



OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

BOARD MEETING AGENDA

Friday May 27, 2022 9:00 A.M.		PERS 11410 SW 68 th Parkway Tigard, OR
ITEM	PRESENTER	
A. Administration		
1.	March 28, 2022 Board Meeting Minutes	SHENOY
2.	Director's Report	OLINECK
	a. Forward-Looking Calendar and 2023 PERS Board Meeting Dates	
	b. OPERF Investment Report	
	c. Budget Execution Report	
3.	Review Board Education Policy, Training, and Board Smart Presentation	OLINECK, MILLER, TILLMAN
4.	Board Scorecard Report on Agency Performance Measures	RICKARD
5.	Oregon Savings Growth Plan Advisory Committee Appointments	LARSEN
B. Administrative Rulemaking		
1.	Notice of Delegation of Signing Authority Rule	VAUGHN
2.	Adoption of Death and Survivor Benefits Rule	
3.	Adoption of Employer Incentive Fund Program Rule	
4.	Adoption of Rules to Implement SB 112	
C. Action and Discussion Items		
1.	SB 1049 Implementation Update	ELLEDGE-RHODES
2.	Equal to or Better Than Testing Update	WINSHIP
3.	Audit and Risk Committee Oversight	STANLEY
4.	PERS Health Insurance Plan Annual Update	CHAVEZ
5.	2023 Retiree Health Insurance Plan Renewals and Rates	CHAVEZ
6.	2023-2025 Agency Budget Development Update	HORSFORD, GABRIEL

The PERS Board members, meeting presenters and the public have the option to attend this meeting in person or remotely. Visit <https://www.oregon.gov/pers/Pages/Board/PERS-Board-Information.aspx> for options. This meeting will be recorded. An audio recording of the meeting will be available on the PERS website following the meeting.

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

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

2022 Meetings: July 22*, September 30, December 2*
***Audit Committee planned for post-Board meeting**

Administration

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5. Oregon Savings Growth Plan Advisory Committee Appointments

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING MINUTES

March 28, 2022

Board members present:

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

Staff present:

Kevin Olineck, Abigail Churchill, Amanda Marble, Anne Marie Vu, April Chapman, Chris Geier, Colin Campi, Daniel Rivas, El Rossman, Heather Case, Jake Winship, Janice Ness, Janice Richards, Jason Stanley, Jonathan Yost, Jordan Masanga, Katie Brogan, MaryMichelle Sosne, Matthew Graves, Melanie Chandler, Neil Jones, Michiru Farney, Phuongnam Tran, Shane Perry, Richard Horsford, Sam Paris, Shawn Harper, Stephanie Vaughn, Susie Bodman, Yong Yang and Yvette Elledge-Rhodes attended virtually.

Others present:

Matt Larrabee, Scott Preppernau, Aeron Riordon, Alyse Greer, Anita Gurule, Anne Willis, Antonio Canisales, Aruna Masih, Ben Cecka, Cari Pickett, Carol Samuels, Courtney Waters, David Barry, David Randall, Debby Larsen, Deborah Tremblay, Diana Herb, Gabby Hansen, Gary Smith, Gay Lynn Bath, Grace Lawson, Jeff Gudman, Jennifer Jones, Jim Stultz, John Borden, John Cummings, John Kevin Balaod, Jonathan Yost, Joseph Seymour, Joy Gutknecht, Kali Leinenbach, Karen Herrold, Kate Gribskov, Katie Bash, Kristi Jenkins, Megan Hedrick, Michelle Lisper, Michelle Salinas, Nancy Brewer, Nate Carter, Patrick Burk, Rex Kim, Robert Burket, Sean McSpaden, Shauna Tobiasson, Steven Cardinale, Tahni Fagerberg, Tan Cao, Ted Scheinman, Thanh Dang, Theresa Tabish, Tom Crawford, Trudy Vidal, Tyler Francke, Viyada Ruscigno, and Zechariah Heck attended virtually.

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

ADMINISTRATION

A.1. MEETING MINUTES OF JANUARY 31, 2022

Board Member Buckley moved to approve the minutes as presented from the January 31, 2022, PERS Board meeting. Vice Chair Furnstahl seconded the approval of the minutes. The motion passed unanimously.

A.2. DIRECTOR'S REPORT

Director Kevin Olineck presented the Director's Report and the forward-looking calendar. He noted that most staff will continue to work remotely after the agency reopens to the public in May. The agency continues to update audio visual equipment in the boardroom to allow for hybrid meetings.

The Oregon Public Employees Retirement Fund (OPERF) returns, for the period ending February 28, 2022, were -0.81%.

Operating expenditures for January, February, and preliminary expenditures for March are \$4,330,405, \$5,678,414, and \$4,488,033 respectively.

Through March 6, 2022, the agency has expended a total of \$39,390,678 or 31.9% of PERS' legislatively approved operations budget of \$123,378,866. At this time, the agency's projected variance is \$2,184,337.

Olineck reviewed the meeting agenda.

A.3. 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, 2021. He reviewed the OPERF 20-year net asset value history, historical and current asset allocation, 2021 performance summary. He also provided a forward-looking perspective on inflation and interest rates.

A.4. OREGON SAVINGS GROWTH PLAN REPORT OUT

Debby Larsen, Deferred Compensation Program Manager, presented the Oregon Savings Growth Plan (OSGP) Annual Report. The presentation reflected information for the 2021 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. NOTICE OF DEATH AND SURVIVOR BENEFITS RULE

Vaughn presented notice of Rulemaking for Death and Survivor Benefits Rule: OAR 459-014-0050, Designation of Beneficiary at Retirement and Survivor Benefits.

A rulemaking hearing will be held remotely on April 26, 2022, at 2:00 p.m. The public comment period ends May 2, 2022, at 5:00 p.m.

No board action was required.

B.2. NOTICE OF EMPLOYER INCENTIVE FUND PROGRAM RULE

Vaughn presented notice of Rulemaking for Employer Incentive Fund Program Rule: OAR 459-009-0092, Employer Incentive Fund Program.

A rulemaking hearing will be held remotely on April 26, 2022, at 2:00 p.m. The public comment period ends May 2, 2022, at 5:00 p.m.

No board action was required.

B.3. SECOND READING OF RULES TO IMPLEMENT SB 112

Vaughn presented Second Reading of Rules to Implement SB 112 (2021): OAR 459-005-0020, Determination of Employee or Non-Employee Status, OAR 459-010-0030, Determination of

Employee Status (repeal), and OAR 459-010-0032, Determination of Independent Contractor Status (repeal).

Due to additional rule modifications, the public comment period was extended until March 7, 2022, at 5:00 p.m.

No board action was required.

B.4. ADOPTION OF OREGON SAVINGS GROWTH PLAN RULES

Vaughn presented adoption of Oregon Savings Growth Plan (OSGP) Rules: OAR 459-050-0001, Definitions, OAR 459-050-0025, Deferred Compensation Advisory Committee, OAR 459-050-0030, Deferred Compensation Administrator, OAR 459-050-0037, Trading Restrictions, OAR 459-050-0050, Eligibility and Enrollment, OAR 459-050-0060, OSGP Designation of Beneficiary, OAR 459-050-0070, Catch-Up Programs, OAR 459-050-0072, Military Leave Catch-up, OAR 459-050-0075, Distributions During Employment, OAR 459-050-0077, Loan Program, OAR 459-050-0080, Distribution of Funds After a Severance of Employment, OAR 459-050-0150, Unforeseeable Emergency Withdrawal, and OAR 459-050-0240, Deferred Compensation Program Notifications.

A rulemaking hearing was held remotely on February 22, 2022, at 2:00 p.m. No members of the public attended. The public comment period ended March 7, 2022, at 5:00 p.m. No public comment was received.

Board Member Scanlan moved adopt the Oregon Savings Growth Plan (OSGP) rules, as presented. Board Member Jaramillo seconded. The motion passed unanimously.

B.5. ADOPTION OF SALARY AND CONTRIBUTION LIMITS RULES

Vaughn presented adoption of 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 459-017-0060, Reemployment of Retired Members, OAR 459-080-0400, Employee Pension Stability Account (EPSA), and OAR 459-080-0500, Limitation on Contributions.

A rulemaking hearing was held remotely on February 22, 2022, at 2:00 p.m. No members of the public attended. The public comment period ended March 7, 2022, at 5:00 p.m. No public comment was received.

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

B.6. ADOPTION OF DOCUMENT SUBMISSION REQUIREMENTS RULES

Vaughn presented adoption of Document Submission Requirements Rules: OAR 459-005-0210, Transmittal of Reports and Documents and OAR 459-001-0010, Filing Papers (repeal).

A rulemaking hearing was held remotely on February 22, 2022, at 2:00 p.m. No members of the public attended. The public comment period ended March 7, 2022, at 5:00 p.m. No public comment was received.

Board Member Jaramillo moved to adopt the Document Submission Requirements rules, as presented. Board Member Scanlan seconded. The motion passed unanimously.

ACTION AND DISCUSSION ITEMS

C.1. FINAL 2021 EARNINGS CREDITING AND RESERVING

Richard Horsford, Chief Financial Officer, and Amanda Marble, Financial Reporting Manager, presented final earnings crediting for 2021.

The final crediting rates as presented include:

Tier One member regular accounts:	7.20%
Tier Two member regular accounts:	20.14%
OPSRP Pension:	20.43%

Vice Chair Furnstahl motioned to adopt the final crediting of earnings as presented for calendar year 2021. Board Member Scanlan seconded. The motion passed unanimously.

C.2. SB 1049 IMPLEMENTATION UPDATE

Yvette Elledge-Rhodes, Deputy Director, presented.

Elledge-Rhodes reviewed the ongoing activities of the individual projects that make up the Senate Bill (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 year.

Program health will remain in yellow status as Member Redirect is scheduled past the end of the 2021-2023 biennium. Member Redirect is in green status.

No board action was required.

C.3. REVIEW OF 2022 LEGISLATIVE SESSION

Heather Case, Senior Policy Advisor, presented.

Case provided an update on the 2022 legislative session and reporting requirements for the session. Highlights of the four policy and budget bills that will have an impact on PERS, the system, were presented.

No board action was required.

C.4. LEGISLATIVE CONCEPT PROPOSALS – 2023 SESSION

Heather Case, Senior Policy Advisor, presented.

Case reviewed three legislative concepts to be drafted. Concepts are a Modernization Clean-Up Bill, Increase to Divorce Decree Processing Fee, and Social Security Statutes Clean-Up.

Upon board approval of the 2023 package of draft requests, they will be filed with the Department of Administrative Services and Governor's Office for review and further consideration.

Board Member Buckley motioned to recommend approval of submitting requests to DAS for drafting Legislative Concepts for the 2023 session. Board Member Scanlan seconded. The motion passed unanimously.

C.5. 2023-2025 BUDGET DEVELOPMENT UPDATE

Richard Horsford, Chief Financial Officer presented.

Horsford provided an update on the latest activities in development of the agency's next budget request. An updated budget package will be presented to the PERS Board at the May meeting. Final board approval of the 2021-23 Agency Request Budget will occur during the PERS Board meeting on July 22, 2022.

No board action was required.

C.6. EQUAL TO OR BETTER THAN TESTING

Jake Winship, Actuarial Manager, presented.

Winship provided an update on the latest activities on the "equal to or better" (ETOB) study process for those police and fire employers who do not participate in PERS that are required to provide retirement benefits that are "equal to or better."

Board Member Buckley moved affirm the two-stage process for equal-to or better-than testing. Board Member Jaramillo seconded. The motion passed unanimously.

Vice Chair Furnstahl moved to approve the proposed timeline for equal-to or better-than testing. Board Member Scanlan seconded. The motion passed unanimously.

Chair Shenoy adjourned the board meeting at 10:49 a.m.

Respectfully submitted,



Kevin Olineck, Director

Administration

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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

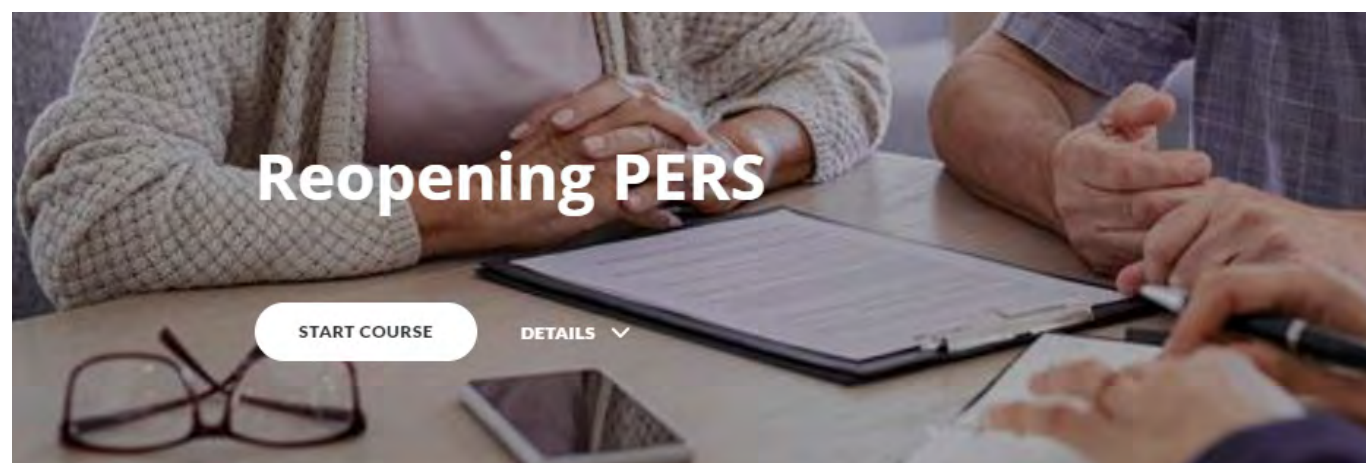
Senate Bill (SB) 1049 Work on the Member Redirect and Technical Debt Projects continue. More detailed SB 1049 implementation reports on these and other projects will be provided in the board packet.

Reopening to the Public To help prepare the agency for the May 1 reopening to the public, Human Resources and Agency Training created a short course called Reopening PERS. The content of this training informed staff about the schedule for returning to the office, shared the updated seating maps, explained the new

hoteling workstations for hybrid staff, and helped everyone understand the current protocols and key policies related to reopening. This resource ensured staff were prepared and knew what to expect. The Executive Leadership Team also held a Town Hall Meeting on April 27 to answer staff questions about reopening.

Human Resources also completed the agency's new remote work policy, which adopts the DAS Working Remotely Policy with some PERS-specific modifications.

As noted in the last report, PERS staff moved from the Tualatin building to the Tigard (headquarters) building in mid-March. Shortly thereafter, Oregon Department of Transportation (ODOT) approached PERS about subleasing the Tualatin space, effective May 1. Our Procurement and Facilities staff were able to reach an agreement that facilitated the subleasing of not only the space, but also the office furniture and information technology (IT) infrastructure. Subsequent discussions will take place later this year regarding whether ODOT will want to purchase the office furniture and IT infrastructure when our lease expires on June 20, 2023.



PERS created a course to educate staff on how the agency's reopening plan will impact them and members.

Highlights

The following are accomplishments that deserve to be highlighted, with staff publicly acknowledged for their efforts.

Agency initiatives and accomplishments

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

Emergency Board Submission for Modernization

Funding PERS submitted a request for an increase in Other Funds limitation of \$4,490,000 to continue the agency's modernization efforts. This limitation was requested to complete the comprehensive planning and design phase for the PERS Modernization Program without a significant gap in time between the initial planning phase just completed and the beginning of the 2023-2025 biennium. PERS received an initial limitation of \$800,000 in our 2023-2025 Legislatively Approved Budget, under SB 5536. This request was an increase to that package, which will fund the program for the remainder of the 2021-23 biennium. This request will be reviewed by the Emergency Board during the June 1-3 legislative days.

NCPERS Certificate of Transparency PERS participated in the 2021 National Conference on Public Employee Retirement Systems (NCPERS) Public Retirement Systems Study. In this 11th year of the study, public retirement plans across North America participated by providing the latest information on plan design, investment allocation and returns, actuarial assumptions, and plan governance practices.

As one of the 156 plans who participated, PERS was recognized for furthering open disclosure, increasing the



range of data from which to learn, and contributing to the public's understanding of public retirement systems.

PERS 101 In June, as part of building out the 2023-2025 Agency Request Budget (ARB), PERS will be hosting a series of sessions with PERS budget stakeholders. These sessions will be held with our policy advisors from the Governor's Office, our Policy and Budget Analyst from the DAS Chief Financial Office, our Principal Legislative Analyst from the Legislative Fiscal Office, as well as our partners in DAS Enterprise Information Services. The sessions will highlight focus on the work of each of the agency's divisions, including successes and challenges over the course of the current biennium, and how the ARB will help to address the challenges.

We found that similar sessions in 2020 were of benefit to both PERS and our stakeholders, in that our stakeholders gained a deeper understanding of how PERS was structured, as well as the work undertaken by each division.

PDCM Migration Complete In the March Director's Report, I noted that we were in the process of migrating our servers to the State Data Center. I am pleased to report that the migrations were all completed by April 24. While there is still some work to be done to fully complete this project, this was a major undertaking by the agency and was completed earlier than originally projected.

All-Staff Meeting We held our semiannual, all-staff meeting on May 12. Board Member Buckley attended the meeting and provided welcoming remarks and comments on behalf of the board; his participation was appreciated by all in attendance. The second part of our staff meeting, the Executive Team Q&A session, will be held on June 2. This provides staff an opportunity to ask questions directly of our Executive Team on any subject.

Public Service Recognition Week The Department of Administrative Services (DAS) chose "Courage" as the theme of this year's Public Service Recognition Week (May 1-7). The Governor's Office recognized state employees, in a virtual event on May 4, who are both ambassadors of public service and have demonstrated courage over the past year. PERS asked staff members to nominate employees they think exemplify these traits. The PERS' Employee Recognition Work Group reviewed the nominations and selected three staff members—Kimberly Johnson, Chad Hursh, and Helen Wilson for submission. The state subsequently notified our honorees about their recognition and award. The PERS

nominees and honorees were also recognized during our May 12 all-staff meeting.

Engaging with Staff Since joining PERS, I've published a monthly blog titled *Not So Random Thoughts*. This blog encompasses various subject areas that I believe are relevant to how we do our work within the agency and includes my leadership thoughts, how we are adapting to new technologies and project methodologies, and modernization objectives.

Over the course of the past few years, I've also held regular section meetings across all areas of the agency. Set up as "Donuts with the Director," they initially took place in person, where we shared donuts and discussed items that the staff would bring up – be it work related or just getting to know each other better. These meetings pivoted to an online format to become "Virtual Donuts with the Director" because of COVID. I'm glad to report that I've completed meeting with all sections at PERS.

As we evolve into a new work structure that embraces remote and hybrid work, I thought it appropriate to conduct a survey to see how I could also evolve my engagement efforts, including the two ways noted above. The goal is to ensure that my engagement efforts are just that—engaging. As part of my April blog, a survey was included to gain staff feedback. The results will inform what culture-building efforts I should stop, start, or continue as I move forward.



PERS Board Meeting Forward-Looking Calendar

Friday, July 22, 2022*

Board Governance Assignments
Approval to Submit Agency Request Budget
CEM Benchmarking Presentation
Presentation of December 31, 2021 System Valuation Results

Wednesday, September 7, 2022 (OIC Meeting — recommend board members to attend)

Results of Asset/Liability Study – preliminary results with focus on asset mix

Friday, September 30, 2022

Board Adoption of Actual 2023- 2025 Contribution Rates
Legislative Update (if needed)
2023-28 Strategic Plan Preview
Member and Employer Survey Results
Review Board Education Policy and Training

Wednesday, October 26, 2022 (OIC Meeting — recommend board members to attend)

Results of Asset/Liability Study – final results, including liabilities

Friday, December 2, 2022*

Presentation of Legislative Concept Drafts before Filing
POBMS Presentation
2023-28 Strategic Plan Approval
Financial Modeling Presentation

2023 Meeting Dates

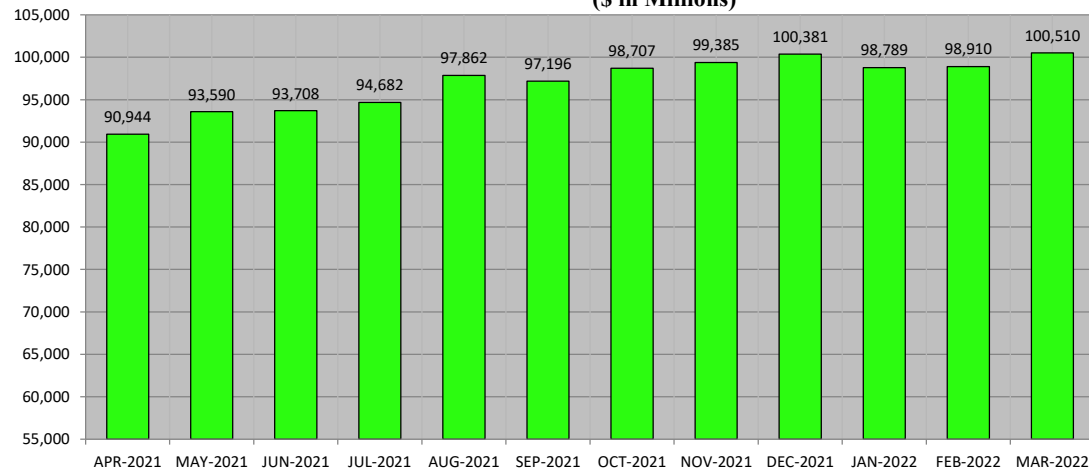
9:00 a.m. Start Times

- Friday, February 3
- Monday, April 3*
- Friday, June 2
- Friday, July 28*
- Friday, September 29
- Friday, December 1*

**Audit Committee planned for post-board meeting*

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
Public Equity	25.0-35.0%	30.0%	\$ 24,047,388	24.9%	(4.64)	6.14	29.83	13.07	9.80	11.08	9.44	10.20
Private Equity	15.0-27.5%	20.0%	\$ 26,249,112	27.1%	7.42	37.45	28.78	24.52	21.41	21.15	16.93	16.22
Total Equity	45.0-55.0%	50.0%	\$ 50,296,500	52.0%								
Opportunity Portfolio	0-5%	0%	\$ 2,383,173	2.5%	1.79	16.76	17.06	13.16	11.48	10.39	9.09	9.92
Total Fixed	15-25%	20.0%	\$ 19,334,673	20.0%	(5.19)	(3.28)	(0.00)	2.21	2.71	2.48	2.25	2.87
Risk Parity	0.0-3.5%	2.5%	\$ 2,175,667	2.2%	(4.42)	9.29						
Real Estate	7.5-17.5%	12.5%	\$ 11,865,874	12.3%	8.68	27.55	13.94	11.84	10.85	10.13	9.69	10.96
Real Assets	2.5-10.0%	7.5%	\$ 6,963,730	7.2%	5.05	18.81	11.08	7.14	5.28	6.03	5.55	3.92
Diversifying Strategies	2.5-10.0%	7.5%	\$ 3,718,530	3.8%	6.77	9.69	4.27	(0.19)	(2.60)	(1.47)	0.82	1.96
Cash w/Overlay	0-3%	0%	\$ 23,239	0.0%	(0.61)	(0.57)	0.65	1.08	1.51	1.46	1.30	1.14
TOTAL OPERF Regular Account		100.0%	\$ 96,761,387	100.0%	1.18	15.29	18.73	12.40	10.35	10.65	9.09	9.59
OPERF Policy Benchmark					0.34	10.99	17.96	13.06	10.40	10.78	9.34	9.97
Value Added					0.84	4.30	0.77	(0.66)	(0.05)	(0.13)	(0.26)	(0.38)
Target Date Funds			3,360,223									
TOTAL OPERF Variable Account			\$ 388,500		(5.41)	6.58	29.68	13.83	10.84	11.73	9.90	10.32
Asset Class Benchmarks:												
MSCI ACWI IMI NET					(5.47)	6.30	29.42	13.49	10.47	11.37	9.52	9.95
RUSSELL 3000+300 BPS QTR LAG					10.06	29.36	26.89	29.49	20.66	21.46	17.95	19.75
CPI + 5%					4.37	13.93	10.79	9.38	8.77	8.51	7.98	7.39
OREGON CUSTOM FI BENCHMARK					(5.93)	(4.01)	(1.05)	1.69	2.33	2.15	1.85	2.37
S&P Risk Parity - 12% Target Volatility					(0.83)	15.61	26.07	14.61	13.32	11.81	9.26	9.53
OREGON CUSTOM REAL ESTATE BENCHMARK					7.66	21.02	10.20	8.23	8.01	7.74	8.53	9.30
CPI +4%					4.13	12.85	9.74	8.34	7.73	7.48	6.96	6.37
HFRI FOF: CONSERVATIVE INDEX					0.36	4.26	11.31	5.83	4.77	4.51	3.43	3.84
91 DAY TREASURY BILL					0.04	0.06	0.09	0.81	1.13	1.13	0.87	0.63

Total OPERF NAV
(includes Variable Fund assets)
One year ending MAR-2022
(\$ in Millions)



¹OIC Policy revised June 2021. Beginning October 1, 2021, the Alternatives Portfolio has been split up into two new portfolios: Real Assets and Diversifying Strategies.

