



# OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

## BOARD MEETING AGENDA

<b>Monday April 3, 2023 9:00 a.m.</b>		<b>PERS 11410 SW 68<sup>th</sup> Parkway Tigard, OR</b>	
ITEM		PRESENTER	
<b>A. Administration</b>			
1.	<a href="#">February 3, 2023, Board Meeting Minutes</a>	SHENOY	
2.	<a href="#">Director's Report</a>	OLINECK	
	a. <a href="#">Forward-Looking Calendar</a>		
	b. <a href="#">OPERF Investment Report</a>		
	c. <a href="#">Budget Execution Report</a>		
3.	<a href="#">Oregon Public Employees Retirement Fund (OPERF) Performance Review</a>	KIM	
4.	<a href="#">Oregon Savings Growth Plan Annual Report</a>	CHILDERS, PARIS	
<b>B. Administrative Rulemaking</b>			
1.	<a href="#">Notice of Elimination of OPSRP Withdrawals</a>	VAUGHN	
2.	<a href="#">Adoption of Yearly Salary Contribution Limits Increase</a>		
3.	<a href="#">Adoption of Required Minimum Distribution</a>		
<b>C. Action and discussion items</b>			
1.	<a href="#">Legislative update</a>	CASE	
2.	<a href="#">SB 1049 Implementation update</a>	ELLEDGE-RHODES	
3.	<a href="#">Final 2022 Earnings Crediting and Reserving</a>	HORSFORD, GRAVES	
4.	<a href="#">Preparatory discussion for upcoming experience study</a>	MILLIMAN	

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 or comment will be taken on action items at the Chair's discretion. Written testimony/comment must be submitted to [pers.board@pers.oregon.gov](mailto:pers.board@pers.oregon.gov). Requests to provide oral testimony/comment must also be submitted to [pers.board@pers.oregon.gov](mailto:pers.board@pers.oregon.gov).

All written testimony/comment and requests to provide oral testimony/comment should be submitted three days or more in advance of the meeting. Three days allows testimony/comment to be processed by staff, included in the PERS board materials, and considered by board members.

**NOTE:** During its meetings, the PERS Board addresses the PERS program as a whole, not an individual member's benefits. If you have a specific concern about how PERS administers your individual benefits, please call PERS Member Services at 888-320-7277 or follow the PERS appeal process as outlined in OAR 459-001-0030.

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

**2023 Meetings: June 2, July 28\*, September 29, December 1\***  
**\*Audit Committee planned for post-Board meeting**

## Administration

1. February 3, 2023 Board Meeting Minutes
2. Director's Report
  - a. Forward-Looking Calendar
  - b. OPERF Investment Report
  - c. Budget Execution Report
3. Oregon Public Employees Retirement Fund (OPERF) Performance Review
4. Oregon Savings Growth Plan Annual Report

# OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING MINUTES

February 3, 2023

## **Board members present:**

Chair Sadhana Shenoy, Vice Chair Lawrence Furnstahl, Stephen Buckley, and John Scanlan attended in the PERS Boardroom. Jardon Jaramillo attended virtually and left the meeting early at 9:55 a.m.

## **Staff present:**

Kevin Olineck, Katie Brogan, Rebecca Craven, Jason Stanley, Heather Case, Sam Paris, Jake Winship, and Matthew Graves attended in the PERS Boardroom.

Akiko Yoshida, Alexander Gaub, Alyse Greer, Anne Marie Vu, Barbara Dimeling-Perris, Chris Geier, Chris Long, Colin Campi, David Larson, Elizabeth Rossman, Greg Gabriel, Janice Ness, Janice Richards, Joel Mellor, Joli Whitney, Jonathan Yost, Jordan Masanga, Julie Coatney, Katie Davis, Melanie Chandler, Pamela Foust, Pat Donegan, Phuongnam Tran, Richard Horsford, Richard Thorpe, Shawn Harper, Stephanie Vaughn, Steven Cardinale, Susie Bodman, and Tiffani Cairo attended virtually.

## **Others present:**

Matt Larrabee, Scott Preppernau, and David Thorton attended in the PERS Boardroom.

Aruna Masih, Carol Samuels, David Randall, Debra Day, Gay Lynn Bath, Ian Peterson, Jeff Gudman, Jeff Lange, Jeremy Whittlesey, Joe Ebisa, John Borden, Joy Gutknecht, Kali Leinenbach, Karolina Bedacht, Kevin Graine, Kristi Jenkins, Michelle Lisper, Nancy Brewer, Nate Carter, Robert Burket, Shari Coon, Shauna Tobiasson, Shelly Taylor, Steven Demarest, Susan Steen, and Tim Collier attended virtually.

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

## **ADMINISTRATION**

### **A.1. MEETING MINUTES OF DECEMBER 2, 2022**

Board Member Buckley suggested changing section A.4. of the December 2, 2022, board meeting minutes stating the next Board Scorecard Report would be on June 2, 2022, should be updated to June 2, 2023.

Vice Chair Furnstahl moved to approve the minutes as presented from the December 2, 2022, PERS Board meeting with the suggested changes. Board Member Buckley seconded the approval of the minutes with the suggested changes. The motion passed unanimously.

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

Director Kevin Olineck presented the Director's Report and the forward-looking calendar. The forward-looking calendar has 2023 PERS Board meeting dates listed.

Olineck provided a brief update on the SB 1049 project. He noted that the Governor's Recommended Budget was released and several of the PERS requests were included, however the Enterprise Risk Management package was not included. There was also a reduction in the SB 1049 request. The joint Oregon Investment Council (OIC) and PERS Board meeting is scheduled to take place on May 31, 2023, at the OIC meeting.

Chair Shenoy congratulated the PERS employees who received recognition for their contributions at the December all-staff meeting. At the request of Chair Shenoy, Olineck provided additional details around individual account program (IAP) payments being over the current budgeted amount and potential paths to resolution, if warranted.

The Oregon Public Employees Retirement Fund (OPERF) returns, for the period ending December 31, 2022, were -1.55%.

Operating expenditures for November, December, and preliminary expenditures for January are \$4,227,151, \$4,661,726, and \$5,157,975 respectively.

Through January 13, 2023, the agency has expended a total of \$89,118,167, or 70.4%, of PERS' legislatively approved operations budget of \$126,596,362. Currently, the agency's projected variance is \$6,381,508 or 5.0%. Olineck reviewed the meeting agenda.

Jason Stanley, Chief Compliance Audit and Risk Officer, presented the transactions of PERS' Director Kevin Olineck for the period of July 1, 2021, through June 30, 2022. This is an annual report required by the Oregon Accounting Manual. There were no unusual or inappropriate transactions.

Board Member Buckley moved acknowledgement of receipt of the Annual Report of Director's Financial Transactions for the period of July 1, 2021, through June 30, 2022. Board Member Scanlan seconded the motion. The motion passed unanimously.

## **ADMINISTRATIVE RULEMAKING**

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

### **B.1. NOTICE OF YEARLY SALARY CONTRIBUTION LIMITS INCREASE**

Vaughn presented Notice of Rulemaking for Salary and Contribution Limits Rules: OAR 459-005-0525, Ceiling on Compensation for Purposes of Contributions and Benefits, OAR 459-005-0545, Annual Addition Limitation, OAR 459-017-0060, Reemployment of Retired Members, OAR 459-080-0400, Employee Pension Stability Account (EPSA), and OAR 459-080-0500, Limitation on Contributions.

A rulemaking hearing will be held remotely on February 22, 2023, at 2:00 p.m. The public comment period will end March 1, 2023, at 5:00 p.m.

### **B.2. NOTICE OF REQUIRED MINIMUM DISTRIBUTION**

Vaughn presented Notice of Permanent Rulemaking for Rules regarding Required Minimum Distribution Age OAR 459-005-0560, Required Minimum Distributions, Generally OAR 459-050-0080, Distribution of Funds After a Severance of Employment, and OAR 459-050-0300, Required Minimum Distribution Requirements.

A rulemaking hearing will be held remotely on February 22, 2023, at 2:00 p.m. The public comment period will end March 1, 2023, at 5:00 p.m.

### **B.3. ADOPTION OF RETURN-TO-WORK RULES**

Vaughn presented Adoption of Amendments to Return-to-Work Rules: OAR 459-015-0045, Return to Work and OAR 459-075-0150, Retirement Credit.

A rulemaking hearing was held remotely on December 22, 2022, at 2:00 p.m. The public comment period ended December 27, 2022, at 5:00 p.m. No public comments were received.

Vice Chair Furnstahl moved to adopt modifications to OARs 459-015-0045 and 459-075-0150, as presented. Board Member Buckley seconded to motion. The motion passed unanimously.

### **B.4. ADOPTION OF EMPLOYER REPORTING RULES**

Vaughn presented Adoption of Amendments to Employer Reporting Rules: OAR 459-009-0100, Employer Reporting and Remittance of Contributions, OAR 459-070-0100, Employer Reporting, and OAR 459-070-0110, Employer Remittance of Contributions.

A rulemaking hearing was held remotely on December 22, 2022, at 2:00 p.m. The public comment period ended December 27, 2022, at 5:00 p.m. No public comments were received.

Vice Chair Furnstahl moved to adopt modifications to OAR 459-009-0100, OAR 459-070-0100, and OAR 459-070-0110, as presented. Board Member Scanlan seconded to motion. The motion passed unanimously.

## **ACTION AND DISCUSSION ITEMS**

### **C.1. LEGISLATIVE UPDATE**

Heather Case, Senior Policy Advisor, presented.

Chair Shenoy noted that the board is disappointed that the money for Enterprise Risk Management was not included in the Governor's Recommended Budget.

Case provided an update on December legislative days and the 2023 legislative concepts filed by PERS. An update on the 2023 legislative session and reporting requirements for the session were provided. The agency's concepts were assigned bill numbers HB 2283, HB 2284, and HB 2285. An update will be provided at the April 3, 2023, PERS Board meeting.

Board Member Buckley requested updates on HB 2601 at future PERS Board meetings.

No board action was required.

### **C.2. MODERNIZATION PROGRAM UPDATE**

Rebecca Craven, Modernization Program Director, presented.

Craven reviewed the background and current activities of the program. Craven anticipates providing another update at the conclusion of the 2023 Legislative Session when the 2023-25 Legislatively Approved Budget is finalized.

No board action was required.

### **C.3. SENATE BILL 1566 REPORTING REQUIREMENTS**

Jake Winship, Actuary, presented.

As required by Senate Bill 1566 (2018), PERS filed a report with the Legislative Fiscal Office and the Joint Committee on Ways and Means, providing the status of the Employer Incentive Fund, the School Districts Unfunded Liability Fund, and the Unfunded Actuarial Liability Resolution Program as of December 2022.

No board action was required.

### **C.4. PRELIMINARY 2022 EARNINGS CREDITING AND RESERVING**

Richard Horsford, Chief Financial Officer, and Matthew Graves, Financial Reporting Manager, presented the preliminary rates for 2022.

Board Member Scanlan moved to adopt the preliminary crediting of earnings as presented for calendar year 2022, subject to final adoption at the April 3, 2023, PERS Board meeting. Vice Chair Furnstahl seconded. The motion passed unanimously.

Staff will prepare and present the required report to the Joint Legislative Committee on Ways and Means. Any comments received from the committee will be presented to the board, prior to the final crediting decision, at its meeting on April 3, 2023.

Jardon Jaramillo excused himself from the meeting at 9:55 A.M due to other priorities.

C.5. MILLIMAN RESPONSE TO SECRETARY OF STATE ACTUARIAL REVIEW FINDINGS

Actuaries Matt Larrabee and Scott Preppernau of Milliman presented a Response to Oregon Secretary of State Independent Actuarial Review Report. There are some items that Milliman will work through with PERS staff to bring to the board. There are other items that Milliman will begin to incorporate and there are a few items that may not warrant action as they would not change the accuracy of results.

No board action was required.

C.6. VERBAL UPDATE REFLECTING ON EARNINGS THROUGH DECEMBER 31, 2022

Scott Preppernau and Matt Larrabee of Milliman presented a preliminary estimate of system-wide December 31, 2022, results updated with year-end 2022 returns published by Oregon State Treasury.

No board action was required.

Chair Shenoy adjourned the PERS Board meeting at 10:03 a.m.

Respectfully submitted,

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

Kevin Olineck, Director

## Administration

1. February 3, 2023 Board Meeting Minutes
2. Director's Report
  - a. Forward-Looking Calendar
  - b. OPERF Investment Report
  - c. Budget Execution Report
3. Oregon Public Employees Retirement Fund (OPERF) Performance Review
4. Oregon Savings Growth Plan Annual Report

# Director's Report

## OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Kevin Olineck, Director

# OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

## 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.

## Highlights

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

### Agency initiatives and accomplishments

**Budget presentations** PERS budget presentations took place over three days in mid-February to the Joint Committee on Ways and Means, General Budget Subcommittee. The first day's presentation was a system overview, the second was both an agency overview and an in-depth look at our overall structure, work, and budgetary requirements.

The following were the three primary budgetary themes discussed:

1. Continue efforts to fully implement Senate Bill (SB) 1049 (2019) by the end of the 2023-25 biennium.
2. Funding required to continue planning and design work for our PERS Modernization Program.
3. Maintaining current service levels to ensure progress towards our strategic plan objectives and goals.

On day three, we provided a report on preliminary earnings and crediting, as well as an update on SB 155 reporting focusing on the Employer Incentive Fund and the School District Unfunded Liability Fund.

Overall, the committee members remained engaged as they sought to better understand both PERS the System and PERS the Agency. While Richard Horsford and I were the primary presenters, I'd like to acknowledge the efforts of staff in making sure we were prepared. In particular, I want to recognize Greg Gabriel and Shiba Paul for both working together to create our Agency Request Budget submission and for building the information presented. It truly is a team effort ensuring the PERS budget story is told in a professional manner.



**Oregon Public Employees Retirement Fund relative ranking** The annual ranking of pension plans was recently released by *Pension & Investment* magazine based on “assets under management,” as of September 30, 2022. PERS is now the 15th largest public sector pension plan (up from 16th) and the 17th largest pension plan in the nation (up from 24th). The change in ranking of PERS is primarily due to the investment performance of the Oregon Public Employees Retirement Fund (OPERF) where OPERF was rated the #1 performing fund among peers (public sector plans with assets greater than \$10B) and in the 95th percentile over the past 10 years.

**Highlighted annual projects** Among PERS’ annually recurring work, there are two initiatives that commence every November and run through January. Both yearly projects are crucial to providing the correct benefit to specific populations of PERS’ members, and their success hinges on collaboration, partnership, and synergy of staff within PERS and other state agencies, including the Department of Administrative Services Publications and Distribution unit and the Department of Revenue (DOR).

Recent process improvements for both projects have led to better mail delivery and better alignment of roles and responsibilities across the projects overall.

*Variable Update*

For Tier One and Tier Two members who have elected to take part in the Variable Annuity Program, their variable fund earnings and losses are evaluated annually

for the 12-month period ending each October — this process is known as the Variable Update.

Approximately 11,000 Tier One and Tier Two members have elected to remain in the Variable Annuity Program at retirement. This fund is solely invested in equities, whereas other funds reflect the fully diversified OPERF portfolio.

This annual project requires mass mailing and the coordination and teamwork of multiple areas in PERS, including Calculations, Communications, Policy, Analysis and Compliance Section (PACS), and Operations Technical Support (OTS).

This year, all 11,000 members impacted were sent a letter regarding their new variable rate and the impact on their monthly benefit — and, as of early February, Calculations had only seven accounts remaining to review.

Improvements in the way Calculations now works with OTS — and the larger Information Services Division — to acquire knowledge and skills on critical technical tools has allowed the section to take on significant parts of the project that are more appropriately assigned to business — creating efficiencies and ownership for the annual project.

*Tax Remedy*

This work is taken on each year to mitigate the impact of state taxation on eligible Tier One members. In



effect, tax remedy either increases benefits for eligible members, or eliminates the increase for those who don't pay Oregon income tax.

Each year, PERS works with DOR to determine residency based on income tax returns for the previous year. This year, the project identified nearly 4,500 Tier One members that required more information to determine eligibility under state law for the program. In turn, each eligible beneficiary was mailed a PERS Residency Status Certification to complete and mail back (members can also use Online Member Services (OMS) to complete the form digitally); this certification indicates whether members continue to receive or eliminate their increased benefit. Under a new Oregon law, eligible members have from January 1 through April 15 of each year to verify their Oregon residency. Once the certification form is received, their adjusted benefit will be effective the first day of the following month.

While this may seem like a simple process, it requires coordination and teamwork between multiple groups within PERS and outside of the agency. The success of the project requires collaboration between DOR, as well as staff from PERS' Strategic and Operational Planning (SOP), Communications, Member Services, Calculations, PACS, and OTS sections. Reviewing about 129,000 payees and comparing those to DOR records to evaluate eligibility is no small task.

Key improvements have been made to this process over the last few years. The aforementioned state law allows retirees to certify their residency within a broader timeframe. This ensures their increase in benefits for at least a partial year, as members no longer wait a full year for the benefit increase.

To reflect this statutory change, PERS updated the information sent to members. Consequently, the Member Information Center reports more positive interactions surrounding Tax Remedy, with a noted reduction in contested case hearings that PERS must adjudicate.

**Team of the Year Award** We engaged in our third-annual selection process for PERS Team of the Year. The PERS Employee Recognition Work Group encouraged managers to work with their teams to articulate why they should win based on the following prompt: How do your teams embody the PERS F.O.R.C.E.?

**FORTITUDE:** strength of mind that enables a person to encounter adversity with courage.

**OWNERSHIP:** takes accountability for the quality and outcome of their work.

**RESILIENCE:** an ability to recover from, or adjust easily, to change.

**COLLABORATION:** the ability to work jointly with others or together, especially in an intellectual endeavor.

**EXCELLENCE:** the act or process of executing excellent performance.

Managers were asked to describe, in 500 words or fewer, how their team demonstrated any or all the above attributes to help the agency not only meet the PERS Mission, but to successfully conquer challenges met in 2022. Eleven nominations were received from the following teams:

- Calculations
- Data Integrity Group
- Employer Service Center
- Communications Section
- Estimates and IAP
- Financial Reporting Section
- Human Resources/Agency Training
- Intake and Review
- Member Account Adjustment Team
- Member Information Center
- Strategic and Operational Planning



The Team of the Year Award went to the Intake and Review Team within the Operations Division, which includes the following staff:

Austin Hauck, Benjamin Davis, David Larson, Deana Haas, Denise Musacchio, Imran Ahmad, Jackie Jones, James Paterson, Jeanette Lewis, Jenny Scymanky, Jessica Wilson, Kathy Hanson, Kurt Barker, Linda Makboul, Lisa Juhring, Lori Conley, Nickie Norman, Pam Pothetes, Patricia Saxby, Rachel Baskin, Sabrina Pedersen, Sean Kateley-Williams, Shaun Rottner, Susanne Chilton, Tiffani Cairo, Tina Rosenquist, Tricia Nugent, Veronica Cramer, Wendy Luttrell, Zainab Hussein-Mohammed, and Tamie Johnson.

The runner-up was the Financial Reporting Section within the Financial Services Division.

Thanks also go to the Employee Recognition Work Group who coordinate all our employee recognition activities: April Sabbe, Heather Swientek, Johnna Bergman, Matthew Bryan, Rachel Baskin, Rebecca Acosta-Castro, and Yvette Elledge-Rhodes.

## Supporting the community

**Governor's Food Drive** PERS' staff once again participated in the annual Governor's State Employees Food Drive, and, as in the previous year, participation was more constrained to making donations online via our human resources system and participating in virtual events. We also set up a collection bin at our headquarters building, where staff donated food.

This year PERS provided approximately 32,875 meals. That was the result of PERS collecting \$10,958 in donations and 211 pounds of food.

I would like to send a big thank you to Alan Smith and Sonya Long who acted as the Agency Coordinators as well as Richard Thorpe, Diane Hernandez, Katie Brogan, and Michelle Snow who assisted them in this important effort.



# PERS Board Meeting Forward-Looking Calendar

## Tuesday, May 31, 2023, (Joint Meeting with Oregon Investment Council at Treasury)

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

## Friday, June 2, 2023

Board Scorecard Report on Agency Performance Measures  
Review Proposed Board Meeting Dates for Next Year  
PERS Board Governance Assignments  
Annual Report of Board Member Training Activities  
Legislative Update  
Modernization Program Update  
PHIP Report Out  
PERS Health Insurance Program (PHIP) Renewals and Rates  
Overview of Actuarial Methods and Economic Assumptions

## Friday, July 28, 2023\*

Legislative Session Review  
Senate Bill 1049 Update  
Preliminary Adoption of Valuation Methods and Assumptions Including Assumed Rate of Return  
Preliminary Adoption of Assumed Rate Oregon Administrative Rule (OAR)

## Friday, September 29, 2023

Member and Employer Survey Results  
Strategic Plan Overview and Update  
Legislative Update or Legislative Concepts — if needed  
Modernization Program Update  
Funding Policy Review  
Final Adoption of Valuation Methods and Assumptions Including Assumed Rate of Return  
Valuation Results — Advisory Employer Rates  
Final Adoption of Assumed Rate Oregon Administrative Rule (OAR)

## Friday, December 1, 2023\*

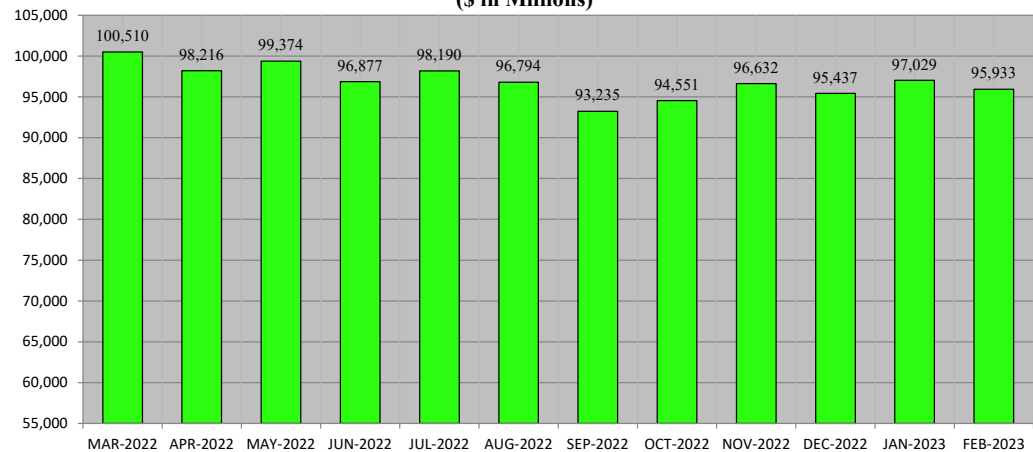
Board Scorecard Report on Agency Performance Measures  
Senate Bill 1049 Update  
Strategic Plan Update  
Valuation Update and Financial Modeling Results  
Adoption of Actuarial Equivalency Factor Tables

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

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy <sup>1</sup>	Target <sup>1</sup>	\$ Thousands <sup>2</sup>	Actual	Year-To-Date <sup>3</sup>	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
<b>TOTAL OPERF Regular Account</b>			\$ 92,323,248		1.02	0.27	7.97	9.63	8.88	7.85	9.31	8.43
<i>OPERF Policy Benchmark</i>					2.34	(5.61)	2.64	7.23	7.75	6.74	8.88	8.19
<b>Value Added</b>					(1.33)	5.87	5.33	2.40	1.13	1.11	0.43	0.23
<i>Oregon 70/30 Reference Benchmark</i>					3.19	(8.33)	(2.34)	5.28	5.42	4.40	7.18	6.03
<b>Public Equity</b>	25.0-35.0%	30.0%	\$ 17,746,891	19.2%	3.53	(5.16)	1.20	10.10	7.84	5.91	10.21	8.44
<i>MSCI ACWI IMI Net</i>					4.38	(8.06)	(0.88)	8.92	7.40	5.66	9.73	7.90
<b>Private Equity</b>	15.0-27.5%	20.0%	\$ 24,763,468	26.8%	(0.03)	(2.98)	16.76	16.82	16.18	15.84	14.91	14.35
<i>Russell 3000+300 Bps Qtr Lag</i>					5.24	(16.20)	4.96	10.48	13.82	11.97	15.04	15.29
<b>Total Equity</b>	45.0-55.0%	50.0%	\$ 42,510,359	46.0%								
<b>Total Fixed</b>	15-25%	20.0%	\$ 20,551,739	22.3%	0.99	(7.91)	(4.71)	(2.58)	0.62	1.15	1.52	1.55
<i>Oregon Custom Fixed Income Benchmark</i>					0.41	(9.72)	(6.13)	(3.54)	(0.20)	0.49	0.83	0.98
<b>Risk Parity</b>	0.0-3.5%	2.5%	\$ 224,836	0.2%	5.33	(15.20)	(3.67)					
<i>S&amp;P Risk Parity - 12% Target Volatility</i>					1.62	(17.46)	(2.44)	4.43	6.46	6.36	7.84	6.13
<b>Real Estate</b>	7.5-17.5%	12.5%	\$ 13,926,025	15.1%	(1.30)	15.21	17.95	12.55	11.28	10.69	10.52	10.87
<i>Oregon Custom Real Estate Benchmark</i>					(3.48)	11.15	14.77	9.77	8.42	8.23	8.29	9.36
<b>Real Assets</b>	2.5-10.0%	7.5%	\$ 8,373,229	9.1%	1.28	19.26	18.81	12.03	8.50	7.31	7.92	5.58
<i>CPI +4%</i>					2.02	10.26	11.20	9.35	8.61	8.00	7.59	6.72
<b>Diversifying Strategies</b>	2.5-10.0%	7.5%	\$ 4,302,538	4.7%	0.83	20.83	13.56	6.57	3.69	(0.10)	1.27	3.07
<i>HFRI FOF: Conservative Index</i>					1.47	1.89	3.15	5.36	4.78	4.07	4.17	3.59
<b>Opportunity Portfolio</b>	0-5%	0%	\$ 2,623,554	2.8%	3.31	3.17	11.77	11.55	10.57	9.95	9.65	8.90
<i>CPI + 5%</i>					2.18	11.31	12.27	10.40	9.65	9.03	8.62	7.75
<b>Cash w/Overlay</b>	0-3%	0%	\$ (189,031)	-0.2%	0.76	1.54	0.65	0.78	1.37	1.62	1.51	1.23
<i>91 Day Treasury Bill</i>					0.64	2.10	1.06	0.84	1.18	1.35	1.16	0.83
<b>Target Date Funds</b>			\$ 3,352,072									
<b>TOTAL OPERF Variable Account</b>			\$ 257,549									
					4.42	(7.57)	(0.55)	9.20	7.74	6.01	10.08	8.25

Total OPERF NAV  
(includes Variable Fund assets)  
One year ending FEB-2023

(\$ in Millions)



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

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

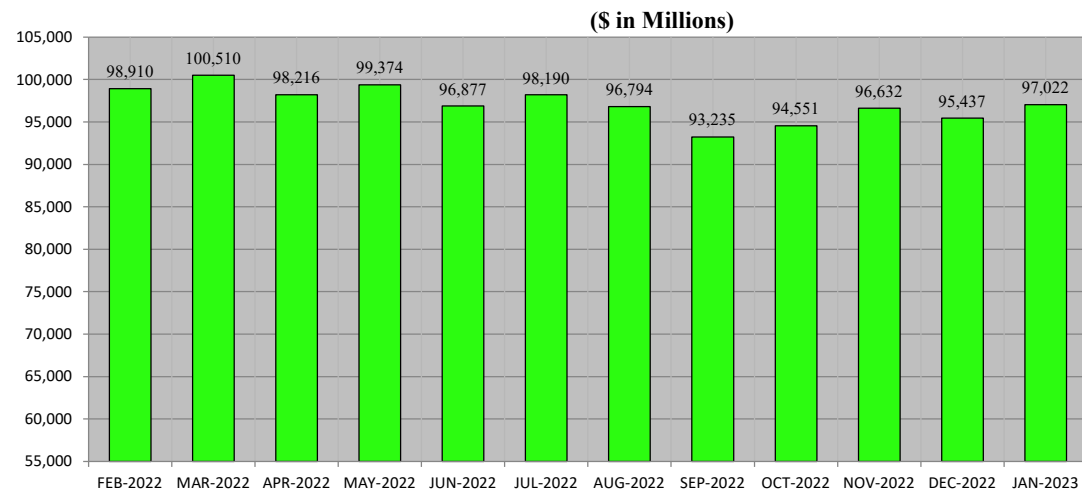
<sup>3</sup>For mandates beginning after January 1 (or with lagged performance), YTD numbers are "N/A". Performance is reflected in Total OPERF. YTD is not annualized.

