternate payee will be notified when the account has been established.

16 (C) The alternate payee account shall be distributed in a lump sum payment.

17 (D) Any installment payments paid to the member before the alternate payee account  
18 is established will not be included in the award.

19 (c) The award as a percentage, expressed with up to two decimal points.

20 (d) Whether the member may or must change their beneficiary designation.

21 **(4) Employee Pension Stability Accounts are accounts under the IAP and are**  
22 **not independently awardable in a divorce proceeding. Any EPSA excess, as defined**

1 in 459-005-0001, will be paid to the member, beneficiary, and/or alternate payee in  
2 the same proportion as the IAP division of benefits.

3 Statutory/Other Authority: ORS 238.465, 238.650, 238A.353 & 238A.450

4 Statutes/Other Implemented: ORS 238.465



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CHAPTER 459  
DIVISION 045 – DOMESTIC RELATIONS ORDERS**

1      **459-045-0034**

2      **General Administration for Individual Account Program (IAP)**

3      (1) A percentage award will be applied against the member’s account(s) to the extent  
4      the member is vested in the account(s). A dollar amount will be applied on a pro-rata  
5      basis against the member’s account(s) to the extent the member is vested in the  
6      account(s).

7      (2) An alternate payee account shall be credited with earnings and losses in  
8      accordance with OAR chapter 459, division 007.

9      **(3) Employee Pension Stability Accounts are accounts under the IAP and are**  
10     **not independently awardable in a divorce proceeding. Any EPSA excess, as defined**  
11     **in 459-005-0001, will be paid to the member, beneficiary, and/or alternate payee in**  
12     **the same proportion as the IAP division of benefits.**

13     ~~(3)~~(4)(a) At the time of distribution to the alternate payee, PERS shall provide the  
14     alternate payee a written summary of the information used in making the calculation for  
15     the distribution of benefits. An alternate payee may dispute the accuracy of the  
16     information used in making the calculation of the distribution of benefits by filing a  
17     written notice with PERS by the later of:

18     (A) The 30th day after the date on which the information and calculation is provided  
19     to the alternate payee under this section; or

20     (B) The 30th day after the issue date of the first distribution of benefits to the  
21     alternate payee.

1            (b) Upon receiving a notice as described above, PERS shall determine the accuracy  
2 of the disputed information and make a written decision either affirming the accuracy of  
3 the original information and calculation or changing the calculation using corrected  
4 information. PERS shall provide the alternate payee with a copy of the decision and a  
5 written explanation of any applicable statutes and rules.

6            (c) This section does not limit any authority of PERS to correct an incorrect  
7 calculation of any benefit.

8            ~~[(4)]~~ (5) If an alternate payee was a partner of the member, the award to the alternate  
9 payee is a distribution to the member for federal tax purposes. Therefore, an award of an  
10 alternate payee account as described in OAR 459-045-0014(2) and (3) will not be  
11 distributed until such distribution would not jeopardize the plan’s tax qualified status.

12

13            Statutory/Other Authority: ORS 238.465, 238.650 & 238A.450

14            Statutes/Other Implemented: ORS 238.465 & 238A.450

## Action and Discussion Items

1. Legislative Update
2. SB 1049 Implementation Update
3. PERS Health Insurance Plan Annual Update
4. 2022 Retiree Health Insurance Plan Renewals and Rates
5. Overview of Actuarial Methods & Economic Assumptions



# Oregon

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## Public Employees Retirement System

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June 4, 2021

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

### 2021 LEGISLATIVE SESSION- BILLS IMPACTING PERS

The 2021 legislative session began on February 19, and will continue until mid-to-late June. As of May 12, over 2,400 bills have been introduced for consideration during the 2021 legislative session. Of those, we are tracking 33 that directly impact PERS statutes or refer to PERS. Other bills may have an impact on various aspects of agency operation, and are also being tracked. During session, our highest priority is to monitor bills that will impact the PERS plan directly by amending or adding to ORS Chapters 238 and 238A, that refer to “retirement,” or that include incidental reference to PERS in non-PERS statutes.

Topics include, but are not limited to: Police and Fire (P&F) designation, reimbursement of employee contributions at 90% funded, release time counted as service time for union members, pension forfeiture if convicted of rape or murder, Final Average Salary calculated on 5 years instead of 3 years, no new members after Jan 2022, lower retirement age for P&F.

With few exceptions, committees have until May 25 to hold work sessions on second chamber bills (House bills in the Senate and Senate bills in the House). The following 33 bills qualify for close monitoring, but are not the only bills the agency is tracking. Official information about all legislation is available on the legislative website: [www.oregonlegislature.gov](http://www.oregonlegislature.gov)

Bill Number	Relating to Clause
<b>SB 41</b>	Relating to employees of the State Board of Parole and Post-Prison Supervision; declaring an emergency
<b>SB 42</b>	Relating to the State Board of Parole and Post-Prison Supervision
<b>SB 111</b>	Relating to public employee retirement
<b>SB 112</b>	Relating to public employee retirement; declaring an emergency
<b>SB 113</b>	Relating to public employee retirement; declaring an emergency
<b>SB 137</b>	Relating to connection to federal tax law; prescribing an effective date
<b>SB 138</b>	Relating to connection to federal tax law; prescribing an effective date
<b>SB 297</b>	Relating to judicial marshals; prescribing an effective date
<b>SB 413</b>	Relating to salary under Public Employees Retirement System
<b>SB 425</b>	Relating to telecommunicators

<b>SB 426</b>	Relating to telecommunicator members of the Public Employees Retirement System
<b>SB 427</b>	Relating to telecommunicator members of the Public Employees Retirement System
<b>SB 446</b>	Relating to the calculation of final average salary under the Public Employees Retirement System
<b>SB 510</b>	Relating to members of the Public Employees Retirement System who commit crimes
<b>HB 2012</b>	Relating to telecommunicators
<b>HB 2149</b>	Relating to management service in state employment
<b>HB 2223</b>	Relating to public employee retirement
<b>HB 2242</b>	Relating to telecommunicators
<b>HB 2375</b>	Relating to the forfeiture of retirement credit under the Oregon Public Service Retirement Plan; declaring an emergency
<b>HB 2457</b>	Relating to connection to federal tax law; prescribing an effective date
<b>HB 2512</b>	Relating to reemployment of retired members of the Public Employees Retirement System
<b>HB 2516</b>	Relating to retirement of firefighters under Oregon Public Service Retirement Plan
<b>HB 2577</b>	Relating to connection to federal tax law; prescribing an effective date
<b>HB 2709</b>	Relating to public employee retirement
<b>HB 2748</b>	Relating to the Oregon Public Service Retirement Plan
<b>HB 2750</b>	Relating to the retirement benefits of state officers; declaring an emergency
<b>HB 2866</b>	Relating to designated representatives
<b>HB 2867</b>	Relating to payments under the Public Employees Retirement System subject to Oregon personal income tax; prescribing an effective date
<b>HB 2875</b>	Relating to public employee retirement
<b>HB 2906</b>	Relating to employee contributions to the Public Employees Retirement System
<b>HB 3130</b>	Relating to the employment of substitute teachers
<b>HB 3396</b>	Relating to the Public Employees Retirement Board
<b>SB 5536</b>	Relating to the financial administration of the Public Employees Retirement System; declaring an emergency

Of these bills, many will languish in committees, and more will not move forward after the second chamber deadline. However, PERS continues monitoring all relevant bills until the end of session to ensure if any are resurrected, the agency will be aware.

Two bills in particular that were not introduced by the agency, but that will affect PERS, are HB 2906 and HB 2875. Please note that neither of these bills have passed, but they are moving through session currently.

HB 2906 changes the statutorily mandated redirect salary threshold for members from a 2020 baseline of \$2,500 to a threshold of \$3,333 beginning Jan 1, 2022. This bill retains the language that provides that on January 1 of each subsequent year, the PERS Board will adjust the dollar amounts of that salary threshold to reflect any percentage increase in the cost of living 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 administrative impact of the changes made by this bill is minimal, since the redirect salary threshold is subject to update every January 1, the agency's system is set up to account for such changes.

As the agency testified to in the public hearing related to this bill, increasing the monthly member redirect salary threshold will result in less money in the member redirect offset account. This bill would lead to a loss of approximately \$10 million over a biennium (\$5 million a year).

Contextually, we anticipate bringing in a total of \$4.67 billion in contributions over the course of the 2021-2023 biennia. This \$10 million reduction to Member Redirect contributions would be reflected in the 2023-2025 rate setting process where the Member Redirect offset would reduce slightly from 2.44% to 2.40% for Tier One/Tier Two members and from 0.69% to 0.66% for OPSRP members, thereby increasing employers rates by 0.04% for Tier One/Tier Two members and by 0.03% for OPSRP members based on current actuarial assumptions.

Currently, HB 2906 has passed the House and has had its first reading in the Senate. No committee meetings have been scheduled as of the date of writing this memo for this bill.

HB 2875, as amended, combines three PERS bills that were heard in the House. HB 2875 combines HB 2375 (prevents loss of membership for members in their fifth year of attempting to vest if they work more than 600 hours in their sixth year), HB 2867 (increased time period for returning residency certification form to continue tax remedy benefits to April 15), and HB 2875 (giving fire marshal employees who perform firefighting duties Police & Fire designation).

This bill will have a fiscal impact to the agency to implement, although overall a minimal impact to the PERS plan. Due to the cost of implementation, this bill was referred from the House to the Joint Committee on Ways and Means, and has not currently been heard by that committee.

#### 2021 LEGISLATIVE SESSION- PERS' AGENCY BILLS

PERS' agency bills are SB 111A, 112, and 113. These bills have all passed the Senate and been assigned to the House Business and Labor Committee. The committee held a public hearing for all three bills on May 3, 2021, and a work session for all three bills on May 12, 2021. The bills passed through committee without additional amendments and will move to the House floor for a vote. The House passed SB 111 and SB 112 on May 19, 2021. SB 113 is still awaiting a floor vote.

SB 111 became SB 111A Engrossed after having multiple amendments integrated into the bill. The topic of these integrated amendments are as follows: OHSU to extend SB 111's salary fix to apply to their own employees more retroactively, public charter schools to do the same thing for their employees, and the Oregon State Firefighter's Council expanding optional death benefits for Tier One and Tier Two members and death benefits for OPSRP members.

SB 112 does not have any amendments.

SB 113 does not have any amendments.

### PERS BUDGET PRESENTATIONS

In late February and early March, the Joint Ways and Means Subcommittee on General Government held three public hearings on Senate Bill 5366, the PERS budget bill. Presentations included an agency and system overview, and highlights of agency budget structure and requests. Meeting video and materials are available at:

<https://olis.oregonlegislature.gov/liz/2021R1/Measures/Testimony/SB5536>

The -1 Amendments were adopted based on Legislative Fiscal Office (LFO) recommendations, which included: a change in the amount requested initially for modernization efforts to \$800,000 to allow for initial consulting to produce a workplan and timeline for the project, an additional \$825,000 to cover extra costs for the production data center migration project, an additional \$337,000 to cover the SB 1049 Work After Retirement work package 4, a reduction of the enterprise risk management position initially requested, and placeholder amounts for both the EIF and the SDULF, as amounts will be adjusted based on the May revenue forecast.

The budget bill also brings with it budget notes, which are usually reporting requirements for the agency. This upcoming budget bill contains two budget notes. The first requests continued reporting to the legislature regarding SB 1049 implementation, and the second is a new requirement to report to LFO in 2022 with the close out report of our data center migration and warm site projects.

SB 5536, as amended, moved to the full Ways and Means committee and a work session was held April 30, 2021. At that work session, the full committee moved the bill as amended to the Senate floor. The bill passed the Senate floor and passed the House floor as of May 19, 2021. It now goes to the Governor's desk for her signature.

### REQUIRED REPORTING UPDATE

PERS presented to the Joint Committee on Information Management and Technology on the progress of SB 1049 (2019) implementation on April 7, 2021. The agency's report was accepted and committee members asked a few questions during the presentation, but overall had no issues with the agency's report.

## Action and Discussion Items

1. Legislative Update
2. SB 1049 Implementation Update
3. PERS Health Insurance Plan Annual Update
4. 2022 Retiree Health Insurance Plan Renewals and Rates
5. Overview of Actuarial Methods & Economic Assumptions





# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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June 4, 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 go through the Enterprise Information Services (EIS) stage gate process.

Project	Effective Date	Project Health and Status (as of 5/21/21)
SB 1049 Program		Program health: Yellow <ul style="list-style-type: none"> <li>• Program health has been downgraded to Yellow since the 2021-2023 budget, although not yet approved, is close. It will remain in Yellow status as Member Redirect is scheduled past the end of the 2021-2023 biennium.</li> <li>• Standard project closure activities have been established.</li> <li>• Resource allocation and preparation for 2021-2023 biennium underway.</li> </ul>
Employer Programs Project	Effective 7/1/2019	Project health: Green <ul style="list-style-type: none"> <li>• User Acceptance Testing (UAT) will continue through 5/18/21 for Work Package (WP) 2; on track for a 6/30/21 completion date.</li> <li>• Project end date is 7/16/21.</li> </ul>
Salary Limit Project	Effective 1/1/2020	Project health: Green <ul style="list-style-type: none"> <li>• WP4 was successfully deployed on 5/13/21.</li> <li>• Project end date is 5/28/21.</li> </ul>
Work After Retirement Project	Effective 1/1/2020	Project health: Green <ul style="list-style-type: none"> <li>• Project schedule was rebaselined 5/20/21.</li> <li>• WP3 was successfully deployed on 5/13/21.</li> </ul>

Member Redirect Project	Effective 7/1/2020	Project health: Green <ul style="list-style-type: none"> <li>UAT will begin for WP4.2 and WP12 on 5/24/21 and is on track for the 6/24/21 deployment.</li> </ul>
Member Choice Project	Effective 1/1/2021	Project health: Green <ul style="list-style-type: none"> <li>UAT will begin for WP3 on 5/24/21; on track for a 6/24/21 deployment.</li> <li>Project end date is 8/4/21.</li> </ul>

**Highlighted activities completed or in progress since late March 2021:**

- Program and project activities
  - iQMS activities
    - Quarterly QA Status and Improvement Report received 4/29/21
    - Draft May 2021 Periodic Quality Status Report received 5/14/21
- EIS Stage Gate process requirements
  - PERS received updated endorsement memos on 3/17/21
- Budget reporting
  - Budget Presentations to the Legislature completed on 3/1/21
  - JCIMT meeting was held on 4/7/21
  - Continuing monthly meetings with the Chief Financial Office, Legislative Fiscal Office, and the Governor’s Office
- Communications
  - Employer Programs
    - Published the third UALRP educational guide, “Guide to Understanding UAL”
    - Opened the Annual Employer Satisfaction Survey, which includes questions about the UALRP and EIF
  - April [Employer News](#) included an article about Work After Retirement exceptions and early retirees
  - May [Employer News](#) included an article about Member Redirect; how it works, how it benefits employers, and when they’ll get a rate offset from it
  - Member Annual Statements mailed to members beginning mid-May
  - Employer Advisory Group meeting held 4/16/21

**PROGRAM/PROJECT BUDGET**

The high-level budget information is contained within Page 2 of the attachment to agenda item A.3.c. The detailed budget can be viewed in the attached Monthly Status Report.

PERS staff will continue to update the board as program implementation continues throughout the year.

C.2. Attachment 1 – *Monthly Project Status Report and Roadmap*

# SB 1049 Implementation Program

## Status Report for May 21, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

### Program information:

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

### Subprojects:

#### Project 1: Employer Programs

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

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

- Project start: July 1, 2019 | Project end: February 28, 2021
  - Re-baseline completed 5/20/2021
- 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: February 21, 2024
- Project status: **Green**

#### Project 5: Member Choice

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

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

### Overall program status: **Yellow**

The program status has been changed to yellow. All projects have returned to green, but approval of the 2021-2023 budget request is still outstanding. The budget request is progressing well through the approval process and anticipated to pass as-is. This funding is required for both Member Redirect and WAR project activities that will continue into the 2021-2023 biennium.

The WAR project re-baselined their schedule on 5/20/2021, incorporating the change request for WP4: Side Account Credit Allocation, returning that project to green.

Salary Limit deployed its final work package to production on 5/13/2021 and has begun project closeout activities. Member Choice and Employer Programs are on track to deploy their final work packages to production by the end of June 2021, and will begin their project closeout activities immediately afterwards. Member Redirect and WAR will continue development, testing, and deployment activities into the next biennium as-planned. All activities for Member Redirect and WAR are currently on-schedule.



# SB 1049 Implementation Program

## Status Report for May 21, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

**Budget health: Yellow**

Member Redirect and WAR activities are planned beyond 2019-21 biennium, but 2021-2023 budget has not yet been approved. Budget approvals are progressing and nearing completion for the full SB 1049 amount PERS requested (\$22.8m) in the 2021-2023 biennium.

Beginning this month, program budget will be provided by both project and POP views.