²Includes impact of cash overlay management.

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

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
Public Equity	25.0-35.0%	30.0%	\$ 21,375,718	22.6%	(10.75)	(4.30)	19.45	9.57	7.84	9.26	8.04	9.61
Private Equity	15.0-27.5%	20.0%	\$ 26,315,492	27.8%	7.39	32.78	30.51	23.77	21.15	20.75	16.93	16.22
Total Equity	45.0-55.0%	50.0%	\$ 47,691,210	50.4%								
Opportunity Portfolio	0-5%	0%	\$ 2,425,603	2.6%	2.40	15.11	21.02	13.24	11.05	10.35	9.06	10.00
Total Fixed	15-25%	20.0%	\$ 19,036,236	20.1%	(7.92)	(6.71)	(2.42)	1.13	2.09	1.74	1.79	2.47
Risk Parity	0.0-3.5%	2.5%	\$ 2,086,760	2.2%	(8.33)	3.08	10.67					
Real Estate	7.5-17.5%	12.5%	\$ 12,071,327	12.8%	10.70	28.95	15.16	12.54	11.35	10.51	10.09	11.09
Real Assets	2.5-10.0%	7.5%	\$ 6,972,466	7.4%	6.10	18.90	12.12	7.87	5.52	6.22	5.27	3.98
Diversifying Strategies	2.5-10.0%	7.5%	\$ 4,325,073	4.6%	10.79	13.52	8.19	0.70	(1.64)	(0.22)	1.10	2.56
Cash w/Overlay	0-3%	0%	\$ (19,523)	0.0%	(0.71)	(0.72)	0.16	0.96	1.44	1.42	1.28	1.12
TOTAL OPERF Regular Account		100.0%	\$ 94,589,154	100.0%	(0.37)	10.99	16.45	11.29	9.83	10.07	8.69	9.43
OPERF Policy Benchmark					(2.85)	4.94	14.30	11.00	9.41	9.88	8.65	9.64
Value Added					2.48	6.05	2.15	0.29	0.42	0.19	0.04	(0.21)

Target Date Funds

3,281,878

TOTAL OPERF Variable Account

\$ 344,905

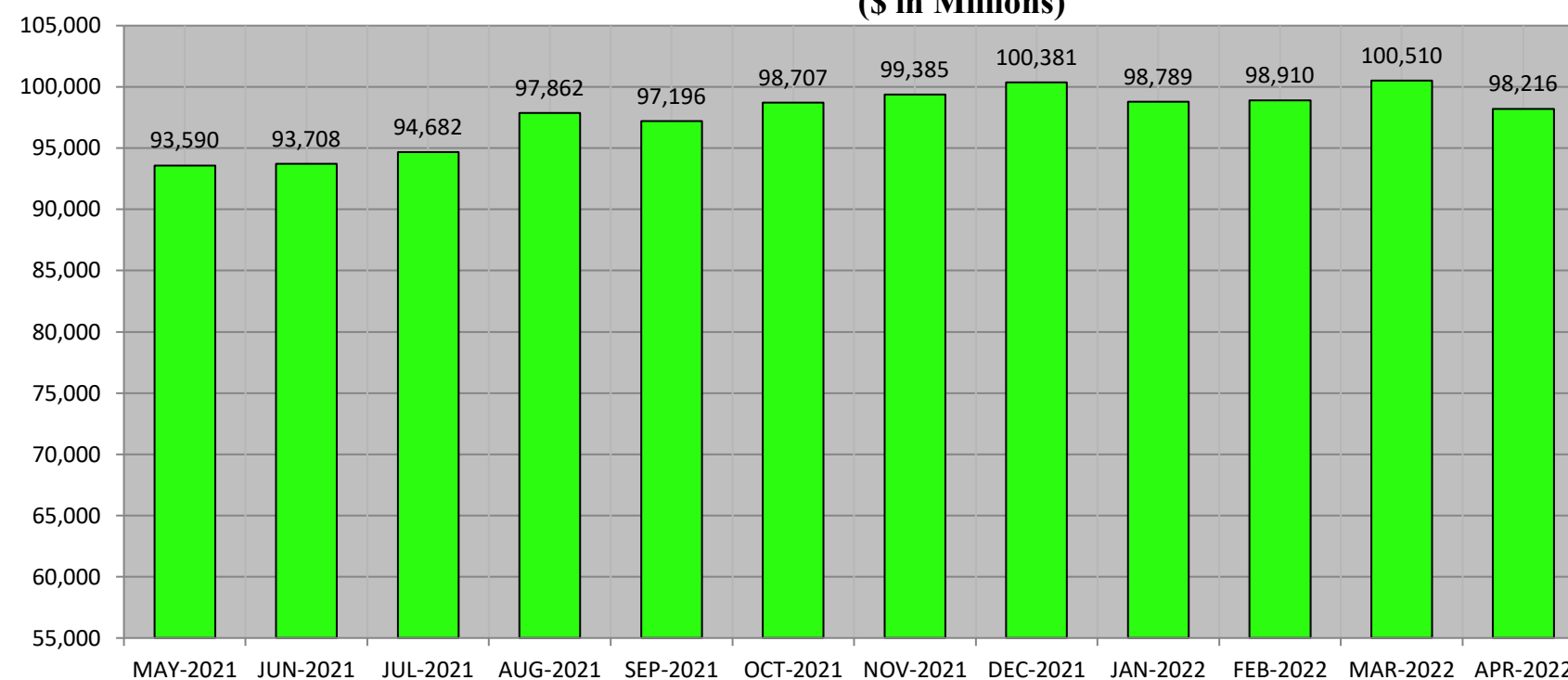
(12.91)	(5.98)	18.19	9.53	8.28	9.54	8.20	9.53
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Asset Class Benchmarks:

MSCI ACWI IMI NET	(12.97)	(6.21)	17.86	9.21	7.96	9.19	7.82	9.17
RUSSELL 3000+300 BPS QTR LAG	8.36	24.48	30.75	26.86	20.18	21.08	17.69	19.57
CPI + 5%	5.38	13.64	11.47	9.39	8.81	8.56	8.04	7.42
OREGON CUSTOM FI BENCHMARK	(9.50)	(8.34)	(3.81)	0.33	1.49	1.22	1.28	1.87
S&P Risk Parity - 12% Target Volatility	(5.07)	5.14	21.67	12.54	11.52	10.53	8.39	9.00
OREGON CUSTOM REAL ESTATE BENCHMARK	10.16	23.06	11.33	8.91	8.46	8.24	8.88	9.55
CPI +4%	5.05	12.56	10.42	8.35	7.78	7.53	7.01	6.39
HFRI FOF: CONSERVATIVE INDEX	0.57	3.02	10.47	5.56	4.71	4.46	3.43	3.88
91 DAY TREASURY BILL	0.05	0.08	0.09	0.75	1.10	1.12	0.88	0.63

Total OPERF NAV
(includes Variable Fund assets)
One year ending APR-2022

(\$ in Millions)



¹OIC Policy revised June 2021. Beginning October 1, 2021, the Alternatives Portfolio has been split up into two new portfolios: Real Assets and Diversifying Strategies.

²Includes impact of cash overlay management.

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



Oregon

Kate Brown, Governor

Public Employees Retirement System

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May 27, 2022

TO: Members of the PERS Board
FROM: Gregory R. Gabriel, Budget Officer
SUBJECT: May 2022 Budget Report

2021-23 OPERATING BUDGET

Operating expenditures for March, April, and preliminary expenditures for May are \$4,806,107, \$4,338,370 and \$6,301,974 respectively. Final expenditures for May will close in the Statewide Financial Management System on June 17 and will be included in the July 2022 report to the PERS Board.

- Through May 8, 2022, the agency has expended a total of \$48,505,830 or 38.3% of PERS' legislatively approved operations budget of \$126,596,362.
- At this time, the agency's projected variance is \$5,010,715.
- Core Retirement Systems Applications (CRSA) expenditures for March, April, and preliminary expenditures for May are \$611,809, \$1,087,512 and \$1,060,652 respectively. As of May 8, the agency has expended \$8,872,775 of the legislatively approved budget of \$23,967,212.
- At this time the CRSA projected variance is \$799,745.

2022 LEGISLATIVE SESSION

The 2022 February Session made the following updates to the PERS budget as outlined in House Bill (HB) 5202, effective April 4, 2022:

- Increase of \$17,250,000 in General Fund revenue for the Employer Incentive Fund.
- Increase of \$2,669,467 in Lottery Fund revenue for the Employer Incentive Fund.
- Increase of \$450,112 in the Central Administration Division for Personal Services.
- Increase of \$437,471 in the Financial Services Division for Personal Services.
- Increase of \$765,286 in the Information Services Division for Personal Services.
- Increase of \$1,339,117 in the Operations Division for Personal Services.
- Increase of \$225,510 in the Compliance, Audit, and Risk Division for Personal Services.
- Increase of \$352,415 in the Core Retirement Systems Administration for Personal Services.

2021-23 NON-LIMITED BUDGET

The adopted budget includes \$12,886,613,593 in total estimated non-limited expenditures. Non-limited expenditures include benefit payments, health insurance premiums, and third-party administration payments for both the PERS Health Insurance Program (PHIP) and the Individual Account Program (IAP).

- Non-Limited expenditures through May 8, 2022, are \$4,816,845,102.

A.2.c. Attachment – 2021-23, CRSA, Agency-wide Budget Execution Summary Analysis

PERS Monthly Budget Report

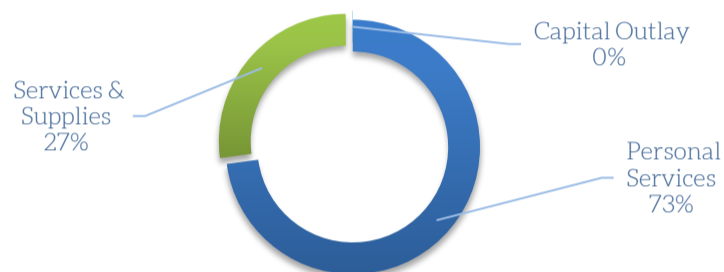
2021-23 Agency-Wide Budget Execution Preliminary Summary for the Month of May 2022

Limited-Operating Budget

2021-23 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2021-23 LAB	Variance
Personal Services	35,347,314	54,256,253	89,603,567	91,033,361	1,429,794
Services & Supplies	13,137,071	18,693,131	31,830,202	34,094,093	2,263,891
Capital Outlay	21,445	130,433	151,878	1,468,908	1,317,030
Unscheduled				0	0
Total	48,505,830	73,079,817	121,585,647	126,596,362	5,010,715

Actual Expenditures



Projected Expenditures



Monthly Summary

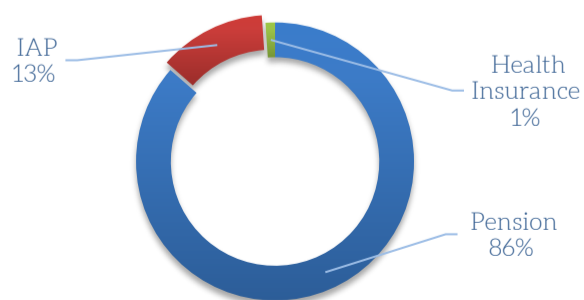
Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	3,667,783	3,800,811	133,028	3,436,491	3,839,667
Services & Supplies	2,634,191	2,588,704	(45,488)	1,316,408	1,199,975
Capital Outlay	0	0	0	7,148	103,103
Total	6,301,974	6,389,515	87,541	4,760,047	5,142,746

Non-Limited Budget

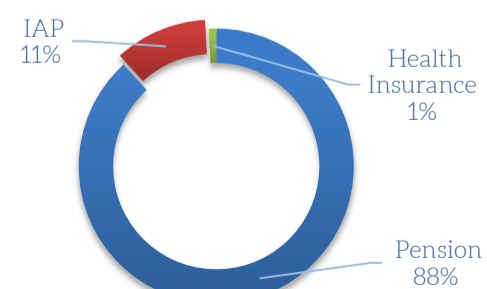
2021-23 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	4,163,310,439	7,022,185,175	11,185,495,614	11,215,517,678	30,022,064
IAP	600,592,348	781,909,901	1,382,502,250	1,298,603,848	(83,898,402)
Health Insurance	52,942,315	58,114,254	111,056,569	372,492,067	261,435,498
Total	4,816,845,102	7,862,209,331	12,679,054,433	12,886,613,593	207,559,160

Actual Expenditures



Projected Expenditures



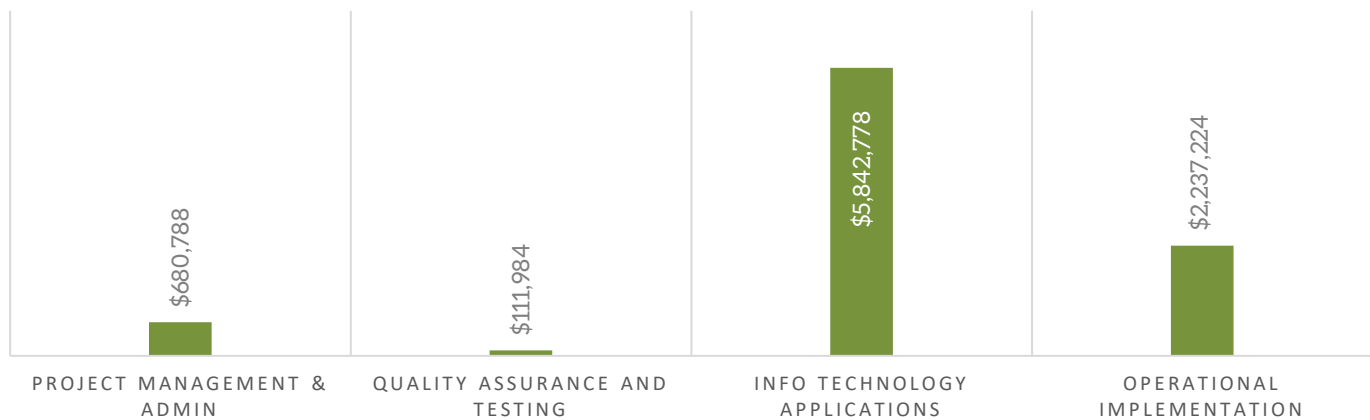
Core Retirement Systems Application

Summary Budget Analysis Preliminary for the Month of May 2022

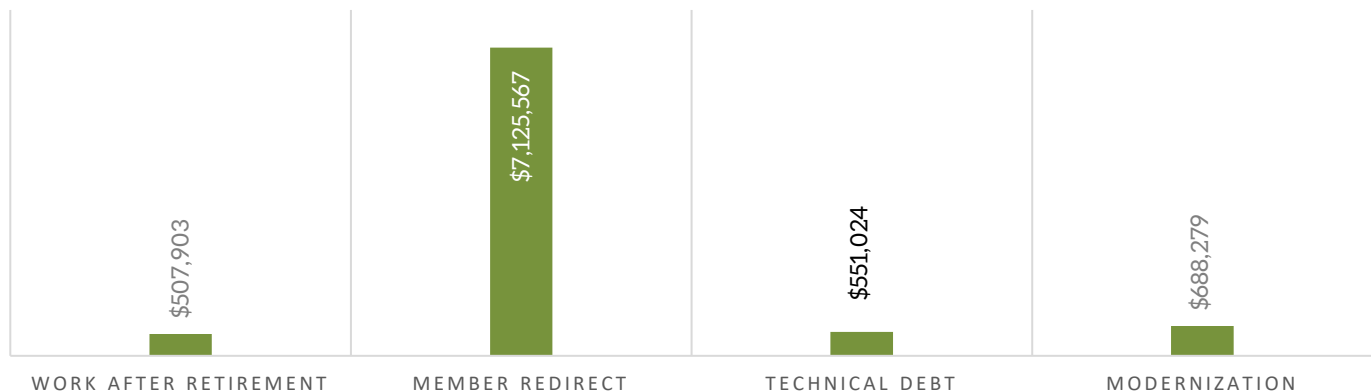
Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2021-23 LAB	Variance
Personal Services	2,224,739	4,232,650	6,457,389	6,356,112	(101,277)
Services & Supplies	6,648,036	10,062,042	16,710,078	17,556,100	846,022
Capital Outlay				55,000	55,000
Total	8,872,775	14,294,692	23,167,467	23,967,212	799,745

EXPENDITURES BY PACKAGE



EXPENDITURES BY PROJECT



Administration

1. March 28, 2022 Board Meeting Minutes
2. Director's Report
 - a. Forward-Looking Calendar and 2023 PERS Board Meeting Dates
 - b. OPERF Investment Report
 - c. Budget Execution Report
3. Review Board Education Policy, Training, and Board Smart Presentation
4. Board Scorecard Report on Agency Performance Measures
5. Oregon Savings Growth Plan Advisory Committee Appointments



Oregon

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May 27, 2022

TO: Members of the PERS Board
FROM: Kevin Olineck, Director
SUBJECT: Annual Report of Board Member Training Activities

BACKGROUND

At the May 2020 PERS 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.

Over the course of the 2021 calendar year, there was one board member, John Scanlan, who attended the National Conference on Public Employee Retirement Systems (NCPERS) Public Pension Funding Forum in New York. The conference dates were August 22 to 24, at a cost of \$2,879.01.


Board Member Scanlan also recently attended the NCPERS Annual Conference & Exhibition, which was held in Washington, D.C., May 22 to 25. Final costs will be reported in next year's report.

In November 2020, PERS subscribed to an online board education tool, Board Smart. This is an evolving platform with multiple talks associated with various topic areas. Randy Miller and Rachel Tillman from Board Smart will present on Board Smart functionality. To that end, in consultation with Chair Shenoy, we have prepared a proposed onboarding and continuing education matrix that shows which of the Board Smart talks we would recommend board members take with other talks that would be considered "optional." This list would be refined as the Board Smart talks are updated.

The Director's Office will house a repository of board-related documents that can be accessed by board members using the current board portal, Boardvantage. For example, PERS will be posting our Board Orientation Manual, Funding Policy, Audit Committee Terms of Reference, links to Oregon Revised Statutes, etc. Additionally, staff are working on developing a Governance Manual that will also be housed on the board portal.

Staff recommends that Board Smart be the primary educational facility used by PERS Board members to have consistency in board education while maximizing our subscription.

- A.3. Attachment 1 – *Board Education Policy*
- A.3 Attachment 2 – *Board Smart Overview*
- A.3 Attachment 3 – *Proposed Board Online Continuing Education Matrix*
- A.3 Attachment 4 – *Board Smart Presentation*

Oregon Public Employees Retirement System	Posted date November 5, 2021	Number 1.03.02.01.001.POL
Signature 	Approval date November 4, 2021	Page 1 of 3
Policy:	PERS Board Education	
Objective:	Requires each board member to have adequate education to perform the duties and obligations of the position.	
References:	State of Oregon’s Statewide Travel Policy , DAS - CHRO - Preventing Discrimination, Harassment, and Sexual Harassment in the Workplace required training , and DAS – EIS – Information Security Training: Foundations Content	

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 *Board Orientation Manual* should include:

- Objective, overview, and PERS programs
- Overview of the PERS board’s role:
 - PERS board member information
 - Appointment of director and consultants
- PERS system overview:
 - Statutory authority and requirements
 - PERS stakeholders
 - Legislative process
 - Actuarial information

Origination date: June 5, 2020
Last revision date: September 8, 2020
Last review date: June 4, 2021

SL2

-
- Oregon Investment Council (OIC)

PERS agency overview:

- Mission statement
- PERS executive and 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 and trends
- Investment issues and 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:

- Conferences and programs (including trustee certifications) sponsored by the International Foundation of Employee Benefit Plans (IFEBP)
- 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)

Origination date: June 5, 2020

Last revision date: September 8, 2020

Last review date: June 4, 2021

SL2

-
- Conferences sponsored by Pension & 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>

DAS – EIS – Information Security Training: Foundations Content. <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.

Origination date:	June 5, 2020
Last revision date:	September 8, 2020
Last review date:	June 4, 2021

SL2

Board Smart

An Enterprise Governance eLearning Resource 2.0

Board Smart helps public retirement boards govern effectively and improve system performance:



Specifically designed for public pension trustees and executives



Configured specifically for your system



Earn **continuing education credits** with tracking and reporting



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

Board Smart can also provide tailored support:



Curate your system's existing orientation and education materials



Develop custom Talks and onboarding programs

WWW.BOARDSMART.COM

Board Smart is an enterprise governance resource designed to help trustees and executives improve overall system performance. Our comprehensive learning system can be customized both to the system and the individual.

Our Vision

Contribute to the sustainability of public retirement systems by providing a framework for effective enterprise governance.

The Need

The role of trustees and executives of a public retirement system is demanding because systems operate in a rapidly changing, highly uncertain environment. New trustees must face highly complex issues and steep learning curves with no grace periods. Stakeholders need assurance that lay boards are equipped and qualified to manage pension plans that affect millions of people and billions of dollars. A shared understanding of what constitutes good governance is important for both trustees and executives. Effective governance fosters enhanced performance, but – to date – a comprehensive framework has been missing.

The Board Smart® Solution

Board Smart delivers what every public pension trustee needs to know and ask about enterprise governance of a public retirement system and the powers reserved specifically for the board. With a series of short (20 minute) expert Talks, repository of resources, and peer benchmarking, the Board Smart system is designed to engage trustees and executives in a continuing dialogue about the key governance issues facing public retirement systems in general and your system specifically.

Our curriculum is developed and delivered by highly qualified, nationally recognized subject matter experts with deep knowledge and a range of expertise. Board Smart is tailored to your system's needs and learning plans can be individualized for each trustee and executive. Board Smart is designed to complement your system's existing onboarding process. We also curate and incorporate all sources of continuing education, such as your in-house programs as well as conferences and third-party webinars.

What We Offer

Board Smart is a subscription service. Subscribers receive access to view online educational materials, earn continuing education (CE) credits through curated materials, and can explore additional resources. We work with each system to customize a CE plan, we track progress, and we provide detailed quarterly CE reports. Subscribers also have exclusive access to additional content and once a year we offer system subscribers the opportunity to engage in a Board Smart Dialogue. As an additional service, we offer further system configuration.

The Board Smart® Curriculum

Studies show that effective enterprise governance can improve pension fund performance by 1-3% annually.¹

Board Smart is designed to quickly get trustees up to speed and collaborating with each other and executives by focusing on the key dimensions of enterprise governance.

Board Smart helps trustees to quickly understand:

- The challenges facing public retirement systems in the 1st century
- The importance of public retirement systems for public employees, public employers, and the general public
- Their fiduciary duty and potential for conflicts of interest
- Vital functions the system performs and how well they are functioning
- Powers reserved exclusively for the board
- Relationships between each other, the executives, and third parties

Board Smart Subscription Features

For your system:

- **Individualized Continuing Education (CE) Plans**
We work with the system's executive team to develop individualized CE plans that includes Board Smart materials, system-specific materials, external resources, etc. The CE plan includes learning goals and objectives, suggested timeline, tracking capability, and quarterly reporting that shows the progress of individuals and your system as a whole.
- **Curation of System Specific Materials**
Board Smart will curate your system specific materials, so your executives and trustees have access to everything they need in one place and available on demand online.
- **National Public Pension Policy Repository (N3PR)**
Since the start of Board Smart in 2019, we've been building a national database of public pension policies from systems across the country. Subscribers can access this repository to compare their policies to other leading systems.
- **InGov® Benchmarking / GEM Reports**
All system subscribers complete an InGov® profile that captures 300 points of comparison. Subscribers have access to benchmark to participating systems.
- **Annual Live Board Smart Dialogue**
Each year Board Smart will conduct a live, interactive dialogue between our faculty experts and your trustees. We bring these substantive conversations to a Board session and delve into important governance issues of particular interest to your system.