Returns for periods ending JAN-2023

Oregon Public Employees Retirement Fund

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy <sup>1</sup>	Target <sup>1</sup>	\$ Thousands <sup>2</sup>	Actual	Year-To-Date <sup>3</sup>	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
<b>TOTAL OPERF Regular Account</b> <i>OPERF Policy Benchmark</i>			\$ 93,317,556		1.82	1.58	9.53	9.09	9.32	7.75	9.42	8.53
<i>Value Added</i>					3.47	(4.43)	4.10	6.89	8.12	6.70	9.01	8.32
<i>Oregon 70/30 Reference Benchmark</i>					(1.64)	6.01	5.44	2.19	1.19	1.06	0.41	0.21
					6.08	(7.59)	(0.28)	4.38	6.65	4.29	7.58	6.35
<b>Public Equity</b> <i>MSCI ACWI IMI Net</i>	25.0-35.0%	30.0%	\$ 19,345,918	20.7%	6.13	(4.69)	4.21	7.76	9.22	5.59	10.56	8.72
					7.37	(7.60)	1.86	6.86	8.91	5.35	10.09	8.21
<b>Private Equity</b> <i>Russell 3000+300 Bps Qtr Lag</i>	15.0-27.5%	20.0%	\$ 24,774,364	26.5%	0.17	1.01	19.62	17.28	15.91	16.22	14.94	14.37
					2.59	(15.66)	6.15	10.70	11.73	11.92	14.62	14.99
<b>Total Equity</b>	45.0-55.0%	50.0%	\$ 44,120,282	47.3%								
<b>Total Fixed</b> <i>Oregon Custom Fixed Income Benchmark</i>	15-25%	20.0%	\$ 19,430,296	20.8%	3.00	(7.11)	(4.54)	(1.47)	1.17	1.41	1.82	1.79
					3.08	(8.36)	(5.48)	(2.19)	0.50	0.87	1.24	1.28
<b>Risk Parity</b> <i>S&amp;P Risk Parity - 12% Target Volatility</i>	0.0-3.5%	2.5%	\$ 780,167	0.8%	1.62	(19.59)	(6.03)					
					7.76	(12.09)	0.98	5.14	8.46	7.01	8.83	6.84
<b>Real Estate</b> <i>Oregon Custom Real Estate Benchmark</i>	7.5-17.5%	12.5%	\$ 14,031,550	15.0%	(0.35)	18.61	19.24	13.54	11.75	11.15	10.68	10.98
					(1.75)	15.95	16.00	10.57	9.04	8.75	8.56	9.56
<b>Real Assets</b> <i>CPI + 4%</i>	2.5-10.0%	7.5%	\$ 8,349,769	8.9%	0.38	18.28	18.77	11.70	7.96	7.46	7.77	5.41
					1.13	10.64	11.20	9.25	8.57	7.97	7.51	6.75
<b>Diversifying Strategies</b> <i>HFRI FOF: Conservative Index</i>	2.5-10.0%	7.5%	\$ 4,213,801	4.5%	(1.15)	18.82	13.14	5.15	3.25	(0.07)	1.26	2.98
					0.85	1.24	4.02	4.80	4.82	3.77	3.94	3.56
<b>Opportunity Portfolio</b> <i>CPI + 5%</i>	0-5%	0%	\$ 2,568,785	2.8%	0.98	1.36	11.54	11.07	10.43	9.55	8.96	8.66
					1.21	11.70	12.26	10.29	9.61	9.01	8.54	7.77
<b>Cash w/Overlay</b> <i>91 Day Treasury Bill</i>	0-3%	0%	\$ (177,092)	-0.2%	0.54	1.20	0.54	0.80	1.38	1.58	1.48	1.21
					0.31	1.78	0.90	0.78	1.14	1.30	1.11	0.80
<b>Target Date Funds</b>			\$ 3,433,677									
<b>TOTAL OPERF Variable Account</b>			\$ 270,966									
					7.38	(7.27)	2.21	7.20	9.25	5.71	10.45	8.57

**Total OPERF NAV**  
(includes Variable Fund assets)  
One year ending JAN-2023



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

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

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



# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

Headquarters

11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

[www.oregon.gov/pers](http://www.oregon.gov/pers)

April 3, 2023

TO: Members of the PERS Board  
 FROM: Gregory R. Gabriel, Budget Officer  
 SUBJECT: April 2023 Budget Execution Report

### 2021-23 OPERATING BUDGET

Operating expenditures for January, February, and preliminary expenditures for March are \$4,755,750, \$5,385,597, and \$4,868,152 respectively. Final expenditures for March will close in the Statewide Financial Management System on April 14 and will be included in the June 2023 report to the board.

- Through March 12, 2023, the agency has expended a total of \$99,262,155 or 78.4% of PERS' legislatively approved operations budget of \$126,596,362.
- At this time, the agency's projected variance is \$6,231,675 or 4.9%.
- Core Retirement Systems Applications (CRSA) expenditures for January, February, and preliminary expenditures for March are \$1,678,535, \$1,162,928, and \$1,646,579 respectively. As of March 12, the agency has expended \$19,418,501 or 69.9% of the legislatively approved budget of \$27,765,009.
- At this time, the CRSA projected variance is \$2,324,956 or 8.4%.

### 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 March 12, 2023, are \$10,643,505,783.

A.2.c. Attachment 1– 2021-23, CRSA, Agency-wide Budget Execution Summary Analysis

**2023-25 BUDGET DEVELOPMENT ACTIVITIES**

The Governor’s Budget (GB), the second of three phases of budget development for the 2023-25 biennium, was released on January 31. During this phase, the Governor’s office releases updates and changes to the previously submitted Agency Request Budget. The following updates were made to the 2023-25 PERS budget request:

<b>Package</b>	<b>Name</b>	<b>Requested</b>	<b>Approved</b>	<b>Change</b>
101	SB 1049	19,838,772	18,138,772	(1,700,000)
102	SB 1049 Workload	1,887,761	1,887,761	
103	Modernization	9,573,073	9,573,073	
104	Enterprise Risk Mgmt.	1,011,495	0	(1,011,495)
105	IT Hardware	2,156,000	2,156,000	
106	PHIP Administration	367,980	367,980	
107	Maintain Service Levels	90,585	90,585	
108	Retirement Workload	161,205	161,205	
109	Q/NQ Project	523,653	523,653	
110	Position Reclass	58,744	58,744	
111	Agency Support Services	365,613	365,613	
	<b>Total</b>	<b>\$36,034,861</b>	<b>\$33,323,366</b>	<b>(\$2,711,495)</b>

The following statewide policy package adjustments were introduced to the 2023-25 PERS budget:

<b>Package</b>	<b>Name</b>	<b>Amount</b>
090	Modernization E Board Phase Out	(3,797,797)
092	Statewide Attorney General Reduction	(79,159)
093	State Government Service Charge Reduction	(1,481,077)
	<b>Total</b>	<b>(\$5,358,033)</b>

**PERS’ 2023-25 Operating Budget:**

<b>Budget Area</b>	<b>Agency Request Budget</b>	<b>Governor’s Budget</b>
Personal Services	106,349,498	105,449,576
Services/Supplies	63,897,918	56,728,312
Capital Outlay	1,593,003	1,593,003
<b>Total</b>	<b>\$171,840,419</b>	<b>\$163,770,891</b>



# PERS Monthly Budget Report

2021-23 Agency-Wide Budget Execution  
Preliminary Summary for the Month of March 2023

## Limited-Operating Budget

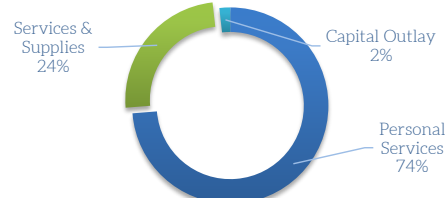
### 2021-23 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2021-23 LAB	Variance
Personal Services	73,062,254	15,559,352	88,621,606	91,033,361	2,411,755
Services & Supplies	26,178,456	5,168,180	31,346,636	34,094,093	2,747,457
Capital Outlay	21,445	375,000	396,445	1,468,908	1,072,463
Unscheduled				0	0
<b>Total</b>	<b>99,262,155</b>	<b>21,102,532</b>	<b>120,364,687</b>	<b>126,596,362</b>	<b>6,231,675</b>

### Actual Expenditures



### Projected Expenditures



### Monthly Summary

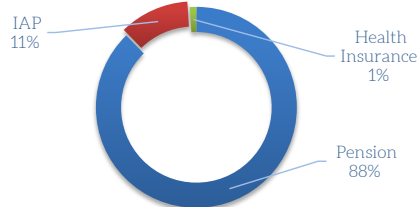
Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	3,831,049	3,969,999	138,950	3,620,435	3,966,667
Services & Supplies	1,037,103	1,074,718	37,615	1,318,502	1,259,021
Capital Outlay	0	0	0	1,129	75,000
<b>Total</b>	<b>4,868,152</b>	<b>5,044,717</b>	<b>176,565</b>	<b>4,940,066</b>	<b>5,300,688</b>

## Non-Limited Budget

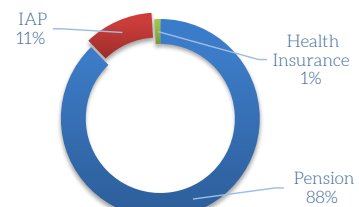
### 2021-23 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	9,334,409,860	1,883,011,291	11,217,421,151	11,215,517,678	(1,903,473)
IAP	1,197,300,332	243,953,275	1,441,253,608	1,298,603,848	(142,649,760)
Health Insurance	111,795,591	11,850,416	123,646,007	372,492,067	248,846,060
<b>Total</b>	<b>10,643,505,783</b>	<b>2,138,814,983</b>	<b>12,782,320,766</b>	<b>12,886,613,593</b>	<b>104,292,827</b>

### Actual Expenditures



### Projected Expenditures



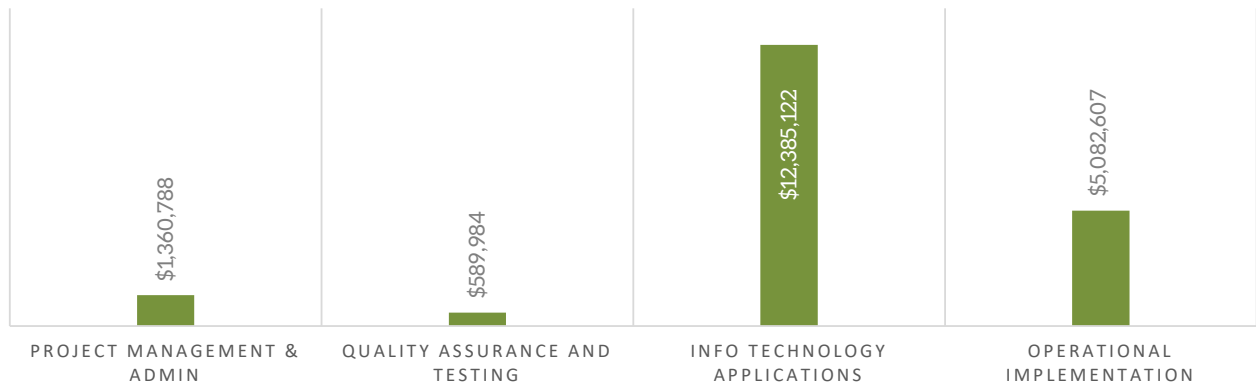
# Core Retirement Systems Application

## Summary Budget Analysis Preliminary for the Month of March 2023

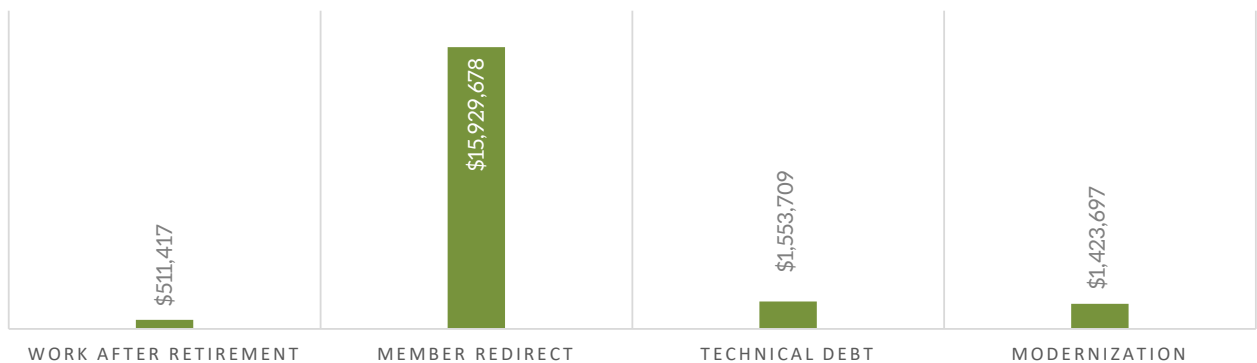
### Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2021-23 LAB	Variance
Personal Services	4,827,930	1,526,823	6,354,753	7,037,101	682,348
Services & Supplies	14,574,336	4,494,729	19,069,065	20,672,908	1,603,843
Capital Outlay	16,235		16,235	55,000	38,765
<b>Total</b>	<b>19,418,501</b>	<b>6,021,552</b>	<b>25,440,053</b>	<b>27,765,009</b>	<b>2,324,956</b>

### EXPENDITURES BY PACKAGE



### EXPENDITURES BY PROJECT



## Administration

1. February 3, 2023 Board Meeting Minutes
2. Director's Report
  - a. Forward-Looking Calendar
  - b. OPERF Investment Report
  - c. Budget Execution Report
3. Oregon Public Employees Retirement Fund (OPERF) Performance Review
4. Oregon Savings Growth Plan Annual Report

April 3, 2023

# PERS Board Presentation

Rex T. Kim, Chief Investment Officer  
Oregon State Treasury



OREGON  
STATE  
TREASURY

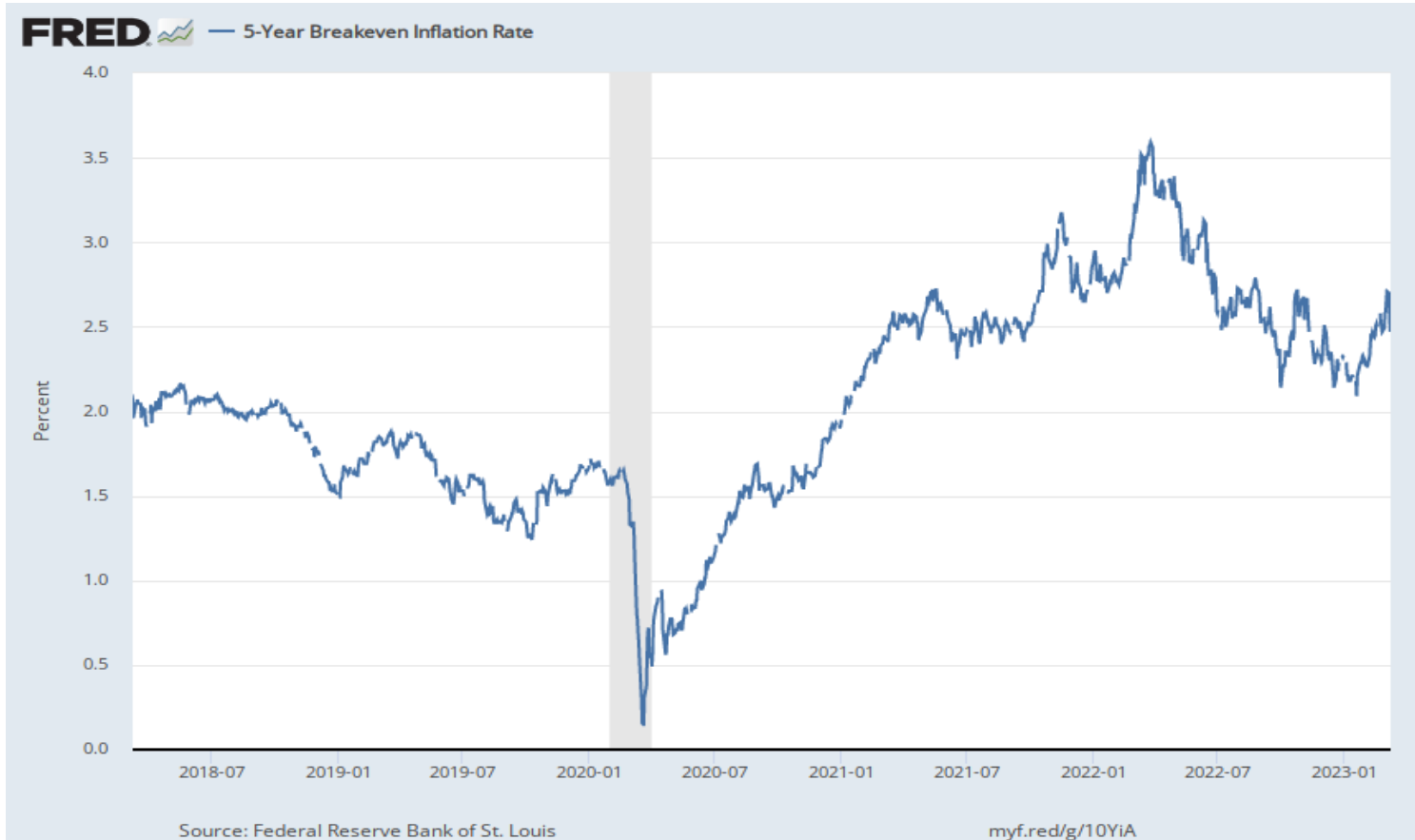
# Agenda

- Market Environment
- 2022 Performance
- Asset Allocation

# Market Environment: Inflation Remains High



# Market Environment : Next 5 Years (Years 1-5)

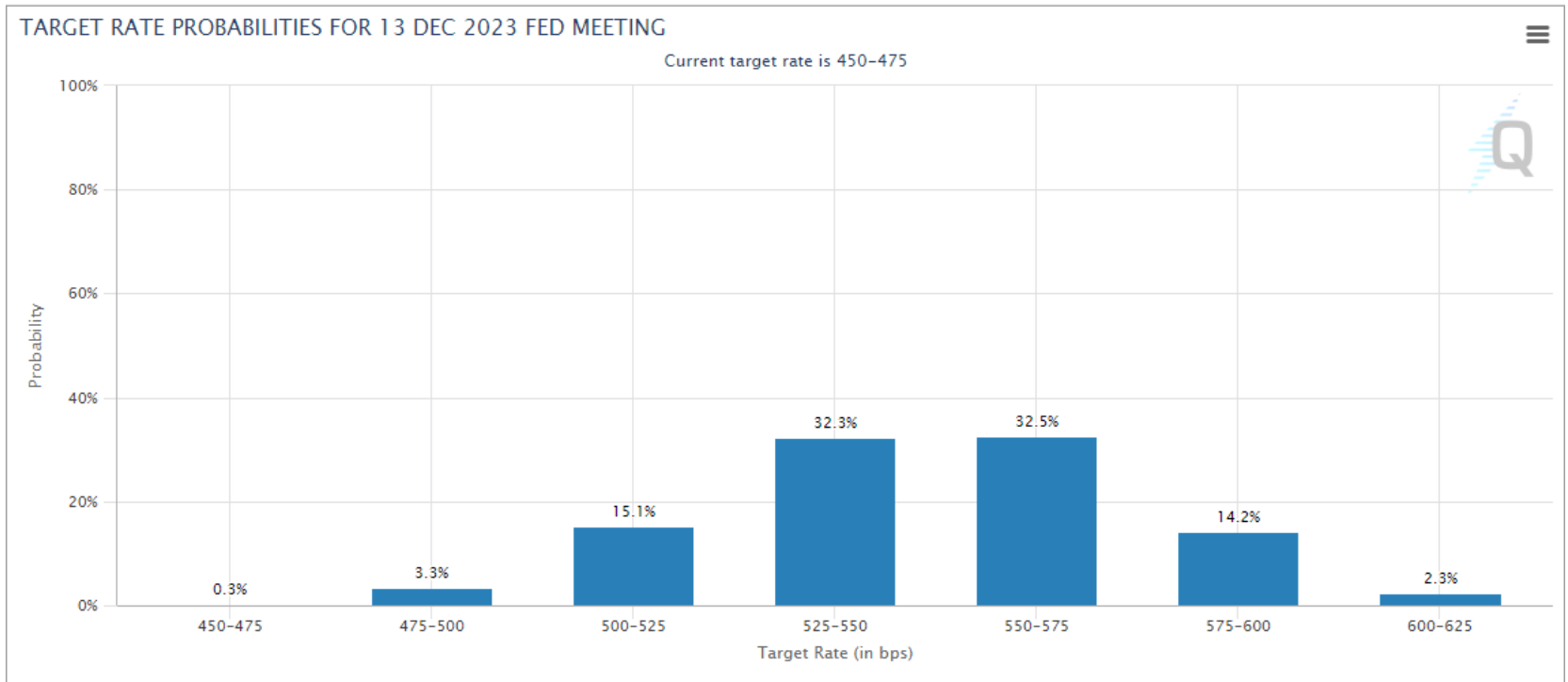


# Market Environment : Years 6-10



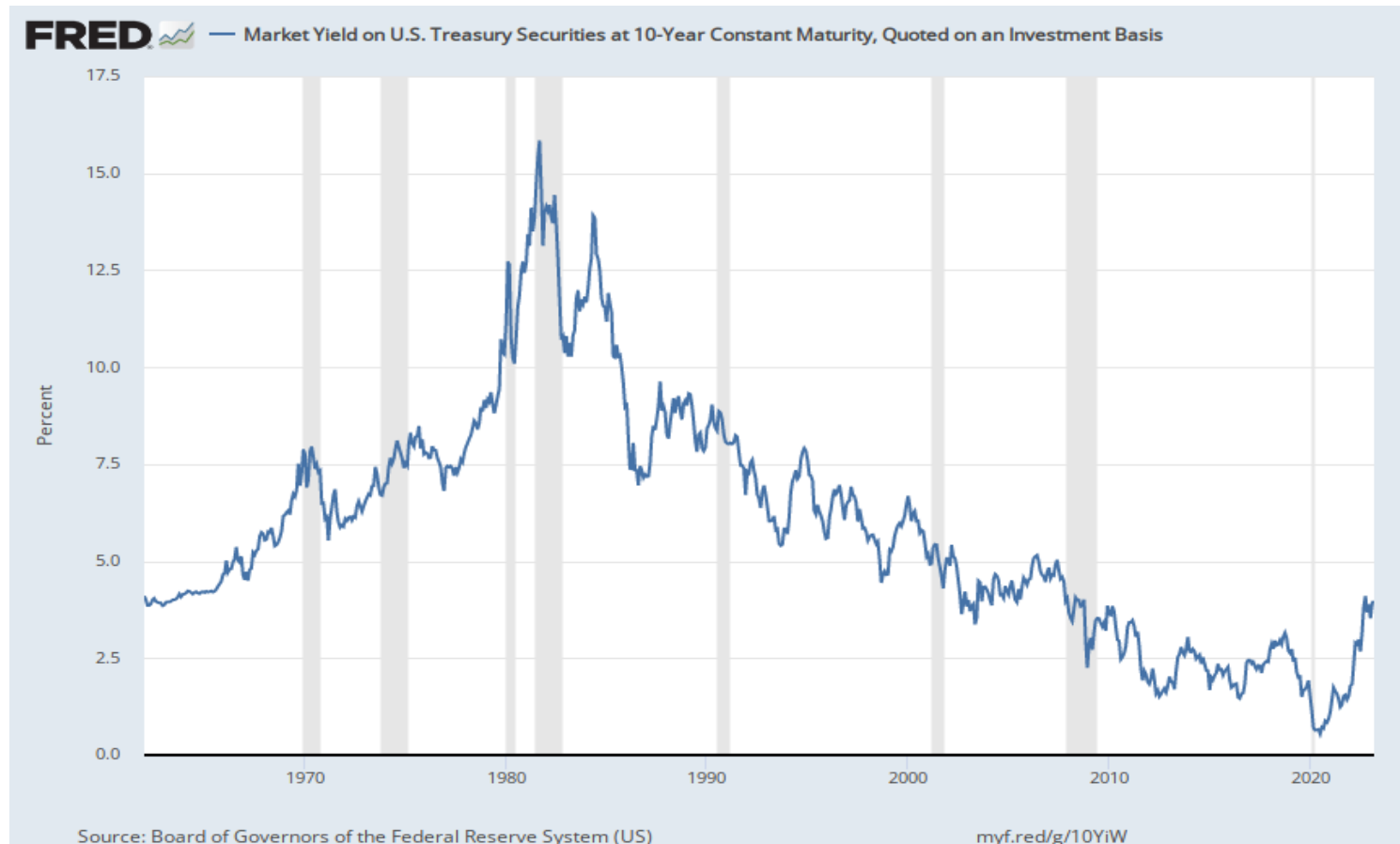


# Market Environment : Path for Rates



Source: CME Fedwatch, 3/9/2023

# Market Environment : Interest Rates Up



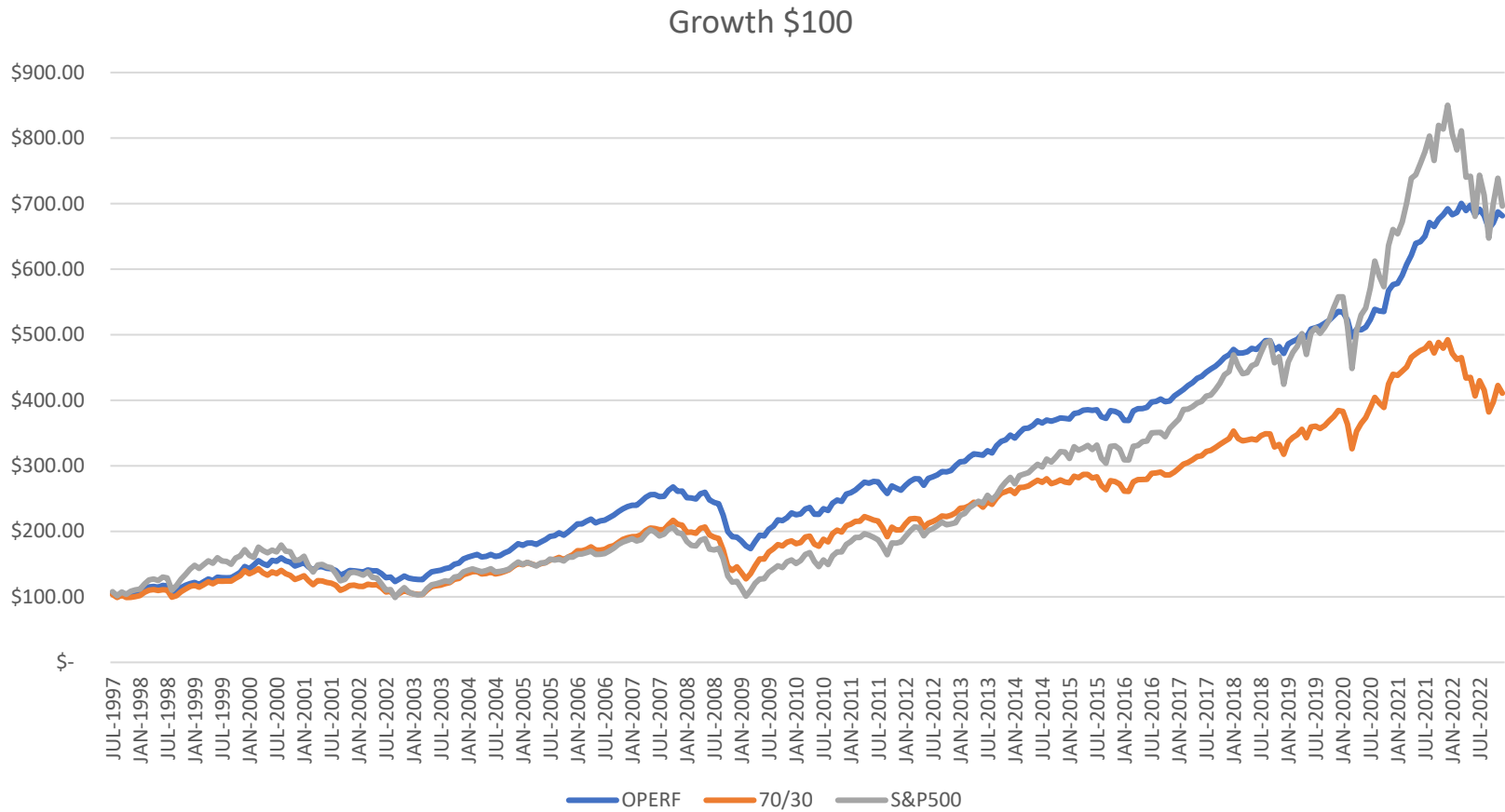
# 2022 Performance

## (as of December 31, 2022)

<b>Annualized Return</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>7-Year</b>	<b>10-Year</b>	<b>20-Year</b>
Russell 3000	-19.21%	7.07%	8.79%	11.04%	12.13%	9.88%
S&P 500	-18.11%	7.66%	9.42%	11.48%	12.56%	9.80%
Russell 2000	-20.44%	3.10%	4.13%	7.90%	9.01%	9.36%
MSCI ACWI ex-US IMI	-16.58%	0.20%	0.85%	4.84%	3.98%	7.03%
MSCI Emerging Markets	-20.09%	-2.69%	-1.40%	5.17%	1.44%	8.81%
Bloomberg Barclays U.S. Aggregate	-13.01%	-2.71%	0.02%	0.89%	1.06%	3.10%
<b>Fund Performance (Net of Fees)</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>7-Year</b>	<b>10-Year</b>	<b>20-Year</b>
<b>OPERF (Ranking<sup>1</sup>)</b>	<b>-1.55% (3)</b>	<b>8.36% (7)</b>	<b>7.74% (13)</b>	<b>8.71% (13)</b>	<b>8.54% (9)</b>	<b>9.39% (1)</b>
Domestic Equity	-15.97%	6.69%	7.61%	10.36%	11.39%	9.60%
International Equity	-14.29%	3.10%	2.72%	6.56%	5.76%	8.31%
Fixed Income	-11.29%	-1.82%	0.64%	1.42%	1.50%	4.21%
Private Equity	1.15%	17.37%	16.24%	14.91%	14.35%	14.29%
Real Estate	20.03%	13.63%	11.20%	10.55%	11.07%	10.62%