29560- SB 1049 Implementation Program by Project								
Other Funds Lmt	19-21 Budget	Actual to Date	Projections	19-21 Total	Variance	21-23 Policy Package	Program Cost	
Salary Limit Project	\$ 1,422,027	\$ 910,721	\$ 129,229	\$ 1,039,950	\$ 382,077	\$ -	\$ 1,039,950	
Work After Retirement Project	\$ 2,182,839	\$ 1,716,683	\$ 351,086	\$ 2,067,769	\$ 115,070	\$ 337,000	\$ 2,404,769	
Member Redirect Project	\$ 21,040,133	\$ 16,322,237	\$ 2,877,603	\$ 19,199,840	\$ 1,840,293	\$ 22,477,797	\$ 41,677,637	
Employer Programs Project	\$ 2,051,084	\$ 1,388,484	\$ 618,702	\$ 2,007,186	\$ 43,898	\$ -	\$ 2,007,186	
Member Choice Project	\$ 2,337,814	\$ 1,829,174	\$ 453,478	\$ 2,282,652	\$ 55,162	\$ -	\$ 2,282,652	
Total	\$ 29,033,897	\$ 22,167,298	\$ 4,430,098	\$ 26,597,396	\$ 2,436,501	\$ 22,814,797	\$ 49,412,193	

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	\$ 1,753,100	\$ 454,200	\$ 2,207,300	\$ 292,700	\$ 2,044,800	\$ 4,252,100	
803- Quality Assurance and Testing	\$ 2,500,000	\$ 1,969,800	\$ 405,316	\$ 2,375,116	\$ 124,884	\$ 812,500	\$ 3,187,616	
804- Info Technology Applications	\$ 15,992,000	\$ 13,013,075	\$ 2,613,277	\$ 15,626,352	\$ 365,648	\$ 13,337,000	\$ 28,963,352	
805- Operational Implementation	\$ 8,041,897	\$ 5,431,322	\$ 957,305	\$ 6,388,627	\$ 1,653,270	\$ 6,620,497	\$ 13,009,124	
806- Contingency Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total	\$ 29,033,897	\$ 22,167,298	\$ 4,430,098	\$ 26,597,396	\$ 2,436,501	\$ 22,814,797	\$ 49,412,193	

AFN
\$ 20,378,296

## Status Report for May 21, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

### Schedule health: **Green**

WAR re-baselined their project schedule on 5/20/2021, incorporating the change request for WP4: Side Account Credit Allocation, returning that project to green. All projects now have a schedule health of green, so the program schedule health has returned to green.

### 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 4.1.5 Quarterly QA Status and Improvement Report started 3/10/2021, completed 5/6/2021.
- iQMS Deliverable 3.3.5 Periodic Quality Status Report started on 3/31/2021, due 6/9/2021.
- iQMS Deliverable 4.1.6 Quarterly QA Status and Improvement Report starts 6/9/2021, due 8/4/2021.

#### Emerging concerns/needs/impacts:

- Work Order Contracts (WOC) for SB 1049 2021-2023 staffing needs have been finalized and submitted to DOJ and EIS for review and approval
- As three projects are nearing closure:
  - The team has revised processes to resolve defects that remain in the SB 1049 backlog to better plan the fixes, approve the fixes, and more effectively manage scope during development and testing phases in future work packages
  - The team is planning and conducting project closure activities, including final closure reporting, release/reassignment of project resources, and contract review and closeout
- The team is currently reviewing technical debt for Employer Statements, which was amplified by the addition of SB 1049 functionality.

# SB 1049 Implementation Program

## Status Report for May 21, 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
58	<b>Technical Debt Impact to Timelines:</b> Technical Debt Limits Ability to Provide SB 1049 Functionality within the mandated timeframes.	➤ Assess the individual technical debt items to determine if it is required or optional. Escalate to Steering as required.	Currently reviewing technical debt for Employer Reporting, which was amplified by the addition of SB 1049 functionality.
81	<b>Technology Risk:</b> Complexity and fragility of jClarety system	➤ Some or all of the SB 1049 projects may require attention to fixing technical debt or finding appropriate work arounds. See the individual project risks logs for specific mitigation activities.	
104	<b>Unknown Requirements for Cloud Platform-</b> Since PERS has no experience with Cloud development, there may be unknown requirements to implement this technology into the agency.	➤ Microsoft engaged to help design and support cloud-based activities	Both Employer Programs and Cross Project Effort have work packages that will be released to the cloud.

### 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 May 21, 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:** A Change Request (CR) was approved by the SB 1049 Steering Team to split Work Package (WP) 4: Individual Account Program (IAP) Adjustment Calculator and WP5: Prior Year End Invoicing into two testing cycles. This creation of WP4.1, WP4.2, WP5.1 and WP5.2 will allow the team to fully test all updates to the tools. WP4.1 and WP5.1 will test the Voluntary Contributions and Employee Pension Stability Account while WP4.2 and WP5.2 will test the Target Date Fund (TDF) updates. The timeframe for testing WP4.2 and WP5.2 will begin in April 2022 and the tools are expected to be deployed to production by 6/1/2022. This change is not expected to extend the overall Cross Project Effort schedule.

The team successfully deployed WP2.2: IAP Payment Recon and WP7.2: Employer Information Actuarial Extract on 5/13/2021. The balance of the Cross Project Effort work is in the following status: WP4.1: IAP Adjustment Calculator and WP5.1: Prior Year Earnings Invoicing Tool are in User Acceptance Testing with deployment planned for 6/2/2021. WP7.1: Census Actuarial Extract is in UAT with deployment planned for 6/24/2021.

### Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP5.1: Prior Year Earnings Invoicing Tool Deployed	0%	5/13/2021	6/02/2021	Tool versioning issue caused delay
WP4.1: IAP Adjustment Calculator Deployed	0%	6/02/2021	6/02/2021	
WP7.1: Non-Retired Actuarial Extract Deployed	0%	6/24/2021	6/24/2021	
WP3: IAP Divorce Tool Deployed	0%	2/22/2022	2/22/2022	
WP5.2: Prior Year Earnings Invoice Tool Deployed	0%		5/24/2022	Schedule is in team review
WP4.2: IAP Adjustment Calculator Deployed	0%		5/26/2022	Schedule is in team review

\*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 May 21, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

## Senate Bill (SB) 1049 Implementation Road Map

2019-2021 Biennium

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



# SB 1049 Implementation Program

Status Report for May 21, 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	JUN	
<b>Employer Programs</b>		• 7/16/21 – Project Close																							
<b>Work After Retirement</b>																									
<b>Member Redirect</b>																									
<b>Member Choice</b>		• 8/4/21 – Project Close																							
<b>PROGRAM INITIATIVE</b>																									
<b>Cross Project Effort</b>																									

## 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>																									

# SB 1049 Implementation Program

## Status Report for May 21, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

### Project information: Employer Programs

**Project start:** July 1, 2019 | **Project end:** July 16, 2021  
**Project Manager:** Joli Whitney

### Project objective:

The Employer Programs section of SB 1049 expands the requirements for the Employer Incentive Fund (EIF); and appropriates \$100 million from the General Fund to the Employer Incentive Fund; directs net proceeds from Oregon Lottery Sports betting to the Employer Incentive Fund; allows participating public employers who make larger than \$10 million deposits to side accounts to determine when they wish to have these funds included in their employer rate assessment; and requires all public employers to participate in the Unfunded Actuarial Liability Resolution Program (UALRP).

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

**Project Narrative:** The second work package (WP2) moves the new Employer Rate Projection Tool (ERPT) from the internal datacenter to an Azure cloud hosted environment. The ERPT will be the first PERS application hosted in the cloud environment. This is a key opportunity for the technical staff to gain experience deploying and managing applications in a shared environment. The team completed User Acceptance Testing on 5/18/2021. Six volunteer PERS employers participated in external testing in addition to internal staff testing of the ERPT.

With the successful construction and testing of the ERPT, it is ready to be deployed to the cloud at any time. The team has evaluated the schedule and determined that it can be deployed nearly a month early, from 6/30/2021 to 6/3/2021. PERS is calling this a “soft launch”; even though ERPT will be deployed to production early, the notification for employers that the new tool is available will still follow the scheduled deployment plan of 6/30/2021. This will allow the team time to validate ERPT in production, to perform planned change management activities, and to prepare communications for employers by 6/30/2021.

### Employer Rate Projection Tool Work Packages

#### WP1 Migrate and Adapt ERPT (Completed)

- Acceptance Quality Gate: 3/23/2021 (this WP was not 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: 6/3/2021
  - Communication to Stakeholders 6/30/2021
- User Acceptance Testing with Employer Stakeholders
- Cloud hosting

# SB 1049 Implementation Program

## Status Report for May 21, 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	\$ 866,591	\$ 32,416	\$ 899,007	\$ 993
General Overhead Allocation	\$ 328,438	\$ 229,295	\$ 87,422	\$ 316,717	\$ 11,721
Personal Services - SB1049	\$ 230,811	\$ 187,380	\$ 18,901	\$ 206,281	\$ 24,530
Office Expenses	\$ 5,000	\$ 77	\$ 4,000	\$ 4,077	\$ 923
IT Professional Services	\$ 1,306,083	\$ 965,849	\$ 333,627	\$ 1,299,476	\$ 6,607
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	\$ 1,388,484	\$ 618,702	\$ 2,007,186	\$ 43,898
<b>Project Total</b>	<b>\$ 2,951,084</b>	<b>\$ 2,255,075</b>	<b>\$ 651,118</b>	<b>\$ 2,906,193</b>	<b>\$ 44,891</b>
Average Monthly Spend (Burn Rate)		\$ 63,112.91	\$ 309,351.00		
*Not included in SB1049 Expenses					

**Schedule health: Green**

The schedule is well understood.

**Scope health: Green**

The scope is well understood.

**Quality Assurance activities:**

- Quality Check Point of the Draft Work Package Development documentation of WP2 was completed on 5/10/2021.
- WP2 Move to Production Pre Quality Gate entry meeting was completed on 5/21/2021
- WP2 Move to Production Quality Gate sign off meeting is scheduled on 6/1/2021

**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 May 21, 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
36	<b>Unknown Requirements for Cloud Platform-</b> The plan to deploy ERPT to the Cloud involves technology which PERS has no experience with or existing processes to manage. There may be unknown requirements to implement this technology into the agency.	<ul style="list-style-type: none"> <li>➤ Regular check in meetings with EIS, CIO, Microsoft and other external partners to discuss cloud deployment plans and identify any external requirements</li> </ul>	The technical team has been in regular workshops with Microsoft to receive guidance and best practices for Azure cloud, but this has been an iterative process and some activities or tasks to provide this service may be overlooked.
37	<b>Unclear Roles and Responsibilities for Cloud Platform</b> The plan to deploy ERPT to the Cloud involves technology which PERS has no experience with or existing processes to manage. There are unclear owners of roles and responsibilities to manage the deployment to cloud and manage the tool following deployment.	<ul style="list-style-type: none"> <li>➤ Develop RACI for Cloud Management and the ERPT</li> <li>➤ Process mapping of new ERPT</li> <li>➤ Develop Support Plan for ERPT to describe post deployment management</li> </ul>	<p>Process mapping activities for the new ERPT are in progress.</p> <p>Support plan development is planned in the coming weeks to fully document the service level agreements for the tool as it moves into standard operations.</p> <p>PERS Enterprise Architecture Team has developed RACI.</p>

### 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 May 21, 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	100%	1/7/2021	1/29/2021	
WP1 Business Functional Testing Complete	100%	2/26/2021	2/26/2021	
WP1 User Testing Complete	100%	3/19/2021	3/19/2021	
WP1 Final Acceptance Quality Gate	100%	3/30/2021	3/23/2021	
WP2 Development Complete	100%	4/8/2021	4/8/2021	
WP2 Business Functional Testing Complete	100%	4/28/2021	2/26/2021	
WP2 User Acceptance Testing Complete	100%	6/7/2021	5/18/2021	Testing was much less complex than originally anticipated.
WP2 Deployment Complete (ERPT Complete)	0%	6/30/2021	6/3/2021	
Launch UALRP and ERPT to Employers	0%	6/30/2021	6/30/2021	
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 May 21, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

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

**Project start:** July 1, 2019 | **Project end:** 2/28/2021  
**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 was successfully deployed to production on 5/13/2021.

The team has fully moved into the work for WAR WP4: Side Account Credit Allocation plus Defect Remedy. The Side Account Credit Allocation part of the scope will add functionality that is critical to employer invoicing by ensuring that the WAR receivables credit Side Accounts in the same manner as active member receivables currently work. The Defect Remedy part of the scope for WAR WP4 includes seven WAR related defects. The technical team is currently analyzing and doing initial development to resolve these seven defects. Meanwhile, the Product Owner team and business Subject Matter Experts have begun elaboration with their own analysis of the functionality that needs to be modified to meet the 7/12/2021 Business Requirement Document (detailed requirements) deadline.

The WAR WP4 resources have been identified, the schedule has been baselined and the budget is included in the 2021/2023 budget packet. The schedule holds a 12/16/2021 production release date and a 2/28/2022 project close date.

Since the resources have been determined and the schedule has been baselined, WAR returns to a green status. The program is tracking the budget bill and it is anticipated that the legislature will approve the budget.

### Work Packages:

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

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

#### Work Package 2: New Wage Codes with General Ledger Integration – Long-term

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

#### Work Package 3: Retro Rate Change – Long-term

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

#### Work Package 4: Side Account Credit Allocation

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

# SB 1049 Implementation Program

## Status Report for May 21, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

**Budget health: Green** The issue of additional budget needed for work beyond the current biennium is being tracked at the program level. The additional budget needed for WAR WP4 is pending legislative approval of the 2021/23 budget and it not reflected in this chart.

29560 SB1049 - Work After Retirement (WAR) Project					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 1,384,297	\$ 1,270,841	\$ 113,456	\$ 1,384,297	\$ -
General Overhead Allocation	\$ 637,166	\$ 458,590	\$ 178,576	\$ 637,166	\$ -
Personal Services - SB1049	\$ 462,087	\$ 370,390	\$ 42,830	\$ 413,220	\$ 48,867
Office Expenses	\$ 2,194	\$ 97	\$ 500	\$ 597	\$ 1,597
Professional Services	\$ 140,000	\$ 131,000	\$ -	\$ 131,000	\$ 9,000
IT Professional Services	\$ 931,392	\$ 751,070	\$ 126,180	\$ 877,250	\$ 54,142
IT Expendable Property	\$ 10,000	\$ 5,536	\$ 3,000	\$ 8,536	\$ 1,464
SB 1049 Total Expenses	\$ 2,182,839	\$ 1,716,683	\$ 351,086	\$ 2,067,769	\$ 115,070
<b>Project Total</b>	<b>\$ 3,567,136</b>	<b>\$ 2,987,524</b>	<b>\$ 464,542</b>	<b>\$ 3,452,066</b>	<b>\$ 115,070</b>
Average Monthly Spend (Burn Rate)		\$ 81,746.80	\$ 117,028.67		
*Not included in SB1049 expenses					

### Schedule Health: Green

The WAR schedule was rebaselined on 5/20/2021 to include the WP4: Side Account Credit Allocation schedule. The new project closure date is 2/28/2022.

### Scope health: Green

Elaboration for WP4: Side Account Credit Allocation has begun with the Business Requirements Document due by 7/12/2021.

Quality Assurance activities:

- A Quality Check Point review was completed on 5/13/2021 for contractual deliverable D1.0.20 Contractor Support Log.
- A Quality Check Point review was completed on 5/18/2021 for WAR WP4 schedule.

Emerging concerns/needs/impacts:

- No concerns at this time.

# SB 1049 Implementation Program

## Status Report for May 21, 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
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>➢ Set additional elaboration meetings or extend the elaboration timeline</li> <li>➢ Use iterative development to reverse engineer the code to meet Business need.</li> <li>➢ Ensure effective inter-team project communication</li> <li>➢ Schedule additional time to analyze complex code</li> </ul>	Side Account code within jClarety is some of the most complex code. The technical team will have to navigate this code successfully to deploy the deliverable for WAR WP4.
54	<b>Technical Debt Impact to Timelines:</b> Technical Debt Limits Ability to Provide SB 1049 Functionality within the mandated or planned timeframes.	<ul style="list-style-type: none"> <li>➢ Review existing technical debt in light of new coding to ensure that the coding is not reliant on a technical debt issue that is not being corrected.</li> <li>➢ Schedule additional analysis time when known technical debt may be part of the new coding.</li> </ul>	WP4 is coding within the very complex General Ledger part of jClarety. There are multiple technical debt issues known that may affect the WP4 coding.
78	<b>Code Merge Impact:</b> Code merges from releases to development, Business Functional Testing (BFT) & User Acceptance Testing (UAT) environments cause delays and rework.	<ul style="list-style-type: none"> <li>➢ Ensure communication happens quickly and is inclusive.</li> <li>➢ Avoid merges during UAT testing whenever possible.</li> <li>➢ Contingency plan for needed UAT merges.</li> </ul>	The 10/14/2021 Member Redirect release will necessitate a code merge during WP4 BFT. This will be planned and monitored closely to prevent merge issues.
81	<b>Technology Risk: Complexity and Fragility of jClarety system:</b> New code could negatively affect or be negatively affected by legacy jClarety system.	<ul style="list-style-type: none"> <li>➢ Iteratively develop more complex code structure.</li> <li>➢ Add necessary technical debt fix to project scope.</li> <li>➢ Regression Test to ensure technical issue does not negatively affect new code.</li> </ul>	Side Account code within jClarety is some of the most complex code. The technical team will have to navigate this code successfully to deploy the deliverable for WAR WP4.

### Project Issues and Action Plans

Listed below are the most critical issues for this project.

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

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



Status Report for May 21, 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	
WP2 - Deployment Complete	100%	10/22/2020	11/19/2020	
WP4 - High Level Estimate Complete	100%	2/25/2021	2/25/2021	
WAR - Baselined Effort Based Project Schedule	100%	3/5/2021	3/5/2021	
WP3 - Business Functional Testing (BFT) Complete	100%	3/19/2021	3/19/2021	
WP3 - Ready for User Acceptance Testing (UAT) Quality Gate	100%	3/29/2021	3/26/2021	
WP3 - User Acceptance Testing Complete	100%	5/7/2021	5/07/2021	
WP3 - Quality Assurance Testing Complete	100%	5/7/2021	5/07/2021	
WP3 - Move to Production Quality Gate Complete	100%	5/12/2021	5/11/2021	
WP3 - Deployment Complete	100%	5/13/2021	5/13/2021	
WAR - Rebaselined Effort Based Project Schedule (WP4)	100%	5/20/2021	5/20/2021	
WP3 - Phase Closure Complete	0%	5/27/2021	5/27/2021	
WP4 - Business Requirements Document Complete	0%	7/12/2021	7/12/2021	
WP4 - Development Complete	0%	10/5/2021	10/5/2021	
WP4 - Business Functional Testing (BFT) Complete	0%	10/26/2021	10/26/2021	
WP4 - User Acceptance Testing (UAT) Complete	0%	12/10/2021	12/10/2021	
WP4 - Deployment Complete	0%	12/16/2021	12/16/2021	
WP4 - Phase Closure Complete	0%	1/04/2021	1/4/2021	
WAR Project Complete	0%	2/28/2021	2/28/2022	

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

## Status Report for May 21, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

### Project information: Salary Limit

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

Project Manager: Bruce Rosenblatt

### Project objective:

The Salary Limit Project is necessary because SB 1049 redefined "salary," which changes the calculation method for Final Average Salary, and contributions for members with subject salary greater than \$195,000. This limit is on salary for plan purposes, and is not a salary cap. The Salary Limit was adjusted for the Consumer Price Index, on 1/04/2021. The redefinition impacts the data and business processes used by diverse teams at PERS, including Benefit Calculations, Member Estimates, Data Verifications, Employer Data Reporting, and Account Data Reviews and Reporting.