¹ "How much is good governance worth?" Chapter 19, Keith Ambachtsheer (2007). *Pension Revolution*. Wiley. Ammann, Manuel, and Christian Ehmann (2014) "Is Governance related to Investment Performance and Asset Allocation? Empirical Evidence from Swiss Pension Funds." University of St. Gallen Working Paper *Journal of Asset Management* (2008), "Best-Practice Pension Fund Governance" Gordon Clark and Roger Urwin. Boston College 2019, Center for Retirement Research, *Does Public Pension Board Composition Impact Returns?*, Jean-Pierre Aubry and Caroline V. Crawford.

- **One Administrator Seat**
Each system is provided an additional seat, free of charge, for an Administrator who works with Board Smart to manage the account.
- **Technical Support**
We provide regular technical support for systems to set up new users, address any issues, provide additional information, and help you make the most of the subscription.

For each User:

- **Personal User Credentials**
Each user receives user credentials and a welcome packet with login and navigation instructions.
- **Orientation**
We hold a 30-minute group orientation. New users are encouraged to attend for an overview of the enterprise governance framework.
- **Expert Talks**
Access to a full curriculum of over 40 Talks is available to all users. Each talk includes a 20-minute video, a downloadable transcript, author bio and background, additional references and resources, and a system self-assessment. Each Talk equals 30 minutes of CE credit.
- **Individual Progress Tracking**
A badge is provided each time a subscriber completes a Talk. Individual subscribers can track their CE progress through the Board Smart system.
- **Technical Support**
Board Smart provides one-on-one technical assistance for executives and trustees as needed.

Enterprise Governance Framework for Public Retirement Systems



Purpose / Vital Functions



Fiduciary Duties



Conduct Business



Set then Delegate



Oversee Execution



Verify then trust



21st Century

For further information, please contact:

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313-919-3014

Rachel Tillman
Chief Content Officer
rtillman@boardsmart.com
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202-251-3625

Continuing Education Plan					
Source	Title	Timing	CE Credit	Recommended	Optional
Talk #	Board Smart	Timing	CE Credit	Recommended	Optional
1	Cornerstone*		0.5		
2	21st Century Operating Environment*		0.5		
3	The State of Public Pensions (Economic Stability / Funded Status)		0.5		O
4	Importance of Public Pension Benefits (Benefits to Retirees and the Broader Economy)		0.5		O
5	The Importance of Balance (Intergenerational Fairness, Diversity, Participation)		0.5	R	
6	Key Differences Between Defined Benefit and Defined Contribution Plans		0.5	R	
7	The Cyber Threat: What Board Members Should Know		0.5		O
	Essentials				
10	Pension Plan Funding and Actuarial Processes		0.5	R	
11	Actuarial Basics for Defined Benefit Plans		0.5	R	
12	Annual Required Contribution Basics		0.5	R	
13	Expected Rate of Return Basics		0.5	R	
14	Financial Management Essentials		0.5	R	
15	Pension Accounting		0.5	R	
16	The Role of the Custodian		0.5		
	Advanced		0.5		
17	Public Pension Governance Structures		0.5		O
18	Differences Between the US and Canadian Models		0.5		
19	Operating in the Public Sector Fishbowl		0.5		O
20	Corporate Governance and Proxy Voting – An Overview		0.5		
21	The Basics of Private Equity Investing and Costs		0.5		
22	Corporate Governance in the US		0.5		
24	Purpose of the Retirement System / Basic Functions Performed*		0.5		
25	Powers Reserved*		0.5		
	Fiduciary Duty		0.5		
26	Powers of the Fiduciary Board		0.5	R	
27	Fiduciary Duty and the Job of the Board		0.5	R	
28	The Prudent Fiduciary		0.5	R	
29	Fiduciary Fundamentals		0.5	R	
30	The Role of the Fiduciary Board		0.5	R	
31	Conduct*		0.5		
32	Ethics, Code of Conduct, Conflicts of Interest*		0.5		
33	Governance Policies		0.5	R	
34	Choosing the Right Leadership		0.5		O
35	Evaluating the Executive Director		0.5		O
36	The Role of Chair and Vice-Chairs		0.5	R	
37	The Role of Committees		0.5	R	
38	Board Use of Third-Party Service Providers		0.5		
39	Board Self-Evaluation		0.5		O
40	Stakeholder Engagement		0.5		O
41	Optimizing Use of the Board Portal		0.5		
42	Approve / Set and Prudently Delegate*		0.5		
43	The Board's Focus on Strategy		0.5		O
44	Investment Beliefs		0.5		
45	Setting the Course (of Investments)		0.5		
46	The Role of the Executive*		0.5		
47	Oversee*		0.5		
48	Insight Not Overload (EPRM - Exception-based reporting)		0.5	R	
49	The Role of Board in Oversight of Performance and Risk		0.5	R	
50	Understanding Investment Risk		0.5		
51	A Primer on Performance and Risk – Part 1		0.5		O
52	Performance and Risk – Part 2		0.5		O
53	Risk Appetite and Risk Tolerance – Part 3		0.5		O
54	Peer Benchmarking		0.5		O
55	Overseeing the Course (of Investments)		0.5		
56	Overseeing Investment Operations		0.5		
57	Verify and ensure effective system of internal control*		0.5		
58	Constructive challenge / professional skepticism*		0.5		
59	Internal Audit, External Audit, and Other Third Parties*		0.5		
	* In development for 2022				

Enterprise Governance In Public Retirement Systems



*75 years of serving
those who serve Oregon*



May 27, 2022

Board Smart Vision

Contribute to the sustainability of public retirement systems by providing a framework and educational resources for effective enterprise governance.

Importance of Public Retirement Systems

For Public Employees

- Public service
- Financial security / compensation
- Lifetime benefits
- Health care
- Typically, highly value security of benefits

For Public Employers

- Attract and retain a qualified workforce
 - Benefits are an efficient way to compensate
- Questions about the long-term value / security of benefits increase difficulties in public employee recruitment and retention

International Association of Chiefs of Police. IACP

- The State of Recruitment: A Crisis for Law Enforcement.

National Institute on Retirement Security March 3, 2022

- Retirement and Healthcare Benefits Viewed as Key Tools to Attract and Retain Public School Teachers and Staff

For the Public

- Communities benefit when public employers are able to attract and retain skilled public employees

Safer communities

National Institute on Retirement Security March 3, 2022

- 83 Percent of Americans Worried About K-12 Public School Staff Shortages, New National Institute on Retirement Security Survey Finds

Success of public retirement systems is essential



21st Century Uncertainties

PERS High impact

- ~156,000 benefit recipients
- ~180,000 active contributing members
- ~\$96 billion in assets

Public retirement Issues

- Global markets
- Multiple stakeholders
- Competing interests
- High velocity / volatility
- High non-linear complexity
- Extreme uncertainties

- Demanding fiduciary responsibilities
- Tough decisions with long-term consequences for a lot people
- Need to be agile
- Need to be resilient

The Governance Need

- Inevitable board turnover
- Need stability of direction
- Need to quickly develop a clear and common understanding of respective powers, roles and responsibilities (Board, Executive, Auditors, Advisors)
- Stakeholders need reassurance lay boards are taking their duties seriously and addressing concerns about expertise and stewardship
- Inevitable executive and staff turnover
- Effective onboarding and continuing education is critical
- Governance matters!

Good Governance

To Govern:

Direct, oversee and ensure an
effective system of control

Achieve the purpose

Fulfill duties

Prudently exercise powers ...

Onboarding and Continuing Education

- Steep learning curves
- No forgiveness period
- Onboarding can be overwhelming
- Continuing education critical
- One size fits one!
- Enterprise Governance Framework provides a roadmap
- Get the best education you can find from any source
- Specific to your jurisdiction and system
- Individualized education plans for both trustees and executives and track progress



Purpose / Vital Functions

Purpose of a Public Retirement System

- Sustainably create, deliver and protect value for all current and future members and beneficiaries despite uncertainties

Vital Functions include:

- Retirement Benefits
- Post-Retirement Health Care
- Administration



Fiduciary Duties

Jurisdiction Specific: Statutes, Rules
System Specific: Bylaws, Policies

- Loyalty / Impartiality
- Prudence / Care
- Stay informed
- Diversify assets
- Control costs
- Comply with law
- No blind eye

Trustees held to highest legal standard.

“Good faith” is insufficient to demonstrate compliance with explicit legal duties.

Prudence = Process

Potential for Conflicts of Interest

- Whose interests do trustees represent?
 - Constituencies
 - Appointers
 - Ex officio position
 - Taxpayers
 - Members and Beneficiaries
- Ensure views and concerns of constituents are heard
- Must make decisions in best interests of all members / beneficiaries
 - Loyalty / Impartiality obligations
- Need to recognize and address potential for conflicts of interest
 - Not to be confused with differences of opinion/constructive challenge

Who / how
can trustees trust?

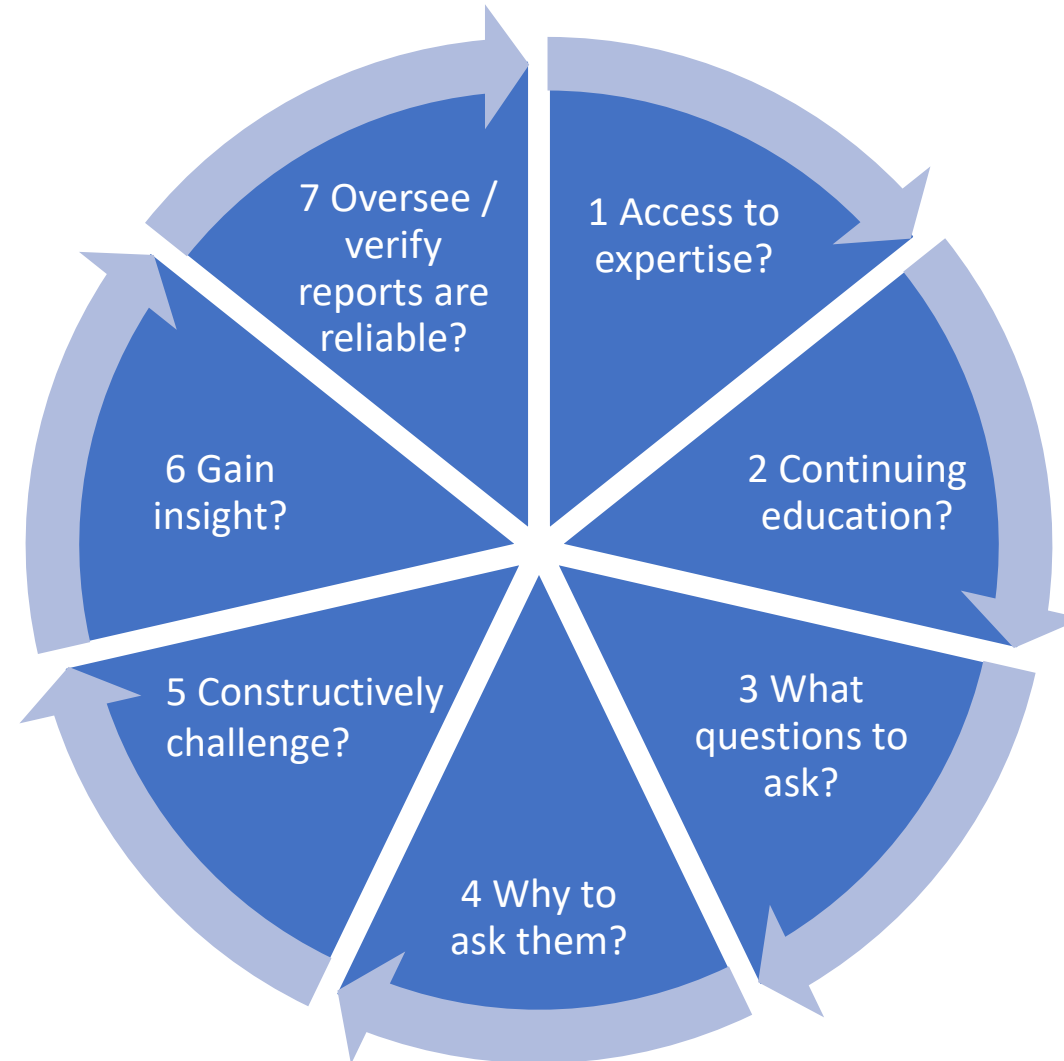
Governance Challenges for Lay Boards

- Lay board
 - Tough job – potentially unpopular decisions for long term gain
 - Elected / Appointed / Ex officio
 - Part-time volunteers
 - Qualifications and requirements vary by jurisdiction
- Public sector “fishbowl”
 - Transparency / Accessibility
- A particular mix of public and private sector capabilities
 - Benefits
 - Investments
 - Administration
- Non-expert boards are criticized for lack of domain expertise (e.g., US vs. Canada)
 - Non-expert vs. domain expert boards
 - Research of 1500 community banks over 10 years*
 - Generally, no better or worse performance
 - In uncertainty, non-expert boards outperform domain expert boards
- Need access to technology and skilled knowledge workers (but often lack the authority to acquire competitive resources)
- Have to get up to speed and stay informed

* [When Experts Become Liabilities: Domain Experts on Boards and Organizational Failure](#), in *Academy of Management Journal*, August 1, 2016, vol. 59 no. 4 1124-1149

Acquiring Fiduciary Expertise

**Experience, expertise
needs as
consideration for
Board development?**





75 years of serving those who serve Oregon

Mission

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

Enterprise Governance Framework

PERS System Specific Legislation & Policies



Purpose / Vital Functions



Fiduciary Duties



Conduct Business



Set then Delegate



Approve Decisions



Oversee Execution



Verify then trust

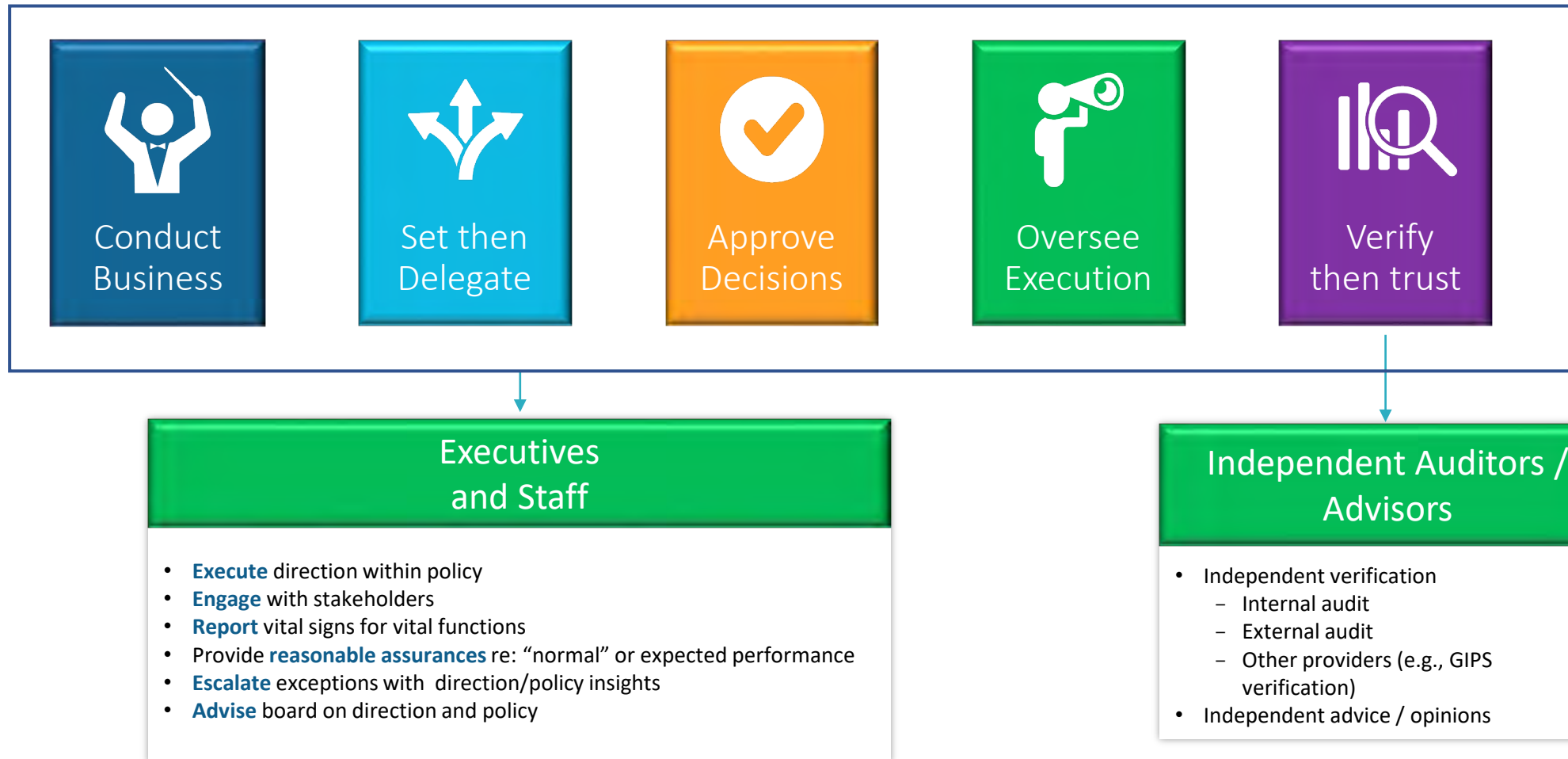


21st Century Uncertainties

Duties

- Loyal / Impartial
- Prudent / Careful
- Stay informed
- Diversify assets
- Control costs
- Comply with law
- No blind eye

Board Powers Reserved



Learning Management System

As part of V2.0, Board Smart will:

1. Configure the Enterprise Governance Framework (EGF) to PERS
 - PERS Logo / Mission
 - Create a 1-page placemat to keep it front of everyone – a constant reminder and reference point
2. PERS can choose from existing and planned Board Smart Talks
 - 42 Talks (30 min CE credit each)
3. Support an individualized Onboarding and Continuing Education (OCE) Plan





General Questions / Discussion

Our Core Faculty / FAS Team

Senior Consultant	Expertise	Background Highlights
Rick Funston	Governance / Risk	CEO Board Smart LLC and Funston Advisory Services LLC, Faculty member, Deloitte former National Practice Leader Governance and Risk Oversight, created concept of risk intelligence in 2001, principal author “Surviving and Thriving in Uncertainty: Creating the Risk Intelligent Enterprise” and editor “One of a Kind – A Handbook for Public Retirement System Trustees”
Randy Miller	Governance / Strategy	COO Board Smart LLC and Funston Advisory Services LLC, Faculty member, Deloitte Consulting LLP, former National Partner Strategy and Operations. Has led numerous reviews of public retirement systems and leads the FAS InGov® benchmarking service.
Steve Case	Investments	Extensive experience as investment consultant and partner with Mercer and RogersCasey. Experience as plan sponsor investment officer. Expert witness on investment topics. Senior consultant with Funston Advisor Services.
William “Flick” Fornia	Actuarial	Expert witness and trusted advisor to many public retirement systems. Fellow of the Society of Actuaries (1986), an Enrolled Actuary under ERISA (1984), a Member of the American Academy of Actuaries (1983), and Fellow of the Conference of Consulting Actuaries (2005). He serves on the Board of Directors of the 31,000-member Society of Actuaries.
Mike Gold	Investment Operations	Former TIAA-CREF, Senior Managing Director and Head of Asset Management Services. A Trustee on the Stamford, CT Firefighters Pension Fund Board. Senior Consultant on numerous FAS reviews.
Keith Johnson	Governance	Formerly Head of Reinhart Boerner Van Deuren s.c.'s (Reinhard Law) Institutional Investor Legal Services. Former General Counsel, State of Wisconsin Investment Board, Former President of National Association of Public Pension Fund Attorneys.
Jon Lukomnik	Governance / Investments	Former Deputy Comptroller New York City Bureau of Asset Management, Member of the Deloitte Audit Quality Advisory Committee, the Standing Advisory Group of the Public Company Accounting Oversight Board, and the Board of Trustees of the Van Eck family of US mutual funds (Chair Audit Committee), insurance trusts, and European UCITs. A senior fellow for the High Meadows Institute and the Pembroke Visiting Professor of International Finance at the Judge Business School, Cambridge University, during January – March 2020.
Lisa Morris	Governance / Operations	Formerly Executive Director of Ohio School Employees Retirement System. Senior consultant with Funston Advisory Services. Senior Consultant on numerous reviews.
Tiffany Reeves	Legal Advisor	Shareholder with Reinhart Boerner Van Deuren s.c. (Reinhard Law) in the Employee Benefits and Institutional Investor Services practices, having joined in 2017. Previously, Tiffany was Deputy Executive Director and Chief Legal Counsel at the Chicago Teachers' Pension Fund (CTPF).
Steve Ross	Cyber Security	Certified Information Systems Security Professional as well as a Master Business Continuity Professional, a Certified Data Privacy Solutions Engineer, and a Certified Information Systems Auditor. A specialist in the field of information systems security and control, specializing in Information Security, Business Continuity Management, and IT Disaster Recovery Planning services.

For further information

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248-250-1111

Rachel Tillman
Chief Content Officer
Board Smart LLC
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Administration

1. March 28, 2022 Board Meeting Minutes
2. Director's Report
 - a. Forward-Looking Calendar and 2023 PERS Board Meeting Dates
 - b. OPERF Investment Report
 - c. Budget Execution Report
3. Review Board Education Policy, Training, and Board Smart Presentation
4. Board Scorecard Report on Agency Performance Measures
5. Oregon Savings Growth Plan Advisory Committee Appointments



Oregon

Kate Brown, Governor

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www.oregon.gov/pers

May 27, 2022

TO: Members of the PERS Board
FROM: PERS' Outcome-Based Management System (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 2022 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 should be directed.

The POBMS Council is currently undertaking an effort to review our enterprise measures that have been consistently underperforming versus the current targets. The intent of this effort is to work with measure owners to update the targets, ranges, and measurement criteria for these measures, to make the goals more realizable. To date, we have made changes to four of our measures, and several more remain under review. We will continue working with measure owners over the coming months to complete this effort.

Highlights of this report include:

- Eight consecutive quarters in the green range for both Estimates Completed and Eligibility Reviews Completed.
- Five consecutive quarters in the green range for Accuracy of Calculations.
- Four of the eight measures performing in the green ranges.
- One measure, Appeal Reversal Rate, is missing data due to a broken reporting tool. This measure performed in the green range the previous two quarters.

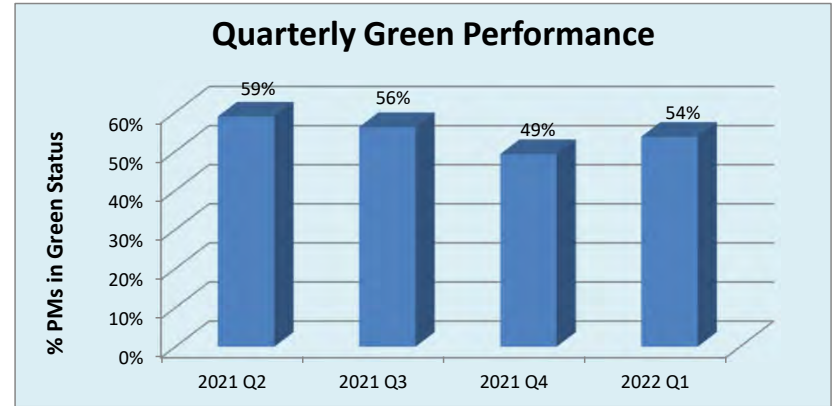
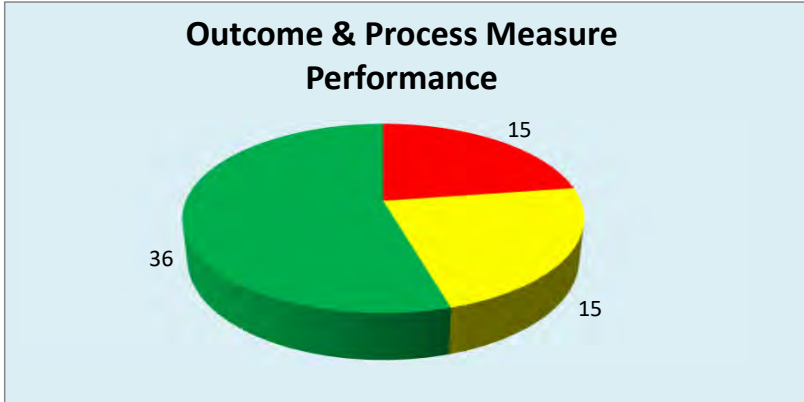
The next report will be presented at the December 2022 meeting, showing the scorecard results for the third quarter 2022.