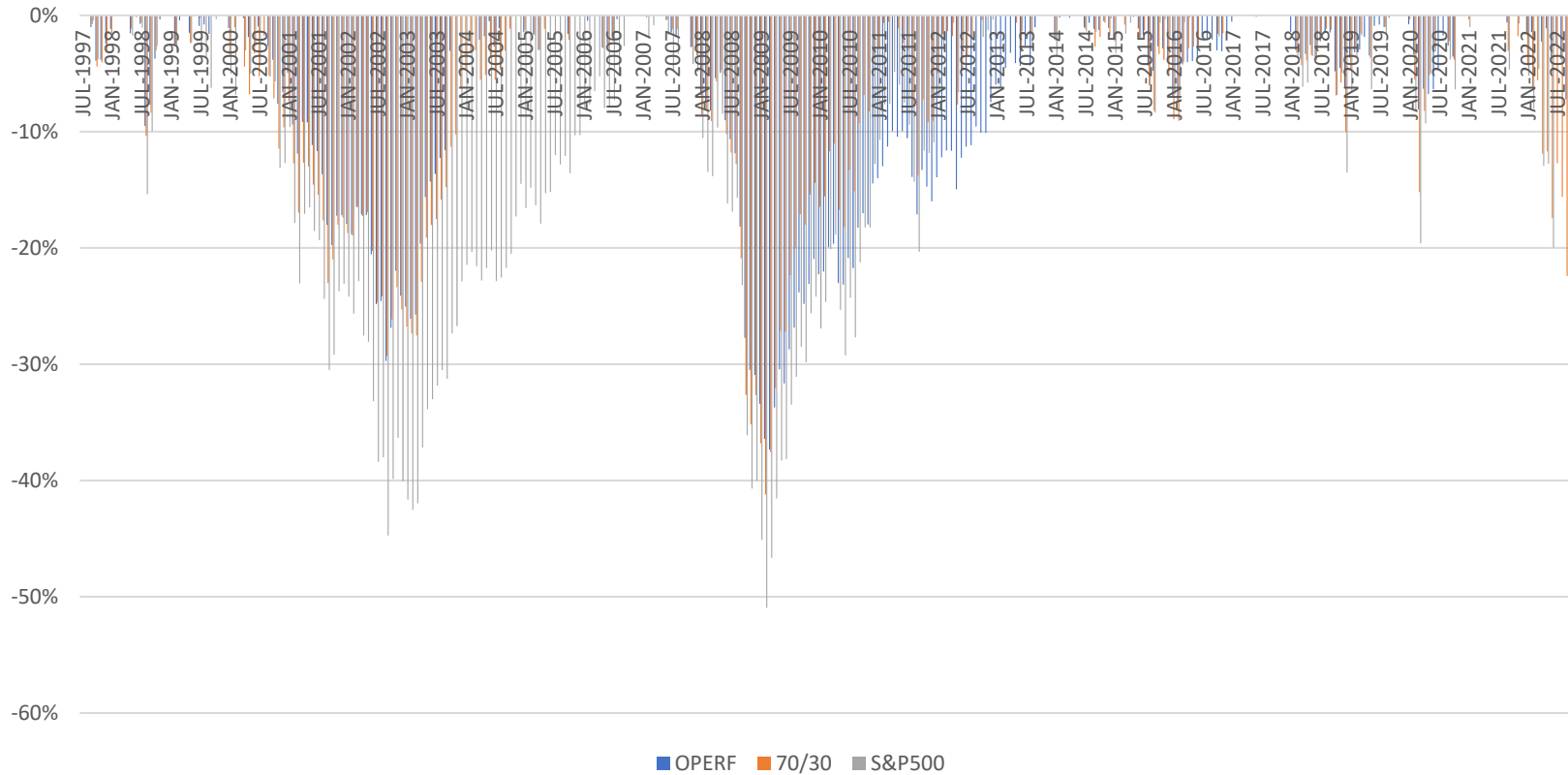
<sup>1</sup> Relative to Wilshire Trust Universe Comparison Service (TUUS) Public Funds > \$10 Billion peer group. Percentile rankings based on estimated gross returns for Fund and peer group.

# Asset Allocation: Historical Perspective

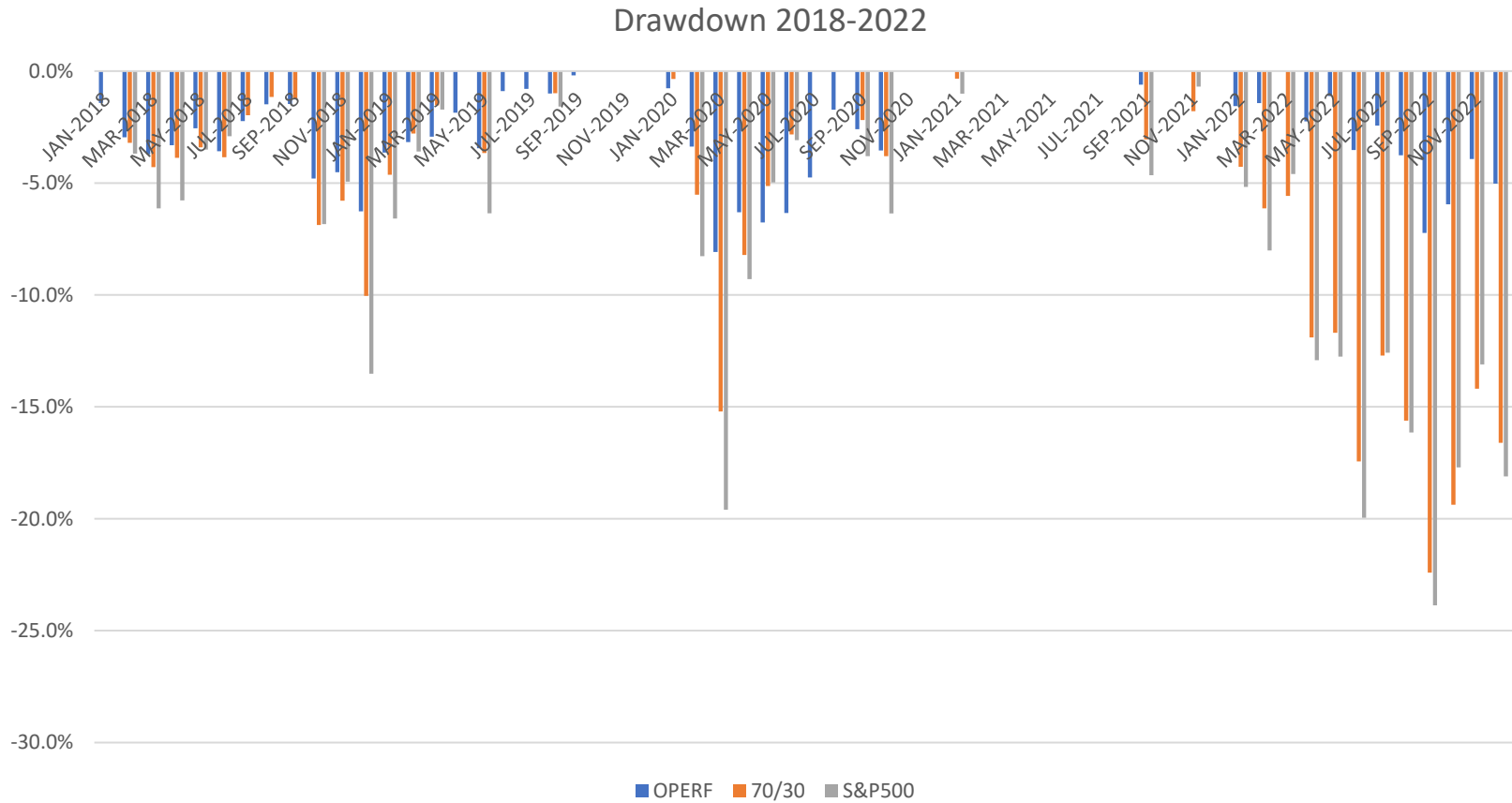


# Asset Allocation: Historical Drawdown

Drawdowns

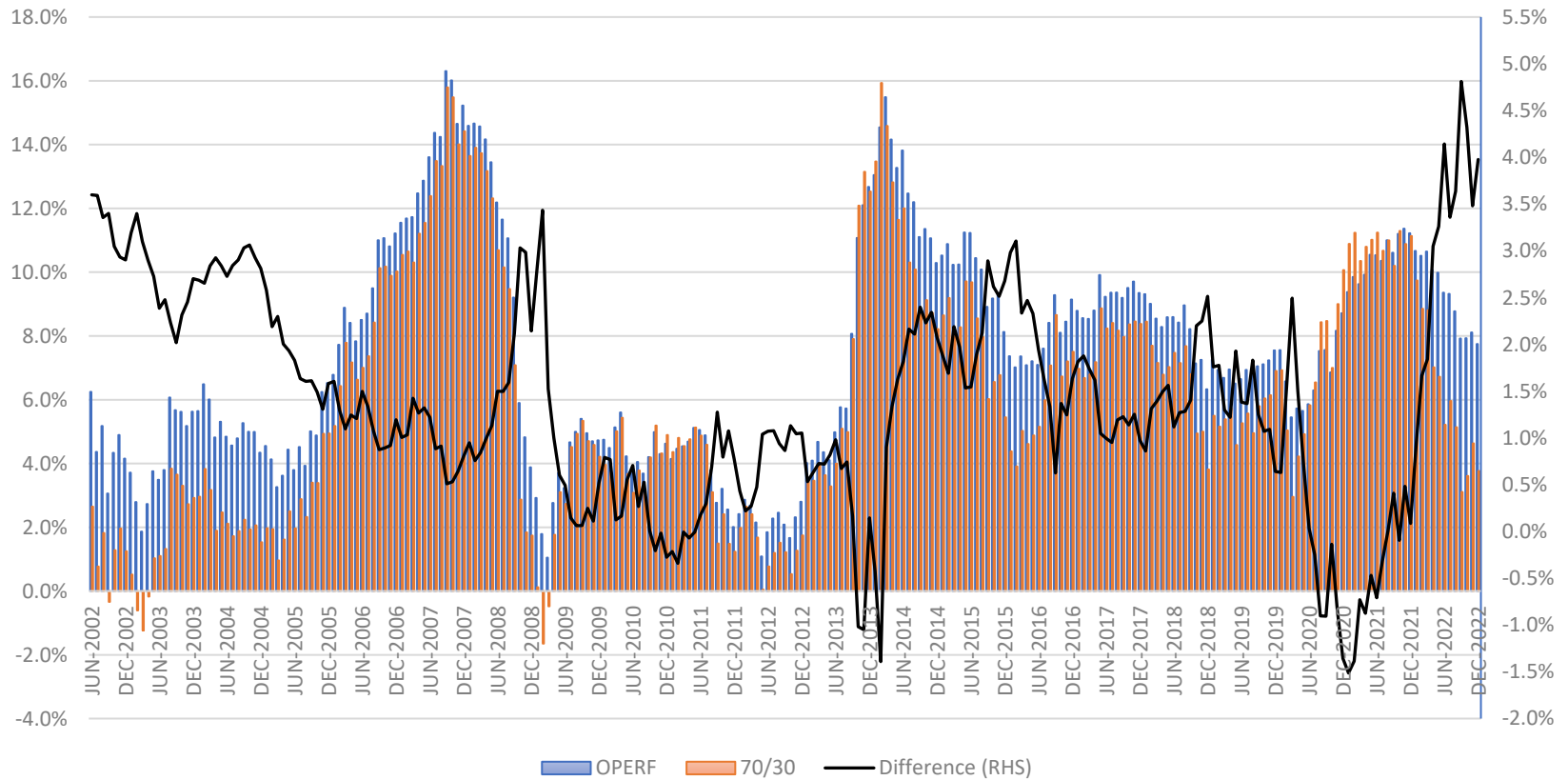


# Asset Allocation: Historical Drawdown



# Asset Allocation: Adding Value

## 5 Year Annualized Returns



# Asset Allocation: New 2022 Targets

	<b>2008</b>	<b>2014</b>	<b>2021</b>	<b>2022 (New)</b>
Public Equity	46.0%	37.5%	30.0%	27.5%
Private Equity	16.0%	20.0%	20.0%	20.0%
<b>Total Equity</b>	<b>62.0%</b>	<b>57.5%</b>	<b>50.0%</b>	<b>47.5%</b>
Opportunity Portfolio	0.0%	0.0%	0.0%	0.0%
Fixed Income	27.0%	20.0%	20.0%	25.0%
Risk Parity	0.0%	0.0%	2.5%	0.0%
Real Estate	11.0%	12.5%	12.5%	12.5%
Real Assets	0.0%	5.0%	7.5%	7.5%
Diversifying Strategies	0.0%	5.0%	7.5%	7.5%



# Asset Allocation: New 2022 Strategic Targets

- Recognizing the higher interest rate levels is allowing for reduction in risk taking while expecting to achieve similar rate of return.
- Reducing risk level also comes with the benefit of better supporting the increased illiquidity of the portfolio from private investments.
- Portfolio expected return (from consultant capital markets assumptions) is now about 7.5%, at modestly lower level of risk.
- New “Reference Portfolio” is 67.5% in stocks and 32.5% in bonds.



# OREGON STATE TREASURY

Tobias Read  
Oregon State Treasurer

350 Winter St NE, Suite 100  
Salem, OR 97301-3896

[oregon.gov/treasury](http://oregon.gov/treasury)

## Administration

1. February 3, 2023 Board Meeting Minutes
2. Director's Report
  - a. Forward-Looking Calendar
  - b. OPERF Investment Report
  - c. Budget Execution Report
3. Oregon Public Employees Retirement Fund (OPERF) Performance Review
4. Oregon Savings Growth Plan Annual Report



# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

Headquarters

11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

[www.oregon.gov/pers](http://www.oregon.gov/pers)

April 3, 2023

TO: Members of the PERS Board  
FROM: Debby Childers, Deferred Compensation Program Manager  
SUBJECT: Oregon Savings Growth Plan (OSGP) Annual Report

### OVERVIEW

1. Oregon Administrative Rule 459-050-00330(15) directs that the OSGP Program Manager shall prepare an annual report to the PERS Board.

The attached presentation reflects information for the 2022 calendar year and includes information regarding governance, administrative support, and plan and participant demographics. The report summarizes assets, cash flow and investment composition, as well as investment performance, options, and fees.

A.4. Attachment 1 – *Oregon Savings Growth Plan 2022 Annual Report*

# OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



## **Oregon Savings Growth Plan Annual Report**

Calendar year 2022

April 3, 2023



# Governance

## Advisory Committee

**Christine Valentine**, Chair – State of Oregon

**Jeff Gibbs**, Vice Chair – Local Government

**Frank Goulard** – Local Government

**Colin Benson** – State of Oregon

**Zachariah Heck** – State of Oregon

**Kyle Niemeyer** – State of Oregon

**Gene Bentley** – Retired

## Treasury

**Wil Hiles** – Public Equity Investment Officer

**Claire Illo** – Public Equity Investment Officer

## Callan Investment Consultant

**Anne Heaphy** – Senior Vice President

**Uvan Tseng** – Senior Vice President

## Department of Justice

**Steven Marlowe** – Assistant Attorney General

# Administrative support

## OSGP staff

**Debby Childers** – Program Manager

**Dee Monday** – Operations Coordinator

**Jack Schafroth** – Outreach Coordinator

**John Bennett** – Administrative  
Assistant

**Dean Marshall** – Retirement Counselor

**Helen Wilson** – Retirement Counselor

**VACANT** – Retirement Counselor

## Recordkeeper: Voya Financial

**Deirdre Jones** – Relationship Manager

**Carol Cann** – Operations Manager

**Jennifer Moran** – Communication  
Consultant

**Gladys Salguero** – Education Team  
Manager

# Plan summary

## Assets and cash flow (for year ending December 31, 2022)

▪ Total plan assets	\$2.9 billion
▪ Net cash flow	\$54 million
▪ Pre-tax contributions	\$126 million+
▪ Rollover-in contributions	\$92 million+
▪ Roth contributions	\$21 million+
▪ Participants with Roth elections	6,547

## Investment composition

1. LifePath options	31% of plan assets
2. Large Company Growth stock option	12% of plan assets
3. Stock Index option	12% of plan assets
4. Schwab Brokerage account	516 participants with an average balance of \$87,744



# Investment options and performance

Investment options	Ending balance as of 12/31/22	Annual performance	Contribution by fund option
Large Company Growth Stock Option	\$342,161,411	-29.23%	\$25,261,729
Stock Index Option	\$341,973,723	-19.25%	\$22,207,581
Socially Responsible Investment Option	\$39,395,228	-17.85%	\$5,271,093
Small Company Stock Option	\$246,453,889	-15.40%	\$12,757,795
International Stock Option	\$157,542,951	-16.70%	\$12,623,413
Active Fixed Income Option	\$180,795,162	-13.44%	\$12,113,368
Real Return Option	\$38,313,534	1.68%	\$3,473,744
Large Company Value Stock Option	\$238,594,496	-7.61%	\$15,772,348
Stable Value Option	\$365,882,401	1.86%	\$18,482,698

# Investment options and performance

Investment options	Ending balance as of 12/31/22	Annual performance	Contribution by fund option
LifePath® Retirement	\$297,207,491	-14.64%	\$17,966,367
LifePath® 2025	\$153,173,777	-15.25%	\$20,160,469
LifePath® 2030	\$133,381,526	-15.98%	\$18,850,211
LifePath® 2035	\$104,524,693	-16.68%	\$14,784,065
LifePath® 2040	\$85,172,417	-17.37%	\$14,381,773
LifePath® 2045	\$59,139,603	-17.91%	\$10,747,214
LifePath® 2050	\$42,899,615	-18.22%	\$7,275,141
LifePath® 2055	\$20,804,848	-18.29%	\$4,798,148
LifePath® 2060	\$12,837,257	-18.30%	\$2,521,106
LifePath® 2065	\$3,510,150	-18.31%	\$1,872,389

# OSGP fees

Administrative fees	Percentage of assets
State of Oregon Administrative Fee	0.07%
Recordkeeping/Custody/Trust/Communications	0.05%
<b>Total Administrative Fees</b>	<b>0.12%</b>
By investment option	Weighted average (%)
LifePath® Portfolios	0.07%
Stable Value	0.30%
Active Fixed Income Option	0.17%
Real Return Fund	0.22%
Large Company Value Stock	0.02%
Stock Index	0.02%
Socially Responsible Investment Option	0.17%
Large Company Growth Stock	0.02%
International Stock	0.51%
Small Company Stock	0.32%

# Rollovers

## OSGP rollovers out for calendar year 2022

Institution	# of rollovers	% of total	\$ rolled
OREGON PERS	309	28%	\$1,586,391
EDWARD JONES	101	9%	\$11,851,854
TD AMERITRADE	55	5%	\$9,391,007
VANGUARD	48	4%	\$9,520,290
CHARLES SCHWAB	49	4%	\$7,066,890
All others	556	50%	\$67,834,937

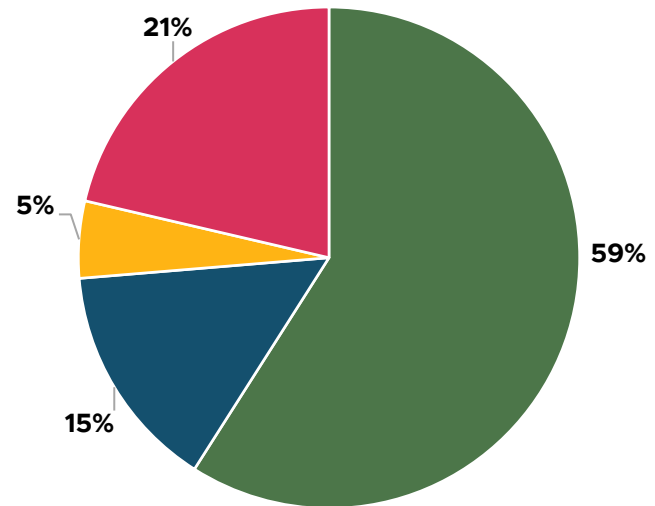
## OSGP Rollovers-In for Calendar Year 2022

Institution	# of rollovers	% of total	\$ rolled
IAP	642	60%	\$77,152,296
All others	423	40%	\$14,920,185

# Participant status summary

Calendar year 2022

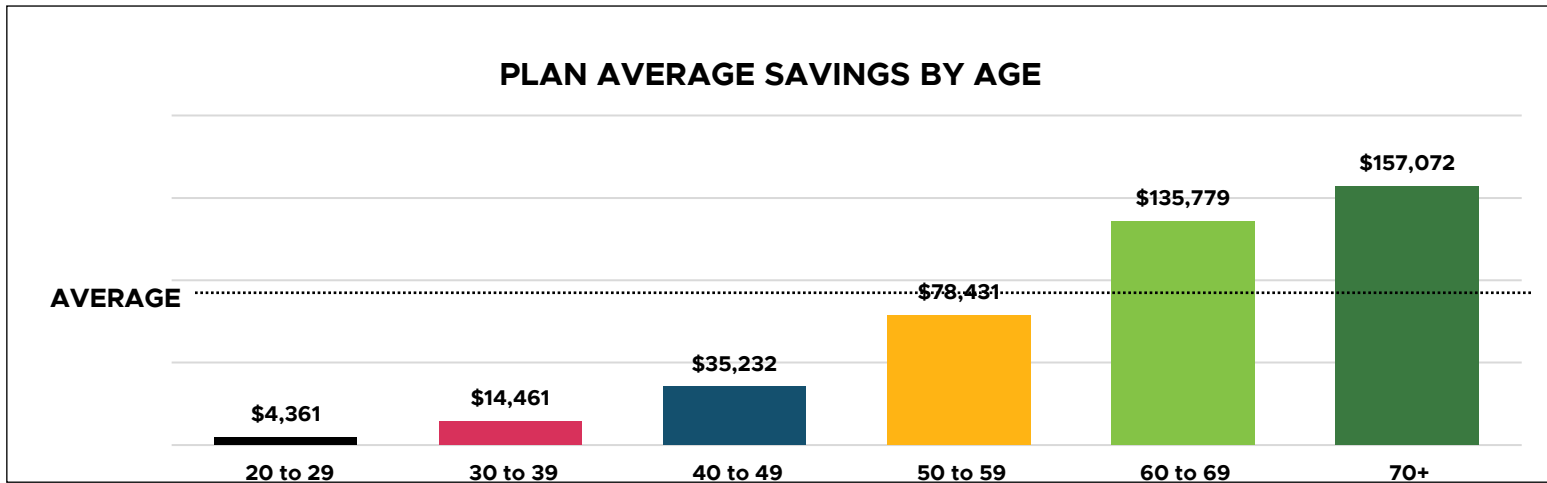
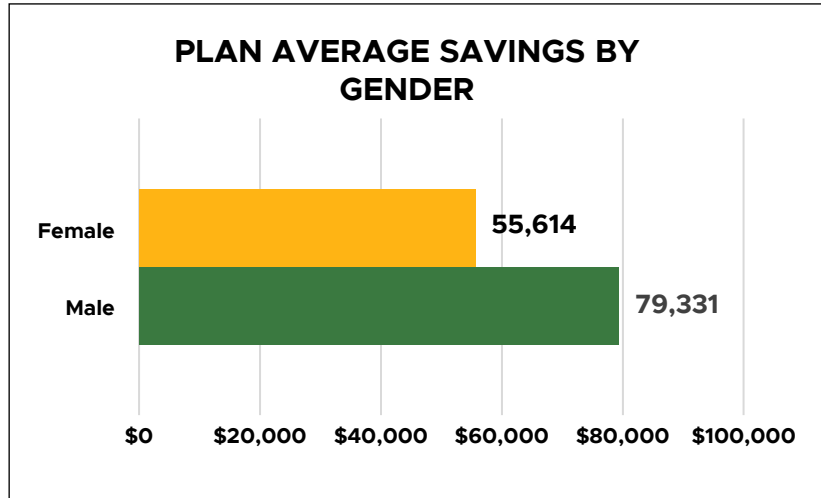
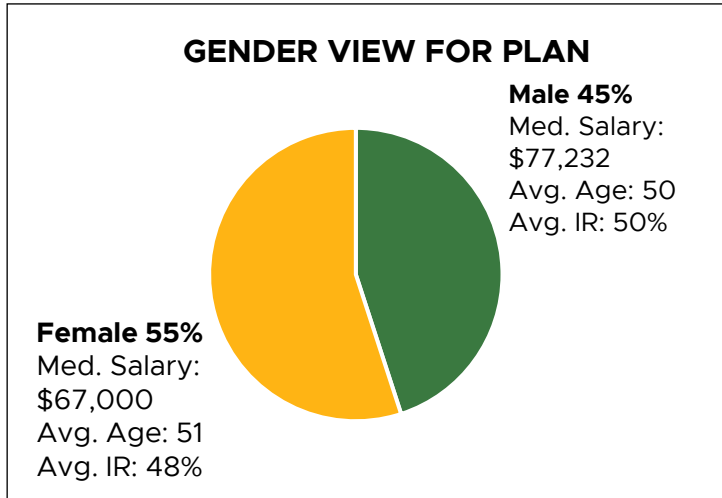
Participant status	Number of participants
Active, Contributing	26,265
Active Not Contributing	6,525
Terminated Receiving Installments	2,209
Terminated with a Balance	9,501
<b>Total</b>	<b>44,547*</b>



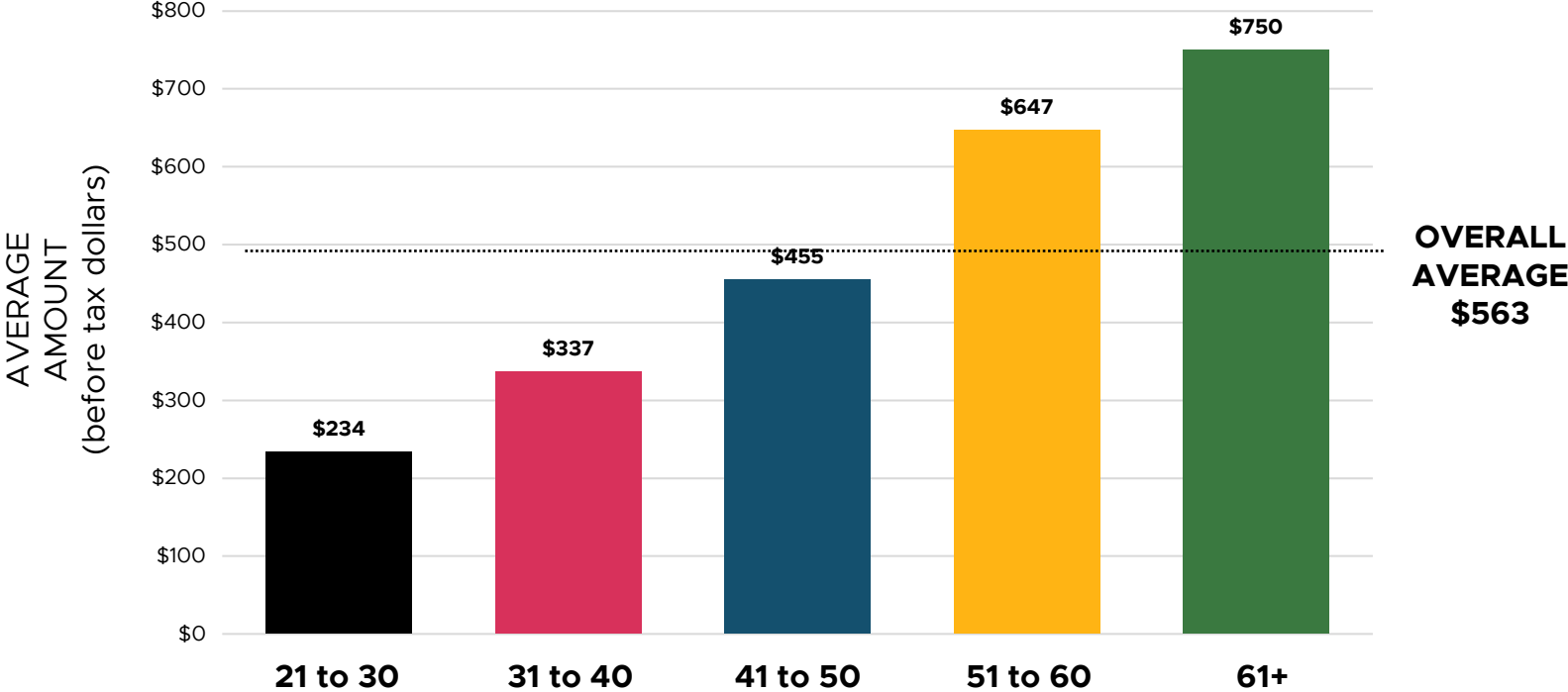
\*Total includes 47 suspended accounts not included in chart.