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

**Project Narrative:** Work Package 4 (WP4) was deployed successfully on May 13, 2021, This WP introduced Calculation Alert Messages on application screens to further assist the PERS staff in validating benefit calculations and payments. Reports with greater detail on Final Average Salary were developed and scrutinized by subject matter experts, and the team delivered release notes and training aids to improve accuracy and simplify reviews.

WP4 is the final work package for the Salary Limit Project and the team has initiated project closeout activities.

### Work Packages:

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

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

#### Work Package 2: Annual Implementation of New Salary Limit

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

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

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

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

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

# SB 1049 Implementation Program

## Status Report for May 21, 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	\$ 1,155,000	\$ 1,057,260	\$ 97,740	\$ 1,155,000	\$ -
General Overhead Allocation	\$ 318,583	\$ 229,295	\$ 89,208	\$ 318,503	\$ 80
Personal Services - SB1049	\$ 232,356	\$ 187,324	\$ 20,021	\$ 207,345	\$ 25,011
Services and Supplies	\$ 147,088	\$ 131,240	\$ -	\$ 131,240	\$ 15,848
IT Professional Services	\$ 714,000	\$ 357,326	\$ 20,000	\$ 377,326	\$ 336,674
IT Expendable Prop	\$ 10,000	\$ 5,536		\$ 5,536	\$ 4,464
SB1049 Total Expenses	\$ 1,422,027	\$ 910,721	\$ 129,229	\$ 1,039,950	\$ 382,077
<b>Project Total</b>	<b>\$ 2,577,027</b>	<b>\$ 1,967,981</b>	<b>\$ 226,969</b>	<b>\$ 2,194,950</b>	<b>\$ 382,077</b>
Average Monthly Spend (Burn Rate)		\$ 53,571.85	\$ 18,461.29		
*Not included in SB1049 Expenses					

**Schedule health: Green**

The final Work Package, WP4, has been deployed on schedule and all deployment activities are completed. Project closeout activities are in progress.

**Scope health: Green**

The project scope has been delivered for all releases.

Quality Assurance activities:

- Quality Assurance - Move to Production Quality Gate was approved for WP4 on 5/11/2021.
- Project Closure Quality Gate is targeted for completion by 5/28/2021, including executive and business sponsor approval.

Emerging concerns/needs/impacts:

- No emerging concerns

# SB 1049 Implementation Program

## Status Report for May 21, 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
	No current risks		

### 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		

## Status Report for May 21, 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	100%	1/19/2021	2/19/2021	
WP4 - Business Function Testing (BFT) Complete	100%	3/19/2021	3/15/2021	
WP4 - User Acceptance Testing (UAT) Complete	100%	5/07/2021	5/07/2021	
WP4 - Deployment Complete	100%	5/13/2021	5/13/2021	
Project Complete	0%	5/28/2021	5/28/2021	

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

## Status Report for May 21, 2021

Executive Sponsor: Kevin Olineck  
Program Manager: Christa Harrison

### Project information: Member Redirect

**Project start:** July 1, 2019 | **Project end:** February 21, 2021

**Project Manager:** Chris Yu

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

**Project Narrative:** The overall project health is green and activities are progressing on schedule. Work package 4.2 (EPSA Earnings) and work package 12 (EPSA Screen Setup) completed Business Functional Testing on 5/14/2021. The next steps will be to set up the test scripts and environment for User Acceptance Testing, which will begin on 5/24/2021.

Change Request 006 (Work Package Removal) is being drafted by the Project Manager. The purpose of CR-006 will be to remove work package WP7.1 (EPSA Divorce), WP8.2 (EPSA Pre-Retirement Death), WP10.1 (EPSA Post-Retired Death) and to re-arrange the deployment priority because the Policy Analysis and Compliance team determined that these 3 work packages are not necessary to support the overall scope of Member Redirect.

### Work Packages:

#### Work Package 4.2 EPSA Earnings - Long-Term

- Production Deployment Date: 6/24/2021
- Business Functional Testing was completed on 5/14/2021
- User Acceptance Testing will begin on 5/24/2021

#### Work Package 12 Full EPSA Screen Setup - Long-Term

- Production Deployment Date: 6/24/2021
- Business Functional Testing was completed on 5/14/2021
- User Acceptance Testing will begin on 5/24/2021

### 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 5.1 EPSA Voluntary Contribution Maintenance- Long-Term

- Production Deployment Date: 10/14/2021
- Construction began on 5/11/2021

#### Work Package 4.3 EPSA Correct Member Account - Long-Term

- Production Deployment Date: 2/24/2022
- Construction will begin on 6/28/2021

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

# SB 1049 Implementation Program

## Status Report for May 21, 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	\$ 1,570,000	\$ 1,469,490	\$ 100,510	\$ 1,570,000	\$ -
General Overhead Allocation	\$ 4,778,742	\$ 3,439,424	\$ 1,338,098	\$ 4,777,522	\$ 1,220
Personal Services - SB1049	\$ 4,111,180	\$ 2,714,783	\$ 153,695	\$ 2,868,478	\$ 1,242,702
Services and Supplies	\$ 826,890	\$ 463,673	\$ 316,458	\$ 780,131	\$ 46,759
IT Professional Services	\$ 10,923,321	\$ 9,421,986	\$ 953,352	\$ 10,375,338	\$ 547,983
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	\$ 16,322,237	\$ 2,877,603	\$ 19,199,840	\$ 1,840,293
<b>Project Total</b>	<b>\$ 22,610,133</b>	<b>\$ 17,791,727</b>	<b>\$ 2,978,113</b>	<b>\$ 20,769,840</b>	<b>\$ 1,840,293</b>
Average Monthly Spend (Burn Rate)		\$ 777,249.39	\$ 959,201.00		
*Not included in SB1049 Expenses					

**Schedule Health: Green**

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

**Scope health: Green**

The project scope is understood for all releases.

Quality Assurance activities:

- Quality Acceptance Test Plan D4.3.1 passed the Quality Check Point on 5/3/2021
- WOC\_DASPS-1638-19\_D9.0.13 passed the Quality Check Point on 5/11/2021
- The move to Production Quality Gate Quality Gate for Release 9.9.0, which will include Work Package 4.2 and 12, will be on 6/23/2021

Emerging concerns/needs/impacts:

- No emerging concerns

# SB 1049 Implementation Program

## Status Report for May 21, 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
74	<b>Code Merges:</b> There are several upcoming code merges in 2021 that will have impact to UAT and construction work for WP4.2, WP12, WP4.3 and WP5.1	<ul style="list-style-type: none"> <li>➤ The Project Manager and Release Manager will work together to plan and mitigate scheduling and testing risks</li> </ul>	WP4.2 and WP12 will begin UAT on 5/24/2021
75	<b>New Schedule update and work package removal:</b> Three work packages that will be removed from this project, which will require remaining work packages to be re-planned, possibly causing resource constraints with other projects.	<ul style="list-style-type: none"> <li>➤ The Project Manager and Product owners will meet to discuss upcoming deployments for other SB 1049 projects in order to avoid resource allocation conflicts</li> <li>➤ Schedules will be evaluated across all active projects to ensure resource allocations are effectively managed</li> </ul>	Development of CR-006 is currently in progress

### Project Issues and Action Plans

Listed below are the most critical issues for this project.

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

No	Issue	Resolution / Notes	Estimated Resolution Date
	No current issues		



# SB 1049 Implementation Program

Status Report for May 21, 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%	12/22/2020	12/22/2020	
WP 5.2 - Online Member Services User Interface	100%	1/21/2021	1/21/2021	
WP2.1 - Tool for IAP Earnings Data	100%	1/26/2021	1/26/2021	
WP3.1 - EPSA Earnings	100%	3/23/2021	3/23/2021	
WP3.2 - Member Annual Statement Extract	100%	3/23/2021	3/23/2021	
WP4.2 - EPSA Transaction Display	0%	6/24/2021	6/24/2021	
WP12 - Full EPSA Set up screen	0%	6/24/2021	6/24/2021	
WP5 - Voluntary Contribution maintenance	0%	10/14/2021	10/14/2021	
WP4.3 - EPSA Correct Member Account	0%	2/24/2022	2/24/2022	
WP6 - EPSA Retirement	0%	1/25/2022	1/25/2022	
WP7 - EPSA Divorce	0%	4/21/2022	4/21/2022	
WP8 - Pre-Retirement Death	0%	7/28/2022	7/28/2022	
WP9 - Withdrawals	0%	3/23/2022	3/23/2022	
WP10 - Post-Retirement Death	0%	9/28/2023	9/28/2023	
WP11 - Maintaining Benefits	0%	1/25/2024	1/25/2024	
Migration Finalization	0%	2/9/2024	2/9/2024	
Project Complete	0%	2/21/2024	2/21/2024	

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

### Project information: Member Choice

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

**Project Manager:** Joli Whitney

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

**Project Narrative:** The third and final work package (WP3- Online Member Services Election and Bugs) completed business functional testing on 5/14/21. UAT is scheduled to start on 5/24/21. WP3 will be deployed to production on 6/24/2021 in Release 9.9.0 combined with Member Redirect and Cross Project Effort work packages.

Work package 2.2 (WP2.2 Central Data Management Reports) has deployed three out of the planned four reports. The final report for Annual Earnings Crediting is on track to be delivered by 6/18/2021.

### Short-term Solutions (to meet 1/1/2021 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)

### Project objective:

The Member Choice sections of SB 1049 give members a say in how their Individual Account Program (IAP) accounts will be invested. Members' regular IAP accounts are currently allocated to Target-Date Funds (TDF) based on their year of birth. Beginning with calendar year 2021, members will be able to elect a TDF other than the default TDF.

### WP2- Refining TDF Processes - Long-term

#### WP2.1 -Online Member Services and jClarety Enhancements

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

#### WP2.2 Central Data Management Reports

- Production Deployment Date: 6/18/2021
- Reports for Financial Reporting Services, Data Analysis and Reconstruction team and Intake and Review team which have a dependency on status data delivered in WP2.1

### WP3- Online Member Services Election and Bugs

- Production Deployment Date: 6/24/2021

# SB 1049 Implementation Program

## Status Report for May 21, 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	\$ 1,000,000	\$ 931,957	\$ 68,043	\$ 1,000,000	\$ -
General Overhead Allocation	\$ 318,583	\$ 229,295	\$ 87,052	\$ 316,347	\$ 2,236
Personal Services - SB1049	\$ 311,193	\$ 186,373	\$ 66,905	\$ 253,278	\$ 57,915
Office Expenses	\$ 1,500	\$ 1,163	\$ 200	\$ 1,363	\$ 137
Professional Services	251,198	\$ 280,000	-	\$ 280,000	\$ (28,802)
IT Professional Services	\$ 1,449,000	\$ 1,126,807	\$ 298,821	\$ 1,425,628	\$ 23,372
IT Expendable Prop	\$ 6,340	\$ 5,535	\$ 500	\$ 6,035	\$ 305
SB1049 Total Expenses	\$ 2,337,814	\$ 1,829,173	\$ 453,478	\$ 2,282,651	\$ 55,163
<b>Project Total</b>	<b>\$ 3,337,814</b>	<b>\$ 2,761,130</b>	<b>\$ 521,521</b>	<b>\$ 3,282,651</b>	<b>\$ 55,163</b>
Average Monthly Spend (Burn Rate)		\$ 83,144.23	\$ 226,739.00		
*Not included in SB1049 Expenses					

**Schedule Health: Green**

The project schedule is well understood.

**Scope health: Green**

The project scope is well understood.

Quality Assurance activities:

- Quality Check Point of the Quality Assurance Test Plan for WP3 was completed on 5/5/2021.
- Quality Check Point of the Work Package Construction Development Support for WP3 was completed on 5/10/2021.

Emerging concerns/needs/impacts:

- The final report in WP2.2 may have a dependency on the IAP Disbursement Database being migrated to the Central Data Management System, which is not planned to occur until early spring 2022. This concern is captured as risk #49 and more details are in the risk log on the next page.

# SB 1049 Implementation Program

## Status Report for May 21, 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 Choice Weekly Status Report](#)

#	Risk Description	Mitigation and/or Contingency Plan	Notes
49	<b>IAP Distribution Database Migration-</b> One of the Central Data Management reports requested in WP2.2 may have a dependency on the IAP Distribution Database migration which is included in Cross Project Effort WP6 and not anticipated to be delivered until after the Member Choice Project scheduled end date	<ul style="list-style-type: none"> <li>➤ Find an alternate source for the required data.</li> <li>➤ Develop a Change Request to remove this scope from the Member Choice Project.</li> </ul>	A meeting was held on May 18 and a possible alternate solution was discussed to provide the needed data from an alternate source. The team will proceed with the alternate solution.

### Project Issues and Action Plans

Listed below are the most critical issues for this project.

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

No	Issue	Resolution / Notes	Estimated Resolution Date
	No issues	.	

# SB 1049 Implementation Program

Status Report for May 21, 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%	1/8/2021	1/8/2021	
WP2.1 Business Functional Testing Complete	100%	2/19/2021	2/19/2021	
WP2.1 User Acceptance Testing Complete	100%	3/19/2021	3/17/2021	
WP2.1 Deployment Complete	100%	3/23/2021	3/23/2021	
WP3 Development Complete	100%	4/19/2021	4/19/2021	
WP3 Business Functional Testing Complete	100%	5/14/2021	5/14/2021	
W2.2 Development Complete	100%	5/19/2021	4/14/2021	
WP2.2 Business Functional Testing Complete	100%	6/3/2021	4/16/2021	
WP3 User Acceptance Testing Complete	0%	6/15/2021	6/15/2021	
WP2.2 User Acceptance Testing Complete	0%	6/17/2021	6/17/2021	
WP2.2 Deployment Complete	0%	6/18/2021	6/18/2021	
WP3 Deployment Complete	0%	6/24/2021	6/24/2021	
Project Close	0%	8/4/2021	8/4/2021	

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






# Senate Bill (SB) 1049 Implementation Road Map

2019-2021 Biennium


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

May 21

# 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>● 12/16/21 – WP4 Side Account Credit Allocation</li> <li>● 2/23/22 – Project Close (Tentative)</li> </ul>																	
 <b>Member Redirect</b>							<ul style="list-style-type: none"> <li>● 10/14/21 – WP5 Voluntary Contribution Maintenance – Long Term</li> <li>● 2/24/22 – WP4.3 EPSA Transaction Display – Long Term</li> <li>● 1/25/22 – WP6 EPSA Retirement – Long Term</li> <li>● 4/21/22 – WP7 EPSA Divorce – Long Term</li> <li>● 7/28/22 – WP8 Pre-Retirement Death – Long Term</li> </ul>												<ul style="list-style-type: none"> <li>● 3/23/23 – WP9 Withdrawals – Long Term → ●</li> </ul>					
 <b>Member Choice</b>	<ul style="list-style-type: none"> <li>● 8/4/21 – Project Close</li> </ul>																							
<b>PROGRAM INITIATIVE</b>																								
 <b>Cross Project Effort</b>							<ul style="list-style-type: none"> <li>● TBD – WP6 IAP Balance Comparison Tool</li> <li>● TBD – WP7.3 Tier One/Tier Two/OPSRP Payouts Actuarial Extract</li> <li>● 2/22/22 – WP3 IAP Divorce Tool</li> <li>● TBD – WP4.2 IAP Adjustment Calculator</li> <li>● TBD – WP5.2 PYE Invoicing Tool</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>● 9/28/23 – WP10 Post-Retirement Death – Long Term</li> </ul>						<ul style="list-style-type: none"> <li>● 1/25/24 – WP11 Maintaining Benefits – Long Term</li> <li>● 2/29/24 – Migration Finalization</li> <li>● 2/21/24 – Project Close</li> </ul>																	

## Action and Discussion Items

1. Legislative Update
2. SB 1049 Implementation Update
3. PERS Health Insurance Plan Annual Update
4. 2022 Retiree Health Insurance Plan Renewals and Rates
5. Overview of Actuarial Methods & Economic Assumptions



# OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



## PERS Health Insurance

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## Program Annual Report

Calendar Year 2020



# PHIP Mission

*PHIP provides PERS retirees with benefits that provide high quality, comprehensive coverage (or benefits) at the most cost effective rates possible that will also meet retirees' benefit needs.*

## Core Values

- **Maintain stability of premiums:** In order to avoid significant swings in rates from year to year, premium stabilization approaches to proposed Contracted Health Plan (CHP) rates should be considered.
- **Maintain stability of coverage:** Benefits provided by PHIP should be reviewed annually to attempt to avoid significant changes in benefits required by either local or national legislation or required to maintain premium rate affordability.
- **Maintain stability of carriers:** Promoting stability and long term relationships with carriers – consistent with responsible procurement practices - is desired. Changes in Contracted Health Plans should be driven by protection of current members' benefits and demonstrated long-term beneficial treatment of members.

# PHIP Core Operating Principles

- Provide, to the extent possible, benefit plans to each PHIP population served (Medicare and non-Medicare) that are comparable as to the services covered and the member cost sharing required.
- Utilize all available resources to obtain competitive benefit options and establish premium rates that are consistent with plans offered and utilization of services.
- Facilitate collaboration between PHIP consultants, Contracted Health Plans, and other vendors to meet and exceed industry quality standards and provide innovative benefit designs and care coordination that includes wellness and disease-prevention activities.
- Advocate for PHIP enrollees in both coverage and cost.
- Provide customer service in a timely, professional, and respectful manner.