A.4 Attachment 1 – Board Scorecard Report for First Quarter 2022

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Outcome-Based Performance Review

PERS Board Scorecard Report - QTR: 2022 Q1 - Quarter ended March 31, 2022



Operating Processes - Highlighted Measures

	Measure Name	Measure Calculation	RANGE			Target	Desired Perform Trend	Data Collection Frequency	Q2 2021	Q3 2021	Q4 2021	Q1 2022	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	99.0%	98.6%	97.0%	90.0%	-	
OP4a	Eligibility review completed	% of applications completed by the eligibility team within 30 days of the effective retirement	<50%	50-70	>70%	80%	↑	Monthly	84.0%	86.0%	100.0%	98.0%	-	144 accounts reviewed; 1 critical issue found, METS case was started to correct it. 2 non-critical issues found on estimates, benefit was not impacted.
OP5b	Accuracy of calculations	% of sample calculations that are accurate within plus or minus \$5	<95%	95-99	>99%	100%	↑	Monthly	100.0%	100.0%	99.7%	99.3%	-	
OP5c	Timely benefit calculation	% of calculations completed within 15 calendar days from completed application date	<93%	93-96	>96%	100%	↑	Monthly	93.2%	95.6%	94.0%	98.8%	+	2049 received applications , 1858 completed in 15 days of the received date.

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 2021	Q3 2021	Q4 2021	Q1 2022	Trend	Corrective Action & Comments
			Red	Yellow	Green									
OP1f	Call Wait Time	Average length of wait before caller reaches live person	>15 minutes	12-15 minutes	<12 minutes	10 minutes	↓	Monthly	13.2	11.0	16.2	22.4	-	Measure has been updated with new ranges and target. March was 2nd highest monthly call volume in the history of the Call Center; mail held in Dec had an impact; phone line issues; working to fill 2 vacancies.
SP2c	Appeal reversal rate	% of staff determinations that are reversed on appeal	>15%	15-10	<10%	5%	↓	Quarterly	16.0%	8.2%	4.5%	n/a	##	Tool is broken; unable to pull data. Previous 2 quarters in the green range.
SP3h	System uptime	% of time systems are available during the service window	<97%	97-98	>98%	100%	↑	Monthly	96.10%	96.74%	95.25%	97.11%	+	Total Outage (min) 1877 (lowest in past 4 qtrs). Due to long batch: 1625 (86.57% of total). FileNet "500" errors: 167. PDW refresh issue: 85.
SP5c	Recruitment	% of recruitments closed (from requisition to closure) within 8 weeks	<70%	70-80	>80%	90%	↑	Quarterly	10%	24%	37%	24%	-	4 out of 17 recruitments were completed within 8 weeks. This measure is under review for updating ranges/measurement criteria.

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May 27, 2022

TO: Members of the PERS Board
FROM: Debby Larsen, Deferred Compensation Program Manager
SUBJECT: Appoint Advisory Committee Members for Oregon Savings Growth Plan

OVERVIEW

- Action: Reappoint six existing members to Oregon Savings Growth Plan (OSGP) Advisory Committee
- Reason: The Advisory Committee consists of seven members appointed by the PERS Board.

BACKGROUND

Oregon Revised Statute (ORS) 243.505 provides an advisory committee for OSGP that consists of seven members with knowledge of deferred compensation plans. According to that statute (attached), the committee shall study and advise the Public Employees Retirement Board on policies and procedures and such other matters as the board may request.

Advisory committee members must be OSGP participants and have knowledge of the current program. One member shall be retired from state service. Two members shall be participants with separate local government plan sponsors who offer OSGP. Four members shall be employees of separate state agencies.

Appointment is for a three year term of office, but a member serves at the pleasure of the board. If there is a vacancy during an unexpired term, the board's appointment will become immediately effective for the unexpired term.

Seven current advisory committee members' terms expire:

- Colin Benson's first term expires on 6/30/2022
- Eugene Bentley's first term expires on 6/30/2022
- Christine Valentine's first term expires on 6/30/2022
- Mary Jo Evers' first term expires on 6/30/2022
- Kyle Niemeyer's current term expires on 6/30/2022
- Jeff Gibbs' current term expires on 6/30/2022
- Zechariah Heck's current term expires on 6/30/2022

The criteria used in selecting advisory committee members includes the following:

1. Current participation in OSGP.

2. Meeting the qualifications for the vacancy to be filled.
3. Possessing a mixture of expertise, knowledge, and experience useful to the OSGP Advisory Committee.
4. Sincere interest in promoting and improving the deferred compensation program.
5. Willing and able to work in a group setting to review and recommend policies governing the program.

RECOMMENDED APPOINTMENTS

Staff recommends appointing:

- Colin Benson from the Department of Justice to start a second full term.
- Eugene Bentley, a retiree from state service to start a second full term.
- Christine Valentine from the Oregon State Board of Geologist Examiners to start a second full term.
- Kyle Niemeyer from Oregon State University to start a first full term after completing partial term (partial term ending Jun 30, 2022).
- Jeff Gibbs from Gresham-Barlow School District to start a first full term after completing partial term (partial term ending June 30, 2022).
- Zechariah Heck from the Oregon Department of Transportation to start a first full term after completing partial term (partial term ending June 30, 2022).

Proposed membership of the Advisory Committee follows:

Name	Position	Employer	Appoint/Reappoint	Term	Term End Date
Colin Benson	State	Department of Justice	Reappoint	Second	June 2025
Eugene Bentley	Retiree	Retiree	Reappoint	Second	June 2025
Christine Valentine	State	Oregon State Board of Geologist Examiners	Reappoint	Second	June 2025
Kyle Niemeyer	State	Oregon State University	Reappoint	First after completing a partial term	June 2025
Jeff Gibbs	Local Govt	Gresham-Barlow School District	Reappoint	First after completing a partial term	June 2025
Zechariah Heck	State	Oregon Dept of Transportation	Reappoint	First after completing a partial term	June 2025

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to reappoint Colin Benson, Eugene Bentley, and Christine Valentine to their second terms AND, Kyle Niemeyer, Jeff Gibbs, and Zechariah Heck to their first full term after completing their partial terms; all with effective dates of July 1, 2022 and term expiration dates of June 30, 2025.
2. Request staff to solicit further applications for review.

STAFF RECOMMENDATION

Staff recommends the board adopt Option 1.

Reason: Staff believe Colin Benson, Eugene Bentley, Christine Valentine, Jeff Gibbs, Kyle Niemeyer, and Zechariah Heck meet the criteria and service needs of the OSGP Advisory Committee.

Relevant Oregon Savings and Growth Plans Statutes and Administrative Rules:

ORS 243.505 Deferred Compensation Advisory Committee

- (1) The Deferred Compensation Advisory Committee shall be appointed by the Public Employees Retirement Board, consisting of seven members with knowledge of deferred compensation plans.
- (2) At the direction of the board, the committee shall advise the Public Employees Retirement Board on policies and procedures and such other matters as the board may request.
- (3) The term of office of each member is three years, but a member serves at the pleasure of the board. Before the expiration of the term of a member, the board shall appoint a successor, whose term begins on July 1 next following. A member is eligible for reappointment. If there is a vacancy for any cause, the board shall make an appointment to become immediately effective for the unexpired term.
- (4) A member of the Deferred Compensation Advisory Committee is entitled to compensation and expenses as provided in ORS 292.495.
- (5) The Deferred Compensation Advisory Committee shall select one of its members as chairperson and another as vice chairperson, for such terms and with duties and powers necessary for the performance of the functions of such offices as the committee determines.
- (6) A majority of the members of the committee constitutes a quorum for the transaction of business.
- (7) The Deferred Compensation Advisory Committee may meet at a place, day and hour determined by the committee. The committee also may meet at other times and places specified by the call of the chairperson or of a majority of the members of the committee. [1991 c.618 §10; 1997 c.179 §19; 1999 c.406 §1]

OAR 459-050-0025

Deferred Compensation Advisory Committee

(1) The seven members of the Deferred Compensation Advisory Committee provided for under ORS 243.505, shall be subject to the following qualifications and limitations:

- (a) Each member shall be a participant in a deferred compensation plan established under ORS 243.401 to 243.507, and shall have knowledge of the Program.
- (b) Four members shall be participants in the state deferred compensation plan.
- (c) Two members shall be participants in a local government deferred compensation plan.
- (d) One member shall be a retired deferred compensation plan participant.
- (e) No two members may be employed by the same state agency or local government except that a member who transfers employment to the employer of another member may continue to serve on the Advisory Committee, but only for the balance of the term of appointment of the transferring member.
- (f) No member may serve more than two consecutive full terms.
- (g) No member may be an employee of PERS during the term of appointment.

(2) The Advisory Committee shall study and advise the Board on all aspects of the Program, including but not limited to:

- (a) The Program fee structure and procedures;
- (b) State and federal legislative issues relative to the administration of deferred compensation plans;
- (c) The administration of the catch-up and the financial hardship provisions in Section 457 of the Internal Revenue Code;
- (d) Ways and means to inform and educate eligible employees about the Program;
- (e) The expressed desires of eligible employees as to the Program; and
- (f) The actuarial characteristics of eligible employees.

(3) Upon the request of the OIC, the Advisory Committee shall study and advise the Board on the following:

- (a) Investment programs, including options and providers; and
- (b) Information furnished by the OIC or the State Treasurer concerning the types of available investments, the respective balance of risk and return of each investment, and the administrative costs associated with each investment.

- (4) The Advisory Committee shall meet at least four times during a calendar year.
- (5) A majority of the Advisory Committee shall constitute a quorum for transacting business. However, the Advisory Committee may establish such other procedures for conducting business that it deems necessary.
- (6) Pursuant to the Public Meetings Law, ORS 192.610 to 192.690, the Deferred Compensation Manager shall distribute to the Advisory Committee, and other interested parties, an agenda for a regular meeting a reasonable time prior to the meeting.
- (7) Nominations of candidates for the Advisory Committee shall be made as follows:
- (a) Notice of a position on the Advisory Committee expected to become vacant upon the expiration of a term of appointment shall be published not later than April 15 of each calendar year.
- (b) Persons interested in serving on the Advisory Committee must apply in writing to the Manager not later than May 15 following the publication of a vacancy.
- (c) The Manager shall review the written applications of interested persons for completeness, accuracy, and satisfaction of the minimum requirements of the vacant position on the Advisory Committee.
- (d) A committee consisting of the Manager and two members of PERS executive or managerial staff designated by the PERS Executive Director shall review the acceptable applications and recommend to the Board candidates for appointment to the Advisory Committee that:
- (A) Reflect a cross section of state agencies, participating local governments, and classification levels;
- (B) Reflect a mixture of expertise, knowledge, and experience useful to the Advisory Committee;
- (C) Appear to have a sincere interest in the Program; and
- (D) Appear to be willing and able to work in a group setting to review and recommend policies governing the Program.
- (e) In the event of a vacancy for an unexpired term, the Manager may select applications from the most recent list of interested persons established under subsection (c) of this section and the applications of other persons as deemed appropriate for consideration. A committee consisting of the Manager and two members of PERS executive or managerial staff designated by the PERS Executive Director shall review the selected applications and recommend to the Board candidates for appointment to the Advisory Committee. The appointment shall be immediately effective for the remainder of the unexpired term. If no candidate is recommended or appointed, the vacancy must be filled under the provisions of subsections (a) through (d) of this section.

Stat. Auth: ORS 243.470

Administrative Rulemaking

1. Notice of Delegation of Signing Authority Rule
2. Adoption of Death and Survivor Benefits Rule
3. Adoption of Employer Incentive Fund Program Rule
4. Adoption of Rules to Implement Senate Bill 112



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May 27, 2022

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Notice of Rulemaking for Delegation of Signing Authority Rule:
OAR 459-001-0035, *Contested Case Hearing*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Codify in administrative rule the delegation of the PERS director's signing authority for final orders to the deputy director.
- Policy Issue: *In addition to delegating the final order authority to the director, should the PERS Board further delegate its authority to the deputy director for issuing the final order in contested cases where the agency is upholding the Administrative Law Judge's proposed order?*

BACKGROUND

Oregon Revised Statute 183.411 allows the PERS Board to delegate the authority to enter a final order. This delegation can be made for a proceeding or class of proceedings, and to an officer or employee, or class of officers or employees. In March 2008, via motion and unanimous vote, the board delegated to the executive director the authority to enter final orders only in cases when the board is adopting the Administrative Law Judge's (ALJ's) proposed order, with technical corrections as necessary. The board delegation also requires that staff send proposed orders and any other pertinent material to the board for its review, prior to the director taking action to enter a final order, with the board reserving the right to move the case to a future board meeting. However, this delegation of authority was never reflected in our administrative rules.

This amendment to the rule officially incorporates the board's delegation of this authority. While editing the rule, staff further recognized that no contingency exists for situations when the director may not be available. To this end, staff have identified and present the following policy question:

In addition to delegating the final order authority to the director, should the PERS Board further delegate its authority to the deputy director for issuing the final order in contested cases where the agency is upholding the ALJ's proposed order? (Proposed edit to OAR 459-001-0035)

Staff recommends the board consider further delegating its authority for issuing the final order in the situations noted above to other administrators at the agency. Staff identified two options to expand this delegation of authority:

- (a) The board can provide the director with the authority and responsibility to further delegate the final order authority to other administrators on a case-by-case basis; or
- (b) The board can further expand that delegated authority to the deputy director for issuing the final order in cases of upholding the ALJ’s proposed order.

While either option will address the concern, staff is recommending option (b). The purpose to expand the delegated authority to someone other than the director is to account for situations where the director may be absent or occupied with other agency matters. Option (b) would allow the deputy director to act in the director’s stead and avoid any unnecessary delay in the contested case process. While option (a) is less limiting in who can ultimately enter a final order, it does require an action from the director. Staff anticipates that most of the time that delegation would likely be to the deputy director, so the requirement to proactively delegate would be an added step in the process. If the board indicates a preference for option (a), a different option, or no further delegation, staff will amend the rule accordingly. Attachment 1 shows rule amendments that reflect option (b); if the board agrees with this recommendation, staff will move forward with the rule as presented.

While the rule is open, one other edit has been made. The current rule indicates that the board “deliberates and decides on final orders during regularly scheduled board meetings,” which is not the current practice. Prior to 2008, the ALJs’ proposed orders were presented to the PERS Board at public board meetings for consideration. Currently, in accordance with the delegation of entering a final order to the director, staff sends the draft final order to all board members electronically for review. If the board wishes to discuss the case, the board notifies staff, and the case is presented at a future board meeting. The edit to the rule supports current practice and covers both the electronic review of the draft final orders and allows for review and discussion at a public meeting, if requested.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held remotely on June 22, 2022, at 2:00 p.m. The public comment period ends June 28, 2022, at 5:00 p.m.

LEGAL REVIEW

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

IMPACT

Mandatory: No, the board need not adopt the rule modifications.

Benefit: Codify in administrative rule the delegation of signing authority for final orders.

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

RULEMAKING TIMELINE

May 27, 2022 Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.

Notice – Delegation of Signing Authority Rule

05/27/22

Page 3 of 3

May 27, 2022	PERS Board notified that staff began the rulemaking process.
June 1, 2022	Secretary of State publishes the Notice in the Oregon Administrative Rules Database. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
June 22, 2022	Rulemaking hearing to be held remotely at 2:00 p.m.
June 28, 2022	Public comment period ends at 5:00 p.m.
July 22, 2022	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

A rulemaking hearing will be held remotely on June 22, 2022. The rule is scheduled to be brought before the PERS Board for adoption at the July 22, 2022 board meeting.

B.1. Attachment 1 - 459-001-0035, *Contested Case Hearing*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 001 – PROCEDURAL RULES**

1 **459-001-0035**

2 **Contested Case Hearing**

3 (1) Request for a contested case hearing. To obtain review of any determination
4 made under OAR 459-001-0030 or 459-001-0032 for which a contested case hearing has
5 not been held, the party must file with the Board a request for a contested case hearing.
6 The request must be filed within 45 days following the date of the Director's
7 determination.

8 (2) Informal conferences. Informal conferences are available as an alternative means
9 that may achieve resolution of any matter under review. A request for an informal
10 conference does not relieve a person of the requirements for timely filing of a request for
11 a contested case hearing.

12 (3) Criteria for request. The request for a contested case hearing must be in writing
13 and set forth:

14 (a) A description of the determination for which review is requested;

15 (b) A short statement of the manner in which the determination is alleged to be in
16 error;

17 (c) A statement of facts that are the basis of the request;

18 (d) Reference to applicable statutes, rules or court decisions upon which the
19 requester relies;

20 (e) A statement of the action the request seeks; and

21 (f) A request for a hearing.

1 (4) The Director, or an administrator appointed by the Director, may direct the staff
2 to schedule a formal contested case hearing or develop a recommendation to deny the
3 member's request to be presented to the Board. The Board may then deny a request for a
4 hearing when it has decided, in consultation with legal counsel, that the Board has no
5 authority to grant the relief requested.

6 (5) The hearing must be conducted in accordance with the Attorney General's Model
7 Rules of Procedure. Parties to the hearing will include the requester, any other person
8 named as a party, and any other person who petitions to participate and is determined to
9 have an interest in the outcome of the proceeding.

10 (6) *[The Board generally deliberates and decides on final orders during regularly*
11 *scheduled board meetings.]* The Board may *[instead]* deliberate and decide on final
12 orders at any *[other]* time and place allowed by law, as determined on a case-by-case
13 basis, such as electronically or via a telephone conference.

14 (7) In contested cases where the agency is upholding the administrative law
15 judge's proposed order, the Director or Deputy Director may issue the final order
16 after the Board has had an opportunity for review.

17 Stat. Auth.: ORS 238.650, 183.464 & 183.600 - 183.690

18 Stats. Implemented: ORS 183.413 - 183.470

Administrative Rulemaking

1. Notice of Delegation of Signing Authority Rule
2. Adoption of Death and Survivor Benefits Rule
3. Adoption of Employer Incentive Fund Program Rule
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May 27, 2022

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

OVERVIEW

- Action: Adopt the Death and Survivor Benefits rule.
- Reason: Clarify how outstanding invoices are handled with respect to death benefits.
- Policy Issue: None identified.

BACKGROUND

Staff is recommending amendments to Oregon Administrative Rule (OAR) 459-014-0050, the rule pertaining to the designation of beneficiaries at retirement, to provide additional transparency and clarification to members, alternate payees, and their beneficiaries. This rule affects only Tier One and Tier Two members.

When a Tier One/Tier Two member applies for retirement, the application requires they designate a beneficiary. That beneficiary designation is effective as of the member's effective retirement date and revokes all prior beneficiary designations. However, if the member dies between submitting their application for retirement and their effective retirement date, the new beneficiary designation has not taken effect and is invalid. The death benefit provided is a pre-retirement death benefit, paid to the beneficiary on file prior to receipt of the retirement application, which may be different than the beneficiary the member designated on their retirement application. Some beneficiaries have been unclear on this point, so staff have amended the rule to provide clarity.

When a retiree's benefit is adjusted and amounts that should have been paid or invoiced to the member are due after the member's death, they are paid out or invoiced to the member's beneficiary or estate. The rule has been amended to provide clarity as to what happens when a member has an outstanding invoice at the time of their death. The change in section (4) explains that any unpaid benefits accrued by the member before death will be offset by any outstanding invoice amount(s) before being paid out to a designated beneficiary or the member's estate.

SUMMARY OF MODIFICATIONS TO RULE SINCE NOTICE

No modifications were made to the rule since notice.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held remotely on April 26, 2022, at 2:00 p.m. No members of the public attended. The public comment period ended May 2, 2022, at 5:00 p.m. No public comment was received.

LEGAL REVIEW

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

IMPACT

Mandatory: No, the PERS Board need not adopt the rule modifications.

Benefit: The rule modifications add further transparency and clarification regarding how outstanding invoices are handled with respect to death benefits.

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

RULEMAKING TIMELINE

March 28, 2022	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
March 28, 2022	PERS Board notified that staff began the rulemaking process.
April 1, 2022	Secretary of State published the Notice in the Oregon Administrative Rules Database. Notice was sent to employers, legislators, and interested parties. Public comment period began.
April 26, 2022	Rulemaking hearing held remotely at 2:00 p.m.
May 2, 2022	Public comment period ended at 5:00 p.m.
May 27, 2022	Board may adopt the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “adopt the Death and Survivor Benefits rule, as presented.”
2. Direct staff to make other changes to the rule or explore other options.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

Adoption – Death and Survivor Benefits Rule

05/27/22

Page 3 of 3

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

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

1 **459-014-0050**

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

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

5 (2) The beneficiary designated on an application for service retirement becomes
6 effective on the effective retirement date. If the service retirement application is rejected by
7 PERS, *[or]* cancelled by the member, or if the member dies prior to the effective
8 retirement date, the beneficiary designation on the retirement application is null and
9 void and does not revoke previous pre-retirement beneficiary designations on file.

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

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

13 (a) Before the first payment is due, the benefit option selected pursuant to ORS
14 238.300 or 238.305 determines how benefits are paid to the designated beneficiary.

15 (b) After the first payment is due, unpaid benefits accrued by the member or alternate
16 payee before their death, less any outstanding invoice amounts, will be paid to
17 the designated beneficiary pursuant to ORS 238.390(4) or, in the event there is no
18 designated beneficiary at the time of member or alternate payee’s death, as provided in
19 ORS 238.390(2).

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

1 (6) If a retired member receiving unit payments under ORS 238.440 dies before the
2 last payment has been made, the designated beneficiary will receive a lump sum payment
3 of the remaining unit account balance. There is no benefit due from employer
4 contributions.

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

7 (a) A member's estate will be *[paid any underpayment or invoiced for any*
8 *overpayment of benefits paid to the member.] invoiced for any overpayment of benefits*
9 *paid to the member. Any underpayment of benefits to the member will be paid as*
10 *accrued benefits in accordance with subsection (4)(b) of this rule.*

11 (b) An alternate payee's estate will be *[paid any underpayment or invoiced for any*
12 *overpayment of benefits paid to the alternate payee.] invoiced for any overpayment of*
13 *benefits paid to the alternate payee. Any underpayment of benefits to the alternate*
14 *payee will be paid as accrued benefits in accordance with subsection (4)(b) of this*
15 *rule.*

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

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

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

May 27, 2022
PERS Board Meeting Agenda

Administrative Rulemaking

1. Notice of Delegation of Signing Authority Rule
2. Adoption of Death and Survivor Benefits Rule
3. Adoption of Employer Incentive Fund Program Rule
4. Adoption of Rules to Implement Senate Bill 112



Oregon

Kate Brown, Governor

Public Employees Retirement System

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May 27, 2022

TO: Members of the PERS Board
FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section
SUBJECT: Adoption of Employer Incentive Fund Program Rule:
OAR 459-009-0092, *Employer Incentive Fund Program*

OVERVIEW

- Action: Adopt the Employer Incentive Fund Program rule.
- Reason: Extend the Employer Incentive Fund (EIF) employer lump-sum payment deadline for employers on waitlist.
- Policy Issue: None identified.

BACKGROUND

The Oregon Legislature established the Employer Incentive Fund (EIF) in 2018. The purpose of the fund is to provide matching funds to employers who make lump sum deposits into employer side accounts under ORS 238.229. OAR 459-009-0092 sets the match percentage at 25% of the amount deposited by the employer. The EIF is held outside the PERS trust and receives funds from various sources, including general fund dollars and sports betting revenues. With an appropriation of \$100 million from the legislature in 2019, the first application cycle for matching contributions was opened on September 3, 2019 and was originally set to close on August 31, 2020. Under OAR 459-009-0092, an application cycle will close the earlier of: a) 12 months after the cycle is opened, or b) when all the funds have been paid out.