# Participant status summary

Calendar year 2022

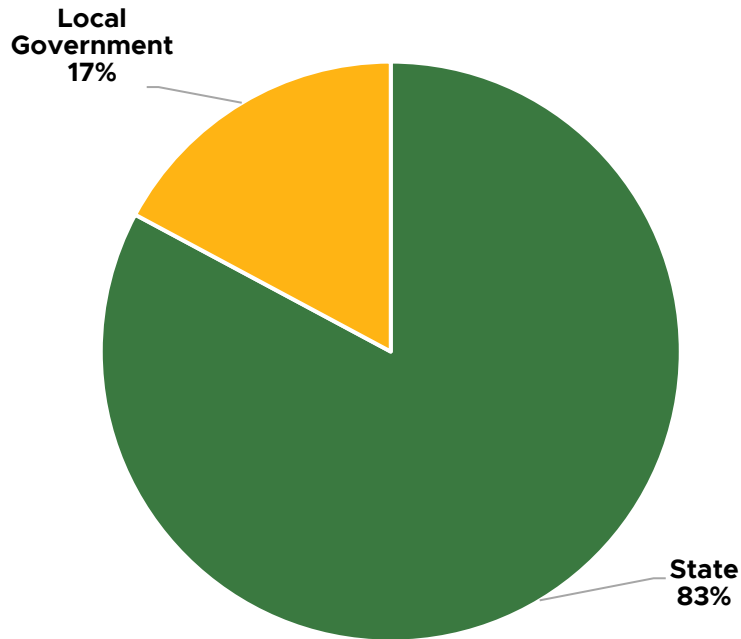


# Average monthly contributions

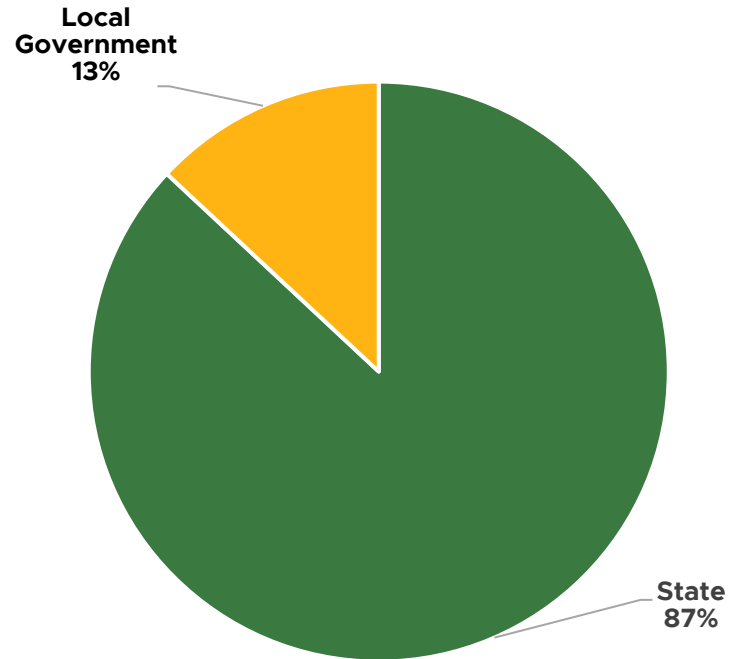


# State and local government breakdown

## Participants



## Assets





# Communications

Communications assists with overall OSGP goals through a variety of campaigns while providing a cohesive, professional, and educational overall look and feel to all OSGP materials and the website.

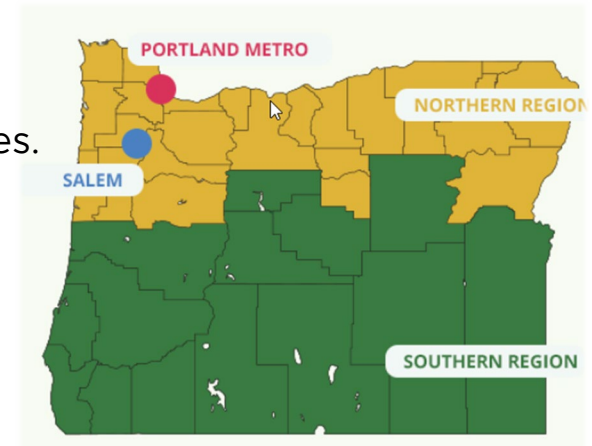
## 2022 Accomplishments:

- Launched the America Saves Week campaign in February 2022 covering five days of financial wellness and retirement education for participants and unenrolled employees.
- Created and implemented a campaign supporting the percent-of-pay rollout in OSGP, which included the use of the Voya Pennies whitepaper. The whitepaper supported the use of different language (pennies vs. percent) for different income groups which allowed OSGP to be inclusive of those that may otherwise overlook the positive impact that switching to percent contributions could have on retirement income.
- Supported the PERS Expo by rolling out a scavenger hunt email throughout Expo week to all current participants and eligible employees, resulting in over 350 responses to the hunt questions and the ability to create a virtual mural for all to enjoy on the quarter one 2023 newsletter.
- Implemented two campaigns for career extenders and caregivers, supporting OSGP's goal to be inclusive and provide financial wellness education in addition to retirement education.

# Education and outreach (E&O)

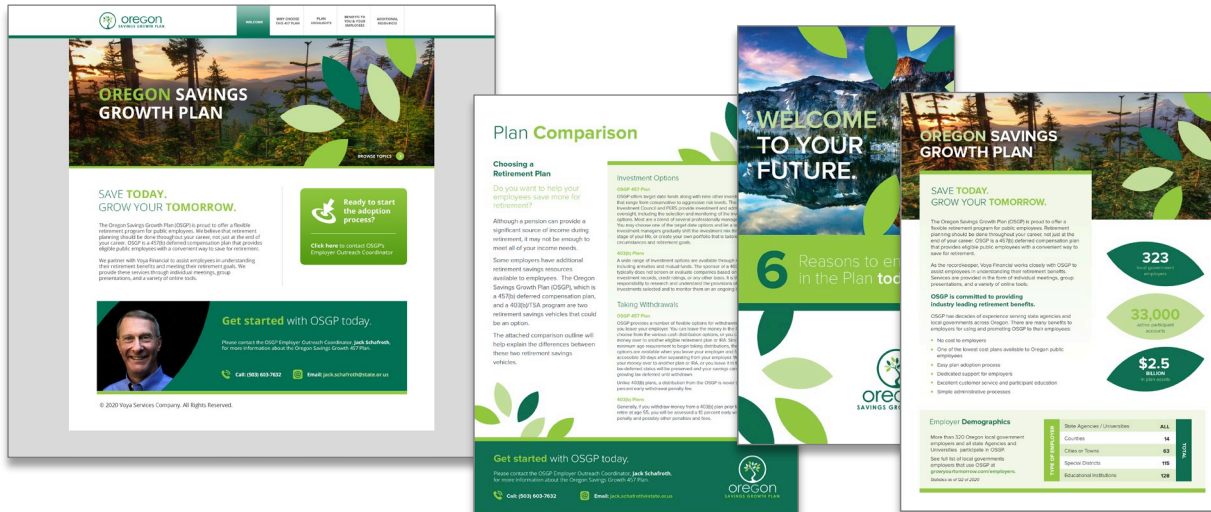
OSGP's team includes a manager and four local representatives.

- Four different workshops offered all year.
- In 2022, virtual question and answer (Q&A) sessions were added:
  - Four sessions with over 100 attendees at each session.
  - Utilized these sessions for percent-of-pay Q&A during implementation.
- All workshops recorded and available on [growyourtomorrow.com](https://growyourtomorrow.com) website.
- Workshops offered both in-person and virtually (new for 2022).
- Marketing materials encourage participants to engage with representatives and register for workshops, Q&A sessions, and individual meetings.
- In 2022: 93% satisfaction was recorded for workshop content.
- 53% of attendees took an action after attending a workshop.



# Employer outreach

Employer category	Number
Total employers who have adopted OSGP	358
Total employers who were new in 2022	20
Total local-government employers who stopped using OSGP in 2022	0



# Looking ahead

- Continue to remove barriers to enrolling in OSGP.
- Encourage participation and contribution increases.
- Educate participants, as well as unenrolled employees, through the online PERS Expo, America Saves Week, and the quarterly newsletter.
- Interact with participants throughout their time in OSGP, not just at the end.
- Continuously improve and update website to make it informative, easy to navigate, and a true resource for participants and employers.

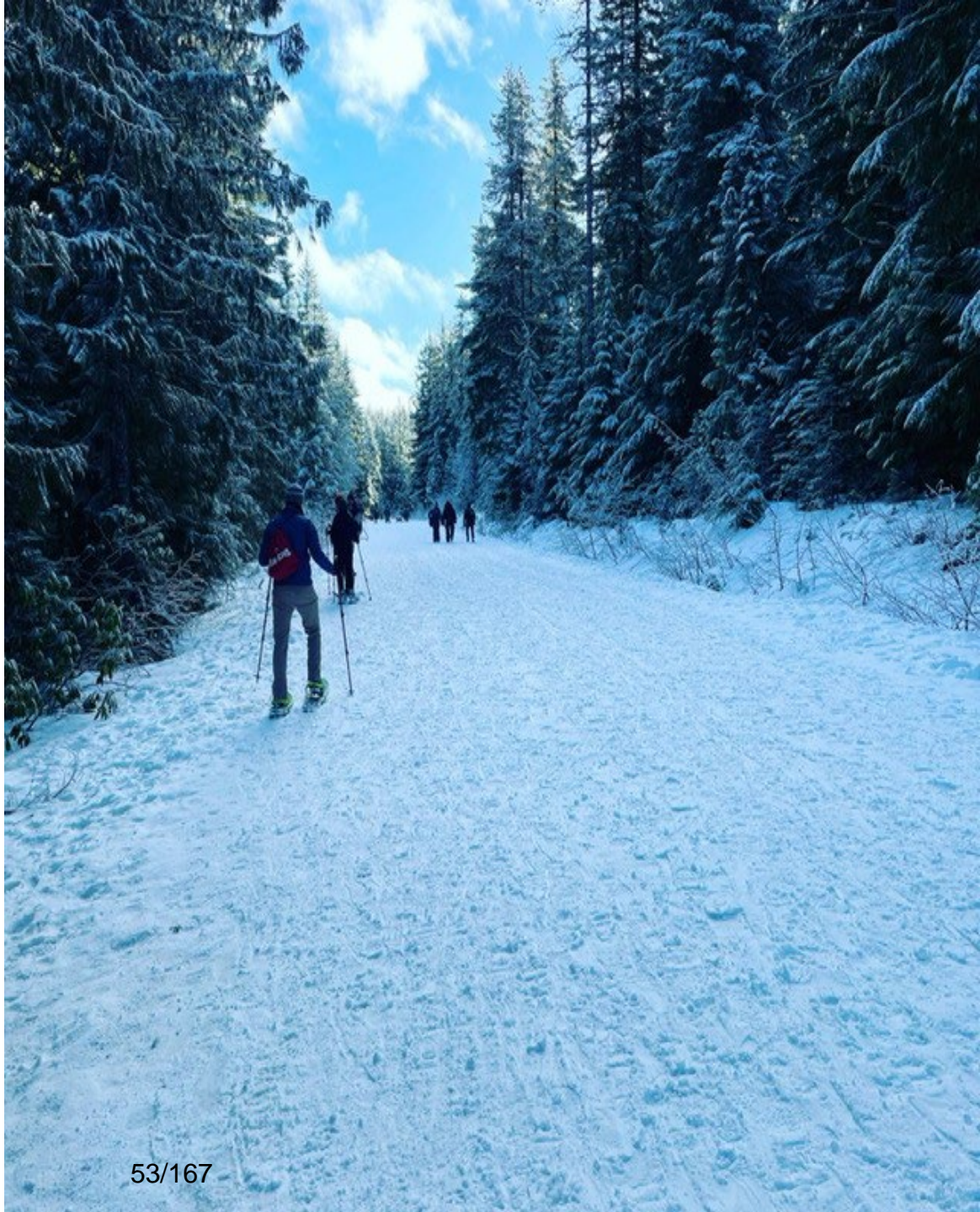


# OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



# THANK YOU



April 3, 2023  
PERS Board Meeting Agenda

## Administrative Rulemaking

1. Notice of Elimination of OPSRP Withdrawals
2. Adoption of Yearly Salary Contribution Limits Increase
3. Adoption of Required Minimum Distribution



# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

Headquarters

11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

[www.oregon.gov/pers](http://www.oregon.gov/pers)

April 3, 2023

TO: Members of the PERS Board

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

SUBJECT: Notice of Permanent Rulemaking to update Oregon Public Service Retirement Plan (OPSRP) withdrawal rule

OAR 459-007-0340, *Crediting Earnings for an OPSRP Pension Program Cash Out of Small Benefits or Withdrawal*

### OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Update rules to reflect legislative changes.
- Policy Issue: None identified.

### BACKGROUND

Before enactment of Senate Bill 1049 (2019), ORS 238A.120 allowed certain vested inactive OPSRP members to withdraw from the pension program and receive the value of their pension benefit as an actuarially equivalent lump-sum distribution. OAR 459-007-0340 provided limitations for crediting earnings and distribution interest to these withdrawal amounts.

SB 1049 amended ORS 238A.120 to eliminate withdrawal distributions from the OPSRP pension programs. Under current law, inactive members who withdraw from the Individual Account Program cancel their membership in the pension program.

Staff recently determined that OAR 459-007-0340 was inadvertently omitted from the original package of SB 1049-related rule amendments. Section (2) of the rule still references earnings crediting and distribution interest for amounts withdrawn under ORS 238A.120, although withdrawals are no longer a part of the statute or the OPSRP pension program. Staff therefore recommends amending the rule to remove section (2) and bring the rule into alignment with the current statutory framework.

### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held remotely on April 27, 2023, at 2:00 p.m. The public comment period ends May 2, 2023, at 5:00 p.m.

### LEGAL REVIEW

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

### IMPACT

Mandatory: Yes.

Benefit: Aligns the OAR with the statutory changes enacted with SB 1049 (2019).

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

### RULEMAKING TIMELINE

March 15, 2023	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
April 1, 2023	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.
April 3, 2023	PERS Board notified that staff began the rulemaking process.
April 27, 2023	Rulemaking hearing to be held remotely at 2:00 p.m.
May 2, 2023	Public comment period ends at 5:00 p.m.
June 2, 2023	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 April 27, 2023. The rule is scheduled to be brought before the PERS Board for adoption at the June 2, 2023, board meeting.

B.1 Attachment 1 – 459-007-0340, *Crediting Earnings for an OPSRP Pension Program Cash Out of Small Benefits or Withdrawal*



*DRAFT*

*DRAFT*

*DRAFT*

*DRAFT*

*DRAFT*

*DRAFT*

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

**DIVISION 007 – EARNINGS AND INTEREST DISTRIBUTION**

1 459-007-0340

2 Crediting Earnings for an OPSRP Pension Program Cash Out of Small Benefits [or  
3 **Withdrawal]**

4 **[(1)]** No earnings or distribution interest from the effective date of retirement to the  
5 date of distribution shall be credited to the amount of a cash out of small benefits under  
6 ORS 238A.195.

7 **[(2)]** No earnings or distribution interest from the effective date of withdrawal to the  
8 **date of distribution shall be credited to the amount of a withdrawal under ORS 238A.120]**

9 Stat. Auth.: ORS 238A.450

10 Stats. Implemented: ORS 238A.120, 238A.195

April 3, 2023  
PERS Board Meeting Agenda

## Administrative Rulemaking

1. Notice of Elimination of OPSRP Withdrawals
2. Adoption of Yearly Salary Contribution Limits Increase
3. Adoption of Required Minimum Distribution



# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

Headquarters

11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

[www.oregon.gov/pers](http://www.oregon.gov/pers)

April 3, 2023

TO: Members of the PERS Board

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

SUBJECT: 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)*  
 OAR 459-080-0500, *Limitation on Contributions*

### OVERVIEW

- **Action:** Adoption of updated Salary and Contribution Limit Rules.
- **Reason:** Update rules to reflect the 2023 Internal Revenue Code (IRC), Social Security, salary limit, and monthly salary threshold for the Employee Pension Stability Account (EPSA).
- **Policy Issue:** None identified.

### BACKGROUND

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

The proposed rule modifications to OAR 459-005-0545 and 459-080-0500 incorporate the federal adjustments for calendar year 2023 and are necessary to ensure compliance with the federal limits on the amount of contributions. In addition, the proposed modifications to OAR 459-017-0060 adopt the 2023 Social Security earnings limitations.

Also, under ORS 238.005, 238A.005 and 238A.330, as amended by SB 1049 (2019), on January 1 of each year, the PERS Board shall adjust the overall salary limit, and the salary threshold for Employee Pension Stability Account (EPSA) contributions to reflect cost of living increases from the previous year, based on the Consumer Price Index (CPI) for All Urban Consumers, West Region (All Items), as published by the Bureau of Labor Statistics of the United States Department of Labor. The year-over-year change for November 2022-2023 is 7.1%. Accordingly, the amendments to OAR 459-005-0525 update the 2023 calendar year salary limit to \$225,533, and the amendments to 459-080-0400 update the monthly threshold for redirecting a portion of member contributions to the EPSA to \$3,570 for calendar year 2023.

### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held remotely on February 22, 2023, at 2:00 p.m. The public comment period ended March 1, 2023, at 5:00 p.m. No public comments were received.

### LEGAL REVIEW

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

### IMPACT

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

**Benefit:** Clarifies the limits for contributions and benefits under federal law for calendar year 2023 and clarifies salary limit and EPSA contributions salary threshold for calendar year 2023.

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

### RULEMAKING TIMELINE

January 30, 2023	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
February 1, 2023	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.
February 3, 2023	PERS Board notified that staff began the rulemaking process.
February 22, 2023	Rulemaking hearing held remotely at 2:00 p.m.
March 1, 2023	Public comment period ended at 5:00 p.m.
April 3, 2023	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

### BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “adopt modifications to OAR 459-005-0525, OAR 459-005-0545, OAR 459-017-0060, OAR 459-080-0400, and 459-080-0500, as presented.”
2. Direct staff to make other changes to the rules or explore other options.

### STAFF RECOMMENDATIONS

Staff recommends the board choose Option #1.

Reason: The changes are needed to reflect the 2023 Internal Revenue Code (IRC), Social Security, salary limit, and monthly salary threshold for the Employee Pension Stability Account (EPSA).

If the PERS Board does not adopt: Staff would return with rule modifications that more closely fit the board's policy direction if the board determines that a change is warranted.

B.1. Attachment 1 – *459-005-0525*

B.1. Attachment 2 – *459-005-0545*

B.1. Attachment 3 – *459-017-0060*

B.1. Attachment 4 – *459-080-0400*

B.1. Attachment 5 – *459-080-0500*

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

1 **459-005-0545**

2 **Annual Addition Limitation**

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

6 (2) Except as otherwise provided in this rule, a member’s annual additions to PERS  
7 for any calendar year after ~~[2021]~~ 2022 may not exceed ~~[\$61,000]~~ \$66,000 (as adjusted  
8 under IRC Section 415(d)).

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

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

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

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

22 (5) If a member makes a payment to PERS to purchase retirement credit for service  
23 in the Armed Forces pursuant to 238.156(3)(c) or 238A.150 and the service is covered

1 under Internal Revenue Code Section 414(u), the following special rules shall apply for  
2 purposes of applying the annual addition limitation in section (2) of this rule:

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

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

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

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

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

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

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

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

1 **459-005-0525**

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

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

7 (2) For purposes of this rule:

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

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

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

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

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

20 (3) For eligible participants, the limit set forth in IRC Section 401(a)(17) shall not  
21 apply for purposes of determining the amount of employee or employer contributions  
22 that may be paid into PERS, and for purposes of determining benefits due under ORS  
23 Chapters 238 and 238A. The limit on annual compensation for eligible participants shall  
24 be no less than the amount which was allowed to be taken into account for purposes of



1 determining contributions or benefits under former ORS 237.001 to 237.315 as in effect  
2 on July 1, 1993, for calendar years before 2020. Beginning in ~~[2022]~~ 2023, the limit on  
3 annual compensation taken into account for purposes of determining contributions or  
4 benefits under ORS Chapter 238 or 238A for eligible participants shall be measured on a  
5 calendar year basis, and shall not exceed ~~[\$210,582]~~ \$225,533 per calendar year.

6 (4) For noneligible participants, the annual compensation taken into account for  
7 purposes of determining contributions or benefits under ORS Chapters 238 and 238A  
8 shall be measured on a calendar year basis, and shall not exceed ~~[\$210,582]~~ \$225,533  
9 per calendar year beginning in ~~[2022]~~ 2023.

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

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

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

21 (8) With respect to ORS Chapter 238, creditable service, as defined in 238.005,  
22 shall be given for each month that an active member is paid salary or wages and  
23 allowable contributions have been remitted to PERS, or would be remitted but for the  
24 annual compensation limit in this rule. With respect to Chapter 238A, retirement credit as  
25 determined in 238A.140, shall be given for each month that an active member is paid

1 salary or wages and allowable contributions have been remitted to PERS, or would be  
2 remitted but for the annual compensation limit in this rule.

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

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

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

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

1 **459-017-0060**

2 **Reemployment of Retired Members**

3 (1) For purposes of this rule:

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

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

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

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

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

20 (A) For retired members who have not reached full retirement age under the Social  
21 Security Act, the annual compensation limit is [~~\$19,560~~] \$21,240; or

22 (B) For the calendar year in which the retired member reaches full retirement age  
23 under the Social Security Act and only for compensation for the months before reaching  
24 full retirement age, the annual compensation limit is [~~\$51,960~~] \$56,520.

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

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

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

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

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

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

15 (B) The retired member retired at a reduced benefit under the provisions of ORS  
16 238.280(1) or (3), but is not employed by any participating employer until more than six  
17 months after the member’s effective retirement date, and the member’s retirement  
18 otherwise meets the standard of a bona fide retirement;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (A) PERS will cancel the member's retirement.

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

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

7 (iii) If the member received a single lump sum payment under ORS 238.305(4) or  
8 238.315, the member is entitled to the payment provided the payment was dated on or  
9 before the last day of the month in which the limitations were exceeded.

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

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

14 (C) The member's account must be rebuilt in accordance with the provisions of  
15 section (9) of this rule.

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

17 (A) PERS will cancel the member's retirement effective the date the member was  
18 reemployed.

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

21 (C) The member will reestablish active membership effective the date the member  
22 was reemployed.

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

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

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

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

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

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

12 (b) The member will reestablish active membership on the date the member is  
13 reemployed.

14 (c) If the member elected a benefit payment option other than a lump sum option  
15 under ORS 238.305(2) or (3), the last monthly service retirement allowance payment to  
16 which the member is entitled is for the month before the calendar month in which the  
17 member is reemployed. Upon subsequent retirement, the member may choose a  
18 different benefit payment option.

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

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

25 (d) If the member elected a partial lump sum option under ORS 238.305(2), the last  
26 monthly service retirement allowance payment to which the member is entitled is for the

1 month before the calendar month in which the member is reemployed. The last lump  
2 sum or installment payment to which the member is entitled is the last payment due  
3 before the date the member is reemployed. Upon subsequent retirement, the member  
4 may not choose a different benefit payment option unless the member has repaid to  
5 PERS in a single payment an amount equal to the lump sum and installment benefits  
6 received and the earnings that would have accumulated on that amount.

7 (A) The member’s account will be rebuilt as required by ORS 238.078 effective the  
8 date active membership is reestablished.

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

13 (e) If the member elected the total lump sum option under ORS 238.305(3), the last  
14 lump sum or installment payment to which the member is entitled is the last payment  
15 due before the date the member is reemployed. Upon subsequent retirement, the  
16 member may not choose a different benefit payment option unless the member has  
17 repaid to PERS in a single payment an amount equal to the benefits received and the  
18 earnings that would have accumulated on that amount.

19 (A) If the member repays PERS as described in this subsection the member’s  
20 account will be rebuilt as required by ORS 238.078 effective the date that PERS  
21 receives the single payment.

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

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



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

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

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

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

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

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

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

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

16 (10) If a member has been retired for less than six calendar months and is  
17 reemployed in a qualifying position by a participating employer under the provisions of  
18 238.078(2):

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

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

23 (c) The member will reestablish active membership effective the date the member is  
24 reemployed.

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

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

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

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

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

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

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

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

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

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

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

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

8 (18) For calendar years 2020 through 2024, a public employer employing a retired  
9 member shall apply the employer’s contribution rate for its covered payroll to the wages  
10 paid to the retired member. The public employer shall make a payment to the Public  
11 Employees Retirement Fund in that amount. This payment is in addition to the  
12 employer’s contribution required under ORS 238.225, and will be applied to the  
13 employer’s liabilities, including pension benefit costs and retiree medical benefit costs. If  
14 the employer is a member of a pool established under ORS 238.227, the additional  
15 payment will be applied to the employer’s rate pool’s liabilities.

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

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

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

23 Stat. Auth.: ORS 238.650 & ORS 238.630

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

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

1 **459-080-0400**

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

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

7 (2) The monthly salary threshold amount:

8 (a) Is ~~[\$3,333 for calendar year 2022]~~ \$3,570 for calendar year 2023;

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

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

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

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

23 (5) If the amount in the EPSA exceeds the cost of the pension or other retirement  
24 benefits that are payable to the member or the member’s beneficiary determined

1 according to section (4) of this rule, the board shall pay the excess amounts in a lump  
2 sum to the member or the member's IAP beneficiary.