# Administrative Team

## PHIP Staff

- Karen Chavez, *Program Manager*
- Danielle Keyser, *Program Coordinator*
- Carla Shaw, *Membership Services Specialist*
- Paul Smith, *PHIP Analyst (Job Rotation)*

## Key PERS Partners

- PHIP Accountant, ACTS
- PHIP Procurement Specialist, PFL
- PACS
- Communications
- Intake and Review
- Death and Disability
- PERS Member Information Center

# Contracted Operations & Consulting

## Third Party Administrator – Benefit Help Solutions

- PHIP Call Center
- Member Account Services (enrollment, eligibility)
- Recordkeeping
- Accounting

## Health Insurance Consultants – Butler, Partners, and Associates

- Health Insurance Industry Specialists
- Plan Design
- Financial and Utilization Analysis
- Annual Renewal

# Contracted Health Plans

## Kaiser Permanente NW

- Medicare Advantage - Senior Advantage HMO Plan
- Non-Medicare - Traditional HMO Core Value Plan
- Non-Medicare - HSA-qualified High Deductible Health Plan (HDHP)
- DMO Dental Plan

## Moda Health Plan

- Medicare Supplement – Moda Health Medicare Supplement Plan

## Delta Dental Plan of Oregon

- Indemnity Dental Plan with passive PPO

# Contracted Health Plans

## **PacificSource Community Health Plans, Inc.**

- Medicare Advantage - Medicare Essentials RX 803 HMO Plan

## **Providence Health Assurance**

- Medicare Advantage - Medicare Align Group HMO Plan
- Medicare Advantage - Medicare Flex Group HMO-POS Plan

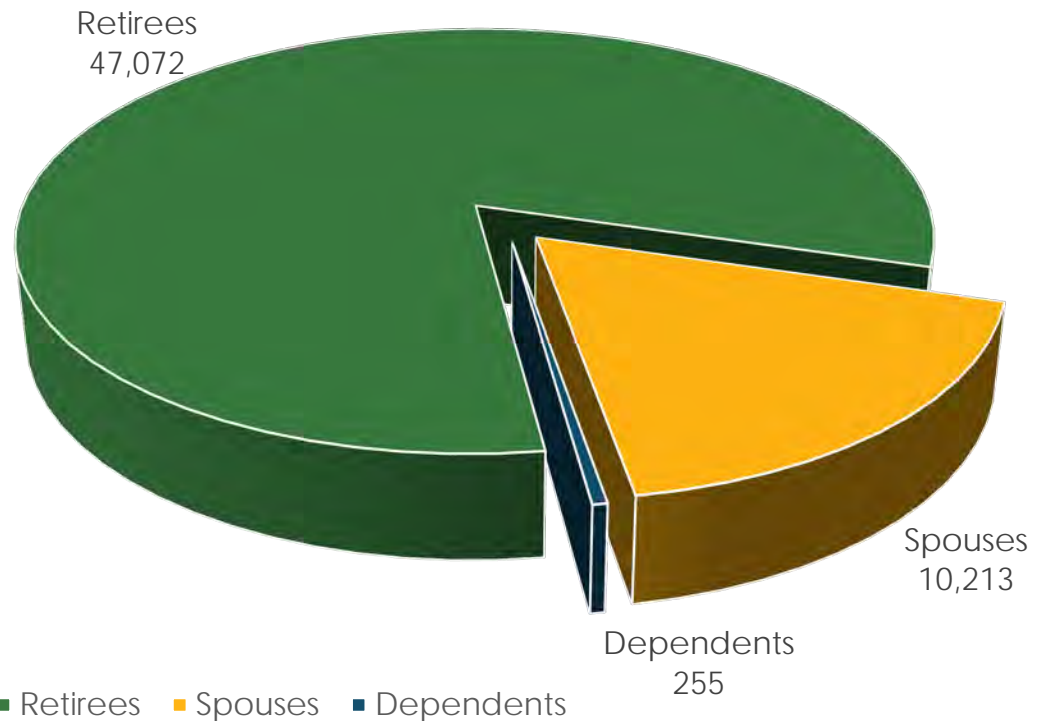
## **UnitedHealthcare®**

- Medicare Advantage - Medicare Advantage PPO plan
- Non-Medicare - Deductible Core Value Plan
- Non-Medicare - HSA-qualified High Deductible Health Plan (HDHP)

# Program Membership

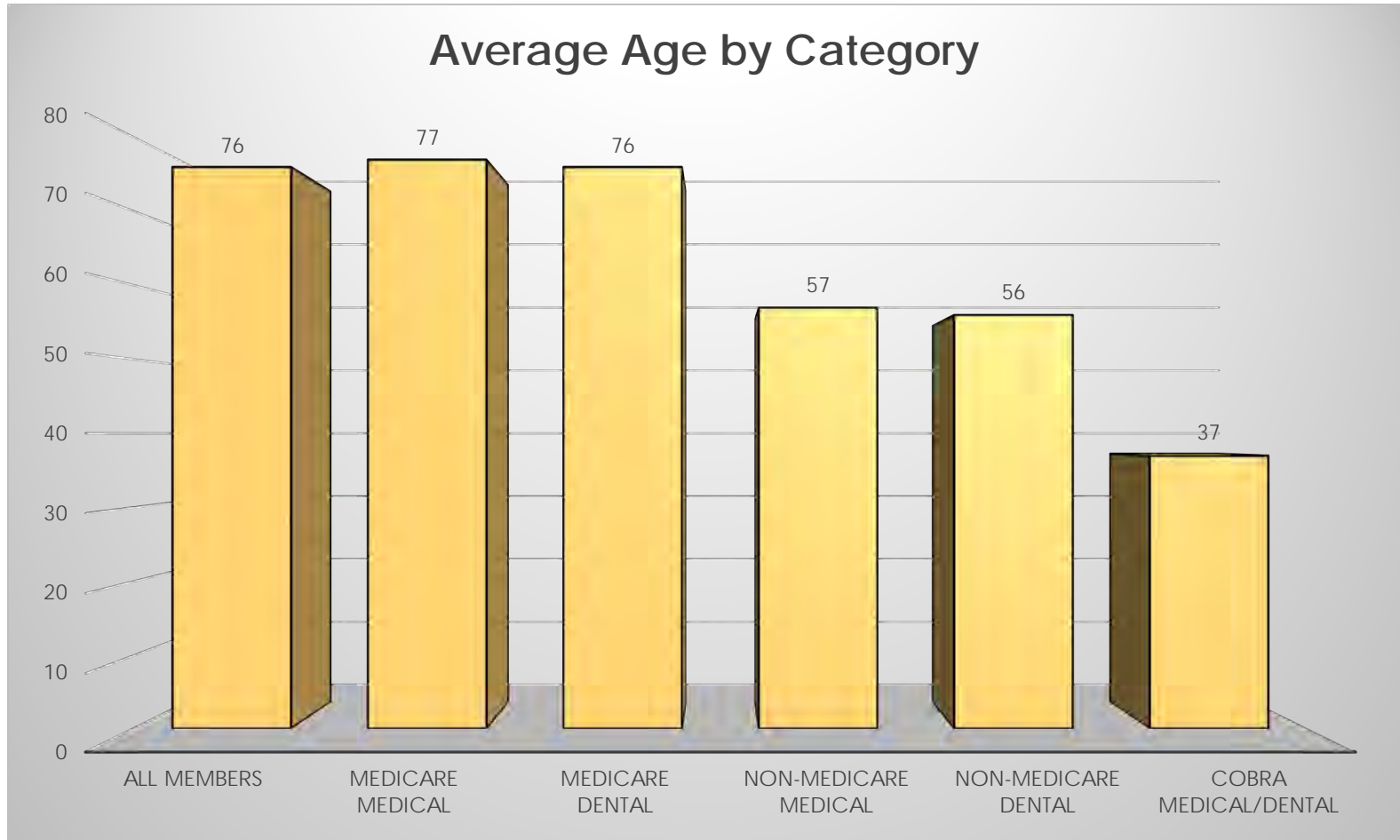
PHIP Members are PERS retirees, their spouses, and dependents who meet the eligibility criteria outlined in ORS 238.410

Total Number of Members by Category



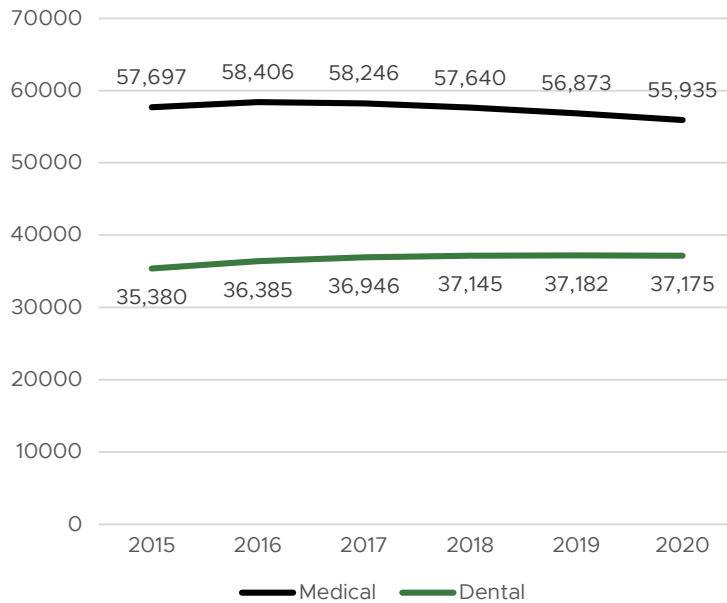


# Program Membership

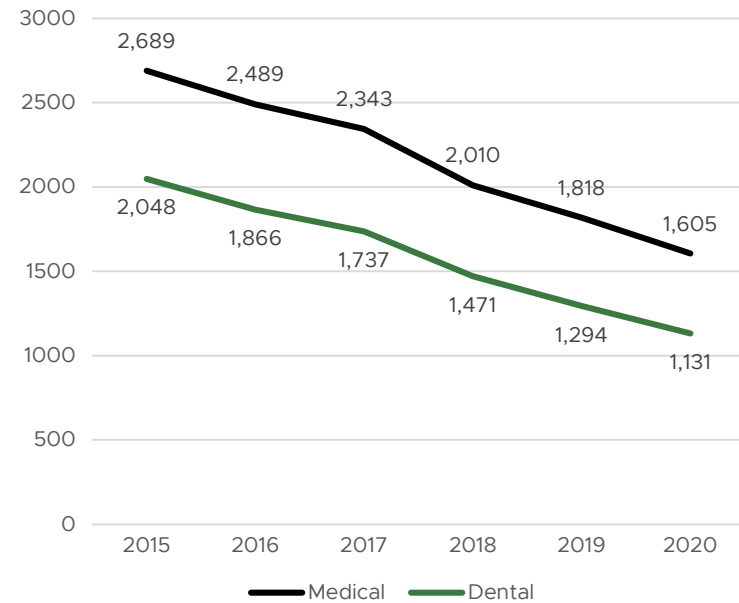


# Membership Trends

## Medicare



## Non-Medicare



# Governance

- **ORS 238.410-420**
  - Also subject to all retirement, accounting and procurement ORS
- **OAR**
- **PHIP Mission and Values**
- **PERS Board**
- **Volunteer Advisory Committee**
- **Centers for Medicaid and Medicare Services (CMS)**

# Program Services Provided by PHIP

- Update Annual Member Handbooks and Benefit/Premium Rate Materials
- Member Advocacy, Escalations, Grievances, and Appeals
- Premium Rate Negotiations
- New Enrollment and Plan Change Education Meetings
- Manage PHIP Website Ensuring Current and Accurate Information
- Plan/Benefit Analysis and Design
- Compliance with CMS Rules, Regulations, and Guidelines
- Premium Subsidy Verification
- Cost Containment Strategy
- Assuring Continuity of Coverage

# Program Funding

## Members

- ORS 238.410 establishes the **Standard Retiree Health Insurance Account**
- Premiums are paid by the retirees

## Employers

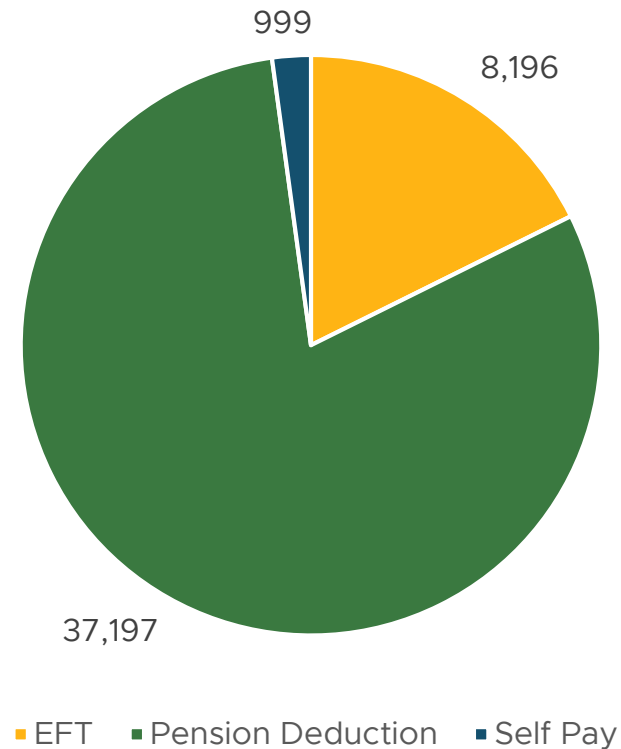
### Retiree Health Insurance Account

- ORS 238.420 Medicare Subsidy for eligible retirees
- \$60/Month

### Retiree Health Insurance Premium Account

- ORS 238.415 Pre-Medicare Insurance Subsidy for eligible state employees
- Average \$395.54/month

Funding by Member Payment Type



# 2020 Program Accomplishments

- Enacted a remote workforce
- Streamlined business processes
- Uninterrupted service to members during Covid-19
- Created and published 16 member educational videos
- Established the Reserve Management policy

# Looking Ahead

- **Implement Member Education Webinars** in June 2021
  - Allowing members to obtain program information without risking health at in-person meetings
- **Implement hybrid education program** as soon as it is safe for our members
- **Enhance our webpage** to make it an easy, convenient and helpful resource for members
- **Explore technological advancements** to improve member, team and contractor experience

# OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



## THANK YOU





## Action and Discussion Items

1. Legislative Update
2. SB 1049 Implementation Update
3. PERS Health Insurance Plan Annual Update
4. 2022 Retiree Health Insurance Plan Renewals and Rates
5. Overview of Actuarial Methods & Economic Assumptions



# 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  
888-320-7377  
TTY (503) 603-7766  
[www.oregon.gov/pers](http://www.oregon.gov/pers)

June 4, 2021

TO: Members of the PERS Board  
FROM: Karen Chavez, PERS Health Insurance Program Manager  
SUBJECT: PERS Health Insurance Program (PHIP) 2022 Plans and Rates

### OVERVIEW

- Action: Approve the PHIP contract renewals, benefits, and rates for 2022.

### CURRENT PHIP PLANS OFFERED

PHIP contracts with five Contracted Health Plans (CHPs) for Medical, Dental, and Prescription Drug Plans (PDP), allowing participants a range of choices while maintaining stability of the overall program. Currently, contracts that are in place are as follows:

1. Kaiser Permanente NW
  - a. Medicare Advantage - Senior Advantage HMO Plan/Part D PDP
  - b. Traditional HMO Core Value Non-Medicare Plan/PDP
  - c. \$3,000 HSA-qualified High Deductible Health Plan (HDHP) Non-Medicare Plan/PDP
  - d. DMO Dental Plan
2. Moda Health Plan/ Delta Dental Plan of Oregon
  - a. Medicare Supplement – Moda Health Medicare Supplement Plan/Part D PDP
  - b. Indemnity Dental Plan with passive PPO
3. PacificSource Community Health Plans, Inc.
  - a. Medicare Advantage - Medicare Essentials RX 803 HMO Plan/Part D PDP
4. Providence Health Assurance
  - a. Medicare Advantage - Medicare Align Group HMO Plan/Part D PDP
  - b. Medicare Advantage - Medicare Flex Group HMO-POS Plan/Part D PDP
5. UnitedHealthcare
  - a. Medicare Advantage - Medicare Advantage PPO plan/Part D PDP
  - b. \$1,000 Deductible Core Value Non-Medicare Plan/PDP Plan
  - c. \$3,000 HSA-qualified High Deductible Health Plan (HDHP) Non-Medicare Plan/PDP

PHIP is a voluntary insurance plan where eligible members pay most, if not all, of their own premiums for the plan of their choice. In addition to the CHP premium, PERS retirees also cover

the cost of program administration. The monthly premium rates that members pay are inclusive of these costs.

### **RENEWAL PROCESS**

The factors influencing the 2022 PHIP renewal process, include:

- The continued short- and long-term uncertainty and impacts of COVID-19.
- Consideration of plan design and benefit improvements in response to Member Services interaction with PHIP members.

In an effort to ensure positive outcomes for the renewal process, PHIP began working with our CHPs in December 2020, asking preliminary questions about potential benefit changes and the legislative and regulatory landscape.

Following several exchanges with the CHPs, they presented their proposals and final rate offers in early May 2021. As mentioned above, all CHPs provided rates in the face of continued uncertainty regarding COVID-19. All carriers made adjustments for the nearly 3-month slowdown of available medical and dental services from March through June 2020. These were discussed during the renewal process with very little movement from the CHP's position as this is truly a unique set of events. The 2022 premium rate changes were finalized and outlined by type of coverage for both Medicare and non-Medicare enrollees. The submissions were reviewed by PHIP staff and its consultants, with oversight from the Chief Operations Officer. The PHIP Board Liaison was unable to participate in the oversight review this year.

The primary benefit focus areas for the 2022 Renewal were:

- Review the inclusion of additional benefits that offer value to PHIP members and address perceived deficiencies by PHIP members.
- Rate and benefit stability.