In May 2020, the PERS Board, by temporary rule, extended the EIF employer lump-sum payment deadline from August 31, 2020 to December 1, 2020, for the application cycle established on September 3, 2019. In September 2020, the Oregon Legislature disappropriated \$35 million of the original \$100 million to the EIF. At the December 1, 2020 payment deadline, there were approximately 44 employers on the waitlist. The waitlisted employers had committed a total of \$148,108,750 in lump-sum payments on their EIF applications; 12 of these employers have, in fact, already made their lump-sum payments without an EIF match.

In the 2022 legislative session, an additional amount of \$17,250,000 from the general fund and \$2,669,467 from lottery sports betting revenues was appropriated to the EIF. When considering other expected revenues from sports betting, the EIF will have approximately \$36,600,000 available as matching funds between April 2022 and March 2023.

In consultation with the Oregon Legislative Fiscal Office, and in consideration of the fact that the 2020 Oregon Legislature disappropriated \$35 million of the original \$100 million that was previously appropriated to EIF and allocated to employers, PERS staff is recommending that the board once again extend the payment deadline for the first EIF application cycle from December

1, 2020 to March 31, 2023. This will allow waitlisted employers, particularly those who were allocated and expecting funds, to make their lump-sum contributions and receive matching funds.

SUMMARY OF MODIFICATIONS TO RULE SINCE NOTICE

No modifications were made to the rule since notice.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held remotely on April 26, 2022, at 2:00 p.m. No members of the public attended. The public comment period ended May 2, 2022, at 5:00 p.m. No public comment was received.

LEGAL REVIEW

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

IMPACT

Mandatory: No, the board need not adopt the rule modifications.

Benefit: These rule modifications will allow waitlisted employers to make lump-sum contributions and receive matching funds that would be available from the EIF.

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

RULEMAKING TIMELINE

March 28, 2022	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
March 28, 2022	PERS Board notified that staff began the rulemaking process.
April 1, 2022	Secretary of State published the Notice in the Oregon Administrative Rules Database. Notice was sent to employers, legislators, and interested parties. Public comment period began.
April 26, 2022	Rulemaking hearing held remotely at 2:00 p.m.
May 2, 2022	Public comment period ended at 5:00 p.m.
May 27, 2022	Board may adopt the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “adopt the Employer Incentive Fund Program rule, as presented.”
2. Direct staff to make other changes to the rule or explore other options.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

B.3. Attachment 1 - 459-009-0092, *Employer Incentive Fund Program*

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

1 **459-009-0092**

2 **Employer Incentive Fund Program**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6 Such date must be:

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

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

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

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

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

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

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

21 (b) \$300,000.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 (13) Notwithstanding section (2) of this rule, [T]the Board is extending the EIF
15 employer lump-sum payment deadline from *[August 31, 2020 to]* December 1, 2020 to
16 March 31, 2023, only for the waitlisted employers from the application cycle established
17 on September 3, 2019. Notwithstanding paragraph (10)(b)(B) of this rule, waitlisted
18 [E]employers that wish to extend their payment deadline under this section of the rule
19 must notify PERS of the new payment date at least five business days before the date the
20 employer indicated it would make the payment, and the new payment date must be no later
21 than *[December 1, 2020]* March 31, 2023. An employer must notify PERS and receive
22 approval from PERS if it intends to make the lump-sum payment prior to the new
23 payment date noticed under this section of the rule.

1 (14) OAR 459-009-0084(8), 459-009-0085(4) and (5), and 459-009-0086(7) do not
2 apply to UAL lump-sum payments receiving matching funds under this rule.

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

4 Stats. Implemented: ORS 238.225 - 238.229

Administrative Rulemaking

1. Notice of Delegation of Signing Authority Rule
2. Adoption of Death and Survivor Benefits Rule
3. Adoption of Employer Incentive Fund Program Rule
4. Adoption of Rules to Implement Senate Bill 112



Oregon

Kate Brown, Governor

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May 27, 2022

TO: Members of the PERS Board

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

SUBJECT: Adoption of Rules to Implement Senate Bill 112 (2021):
OAR 459-005-0020, *Determination of Employee or Non-Employee Status*
OAR 459-010-0030, *Determination of Employee Status (repeal)*
OAR 459-010-0032, *Determination of Independent Contractor Status (repeal)*

OVERVIEW

- Action: Adopt the Senate Bill (SB) 112 rules.
- Reason: Implement 2021 legislation impacting PERS.
- Policy Issue: None identified.

BACKGROUND

Senate Bill (SB) 112 became effective on June 1, 2021. It is a PERS-sponsored bill to establish that common-law employees are included within the definition of “employee” under ORS 238.005(8) and “eligible employee” under ORS 238A.005(4). As promised during legislative committee hearings, PERS convened a workgroup of interested employee and employer stakeholders to address the agency’s implementation of SB 112 and associated rulemaking.

The proposed rule seeks to accomplish three things. First, PERS currently has two administrative rules regarding determination of employee or independent contractor status. The existing rules, OAR 459-010-0030 and 459-010-0032, are part of Division 10, which is generally applicable to the Chapter 238 Programs, and therefore does not explicitly apply to Oregon Public Service Retirement Plan (OPSRP) members. The proposed rulemaking repeals these existing rules and combines them into one new rule in Division 5 (Administration), which covers all programs. The combining of the rules is appropriate because a single legal standard applies to determining whether a person is an employee or independent contractor.

Second, in determining whether an individual is an employee for PERS purposes, PERS uses the current IRS standard for analyzing employment status under common law, but the current rules contain an outdated description of the IRS standard used. The proposed rule updates the categories and factors to be considered in this analysis to align with current IRS standards.

Third, the proposed rule establishes standards for presuming employment status based on public employer tax reporting and establishes a framework for how PERS will review claims of employment misclassification.

PERS initially convened a workgroup of interested stakeholders during the fall of 2021. After a series of workgroup meetings to refine the proposed rule, staff formally began the rulemaking process in December 2021. On December 23, 2021, PERS received public comments from

employee stakeholders expressing concerns about the workgroup process and noting that the proposed rule did not reflect a consensus of the workgroup. Staff then reconvened the workgroup to explore these concerns and further develop the proposed rule. Stakeholders provided additional comments on the proposed rule and the workgroup met during March and April 2022 to discuss additional changes to the rule.

In its current form, the proposed rule, OAR 459-005-0020, reflects a consensus of the workgroup and incorporates stakeholder feedback received throughout the rulemaking process.

SUMMARY OF MODIFICATIONS TO RULES SINCE NOTICE

The proposed rule has been modified since PERS filed a Notice of Rulemaking in December 2021. The most substantial change to the rule involves removal of the defined term “non-employee.” In the original version of the rule that was noticed, the term “non-employee” referred to an individual who did not meet the definition of an “employee” of a public employer, regardless of whether that individual was properly characterized as an independent contractor or an employee of a third-party firm or service provider. After reconvening the workgroup, stakeholders expressed concern that the rule should focus on the individual’s employment relationship with participating public employers and that the term “non-employee” was unnecessary and potentially confusing. The proposed rule has been modified to remove this term and to clarify that PERS’ analysis will focus on an individual’s employment relationship with participating public employers. Several provisions of the rule were modified to reflect the removal of this term and the focus of the rule concerns employment relationships with public employers.

Other changes to the rule include adding specificity to the types of records that an individual may provide to PERS in support of worker misclassification concerns, clarifying that the presumption of worker classification is related to the individual’s employment relationship with a public employer, and inserting language allowing individuals to provide public contracting wage and benefit analysis data to PERS as additional evidence in employment classification disputes.

PUBLIC COMMENT AND HEARING TESTIMONY

No rulemaking hearing was held because the PERS building was closed to the public. The first public comment period ended on December 23, 2021, at 5:00 p.m. In an email dated December 23, 2021, PERS received public comments on behalf of the PERS Coalition. The comments expressed concern about the workgroup process and noted that the proposed rule did not reflect a consensus of the workgroup. As a result, staff reconvened the workgroup to continue development of these rules before adoption by the board. Due to additional rule modifications, the public comment period was extended until March 7, 2022, at 5:00 p.m.

After reconvening the workgroup, PERS received additional written comments from workgroup stakeholders on April 13, April 14, and April 15, 2022. These comments primarily addressed the concern that the proposed rule should focus on an individual’s employment relationship with participating public employers. Additional comments included a suggestion to add specificity to the types of records an individual may provide to PERS as evidence of worker misclassification, and additional language about providing PERS with public contracting wage and benefit analysis data. Staff discussed these comments with stakeholders during workgroup meetings, and the

current version of the proposed rule reflects a consensus of the workgroup participants that the concerns with prior versions of the rule that were expressed in public comment have now been addressed.

LEGAL REVIEW

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

IMPACT

Mandatory: Yes, changes are necessary to bring the rules in line with changes or additions to statute made by the 2021 legislature.

Benefit: Updates the rules to reflect recent legislative changes and provides clarification on the agency’s administration of the plan.

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

RULEMAKING TIMELINE

December 1, 2021	Staff began the rulemaking process by filing a Notice of Rulemaking with the Secretary of State.
December 1, 2021	Secretary of State published the Notice in the Oregon Administrative Rules Database. Notice was sent to employers, legislators, and interested parties. Public comment period began.
December 3, 2021	PERS Board notified that staff began the rulemaking process.
December 23, 2021	First public comment period ended at 5:00 p.m.
January 28, 2022	Staff extended the public comment period by filing a second Notice of Rulemaking with the Secretary of State.
January 31, 2022	First reading of the rules.
March 7, 2022	Second public comment period ended at 5:00 p.m.
March 28, 2022	Second reading of the rules.
May 27, 2022	Board may adopt the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “adopt the rules to implement Senate Bill 112, as presented.”
2. Direct staff to make other changes to the rules or explore other options.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

B.4. Attachment 1 - 459-005-0020, *Determination of Employee or Non-Employee Status*

B.4. Attachment 2 - 459-010-0030, *Determination of Employee Status* (repeal)

B.4. Attachment 3 - 459-010-0032, *Determination of Independent Contractor Status* (repeal)

B.4. Attachment 4 - Public Comment Email from PERS Coalition

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

1 459-005-0020

2 Determination of Employee Status

3 (1) Definitions. For purposes of this rule:

4 (a) “Employee” means:

5 (A) For a Tier One or Tier Two member, an individual who meets the definition
6 of “employee” provided in ORS 238.005 and OAR 459-005-0001(14), and includes
7 an individual who has the status of a common-law employee of a public employer,
8 under the usual common law rules applicable in determining the employee/employer
9 relationship.

10 (B) For an OPSRP member, an individual who meets the definition of “eligible
11 employee” provided in ORS 238A.005, and includes an individual who has the
12 status of a common-law employee of a public employer, under the usual common-
13 law rules applicable in determining the employee/employer relationship.

14 (b) “Independent contractor” means an individual or business entity providing
15 services to a public employer where the public employer has the right to control or
16 direct only the result of the labor or service, and not the means and manner of
17 providing the labor or service, under the usual common-law rules applicable in
18 determining the employee/employer relationship.

19 (c) “Third-party firm or service provider” means a business that provides
20 individuals to a public employer who provide services to the public employer as part
21 of a service contract.

1 (2) Reporting Requirement. Public employers shall report all employees to
2 PERS as required under OAR 459-070-0100.

3 (3) Determination of whether an individual is an employee of a public employer
4 eligible for PERS benefits is made under common-law rules.

5 (a) An individual is presumed to be an employee of a public employer if the
6 public employer reports the individual’s wage and tax information to the Internal
7 Revenue Service via Form W-2.

8 (b) An individual is presumed to be an independent contractor of a public
9 employer if the public employer reports payments for the individual’s or business
10 entity’s services to the Internal Revenue Service via Form 1099.

11 (4) PERS will rely on a public employer’s worker classification of an individual
12 based upon sections (2) and (3) of this rule. However, if a claim of worker
13 misclassification is raised in a dispute under ORS 238.285, a dispute under ORS
14 238.450, an appeal by an individual under OAR 459-001-0030, or an appeal by an
15 employer under OAR 459-001-0032, a public employer, or the individual who
16 provided services to a public employer, may rebut the presumption of employee or
17 independent contractor status in section (3) of this rule by providing to PERS the
18 following documentary evidence:

19 (a) A judgment, court order, Internal Revenue Service Form SS-8
20 determination, or other Internal Revenue Service ruling that concludes that the
21 appropriate classification for the individual who provided services to a public
22 employer differs from the presumptions in section (3) of this rule;

1 (b) Other records satisfactory to PERS that establish that the appropriate
2 classification for the individual who provided services to a public employer differs
3 from the presumptions in section (3) of this rule, including, but not limited to the
4 following:

5 (A) Paycheck stubs or earnings statements;

6 (B) A signed employment verification letter completed by the employer that
7 provides the following information:

8 (i) Employer’s business name and address;

9 (ii) The location of the employment, if different from the employer’s place of
10 business;

11 (iii) The employee’s job title;

12 (iv) The dates of employment;

13 (v) The employee’s work hours;

14 (vi) The employee’s duties and responsibilities;

15 (vii) The employee’s salary; and

16 (viii) Contact information for the person who prepared the letter;

17 (C) An executed contract or employment agreement that provides the following
18 information:

19 (i) The employee’s full name;

20 (ii) The date of hire;

21 (iii) The salary or rate of pay;

22 (iv) The employee’s manager or supervisor; and

23 (v) The nature of the employment (seasonal, time-bound or fixed term, at-will);

1 (D) A written contract between the individual and the public employer that
2 provides the terms of the engagement for independent contractor;

3 (E) Records showing the extent to which the public employer directed or
4 controlled the work performed by the individual related to any of the factors
5 outlined in subsection (6) below; or

6 (F) Any public contracting analysis data performed by the public employer
7 under ORS 279B.030-279B.036.

8 (5) If a public employer, or the individual who provided services to a public
9 employer, submits documentary evidence to rebut the presumption of employee or
10 independent contractor status as required under section (4) of this rule, PERS shall
11 evaluate such evidence to determine whether an individual is an employee of the
12 public employer or independent contractor under common-law rules.

13 (6) To determine an individual’s worker classification, PERS shall follow the
14 three-category common-law analysis, in accordance with standards established by
15 the Internal Revenue Service. The three categories that provide evidence of the
16 degree of control or independence are:

17 (a) Behavioral control. This category examines facts that show whether a public
18 employer has a right to direct and control the work performed by the individual,
19 even if that right is not exercised. Facts to be considered in evaluating behavioral
20 control include, but are not limited to:

21 (A) Instructions. This includes the type, degree, and frequency of instructions
22 given to the individual concerning when, where, and how the work is performed.
23 Relevant factors may include, but are not limited to:

- 1 (i) Setting hours of work;
- 2 (ii) Requiring full-time work;
- 3 (iii) Setting the order or sequence of work;
- 4 (iv) Requiring that the work be performed on the public employer's premises;

5 and

- 6 (v) Requiring the services to be rendered personally by the individual, and
- 7 restricting the individual's ability to hire, supervise, or pay assistants to complete
- 8 the work.

9 (B) Evaluation systems. This includes the type, degree, and frequency of
10 evaluations. Relevant factors may include, but are not limited to:

- 11 (i) Requiring the individual to submit regular oral or written reports to the
- 12 public employer;

13 (ii) Whether evaluation systems are used to measure how the work is done, or
14 only the final work product (without regard to how the work is done); and

15 (iii) Whether the public employer or a third-party is performing the evaluation.

16 (C) Training. This includes the type, degree, and frequency of training an
17 individual receives from the public employer. Relevant factors may include, but are
18 not limited to:

19 (i) Providing training on how to do the job, or other training opportunities;

20 (ii) Frequency of training opportunities;

21 (iii) Whether the public employer or a third-party is providing the training; and

22 (iv) The source of funding for the training.

1 (b) Financial control. This category examines facts that show whether a public
2 employer has the right to control the economic aspects of the individual’s labor or
3 services. Facts to be considered in evaluating financial control include, but are not
4 limited to:

5 (A) Whether the public employer furnishes the tools and equipment used to
6 perform the work;

7 (B) Whether the public employer is responsible for obtaining all assumed
8 business registrations, professional occupation licenses, or certificates required by
9 state or local government ordinances for the individual to conduct business;

10 (C) Whether the individual is reimbursed for business and/or travel expenses;

11 (D) The extent to which the individual can realize a personal profit or loss;

12 (E) Whether the individual’s services are available to the public;

13 (F) Whether the individual may provide labor or services to more than one
14 employer at a time; and

15 (G) Whether the public employer pays the individual wages on a regular
16 schedule, upon completion of a job, on a lump-sum or straight commission basis, or
17 on an annual or periodic retainer basis.

18 (c) Relationship of the parties. This category examines facts that show how the
19 individual and public employer perceive their relationship to each other. Facts to be
20 considered in evaluating the relationship of the parties include, but are not limited
21 to:

22 (A) The terms of any written contracts that describe whether the employer has
23 the legal right to control both the method and the result of the labor or service.

1 Other important factors include who can modify the contracts, and how
2 modifications are made to such contracts;

3 (B) Whether the public employer provides employee benefits to the individual;

4 (C) Whether the individual provides services on an ongoing basis, or whether
5 the relationship ends once the labor or services are completed;

6 (D) The extent to which the individual is integrated into the public employer’s
7 business activities;

8 (E) Whether the individual’s services are a key activity of the public employer’s
9 business; and

10 (F) Whether the public employer or the individual have the right to discipline,
11 discharge, or terminate the relationship before services are completed, and the
12 consequences of discipline, discharge, or termination.

13 (7) Other important considerations.

14 (a) Standard of review. The determination that the individual is a public
15 employee or an independent contractor will be based upon the totality of the
16 circumstances. The degree and importance of each factor will vary depending on the
17 labor or services to be performed, and the context in which the labor or services are
18 performed.

19 (b) If, under the common-law rules, PERS determines that there is an
20 employee/employer relationship, it is immaterial how the relationship is described
21 by the parties. The substance of the relationship, not the label, governs the
22 individual’s status for PERS purposes. PERS will disregard any contractual
23 designation of the individual as an “independent contractor” or that designates that

1 the individual is not an employee if the facts demonstrate an employee/employer
2 relationship.

3 (c) An individual who provides services to a public employer shall be reported
4 to PERS as a common-law employee of the public employer if an analysis under this
5 rule results in the finding of an employee/employer relationship between the
6 individual and the public employer.

7 (A) If an employee of a third-party firm or service provider is determined to be
8 a common-law employee of a public employer, the third-party firm or service
9 provider shall disclose all information regarding an employee’s wages that is
10 reasonably necessary to enable a public employer to make PERS contributions.

11 (B) If a public employer is not able to obtain information regarding the
12 employee’s wages from the third-party firm or service provider, the employee shall
13 submit to the board any payroll and tax records relating to the services provided to
14 the public employer. The employee may also submit any public contracting wage
15 and benefits analysis data performed by the public employer under ORS 279B.030-
16 279B.036. Upon review of the submission, the board shall fix a wage which shall be
17 the basis for computing the amounts of the contributions. If the employee provided
18 services to multiple employers, adjustments will be made to reflect the actual hours
19 of service provided to the public employer responsible for the PERS contributions.

20 (d) For purposes of determining whether an individual provides services as an
21 independent contractor, the creation or use of a business entity, such as a
22 corporation or limited liability company, by an individual for the purpose of
23 providing services does not, by itself, establish that the individual provides services

1 as an independent contractor. When the individual provides services through a
2 business entity, such as a corporation or a limited liability company, services as an
3 independent contractor may be satisfied by the individual or the business entity.

4 Stat. Auth.: ORS 238.650

5 Stats. Implemented: ORS 238.005

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

1 **[459-010-0030]**

2 **[Determination of Employee Status]**

3 *[(1) The term "employee" shall have the same meaning as provided in ORS 238.005 and*
4 *OAR 459-005-0001(14).]*

5 *[(2) Determination of whether an individual is an employee is made under common-law*
6 *rules. Under common-law rules, every individual who performs labor or services subject to the*
7 *direction and control of an employer, both as to what must be done and how it must be done, is*
8 *an employee. It does not matter that the employer allows the employee discretion and freedom of*
9 *action, so long as the employer has the legal right to control both the method and the result of*
10 *the labor or services, resulting in an employee/employer relationship.]*

11 *[(3) If, under the common-law rules, there is an employee/employer relationship, it makes*
12 *no difference how it is described. It is not controlling whether the employee is called an*
13 *employee. It is not controlling how the payments are measured, how they are made, or what they*
14 *are called. It is not controlling whether the individual is employed full time or part time. There is*
15 *no distinction made between classes of employees. Superintendents, executives, managers,*
16 *supervisors, and other supervisory personnel are all employees.]*

17 *[(4) In applying the common-law rules, the 20-factor test as described in Internal Revenue*
18 *Service Ruling 87-41 shall be used in determining whether or not an individual is an employee.*
19 *The degree of importance of each factor varies depending on the labor or services to be*
20 *performed and the context in which the labor or services are performed. The 20 factors are:]*

21 *[(a) Instructions;]*

22 *[(b) Training;]*

- 1 *[(c) Integration;]*
- 2 *[(d) Services Rendered Personally;]*
- 3 *[(e) Hiring, Supervising, and Paying Assistants;]*
- 4 *[(f) Continuing Relationship;]*
- 5 *[(g) Set Hours of Work;]*
- 6 *[(h) Full Time Required;]*
- 7 *[(i) Doing Work on Employer's Premises;]*
- 8 *[(j) Order of Sequence Set;]*
- 9 *[(k) Oral or Written Reports;]*
- 10 *[(l) Payment by Hour, Week, Month;]*
- 11 *[(m) Payment of Business and/or Traveling Expenses;]*
- 12 *[(n) Furnishing of Tools and Materials;]*
- 13 *[(o) Significant Investment;]*
- 14 *[(p) Realization of Profit or Loss;]*
- 15 *[(q) Working for More than One Employer at a Time;]*
- 16 *[(r) Making Service Available to General Public;]*
- 17 *[(s) Right to Discharge; and]*
- 18 *[(t) Right to Terminate.]*
- 19 *[Stat. Auth.: ORS 238.650]*
- 20 *[Stats. Implemented: ORS 238.005(7)]*

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

1 **[459-010-0032**

2 ***Determination of Independent Contractor Status]***

3 *[(1) An individual who qualifies as an employee under OAR 459-010-0030 is not an*
4 *independent contractor. Unless it is clearly established under this rule that a person is an*
5 *independent contractor, that person shall be deemed to be an employee.]*

6 *[(2) An individual or business entity is an independent contractor if the employing entity has*
7 *the right to control or direct only the result of the labor or service and not the means and*
8 *methods accomplishing the labor or services. The terms of the contract and the actual*
9 *arrangement under which labor or services are performed will determine whether an individual*
10 *or a business entity is subject to direction and control. When the elements of direction and*
11 *control are present in determining the means and methods of performing labor or service as*
12 *provided in OAR 459-010-0030, any disclaimers to the contrary are not binding for the purpose*
13 *of determining an employee/employer relationship by the system.]*

14 *[(3) In determining whether or not an individual is an independent contractor, the following*
15 *factors shall be considered. The degree of importance of each factor varies depending on the*
16 *labor or service to be performed and the context in which the labor or service are performed:]*

17 *[(a) Labor or service are performed only pursuant to written contracts;]*

18 *[(b) The individual or business entity assumes financial responsibility for defective*
19 *workmanship or for service not provided as evidenced by the ownership of performance bonds,*
20 *warranties, errors and omission insurance, or liability insurance relating to the labor or services*
21 *to be provided;]*

1 *[(c) The individual or business entity providing labor or service furnishes the tools,*
2 *equipment, and supplies necessary for performance of the contracted labor or services; or has a*
3 *significant investment in the facilities used in performing the labor or services;]*

4 *[(d) Payment for labor or service is made upon completion of the performance of specific*
5 *portions of the project or is made on the basis of an annual or periodic retainer. Normal*
6 *expenses incurred as part of providing labor or service are included in the stipulated payment*
7 *and are not reimbursed by the employing entity as a routine cost of doing business;]*

8 *[(e) The individual or business entity providing labor or services has the authority to hire*
9 *and fire employees to perform the labor or services. The individual or business entity is not*
10 *required to perform the labor or services personally; but may subcontract part or all of the labor*
11 *or service to be performed to another party;]*

12 *[(f) Labor or services are performed for two or more different persons and/or business*
13 *entities concurrently within a period of one year;]*

14 *[(g) The individual or business entity providing labor or services is responsible for*
15 *obtaining all assumed business registrations, professional occupation licenses, or certificates*
16 *required by state or local government ordinances for the individual or business entity to conduct*
17 *business;]*

18 *[(h) The individual or business entity actively advertises the availability of the labor or*
19 *services and represents to the public that the labor and services are to be provided by an*
20 *independently established business. The following are evidence of “actively advertising”:]*

21 *[(A) Commercial advertising or business cards as is customary in operating similar*
22 *businesses are purchased for the business, or the individual or business entity has a trade*
23 *association membership;]*

1 *[(B) Telephone listing and service are used for the business that is separate from the*
2 *personal residence listing and service used by an individual who performs the labor or services.]*

3 *[(i) Federal and state income tax returns in the name of the business or a business Schedule*
4 *C or farm Schedule F as part of the person income tax return were filed for the previous year if*
5 *the individual or business entity performed labor or services as an independent contractor in the*
6 *previous years.]*

7 *[(4) An individual represented as a Professional Corporation or a sole proprietorship shall*
8 *qualify as an independent contractor providing the criteria of this rule are met and the element*
9 *of direction and control in OAR 459-010-0030 are not present.]*

10 *[Stat. Auth.: ORS 238.650]*

11 *[Stats. Implemented: ORS 238.005]*

Action and Discussion Items

1. Senate Bill 1049 Implementation Update
2. Equal to or Better Than Testing Update
3. Audit and Risk Committee Oversight
4. PERS Health Insurance Plan Annual Update
5. 2022 Retiree Health Insurance Plan Renewals and Rates
6. 2023-2025 Agency Budget Development Update



Oregon

Kate Brown, Governor

Public Employees Retirement System

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May 27, 2022

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

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

PROGRAM/PROJECT IMPLEMENTATION

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

Project	Effective Date	Project Health and Status (as of 5/10/22)
SB 1049 Program		Program health: Yellow <ul style="list-style-type: none"> Program health will remain in yellow status as Member Redirect is scheduled past the end of the 2021-23 biennium. Cross Project Effort (CPE) health continues to be yellow due to delays in Work Package (WP) 6. WP4.2 and WP5.2 in User Acceptance Testing (UAT).
Employer Programs Project	Effective 7/1/2019	Project ended 7/16/21.
Salary Limit Project	Effective 1/1/2020	Project ended 5/28/21.
Work After Retirement Project	Effective 1/1/2020	Project ended 2/24/22.
Member Redirect Project	Effective 7/1/2020	Project health: Green <ul style="list-style-type: none"> UAT in process for WP6 (EPSA Retirement). On schedule towards the 7/5/2022 completion date. Deployment planned for 7/21/2022. Construction began for WP9 (EPSA and OPSRP Withdrawal). Technical review underway to determine how requirements and additional SB111A scope impact WP8 (EPSA Pre-Retirement Death). Requirements may add time to project schedule. WP11 (Reemployment and Adjustments) elaboration in process.