3 Stat. Auth.: ORS 238A.450

4 Stats. Implemented: ORS 238A.050, 238A.330, OL 2021, Ch. 298, OL 2019, Ch.  
5 355, Sec. 2, & OL 2018, Ch. 118

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

1   **459-080-0500**

2   **Limitation on Contributions**

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

5       (2) Except as otherwise provided in this rule, the annual addition to a member  
6 account for any calendar year may not exceed [~~\$61,000~~] \$66,000 effective January 1,  
7 ~~[2022]~~ 2023.

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

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

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

14       Stat. Auth.: ORS 238A.450

15       Stats. Implemented: ORS 238A.370

April 3, 2023  
PERS Board Meeting Agenda

## Administrative Rulemaking

1. Notice of Elimination of OPSRP Withdrawals
2. Adoption of Yearly Salary Contribution Limits Increase
3. Adoption of Required Minimum Distribution



# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

Headquarters

11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

[www.oregon.gov/pers](http://www.oregon.gov/pers)

April 3, 2023

TO: Members of the PERS Board

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

SUBJECT: Adoption of Rules regarding Required Minimum Distribution Age  
 OAR 459-005-0560, *Required Minimum Distributions, Generally*  
 OAR 459-050-0080, *Distribution of Funds After a Severance of Employment*  
 OAR 459-050-0300, *Required Minimum Distribution Requirements*

### OVERVIEW

- Action: Adoption of updated Required Minimum Distribution Age Rules.
- Reason: Implement the change in the Required Minimum Distribution age under the Federal SECURE 2.0 Act of 2022.
- Policy Issue: None.

### BACKGROUND

Staff learned in mid-December that Congress would be passing the SECURE 2.0 Act of 2022 (SECURE 2.0) by the end of 2022. SECURE 2.0 is follow-up legislation of the federal Setting Every Community Up for Retirement Enhancement (SECURE) Act, which was passed in 2019. The bill moved very quickly and was signed into law on December 29, 2022. Among other provisions, it raises the required minimum distribution (RMD) age once again from 72 to 73 effective January 1, 2023; and to age 75 effective January 1, 2033, which is applicable to both the PERS programs and the Oregon Savings Growth Plan (OSGP).

The RMD age is specified in the PERS statutes and with SECURE 1.0 we waited until the age was updated in statute before updating the rule; however, the RMD age is a federal standard stated in federal law. Particularly in this instance, federal law takes precedent over state law; meaning, we need to administer the new age effective January 1, 2023. We anticipate the necessary changes to the PERS statutes will be addressed in the annual federal tax reconnect bill at the next available opportunity.

While this SECURE 2.0 change is effective January 1, 2023, there are numerous other provisions that will need to be implemented for the PERS Plan and for OSGP. As governmental plans, we have until 2027 to incorporate the relevant changes into the plan terms.

### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held remotely on February 22, 2023, at 2:00 p.m. The public comment period ended March 1, 2023, at 5:00 p.m. No public comments were received.



### LEGAL REVIEW

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

### IMPACT

Mandatory: Yes.

Benefit: Provides direction to staff and members regarding the change in the RMD age under the federal SECURE 2.0.

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

### RULEMAKING TIMELINE

January 30, 2023	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
February 1, 2023	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.
February 3, 2023	PERS Board notified that staff began the rulemaking process.
February 22, 2023	Rulemaking hearing held remotely at 2:00 p.m.
March 1, 2023	Public comment period ended at 5:00 p.m.
April 3, 2023	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

### BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “adopt modifications to OAR 459-005-0560, OAR 459-050-0080 and 459-050-0300, as presented.”
2. Direct staff to make other changes to the rules or explore other options.

### STAFF RECOMMENDATIONS

Staff recommends the PERS Board choose Option #1.

Reason: The rules need to be amended to conform to the recently passed Federal SECURE 2.0 Act of 2022.

If the board does not adopt: Staff would return with rule modifications that more closely fit the board’s policy direction if the board determines that a change is warranted.

- B.2. Attachment 1 – 459-005-0560, *Required Minimum Distributions, Generally*
- B.2. Attachment 2 – 459-050-0080, *Distribution of Funds After a Severance of Employment*
- B.2. Attachment 3 – 459-050-0300, *Required Minimum Distribution Requirements*

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

1       **459-005-0560**

2       **Required Minimum Distributions, Generally**

3       (1) Applicable Law. Distributions under the Public Employees Retirement System  
4 (PERS) shall be made in accordance with Internal Revenue Code (IRC) Section  
5 401(a)(9), including IRC Section 401(a)(9)(G), and the Treasury Regulations and  
6 Internal Revenue Service rulings and other interpretations issued thereunder, including  
7 Treasury Regulation Sections 1.401(a)(9)-1 through 1.401(a)(9)-9. The provisions of this  
8 administrative rule and any other statute or administrative rule reflecting the required  
9 minimum distribution requirements of IRC Section 401(a)(9) shall override any  
10 distribution options that are inconsistent with IRC Section 401(a)(9).

11       (2) Distributions to Members. Each member's entire benefit under PERS shall be  
12 distributed to the member, beginning no later than the required beginning date, over the  
13 member's lifetime (or the joint lives of the member and a designated beneficiary), or over  
14 a period not extending beyond the member's life expectancy (or the joint life  
15 expectancies of the member and a designated beneficiary).

16       (a) Required Beginning Date. For purposes of this section, the "required beginning  
17 date" is April 1 of the calendar year after the later of the following:

18       (A) The calendar year in which the member reaches:

19       ***[age 70 1/2 years of age if the member was born before July 1, 1949, or age***  
20 ***72 if the member was born after June 30, 1949; or]***

21       **(i) 70-1/2 years of age in 2019 or earlier,**

22       **(ii) 72 years of age in calendar years 2020 through 2022,**

23       **(iii) 73 years of age in calendar years 2023 through 2032, and**

1 (iv) 75 years of age beginning in 2033 and later, or

2 (B) The calendar year in which the member retires.

3 (b) Designated Beneficiary. For purposes of this section, a "designated beneficiary"  
4 means any individual designated as a beneficiary by the member. If the member  
5 designates a trust as a beneficiary, the individual beneficiaries of the trust shall be  
6 treated as designated beneficiaries if the trust satisfies the requirements set forth in  
7 Treasury Regulation Section 1.401(a)(9)-4.

8 (c) Calculation of Life Expectancies. For purposes of this section and Chapter 238  
9 benefits and the Pension Program, which are part of the DB component of PERS, life  
10 expectancies shall not be recalculated after the initial determination, unless otherwise  
11 required by Treasury Regulation Section 1.401(a)(9)-5, Q&A-4 and Q&A-5. For purposes  
12 of this section and the Individual Account Program, life expectancies shall be  
13 recalculated but no more frequently than annually, unless otherwise required by  
14 Treasury Regulation Section 1.401(a)(9)-5, Q&A-5.

15 (d) Limitations on Benefit Changes. A retired member who has had a required  
16 beginning date shall not change a beneficiary designation, benefit option election, or any  
17 other designation or election except as permitted under Treasury Regulation Sections  
18 1.401(a)(9)-4 and 1.401(a)(9)-6.

19 (e) Limitations on Conversion of Joint Annuity to Single Life Annuity Following  
20 Divorce. A retired member who has had a required beginning date may elect to convert  
21 a joint and survivor annuity under Option 2A or 3A under Chapter 238 to a single life  
22 annuity by reason of the member's divorce from the joint annuitant, subject to the  
23 provisions of Treasury Regulation Section 1.401(a)(9)-6. This section applies to ORS  
24 Chapter 238 benefits notwithstanding ORS 238.305(5) and 238.325(3).

25 (f) Limitations on Survivor Annuity Elections. Except as otherwise required by a  
26 domestic relation order under ORS 238.465, if a member elects a 100 percent (100%)

1 joint and survivor annuity (Option 2 or 2A under ORS 238.305(1) and under  
2 238A.190(1)(a)) and designates a nonspouse beneficiary who is more than ten years  
3 younger than the member as calculated under Treasury Regulation Section 1.401(a)(9)-  
4 6, Q&A-2, the benefit shall be actuarially adjusted to provide for a reduced survivor  
5 annuity benefit to the extent necessary to comply with federal requirements for qualified  
6 retirement plans.

7 (g) Limitation on Period-Certain Annuity Election (Chapter 238 only). If a member  
8 elects a 15-year certain option (Option 4 under ORS 238.305(1)), and attains age 85 or  
9 older during the calendar year in which the benefits commence, the benefit shall be  
10 actuarially adjusted to provide for a shorter payout period to the extent necessary to  
11 comply with federal requirement for qualified retirement plans.

12 (h) Limitation on Selection of IAP Benefit Options. Benefit payment options selected  
13 under the Individual Account Program shall be considered as payment options under a  
14 DC plan and must comply with the requirements of Treasury Regulation Section  
15 1.401(a)(9)-5.

16 (3) Distributions to Beneficiaries of Retired Members. If a retired member dies after  
17 annuity benefit payments have begun under Chapter 238 or the Pension Program, any  
18 death benefits shall be distributed at least as rapidly as under the distribution method  
19 being used at the member's death.

20 (4) Distributions to Beneficiaries of Active and Inactive Members. If an active or  
21 inactive member dies before annuity payments have begun under Chapter 238 or the  
22 Pension Program, any death benefits shall be distributed by December 31 of the  
23 calendar year that contains the fifth anniversary of the member's death, except as  
24 provided in the following:

25 (a) Distributions to Designated Beneficiaries. The five-year rule shall not apply to  
26 any death benefit that is payable to a member's designated beneficiary, if:

1 (A) The benefit is distributed over the designated beneficiary's lifetime or over a  
2 period not extending beyond the designated beneficiary's life expectancy; and

3 (B) The distributions begin no later than December 31 of the calendar year that  
4 contains the first anniversary of the member's death.

5 (b) Distributions to Spouse Designated Beneficiaries. Notwithstanding subsection  
6 (a) of this section, if the designated beneficiary is the member's surviving spouse as  
7 defined by the Internal Revenue Code:

8 (A) The commencement of distributions under subsection (a)(B) of this section may  
9 be delayed until December 31 of the calendar year in which the member would have  
10 reached the age specified in section (2)(a)(A) of this rule; and

11 (B) If the surviving spouse dies after the member's death but before the distributions  
12 to the spouse have begun, the rules of this section shall apply to any death benefit  
13 payable to any contingent beneficiary as if the spouse were the member.

14 Notwithstanding the foregoing, however, this subsection shall not apply to any death  
15 benefit payable to a surviving spouse of the deceased member's surviving spouse.

16 (5) The provisions of this rule are effective on January 1, 2003.

17 Statutory/Other Authority: ORS 238.630, 238.650, 238A.130, 238A.170 & 238A.410

18 Statutes/Other Implemented: ORS 238.005 - 238.715

19

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 050 – DEFERRED COMPENSATION**

1 **459-050-0080**

2 **Distribution of Funds After a Severance of Employment**

3 The purpose of this rule is to establish the criteria and process for obtaining a  
4 distribution of deferred compensation funds after a participant's severance of  
5 employment as defined herein. Distribution under the Deferred Compensation Program  
6 shall be made in accordance with any minimum distribution or other limitations required  
7 by Internal Revenue Code (IRC) section 401(a)(9), 26 U.S.C. 401(a)(9) and related  
8 regulations.

9 (1) Definitions. The following definitions apply for the purpose of this rule:

10 (a) "Commencement date" means the month and year that a participant will begin  
11 receiving a distribution(s) from the Deferred Compensation Program, whether by  
12 operation of the participant's election or under the terms of the plan. The  
13 commencement date is not the date that the necessary funds are liquidated for  
14 distribution.

15 (b) "Date of distribution" means the date funds are distributed to the participant,  
16 alternate payee, beneficiary, or other recipient in accordance with the plan, regardless of  
17 the mechanism by which those funds are distributed.

18 (c) "Intention to return to work" means a written or oral, formal or informal  
19 agreement has been made with the plan sponsor to return to work on a full time, part  
20 time or temporary basis at the time the severance is effective. If a participant returns to  
21 work with the plan sponsor within 30 calendar days of severance, then a rebuttable  
22 presumption exists that the participant intended to return to work as of the date of  
23 severance.

1 (d) "Liquidation date" means the date the Deferred Compensation Program  
2 designates for liquidation of funds. Generally, the liquidation date will not be earlier than  
3 the 25th day of the calendar month preceding the commencement date. The Deferred  
4 Compensation Program may determine the liquidation date based on normal business  
5 practices. The Deferred Compensation Program is not liable to a participant for failure to  
6 liquidate an investment on a specified date.

7 (e) "Liquidation of funds" means the conversion of the necessary funds from the  
8 investments in the Deferred Compensation Program into cash for payment under a  
9 specified manner of distribution.

10 (f) "Manner of distribution" means the manner elected by the participant, alternate  
11 payee, or beneficiary in accordance with the terms of the plan, in which a distribution is  
12 to be paid out of the Deferred Compensation Program.

13 (g) "Required beginning date" means April 1 of the calendar year following the later  
14 of:

15 (A) The calendar year in which the participant: *[reaches 70-1/2 years of age if the*  
16 *participant was born before July 1, 1949, or age 72 if the participant was born after June*  
17 *30, 1949,]*

18 (i) 70-1/2 years of age in 2019 or earlier,

19 (ii) 72 years of age in calendar years 2020 through 2022,

20 (iii) 73 years of age in calendar years 2023 through 2032, and

21 (iv) 75 years of age beginning in 2033 and later, or

22 (B) The calendar year in which the participant retires.

23 (h) "Severance of Employment" means a participant has ceased rendering services  
24 as an employee or an independent contractor of a plan sponsor for a minimum of 30  
25 consecutive days, including services as a temporary employee, and has no intention to  
26 return to work for the plan sponsor.

1 (2) Manner of distribution. Subject to the provisions of sections (3) through (5) set  
2 out below, a participant, surviving beneficiary, or alternate payee may elect a manner of  
3 distribution, designate one or more beneficiaries, and change beneficiaries at any time.  
4 The total amount distributed may not exceed the total account value. The following  
5 manners of distribution are available:

6 (a) Total distribution of the account value in a lump sum.

7 (b) Single distribution of a portion of the account value in a lump sum. Funds not  
8 distributed shall continue to receive earnings or losses based on the performance of  
9 investment option(s) in which funds are held;

10 (c) Systematic withdrawal distribution for a specific number of years, which may be  
11 paid annually, semiannually, quarterly or monthly. Any funds remaining after each  
12 periodic payment shall continue to receive earnings or losses based on the performance  
13 of investment option(s) in which the funds are held. The remaining number of periodic  
14 distributions may not change. However, the amount of distributions shall be adjusted  
15 depending on the earnings or losses experienced;

16 (d) Periodic specified dollar amount distribution. This distribution may be paid  
17 annually, semiannually, quarterly or monthly, and may be paid in specific dollar amounts  
18 in \$5 increments. Any funds remaining after each periodic payment shall continue to  
19 receive earnings or losses based on the performance of investment option(s) in which  
20 the funds are held. The amount of each periodic distribution will remain the same  
21 throughout the withdrawal period. However, the withdrawal period may vary depending  
22 on the earnings or losses experienced;

23 (e) Required minimum distribution, which will provide an annual distribution of the  
24 minimum amount required in IRC section 401(a)(9), 26 U.S.C. 401(a)(9). This manner of  
25 distribution is available only to those who defer distribution *[age 70-1/2 if the participant*  
26 *was born before July 1, 1949, or age 72 if the participant was born after June 30, 1949.]*



1 *(no later than April of the year following the year reaching 70-1/2 years of age, [or]-72*  
 2 *years of age]*to their required beginning date or a participant who continues to work  
 3 and severs employment after *[70-1/2 years of age if the participant was born before July*  
 4 *1, 1949, or age 72 if the participant was born after June 30, 1949]* their required  
 5 beginning date. Funds not distributed shall continue to receive earnings or losses  
 6 based on the performance of investment option(s) in which funds are held; or

7 (f) Mandatory single lump-sum distribution of an account balance of less than  
 8 \$1,000. This distribution shall be made to any participant or alternate payee with an  
 9 account balance of less than \$1,000 within one year of the participant's severance of  
 10 employment.

11 (3) Application Requirements. Application shall be made on forms provided by, or  
 12 other methods approved by, the Deferred Compensation Program. No distribution may  
 13 be paid unless a timely and complete application is filed with the Deferred Compensation  
 14 Program as follows:

15 (a) An application for distribution or to change the manner of distribution will be  
 16 considered filed in a timely manner if it is received in writing or other method approved  
 17 by the Deferred Compensation Program at least 30 days before the requested  
 18 commencement date. The commencement date may be no earlier than the second  
 19 calendar month following the month of severance of employment.

20 (b) An application for distribution or to change the manner of distribution may be  
 21 made by a participant, surviving beneficiary, or alternate payee or the authorized  
 22 representative of a participant, surviving beneficiary or alternate payee. A valid  
 23 document appointing an authorized representative such as a power of attorney,  
 24 guardianship or conservatorship appointment, must be submitted to the Deferred  
 25 Compensation Program. The Deferred Compensation Program retains the discretion to  
 26 determine whether the document is valid for purposes of this rule.

1 (c) Except in the case of a qualified distribution as defined in section 402A(d)(2) of  
2 the Internal Revenue Code, the participant, surviving beneficiary, or alternate payee  
3 must file a tax-withholding certificate with the Deferred Compensation Program at least  
4 30 days before the requested commencement date. If the certificate is not filed, the  
5 Deferred Compensation Program shall withhold state income taxes based on a marital  
6 status of single and no dependents and federal income taxes based on a marital status  
7 of married and 3 dependents, or other federally mandated tax withholding requirements.  
8 A new certificate may be filed at any time, and will be applied to distributions paid on and  
9 after the first calendar month following the date received or as soon as reasonably  
10 possible.

11 (d) When direct deposit is permitted under the Deferred Compensation Program, a  
12 request for periodic distributions to be transmitted to a financial institution for direct  
13 deposit must be made using a Deferred Compensation Program Automatic Deposit  
14 Agreement.

15 (e) Distribution of deferred compensation funds will occur no later than five days  
16 following the date funds necessary for a specified payment were liquidated. Liquidation  
17 of funds will be done on a pro-rata basis determined by the investment allocation of an  
18 account at the time the funds are liquidated or from the Stable Value account, at the  
19 participant's election. The election must be filed before the participant begins receiving  
20 distributions. If the participant elects distribution from the Stable Value account and there  
21 are insufficient funds in that account on the date of each distribution (whether monthly,  
22 quarterly, semi-annually, or annually), the distribution will be done on the pro-rata basis  
23 described above regardless of the participant's election.

24 (4) Denial of distribution election. The Deferred Compensation Program may deny  
25 any distribution election if that denial is required to maintain the status of the Deferred

1 Compensation Program under the Internal Revenue Code and regulations adopted  
2 pursuant to the Internal Revenue Code and ORS Chapter 243.

3 (5) Changing the manner of distribution. A participant, surviving beneficiary or  
4 alternate payee may change or discontinue the manner of distribution only as follows  
5 and subject to the requirements of section (3) above:

6 (a) Manners of distribution under sections (2)(c), (2)(d) and (2)(e) of this rule may be  
7 changed at any time upon application as required under section (3) of this rule.

8 (b) Distributions under sections (2)(c) and (2)(d) of this rule may be discontinued  
9 upon written notification or by other methods approved by the Deferred Compensation  
10 Program. The participant, surviving beneficiary, or alternate payee must submit an  
11 application, as required in section (3) of this rule, to restart distributions and elect a  
12 manner of distribution for the remaining account.

13 (c) Subject to the requirements of this rule, a participant, surviving beneficiary or  
14 alternate payee who has commenced receiving a required minimum distribution may  
15 apply under the requirements of section (3) of this rule:

16 (A) For one or more additional distributions in a lump sum not to exceed the total  
17 value of the account; and

18 (B) To change the manner of distribution so long as future distributions will be  
19 continuous and equal to or greater than the minimum distribution required.

20 Stat. Auth.: ORS 243.470

21 Stats. Implemented: ORS 243.401 – 243.507, Pub. L. No. 116-136

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 050 – DEFERRED COMPENSATION**

1    **459-050-0300**

2    **Required Minimum Distribution Requirements**

3       (1) Definitions. The following definitions apply for the purposes of this rule:

4       (a) “Designated Beneficiary” means:

5           (A) A natural person designated as a beneficiary by the participant, alternate payee,  
6 or surviving beneficiary as provided in OAR 459-050-0060; or

7           (B) If a trust is designated as a beneficiary, the individual beneficiaries of the trust  
8 will be treated as designated beneficiaries if the trust satisfies the requirements in  
9 section (2) of this rule and applicable Treasury Regulations, including but not limited to  
10 Proposed Treasury Regulation Section 1.401(a)(9)-1, Q&A-D-5.

11          (C) If the beneficiary is not a person or a trust satisfying these requirements, the  
12 participant, alternate payee, or surviving beneficiary will be deemed to have no  
13 designated beneficiary only for purposes of required minimum distributions under IRC  
14 409(a)(9), and distribution shall be made in accordance with section (11) of this rule.

15          (b) “Life Expectancy” means the length of time a person of a given age is expected  
16 to live as set forth in Treasury Regulation Section 1.72-9. Required minimum  
17 distributions shall be calculated so as to satisfy the requirements of Section 401(a)(9)  
18 using the life expectancy tables provided in Treasury regulations. Life expectancies may  
19 not be recalculated after the initial determination, except as otherwise required under  
20 Oregon or federal law.

21          (c) “Required Beginning Date” means April 1 of the calendar year following the later  
22 of:

23           (A) The calendar year in which the participant reaches:  
24

1 [70-1/2 years of age if the participant was born before July 1, 1949, or age 72 if  
2 the participant was born after June 30, 1949,]

3 (i) 70-1/2 years of age in 2019 or earlier,

4 (ii) 72 years of age in calendar years 2020 through 2022,

5 (iii) 73 years of age in calendar years 2023 through 2032, and

6 (iv) 75 years of age beginning in 2033 and later, or

7 (B) The calendar year in which the participant retires.

8 (d) "Required Commencement Date" means the date that the deferred  
9 compensation plan must begin to distribute all or part of an account to a surviving  
10 beneficiary.

11 (2) A trust as beneficiary. If a trust is designated as a beneficiary, the individual  
12 beneficiaries of the trust will be treated as designated beneficiaries as defined in  
13 paragraph (1)(c)(B) if by December 31 of the calendar year following the death of a  
14 person who designated a trust as beneficiary, the trust satisfies the following conditions:

15 (a) The trust must be irrevocable, or become irrevocable by its terms at the time of  
16 the person's death;

17 (b) The trust's beneficiaries must be natural persons who are identifiable from the  
18 trust instrument; and

19 (c) One of the following must be provided to the Deferred Compensation Program:

20 (A) A list of all beneficiaries of the trust, including contingent beneficiaries, along  
21 with a description of the portion to which they are entitled and any conditions on their  
22 entitlement, all corrected certifications of trust amendments, and a copy of the trust  
23 instrument if requested by the Deferred Compensation Program; or

24 (B) A copy of the trust instrument and copies of any amendments after they are  
25 adopted.

1 (3) Applicable law. Distributions under the Deferred Compensation Program shall be  
2 made in accordance with Internal Revenue Code (IRC) Section 401(a)(9), Treasury  
3 regulations, Internal Revenue Service rulings and other interpretations issued, including  
4 Proposed Treasury Regulation Section 1.401(a)(9)-2. IRC Section 401(a)(9) overrides  
5 the provisions of this rule and any other statute or rule pertaining to the required  
6 minimum distribution requirements and any manners of distributions, if they are found to  
7 be inconsistent with IRC Section 401(a)(9).

8 (a) If a participant, alternate payee, or surviving beneficiary has not begun  
9 distribution or elected a minimum distribution by the beginning date or commencement  
10 date required in this rule and IRC Section 401(a)(9), the Deferred Compensation  
11 Program shall begin distribution of the minimum amount required as provided under  
12 OAR 459-050-0080(2)(e) or, if required, the entire account. Distribution under this  
13 subsection is subject to the provisions of OAR 459-050-0120(5).

14 (b) The required minimum distribution amount may never exceed the entire account  
15 balance on the date of distribution.

16 (4) Minimum distribution requirements for participants. Distributions must begin no  
17 later than the participant's required beginning date.

18 (a) The participant's entire account balance shall be distributed over the  
19 participant's life expectancy or over a period not extending beyond the participant's life  
20 expectancy without regard to the designated beneficiary's age unless the designated  
21 beneficiary is a spouse who is more than 10 years younger than the participant.

22 (b) If the designated beneficiary is a spouse and is more than 10 years younger  
23 than the participant, the entire account balance shall be distributed over the joint lives of  
24 the participant and the designated beneficiary.

1 (c) The participant's entire account(s) balance in the Deferred Compensation  
2 Program shall be distributed first from the Deferred Compensation Account unless the  
3 participant indicates otherwise.

4 (5) Minimum distribution requirements for alternate payees. The minimum  
5 distribution requirements applicable to an alternate payee are determined by whether a  
6 Qualified Domestic Relations Order (QDRO) allocates a separate account to the  
7 alternate payee or provides that a portion of a participant's benefit is to be paid to the  
8 alternate payee.

9 (a) If a separate account is established in the name of the alternate payee under  
10 OAR 459-050-0210, required minimum distributions to the alternate payee must begin  
11 no later than the participant's required beginning date. The alternate payee's entire  
12 account balance shall be distributed over the alternate payee's life expectancy or over a  
13 period not extending beyond the alternate payee's life expectancy.

14 (b) If no separate account is established in the name of the alternate payee and the  
15 alternate payee is paid a portion of a participant's benefit, the alternate payee's portion  
16 of the benefit shall be aggregated with the amount distributed to the participant and will  
17 be treated, for purposes of meeting the minimum distribution requirement, as if it had  
18 been distributed to the participant.

19 (6) Manners of distribution available to surviving designated beneficiaries. A  
20 surviving designated beneficiary may choose a manner of distribution and apply for a  
21 distribution as provided for in OAR 459-050-0080. If the distribution to a participant or  
22 alternate payee has begun in accordance with section 401(a)(9)(A)(ii) and the participant  
23 dies before the entire account has been distributed or after distributions are required to  
24 begin under section (4) of this rule, distributions to the surviving designated beneficiary  
25 must be made at least as rapidly as under the manner of distribution used before the  
26 participant's or alternate payee's death.

1 (7)(a) Distributions treated as having begun. Distributions from an individual account  
2 are not treated as having begun to a participant in accordance with section  
3 401(a)(9)(A)(ii) until the participant's required minimum distribution beginning date,  
4 without regard to whether distributions from an individual account have been made  
5 before the required beginning date.

6 (b) If distribution has been made before the required beginning date in the form of  
7 an irrevocable annuity, the distributions are treated as having begun if a participant dies  
8 after the annuity starting date but before the required beginning date. The annuity  
9 starting date will be deemed the required minimum distribution beginning date.

10 (8) Required commencement date for a surviving designated beneficiary. If a  
11 participant dies before distributions are required to begin or are treated as having begun,  
12 the entire account balance must be distributed by December 31 of the calendar year  
13 containing the fifth anniversary of the participant's death, unless the beneficiary makes  
14 the following distribution election in the manner prescribed by the Deferred  
15 Compensation Plan:

16 (a) Distributions must begin no later than December 31 of the calendar year  
17 following the year of the participant's or alternate payee's death; and

18 (b) Distribution of payments over the designated beneficiary's lifetime or over a  
19 period not exceeding the designated beneficiary's life expectancy.

20 (A) The beneficiary's life expectancy is calculated using the age of the beneficiary in  
21 the year following the year of the participant's death, reduced by one for each  
22 subsequent year.

23 (B) If the participant has more than one designated beneficiary as of December 31  
24 of the calendar year following the year of the participant's death and the account has not  
25 been divided into separate accounts for each beneficiary, the beneficiary with the  
26 shortest life expectancy is treated as the designated beneficiary.



1 (9) Required commencement date for a spousal beneficiary. If distributions have not  
2 begun before the participant's death and if the sole designated beneficiary is the  
3 participant's surviving spouse, distributions to the surviving spouse must commence on  
4 or before the later of the dates set forth in subsections (a) and (b) below:

5 (a) December 31 of the calendar year immediately following the calendar year in  
6 which the participant died; or

7 (b) December 31 of the calendar year in which the participant would have [attained  
8 70-1/2 years of age if the participant was born before July 1, 1949, or age 72 if the  
9 participant was born after June 30, 1949.] reached their required beginning date.

10 (c) The distribution period during the surviving spouse's life is the spouse's single  
11 life expectancy.

