



OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

BOARD MEETING AGENDA

Friday February 2, 2024 9:00 a.m.		PERS 11410 SW 68th Parkway Tigard, OR
ITEM		PRESENTER
A. Administration		
1.	December 1, 2023 PERS Board Meeting Minutes	SHENOY
2.	Director's Report	OLINECK
	a. Forward-Looking Calendar	
	b. OPERF Investment Report	
	c. Budget Execution Report	
	d. Annual Report of Director's Financial Transactions	STANLEY
3.	BoardSmart 3.0 presentation	FUNSTON
B. Administrative rulemaking		
1.	Notice of rulemaking for Membership of Academic Employees of Community College and Public Universities Rules	VAUGHN, VU
2.	Notice of rulemaking for Annual Plan Limits Rules	VAUGHN
3.	Notice of rulemaking to Distributions During Employment Rule (OSGP)	VAUGHN, YANG
4.	Adoption of rules implementing 2023 legislation	VAUGHN, CHANDLER
C. Action and discussion items		
1.	Legislative update and legislative concept preview	CASE
2.	Modernization update	CRAVEN
3.	Social Security fee update	HORSFORD
4.	Senate Bill 1566 reporting requirements	WINSHIP
5.	2023 Preliminary Earnings Crediting and Reserving	HORSFORD, GRAVES
6.	Verbal update reflecting on earnings through December 31, 2023	MILLIMAN

The PERS Board members, meeting presenters, and the public have the option to attend this meeting in person or remotely. Public testimony or comment will be taken on action items at the Chair's discretion. All written testimony/comment and requests to provide oral testimony/comment should be submitted three days or more in advance of the meeting.

Visit <https://www.oregon.gov/pers/Pages/Board/PERS-Board-Information.aspx> to register to attend remotely or to submit public comment or testimony. A video recording of the meeting will be available on the PERS website following the meeting.

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

2024 Meetings: April 1*, May 31, July 26*, October 4, December 6*
***Audit Committee planned for post-board meeting**

A. Administration

1. **December 1, 2023, PERS Board Meeting Minutes**
2. Director's Report
3. BoardSmart 3.0 presentation

B. Administrative rulemaking

1. Notice of rulemaking for Membership of Academic Employees of Community College and Public Universities Rule
2. Notice of rulemaking regarding Annual Plan Limits Rules
3. Notice of rulemaking to Distributions During Employment Rule (OSGP)
4. Adoption of rules implementing 2023 legislation

C. Action and discussion items

1. Legislative update and legislative concept preview
2. Modernization update
3. Social Security fee update
4. Senate Bill 1566 reporting requirements
5. Preliminary 2023 earnings crediting and reserving
6. Verbal update reflecting on earnings through December 31, 2023

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING MINUTES

December 1, 2023

Board members present:

Chair Sadhana Shenoy, Stephen Buckley, Jardon Jaramillo, John Scanlan, and Suzanne Linneen attended in the PERS Boardroom.

Staff present:

Kevin Olineck, Heather Case, Jake Winship, Jason Stanley, Jordan Masanga, Katie Brogan, Melanie Chandler, Richard Horsford, Sam Paris, Shane Perry, Stephanie Vaughn, and Yvette Elledge-Rhodes attended in the PERS Boardroom.

Akiko Yoshida, Alyse Greer, Anne Marie Vu, Chris Geier, Colin Campi, Daniel Rivas, David Larson, Elizabeth Rossman, Janice Richards, Joli Whitney, Jonathan Yost, Karen Herrold, Katie Davis, Latifa Salinez, Mary Lang, Matt Rickard, Matthew Graves, Megan Mumey, Michael Duren, Phuongnam Tran, Rebecca Craven, Shawn Harper, Susie Bodman, Tiffani Cairo, Troy Phillips, and Yong Yang attended virtually.

Others present:

Matt Larrabee, Scott Preppernau, Jeff Gudman, and Gene Bentley attended in the PERS Boardroom.

Andrea Bradbury, Anita Gurule, Audrey Roberson, Bonny Ray, Brendan Watkins, Carol Samuels, David Barenberg, David Randall, David Williams, Debra Day, Dee-dra Kleve, Ivo Trummer, Jackie Olsen, Jake Arnold, Jamie McCreary, Jennifer Jones, Jeremy Whittlesey, Joe Ebisa, John Borden, Kali Leinenbach, Kristi Jenkins, Margaret Olney, Maurizio Bottalico, Megan Daniels, Michelle Morrison, Nate Carter, Patti Sauers, Ruth Nelson, Shauna Tobiasson, Steven Demarest, Tan Cao, and Twylla Miller attended virtually.

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

ADMINISTRATION

A.1. MEETING MINUTES OF SEPTEMBER 29, 2023

Vice Chair Buckley moved to approve the minutes from the September 29, 2023, PERS Board meeting as presented. Board Member Scanlan seconded the approval of the minutes. The motion passed unanimously.

A.2. DIRECTOR'S REPORT

Director Kevin Olineck presented the Director's Report, which is a summary of items for the board to be aware of, and the forward-looking calendar. He noted that the School Districts Unfunded Liability Fund (SDULF) from tax surplus will be \$0 due to revised interpretation of the statutes by the Office of Economic Analysis and confirmed in writing by the Department of Justice.

The Oregon Public Employees Retirement Fund (OPERF) returns, for the period ending October 31, 2023, were 2.30%.