### **2022 PLAN RENEWAL OVERVIEW**

#### *Medical*

Minimal benefit changes were made to CHP Medicare plans. The most significant changes were for the CHPs offering the Tru-Hearing benefit: reducing the exam copay to \$0; reducing the hearing aid copayments and waiving additional copayment for rechargeable hearing aid batteries. The vision benefits were also improved to provide a \$200 hardware allowance which is an increased benefit from the current, 2021, \$100 hardware allowance.

For Non-Medicare plans, alternative care benefits were aligned and improved to add 20 visits per year for chiropractic and 12 visits per year for acupuncture services for both the Core Value and HDHP Plans.

### *Pharmacy*

PHIP implemented Pharmacy benefit changes, effective January 1, 2021. The changes implemented during the last year for this year's plans, partially modified the pharmacy benefits from a co-insurance model to a tiered copayment and co-insurance model. After reviewing the impacts of these changes to members, PHIP does not recommend pursuing additional changes to pharmacy benefit in 2022.

It is important to note that one of the CHP plans inadvertently added maintenance medications at no cost. This error will be rectified with the 2022 renewal, and maintenance medications will resume at the Tier 1 level of benefits.

### *Dental*

PHIP considered several changes to the dental plan design, and ultimately recommends an increase to the out of pocket maximum to \$1,750.

## **RATE STABILIZATION RESERVE DRAWDOWN**

In 2020, the PERS Board approved a plan to drawdown the PHIP reserves over a period of nine years. Reserve levels have accumulated over time from the operation of the PERS Health Insurance Program. These reserves were primarily built from better-than-expected financial results under the minimum premium arrangement PHIP held with one of its CHPs. The reserves had been required to satisfy contractual requirements under a minimum premium program that PHIP held with one of its CHPs. With changes to the financial arrangement for which PHIP is now contracted, the required reserves are materially lower.

A relatively small amount of reserves was built from rate surcharges applied to premiums under several of the other CHPs. These surcharges were added due to PHIP management and consultants concerns that those programs were aggressively priced and could result in future rate volatility. This rate volatility would be in direct conflict to the PHIP Rate Setting Policy which strives for stability of premiums. In addition, there have been some rate savings not anticipated when final rates were set, which specific CHPs voluntarily agreed to return to PHIP.

The policy presented in 2020 also addressed how reserve amounts in excess of the contractually required amounts would be reviewed annually, to determine if a portion of the excess reserves should be used to subsidize rates during the annual rate-setting process. Any such use of reserves would be included in the recommendations provided to the PERS Board for approval and are included below.

In the original summary, three drawdown period options were presented. Those options were seven years, nine years or 11 years. Those options were primarily intended to smooth out and minimize the rate shock resulting from the final spend down of unrestricted reserves. They also displayed a potential year-to-year use that most recent projections indicated could achieve the drawdown time period. The PERS Board, after discussion, adopted a nine year drawdown period.

The reserve balance as of December 31, 2020 is approximately \$91,000,000. Total annual PHIP premium across all CHPs for calendar year 2021 is expected to be nearly \$235,000,000.

Recommended rates include rate credits consistent with the agency policy and range between 0 - 6.8%. The PERS Director and Chief Operations Officer have reviewed rates for compliance with this policy.

### **SUMMARY OF ACTION REQUIRING BOARD APPROVAL**

- PHIP will continue to contract with Kaiser Permanente NW, PacificSource Health Plans, Providence Health Assurance, Moda Health Plan, and UnitedHealthcare for medical, prescription drugs, and dental (where applicable) insurance coverage for eligible retired Medicare and non-Medicare members, spouses, and eligible dependents.
- PHIP recommends adopting the premium rates as outlined in item C. 4. Attachment 1: PHIP 2022 Proposed Rates.

### **BOARD OPTIONS**

The PERS Board may:


1. Pass a motion to “approve the proposed PHIP RFP contract renewals, benefits, and rates for the 2022 Plan Year as presented in Item C.4.Attachment 1: PHIP 2022 Proposed Rates,” or
2. Direct staff to make changes to these terms or explore other options.

### **STAFF RECOMMENDATION**

Staff recommends the PERS Board approve the contract renewals, benefits, and rates for 2022 as presented in Option #1.

*C.4. Attachment 1 - PHIP 2022 Proposed Rates*

*C.4. Attachment 2 - PHIP Membership*

	<b>PHIP 2022 PROPOSED RATES</b> <b>2021 vs. 2022 Contracted Health Plan Rates</b>	<i>Rates not approved/finalized</i>
Effective January 1, 2022		

**SUMMARY**

	Enrollment as of March 2021	Current 2021 Rates	2022 Proposed Medical/RX and Dental Rates	Percentage Change 2022 vs. 2021
<b>Medicare Plans</b>				
Kaiser Foundation Health Plan of the NW Medicare Senior Advantage	9,904	\$ 234.38	\$ 241.13	2.88%
Moda Health Medicare Supplement	25,208	\$ 308.17	\$ 319.78	3.77%
PacificSource Medicare Advantage Essentials Rx 803	1,231	\$ 259.41	\$ 247.54	-4.58%
Providence Health Assurance Medicare Advantage Group Align Plan + Rx	7,679	\$ 273.19	\$ 262.34	-3.97%
Providence Health Assurance Medicare Advantage Group Flex Plan + Rx (HMO-POS)	4,284	\$ 236.33	\$ 227.20	-3.86%
United Healthcare Group Medicare Advantage (PPO)	6,552	\$ 247.29	\$ 247.29	0.00%
<b>Non-Medicare Plans</b>				
<b>Core Value</b>				
Kaiser Foundation Health Plan of the NW Traditional Core Value Plan	322	\$ 950.47	\$ 1,031.67	8.54%
United Healthcare Choice Core Value Plan	670	\$ 1,151.50	\$ 1,214.58	5.48%
<b>HDHP</b>				
Kaiser Foundation Health Plan of the NW Qualified HDHP Plan	210	\$ 568.30	\$ 616.94	8.56%
UnitedHealthcare Qualified HDHP Plan	306	\$ 828.56	\$ 874.58	5.55%
<b>Dental Plans</b>				
Kaiser Foundation Health Plan of the NW Dental HMO Plan	4,670	\$ 66.76	\$ 67.69	1.39%
Delta Dental Plan of Oregon	33,021	\$ 62.57	\$ 62.57	0.00%

**Notes to Rate Sheet:**

- Rates illustrated are "Adult" only premium (retiree or spouse)
- Child rates are calculated as a percentage of the "Adult" rate as follows:
  - Child with Medicare coverage = 80%
  - Child with non-Medicare Coverage = 30%
  - Child with dental coverage = 40%
- Medical / Rx rates do not include RHIPA/RHIA subsidies or PERS Administrative fees



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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Tigard, OR 97281-3700  
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### PHIP Membership

Program Enrollment (March 2021)	Non- Medicare Core Value & HDHP Plans	Medicare	Totals
<b>Covered Lives</b>	1,508	54,848	56,366
Retirees (or Surviving Spouses)	932	45,243	46,175
Spouses/Dependents	576	9,615	10,191
Average Age of Enrolled Retirees	56	76	75.8

Health Plan Membership Enrollment			
Medicare		Non-Medicare (Core Value & HDHP Plans)	
Kaiser	9,904	Kaiser	532
United HealthCare	6,552	United HealthCare	976
Moda Medicare Supplement	25,208		
PacificSource	1,231		
Providence - Medicare Flex	4,284		
Providence- Medicare Align	7,679		
Dental		Dental	
Kaiser Dental	4,443	Kaiser Dental	227
Delta Dental	32,177	Delta Dental	844

Statutory Health Insurance Premium Subsidies (March 2020)	
Retirees Receiving Retirement Health Insurance Account (RHIA)	43,392
Retirees Receiving Retiree Health Insurance Premium Account (RHIPA)	722
RHIA Payment - \$60 Per Member Per Month (PMPM)	\$2,603,520
RHIPA Monthly Payment - \$414 (avg) PMPM	\$299,166.48
Total Monthly Premium Paid to Health Plans	\$19,560,249.05



## Action and Discussion Items

1. Legislative Update
2. SB 1049 Implementation Update
3. PERS Health Insurance Plan Annual Update
4. 2022 Retiree Health Insurance Plan Renewals and Rates
5. Overview of Actuarial Methods & Economic Assumptions





# Economic Assumptions & Actuarial Methods

## OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Presented by:

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

June 4, 2021

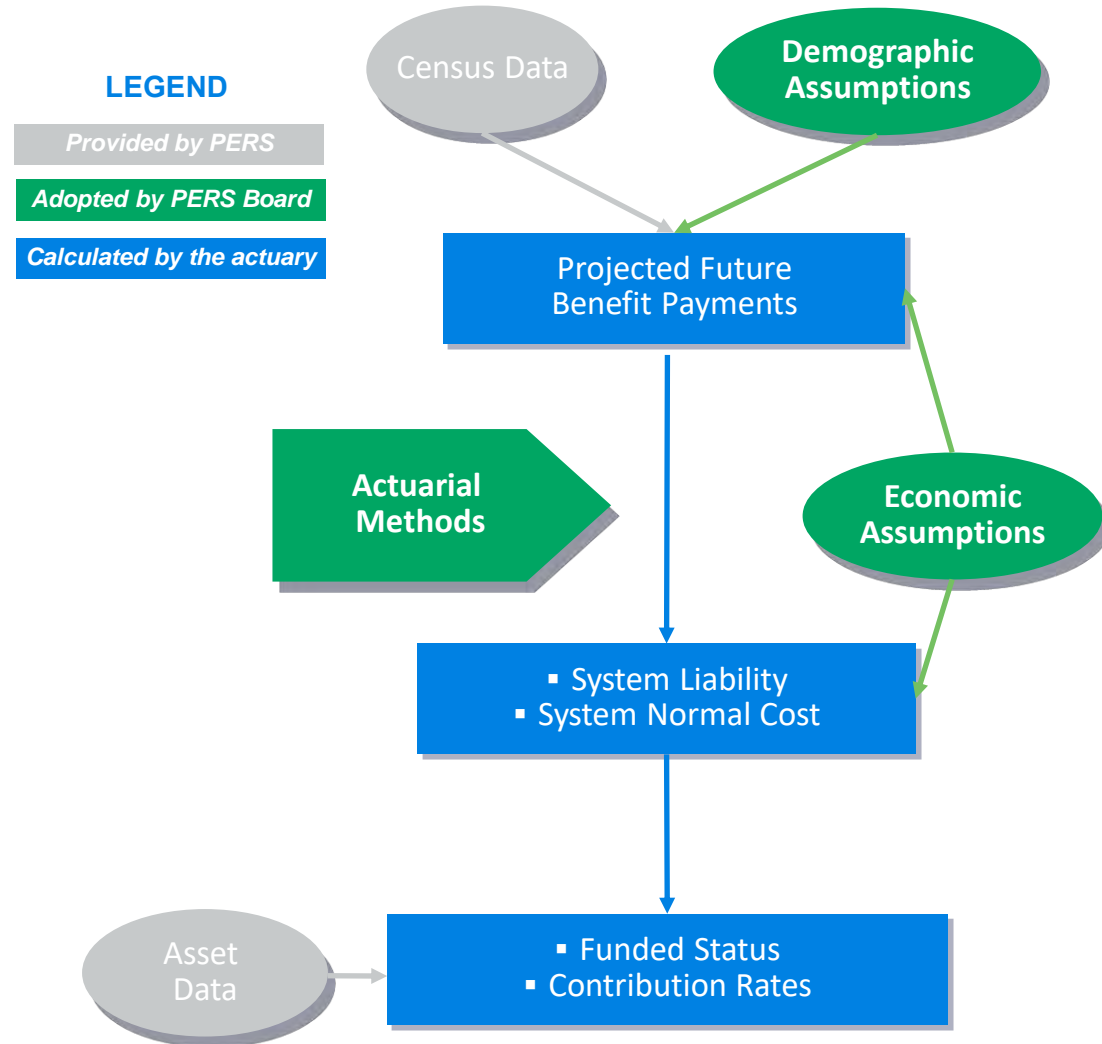
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# Four-Meeting Process – Assumptions & Methods

- March 29: Assumed rate, including preliminary Milliman outlook model
- June 2: Joint meeting with Oregon Investment Council (OIC)
  - Assumed rate – outlooks from OIC’s consultants, Milliman
- **June 4: Economic assumptions, system funding methods**
  - **Inflation and system payroll growth**
  - **Assumed rate**
  - **Actuarial methods, including amortization and rate collaring policy**
- July 23: Demographic assumptions, Board direction to actuary
  - Member-specific assumptions based on study of recent PERS experience
  - Assumptions and methods adopted for use in:
    - 12/31/2020 actuarial valuation with advisory 2023-2025 contribution rates
    - 12/31/2021 actuarial valuation with proposed final 2023-2025 contribution rates

# Two-Year Rate-Setting Cycle

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



# Valuation Process and Timeline

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

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

# Guiding Objectives - Methods & Assumptions

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

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

# The Fundamental Cost Equation

- Long-term program costs are the contributions, which are governed by the “fundamental cost equation”:

$$\begin{aligned} & \text{BENEFITS} = \\ & \text{CONTRIBUTIONS} + \\ & \text{EARNINGS} \end{aligned}$$

# Governance Structure

- Benefits:
  - Plan design set by Oregon Legislature
  - Subject to judicial review
- Earnings:
  - Asset allocation set by OIC
  - Actual returns determined by market
- Contributions:
  - Funding, including methods & assumptions, set by PERS Board
  - Since contributions are the balancing item in the fundamental cost equation, PERS Board policies primarily affect the **timing** of contributions
  - Different actuarial methods and assumptions produce different projected future contribution patterns



# Review of Non-Investment Economic Assumptions

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# Assumptions to Be Reviewed

	12/31/2019 Valuation “Current” Assumptions
Inflation	2.5%
Real Wage Growth	<u>1.0%</u>
System Payroll Growth	3.5%
Administrative Expenses	\$40.5 million

# Economic Assumptions

## Inflation

- The inflation assumption affects other assumptions, including system payroll growth, investment return, and health care inflation
- Inflation can vary significantly over time
- One estimate of future inflation can be derived from comparing yields on Treasury securities and Treasury Inflation Protected Securities (TIPS)
- Social Security’s current “intermediate cost” 30-year average inflation assumption is 2.4% (down from 2.6% at last review)
- We recommend reducing the assumption from 2.5% to **2.4% or lower**

Period Ending 12/31/2020	Average Inflation
10 years	1.74%
20 years	2.04%
30 years	2.25%
40 years	2.80%

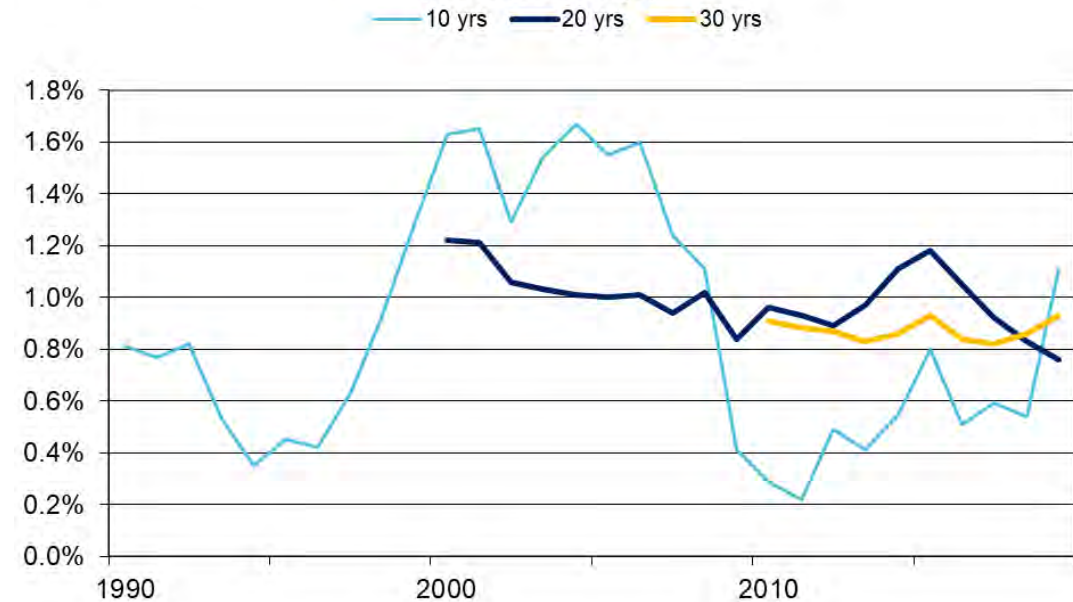
	As of 12/31/20		As of 4/30/21	
	10 Year	30 Year	10 Year	30 Year
Treasury Yield	0.93%	1.65%	1.65%	2.30%
TIPS Yield	(1.06%)	(0.37%)	(0.76%)	0.02%
<b>“Breakeven” Inflation</b>	<b>1.99%</b>	<b>2.02%</b>	<b>2.41%</b>	<b>2.28%</b>

# Economic Assumptions

## Real Wage Growth

- An individual member’s assumed annual salary increase is composed of:
  - Inflation, plus
  - Real wage growth, plus
  - Individual merit/longevity component
- Real wage growth represents the increase in wages in excess of inflation for the entire group due to improvements in productivity and competitive market pressures
- Social Security’s long-term “intermediate cost” real wage growth assumption is 1.14%
- In our opinion, the current assumption of **1.0%** is reasonable

Historical Real Growth in National Average Wages  
(Trailing Average)



Most Recently Available	Average Real Wage Growth
10 Years	1.11%
20 Years	0.76%
30 Years	0.93%
40 Years	0.86%

# Economic Assumptions

## System Payroll Growth

- Overall system payroll growth is assumed to equal the sum of:
  - Inflation
  - Real wage growth
- The system payroll growth assumption determines the shape of the curve of payments to amortize the unfunded liability
- With an inflation assumption of 2.4% and a real wage growth assumption of 1.0%, the system payroll growth assumption would be 3.4%
  - A 3.4% assumption is reasonable based on recent historical experience for Oregon PERS
  - Uncertainty in post-pandemic hiring and payroll will warrant continued monitoring, though calendar year 2020 actual pay was **greater** than projected based on 12/31/2019 valuation

Trailing Period as of 12/31/2019	Oregon PERS Average Annualized Growth in Valuation Payroll
5 Years	4.8%
10 Years	3.1%
15 Years	3.6%

- We recommend decreasing the assumption from 3.5% to **3.4% or lower**

# Economic Assumptions

## Administrative Expenses

- Actual administrative expenses for recent years are shown below
  - SB 1049 drove increase in pension administrative expenses, expected to persist in near term

(\$ millions)	System-Wide (Tier 1/Tier 2 + OPSRP) Pension Administration Expenses		
Year	Actual Expenses	% of Beginning of Year Assets	% of Projected Payroll
2016	\$41.7	0.08%	0.44%
2017	\$41.0	0.07%	0.42%
2018	\$36.7	0.06%	0.36%
2019	\$44.5	0.07%	0.41%
2020	\$56.5	0.09%	0.49%

- Overall, 2020 administrative expenses were 0.09% of total assets, or 0.49% of projected payroll
- Proposed assumed annual expenses for 2021 and 2022: \$59 million

# Assumptions to Be Reviewed

	12/31/2019 Valuation Assumptions	12/31/2020 Valuation Proposed* Assumptions
Inflation	2.5%	2.4% or lower
Real Wage Growth	<u>1.0%</u>	<u>1.0%</u>
System Payroll Growth	3.5%	3.4% or lower
Administrative Expenses	\$40.5 million	\$59 million

No explicit assumption is made for investment-related expenses, which are accounted for implicitly in the analysis of the long-term investment return assumption.