12 (10)(a) Required commencement date for a surviving spouse's beneficiary. If the  
13 surviving spouse dies after the participant's death but before distributions to the spouse  
14 have begun, any death benefits payable to the surviving spouse's beneficiary will be  
15 applied as if the surviving spouse were the participant. The date of death of the surviving  
16 spouse will be substituted for the date of death of the participant.

17 (b) A death benefit payable to the surviving spouse of the deceased participant's  
18 surviving spouse shall be distributed as provided in section (8) of this rule. The  
19 provisions of section (9) of this rule do not apply to a death benefit payable to a surviving  
20 spouse of the deceased participant's surviving spouse.

21 (11)(a) Required commencement date if no designated beneficiary: If a participant  
22 dies before the required beginning date with no designated beneficiary as defined in  
23 paragraph (1)(c)(C) of this rule, the total account balance must be distributed as  
24 provided for in OAR 459-050-0060, by December 31 of the calendar year containing the  
25 fifth anniversary of the participant's or alternate payee's death.

1 (b) If a participant dies after the required beginning date with no designated  
2 beneficiary as defined in paragraph (1)(c)(C) of this rule, the applicable distribution  
3 period must not be longer than the participant's life expectancy.

4 (12) Determining the designated beneficiary. The designated beneficiary will be  
5 determined based on the beneficiary(s) designated as of December 31 of the calendar  
6 year following the calendar year of the participant's, alternate payee's, or surviving  
7 beneficiary's death.

8 (a) A participant may change beneficiaries after his or her required beginning date.

9 (b) A beneficiary may be changed after a participant's death, such as by one or  
10 more beneficiaries disclaiming benefits.

11 (13) Notwithstanding any other sections of this rule and pursuant to the Coronavirus  
12 Aid, Relief, and Economic Security Act of 2020, required minimum distribution under IRC  
13 401(a)(9) is waived for calendar year 2020, including 2019 required minimum distribution  
14 that would be made between January 1 and April 1, 2020.

15 Stat. Auth.: ORS 243.470

16 Stats. Implemented: ORS 243.401 - 243.507, Pub. L. No. 116-136

## Action and discussion items

1. Legislative update
2. SB 1049 Implementation update
3. Final 2022 Earnings Crediting and Reserving
4. Preparatory discussion for upcoming experience study



# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

Headquarters

11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

[www.oregon.gov/pers](http://www.oregon.gov/pers)

April 3, 2023

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

### 2023 LEGISLATIVE SESSION- BILLS IMPACTING PERS

The 2023 legislative session began on January 17 and will continue until mid-to-late June. As of March 10, over 2,800 bills have been introduced for consideration during the 2023 legislative session. Of those, we are tracking approximately 30 that directly impact PERS statutes or refer to PERS. Other bills that are being tracked include placeholders (where we are unsure unless amendments are introduced whether they will contain language pertaining to PERS), and bills that may have an impact on various aspects of our operation as a state agency. During session, our highest priority is to monitor bills that will impact the PERS plan directly by amending or adding to ORS Chapters 238 and 238A, that refer to “retirement,” or that include incidental reference to PERS in non-PERS statutes.

Topics include, but are not limited to: Police and Fire (P&F) designation; Final Average Salary calculated on five years instead of three years; lowering contribution rates for charter schools; removing requirement that Oregon Public Service Retirement Plan (OPSRP) P&F serve their final 60 *continuous* months in a P&F position; providing PERS benefits to substitute teachers; lower retirement age for OPSRP P&F members with 25 years of service in a P&F position; re-hiring and restoration of benefits for state agency workers terminated due to the vaccine requirement; excluding various types of income from state income tax benefits (and therefore reducing subject salary for PERS purposes); average overtime exception for Oregon State Police; including student workers in OPSRP membership eligibility; assistance for low-income retirees; and eliminating the Work After Retirement sunset.

With few exceptions, committees have until April 4 to hold work sessions on their first chamber bills (House bills in the House and Senate bills in the Senate). The following 30 bills qualify for close monitoring but are not the only bills the agency is tracking. Official information about all legislation is available on the legislative website: [www.oregonlegislature.gov](http://www.oregonlegislature.gov)

Bill Number	Relating to Clause
HB 2032	Relating to domestic partnerships
HB 2054	Relating to the status of district attorneys in the Public Employees Retirement System
HB 2074	Relating to connection to federal tax law; prescribing an effective date

HB 2212	Relating to telecommunicators
HB 2283	Relating to public employee retirement
HB 2284	Relating to alternate payees in the Public Employees Retirement System
HB 2285	Relating to the Social Security Revolving Account
HB 2296	Relating to reemployment of retired members of the Public Employees
HB 2297	Relating to retirement credit for military service
HB 2299	Relating to the Oregon Public Service Retirement Plan
HB 2601	Relating to investment funds
HB 2701	Relating to the Oregon Public Service Retirement plan
HB 2822	Relating to cost-of-living adjustments in the Public Employees Retirement System
HB 2875	Relating to final average salary under the Oregon Public Service Retirement Plan
HB 3033	Relating to the status of student workers under the Oregon Public Service Retirement Plan
HB 3219	Relating to pension benefit plans offered by public bodies
HB 3387	Relating to the Oregon Public Service Retirement Plan.
HB 3553	Relating to compensation for accrued leave upon termination of employment
HB 5033	Relating to the financial administration of the Public Employees Retirement System; declaring an emergency
SB 79	Relating to reemployment of retired members of the Public Employees Retirement System; prescribing an effective date
SB 128	Relating to salary under the Public Employees Retirement System

SB 141	Relating to connection to federal tax law; prescribing an effective date
SB 195	Relating to final average salary under the Oregon Public Service Retirement Plan
SB 308	Relating to decedent's estates
SB 327	Relating to the status of district attorneys in the Public Employees Retirement System
SB 540	Relating to taxable income exemption for military taxpayers
SB 571	Relating to ABLE accounts
SB 663	Relating to the calculation of final average salary under the Public Employees Retirement System
SB 951	Relating to certified parole and probation officers employed by the State Board of Parole and Post-Prison Supervision
SB 987	Relating to public charter schools participating in the Public Employees Retirement System

### 2023 LEGISLATIVE SESSION- PERS AGENCY BILLS

PERS' agency bills are HB 2283 (PERS Modernization Fixes), 2284 (Divorce Fee Increase), and 2285 (Social Security Statute Updates). These bills are working their way through the House currently. The bills have been assigned to the House Committee on Emergency Management, General Government, and Veterans. Public hearings for all three bills were held on March 16, and work sessions will likely be scheduled after that date.

Currently, amendments for HB 2283 are being discussed, but no amendments have been formally introduced. As far as the agency is aware, HB 2284 and 2285 do not have any potential amendments.

### PERS BUDGET PRESENTATIONS

PERS presented before the Joint Ways and Means Subcommittee on General Government for informational hearings on the PERS budget bill, HB 5033, on February 20, 21, and 22. Presentations included an agency and system overview, highlights of the agency budget structure and requests, and required reporting regarding SB 1566 (2018) and preliminary earnings crediting.

Meeting video and materials are available at:

<https://olis.oregonlegislature.gov/liz/2023R1/Measures/Testimony/HB5033>

Additional budget conversations will continue with the full Joint Ways and Means Committee near the end of the legislative session.

#### REQUIRED REPORTING UPDATE

A summary of the required statutory reporting for PERS during the 2023 legislative session was given during the last board meeting. PERS has successfully completed its required reporting regarding SB 1566 (2018) and preliminary earnings crediting to the legislature. After this board meeting, PERS will complete its final earnings crediting report and send that to the legislature as well.

## Action and discussion items

1. Legislative update
2. SB 1049 Implementation update
3. Final 2022 Earnings Crediting and Reserving
4. Preparatory discussion for upcoming experience study





# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

Headquarters

11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

[www.oregon.gov/pers](http://www.oregon.gov/pers)

April 3, 2023

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

### BACKGROUND

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 AND 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 3/10/23)
SB 1049 Program		Program health: Red <ul style="list-style-type: none"> <li>The program continues to be in red status because the Member Redirect project has determined that two work packages cannot be completed within the current baselined schedule. Once Member Redirect is re-baselined, the program schedule will be updated and re-baselined. This is expected to change the end date of the program to June 2025.</li> <li>Cross Project Effort (CPE) health continues to be in red status due to delays in Work Package (WP) 6, however development of the tool was completed on 2/28/23.</li> </ul>
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.

<p>Member Redirect Project</p>	<p>Effective 7/1/2020</p>	<p>Project health: Red</p> <ul style="list-style-type: none"> <li>• The Member Redirect project status continues to be in red status due two issues:                             <ul style="list-style-type: none"> <li>○ WP8 (EPSA Death) and WP11 (EPSA Adjustments) schedule uncertainty. Change requests for schedule changes, as well as incorporation of SB 111A, were approved and the schedule continues to be in process of rebaselining. This will impact the deployment dates of WP8, WP10, and WP11.</li> <li>○ The 3/23/23 deployment of WP9.1 (EPSA Withdrawal) and WP9.2 (Alter OPSRP Withdrawal) has been delayed due to a check file issue with DAS Publishing and Distribution. Another change request is in process to address this.</li> </ul> </li> <li>• All other project activities are progressing as expected.</li> </ul>
<p>Member Choice Project</p>	<p>Effective 1/1/2021</p>	<p>Project ended 8/4/21.</p>
<p>Technical Debt</p>		<p>Project health: Green</p> <ul style="list-style-type: none"> <li>• Completed construction and business functional testing for WP6 (General Ledger Reversals). User acceptance testing is set to begin on 4/10/23.</li> <li>• Elaboration continues for WP5 (Side Account Reversals).</li> </ul>

**HIGHLIGHTED ACTIVITIES**

- Program and project activities
  - iQMS activities
    - Final Quarterly QA Status and Improvement report (January 2023) received 2/23/23.
    - Draft Periodic Quality Status report received 2/16/23.

- Budget reporting
  - Next bi-monthly meeting with the Chief Financial Office, Legislative Fiscal Office, and the Governor's Office is scheduled for 3/22/23.

#### 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.

The 2023-2025 SB 1049 budget request was included in the Governor's Recommended Budget and presented to the Joint Ways and Means Subcommittee on General Government during the informational hearings on the PERS budget bill, HB 5033, on 2/21/23. We 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 March 17, 2023

Executive Sponsor: Kevin Olineck  
Program Manager: James Allen

### Program information:

**Program start:** July 1, 2019 | **Program end:** June 19, 2024  
*Note: Member Redirect is in replanning and the end date has extended approximately 1 year. As a result, the program end date will extend to June 2025. Schedule updates are in process.*

### 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: May 9, 2025  
Project status: **Red**

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: March 11, 2024  
Project status: **Yellow**

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

The program status remains red while the Member Redirect Team completes their replanning efforts. Two Member Redirect change requests were approved by the SB 1049 Steering Team in December 2022 to holistically address the size and complexity of all remaining work packages, and to add SB 111A construction and transition activities into SB 1049 scope. Schedule updates from these change requests continue to be worked on to re-baseline. Once the schedule is re-baselined, the SB 1049 team will re-evaluate the overall program status.

Member Redirect has completed User Acceptance Testing (UAT) for two work packages planned for release to production in March 2023. Overall, UAT went very well, but a check file issue was discovered with Department of Administrative Services Publishing & Distribution’s (DAS P&D) ability to process two new fiduciary check files and has delayed this release. Replanning is underway for these two work packages as well as other work packages impacted by this issue. Details can be found in the Member Redirect and Technical Debt sections of this report.

Member Redirect and Technical Debt have activities planned into the 2023-2025 biennium, and that budget has not been approved.

# SB 1049 Implementation Program

Status Report for March 17, 2023

Executive Sponsor: Kevin Olineck  
Program Manager: James Allen

**Budget health: Yellow**

The budget health is yellow because work for Member Redirect and Technical Debt will extend beyond the 2021-2023 biennium and that budget has not been approved yet.

29560- SB 1049 Implementation Program by Project					
Other Funds Lmt	21-23 Budget	Actual to Date	Projections	21-23 Total	Variance
Work After Retirement	\$ 1,127,741	\$ 527,076	\$ -	\$ 527,076	\$ -
Variance from WAR	\$ -	\$ -	\$ -	\$ -	\$ 600,665
Member Redirect	\$ 19,473,730	\$ 15,882,377	\$ 4,071,238	\$ 19,953,615	\$ (479,884)
Technical Debt	\$ 2,565,741	\$ 1,553,709	\$ 128,501	\$ 1,682,210	\$ 883,530
				\$ -	\$ -
Total	\$ 23,167,212	\$ 17,963,162	\$ 4,199,739	\$ 22,162,901	\$ 1,004,310

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	\$ 1,360,788	\$ 271,212	\$ 1,632,000	\$ 412,800
Quality Assurance and Testing	\$ 812,500	\$ 589,984	\$ 222,516	\$ 812,500	\$ -
Info Technology Applications	\$ 13,337,000	\$ 10,890,142	\$ 2,436,596	\$ 13,326,738	\$ 10,262
Operational Implementation	\$ 6,972,912	\$ 5,122,248	\$ 1,269,417	\$ 6,391,665	\$ 581,247
Total	\$ 23,167,212	\$ 17,963,162	\$ 4,199,739	\$ 22,162,901	\$ 1,004,310

### Schedule health: **Red**

Schedule updates are in process to incorporate two approved Member Redirect change requests and to address delays caused by the DAS P&D check file issue (described below). Once all changes are approved, the Member Redirect schedule will be re-baselined.

The Cross Project Effort is red due to delays in development activities for WP 6 (IAP Balance Comparison Tool), and due to impacts from the Member Redirect change requests on WP 7.3 (Payouts Actuarial Extract). Schedule replanning is in process, and reviews have begun for the WP 6 schedule changes.

### Scope health: **Red**

Resolution of the DAS P&D check file issue (described below) requires the reformatting of additional existing production check files. This scope was not planned for Member Redirect.

Quality Assurance activities:

- iQMS Deliverable 4.1.12 Quarterly QA Status and Improvement Report started 12/8/2022, completed 3/3/2023.
- iQMS Deliverable 3.3.12 Periodic Quality Status Report starts 1/27/2023, due 3/22/2023.
- iQMS Deliverable 4.1.13 Quarterly QA Status and Improvement Report started 3/10/2023, due 5/18/2023.

Emerging concerns/needs/impacts:

- There is an issue with DAS P&D's ability to process two new fiduciary check files that are a required part of the Member Redirect WP 9.1 (EPSA Withdrawal). Release 9.17.0, which includes Member Redirect work packages 9.1 (EPSA Withdrawal) and 9.2 (Alter OPSRP Withdrawal) will not deploy to production as scheduled on 3/23/2023. Resolution of this issue requires new scope to be added to modify existing production check files. Replanning to incorporate this new scope is in process and impacts both Member Redirect and Technical Debt activities.
- Three staffing changes for SB 1049 LFO, EIS, and PER project management resources have occurred in the last month:
  - SB 1049 LFO Principal Legislative Analyst Bob Cummings left on 2/28/2023. Ed Arabas will assume this role going forward.
  - SB 1049 EIS Oversight Analyst Talon Wood left on 2/22/2023. Jenny King will assume this role going forward.
  - SB 1049 Technical Debt Project Manager left on 2/17/2023. Susan Mundell will assume this role going forward.
- There is a continued concern that non-SB 1049 project could have a negative impact to SB 1049:
  - Resources, both people and technical, may be negatively impacted. The SB 1049 team continues to monitor resource allocations for SB 1049 resources across all projects (where data is available) and mitigate impacts where issues are found. The SB 1049 Project Managers proactively manage their schedules to ensure major milestones are kept on track.
    - Note that this risk has seen recent improvement
  - jClarety production deployments (both SB 1049 and non-SB 1049) are stacked very tightly for the foreseeable future. There is little room to accommodate schedule slippage for any release without impacting subsequent SB 1049 releases.

# SB 1049 Implementation Program

Status Report for March 17, 2023

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
39	<b>Critical Resources Allocated to non-SB 1049 Work:</b> Critical SB 1049 resources are allocated to non-SB 1049 work, impacting availability for SB 1049 potentially causing schedule delays.	<ul style="list-style-type: none"> <li>➤ Coordinate with non-SB 1049 projects to identify and resolve resource conflicts</li> <li>➤ Reassign non-SB 1049 work to operational resources not working on SB 1049</li> </ul>	This risk has seen recent improvements. The SB 1049 project managers will continue to monitor this risk.
120	<b>Impact of non-SB 1049 projects to SB 1049:</b> Non-SB 1049 projects running concurrent with SB 1049 could negatively impact SB 1049 resource availability and/or SB 1049 project timelines.	<ul style="list-style-type: none"> <li>➤ Careful coordination with non-SB 1049 project managers</li> <li>➤ Escalate when conflicts cannot be avoided</li> </ul>	This risk has seen recent improvements. The SB 1049 project managers will continue to monitor this risk.

## 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	<b>Technology Risk: Complex, New or Untried Process:</b> The project solution is complex, new, untried in the market or not aligned with best practices.	<ul style="list-style-type: none"> <li>➤ PowerApps is being used for Cross Project Effort WP 6 (IAP Balance Comparison Tool), but this tool is new to PERS, and the learning curve has been significant. Construction of this tool was delayed but was completed on 2/28/2023!</li> <li>➤ The experienced PowerApps contractor provided knowledge transfer to the PERS staff and has been released.</li> </ul>	3/31/2023
23	<b>Schedule Capacity or Re-Baseline Planning:</b> The project schedule does not have capacity for all scope needed and is delayed or requires a re-baseline.	<ul style="list-style-type: none"> <li>➤ DAS P&amp;D check file issue requires new scope be added to Member Redirect WP 9.1. This is expected to impact both Member Redirect and Technical Debt schedules. Replanning is in process.</li> </ul>	4/30/2023

# SB 1049 Implementation Program

Status Report for March 17, 2023

Executive Sponsor: Kevin Olineck  
Program Manager: James Allen

**Program information: Cross Project Effort (CPE)**

Start: May 28, 2020 | End: TBD (likely early 2025)  
Project Manager: Susan K. Mundell

**Cross Project Effort objective:**

The Cross Project Effort (CPE) 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:** Development for CPE WP 6 (IAP Balance Comparison) is complete! The Infrastructure and Quality Audit team are focusing on developing the transition between environments and quality activities for the PERS System Development Lifecycle. Business Functional Testing will not begin until early April due to the need to test the tool both before and after the 2022 earnings post in jClarety. The project schedule for CPE WP 6 is in initial team review and scheduled to be finalized by the end of March.

CPE WP 7.3 (Payouts Actuarial Extract) is dependent upon Member Redirect WP 11.2A (Retirement Excess EPSA). With the changes in the Member Redirect schedule from recently approved Member Redirect Change Requests, the development start for CPE WP 7.3 and CPE project closure dates will also be changing. After the updated Member Redirect schedule is rebaselined, the schedule for CPE WP7.3 will be updated and rebaselined. Note that the changes to CPE WP7.3 do not impact CPE scope or budget, just the timing of when the work can be executed.

Once the updated schedules are approved by the project teams and SB 1049 Steering Committee for both CPE WP 6 and WP7.3, the project can return to a green status.

**Schedule Deliverables and Milestones**

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP 6: IAP Balance Comparison Tool	0%	10/04/2022	7/11/2023	Tentative pending schedule approval
WP 7.3: Payouts Actuarial Extract	0%	2/22/2024	TBD	Schedule update in progress
Cross Project Effort Closure	0%	5/13/2024	TBD	Schedule update in progress

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



# SB 1049 Implementation Program

Status Report for March 17, 2023

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
<b>Employer Programs</b>	● 7/1/19 – Effective Date						● 9/3/19 – Employer Incentive Fund (EIF) Application #1 Opens						● 8/6/20 – Employer Rate Projection Tool (ERPT) Assessment Complete										
							● 11/27/19 – EIF Application #1 Closes						● 12/1/20 – EIF Application #2 Closes										
							● 12/2/19 – EIF Application #2 Opens						3/30/21 – Work Package (WP) 1 Migrate and Adapt ERPT →●										
													6/30/21 – WP2 ERPT Stakeholder Acceptance and Deployment →●										
<b>Salary Limit</b>							● 12/24/19 – Work Package (WP) 1 – Short Term						● 11/19/20 – WP3 User Screens to Record Annual Salary Limit										
							● 1/1/20 – Effective Date						5/13/21 – WP4 Proration Reports and Workflow →●										
							● 1/24/20 – WP2 Post 2020 Salary Limit						5/28/21 – Project Close →●										
<b>Work After Retirement</b>							● 12/19/19 – Work Package (WP) 1 Retiree Wages Suspended – Short Term						● 11/19/20 – WP2 New Wage Codes with General Ledger (GL) Integration										
							● 1/1/20 – Effective Date						5/13/21 – WP3 Retro Rate Change →●										
<b>Member Redirect</b>							6/18/20 – Work Package (WP) 1 Employee Pension Stability Account Set Up/Batch/General Ledger – Short Term						● 9/22/20 – Voluntary Contributions Initial Functionality										
							7/1/20 – Effective Date						● 10/30/20 – WP2.2 IAP Forecaster Tool – non-jClarety										
													● 11/19/20 – Voluntary Contributions Final Functionality Release										
													1/21/21 – WP5.2 Online Member Services User Interface →●										
													1/26/21 – WP2 TIED SSIS – Non-jClarety →●										
													6/24/21 – WP4.2 EPSA Display, and WP12 Full EPSA Set up Screen →●										
<b>Member Choice</b>							● 10/23/19 – Project Kick Off						8/20/20 – Work Package (WP) 1 Online Member Services (OMS) Changes Deployed										
							5/15/20 – Member Annual Statements (MAS) Flyer Communication						● 9/1-30/20 – Election Period										
													● 1/1/21 – Effective Date										
													3/23/21 – WP2 OMS & jClarety Enhancements →●										
													5/1/21 – Member Choice reflected in MAS →●										
													6/24/21 – WP3 Online Member Services (OMS) Election and Bugs →●										
<b>PROGRAM INITIATIVE</b>													1/26/21 – WP2.1 IAP Payment Recon (short-term) →●										
<b>Cross Project Effort</b>													3/18/21 – WP1.2 IAP Validator Tool →●										
							9/17/20 – WP1.1 IAP Validator Tool (short-term) →●						4/27/21 – WP2.2 IAP Payment Recon →●										
													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 March 17, 2023

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
<b>Employer Programs</b>	● 7/16/21 – Project Close																		Mar. 17					
<b>Work After Retirement</b>							● 12/16/21 – WP4 Side Account Credit Allocation																	
							● 2/24/22 – Project Close																	
<b>Member Redirect</b>							● 10/14/21 – WP5 Voluntary Contribution Maintenance																	
							● 3/24/22 – WP4.3 EPSA Transaction Display																	
							● 7/21/22 – WP6.1 EPSA Retirement																	
																			● 3/23/23 – WP9.1 EPSA Withdrawal → ●					
																			● 3/23/23 – WP9.2 Alter OPSRP Withdrawal → ●					
<b>Member Choice</b>	● 8/4/21 – Project Close																							
<b>Technical Debt</b>	● 7/1/21 – Project Kickoff																		● 6/8/23 – WP6 General Ledger Reversals → ●					
							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					
																			● 10/20/22 – WP4 Hyperion Replacement					
<b>PROGRAM INITIATIVE</b>																								
<b>Cross Project Effort</b>																								
							● 3/4/22 – WP3 IAP Divorce Tool																	
																			● 5/20/22 – WP5.2 PYE Invoicing Tool					
																			● 6/1/22 – WP4.2 IAP Adjustment Calculator					
																			5/15/23 – WP6 IAP Balance Comparison Tool → ●					




# SB 1049 Implementation Program

Status Report for March 17, 2023

Executive Sponsor: Kevin Olineck  
Program Manager: James Allen

## Senate Bill (SB) 1049 Implementation Road Map

2023-2025 Biennium

PROJECTS	2023						2024						2025												
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	
 <b>Member Redirect</b>			1/18/24 – WP10 Mid-Project Clean up → •				• 1/18/24 – WP8.1 EPSA Death							• 8/8/24 – WP11.1A EPSA Retirement Cancellation and Adjustment	• 8/8/24 – WP11.2B Death Excess EPSA										5/9/25 – Project Close → •
 <b>Technical Debt</b>							• 1/18/24 - WP5 Side Account Reversals																		• 3/11/24 – Project Close
<b>PROGRAM INITIATIVE</b>																									
 <b>Cross Project Effort</b>																									• 3/28/24 – WP7.3 Tier One/Tier Two/OPSRP Payouts Actuarial Extract

### Project information: Member Redirect

**Project start:** July 1, 2019, | **Project end:** May 9, 2025

**Project Manager:** Chris Yu

### 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.

### Overall project status: **Red**

**Project Narrative:** The project health status remains red while we incorporate two change requests approved in December into the project schedule. In addition, the DAS P&D check file issue (issue 18), has caused delays within Member Redirect. Specifically, Release 9.17.0, which includes WP 9.1 (EPSA Withdrawal) and WP 9.2 (Alter OPSRP Withdrawal), will not deploy to production as scheduled on 3/23/2023. Change Request-011 DAS P&D XML Check File Impact is being developed to address the updated scope, budget, and schedule impact caused by this issue. CR-011 will be presented to the SB 1049 Core Team for a vote on 3/23/2023 and if passed will go on to the SB 1049 Steering Team on 3/28/2023 for approval.

User Acceptance Testing for WP 9.1 (EPSA Withdrawal) and WP 9.2 (Alter OPSRP Withdrawal) was completed on 3/9/2023. This was the original scope and does not yet include the new scope required to resolve the DAS P&D check file issue.

Construction for WP 8.1 (EPSA Death) and WP 10 (Mid-Project Clean up) continues. Analysis is underway to understand the impact of the DAS P&D issue on these work packages, but they will likely be delayed.

The DAS P&D check file issue are not expected to extend the Member Redirect project end date.

**Note:** The dates in this report have been updated to reflect the schedule that is in review to be re-baselined. They are subject to change until the re-baseline occurs but reflect the most accurate information we have at this time.

#### Work Package 9.1 EPSA Withdrawal

- Production Deployment Date: 7/20/2023 (tentative)
- Business Functional Testing was completed on 11/30/2022.
- User Acceptance Testing was completed on 3/9/2023.

#### Work Package 9.2 Alter OPSRP Withdrawal

- Production Deployment Date: 7/20/2023 (tentative)
- Business Functional Testing was completed on 11/30/2022.
- User Acceptance Testing was completed on 3/9/2023.

#### Work Package 8.1 EPSA Death

- Production Deployment Date: 1/18/2024
- Construction will be completed on 7/11/2023.
- Business Functional Testing will begin on 7/12/2023.

#### Work Package 10 Mid-Project Clean up

- Production Deployment Date: 1/18/2024
- Construction will be completed on 7/11/2023.
- Business Functional Testing will begin on 7/12/2023

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

# SB 1049 Implementation Program

Status Report for March 17, 2023

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	\$ 689,198	\$ 969,028	\$ 1,658,226	\$ -
Personal Services - SB1049	\$ 5,956,112	\$ 4,521,224	\$ 1,434,888	\$ 5,956,112	\$ -
Services and Supplies	\$ 1,686,960	\$ 1,215,678	\$ 356,059	\$ 1,571,737	\$ 115,223
IT Professional Services	\$ 12,326,323	\$ 10,129,633	\$ 2,280,291	\$ 12,409,924	\$ (83,601)
IT Expendable Property	\$ 50,000	\$ 15,842	\$ -	\$ 15,842	\$ 34,158
Data Processing Hardware	\$ 55,000	\$ -	\$ -	\$ -	\$ 55,000
SB1049 Total Expenses	\$ 20,074,395	\$ 15,882,377	\$ 4,071,238	\$ 19,953,615	\$ 120,781
<b>Project Total</b>	<b>\$ 21,732,621</b>	<b>\$ 16,571,575</b>	<b>\$ 5,040,266</b>	<b>\$ 21,611,841</b>	<b>\$ 120,781</b>
<b>Average Monthly Spend (Burn Rate)</b>		<b>\$ 1,588,237.69</b>	<b>\$ 203,561.88</b>		
*Not included in SB1049 Expenses					

**Schedule Health: Red**

The project schedule did not pass quality check point review for two change requests approved in December. The Program Manager and Project Manager will continue to fix the schedule after CR-011 DAS P&D Check File Impact is processed. The DAS P&D check file issue required new scope be added to WP 9.1, resulting in unplanned development and testing that has delayed the schedule. A new schedule is being developed.