Member Choice Project	Effective 1/1/2021	Project ended 8/4/21.
Technical Debt		<p>Project health: Yellow</p> <ul style="list-style-type: none"> • Yellow status due to a resource unavailable for testing. • UAT for WP1 (Employer Statements) in process. On schedule towards the 7/5/2022 completion date. Deployment planned for 7/21/2022. • WP3 Functional Design Specification determined that two change requests (CR) were needed to correct issues with General Ledger Reversals and Side Account Reversals. Both CRs will be reviewed at Steering Team for approval. • WP4 (jClarety Reporting Engine) technical elaboration and development work in process.

Highlighted activities completed or in progress since late March 2022:

- Program and project activities
 - iQMS activities
 - Final Quarterly QA Status and Improvement report (April 2022) received 5/18/22
 - Periodic Quality Status report in process
- Budget reporting
 - Continued bi-monthly meetings with the Chief Financial Office, Legislative Fiscal Office, and the Governor’s Office in May
 - Work order contract in development for new Technical Debt work packages

PROGRAM/PROJECT BUDGET

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

Budget development for the 2023-2025 program is underway. 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 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Program information:

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

Subprojects:

Project 1: Employer Programs

Project start: July 1, 2019 | Project end: July 16, 2021

Project status: **Complete**

Project 2: Work After Retirement (WAR)

Project start: July 1, 2019 | Project end: February 24, 2022

Project status: **Complete**

Project 3: Salary Limit

Project start: July 1, 2019 | Project end: May 28, 2021

Project status: **Complete**

Program statement:

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

Project 4: Member Redirect

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

Project status: **Green**

Project 5: Member Choice

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

Project status: **Complete**

Project 6: Technical Debt

Project start: June 22, 2021 | Project end: February 1, 2023

Project status: **Green**

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

Overall program status: **Yellow**

The program status continues to be yellow. Member Redirect has activities that continue into the 2023-2025 biennium, and that budget has not been approved. In addition, the Cross Project Effort has turned red due to delays in construction of WP6 IAP Balance Comparison Tool.

Two projects and one Program Initiative remain active for SB 1049:

- Member Redirect and Technical Debt projects currently have work packages in User Acceptance Testing (UAT) and are on target for their 7/21/2022 production deployment. Combined UAT results show they are currently 63.26% tested, 63.00% passed.
- Technical Debt has also been evaluating 2 new CRs for inclusion in the project. One has been approved by the SB 1049 Steering Team, and one is in review. Approval of these changes may extend the SB 1049 Technical Debt project into the 2023-25 biennium.
- In addition to the WP6 construction delays mentioned above, Cross Project Effort (a program initiative) has had very good recent success with two UAT efforts, with one work package deploying to production early on 5/17/2022, and the 2nd work package's UAT is nearly complete (early as well).

SB 1049 Implementation Program

Status Report for May 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Budget health: Yellow

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

Amendment #5 for WOC-DASPS-1638-19 (SB 1049 Member Redirect) has been executed to extend LanceSoft resources from 6/30/2022 to 6/30/2023. This change is now reflected in the tables below.

29560- SB 1049 Implementation Program by Project					
Other Funds Lmt	21-23 Budget	Actual to Date	Projections	21-23 Total	Variance
Work After Retirement	\$ 1,127,741	\$ 527,076	\$ -	\$ 527,076	\$ -
Variance from WAR	\$ -	\$ -	\$ -	\$ -	\$ 600,665
Member Redirect	\$ 19,248,730	\$ 7,591,242	\$ 11,871,571	\$ 19,462,813	\$ (214,083)
Technical Debt	\$ 2,790,741	\$ 612,656	\$ 655,637	\$ 1,268,293	\$ 1,522,448
				\$ -	\$ -
Total	\$ 23,167,212	\$ 8,730,975	\$ 12,527,208	\$ 21,258,183	\$ 1,909,029

29560- SB 1049 Implementation Program by POP					
Other Funds Lmt	21-23 Budget	Actual to Date	Projections	21-23 Total	Variance
Project Management & Admin	\$ 2,044,800	\$ 748,788	\$ 883,212	\$ 1,632,000	\$ 412,800
Quality Assurance and Testing	\$ 812,500	\$ 111,984	\$ 815,749	\$ 927,733	\$ (115,233)
Info Technology Applications	\$ 13,337,000	\$ 5,647,593	\$ 7,090,353	\$ 12,737,946	\$ 599,054
Operational Implementation	\$ 6,972,912	\$ 2,222,610	\$ 3,737,894	\$ 5,960,504	\$ 1,012,408
				\$ -	\$ -
Total	\$ 23,167,212	\$ 8,730,975	\$ 12,527,208	\$ 21,258,183	\$ 1,909,029

Schedule health: **Red**

The Cross Project Effort is red due to delays in development activities for WP6 IAP Balance Comparison Tool. We chose to not turn the entire program status red because this is a stand-alone work package that will have no downstream SB 1049 impacts due to this delay. In addition, this is a new tool, and the business users can continue to employ known workarounds for this functionality.

The schedule health for both Member Redirect and Technical Debt are green. Both projects are successfully meeting all major project milestones. The Technical Debt schedule has been updated to include WP4 Hyperion Replacement and has been baselined.

Scope health: **Yellow**

The program and project scope are largely understood and have been incorporated into program-level plans and schedules. However, scope health is yellow because the scope of Member Redirect WP8.1 (EPSA Pre-Retirement Death) may be larger than originally anticipated. The team is conducting a Technical Review of the WP8.1 requirements and will be able to make an assessment after that. This review is due 6/30/2022.

Quality Assurance activities:

- iQMS Deliverable 3.3.8 Periodic Quality Status Report started 1/27/2022, completed 5/4/2022.
- iQMS Deliverable 4.1.9 Quarterly QA Status and Improvement Report started 3/10/2022, due 5/25/2022.
- iQMS Deliverable 3.3.9 Periodic Quality Status Report started 4/26/2022, due 6/15/2022.
- iQMS Deliverable 4.1.10 Quarterly QA Status and Improvement Report starts 6/8/2022, due 8/18/2022.

Emerging concerns/needs/impacts:

- As additional non-SB 1049 work efforts continue to ramp up, there is an increased concern that SB 1049 resources, both people and technical, may be negatively impacted. The volume of these work efforts is increasing around the end of 2022. The SB 1049 team continues to monitor resource allocations and mitigate impacts where issues are found. The SB 1049 Project Managers are also proactively managing their schedules to ensure major milestones are kept on track.

SB 1049 Implementation Program

Status Report for May 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Program Risks and Mitigation

Listed below are the most critical risks for this project.

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

#	Risk Description	Mitigation and/or Contingency Plan	Notes
20	Internal Staffing: Resource shifting, competing priorities, or over allocation impact the availability of dedicated project resources	➤ The Project Management Office continues to conduct cross-project bi-weekly meetings to discuss resource allocations across all PERS projects.	Increased Maintenance and Enhancement (M&E) activities have increased concerns for resource availability through Jan 2023.
39	Critical Resources Allocated to non-SB 1049 Work: Critical SB 1049 resources are allocated to non-SB 1049 work, impacting availability for SB 1049 work, and causing schedule delays.	<ul style="list-style-type: none"> ➤ Assess project and resource plans for any new work effort to determine impact to SB 1049 ➤ Proactively manage any identified resource constraints and work with managers to mitigate SB 1049 impact. 	Non-SB 1049 work efforts include, but are not limited to: <ul style="list-style-type: none"> • Maintenance & Enhancements (several separate efforts) • W-4 Tax Form Project
81	Technology Risk: Complexity and fragility of jClarety system.	➤ Some or all the SB 1049 projects may require attention to fixing technical debt or finding appropriate work arounds.	

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
22	Technology Risk: Complex, New or Untried Process: The project solution is complex, new, untried in the market or not aligned with best practices.	PowerApps is planned to be used for CPE WP6 IAP Balance Comparison Tool, but this tool is new to PERS, and the learning curve has been significant. Construction of this tool is delayed.	TBD

SB 1049 Implementation Program

Status Report for May 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Program information: Cross Project Effort

Start: May 28, 2020 | End: May 13, 2024
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: **RED**

Narrative: Work Package 5.2 (WP5.2) Prior Year Earnings Invoicing tool completed User Acceptance Testing (UAT) and deployed to production early with zero outstanding defects. WP4.2 Individual Account Program Adjustment Calculator UAT is nearly complete with 99.63% passed and zero defects. Information Services Division is continuing to work with Microsoft PowerApps engineers to create development solutions for the WP6 IAP Balance Comparison tool. PowerApps is a new tool for PERS, and unfortunately the learning curve has been more difficult than originally anticipated. There are still many unknowns on the use of this tool, and we are unclear as to when the solution will be delivered. As a result, construction continues to be delayed on this tool, and the Cross Project Effort status has turned red.

Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP3: IAP Divorce Tool Deployed	100%	2/22/2022	3/04/2022	
WP5.2: Prior Year Earnings Invoice Tool Deployed	0%	5/20/2022	5/17/2022	
WP4.2: IAP Adjustment Calculator Deployed	0%	6/01/2022	6/01/2022	
WP6: IAP Balance Comparison Tool	0%	10/04/2022	10/04/2022	
WP7.3: Payouts Actuarial Extract	0%	2/22/2024	3/28/2024	Date change approved by Steering Team
Cross Project Effort Closure	0%	5/13/2024	5/13/2024	

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

SB 1049 Implementation Program

Status Report for May 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen



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

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

SB 1049 Implementation Program

Status Report for May 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen



Senate Bill (SB) 1049 Implementation Road Map

2021-2023 Biennium

	2021						2022												2023					
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Employer Programs	• 7/16/21 – Project Close																							
Work After Retirement							• 12/16/21 – WP4 Side Account Credit Allocation						• 2/24/22 – Project Close											
Member Redirect							• 10/14/21 – WP5 Voluntary Contribution Maintenance – Long Term						• 3/24/22 – WP4.3 EPSA Transaction Display – Long Term						• 7/21/22 – WP6.1 EPSA Retirement – Long Term • 2/23/23 – WP9.1 EPSA Withdrawal – Long Term → • 2/23/23 – WP9.2 Alter OPSRP Withdrawal – Long Term →					
Member Choice	• 8/4/21 – Project Close																							
Technical Debt	• 7/1/21 – Project Kickoff						4/30/22 – WP3 General Ledger Reversals, Including Side Accounts – Functional Design Specification Completed						• 3/31/22 – WP2 Benefit Account Transition Status – Functional Design Specification Completed						• 7/21/22 – WP1 Employer Statements • 9/15/22 – WP4 Hyperion Replacement • 2/1/23 – Project Close					
PROGRAM INITIATIVE																								
Cross Project Effort							• 3/4/22 – WP3 IAP Divorce Tool						• 5/20/22 – WP5.2 PYE Invoicing Tool • 6/1/22 – WP4.2 IAP Adjustment Calculator						• 10/5/22 – WP6 IAP Balance Comparison Tool					

2023-2025 Biennium

	2023						2024												2025					
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Member Redirect	• 7/20/23 – WP8.1 EPSA Pre-Retirement Death – Long Term • 7/20/23 – WP10 Backlog Implementation – Long Term						• 12/21/23 – WP11.1 Reemployment – Long Term • 12/21/23 – WP11.2 Excess EPSA – Long Term						• 3/28/24 – Migration Finalization • 4/25/24 – Project Close • 3/28/24 – WP12.2 Final Backlog Implementation – Long Term											
PROGRAM INITIATIVE																								
Cross Project Effort							• 3/28/24 – WP7.3 Tier One/Tier Two/OPSRP Payouts Actuarial Extract																	

SB 1049 Implementation Program

Status Report for May 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project information: Member Redirect

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

Overall project status: **Green**

Project Narrative: The overall project health is green, and activities are progressing on schedule. Work Package 6.1 (EPSA Retirement) began UAT on 4/25/2022 and proceeds towards the completion date of 7/5/2022. As of 5/17/2022, UAT has tested 58.93% and passed 58.45%. The business requirements document for work package 10 (Backlog Implementation) is in development and will be completed on 6/27/2022. The technical review for work package 8.1 (EPSA Pre-Retirement Death) and SB111A (this piece of legislation grants an optional spouse death benefit for Tier 1/Tier 2 pre-retired death accounts and more closely aligns OPSRP spousal death benefits with that option) also continues towards the 6/30/2022 completion date. The Project Manager and technical team are working to develop a mitigation plan for work package 8.1 (EPSA Pre-Retirement Death) if it is determined the work package cannot be completed within current project timelines. The construction for work package 9.1 (EPSA Withdrawal) and 9.2 (Alter OPSRP Withdrawal) continues towards the 9/30/2022 completion date.

Work Packages:

Work Package 6.1 EPSA Retirement- Long-Term

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

Work Package 9.2 Alter OPSRP Withdrawal - Long-Term

- Production Deployment Date: 2/23/2023
- Construction will be completed on 9/30/2022
- Business Functional Testing will begin on 10/3/2022

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

Project objective:

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

Work Package 9.1 EPSA Withdrawal - Long-Term

- Production Deployment Date: 2/23/2023
- Construction will be completed on 9/30/2022
- Business Functional Testing will begin on 10/3/2022

Work Package 8.1 EPSA Pre-Retirement Death - Long-Term

- Production Deployment Date: 7/20/2023
- Construction will be completed on 3/31/2023
- Business Functional Testing will begin on 5/12/2023

SB 1049 Implementation Program

Status Report for May 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Budget health: Green

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

29560 SB1049 - Member Redirect Project					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 1,658,226	\$ 501,678	\$ 1,156,548	\$ 1,658,226	\$ -
Personal Services - SB1049	\$ 5,956,112	\$ 2,023,250	\$ 3,932,862	\$ 5,956,112	\$ -
Services and Supplies	\$ 1,927,618	\$ 512,275	\$ 1,174,685	\$ 1,686,960	\$ 240,658
IT Professional Services	\$ 11,860,665	\$ 5,053,676	\$ 6,764,024	\$ 11,817,700	\$ 42,965
IT Expendable Property	\$ 50,000	\$ 2,042	\$ -	\$ 2,042	\$ 47,958
Data Processing Hardware	\$ 55,000		\$ -	\$ -	\$ 55,000
SB1049 Total Expenses	\$ 19,849,395	\$ 7,591,242	\$ 11,871,571	\$ 19,462,813	\$ 386,582
Project Total	\$ 21,507,621	\$ 8,092,920	\$ 13,028,119	\$ 21,121,039	\$ 386,582
Average Monthly Spend (Burn Rate)		\$ 759,124.24	\$ 593,578.54		
*Not included in SB1049 Expenses					

Schedule Health: Green

All major milestones are on schedule.

Scope health: Yellow

WP8.1 (EPSA Pre-Retirement Death) has a risk in scope and size, which will be determined after the technical review completes on 6/30/2022

Quality Assurance activities:

- The Monthly Release Management Report will be submitted for Quality Check Point review on 5/31/2022

Emerging concerns/needs/impacts:

- The size and scope of work package 8.1 (EPSA Pre-Retirement Death) may be larger than originally anticipated. The risk is being tracked, and the project health will remain green until the technical review is complete on 6/30/2022, at which time the team will be able to determine the feasibility of our remaining schedule.
- There are several non-SB 1049 projects which may impact Member Redirect resource capacity in Winter of 2022

SB 1049 Implementation Program

Status Report for May 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

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

#	Risk Description	Mitigation and/or Contingency Plan	Notes
83	WP8.1 Scope and Size: Based on current progress on the business requirements document, there is a concern that the size and scope of the coding of this work package will not fit within the scheduled timeline	➤ Review requirements and see if any can be deferred to later (backlog). Other options include a change request to extend current baseline duration or remove certain scope to maintain current schedule.	WP8.1. technical review will be complete on 6/30/2022, at which time we can determine the feasibility of the schedule. The Project Manager and technical team are in the process of discussing potential mitigation plans
2	Internal Staffing: Resource shifting, competing priorities, or over allocation impact the availability of dedicated project resources, or a key resource leaves PERS or is out for an extended period, and/or staff experience levels are inadequate and meet quality needs	➤ Work with other SB 1049 and non-SB 1049 Project Managers to manage resources and schedule	There are several non-SB 1049 projects that will be monitored including W-4 Tax Form, CHG 5270 jClarety produced letters & New Governor content and the Key Bank Project The Key Bank and CHG 5270 project are currently scheduled to deploy in January of 2023, which overlaps with Member Redirect UAT testing
88	Production Quality: Although the major milestones have met the baseline schedule, there is a potential for quality issues caused by rushing to meet deadlines	➤ The Product Owner Team have created a checklist prior to UAT, which will provide Regression testing requirements for each specific work package. This will also be part of the Quality Gate checklist process.	There have been several high severity defects found during User Acceptance Testing for work package 6.1 (EPSA Retirement). However, the current UAT duration allows enough time for testing and potential builds. The final code freeze will be on 6/22/2022.

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 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP2.1 - Tool for IAP Earnings Data	100%	1/26/2021	1/26/2021	
WP3.1 - EPSA Earnings	100%	3/23/2021	3/23/2021	
WP3.2 - Member Annual Statement Extract	100%	3/23/2021	3/23/2021	
WP4.2 - EPSA Transaction Display	100%	6/24/2021	6/24/2021	
WP12 - Full EPSA Set up screen	100%	6/24/2021	6/24/2021	
WP5.1 - Voluntary Contribution maintenance	100%	10/14/2021	10/14/2021	
WP4.3 - EPSA Correct Member Account	100%	3/24/2022	3/24/2022	
WP6.1 - EPSA Retirement	0%	7/21/2022	7/21/2022	
WP9.1 - EPSA Withdrawal	0%	2/23/2023	2/23/2023	
WP9.2 - Alter OPSRP Withdrawal	0%	2/23/2023	2/23/2023	
WP8.1 - EPSA Pre-Retirement Death	0%	7/20/2023	7/20/2023	
WP10 - Backlog Implementation	0%	7/20/2023	7/20/2023	
WP11.1 - Re-Employment	0%	12/21/2023	12/21/2023	
WP11.2 - Excess EPSA	0%	12/21/2023	12/21/2023	
WP12.2 - Final Backlog Implementation	0%	3/28/2024	3/28/2024	
Migration Finalization	0%	3/28/2024	3/28/2024	
Project Complete	0%	4/25/2024	4/25/2024	

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

SB 1049 Implementation Program

Status Report for May 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project information: Technical Debt

Project start: June 22, 2021 | **Project end:** February 1, 2023
Project Manager: Joli Whitney

Project objective:

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

Overall project status: **Green**

Project Narrative: Work Package 1 (WP1 Employer Statements) began UAT on 4/25/2022 and is on track to complete 7/5/2022.

Work Package 2 (WP2 Benefit Account Status Transition) and Work Package 3 (WP3 General Ledger and Side Account Reversals) are completed. Both documented the existing technical design of these areas. Based on what was learned in WP3, two change requests were developed to explore solution options and provide work estimates to be considered by the SB 1049 Steering Team. The first of these was approved by Steering Team on 5/10/2022 and is now Work Package 5. The second change request is under review by the SB 1049 Core Team this week.

Work Package 4 (WP4 Hyperion Replacement) is in development. The project schedule has been updated to include this work package and was rebaselined on 4/28/2022. The new project end date is February 1, 2023. The scope of this work package includes building, integrating, and testing the new SSRS reporting framework and converting one report as a proof of concept.

Work Package 5 (WP5 Side Account Reversals) is in schedule development and a work order contract amendment will be prepared to coordinate resources to assist with this work.

Note that the project closure date will continue to be subject to change as additional items are added into project scope. This is planned and expected. All scope is added via the SB 1049 Change Request Process and approved by the SB 1049 Steering Team.

Work Packages:

Work Package 1: Employer Statements

- Production Deployment Date: 7/21/2022
- UAT began on 4/25/2022

Work Package 2: Benefit Account Status Transition

Functional Design Specification Document Complete 3/31/2022

Work Package 3: General Ledger and Side Account Reversals

- Functional Design Specification Document Complete 4/30/2022

Work Package 4: Hyperion Replacement

- Production Deployment Date: 9/15/2022
- Development scheduled for completion on 7/8/2022
- BFT scheduled to begin on 7/11/2022
- UAT scheduled to begin on 8/10/2022

Work Package 5: Side Account Reversals

- Milestones TBD

SB 1049 Implementation Program

Status Report for May 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

CR or WP#	Description	Status	SB 1049 Technical Debt Qualification	Other Considerations/Notes
WP1	Employer Statements	In Process	Exacerbated by SB 1049: New financial components from Member Redirect and WAR projects have made employer statements inaccurate and difficult for employers to understand and reconcile.	The enhancements will make statements easier to read- like a bank statement- and correct the inaccurate information
WP2	Benefit Account Status Transition	Closed	Exacerbated by SB 1049: SB 1049 introduced changes to the way employers report retiree salary and downstream inconsistent activity in recipient and benefit accounts was discovered.	The functional design specification document identified which statuses are correct and information has been updated for developers to utilize in future programming
WP3	General Ledger and Side Account Reversals	Closed	Exacerbated by SB 1049: Two issues impacting General Ledger (GL) were discovered during the WAR project related to transaction reversals. Although these issues existed before SB 1049, the additional functionality added to implement the WAR project have exacerbated these issues.	Through the functional design specification document, it has been determined that although these issues are both related to reversals, the solutions will be different. A decision was made to develop two change requests (CRO06 & CRO07) to explore adding solutions to these issues to the project scope in future work packages.
WP4	Hyperion Replacement	In Process	Inhibit PERS' ability to complete SB 1049: Oracle Hyperion is end of life and a decision was made to discontinue developing new reports in a deprecated product. Member Redirect WP 9.1 has a dependency on the reporting features of Hyperion so the solution must be in place to support this WP. The scope of this WP delivers the solution in SSRS, a Microsoft product, as well as one report to be used as a test case for developers when	There are two other non-SB 1049 work streams to complete the Hyperion replacement: <ul style="list-style-type: none"> • A Maintenance and Enhancement effort to convert approximately 80 reports • A Central Data Management effort to convert BRIO based reports which are utilized by the Financial Services Division. This work must be completed by 6/30/22 to comply with Oracle's mandate.