\*No action is needed on “proposed” assumptions today, since all assumptions and methods will be adopted at the July 2021 Board meeting

# Long-Term Investment Return Assumption

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## Summary - Investment Return Assumption

- No decision on the assumption is made at today's meeting
- In our opinion it is **necessary** to lower the long-term future investment return assumption by **at least 0.20%** from the current 7.20% assumption
  - We **recommend** lowering it **further** to better reflect the current range of outlooks
- OIC's outlook, which is the primary opinion, estimates a long-term average future return of 6.6% under the proposed allocation over the next 20 years
  - The OIC outlook for inflation is 2.1%, while Social Security's outlook is 2.4%
- Per our March presentation, prior to any other assumption changes the uncollared system-average 2023-2025 base employer contribution rate is preliminarily estimated to increase by:
  - **1.5% - 1.6% of payroll** using a **7.00% assumed rate**
  - **3.1% - 3.2% of payroll** using a **6.80% assumed rate**



# Long-Term Investment Return Assumption

- Uses of the investment return assumption
  - As a “discount rate” for establishing the:
    - Actuarial accrued liability, which is a net present value
    - Associated unfunded actuarial liability, also called the UAL or actuarial shortfall
  - Guaranteed crediting level for regular Tier 1 active member account balances
  - Annuitization rate for converting member account balances to lifetime money match monthly benefits



Reflecting expectations for both investment earnings and benefit levels for certain members, the assumption helps set a reasonable and appropriate budgeting glide path for projected employer contribution rates

# Use of the Assumed Rate

$$B = C + E$$

**BENEFITS = CONTRIBUTIONS + EARNINGS**

present value of  
earned benefits

**Design set by:**  
Oregon Legislature

employer and member funds to  
pay pension benefits

**Set by:**  
PERS Board

future returns on  
invested funds

**Managed by:**  
Oregon Investment Council  
Oregon State Treasury

- “B” is predictable with a relatively high degree of certainty
- “E” is the unpredictable **actual** future investment return on PERS assets
- “C” is the balancing item --- it must provide to “B” what “E” fails to cover
  
- The **assumed rate** is the Board’s estimate of “E” to prudently set “C”
- The Board’s decision on “E” does **not** affect actual future earnings

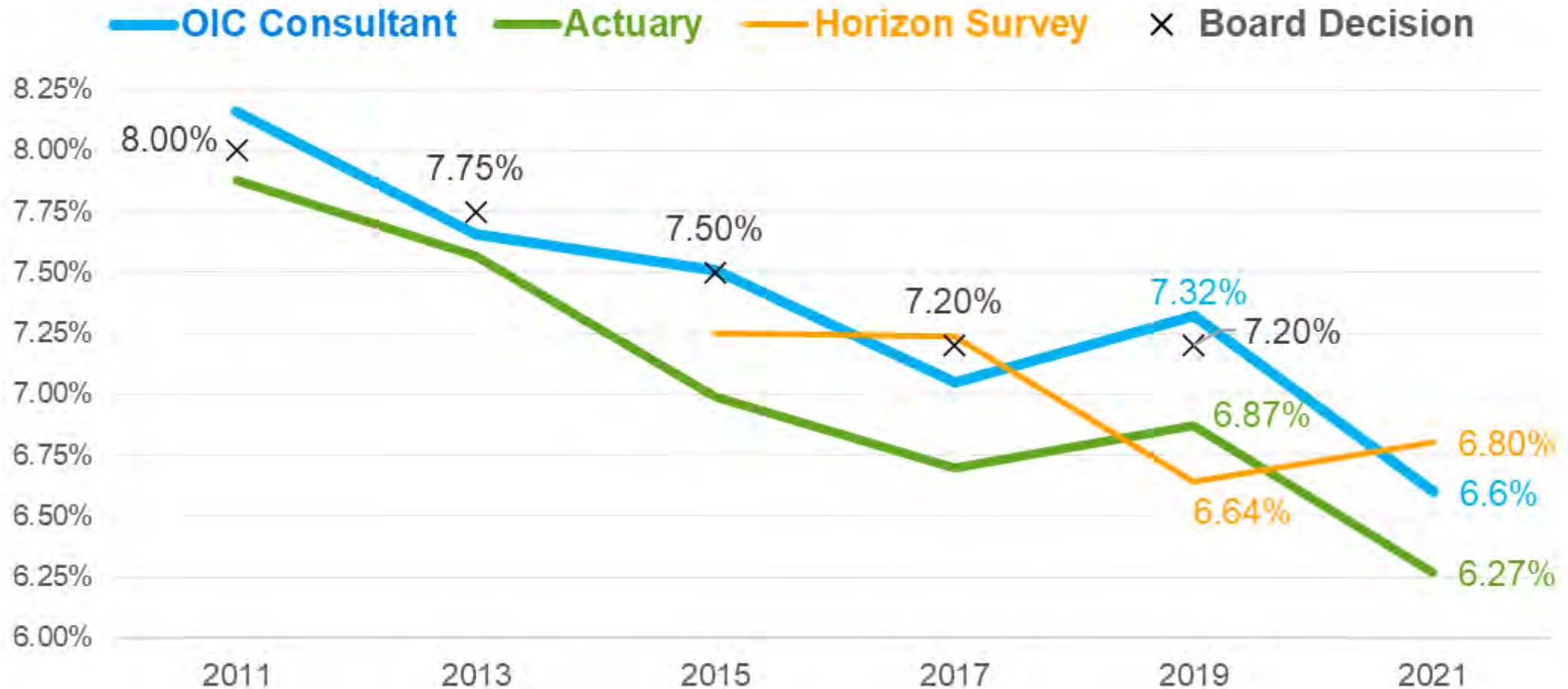
# Investment Return 50<sup>th</sup> Percentile Outlooks

- We applied a standard mean/variance model to calculate 50<sup>th</sup> percentile return estimates based on capital market outlook assumptions from three sources
  - OIC assumption – reflects consensus among OST staff and consultants Meketa & Aon
  - Milliman
  - 2020 Horizon survey of 10-year capital market assumptions (survey of 39 advisors)
    - The Horizon survey was published in July 2020, based on outlooks from the first half of 2020
- Estimates do not reflect any possible “alpha” due to selected managers potentially outperforming market benchmarks over the long term, net of fees
- Today’s speakers are not credentialed investment advisors
  - We are presenting Milliman capital market outlook model results based on assumptions developed by Milliman’s credentialed investment professionals

Details on Milliman and Horizon outlook assumptions are in the Appendix

# Investment Return 50th Percentile Outlooks

## Geometric Returns from Outlook Models in Current and Prior Five Reviews



# Investment Return 50<sup>th</sup> Percentile Outlooks

- Estimates are shown based on the OIC's long-term asset allocation, including proposed revisions

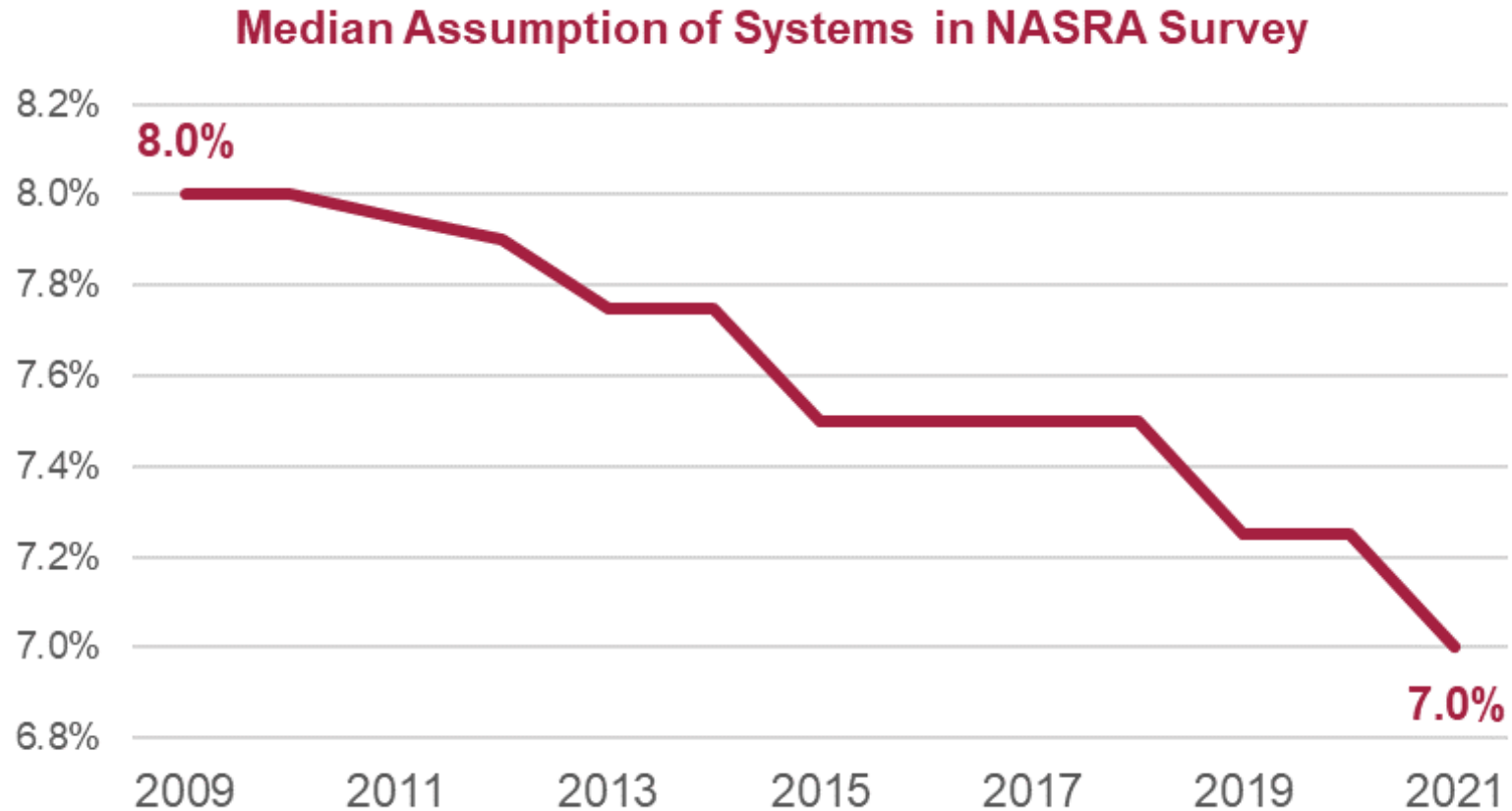
	OIC	Milliman*	Horizon
<b>Median Annualized Return</b>	<b>6.6%</b>	<b>6.27%</b>	<b>6.80%</b>
Assumed Inflation	2.1%	2.40%	1.98%
Timeframe Modeled	20 years	20 years	10 years

*\*Reflects real returns from Milliman capital market outlook assumptions adjusted for potential 2.40% inflation assumption*

The median returns shown above are geometric annualized average returns over the timeframes indicated above for each provided set of capital market assumptions

# Comparison to Peer Systems

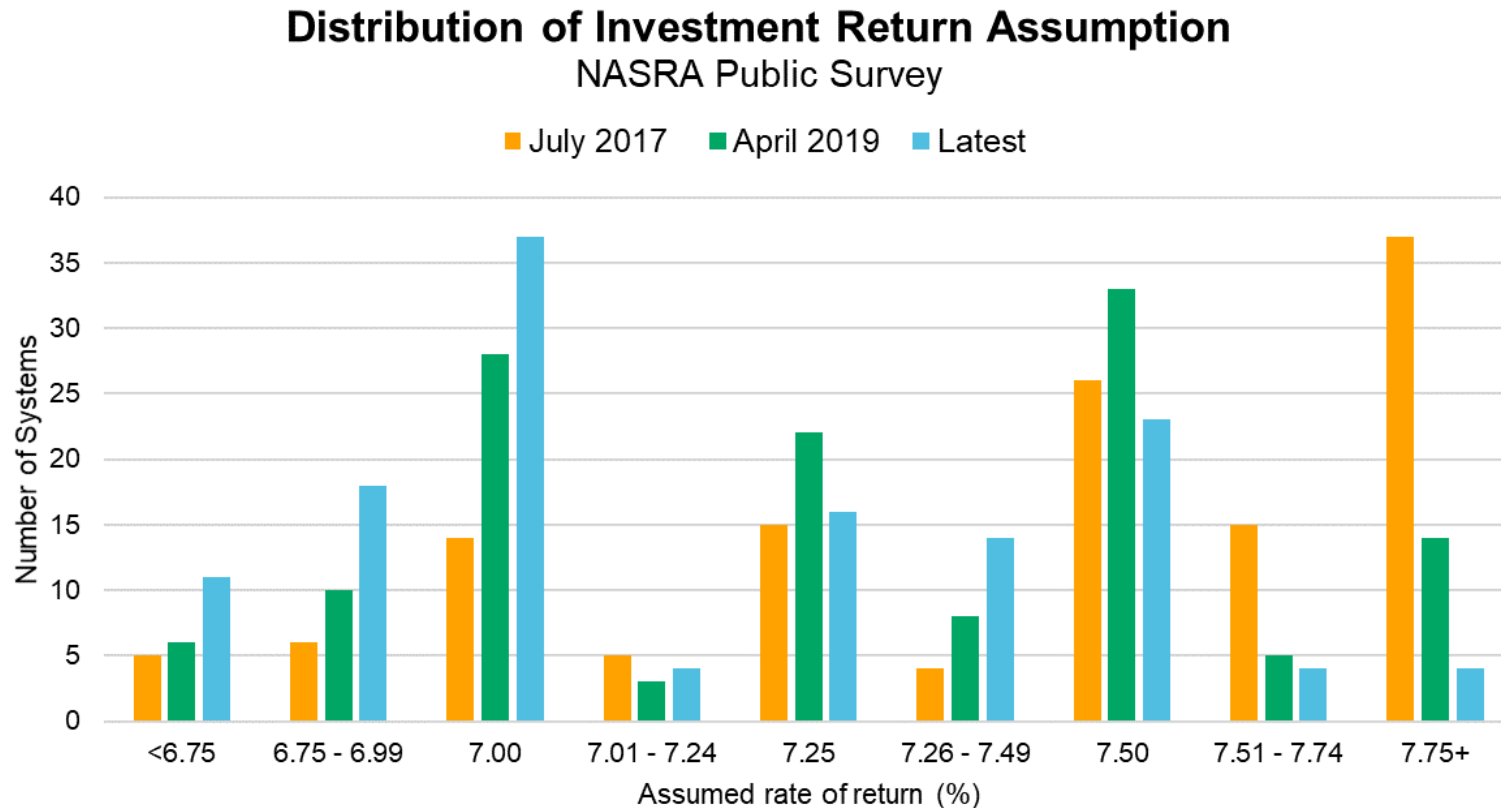
- There is a downward trend in public plan return assumptions, with a current median assumption for large public systems of 7.00%



Source: NASRA (May 2021)

# Comparison to Peer Systems

- The distribution of about 130 systems tracked by the NASRA Public Fund Survey is shown below
- Two years ago, the most common assumption was 7.50%; now the most common assumption is 7.00% and over half of all plans have an assumption of 7.00% or lower



**Source: NASRA (May 2021)**

# Effects of Lowering the Assumed Return

- A lower investment return assumption would produce higher calculated liabilities and contribution rates as of the actuarial valuation date
- Liabilities are net present values, as of the valuation date, of a benefit payment projection that stretches far into the future
  - Changing the assumption modifies the projected balance of the fundamental cost equation between future investment earnings and future contributions
    - The actual balance will depend on actual investment earnings, not on the assumed return adopted by the PERS Board
- The increase in the uncollared 2023-25 system average base employer contribution rate resulting from lowering the assumed return was estimated in our March presentation as:
  - Assumed rate of 7.00% increases system average uncollared contribution rates by **1.5%-1.6%** of payroll
  - Assumed rate of 6.80% increases system average uncollared contribution rates by **3.1%-3.2%** of payroll
- For PERS, such an assumption change would also lower benefits for future retirements calculated under Money Match



# Considerations in Setting the Return Assumption

- At the July meeting, we will ask the Board to adopt an assumption for use in the upcoming valuations
- Based on current data from the capital market outlook models, the guiding objectives, and Actuarial Standards of Practice:
  - In our opinion it is **necessary** to lower the long-term future investment return assumption by **at least 0.20%**
  - We **recommend** reducing the assumption **further** to more closely reflect the current range of outlooks
- The OIC, working with Meketa (primary investment consultant) and Aon (secondary investment consultant), estimates a long-term average future return of 6.6% under the proposed allocation over the next 20 years
  - The OIC outlook for inflation is 2.1%, while Social Security's outlook is 2.4%