**Scope health: Red**

Project scope will need to be expanded to include reformatting of existing production check files to resolve the DAS P&D check file issue.

Quality Assurance activities:

- The Monthly Release Management Report will be submitted for Quality Check Point review on 3/31/2023.

Emerging concerns/needs/impacts:

- The team is working with DAS P&D to resolve the check file issue. Construction activities are on schedule to be completed by 4/10/2023. There will be delays to the WP 9.1 (EPSA Withdrawal) and WP 9.2 (Alter OPSRP Withdrawal) deployment and will likely be delays to WP 8.1 (EPSA Death) and WP10 (Mid Project Clean Up). These delays are not expected to impact the overall project end date).

# SB 1049 Implementation Program

**Status Report for March 17, 2023**

Executive Sponsor: Kevin Olineck  
Program Manager: James Allen

## High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

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

#	Risk Description	Mitigation and/or Contingency Plan	Notes
4	<b>Internal Staffing:</b> Resource shifting, competing priorities, or over allocation impact the availability of dedicated project resources, or a key resource leaves PERS or is out for an extended period, and/or staff experience levels are inadequate and meet quality needs	➤ Work with other SB 1049 and non-SB 1049 Project Managers during bi-weekly resource allocation meeting to manage resources and schedule.	CR-011 DAS P&D XML Check File Impact will also provide updated resource allocations to Member Redirect. The Project Manager and Release Manager are working to determine resource impacts to a combined deployment with Technical Debt.

## 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
18	<b>DAS P&amp;D unable to process new WP9.1 check files:</b> DAS Publishing & Distribution is unable to process two new SB 1049 fiduciary check files.	<ul style="list-style-type: none"> <li>➤ CR-011 DAS P&amp;D XML Check File Impact is being developed to address the scope, budget, and schedule impact for this new work.</li> <li>➤ The SB 1049 Steering Team authorized development activities to begin while the change request is being developed</li> </ul>	7/20/2023
17	<b>Impact of Non-SB 1049 Projects:</b> There are critical SB 1049 resources that are also allocated to non-SB 1049 projects, which could cause schedule delays, technical environmental issues.	<ul style="list-style-type: none"> <li>➤ The schedule updates to address 2 change requests in December did not pass quality check point review on 1/24/2023. After CR-011 DAS P&amp;D XML Check File Impact is approved, the Program Manager and Project will begin the rebaseline schedule updates.</li> <li>➤ The project management team reviews resource capacity once a month.</li> </ul>	6/30/2023

# SB 1049 Implementation Program

**Status Report for March 17, 2023**

Executive Sponsor: Kevin Olineck  
Program Manager: James Allen

## Project Schedule Deliverables and Milestones

**Note:** Schedule re-baseline is in process. Expected re-baseline dates are listed in the Forecast Finish Date column.

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP 4.2 - EPSA Transaction Display	100%	6/24/2021	6/24/2021	
WP 12 - Full EPSA Set up screen	100%	6/24/2021	6/24/2021	
WP 5.1 - Voluntary Contribution maintenance	100%	10/14/2021	10/14/2021	
WP 4.3 - EPSA Correct Member Account	100%	3/24/2022	3/24/2022	
WP 6.1 - EPSA Retirement	100%	7/21/2022	7/21/2022	
WP 9.1 - EPSA Withdrawal	0%	2/23/2023	7/20/2023	Has been delayed by Issue 18
WP 9.2 - Alter OPSRP Withdrawal	0%	2/23/2023	7/20/2023	Has been delayed by Issue 18
WP 8.1 - EPSA Death	0%	7/21/2023	1/18/2024	Will likely be delayed by Issue 18
WP 10 - Mid-Project Clean up	0%	7/21/2023	1/18/2024	Will likely be delayed by Issue 18
WP 11.1A - EPSA Retirement Cancelation and Adjustments	0%	12/21/2023	9/12/2024	
WP 11.2B - Death Excess EPSA	0%	12/21/2023	9/12/2024	
WP 11.1B - Withdrawal Cancelation and Adjustments	0%	12/21/2023	1/16/2025	
WP 11.1C - EPSA Death Cancelation and Adjustments	0%	12/21/2023	1/16/2025	
WP 11.2A - Retirement Excess EPSA	0%	12/21/2023	1/16/2025	
Project Complete	0%	4/25/2024	5/9/2025	

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

## Status Report for March 17, 2023

Executive Sponsor: Kevin Olineck  
Program Manager: James Allen

### Project information: Technical Debt

**Project start:** June 22, 2021 | **Project end:** March 11, 2024

**Project Manager:** Susan Mundell

### 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: **Yellow**

#### Project Narrative:

Technical Debt WP 5 (Side Account Reversals) elaboration is complete. The draft Business Requirements Document will be handed to Information Services Division for a technical review by 3/20/23. Development for Technical Debt WP 5 is scheduled to begin late April.

Technical Debt WP 6 (General Ledger Reversals) completed Business Functional Testing as planned. Organizational Change Management processes and User Acceptance Testing will begin in April.

The project has turned yellow due to a risk that the Member Redirect CR-011 DAS P&D XML Check File Impact could cause the release dates for both Technical Debt WP 5 and Technical Debt WP 6 to change. The Member Redirect change request (CR) has not been approved by the SB 1049 Steering Team, but if the recommended solution is approved, the health of this project will change to red until a new schedule can be rebaselined. The Member Redirect CR-011 will not affect the scope or budget of Technical Debt but is anticipated to affect the schedule.

#### Work Packages:

##### Work Package 1: Employer Statements

- Production Deployment Date: 7/21/2022 (complete)

##### Work Package 2: Benefit Account Status Transition

- Functional Design Specification 3/31/2022 (complete)

##### Work Package 3: General Ledger and Side Account Reversals

- Functional Design Specification 4/30/2022 (complete)

##### Work Package 4: Hyperion Replacement

- Production Deployment: 10/20/2022 (complete)

##### Work Package 5: Side Account Reversals

- Production Deployment Date: 1/18/2024
- Elaboration completed 3/17/2023
- Development begins 4/24/2023

##### Work Package 6: General Ledger Reversals

- Production Deployment Date: 6/8/2023
- Elaboration completed 12/8/2022
- Business Functional Testing completed 2/14/2023
- User Acceptance Testing begins 4/10/2023



# SB 1049 Implementation Program

Status Report for March 17, 2023

Executive Sponsor: Kevin Olineck  
Program Manager: James Allen

CR or WP#	Description	Status	SB 1049 Technical Debt Qualification	Other Considerations/Notes
WP 1	Employer Statements	Closed	<b>Exacerbated by SB 1049:</b> 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
WP 2	Benefit Account Status Transition	Closed	<b>Exacerbated by SB 1049:</b> 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
WP 3	General Ledger and Side Account Reversals	Closed	<b>Exacerbated by SB 1049:</b> Two issues impacting General Ledger 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 (CR006 & CR007) to explore adding solutions to these issues to the project scope in future work packages.
WP 4	Hyperion Replacement	Closed	<b>Inhibit PERS' ability to complete SB 1049:</b> 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 addressing other reports used by the agency.	There are two other non-SB 1049 work streams to complete the Hyperion replacement: <ul style="list-style-type: none"> <li>• A Maintenance and Enhancement effort to convert approximately 80 reports</li> <li>• 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.</li> </ul>

# SB 1049 Implementation Program

## Status Report for March 17, 2023

Executive Sponsor: Kevin Olineck  
Program Manager: James Allen

WP 5	Side Account Reversals	In Process	<b>Exacerbated by SB 1049:</b> Issues impacting Side Account Reversals were discovered during the WAR project.	Through the As-Is documentation produced in WP 3, we have found that Side Account Reversals are a complex issue to address. A change request was approved by the SB 1049 Steering Team on 5/10/22. This work package is in elaboration.
WP 6	General Ledger Reversals	In Process	<b>Exacerbated by SB 1049:</b> Issues impacting General Ledger transaction reversals were discovered during the WAR project.	Through the As-Is documentation produced in WP 3, 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. A change request was approved by SB 1049 Steering Team on 5/24/22. This work package is currently in business functional testing.

**\*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 March 17, 2023**

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 - Technical Debt Project					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 500,000	\$ 418,639	\$ 81,361	\$ 500,000	\$ -
Personal Services - SB1049	\$ 200,000	\$ 128,277	\$ 71,723	\$ 200,000	\$ -
Office Expenses	\$ 105,000	\$ 2,887	\$ 6,113	\$ 9,000	\$ 96,000
IT Professional Services	\$ 1,760,000	\$ 849,760	\$ 172,695	\$ 1,022,455	\$ 737,545
Professional Services - QA + PM	\$ 485,741	\$ 556,550	\$ (122,030)	\$ 434,520	\$ 51,221
IT Expendable Prop	\$ 15,000	\$ 16,235	\$ -	\$ 16,235	\$ (1,235)
SB1049 Expenses	\$ 2,565,741	\$ 1,553,709	\$ 128,501	\$ 1,682,210	\$ 883,531
<b>Project Total</b>	<b>\$ 3,065,741</b>	<b>\$ 1,972,348</b>	<b>\$ 209,862</b>	<b>\$ 2,182,210</b>	<b>\$ 883,531</b>
Average Monthly Spend (Burn Rate)		\$ 155,370.90	\$ 11,681.94		
*Not included in SB1049 Expenses					

**Schedule Health: Yellow**

WP 5 and WP 6 are at risk for their schedules being pushed out due to Member Redirect CR-011 DAS P&D XML Check File Impact.

**Scope health: Green**

The current project scope is well understood.

Quality Assurance activities:

- Quality Check Point review for the Contractor Support Log completed on 3/9/2023.
- WP 6 Final Work Package Development document is scheduled for Quality Check Point review on 3/30/2023.

Emerging concerns/needs/impacts:

- The schedule for WP 5: Side Account Reversals will extend into the 2023-2025 biennium. PERS has not yet received approval for the 2023-2025 Budget Request.
- Member Redirect CR-011 DAS P&D XML Check File Impact could cause schedule changes for both WP 5 (Side Account Reversals) and WP 6 (General Ledger Reversals). Note that these schedule changes will not affect the scope or budget, just the timing of when the work can be executed.

# SB 1049 Implementation Program

**Status Report for March 17, 2023**

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
2	<b>Complexity of Effort:</b> The forecasted amount of work, timing, and complexity is inaccurate, or assumptions made that are off base.	➤ Schedule additional time to analyze complex code.	Effort is made to research and understand the issues as much as possible before proposing to move forward to a change request.
5	<b>Technology Risk- Complexity and fragility of jClarety system</b>	➤ Iteratively develop more complex code structure; Add necessary technical debt fixes to project scope; Regression Test to ensure technical issue does not negatively affect new code.	The focus of WP 5 and WP 6 is general ledger and side accounts- two areas where we have known gaps in documentation and system knowledge. The Functional Design Specification developed in WP 3 will assist.
23	<b>Possible Release Delay</b> - Other projects or agency priorities cause a delay in a planned Technical Debt Work Package release.	➤ Monitor Release 9.17.0 (Member Redirect WP 9.1 and WP 9.2) and work with the release coordinator to identify impacts to Technical Debt deployments if Release 9.17.0 is delayed.	If Member Redirect WP 9.1 and 9.2, currently planned for Release 9.17,0 are delayed by the DAS P&D check file issue, the production deployment of Technical Debt WP 5 and WP 6 may also be delayed.

## Project Issues and Action Plans

Listed below are the most critical issues for this project.

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

No	Issue	Resolution / Notes	Estimated Resolution Date
	No current issues		

# SB 1049 Implementation Program

Status Report for March 17, 2023

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
WP 4 - Production Deployment complete	100%	10/20/2022	10/20/2022	
WP 6 - Development Complete	100%	12/30/2022	12/30/2022	
WP 6 - Business Functional Testing complete	100%	2/14/2023	2/14/2023	
WP 6 - User Acceptance Testing complete	0%	5/19/2023	5/19/2023	Member Redirect CR-011 may delay WP 5 & WP 6
WP 6 - Release to production Quality Gate complete	0%	5/24/2023	5/24/2023	
WP 6 - Production Deployment complete	0%	6/8/2023	6/8/2023	
WP 5 - Development Complete	0%	8/9/2023	8/9/2023	
WP 5 - Business Functional Testing complete	0%	9/21/2023	9/21/2023	
WP 5 - User Acceptance Testing complete	0%	11/22/2023	11/22/2023	
WP 5 - Release to production Quality Gate complete	0%	11/30/2023	11/30/2023	
WP 5 - Production Deployment complete	0%	1/18/2024	1/18/2024	
Project Closure Quality Gate	0%	3/11/2024	3/11/2024	
Project ends	0%	3/11/2024	3/11/2024	

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

**Status Report for March 17, 2023**

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)

### 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)

### 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 March 17, 2023**

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




# 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
 <b>Employer Programs</b>	● 7/16/21 – Project Close																		Mar. 17					
 <b>Work After Retirement</b>							● 12/16/21 – WP4 Side Account Credit Allocation																	
							● 2/24/22 – Project Close																	
 <b>Member Redirect</b>							● 10/14/21 – WP5 Voluntary Contribution Maintenance																	
							● 3/24/22 – WP4.3 EPSA Transaction Display																	
							● 7/21/22 – WP6.1 EPSA Retirement																	
																			● 3/23/23 – WP9.1 EPSA Withdrawal → ●					
																			● 3/23/23 – WP9.2 Alter OPSRP Withdrawal → ●					
 <b>Member Choice</b>	● 8/4/21 – Project Close																							
 <b>Technical Debt</b>	● 7/1/21 – Project Kickoff						● 3/31/22 – WP2 Benefit Account Transition Status – Functional Design Specification Completed												● 6/8/23 – WP6 General Ledger Reversals → ●					
							4/30/22 – WP3 General Ledger Reversals, Including Side Accounts – Functional Design Specification Completed → ●																	
							● 7/21/22 – WP1 Employer Statements																	
																			● 10/20/22 – WP4 Hyperion Replacement					
<b>PROGRAM INITIATIVE</b>							● 3/4/22 – WP3 IAP Divorce Tool																	
 <b>Cross Project Effort</b>							● 5/20/22 – WP5.2 PYE Invoicing Tool																	
							● 6/1/22 – WP4.2 IAP Adjustment Calculator																	
																			● 5/15/23 – WP6 IAP Balance Comparison Tool → ●					

# Senate Bill (SB) 1049 Implementation Road Map

## 2023-2025 Biennium

PROJECTS	2023						2024						2025													
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN		
 <b>Member Redirect</b>							<ul style="list-style-type: none"> <li>1/18/24 - WP8.1 EPСА Death</li> </ul>							<ul style="list-style-type: none"> <li>8/8/24 - WP11.1A EPСА Retirement Cancellation and Adjustment</li> <li>8/8/24 - WP11.2B Death Excess EPСА</li> </ul>											<ul style="list-style-type: none"> <li>5/9/25 - Project Close →</li> </ul>	
 <b>Technical Debt</b>							<ul style="list-style-type: none"> <li>1/18/24 - WP5 Side Account Reversals</li> </ul>																			
 <b>Cross Project Effort</b>																										
<b>PROGRAM INITIATIVE</b>																										

## Action and discussion items

1. Legislative update
2. SB 1049 Implementation update
3. Final 2022 Earnings Crediting and Reserving
4. Preparatory discussion for upcoming experience study



# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

Headquarters

11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

[www.oregon.gov/pers](http://www.oregon.gov/pers)

April 3, 2023

TO: Members of the PERS Board  
 FROM: Richard Horsford, Chief Financial Officer  
 Matt Graves, Financial Reporting Manager  
 SUBJECT: 2022 Final Earnings Crediting and Reserving

### OVERVIEW

- Action: Allocate 2022 final earnings crediting.
- Subject: Crediting earnings for calendar year 2022 to the PERS Fund's accounts and reserves.

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

### 2022 FINAL ALLOCATIONS

After fulfilling the Tier One conditions set out in ORS 238.255 (Credits to regular accounts when earnings less than assumed interest rate), the board's annual earnings crediting rule, OAR 459-007-0005 (12) through (18), directs the crediting to the Judge and Tier Two member regular accounts, as well as the Employee Pension Stability Account (EPSA), OPSRP Pension Program, and benefits-in-force and employer reserves. Staff recommends the following allocations be adopted by the board:

### NONDISCRETIONARY ALLOCATIONS

#### 1. Tier One member regular accounts reserve and Judge member accounts

Credit Tier One member regular accounts and Judge member accounts with the assumed earnings rate of 6.90% in effect during 2022.

**Tier One Rate Guarantee Reserve:** This reserve, established under ORS 238.255(1), is used to fund crediting of the assumed rate to Tier One member regular accounts when earnings are less than the assumed rate. Because earnings on Tier One member regular accounts for 2022 are negative, this reserve will absorb the losses attributed to Tier One member regular accounts and Judge member accounts, plus cover the mandatory crediting of the assumed earnings rate, resulting in a reduction of \$215.7 million and a remaining balance of \$745.0 million.

#### 2. Tier Two member regular accounts

Allocate a proportional share of the remaining 2022 losses to Tier Two Member regular accounts except that the portion of the losses representing administrative expenses be paid solely from the employer reserves, which will result in a final rate of -1.91%.

### 3. Benefits-in-force

Allocate a proportional share of the remaining 2022 losses to the benefits-in-force reserve except that the portion of the losses representing administrative expenses be paid solely from the employer reserves, which will result in a final rate of -1.91%.

### 4. Employer reserves

Allocate a proportional share of the remaining 2022 losses to the employer reserves, which will result in a final rate of -2.01%. In years in which there are insufficient earnings on the PERS variable and regular accounts to pay for administrative expenses, such as 2022, ORS 238.610(1) requires administrative expenses to be funded through employer contributions.

### 5. OPSRP member accounts

OPSRP member accounts usually are credited with a proportional share of available PERS Fund regular account earnings or losses, which will result in a final rate of -1.91%.

### EARNINGS ALLOCATIONS DIRECTED BY STATUTE OR RULE

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

### 6. Individual Account Program (IAP)

These member accounts are credited with actual earnings or losses of the PERS Fund Regular Account as required by ORS 238A.350 (1). The overall final IAP earnings for 2022 are -4.27% after deducting IAP expenses. The table below illustrates the IAP earnings by target-date fund (TDF).

<b>Oregon Public Employees Retirement System</b>				
<b>Final IAP TDF Earnings</b>				
<b>(All dollar amounts in thousands)</b>				
<b>TDF Fund</b>	<b>Reserves Before Crediting</b>	<b>2022 Crediting</b>	<b>Reserves After Crediting</b>	<b>2022 Rates</b>
<b>RAF Fund</b>	\$ 625,644.7	\$ (51,048.2)	\$ 574,596.5	-8.15%
<b>2025 Fund</b>	1,450,468.7	(93,075.2)	1,357,393.5	-6.41%
<b>2030 Fund</b>	2,133,551.7	(116,056.8)	2,017,494.9	-5.43%
<b>2035 Fund</b>	2,600,373.6	(96,217.2)	2,504,156.4	-3.70%
<b>2040 Fund</b>	2,311,976.4	(50,625.4)	2,261,351.0	-2.18%
<b>2045 Fund</b>	1,784,874.7	(71,444.8)	1,713,429.9	-4.00%
<b>2050 Fund</b>	987,879.4	(50,139.2)	937,740.2	-5.07%
<b>2055 Fund</b>	428,800.1	(19,291.6)	409,508.5	-4.49%
<b>2060 Fund</b>	131,737.0	(4,682.3)	127,054.7	-3.55%
<b>2065 Fund</b>	31,832.5	(1,725.1)	30,107.4	-5.41%
<b>Total</b>	<b>\$12,487,138.8</b>	<b>(\$554,305.8)</b>	<b>\$11,932,833.0</b>	

In accordance with Senate Bill (SB) 1049 (2019), effective July 1, 2020, all currently employed Tier One, Tier Two, and OPSRP members earning \$3,333 per month or more (\$3,570 in 2023) have a portion of their 6% monthly IAP contributions redirected to EPSA, which will be used to pay for part of the member’s future pension benefit.

For earnings crediting purposes, Tier One and Tier Two EPSA accounts will be credited with the same rate as Tier Two regular member accounts, which will result in a final rate of -1.91%.

For earnings crediting purposes, OPSRP EPSA accounts will be credited with the same rate as OPSRP member accounts, which will result in a final rate of -1.91%.

**7. Employer lump-sum payment accounts**

These accounts are credited with actual earnings or losses of the PERS Fund regular account less administrative expenses, as authorized by ORS 238.225. For 2022, the final crediting rate for the side accounts established before January 1, 2022, is -1.81%. The final crediting rate for new lump-sum payment accounts varies depending on the time of payments.

**8. Health insurance accounts**

These accounts are created as part of the PERS Fund and directed by statute to be credited with actual earnings or losses, less the expense related to the administration of the programs (ORS 238.410(7); 238.415(4); 238.420(4)). For 2022, the final crediting rates for these accounts are -2.22% for RHIA, -1.15% for RHIPA, and 0.13% for SRHIA (invested in Oregon State Treasury’s Oregon Short Term Fund).

<b>Oregon Public Employees Retirement System Health Insurance Accounts' Final Rates</b>	
<b>Health Insurance Fund</b>	<b>2022</b>
RHIA	-2.22%
RHIPA	-1.15%
SRHIA *	0.13%

\* Invested in the Oregon Short Term Fund

**9. Variable Annuity Account**

This account is credited with earnings and losses on its distinct asset allocation within OPERF. The Variable Annuity Account is only invested in equities; therefore, its earnings are discrete from those of the more diversified PERS fund regular account. As there are insufficient Variable Annuity Account 2022 earnings to pay for administrative expenses, per OAR 459-007-0005, those expenses will be charged to the Regular Account 2022 earnings. For 2022, the Regular Account earnings are negative; therefore, those expenses will be paid from employer contributions. For 2022, final Variable Annuity Account earnings is -21.52%.

**Administrative Expenses**

PERS administrative costs are funded by employer contributions when earnings are not sufficient, as they were in 2022 (ORS 238.610(1)).



The following charts present final earnings crediting and reserving for 2022:

Oregon Public Employees Retirement System Calendar Year 2022 Final 2022 Crediting and Reserving No Contingency Reserve Funding (All dollar amounts in millions)								
	Reserves Before Crediting	Gross Investment Income (a)	Investment Expense (b)	Administrative Expenses (c)	Other Adjustments <sup>4</sup> (d)	Net 2022 Crediting (a+b+c+d)	Reserves After Crediting	2022 Rates
Tier One Member Regular Accounts	\$2,238.8	(\$18.6)	(\$38.3)	(\$3.3)	\$214.7	\$154.5	\$2,393.3	6.90%
Tier One Rate Guarantee Reserve	960.7	-	-	-	(215.7)	(215.7)	745.0	N/A
Tier Two Member Regular Accounts	1,056.5	(6.1)	(12.7)	(1.1)	(0.3)	(20.2)	1,036.3	-1.91%
Benefits in-force Reserve	18,799.4	(109.4)	(225.2)	(19.4)	(5.7)	(359.7)	18,439.7	-1.91%
Employer Reserves	42,938.8	(249.9)	(514.5)	(44.2)	(58.0)	(866.6)	42,072.2	-2.01%
Tier One/Two Employee Pension Stability Account <sup>1</sup>	221.1	(0.8)	(2.3)	-	(0.8)	(3.9)	217.2	-1.91%
OPSRP Pension	11,098.3	(60.6)	(124.0)	(16.5)	(10.9)	(212.0)	10,886.3	-1.91%
OPSRP Employee Pension Stability Account <sup>2</sup>	177.8	(0.6)	(1.6)	-	(0.9)	(3.1)	174.7	-1.91%
IAP Accounts, as a whole <sup>3</sup>	12,904.1	(456.9)	(114.9)	(17.3)	37.5	(551.6)	12,352.5	-4.27%
UAL Lump-Sum Pmt. Side Accounts <sup>3</sup>	6,314.7	(38.1)	(78.3)	(0.2)	-	(116.6)	6,198.1	Various <sup>5</sup>
Contingency Reserve	50.0	-	-	-	-	-	50.0	N/A
<b>Total</b>	<b>\$96,760.2</b>	<b>(\$941.0)</b>	<b>(\$1,111.8)</b>	<b>(\$102.0)</b>	<b>(\$40.1)</b>	<b>(\$2,194.9)</b>	<b>\$94,565.3</b>	

<sup>1</sup> Per OAR 459-007-0005 (14)(a), Tier One/Two Employee Pension Stability Account will receive the Tier Two member rate.

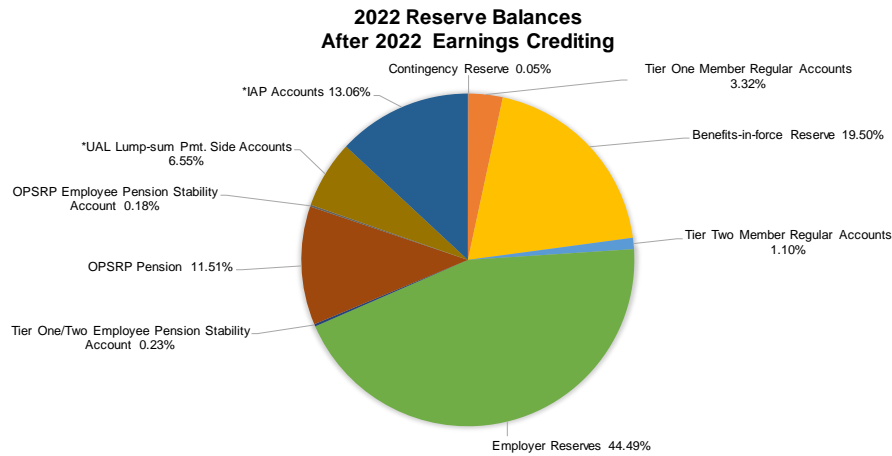
<sup>2</sup> Per OAR 459-007-0005 (14)(b), OPSRP Employee Pension Stability Account will receive the OPSRP pension rate.

<sup>3</sup> Informational only. Not affected by Board reserving or crediting decisions.

<sup>4</sup> Primarily due to Tier One Rate Guarantee Reserve transfer to credit the assumed rate to the Tier One member regular account, defined benefit commingled earnings transfer, and the earnings credited to mid-year retirements. Also, includes CY2022 administrative expenses paid from employer contributions.

<sup>5</sup> The preliminary earnings rate for the pre-2022 Side Accounts is -1.81%

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



\*Informational only. Not affected by board reserving or crediting decisions. IAP accounts receiving installments have already received 2022 earnings.

**BOARD OPTIONS**

The PERS Board may:

1. Pass a motion to “adopt the final crediting of earnings as presented for calendar year 2022.”
2. Pass a motion adopting an alternative final allocation of 2022 earnings.

**STAFF RECOMMENDATION**

Staff recommends the board choose Option 1.