SB 1049 Implementation Program

Status Report for May 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

CR or WP#	Description	Status	SB 1049 Technical Debt Qualification	Other Considerations/Notes
			addressing other reports used by the agency.	
WP5	Addressing Technical Debt around Side Account Reversals	CR Approved	Exacerbated by SB 1049: Issues impacting Side Account Reversals were discovered during the WAR project.	Through the As-Is documentation produced in WP3, we have found that Side Account Reversals will likely be a complex issue to address. A change request was approved by SB 1049 Steering Team on 5/10/22. This is in schedule and work order contract amendment development.
CR-007	Addressing Technical Debt around General Ledger Reversals	CR in Process	Exacerbated by SB 1049: Issues impacting General Ledger (GL) transaction reversals were discovered during the WAR project.	Through the As-Is documentation produced in WP3, we have found that the issues causing incorrect General Ledger is a technical debt item which should be addressed by SB 1049 Technical Debt Project. The CR will be presented to the SB 1049 Core Team this week.

***Note:** Change requests will be transitioned to work packages if/when the CR is approved by the SB 1049 Steering Team

SB 1049 Implementation Program

Status Report for May 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Budget health: Green

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

29560 SB1049 - Technical Debt Project						
Expenses	Budget	Actual to Date	Projections	Total	Variance	
*Personal Services - PERS	\$ 200,000	\$ 237,545	\$ (37,545)	\$ 200,000	\$ -	
Personal Services - SB1049	\$ 200,000	\$ 104,606	\$ 95,394	\$ 200,000	\$ -	
Office Expenses	\$ 105,000	\$ 2,644	\$ 6,356	\$ 9,000	\$ 96,000	
IT Professional Services	\$ 1,985,000	\$ 340,438	\$ 283,917	\$ 211,500	\$ 1,360,645	
Professional Services - QA + PM	\$ 485,741	\$ 164,550	\$ 269,970	\$ 434,520	\$ 51,221	
IT Expendable Prop	\$ 15,000	\$ 418	\$ -	\$ 418	\$ 14,582	
SB1049 Expenses	\$ 2,790,741	\$ 612,656	\$ 655,637	\$ 1,268,293	\$ 1,522,448	
Project Total	\$ 2,990,741	\$ 850,201	\$ 618,092	\$ 1,055,438	\$ 1,522,448	
Average Monthly Spend (Burn Rate)		\$ 61,265.59	\$ 59,603.39			
*Not included in SB1049 Expenses						

Schedule Health: Green

WP1, WP2, WP3, and WP4 are all baselined and progressing on-schedule. WP5 schedule is in development.

Scope health: Green

The current project scope is well understood.

Quality Assurance activities:

- WP3 Functional Design Specification Document completed Quality Check Point review on 5/9/2022
- WP4 Draft System Design Specification Document completed Quality Check Point review on 4/28/2022
- WP4 Project Schedule Quality Check Point completed on 4/28/2022

Emerging concerns/needs/impacts:

- None

SB 1049 Implementation Program

Status Report for May 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

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

#	Risk Description	Mitigation and/or Contingency Plan	Notes
1	Competing SB 1049 Resources	➤ Careful coordinated schedule planning and priorities across the program	We continue to monitor resource allocations closely during WP1 UAT.
2	Complexity of Effort: The forecasted amount of work, timing, and complexity is inaccurate, or assumptions made that are off base.	➤ Schedule additional time to analyze complex code.	The project team regularly evaluates and prioritizes the technical debt backlog. Effort is made to research and understand as much of the issues as possible before proposing to move forward to a change request.
6	Associate Product Owner (APO) availability for SB 1049- The Associate Product Owners are limited in bandwidth to complete SB 1049 work due to non-SB 1049 work. When critical issues arise, this severely limits their schedule capacity to complete scheduled SB 1049 tasks.	<ul style="list-style-type: none"> ➤ Product Owners support APO SB 1049 work when an APO is out of the office or must focus on agency critical non-SB production issues. ➤ Hire and train more APOs would be the preferred long-term plan. ➤ Assign backup from non-SB 1049 allocated PERS staff. 	This risk was increased as we have multiple UATs in progress this month. We continue to regularly evaluate our resource allocations and see that there is no wiggle room available for these resources.
16	Uncertainty of SB 1049 Technical Debt budget needs for 23-25 biennium- There may not be sufficient time to complete all work CRs in the of the 2021-23 biennium.	➤ Assess new CRs with SB 1049 Steering Team to determine whether they can be delivered in remaining biennium schedule or if there will be a budget request needed for 2023 - 25.	The approved CR which is now WP5 is being assessed for schedule requirements. It is likely that that work will last beyond the end of the current biennium.

Project Issues and Action Plans

Listed below are the most critical issues for this project.

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

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

Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP1- Business Requirement Document complete	100%	10/19/2021	10/19/2021	
WP1- Development Complete	100%	11/9/2021	11/16/2021	
WP1- Business functional testing (BFT) complete	100%	2/18/2022	2/18/2022	
WP2- Functional Design Specification Document complete	100%	3/31/2022	3/31/2022	
WP3- Functional Design Specification Document complete	100%	4/29/2022	4/29/2022	
WP4-Draft System Design Specification Document complete	100%	4/29/2022	4/28/2022	
WP1- User acceptance testing (UAT) complete	0%	7/5/2022	7/5/2022	
WP1- Release to production Quality Gate complete	0%	7/20/2022	7/20/2022	
WP1- Production deployment complete	0%	7/20/2022	7/20/2022	
WP4- Business functional testing (BFT) complete	0%	7/22/2022	7/22/2022	
WP1- Lessons Learned	0%	8/4/2022	8/4/2022	
WP4- User acceptance testing (UAT) complete	0%	8/24/2022	8/24/2022	
WP4- Release to production Quality Gate complete	0%	9/8/2022	9/8/2022	
WP4- Production Deployment complete	0%	9/15/2022	9/15/2022	
WP5- Milestones in Development	0%	TBD	TBD	Schedule being developed
Project Closure Quality Gate	0%	2/1/2023	2/1/2023	
Project ends	0%	2/1/2023	2/1/2023	

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

Status Report for May 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project information: Salary Limit

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

Project Manager: Bruce Rosenblatt

Project objective:

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

Overall project status: Complete

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

Work Packages:

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

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

Work Package 2: Annual Implementation of New Salary Limit

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

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

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

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

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

Status Report for May 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project information: Employer Programs

Project start: July 1, 2019 | Project end: July 16, 2021

Project Manager: Joli Whitney

Project objective:

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

Overall project status: Complete

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

Work Packages:

WP1 Migrate and Adapt ERPT

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

WP2 ERPT Stakeholder Acceptance and Deployment to Cloud

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

Status Report for May 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project information: Member Choice

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

Project Manager: Joli Whitney

Project objective:

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

Overall project status: Complete

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

Work Packages:

WP1.1 Online Election

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

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

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

WP1.3 PERS paper form election process including workflow

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

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

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

WP2- Refining TDF Processes - Long-term

WP2.1 -Online Member Services and jClarety Enhancements

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

WP2.2 -Central Data Management Reports

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

WP3- Online Member Services Election and Bugs

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

Status Report for May 20, 2022

Executive Sponsor: Kevin Olineck
Program Manager: James Allen

Project information: Work After Retirement (WAR)

Project start: July 1, 2019 | **Project end:** 2/24/2022

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: Complete

Project Narrative: The Work After Retirement Project was successfully closed on 2/24/2022.

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 (Complete)

Senate Bill (SB) 1049 Implementation Road Map

2019-2021 Biennium

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

Senate Bill (SB) 1049 Implementation Road Map

2021-2023 Biennium

	2021						2022						2023											
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Employer Programs	● 7/16/21 – Project Close																							
Work After Retirement							● 12/16/21 – WP4 Side Account Credit Allocation																	
							● 2/24/22 – Project Close																	
Member Redirect							● 10/14/21 – WP5 Voluntary Contribution Maintenance – Long Term																	
							● 3/24/22 – WP4.3 EPSA Transaction Display – Long Term																	
													● 7/21/22 – WP6.1 EPSA Retirement – Long Term											
													2/23/23 – WP9.1 EPSA Withdrawal – Long Term → ●											
													2/23/23 – WP9.2 Alter OPSRP Withdrawal – Long Term → ●											
Member Choice	● 8/4/21 – Project Close																							
													May 20											
Technical Debt	● 7/1/21 – Project Kickoff																							
							4/30/22 – WP3 General Ledger Reversals, Including Side Accounts – Functional Design Specification Completed																	
													● 3/31/22 – WP2 Benefit Account Transition Status – Functional Design Specification Completed											
													● 7/21/22 – WP1 Employer Statements											
													● 9/15/22 – WP4 Hyperion Replacement											
													● 2/1/23 – Project Close											
PROGRAM INITIATIVE																								
Cross Project Effort							● 3/4/22 – WP3 IAP Divorce Tool																	
													● 5/20/22 – WP5.2 PYE Invoicing Tool											
													● 6/1/22 – WP4.2 IAP Adjustment Calculator											
													● 10/5/22 – WP6 IAP Balance Comparison Tool											

2023-2025 Biennium

	2023						2024						2025											
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
PROJECTS																								
Member Redirect	● 7/20/23 – WP8.1 EPSA Pre-Retirement Death – Long Term												● 3/28/24 – Migration Finalization											
	● 7/20/23 – WP10 Backlog Implementation – Long Term												● 4/25/24 – Project Close											
							● 12/21/23 – WP11.1 Reemployment – Long Term																	
							● 12/21/23 – WP11.2 Excess EPSA – Long Term																	
													● 3/28/24 – WP12.2 Final Backlog Implementation – Long Term											
PROGRAM INITIATIVE																								
Cross Project Effort													● 3/28/24 – WP7.3 Tier One/Tier Two/OPSRP Payouts Actuarial Extract											

Action and Discussion Items

1. Senate Bill 1049 Implementation Update
2. Equal to or Better Than Testing Update
3. Audit and Risk Committee Oversight
4. PERS Health Insurance Plan Annual Update
5. 2022 Retiree Health Insurance Plan Renewals and Rates
6. 2023-2025 Agency Budget Development Update



Oregon

Kate Brown, Governor

Public Employees Retirement System

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May 27, 2022

TO: Members of the PERS Board
FROM: Jake Winship, Actuarial Manager
SUBJECT: Equal to or Better (ETOB) Testing

OVERVIEW

Oregon Administrative Rule Chapter 459 Division 030 permits public employers to provide retirement benefits to its police officers and firefighters exempt from the requirement to participate in the Oregon Public Employees Retirement Plan (PERS). In order to obtain this exemption, the public employer must petition the PERS Board. The board has engaged the actuarial consulting firm Independent Actuaries, Inc. (IAI) to determine whether the plan provides benefits equal to or better than those available to PERS members similarly situated. This determination must take place with the calendar year 2022.

BACKGROUND

Milliman actuaries introduced this topic to the board at its October 1, 2021. An update was presented on December 3, 2021, and the PERS Board took the following actions:

1. Affirmed the provisions of OAR Chapter 459 Division 030 as the basis for equal to or better than testing determination.
2. Directed agency staff to solicit a request for quote.
3. Approved a revised timeline for completion of ETOB.

At the January 31 PERS Board meeting, staff presented the results of the request for quote. Based on this, the board awarded the contract for determination of ETOB to Independent Actuaries, Inc.

The board affirmed a proposed two-step process for ETOB determination at its March 28 meeting. The first step would assess the contribution and benefit formula for each defined benefit plan subject to determination. If each element is at least as generous as the corresponding PERS element, the plan is deemed to satisfy equal to or better than requirements. The second phase would require more intensive study and apply to each defined contribution plan and any defined benefit plans which do not unambiguously pass the first review.

The board also approved an updated timeline for completion of required tasks by IAI.

ACTIONS SINCE LAST MEETING

PERS actuarial staff members have continued to meet with consulting actuaries from IAI on a biweekly basis. We have also communicated via email, as needed, and provided support and additional information. PERS employer service center (ESC) personnel were able to identify relevant information about plan Social Security participation, which was shared with IAI actuaries. Consistent with the two-step process approved by the board, Individual Actuaries, Inc. began its assessment of each plan provision for defined benefit employers compared to the corresponding benefit offered by PERS.

Based on the initial comparison, Independent Actuaries, Inc. has determined that **City of Forest Grove, City of Portland (FPDR), and Morrow County** provided benefits equal to or better than those provided by PERS, and no further testing is needed. **Tillamook County** continues to be evaluated under first phase testing and second phase testing may be required. **City of Seaside** will need to undergo second phase testing to determine whether they meet the requirement. The second phase will apply to each defined contribution plan (**City of the Dalles, Union County, and Wheeler County**) and the cash balance defined benefit plan (**City of Springfield**) which are not suitable for the phase one comparison.

The second phase of ETOB will require the use of actuarial assumptions, the most impactful of which is the discount rate used to assess plan liabilities. Oregon administrative rules prescribe that the discount rate to use is that assumed in the PERS valuation as of the testing date. For this testing date of December 31, 2020, the discount rate to be used is **6.9%**.

The Actuarial Standard Board has recently approved changes to Actuarial Standard of Practice (ASOP) No. 4 which mandates presentation of results using “risk-free” rates for some purposes. Risk free rates are expected to be considerably lower than the present assumed rate and the present value of liabilities for defined benefit plans would be correspondingly higher. The revised ASOP will come into effect in February 2023.

The final report will be provided to the PERS Board at the July 22 meeting. This will certify for each plan whether it satisfies the ETOB requirements. If it does not, possible actions which the plan can take to remedy the situation will be presented.

ACTIONS NEEDED

Staff recommends that the PERS Board take the following actions:

1. Pass a motion to affirm that the following plans provided benefits *Equal to or Better* than those available from PERS:
 - City of Forest City
 - City of Portland (FPRD)
 - Morrow County
2. Direct Independent Actuaries, Inc. to determine whether each of the remaining plans meet or exceed the benefits offered by PERS, and if not, to propose a potential remediation so that it does so.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to affirm that **City of Forest Grove, City of Portland (FPDR), and Morrow County** satisfy the requirements of ETOB based on the first step assessment and direct IAI to make a full determination for each remaining plan
2. Direct IAI to make a full determination for all plans, including those satisfying the first step assessment
3. Direct staff to provide an alternative course of action.

STAFF RECOMMENDATION

Staff recommends the PERS Board select the first option presented.

C.2. Attachment 1 – *ETOB Preliminary Determination Presentation*

Equal to or Better (ETOB) Testing Update

Oregon Public Employees Retirement System (PERS)

May 27, 2022

Aeron Riordon, ASA, EA, MAAA

Introduction

- Independent Actuaries, Inc. (IAI)
 - Located in Lake Oswego, we provide plan design, valuation, administrative, and consulting services to over 500 small business owners, large corporations, and public sector employers across the country.
- On behalf of the PERS Board, IAI is conducting ETOB testing per current statute and administrative rules
 - Public employers with exemptions from PERS participation are subject to periodic review to determine whether the retirement benefits for their public safety personnel meet statutory requirements.



Overview

- A two-step process for ETOB determination was approved by the PERS Board at the March 28 meeting.
- Since March, we have:
 - Received necessary plan information from each employer
 - Commenced employer tests using “Step 1” determination
- Today’s presentation:
 - Discusses the Step 1 determination methodology
 - Provides background and Step 1 results for each employer
 - Discusses testing basis for future “Step 2” determination



Guiding Principles

- The PERS Board and staff have adopted the following principles to guide ETOB testing:
 - Comparability – the test should make an “apples to apples” comparison
 - Durability – test results should be consistent over time barring a change to provisions
 - Cost Effectiveness – an appropriate low-cost method that does not compromise the validity of results should be used



Step 1 Determination - Process

- Compares employer benefit plan provisions side-by-side with PERS provisions.
- If the comparison unambiguously shows that all employer provisions are equal to or better than PERS, the plan is judged to satisfy requirements.
- Any employer provisions which are not better than PERS are evaluated for significance; the total plan may still be unambiguously equal to or better than PERS.
- This approach was used in prior ETOB tests and is consistent with the cost effectiveness goal.



Step 1 Determination - Process

- Identify employers where Step 1 determination is applicable:
 - The side-by-side comparison is not appropriate for defined contribution or cash balance pension plan designs.
- Identify PERS tiers where testing is required:
 - If the employer plan has no current or potential future active employees who would otherwise be eligible for PERS Tier 1, Tier 2, or OPSRP, then testing is not required for that tier.



Step 1 Determination - Process

- We compare key employer plan provisions to relevant PERS benefit tier provisions, including:
 - Retirement benefit formula
 - Definition of pensionable compensation
 - Early retirement subsidy
 - Cost of living adjustments
 - Employee contributions
 - Disability benefit provisions
 - Explicit and implicit retiree medical benefits
- We quantify the significance of employer plan provisions if not all are unambiguously equal to or better than.



Step 1 Determination - Results

- Five employers have plan designs for which side-by-side comparison is appropriate.
- Based on Step 1 analysis, the following employers are judged to satisfy ETOB:
 - City of Forest Grove
 - Morrow County
 - City of Portland
 - Tillamook County
- Failure to pass ETOB testing via Step 1 does not mean an employer will fail to pass ETOB via Step 2—it indicates the benefit provisions do not allow an unambiguous demonstration using a side-by-side comparison.



Employer Background – City of Forest Grove

- Defined benefit pension plan design
- Open to new entrants, no active participants hired prior to 1994: comparison to PERS Tiers 1 & 2 and OPSRP required.
- Prior Testing Results
 - Benefits did not pass testing via Step 1 determination, but passed via Step 2.
- Current Testing Results
 - Benefits pass via Step 1.



Employer Background – Morrow County

- Defined benefit pension plan design
- Closed to new entrants after 6/30/2020, no active participants hired prior to 1989: comparison to PERS Tiers 1 & 2 and OPSRP required.
- Prior Testing Results
 - Benefits passed testing via Step 1 determination.
- Current Testing Results
 - Benefits pass via Step 1.

Employer Background – City of Portland

- Defined benefit pension plan design
- Closed to new entrants after 1/1/2007, no active participants hired prior to 1984: comparison to PERS Tiers 1 & 2 and OPSRP required.
- Prior Testing Results
 - Benefits passed testing via Step 1 determination.
- Current Testing Results
 - Benefits pass via Step 1.



Employer Background – City of Seaside

- Defined benefit pension plan design
- Open to new entrants, no active participants hired prior to 1995: comparison to PERS Tiers 1 & 2 and OPSRP required.
- Prior Testing Results
 - Benefits did not pass testing via Step 1 determination, but passed via Step 2.
- Current Testing Results
 - Benefits did not pass Step 1, and will proceed to Step 2.



Employer Background – City of Springfield

- Cash balance pension plan design
- Open to new entrants, no active participants hired prior to 1983: comparison to PERS Tiers 1 & 2 and OPSRP required.
- Prior Testing Results
 - Step 1 determination was not applicable. Benefits passed testing via Step 2.
- Current Testing Results
 - Step 2 will take place in the future.



Employer Background – City of The Dalles

- Defined contribution pension plan design
- Open to new entrants, no active participants hired prior to 1986: comparison to PERS Tiers 1 & 2 and OPSRP required.
- Prior Testing Results
 - Step 1 determination was not applicable. Benefits were determined not to meet ETOB requirements via Step 2 for Tier 2. The affected participants were provided with additional benefits adequate to meet requirements.
- Current Testing Results
 - Step 2 will take place in the future.



Employer Background – Tillamook County

- Defined benefit pension plan design
- Open to new entrants, no active participants hired prior to 1999: comparison to PERS Tier 2 and OPSRP required.
- Prior Testing Results
 - Benefits did not pass testing via Step 1 determination, but passed via Step 2.
- Current Testing Results
 - Benefits still being evaluated under Step 1, and may proceed to Step 2.



Employer Background – Union County

- Defined contribution pension plan design
- Open to new entrants, no active participants hired prior to 1990: comparison to PERS Tiers 1 & 2 and OPSRP required.
- Prior Testing Results
 - Step 1 determination was not applicable. Benefits were determined not to meet ETOB requirements via Step 2 for Tier 2. The affected participants were provided with additional benefits adequate to meet requirements.
- Current Testing Results
 - Step 2 will take place in the future.



Employer Background – Wheeler County

- Defined contribution pension plan design
- Open to new entrants, no active participants hired prior to 2018: comparison to OPSRP required.
- Prior Testing Results
 - Step 1 determination was not applicable. Benefits passed testing via Step 2.
- Current Testing Results
 - Step 2 will take place in the future.



ETOB Discount Rate Background

- Discount rate used for ETOB testing is prescribed in OAR 459-030-0025 and OAR 459-007-0001, and is the rate assumed in the PERS valuation at the testing date.
- At current testing date December 31, 2020 the assumed rate is 6.90%.
- Prior to August 2010, the administrative rule related to ETOB required the use of a “risk-free” rate. This was changed after consideration of the impact on different plan designs.



Risk Free Rate

- Revised Actuarial Standard of Practice (ASOP) 4 adopted December 2021 describes “low-default-risk” discount rates.
 - May be based on US Treasury yields, insurer annuity rates, highly rated corporate or municipal bonds, etc.
 - Calculations based on these rates may be used as a basis for understanding security of participant benefits.
- A “risk-free” or “low-default-risk” discount rate typically much lower than 6.90% assumed rate.

Plan Design Sensitivity

- Valuations of defined benefit (DB) and defined contribution (DC) plan designs have different sensitivity to changes in discount rates.
 - Present value of projected DB liabilities typically increase with lower discount rates. Can be viewed as the value of plan sponsor taking on investment risk.
 - Present value of projected DC liabilities typically do not change due to differences in discount rate (when same rate is used to project earnings).

Current ETOB Discount Rate

- Step 2 determination will use 6.90% as the discount rate.
 - Consistent with comparability goal.
 - Does not increase the value of DB plan benefits compared to DC plan benefits.
 - Consistent with DB plan valuations, which use the expected rate of return on plan assets as discount rate.
 - Consistent with pension plan provision guaranteed rates of return on contribution accounts.

Next Steps

- Publication of the certification reports for the employers deemed to satisfy ETOB via Step 1 determination.
- Continue with Step 1 evaluation for Tillamook County
- Continue with Step 2 testing for the remaining employers
 - City of Springfield
 - Wheeler County
 - City of the Dalles
 - City of Seaside
 - Union County
- We anticipate presenting test results for these employers at the July PERS Board meeting

Action and Discussion Items

1. Senate Bill 1049 Implementation Update
2. Equal to or Better Than Testing Update
3. Audit and Risk Committee Oversight
4. PERS Health Insurance Plan Annual Update
5. 2022 Retiree Health Insurance Plan Renewals and Rates
6. 2023-2025 Agency Budget Development Update



Oregon

Kate Brown, Governor

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May 27, 2022

TO: Members of the PERS Board
FROM: Jason Stanley, Chief Compliance, Audit, and Risk Officer
SUBJECT: Audit and Risk Committee

ACTION

Decide if the PERS Audit Committee should be expanded to also include Risk.

BACKGROUND

As per the PERS Audit Committee Charter:

The Audit Committee is appointed by the Oregon Public Employees Retirement System (“PERS”) Board to assist the board in its oversight of the effectiveness of governance, risk management, and compliance over strategic, financial, operations, and control objectives. In addition, the Audit Committee shall oversee the performance of PERS’ internal audit function.

In 2015, PERS began to formalize other risk-related programs, including Business Continuity and Information Security. These programs became part of the newly created Compliance, Audit, and Risk Division. As discussed in previous Audit Committee and board meetings, PERS is seeking funding to establish an Enterprise Risk Management Program that would also be part of this division.

EXPANDING COMMITTEE OVERSIGHT

At the March 28, 2022 meeting, the Audit Committee voted to propose expanding the committee to include Risk in addition to Audit. The expanded committee would have oversight areas of risk, including Information Security, Business Continuity and Disaster Recovery, and once established, Enterprise Risk Management.