# Rate Collar

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# Rate Collar

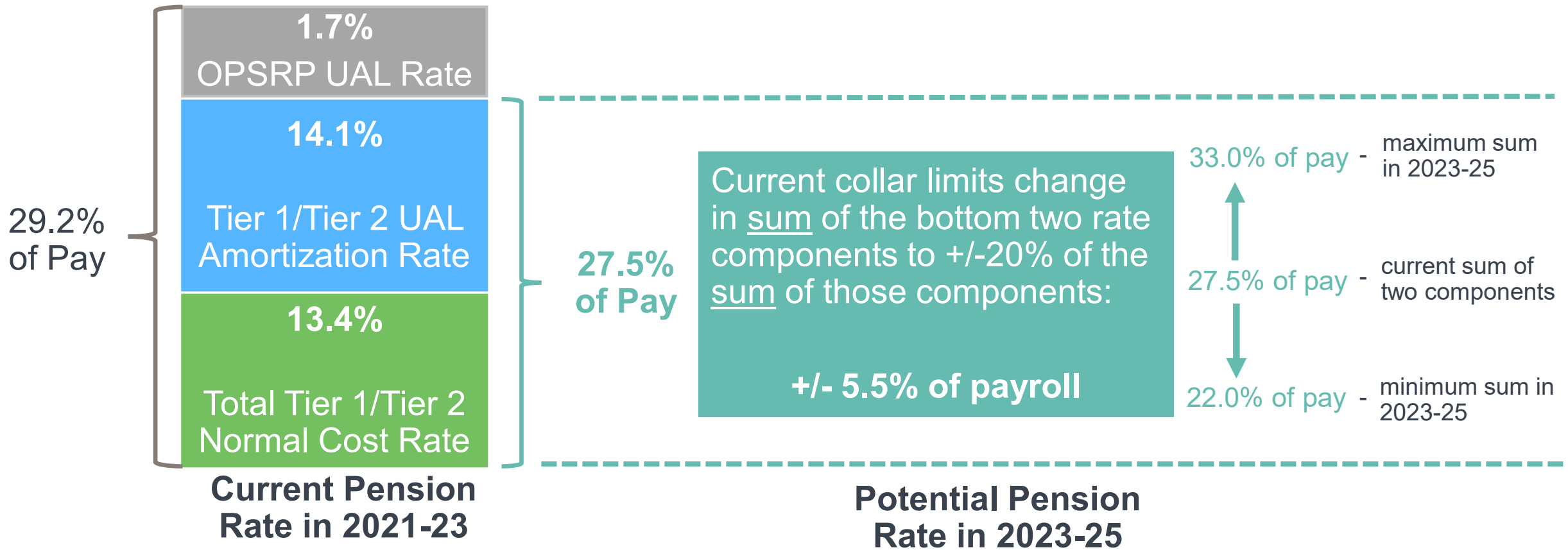
- PERS applies a “rate collar” as part of rate-setting process, as discussed in detail at recent Board meetings
  - Current rate collar parameters designed in 2005-2006, when system-wide rates were lower
    - Uses 20% of current rate as a starting point; this is a much larger amount now than in 2005-2006
  - December 2020 modeled potential changes to rate collar, reflecting current rates and funded status
    - Illustrated options that included narrower rate collar, while preserving responsiveness in down scenarios
- Feedback and additional considerations from December meeting and subsequent follow-up:
  - Positive reaction to simpler “fixed percent of pay” approach
  - Interest in contingent contribution rate decrease restrictions, which would not allow downward contribution rate movement unless a specific funding threshold is satisfied
  - Recognition that large experience sharing pools (SLGRP and School Districts for Tier 1/Tier 2, along with OPSRP) may merit different treatment than Tier 1/Tier 2 independent employers
    - Independent employers cover a diverse range and can be smaller with less stable experience
- Rate collar interacts with contribution rate changes from any movement in assumed rate, as discussed in March

# Rate Collar

- Further refinement of the “fixed percent of pay” approach could focus the rate collar **only** on limiting the magnitude of biennium-to-biennium change in the **UAL Rate component**
  - Changes in the Normal Cost Rate component – whether due to experience or assumption changes – would pass through
  - Would allow the fixed percent of pay rate collar’s width to be narrower, since any Normal Cost Rate increases would occur in addition and could not crowd out part of overall allowable changes related to assumed rate changes, actual investment returns, or other experience
  - May want somewhat wider rate collar width for the Tier 1/Tier 2 rates of independent employers, and policies for certain scenarios for that group
- Illustration of a fixed percent of pay rate collar of:
  - 3% of pay for the Tier 1/Tier 2 UAL Rate for the two large Tier 1/Tier 2 experience sharing pools
  - 1% of pay for OPSRP UAL Rate (OPSRP experience is pooled at a state-wide level)
    - OPSRP rate collar is narrower since OPSRP asset base is much smaller than that of the large Tier 1/Tier 2 experience sharing pools; OPSRP collar could be widened over time as the program grows
    - For independent employers, the Tier 1/Tier 2 UAL rate fixed percent of pay rate collar may be wider and/or include additional provisions

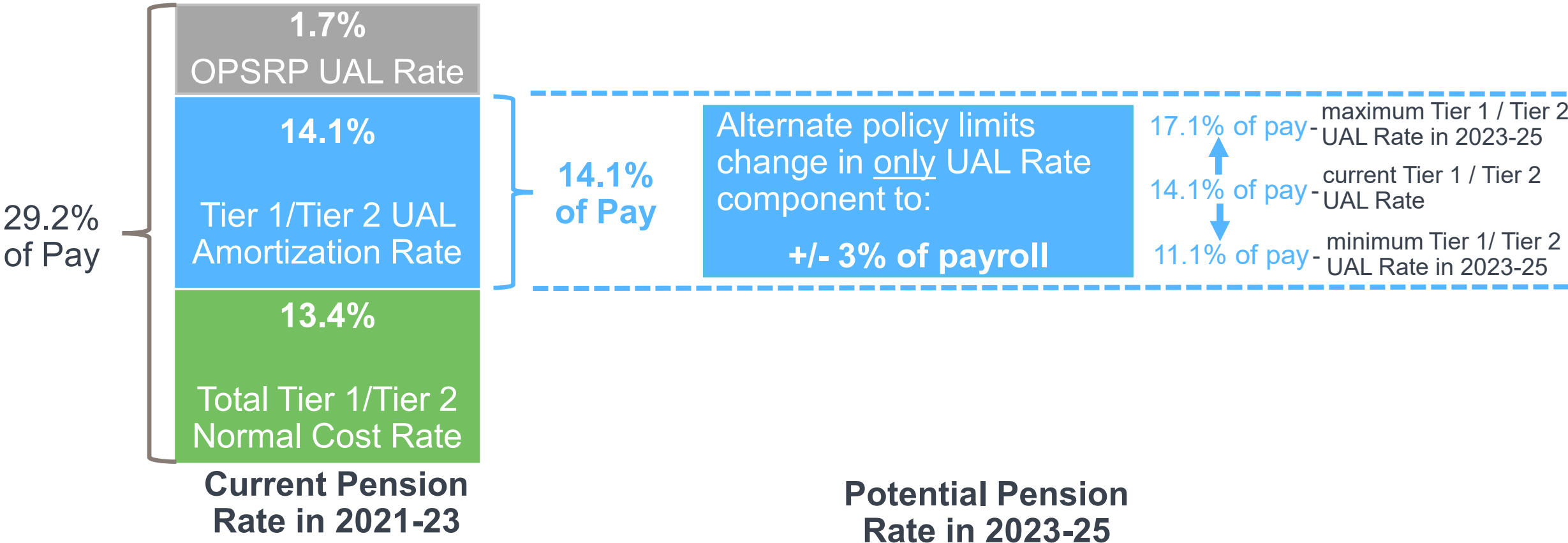
# Rate Collar – Current Policy Limits Sum of Two Rate Components

- School district without a side account – pension contribution rate on Tier 1/Tier 2 payroll



# Rate Collar – Alternate Policy Limits Only UAL Rate Components

- School district without a side account – pension contribution rate on Tier 1 / Tier 2 payroll



# Reasons for Proposing a UAL Rate-Only Collar

- Managing amortization of the at-times volatile UAL is prudent, acceptable financial practice
  - The more predictable, stable Normal Cost Rate is always contributed in full under either policy
- The variable UAL Rate is an employer-only funding obligation
  - Normal Cost Rate funding is a combined obligation of members and employers
- Under current policy if the Tier 1/Tier 2 Normal Cost Rate decreases, then the Tier 1 / Tier 2 UAL Rate can increase by more than the width of the rate collar
  - The Tier 1 / Tier 2 Normal Cost Rate is paid on Tier 1 / Tier 2 payroll only
  - The Tier 1 / Tier 2 UAL Rate is paid on all payroll (Tier 1 / Tier 2 and OPSRP)
- Small independent employers can have large, unpredictable Tier 1 / Tier 2 Normal Cost Rate changes
  - Under current policy, those Tier 1 / Tier 2 Normal Cost Rate changes can lead to large, and potentially counterintuitive, offsetting changes in the employer's Tier 1 / Tier 2 UAL Rate

# Assessing Alternative Rate Collar Policies

- Collars are meant to manage the contribution response to unpredictable future events
  - Example: actual investment returns different than assumption
- Properly assessing alternative policies requires modeling each policy's response to potential volatile future experience
- Alternatives were stress tested using 10,000 scenarios for future investment experience
  - Stress testing has been performed annually for over a decade
- Stress test results let the Board weigh alternatives and balance competing objectives
  - Protect funded status
  - Predictable and stable rates
  - Equitable across generations



# Rate Collar – Stress Test of Alternative Policies

- Next slides have stress testing of proposed alternative collars using same financial modeling basis presented in December 2020 Board meeting, updated to reflect published 2020 investment returns

12/31/2038 Funded Status (Excluding Side Accounts)			
	Current Policy	Fixed Percent of Pay UAL Rate Collar (3% / 1%)	Fixed Percent of Pay UAL Rate Collar (3% / 1%) with UAL Rate Decrease Restrictions
75 <sup>th</sup> Percentile	121%	127%	134%
50 <sup>th</sup> Percentile	<b>91%</b>	<b>92%</b>	<b>96%</b>
25 <sup>th</sup> Percentile	<b>71%</b>	<b>69%</b>	<b>71%</b>
10 <sup>th</sup> Percentile	<b>57%</b>	<b>53%</b>	<b>56%</b>
5 <sup>th</sup> Percentile	<b>51%</b>	<b>46%</b>	<b>48%</b>

- Model uses 12/31/2019 member census data along with projected post-2019 new entrants
- Model uses 12/31/2019 actuarial valuation assumptions, including 7.20% assumed rate

# Rate Collar – Stress Test of Alternative Policies

Likelihood of Event Occurring in at Least One Actuarial Valuation in Next 20 Years			
	Current Policy	Fixed Percent of Pay UAL Rate Collar (3% / 1%)	Fixed Percent of Pay UAL Rate Collar (3% / 1%) with UAL Rate Decrease Restrictions
Funded Status > 100%	<b>60%</b>	<b>59%</b>	<b>62%</b>
Funded Status < 60%	<b>53%</b>	<b>53%</b>	<b>50%</b>
Funded Status < 40%	<b>8%</b>	<b>11%</b>	<b>10%</b>

- Funded status is the funded status excluding side accounts
  - Model reflects published 2020 full-year investment returns
  - Model uses 12/31/2019 member census data along with projected post-2019 new entrants
  - Model uses 12/31/2019 actuarial valuation assumptions, including 7.20% assumed rate

# Rate Collar – Stress Test of Alternative Policies

Likelihood of Event Occurring in at Least One Biennium in Next 20 Years			
	Current Policy	Fixed Percent of Pay UAL Rate Collar (3% / 1%)	Fixed Percent of Pay UAL Rate Collar (3% / 1%) with UAL Rate Decrease Restrictions
Base Contribution Rate < 10% of Pay	<b>38%</b>	<b>28%</b>	<b>27%</b>
Base Contribution Rate > 30% of Pay	<b>60%</b>	<b>53%</b>	<b>52%</b>
Base Contribution Rate > 40% of Pay	<b>25%</b>	<b>21%</b>	<b>20%</b>

- Collared Base Employer Rate excluding the retiree healthcare rates is shown
  - Model reflects published 2020 full-year investment returns
  - Model uses 12/31/2019 member census data along with projected post-2019 new entrants
  - Model uses 12/31/2019 actuarial valuation assumptions, including 7.20% assumed rate

# Other Actuarial Methods

This work product was prepared for discussion purposes only and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Any recipient of this work product who desires professional guidance should engage qualified professionals for advice appropriate to its own specific needs.

# Key Actuarial Methods

	12/31/2019 Valuation Methods	12/31/2020 Valuation Proposed* Methods
Cost Allocation Method	Entry Age Normal	No change
UAL (Shortfall) Amortization Method	Level percent of pay, layered fixed periods: <i>Tier 1/Tier 2:</i> <ul style="list-style-type: none"> <li>• Reamortized over 22 years as of 12/31/2019 per SB 1049</li> <li>• 20 years as ongoing Board policy</li> </ul> <i>OPSRP: 16 years</i> <i>RHIA/RHIPA: 10 Years</i>	No change
Rate Collar	Limits change in base contribution rate to larger of 20% of current rate or 3.00% of payroll; Collar widens incrementally when funded status below 70%	Consider modifying structure as discussed in prior section

\*No action is needed on “proposed” methods today, since all assumptions and methods will be adopted at the July 2021 Board meeting

# Cost Allocation Method

- Rates are calculated to pre-fund retirement benefits during a member's working career if all assumptions are met
- The present-day value of projected future benefits allocated to a particular working year is the Normal Cost
- The present-day value of projected future benefits allocated to prior years is the Accrued Liability
- The division between past, current & future service is done through use of an actuarial cost allocation method
- PERS currently uses GASB-compliant cost allocation method of Entry Age Normal (EAN)
  - We recommend no change to the cost allocation method

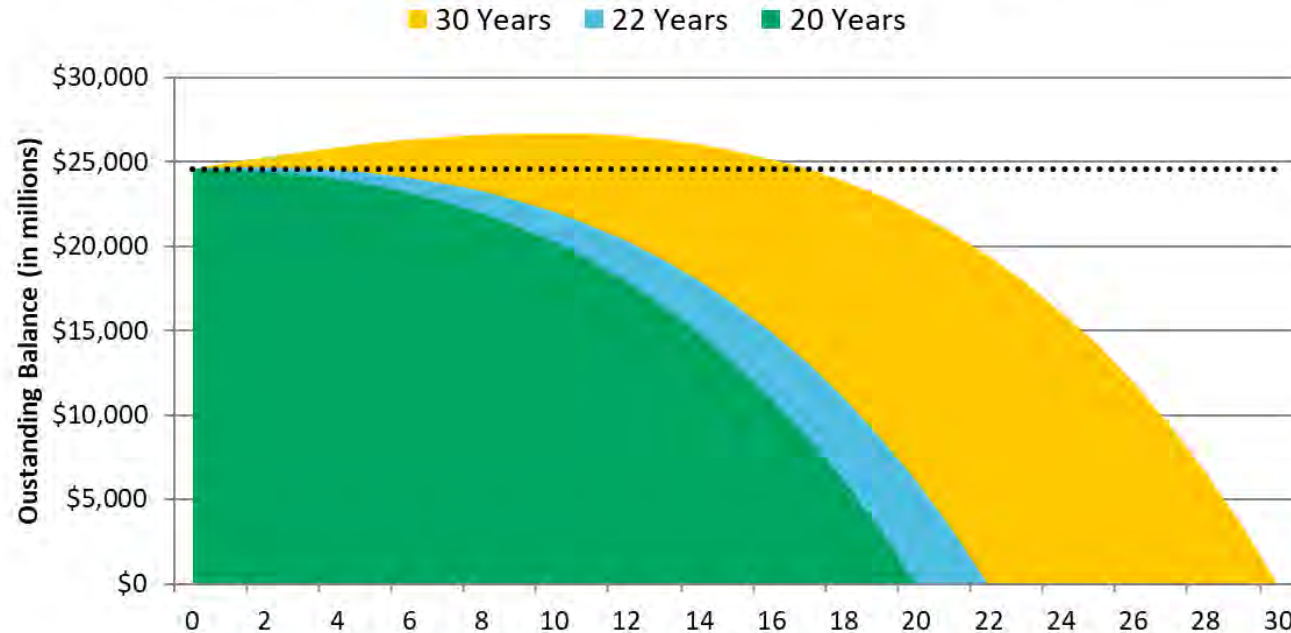
# Shortfall Amortization Periods

- A key part of contribution rate calculations is amortization of Tier 1 / Tier 2 shortfalls over twenty years as a level percentage of payroll
  - As required by Senate Bill 1049, Tier 1/Tier 2 UAL as of December 31, 2019 was re-amortized over 22 years
  - Prior to that, Board policy has been to amortize gains or losses in separate layers over 20 years from the rate-setting valuations in which the gain or loss was first recognized
- Twenty years avoids significant negative amortization, where unamortized shortfall materially increases in the initial “pay down” years even if actual investment returns match assumptions and contributions are made
  - The following slide illustrates amortization as a level percentage of projected payroll of a \$24.6 billion shortfall over periods of 20, 22 or 30 years

# Remaining Balances for 20-, 22-, & 30-Year Amortizations

**UAL Balance Over Time by Selected Amortization Period**

Level % of pay amortization, 7.20% interest, 3.40% payroll growth



Current ongoing policy

- Tier 1 / Tier 2:  
**20 years**
- OPSRP:  
**16 years**

- **Why 20 years or less?** If actual experience matches the assumption...
  - with 22 years zero progress is made in decreasing the initial UAL until year 4
  - with 30 years the UAL has increased by about 9% after the first decade, and zero progress is made in decreasing the initial UAL until year 17



# Agenda for July Meeting

- Review demographic assumptions
  - Member-specific assumptions based on study of recent PERS experience
- Adopt all methods and assumptions for use in:
  - 12/31/2020 actuarial valuation with advisory 2023-2025 contribution rates
  - 12/31/2021 actuarial valuation with 2023-2025 contribution rates proposed for adoption

# Appendix

# Certification

This presentation discusses actuarial methods and assumptions for use in the valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”). For the most recent complete actuarial valuation results, including cautions regarding the limitations of use of valuation calculations, please refer to our formal Actuarial Valuation Report as of December 31, 2019 (“the Valuation Report”) published on September 17, 2020. The Valuation Report, including all supporting information regarding data, assumptions, methods, and provisions, is incorporated by reference into this presentation. The statements of reliance and limitations on the use of this material is reflected in the actuarial report and still apply to this presentation. The Valuation Report, along with prior presentations to the PERS Board, including the December 2020, February 2021, and March 2021 presentations to the PERS Board should be referenced for additional detail on the data, assumptions, methods, and plan provisions underlying this presentation.