## Action and discussion items

1. Legislative update
2. SB 1049 Implementation update
3. Final 2022 Earnings Crediting and Reserving
4. Preparatory discussion for upcoming experience study



# UPCOMING EXPERIENCE STUDY

## OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Presented by:

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

April 3, 2023

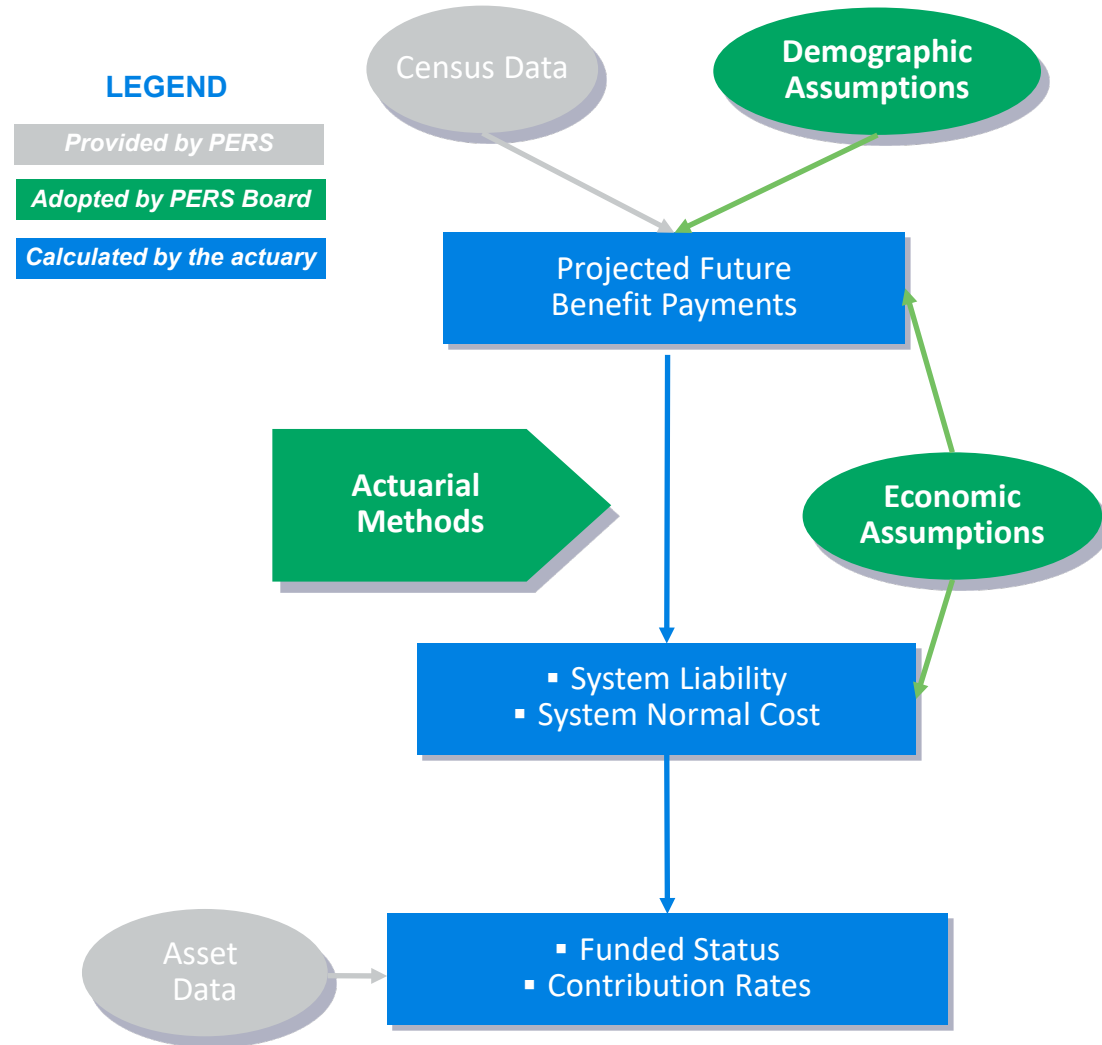
This work product was prepared for discussion purposes only and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Any recipient of this work product who desires professional guidance should engage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

# Four-Meeting Process – Assumptions & Methods

- April 3: Summary of process, background, and areas of focus
- May 31: Joint meeting with Oregon Investment Council (OIC)
  - Assumed rate – outlooks from OIC’s consultants, Milliman
- June 2: Economic assumptions, system funding methods
  - Inflation and system payroll growth
  - Actuarial methods, including amortization and rate collaring policy
- July 28: Demographic assumptions, Board direction to actuary
  - Member-specific assumptions based on study of recent PERS experience
  - Assumptions and methods adopted for use in:
    - 12/31/2022 actuarial valuation with advisory 2025-2027 contribution rates
    - 12/31/2023 actuarial valuation with proposed final 2025-2027 contribution rates

# Two-Year Rate-Setting Cycle

- **July 2023: Assumptions & methods adopted by Board in consultation with the actuary**
- September 2023: System-wide 12/31/22 actuarial valuation results
- December 2023: Advisory 2025-2027 employer-specific contribution rates
- July 2024: System-wide 12/31/23 actuarial valuation results
- September 2024: Disclosure & adoption of employer-specific **2025-2027 contribution rates**



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

# Valuation Process and Timeline

- Actuarial valuations are conducted annually
  - Alternate between “rate-setting” and “advisory” valuations
  - This valuation as of 12/31/2022 is advisory
- Board adopts contribution rates developed in rate-setting valuations, and those rates go into effect 18 months after the valuation date

Valuation Date	Employer Contribution Rates
12/31/2019	July 2021 – June 2023
12/31/2021	July 2023 – June 2025
12/31/2023	July 2025 – June 2027

# Summary of Assumptions and Methods to Review

## Economic Assumptions

- Inflation
- Real wage growth
- System payroll growth
- **Long-term investment return**
- Healthcare cost trend

## Actuarial Methods

- Actuarial cost method
- Amortization policy
  - UAL (shortfall) amortization
  - **Side account / PreSLGRP rate adjustments**
- Rate collar
- Contribution lag adjustment

## Demographic Assumptions

- Mortality
- Retirement
- Pre-retirement termination
- Disability
- Individual salary increases
- Final average salary adjustments
- Member redirect offsets
- RHIA & RHIPA assumptions

*Background information for **bold** topics discussed on following slides*





# Long-Term Investment Return (“The Assumed Rate”)

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

# The Assumed Rate: What Is It?

- Assumed rate: expected average annual **future** investment return
- PERS Board sets the assumed rate every two years
  - This year the rate will be selected at the July 28 meeting
- The assumed rate is used to determine:
  - The contribution cost rate for benefits earned in the future (normal cost rate)
  - The system's current unfunded actuarial liability (UAL)
  - The contribution cost rate to systematically amortize UAL over time (UAL rate)
  - Actuarial equivalence factors (AEFs) for amounts of optional benefit forms
  - AEFs to convert account balances to “money match” annuities for Tiers 1 & 2
  - Account balance interest crediting level for Tier 1 actives

# Use of the Assumed Rate

## The PERS Funding Equation

At the end of each calendar year, the PERS actuaries calculate the system's funded status using the following basic equation:

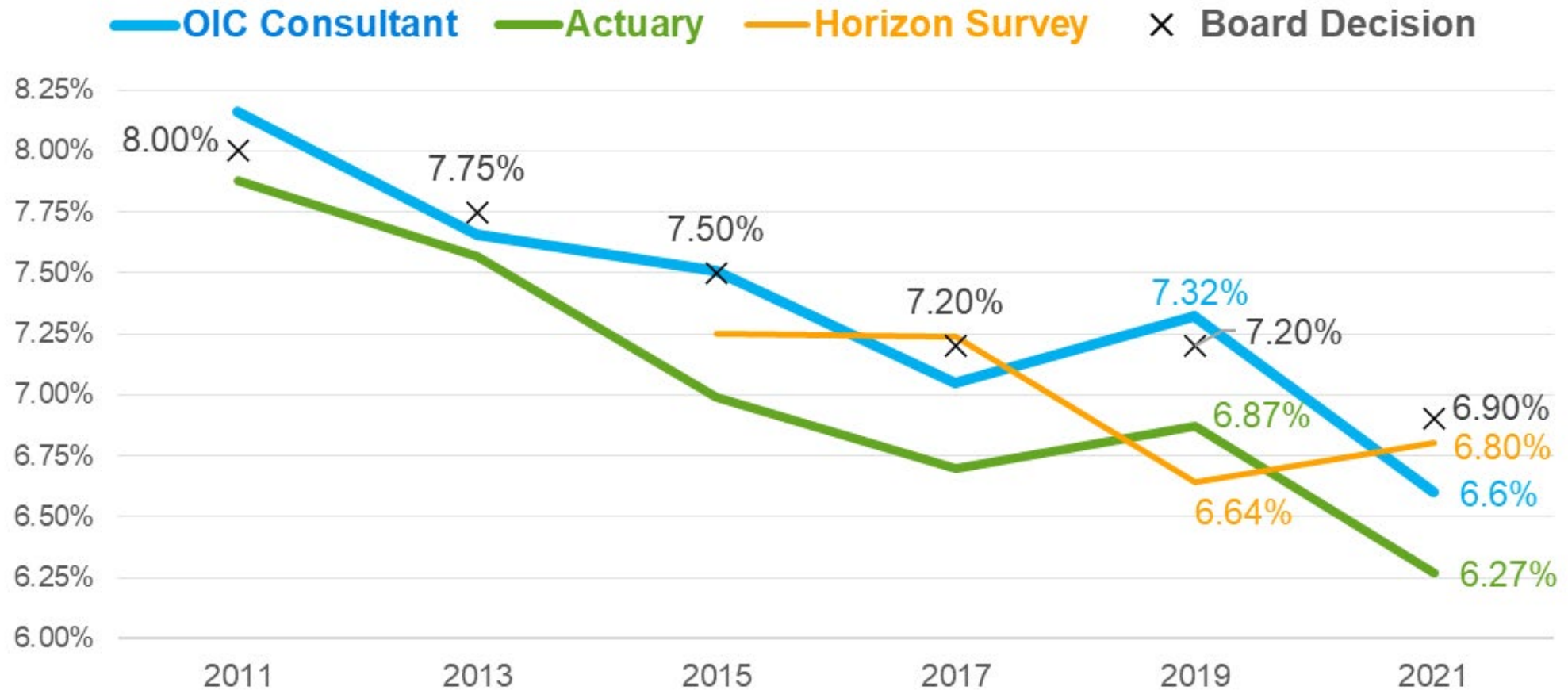
$$\begin{array}{ccccc} \mathbf{B} & = & \mathbf{C} & + & \mathbf{E} \\ \text{BENEFITS} & & \text{CONTRIBUTIONS} & & \text{EARNINGS} \\ \textit{Present value of} & & \textit{Employer funds to pay} & & \textit{Future returns on} \\ \textit{earned benefits} & & \textit{for pension benefits} & & \textit{investment funds} \\ \text{Set by: Oregon Legislature} & & \text{Set by: PERS Board} & & \text{Managed by: Oregon Investment Council} \end{array}$$

Every two years, the PERS Board adjusts contribution rates so that, over time, contributions will be sufficient to fund the benefits earned, if earnings follow assumptions.

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

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

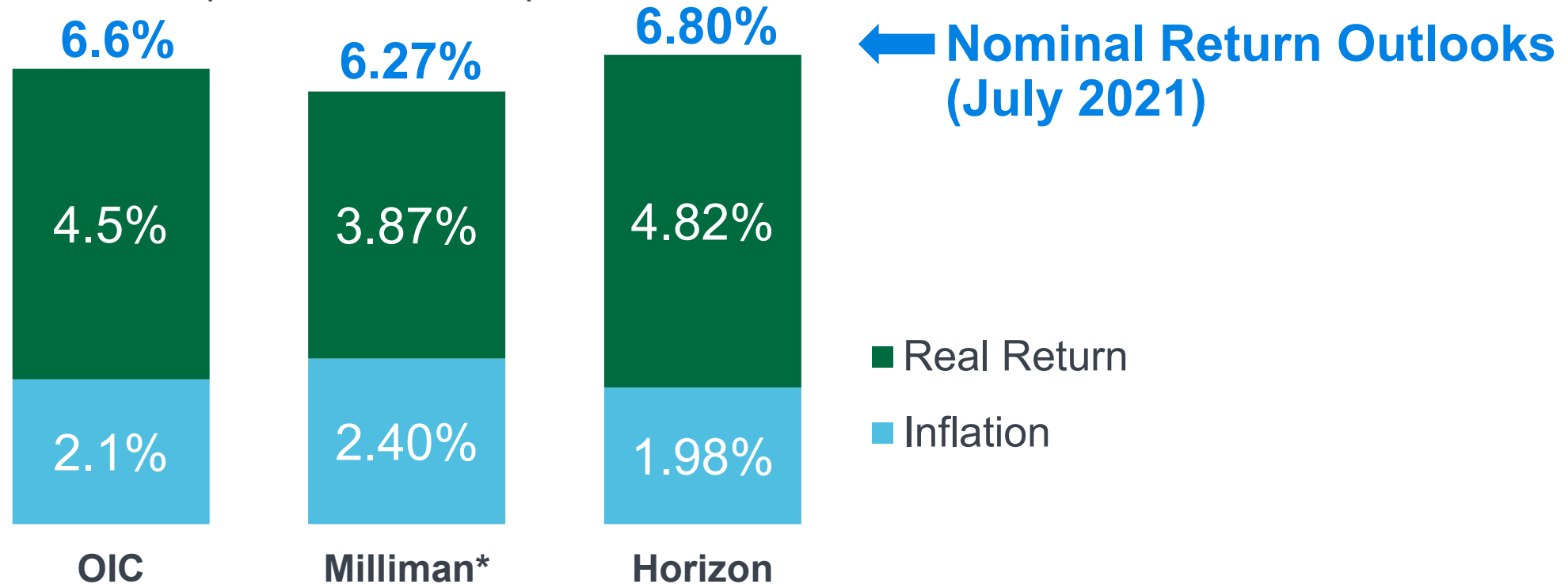
## Geometric Returns from Outlook Models in Prior Six Reviews



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

# Assumed Rate - Data Used in Prior Board Decision

- The graph below is from the **July 2021** Board meeting
  - Estimates are geometric annualized average returns based on the OIC's long-term asset allocation for each set of capital market assumptions



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

# Preliminary Updates to Milliman Outlooks

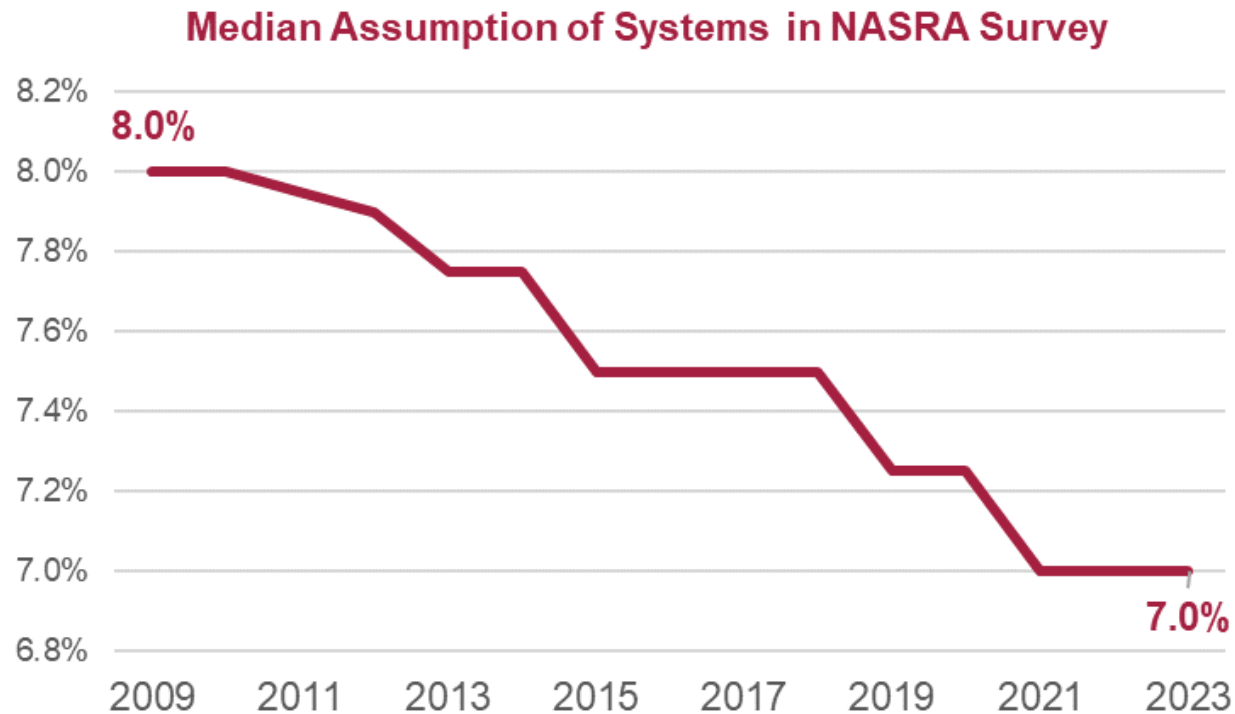
	2021 Outlook Milliman* Final	2023 Outlook Milliman Preliminary	2023 Outlook Milliman Preliminary
Median Annualized Geometric Return	6.27%	7.11%	7.46%
Assumed Inflation	2.40%	2.40%	2.35%
Time Horizon Modeled	20 years	10 years	20 years

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

- **OIC consultant outlooks will be shared on May 31**
- Milliman’s capital market assumptions increased since 2021 due to lower equity price-to-earnings ratios and higher bond yields after 2022 market losses
  - Reverse of the dynamic that lowered forward-looking expectations for most of the previous decade
  - Expectations are heavily influenced by financial market conditions at a particular snapshot date

# What About the Assumptions of Other Systems?

- This line shows the median return assumption over time for about 130 large and/or statewide public systems



- The median decreased to **7.0%** by the end of 2021
  - The mid-point of public systems' return assumptions decreased by a full 1.0% in just over a decade, and has remained at that level in recent years

# Considerations in Setting the Return Assumption

- Due to recent financial markets, capital market outlooks currently show higher expected returns than last assumption review
  - Results based on a different date (such as the Horizon Survey published in August 2022) may look significantly different due to the speed with which markets changed
- Even if median forward-looking expectations are above the current 6.9% investment return assumption, the Board should consider leaving unchanged
  - Lowering the assumed rate for evolving expectations took a decade; it remains to be seen if the December 31, 2022 market conditions are temporary or enduring
  - If 2023 returns are strong, expectations may be lower at rate-setting valuation date of December 31, 2023
- Actuarial Standards of Practice allow assumptions to reflect a margin for adverse deviation, if desired





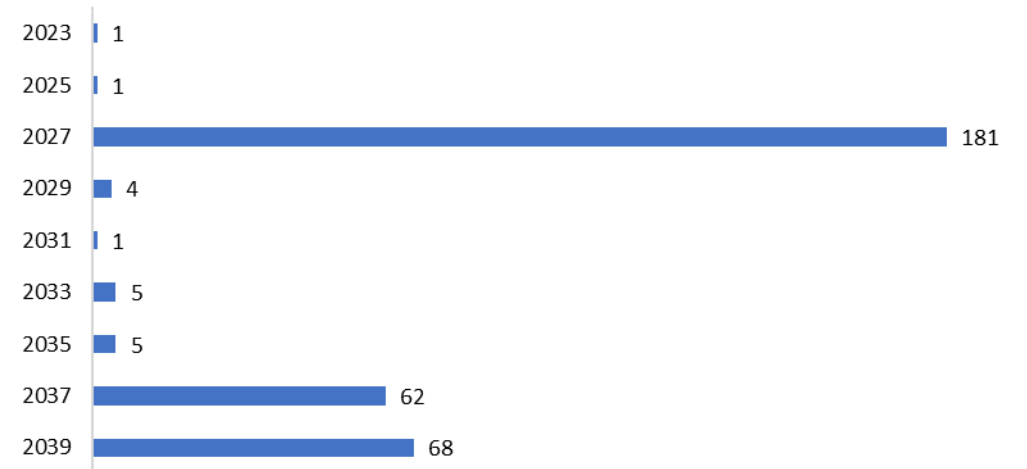
# Amortization of Side Accounts and PreSLGRP Amounts

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

# Background

- Special amortization periods apply to rate adjustments for employers with:
  - **Side accounts**
  - Experience related to pooling with the SLGRP
    - Employer-specific **transition liability/surplus** from joining the SLGRP
    - A grouped **Pre-SLGRP liability** for state & community colleges and **Pre-SLGRP surplus** for employers who participated in the LGRP
- Current rate calculations based on amortization through December 31, 2027 for most balances
  - Recent side account deposits and transition liabilities/surpluses generally amortize to a later date
  - 300+ employers have transition liability/ surplus with 2027 amortization end year

Side Accounts by Amortization End Year  
as of 12/31/2021



# Methodology for Expiring Amortizations

- PERS will need to establish procedures for how and when individual employer contribution rates adjust for an expiring amortization base
- We understand staff has begun exploring potential approaches and soliciting employer input on the process
  - Will adoption of methodology occur with Experience Study or as separate rulemaking?

## Employer Rates Effective July 1, 2023 for State Agencies

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
<b>Pension</b>					
Normal cost rate	16.27%	15.14%	21.79%	9.89%	14.68%
Tier 1/Tier 2 UAL rate <sup>1</sup>	12.61%	12.61%	12.61%	12.61%	12.61%
OPSRP UAL rate	1.69%	1.69%	1.69%	1.69%	1.69%
Pre-SLGRP pooled liability rate	1.33%	1.33%	1.33%	1.33%	1.33%
Transition liability/(surplus) rate <sup>2</sup>	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief <sup>2</sup>	(6.59%)	(6.59%)	(6.59%)	(6.59%)	(6.59%)
Member redirect offset <sup>3</sup>	(2.40%)	(2.40%)	(2.40%)	(0.65%)	(0.65%)
<b>Net employer pension contribution rate</b>	<b>22.91%</b>	<b>21.78%</b>	<b>28.43%</b>	<b>18.28%</b>	<b>23.07%</b>
<b>Retiree Healthcare</b>					
Normal cost rate	0.13%	0.13%	0.13%	0.00%	0.00%
UAL rate	(0.13%)	(0.13%)	(0.13%)	0.00%	0.00%
<b>Net retiree healthcare rate</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Total net employer contribution rate</b>	<b>22.91%</b>	<b>21.78%</b>	<b>28.43%</b>	<b>18.28%</b>	<b>23.07%</b>

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

# Expiring Amortizations – State Agencies Example

- Side account offset calculated as if rate takes effect immediately and all assumptions are met (illustrated by blue line in graph)
- Actual balance will be affected by asset and payroll experience, and reflects biennial timing of rate changes
  - Dotted lines illustrate how investment losses and higher payroll growth combining to exhaust the side account balance several months prior to 12/31/2027

Development of State Agencies Side Account Rate Offset	
A.) 12/31/2021 Side Account Balance	\$1.381 billion
B.) Projected 2022 payroll	\$3.908 billion
C.) Amortization factor to 12/31/2027	5.363
D.) Side account rate offset (A. / B. / C.)	6.59%

State Agencies Projected Side Account Balance



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

# Considerations

- Due to fluctuating payroll and investment returns, it is unlikely any side account balances will draw down to zero exactly at the nominal end date of the amortization period
  - May occur earlier or later
  - We understand PERS can track side account balances monthly
- Some employers funded side accounts with POBs and structured a repayment schedule around the period they expected to receive a rate offset
- Transition liabilities/surpluses and Pre-SLGRP amounts also fluctuate with payroll, but not with actual investment returns
  - These balances are only tracked in annual valuation, not on a monthly basis
- Rate adjustments typically happen on July 1, 18 months after a rate-setting valuation date
  - Mid-biennium adjustments would be a new process to implement and communicate

# Agenda for Upcoming Experience Study Presentations

- May 31: Assumed rate
  - Joint board meeting with Oregon Investment Council (OIC)
  - Outlooks from OIC's consultants, updates to Milliman's model
- June 2: Economic assumptions, rate-setting methods
  - Inflation and system payroll growth
  - Amortization and contribution rate collaring
- July 28: Demographic assumptions, Board decisions
  - Member-specific assumptions based on study of recent PERS experience
  - Assumptions and methods adopted will be used for:
    - 12/31/2022 actuarial valuation with advisory 2025-2027 contribution rates
    - 12/31/2023 actuarial valuation with 2025-2027 contribution rates proposed for adoption



# Revised ASOP 4

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

# Background

- Actuarial Standards Board (ASB) establishes and improves standards of actuarial practice
  - Currently 17 actuarial standards of practice (ASOPs) that can apply to pension work
- *ASOP 4: Measuring Pension Obligations and Determining Plan Costs or Contributions* was recently revised, largely responding to requests for additional information about public plans
  - Effective for measurement dates after February 15, 2023
- New requirements will apply to Oregon PERS December 31, 2023 actuarial valuation but can be reflected earlier if desired



# Key Changes

- Sensitivity disclosure: Low-default-risk obligation measure (LDRM)
  - New requirement for funding valuations, requires calculation and disclosure of a “low-default-risk” liability measure in addition to funding liabilities
  - According to the ASB, not intended to suggest this value is the “right” liability measure but to provide a more complete assessment of the plan’s funded status and additional information regarding benefit security
  - Primary difference in calculating LDRM is discount rate
    - Should be derived from “low-default risk fixed income securities” (e.g., yields on Treasuries, high-quality corporate bonds)
  - Comparison of funding liability measures to LDRM can alternatively be viewed as:
    - A measure of *expected* (but not guaranteed) savings to the system by investing long-term in a return-seeking portfolio
    - Contribution cost of shifting system assets to hypothetical low-default-risk portfolio aligned with expected benefit payments of the system

# Key Changes

- Other requirements: will mainly affect report wording
  - Disclose whether there is any significant bias in the combined effect of the assumptions
  - Commentary regarding significance of LDRROM
  - Description of any output smoothing method used
  - Actuary “should consider” reflecting contribution lag in calculation of contributions, if applicable
  - Disclose estimated period over which the UAL is expected to be fully amortized (or disclose if not)
  - If applicable, disclose estimate of how long until contributions under the plan’s funding policy are expected to exceed the normal cost, plus interest on the UAAL
  - Disclose the results of gain and loss analysis separated by source
  - Disclose reasonable actuarially determined contribution (ADC), if not otherwise calculated under the funding policy



# Appendix

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

# Certification

This presentation discusses actuarial methods and assumptions for use in the valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”). For the most recent complete actuarial valuation results, including cautions regarding the limitations of use of valuation calculations, please refer to our formal Actuarial Valuation Report as of December 31, 2021 (“the Valuation Report”) published on September 19, 2022. The Valuation Report, including all supporting information regarding data, assumptions, methods, and provisions, is incorporated by reference into this presentation. The statements of reliance and limitations on the use of this material is reflected in the actuarial report and still apply to this presentation. The Valuation Report should be referenced for additional detail on the assumptions, methods, and plan provisions underlying this presentation.

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System. The valuation results were developed using models intended for valuations that use standard actuarial techniques. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice. We have incorporated other sources of economic data in assessing the reasonableness of the assumptions. Reliance on other experts is reflected in Milliman’s capital market assumptions and in Milliman’s expected return model, both of which are developed by credentialed investment consultants. We have also considered the System’s investment policy, capital market assumptions, and the expected return analysis provided by the System’s investment consultant in our assessment of the investment return assumption.

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

# Certification

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

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

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

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

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

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

# Appendix

## Actuarial Basis

### Capital Market Assumptions - Milliman

For this purpose, we considered the Oregon PERS Fund to be allocated among the model's asset classes as shown below. This allocation is based on input provided by Meketa (OIC's primary consultant) and reflects proposed changes to the OIC's target allocation for the Oregon PERS fund adopted at the January 25, 2023 OIC meeting.

Reflects Milliman's capital market assumptions as of December 31, 2022.

	<b>Annual Arithmetic Mean</b>	<b>20-Year Annualized Geometric Mean</b>	<b>Annual Standard Deviation</b>	<b>Policy Allocation</b>
Global Equity	8.57%	7.07%	17.99%	27.500%
Private Equity	12.89%	8.83%	30.00%	25.500%
Real Estate	6.90%	5.83%	15.13%	12.250%
US Core Fixed Income	4.59%	4.50%	4.22%	25.000%
Hedge Fund – Macro	5.44%	4.83%	7.49%	5.625%
Hedge Fund – Equity Hedge	7.39%	6.48%	12.04%	0.625%
Hedge Fund – Multistrategy	6.81%	6.27%	9.04%	1.250%
Infrastructure	7.88%	6.51%	17.11%	1.500%
Master Limited Partnerships	9.41%	6.02%	27.04%	0.750%
US Inflation (CPI-U)	2.35%	2.35%	1.41%	<b>N/A</b>
<b>Fund Total (reflecting asset class correlations)</b>	<b>8.26%</b>	<b>7.50%*</b>	<b>13.30%</b>	<b>100.00%</b>

\* The model's 20-year annualized geometric median is 7.46%.

# Retirement System Risks

- Oregon PERS, like all defined benefit systems, is subject to various risks that will affect future system liabilities and contribution requirements, including:
  - **Investment risk:** the potential that investment returns will be different than assumed
  - **Demographic risks:** the potential that mortality experience, retirement behavior, or other demographic experience for the system membership will be different than assumed
  - **Contribution risk:** the potential that actual future contributions will be materially different than expected, for example if there are material changes in the system's covered payroll
- The results of an actuarial valuation are based on one set of reasonable assumptions, but it is almost certain that future experience will not exactly match the assumptions.
- Further discussion of system risks and historical information regarding system experience are shown in our annual actuarial valuations. In addition, our annual financial modeling presentation to the PERS Board illustrates future outcomes under a wide range of future scenarios reflecting variation in key risk factors.