If the PERS Board approves, the committee would be re-named as the Audit and Risk Committee. A new charter outlining the expanded duties would be presented at the July Audit Committee meeting.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “expand the oversight of the PERS Audit Committee to include other areas of risk. The Committee will now be known as the PERS Audit and Risk Committee.”
2. Direct staff to make other changes or explore other options.
3. Direct no changes to be made to the current scope of the PERS Audit Committee.

STAFF RECOMMENDATION

Staff, as well as the PERS Audit Committee, recommends the PERS Board choose Option #1.

Action and Discussion Items

1. Senate Bill 1049 Implementation Update
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6. 2023-2025 Agency Budget Development Update

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



PERS Health Insurance Program Annual Report

Calendar Year 2021



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.

Governance

- **ORS 238.410-420**
 - Also subject to all retirement, accounting, and procurement ORS
- **OAR 459-035**
- **PHIP Mission and Values**
- **PERS Board**
- **Volunteer Advisory Committee**
- **Centers for Medicaid and Medicare Services (CMS)**

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 – Segal Consulting

- 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

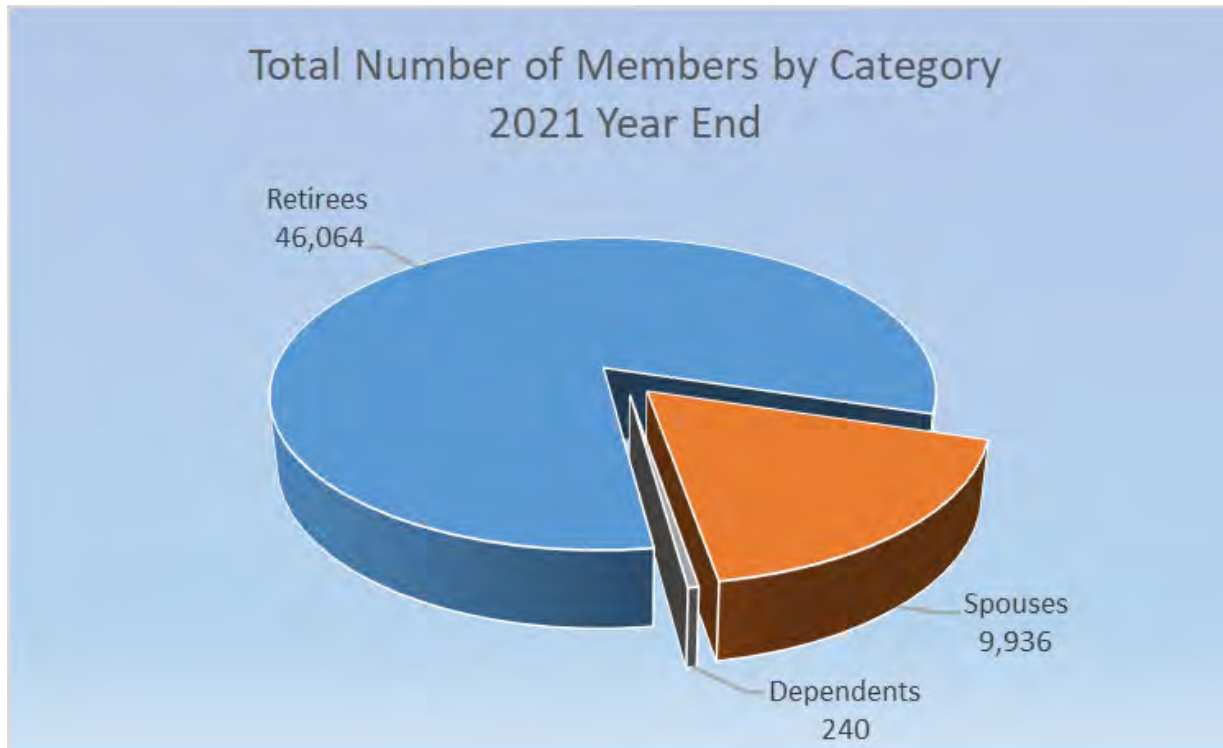
- Medicare Advantage - Medicare Align Group HMO Plan
- Medicare Advantage - Medicare Flex Group HMO-POS Plan

UnitedHealthcare®

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

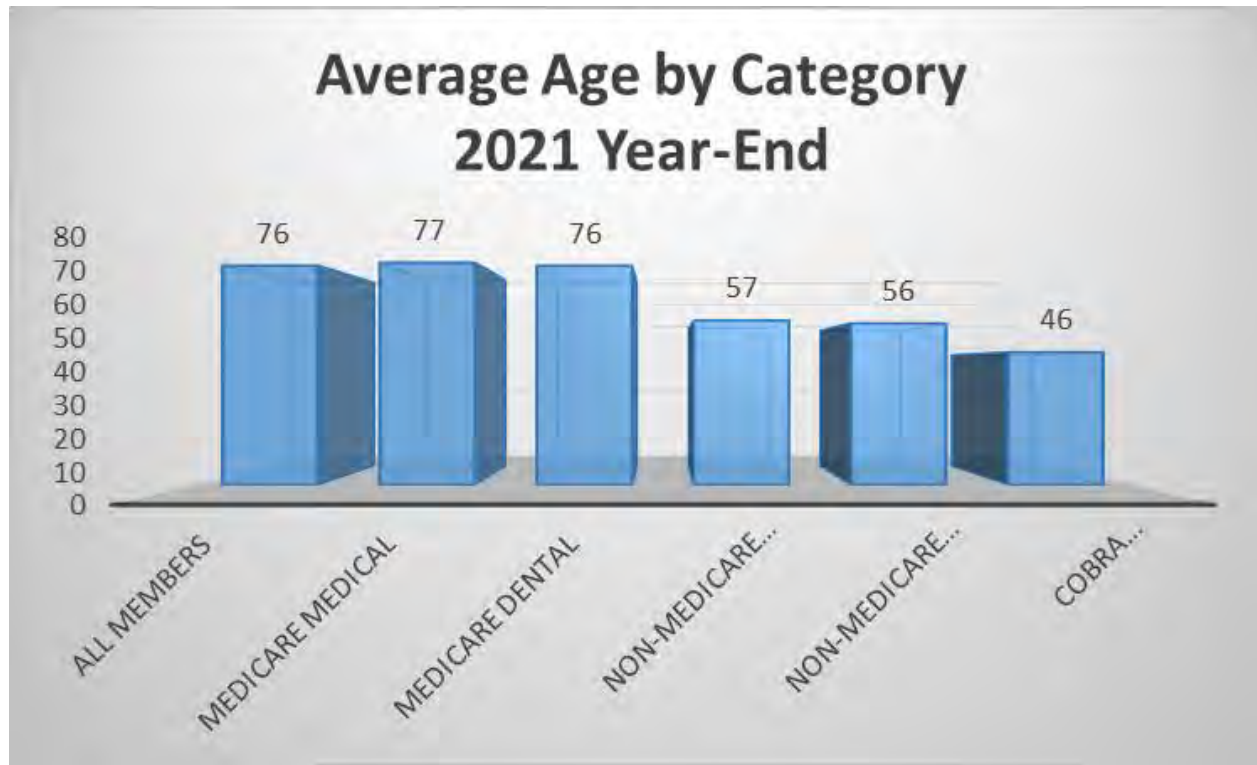
Program Membership

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



Total membership decreased by 1,300 accounts from 2020 to 2021.

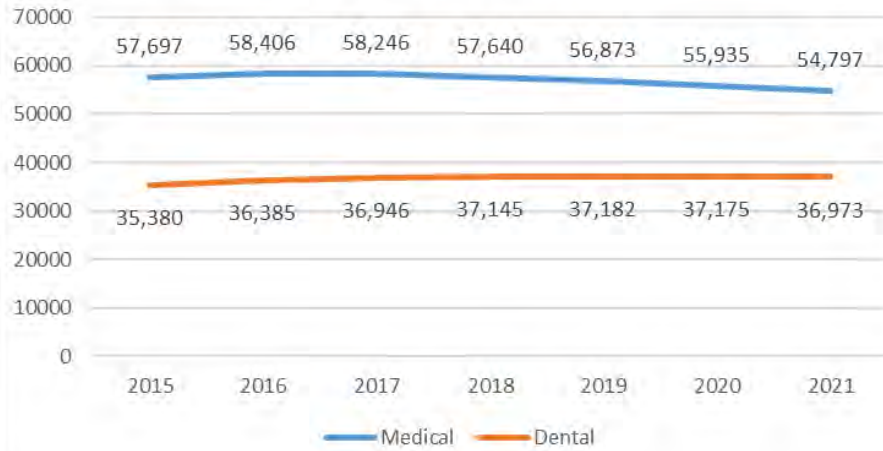
Program Membership



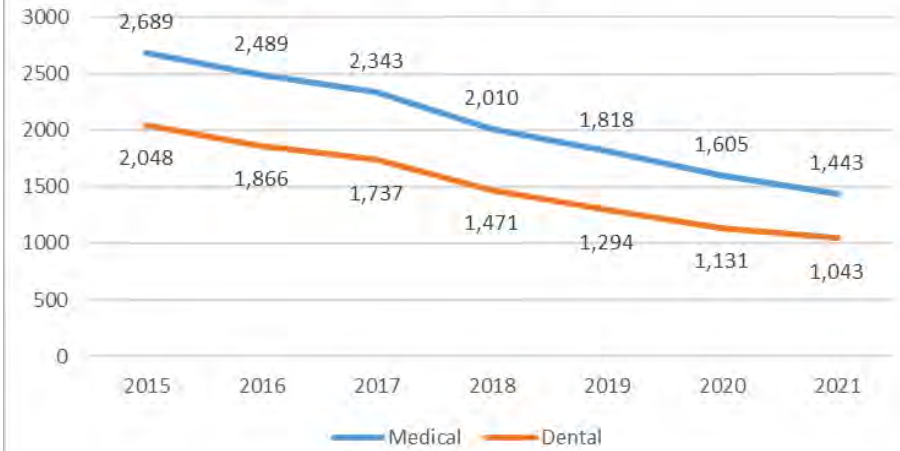
- Average age of participants did not change from 2020 to 2021
- Average Cobra age changed from 37 years to 46 years old.

Membership Trends

Medicare Trend



Non-Medicare Trend



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
- Disbursements and refunds

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 \$333.75/month.



2021 Program Accomplishments

- *Conducted and awarded consultant RFP.*
- *Participated in the PERS Expo.*
- *Designed a hybrid education program.*
- *Updated member educational videos for 2022.*
- *Implemented Member Webinars.*

Looking Ahead

- *Roll out New Enrollment Webinars.*
- *Resume in-person Member Plan Change events.*
- *Member Satisfaction Survey.*
- *Enhance our website.*
- *Participate in PERS Expo.*
- *Working with PERS to explore technological advancements.*

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



THANK YOU



Action and Discussion Items

1. Senate Bill 1049 Implementation Update
2. Equal to or Better Than Testing Update
3. Audit and Risk Committee Oversight
4. PERS Health Insurance Plan Annual Update
5. 2022 Retiree Health Insurance Plan Renewals and Rates
6. 2023-2025 Agency Budget Development Update



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May 27, 2022

TO: Members of the PERS Board
FROM: Karen Chavez, PERS Health Insurance Program Manager
SUBJECT: PERS Health Insurance Program (PHIP) 2023 Plans and Rates

OVERVIEW

- Action: Approve the PHIP contract renewals, benefits, and rates for 2023.

CURRENT PHIP PLANS OFFERED

PHIP contracts with six 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
 - a. Medicare Supplement – Moda Health Medicare Supplement Plan/Part D PDP
3. Delta Dental Plan of Oregon
 - a. Indemnity Dental Plan with passive PPO
4. PacificSource Community Health Plans, Inc.
 - a. Medicare Advantage - Medicare Essentials RX 803 HMO Plan/Part D PDP
5. 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
6. 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 2023 PHIP renewal process, include:

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

To ensure positive outcomes for the renewal process, PHIP began working with our CHPs in January 2022, asking preliminary questions about potential benefit changes and the legislative and regulatory landscape. For example, in late 2021 to early 2022 the Build Back Better Act was being considered by Congress. This was a large piece of legislation that included several changes that could have directly impacted Medicare Advantage and Part D plans. While this bill in its entirety has halted, Congress continues to review changes for the Medicare program and some of these potential changes could impact PHIP's offerings in future years. A change being made for the 2023 plan year is the implementation of the Center for Medicaid and Medicare's (CMS) approval for Adhulem, an Alzheimer's medication approved for the usage in Medicare members with specific clinical diagnoses. Each CHP provided comment on the potential impact of this new coverage indicating this would have a negligible impact on the rates for the Medicare plans.

Following several exchanges with the CHPs, they presented their proposals in late April 2022, with final rate offers submitted in early May 2022. While COVID-19 continues to be an uncertainty, all CHPs have a better grasp on the impacts of the virus compared to the previous two renewal periods. CHPs are able to leverage actual COVID-19 utilization data in their projection experience, as well as build in more refined assumptions as to how COVID-19 may continue to impact future costs (*i.e.* testing, vaccinations, treatment, etc.).

The 2023 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 and the PHIP Board Liaison.

The primary benefit focus areas for the 2023 Renewal included:

- Ensuring that PHIP is continuing to offer high value plans to PERS retirees and members.
- Providing continued rate and benefit stability.

2023 PLAN RENEWAL OVERVIEW

Medical

Several programs were considered, such as implementing additional member incentive programs, meal delivery programs, and over-the-counter supplemental benefits. No changes are being recommended to either the Medicare or Non-Medicare plans for 2023. While new programs were reviewed, additional time and analysis is needed to assure stability both in rates and retiree

experience. As we continue to move towards a post pandemic world, many things continue to be unknown. Adequate review of any change is essential to ensure we properly measure and assess potential member impacts, communication requirements, and overall value to the members as these changes can directly impact retiree premiums. PHIP will continue to evaluate these programs for future consideration.

Pharmacy

No changes are being recommended to the pharmacy program for 2023. With the favorable rate renewals for 2023, and recent changes in 2021 to certain pharmacy benefits, PHIP and its consultant sought to maintain stability in the program for 2023.

Dental

It is recommended that the 2023 dental plans move forward with no changes from the current offerings. Like the pharmacy plan, favorable renewals allowed for the ability to build some stability in the plan offerings for 2023.

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.

The policy presented in 2020 also addressed how reserve amounts more than 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.

The reserve balance as of December 31, 2021, is approximately \$81,000,000, a reduction of about \$10 million from the prior year. Total annual PHIP premium across all CHPs for calendar year 2022 is expected to be about \$233,000,000.

The current 2022 rates included in Attachment 1 to this memo incorporates the rate credit applied during the 2022 renewal. The recommended 2023 rates do not include rate credits due to flat or decreased rates provided by the CHPs in their 2023 best and final offer when compared to 2022 best and final rates provided. Applying a credit to these rates would further reduce the rates and potentially require a sharper increase if future renewals did not follow 2023 experience. With stability as an underlying principle of PHIP policy, it is recommended that no rate credits be applied to 2023 rates. The recommended rates are consistent with the agency policy. 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, Delta Dental Plan of Oregon 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. 5. Attachment 1: PHIP 2023 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 2023 Plan Year as presented in Item C.5.Attachment 1: PHIP 2023 Proposed Rates.
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 2023 as presented in Attachment 1.

C.5. Attachment 1 - PHIP 2023 Proposed Rates

C.5. Attachment 2 - PHIP Membership

	PHIP 2023 PROPOSED RATES 2022 vs. 2023 Contracted Health Plan Rates	<i>Rates not approved/finalized</i>
Effective January 1, 2023		

SUMMARY

	Enrollment as of March 2022	Current 2022 Rates	2023 Proposed Medical/Rx and Dental Rates	Percentage Change 2023 vs. 2022
Medicare Plans				
Kaiser Foundation Health Plan of the NW Medicare Senior Advantage	9,764	\$ 241.13	\$ 241.13	0.00%
Moda Health Medicare Supplement	24,771	\$ 319.78	\$ 332.38	3.94%
PacificSource Medicare Advantage Essentials Rx 803	1,214	\$ 247.54	\$ 252.59	2.04%
Providence Health Assurance Medicare Advantage Group Align Plan + Rx	7,144	\$ 262.34	\$ 262.60	0.10%
Providence Health Assurance Medicare Advantage Group Flex Plan + Rx (HMO-POS)	4,292	\$ 227.20	\$ 218.68	-3.75%
United Healthcare Group Medicare Advantage (PPO)	6,726	\$ 247.29	\$ 237.49	-3.96%
Non-Medicare Plans				
Core Value				
Kaiser Foundation Health Plan of the NW Traditional Core Value Plan	292	\$ 1,031.67	\$ 980.09	-5.00%
United Healthcare Choice Core Value Plan	567	\$ 1,214.58	\$ 1,367.18	12.56%
HDHP				
Kaiser Foundation Health Plan of the NW Qualified HDHP Plan	195	\$ 616.94	\$ 586.09	-5.00%
UnitedHealthcare Qualified HDHP Plan	309	\$ 874.58	\$ 984.46	12.56%
Dental Plans				
Kaiser Foundation Health Plan of the NW Dental HMO Plan	4,610	\$ 67.69	\$ 67.69	0.00%
Delta Dental Plan of Oregon	32,952	\$ 62.57	\$ 65.81	5.18%

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%
- The rates in "Current 2022 Rates" column, includes a rate credit applied to CHP best and final offer.
- Medical / Rx rates do not include RHIPA/RHIA subsidies or PERS Administrative fees



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PHIP Membership

Program Enrollment (March 2022)	Non- Medicare Core Value & HDHP Plans	Medicare	Totals
Covered Lives	1,363	53,911	55,274
Retirees (or Surviving Spouses)	850	44,424	45,274
Spouses/Dependents	513	9,487	10,000
Average Age of Enrolled Retirees	57	77	76.5

Health Plan Membership Enrollment			
Medicare		Non-Medicare (Core Value & HDHP Plans)	
Kaiser	9,764	Kaiser Core Value	292
United HealthCare	6,726	Kaiser HDHP	195
Moda Medicare Supplement	24,771	United HealthCare Core Value	567
PacificSource	1,214	United HealthCare HDHP	309
Providence - Medicare Flex	4,292		
Providence- Medicare Align	7,144		
Dental		Dental	
Kaiser Dental	4,406	Kaiser Dental	204
Delta Dental	32,167	Delta Dental	785

Statutory Health Insurance Premium Subsidies (March 2022)	
Retirees Receiving Retirement Health Insurance Account (RHIA)	42,266
Retirees Receiving Retiree Health Insurance Premium Account (RHIPA)	648
RHIA Monthly Payment - \$60 Per Member Per Month (PMPM)	\$2,534,460
RHIPA Monthly Payment - \$431.89 (avg) PMPM	\$285,410.91
Total Monthly Premium Paid to Health Plans	\$19,341,570.15



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May 27, 2022

TO: Members of the PERS Board
FROM: Richard Horsford, Chief Financial Officer
Greg Gabriel, Budget Officer
SUBJECT: 2023-25 Budget Development

OVERVIEW

The 2023-25 State Agency Budget development continues to progress with uncertain times ahead. The state revenue forecasts will certainly provide more direction on 2023-25 budgets, as will the political climate as the state prepares for new gubernatorial leadership. Agencies continue to receive updated guidance regarding budget preparation and PERS will continue to update our budgets accordingly.

As PERS emerges from its 75th year as an agency, we recognize that we must re-imagine how we evolve and deploy our business capabilities via our people, processes, and technologies. This evolution is necessary to meet our member and employer needs into the future. This re-imagining of our service delivery model will be accomplished, in alignment with our Strategic Plan, via an overarching modernization program which, ultimately, ensures that we are meeting those future stakeholder needs by the most effective and efficient means to do so.

BUDGET DEVELOPMENT ACTIVITIES

The Agency Request Budget (ARB), one of three phases of budget development for the 2023-25 biennium, will be in process until July 31. During this first phase, the agency carefully evaluates its operations and puts forth policy package requests in an effort to improve efficiency and increase value to its members. The agency is considering the following policy package requests and program reductions for the 23-25 budget cycle, which increases our current operating budget.

Division	Staff	Position Re/class	Total
Central Administration	2		403,743
Information Services	5	1	949,923
Operations	4	3	0
Compliance, Audit, and Risk	1		999,799
Core Retirement / SB 1049	29		16,466,162
Core Retirement / Modernization			TBD
Agency Request Total	41	4	\$18,819,627

The proposed policy packages are to be considered preliminary, as the agency is reviewing these to gain a better understanding of our future needs and will use this information to finalize our budget requests. This includes reviewing which resource requests are full time versus limited duration, as well as if there is an opportunity to offset contractor costs for full-time resources.

Final board approval of the 2023-25 ARB will occur during the PERS Board meeting on July 22, 2022.

Central Administration Division

Human Resource Workload: 1 Position | \$210,374

This request is to better prepare and align our human capital management plans to PERS' mission and strategic goals. This will enable the executive team to leverage the workforce to achieve results. The agency is requesting to hire a Human Resource Analyst 3.

Facilities Staffing: 1 Position | \$142,369

The goal of this proposal is to achieve the appropriate level of PERS' Procurement, Facilities & Logistics (PFL) unit staffing required to deliver essential services that are critical to supporting the PERS mission. This request adds an Office Specialist 2 position for facilities.

Communications Enterprise Training: 0 Positions | \$51,000

This improvement package would allow the Communications Section to improve its support of agency operations and needs, making the section personnel more skilled and processes more efficient, while enabling the teams to produce a higher caliber of deliverables.

Information Services Division

Workforce Development Plan: 5 Positions | \$1,053,423

Information technology development and support requirements have greatly increased over the past decade. Information Services positions have remained static over that time while complexity of the pension system and technology requirements have increased. Operational service requests and incidents have also increased over the last few biennia and the number of supporting staff is insufficient to meet agency service level requirements. This request would add five new positions and re-class one other to meet the growing demand and complexity within Information Services.

Location Hardware Refresh: 0 Position | \$896,500

This request addresses the upcoming need to complete the seven-year cyclical refresh that is required of the agency's Oregon Retirement Information Online Network (ORION) hardware. Currently, most of the hardware is end of life and end of support or will be end of support at the beginning of the 23-25 biennium.

Information Technology (IT) Professional Services Reduction: 0 Position | (\$1,000,000)

The agency will be requesting a reduction of its current service-level IT Professional Services budget in order to offset the costs of the requested policy packages in this division.

Operations Division

Member Services Workload: 2 Positions | \$108,410

The purpose of this request is to increase the capability of the Member Information Center by reclassifying one Operations and Policy Analyst 2 position and adding one Retirement Counselor 2 position to address escalations and increased call volumes.

Data Services Staffing: 3 Positions | \$339,560

This request would extend two limited-duration Retirement Counselor 2 positions for the Qualifying/Non-Qualifying (Q/NQ) project.

Calculations Staffing: 4 Positions | \$60,055

This is a request for reclassifying four positions in the Calculations Section to address the growing backlog of calculations and service retirements. This will enable the agency to maintain service-level agreements and increase customer service.

PERS Health Insurance Program (PHIP) Contract: 0 Positions | \$825,100

A request for proposal (RFP) for the PHIP third-party administrator (TPA) contract is overdue with the current contract being over 20 years old. The current PHIP TPA performs the operational processes for the program. The goal is to execute an RFP and new contract without disruption to the members.

Building Lease Reduction: 0 Positions | (\$833,125)

The agency will be ending the lease of office space in Tualatin resulting in a reduction of building costs.

Professional Services Reduction: 0 Positions | (\$500,000)

The agency will be requesting a reduction of its current service-level Professional Services budget in order to offset the costs of the requested policy packages in this division.

Compliance, Audit and Risk Division

Enterprise Risk Management Program: 1 Position | \$999,799

This proposal is intended to enhance the capabilities of the agency by implementing an enterprise risk management program, which ties together strategy and business plans using risk management methodologies as one of the key decision-making criteria.

Core Retirement Systems Applications

Modernization: TBD Positions | \$ TBD

This is a proposal to achieve program funding for Phase 1 of the ORION Modernization Program. This first phase will encompass projects such as part one of customer relationship management (CRM) implementation, telephony upgrades, redesigning member correspondence, and preparing for the pension administration enhancements in Phase 2.

Senate Bill (SB) 1049 Resources: 29 Positions | \$16,466,162

This request continues the agency's efforts to implement SB 1049. The request includes nine positions for various operational duties, which will become permanent staff of the agency and twenty limited duration positions to assist with implementation and workload increases as the implementation efforts finish over the course of this biennia. Additional costs for contract services are estimated at \$11.0M at this time.