In preparing this presentation, we relied, without audit, on information (some oral and some in writing) supplied by the System’s staff as well as capital market expectations provided by Meketa, capital market information published by Horizon Actuarial Services, and information presented to the Oregon Investment Council. This information includes, but is not limited to, statutory provisions, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

In assessing the Milliman capital market expectations presented in this report, per Actuarial Standards of Practice we disclose reliance upon a model developed by Milliman colleagues who are credentialed investment professionals with expertise in capital outlook modeling.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which in our professional opinion are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System. The valuation results were developed using models intended for valuations that use standard actuarial techniques.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. Our annual financial modeling presentation to the PERS Board should be referenced for additional analysis of the potential variation in future measurements. The PERS Board has the final decision regarding the assumptions used in the actuarial valuation.

# Certification

The calculations in this report have been made on a basis consistent with our understanding of the plan provisions described in the appendix of the Valuation Report. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the internal business use of the Oregon Public Employees Retirement System. Milliman does not intend to benefit or create a legal duty to any third-party recipient of its work product.

No third-party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are retirement actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the System. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct and Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

# Appendix

## Capital Market Outlook

- Capital market outlooks change over time in response to changing market conditions
  - Milliman outlook updated every six months
  - Recent changes and key factors shown below for Milliman model of PERS asset allocation
  - Outlooks shown reflect Milliman’s real return outlook at each date combined with a 2.50% inflation assumption as of 12/31/16 and 12/31/18, and a 2.40% inflation assumption as of 12/31/20

Milliman 20-year outlook	12/31/16	12/31/18	12/31/20
<b>Median Annualized Return</b>	<b>6.70%</b>	<b>6.87%</b>	<b>6.27%</b>
Global Equity	6.74%	6.99%	5.85%
Private Equity	7.82%	8.33%	7.71%
US Core Fixed Income	3.49%	4.07%	2.73%
US Short-term Bonds	3.38%	3.68%	2.47%
Real Estate	5.51%	5.55%	5.66%

Asset category returns shown above are 20-year annualized geometric mean returns and reflect reduction for assumed investment management expenses

# Appendix

## Actuarial Basis

### Capital Market Assumptions – Milliman Real Return Outlook Adjusted for 2.40% Inflation Assumption

For assessing the expected portfolio return under Milliman’s capital market assumptions (adjusted for inflation assumption shown below), we considered the Oregon PERS Fund to be allocated among the model’s asset classes as shown below. This allocation is based on input provided by Meketa (OIC’s primary consultant) and reflects proposed changes to the Oregon Investment Council’s target allocation for the Oregon PERS Fund that are expected to be adopted in June 2021.

	<b>Annual Arithmetic Mean</b>	<b>20-Year Annualized Geometric Mean</b>	<b>Annual Standard Deviation</b>	<b>Policy Allocation</b>
Global Equity	7.11%	5.85%	17.05%	30.62%
Private Equity	11.35%	7.71%	30.00%	25.50%
US Core Fixed Income	2.80%	2.73%	3.85%	23.75%
Real Estate	6.29%	5.66%	12.00%	12.25%
Master Limited Partnerships	7.65%	5.71%	21.30%	0.75%
Infrastructure	7.24%	6.26%	15.00%	1.50%
Commodities	4.68%	3.10%	18.85%	0.63%
Hedge Fund of Funds – MultiStrategy	5.42%	5.11%	8.45%	1.25%
Hedge Fund Equity-Hedge	5.85%	5.31%	11.05%	0.63%
Hedge Fund – Macro	5.33%	5.06%	7.90%	5.62%
US Cash	1.77%	1.76%	1.20%	(2.50%)
US Inflation (CPI-U)		2.40%	1.65%	<b>N/A</b>
<b>Fund Total (reflecting asset class correlations)</b>	<b>7.06%</b>	<b>6.31%*</b>	<b>13.08%</b>	<b>100.00%</b>

\* Reflects 0.09% average reduction to model passive investment expenses. The model does not try to assess the actual investment expenses for active management. The model’s 20-year annualized geometric median is **6.27%**.

# Appendix

## Actuarial Basis

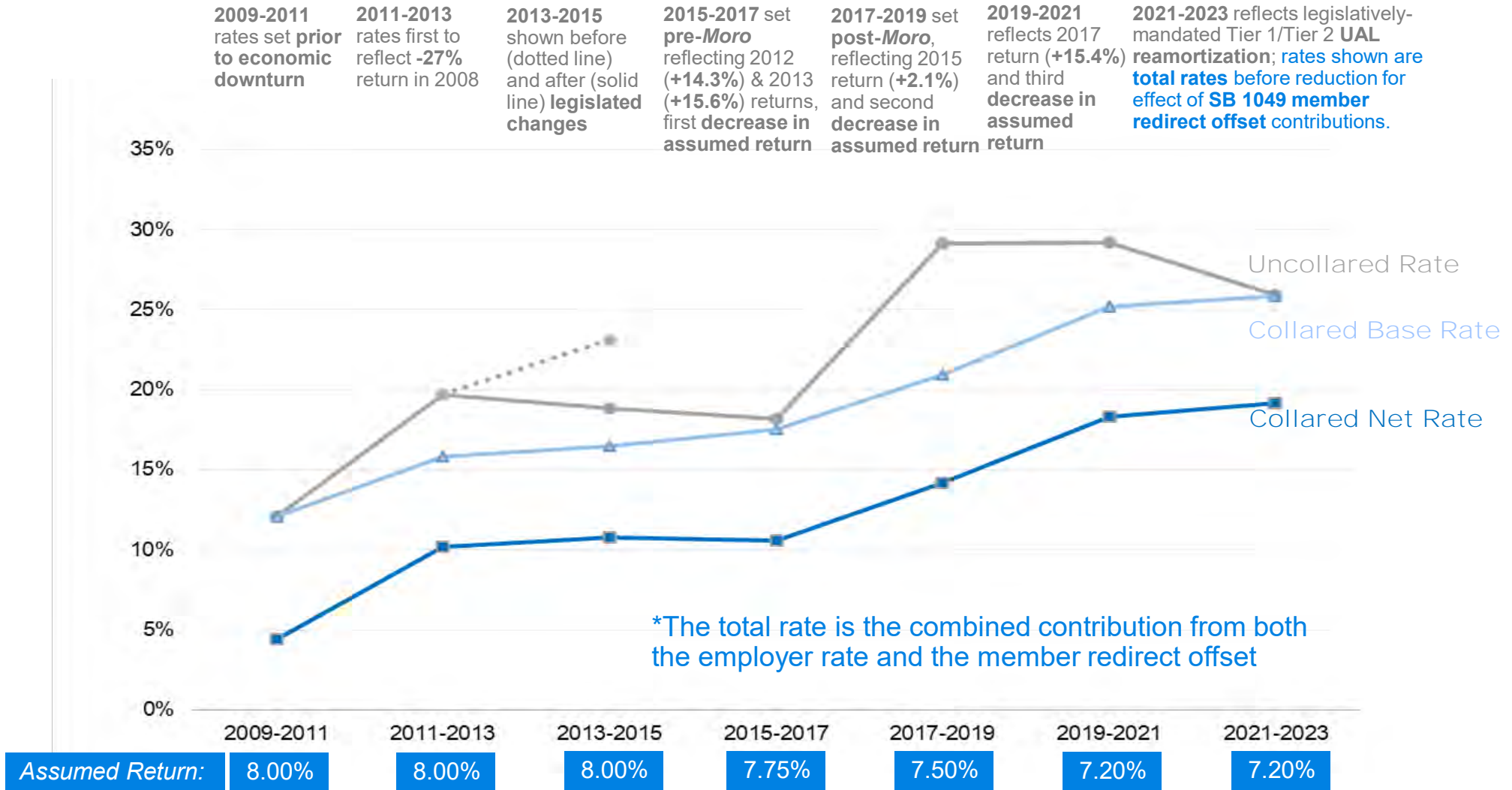
### Capital Market Assumptions - Horizon

For assessing the expected portfolio return under an additional set of capital market assumptions, we applied the assumptions from the 2020 Survey of Capital Market Assumptions published by Horizon Actuarial Services, LLC. According to the survey report, the 10-year return assumptions shown below represent an average of the expectations for 39 investment advisors responding to the survey.

	<b>10-Year Annualized Geometric Mean</b>	<b>Annual Standard Deviation</b>	<b>Policy Allocation</b>
US Equity – Large Cap	6.16%	16.22%	<b>13.78%</b>
Non-US Equity – Developed	6.80%	18.05%	<b>13.78%</b>
Non-US Equity – Emerging	7.85%	24.23%	<b>3.06%</b>
US Corporate Bonds – Core	2.60%	5.47%	<b>23.75%</b>
US Treasuries (Cash Equivalents)	1.56%	1.78%	<b>(2.50%)</b>
Real Estate	5.75%	16.84%	<b>12.25%</b>
Hedge Funds	4.74%	8.00%	<b>7.50%</b>
Commodities	3.19%	17.60%	<b>0.63%</b>
Infrastructure	6.94%	14.58%	<b>2.25%</b>
Private Equity	9.08%	21.99%	<b>25.50%</b>
Inflation	1.98%		<b>N/A</b>
<b>Fund Total (reflecting asset class correlations)</b>	<b>6.87%*</b>		<b>100.00%</b>

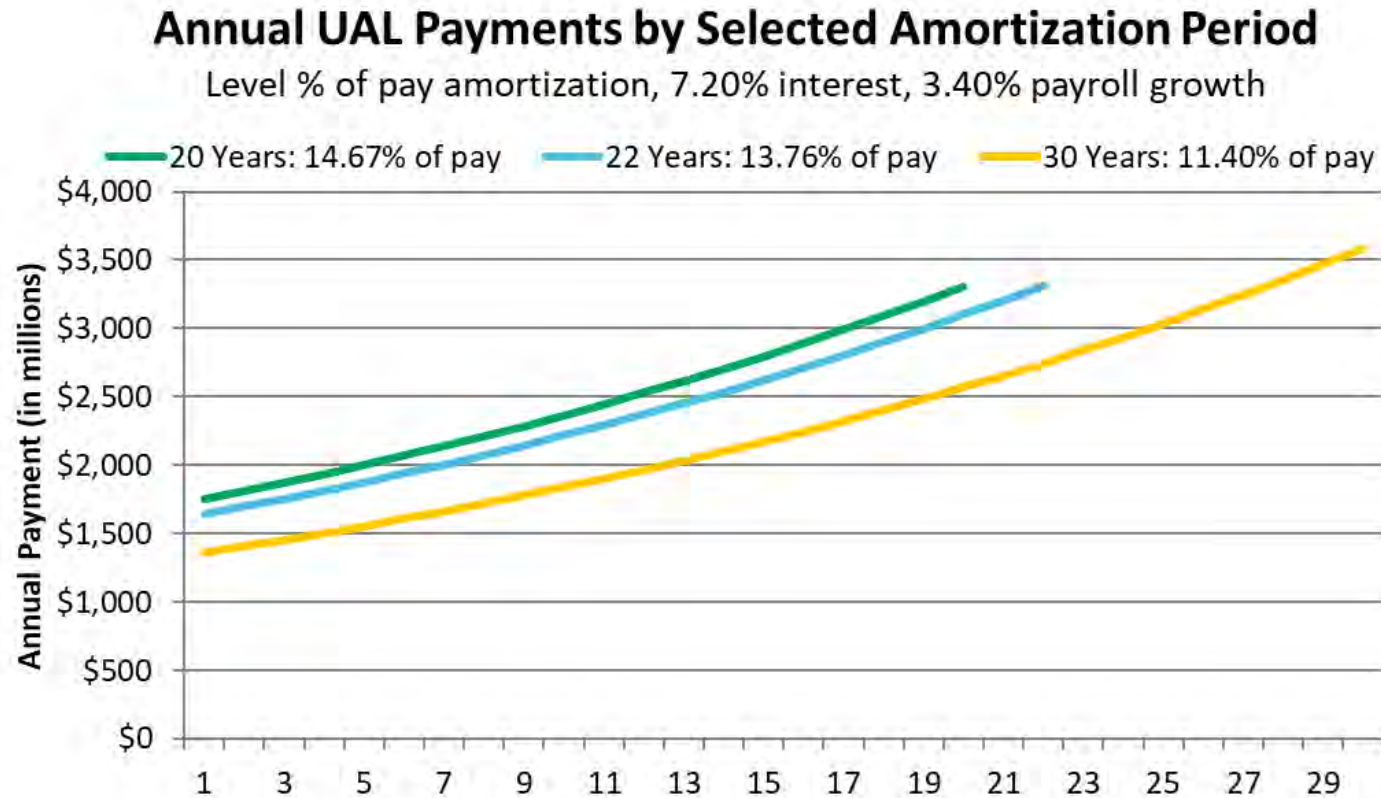
\* 10-year annualized geometric median is **6.80%**.

# System-average Weighted Total\* Pension-Only rates





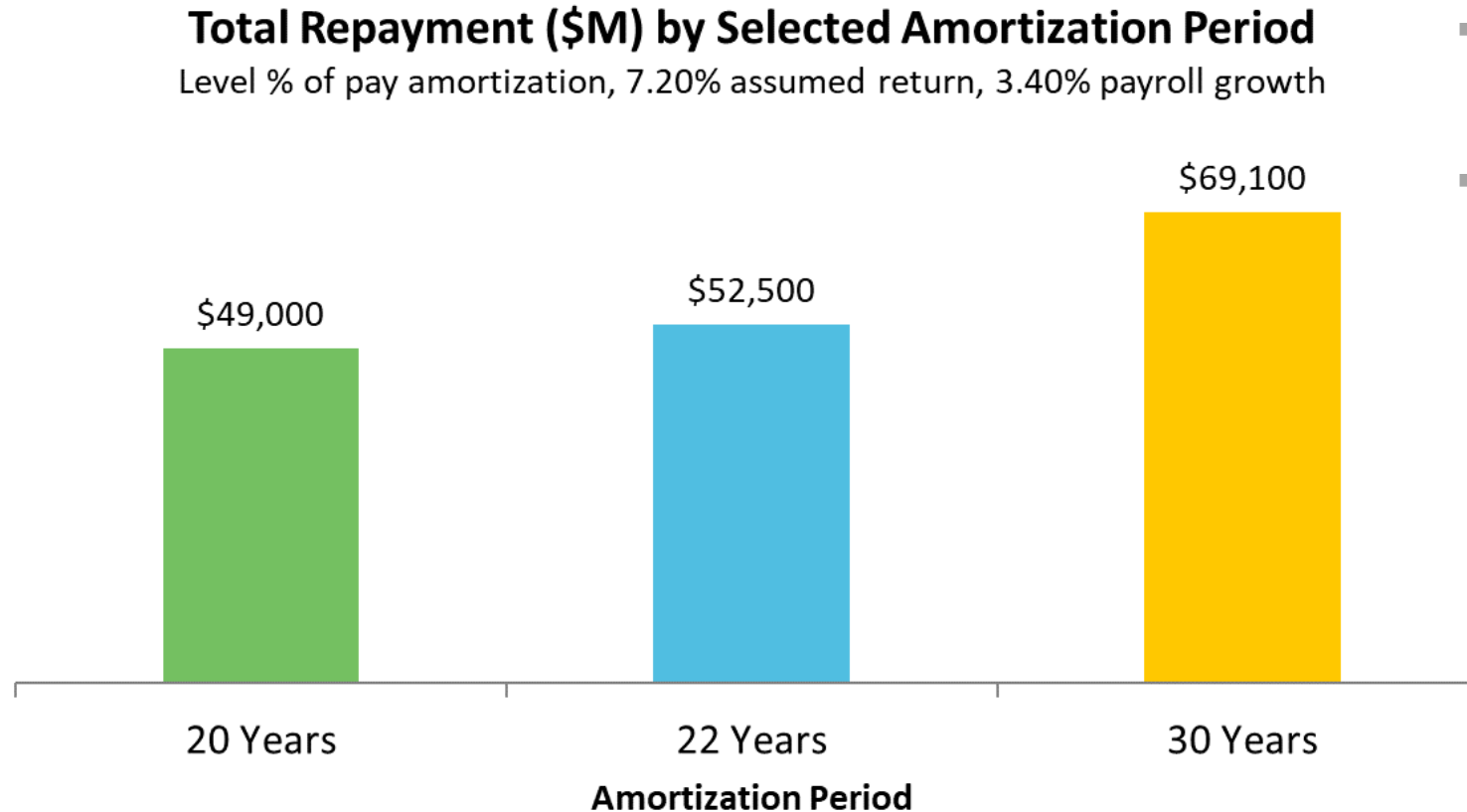
# Illustration of UAL Amortization Periods



## Current policy

- Tier 1 / Tier 2:  
**20 years**
- OPSRP:  
**16 years**

# Illustration of UAL Amortization Periods



## Current policy

- Tier 1 / Tier 2:  
**20 years**
- OPSRP:  
**16 years**

This illustrates total amortization payments for a \$24.6 billion shortfall over periods of 20, 22 or 30 years