Operating expenditures for July, August, and preliminary expenditures for September are \$4,032,239, \$4,913,348, and \$10,285,122 respectively.

Through November 12, 2023, the agency has expended a total of \$23,703,729 or 17.5% of PERS' legislatively approved operations budget of \$135,781,649. At this time, the agency's projected variance is \$2,145,428 or 1.6%.

Olineck reviewed the meeting agenda.

Chair Shenoy acknowledged the efforts of PERS' Communications Section and their resultant awards, and that the PERS Expo was a success with a notable increase in participation over last year.

A.3. AGENCY STRATEGIC PLAN UPDATE

PERS Director Olineck presented an update on strategic plan progress to date. Many of the initiatives are still under development, given the early stages of implementation cycle. PERS did not receive funding in the 2023-25 Legislatively Approved Budget to fund risk management, therefore progress has not been made.

A.4. BOARD SCORECARD REPORT ON AGENCY PERFORMANCE MEASURES

Matt Rickard of PERS' Outcome-Based Management System Council presented the Board Scorecard Report for the third quarter 2023. Rickard highlighted fourteen consecutive quarters in the green range for both Estimates Completed and Eligibility Reviews Completed. The next report will be presented at the May 31, 2024, meeting, showing the scorecard results for the first quarter 2024.

ADMINISTRATIVE RULEMAKING

B.1. NOTICE OF RULEMAKING FOR RULES TO IMPLEMENT 2023 LEGISLATION

Stephanie Vaughn, the Policy, Analysis and Compliance Section (PACS) Manager and Melanie Chandler, PACS' Research Policy Coordinator presented notice of Rulemaking for Rules to Implement 2023 Legislation: OAR 459-045-0090, PERS Administrative Fee, OAR 459-014-0040, Valid Request for Distribution of Pre-Retirement Death Benefits, and OAR 459-017-0060, Reemployment of Retired Members.

A rulemaking hearing will be held remotely on December 19, 2023, at 2:00 p.m. The public comment period ends December 29, 2023, at 5:00 p.m.

No board action was required.

B.2. ADOPTION OF REEMPLOYMENT OF A RETIRED MEMBER OF THE OPSRP PENSION PROGRAM RULE

Stephanie Vaughn, PACS' Manager, presented adoption of Reemployment of a Retired Member of the OPSRP Pension Program Rule, OAR 459-075-0300, Reemployment of a Retired Member of the OPSRP Pension Program.

A rulemaking hearing was held remotely on October 24, 2023, at 2:00 p.m. The public comment period ended October 31, 2023, at 5:00 p.m. Public comment was submitted and updates to the rule were made.

Board Member Jaramillo moved to adopt changes to Reemployment of a Retired Member of the OPSRP Pension Program Rule, as presented. Board Member Scanlan seconded the motion. The motion passed unanimously.

ACTION AND DISCUSSION ITEMS

C.1. SB 1049 IMPLEMENTATION UPDATE

Yvette Elledge-Rhodes, Deputy Director, presented the ongoing activities of the individual projects that make up the Senate Bill 1049 Implementation Program. She highlighted program activities that have been completed or are in process since the last update to the board. Program health is in yellow status.

No board action was required.

C.2. CONTINGENCY FUND REQUEST

Richard Horsford, Chief Financial Officer, presented a request for distribution of contingency fund for Individual Account Program (IAP) accounts due to an employer bankruptcy leaving an unpaid IAP liability. Board Member Jaramillo asked staff to review governance that would allow contingency fund requests to

be acted on by management. Chair Shenoy asked staff to bring upcoming contingency fund requests to the board in one request.

Vice Chair Buckley moved to allocate \$2,140.59 of contingency funds to fund the IAP liabilities of Sister Web and Early College Academy 1 & 2. Board Member Linneen seconded the motion. The motion passed unanimously.

C.3. 2022 VALUATION UPDATE AND FINANCIAL MODELING RESULTS

Scott Preppernau and Matt Larrabee of Milliman presented.

The presentation reviewed long-term financial modeling projections reflecting published investment results through September 30, 2023. The preliminary year-end 2023 investment results will be available for the February 2, 2024 board meeting.

C.3. ADOPTION OF ACTUARIAL EQUIVALENCY FACTOR TABLES

Scott Preppernau and Matt Larrabee of Milliman presented.

Board Member Scanlan moved to adopt the actuarial equivalency factor tables, as prepared by Milliman, based on the board-adopted changes to the actuarial methods and assumptions as presented by Milliman in the 2022 Experience Study, including setting the assumed rate at 6.9%. Board Member Linneen seconded. The motion passed unanimously.

Chair Shenoy adjourned the PERS Board meeting at 10:28 a.m.

Respectfully submitted,



Kevin Olineck, Director

A. Administration

1. December 1, 2023, PERS Board Meeting Minutes
- 2. Director's Report**
3. BoardSmart 3.0 presentation

B. Administrative rulemaking

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Director's Report

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Kevin Olineck, Director



Overview

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

Highlights

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

PERS All-Staff Meeting We held our semi-annual all-staff meeting on December 12, 2024. Topics covered included updates on the 2023-28 Strategic Plan; Diversity, Equity, Inclusion, and Accessibility (DEIA) and Succession Planning; the PERS Modernization Program; and the Governor's Expectations. Employee engagement survey results were also reviewed. The Employee and Manager of the Year Award nominees and winners, noted below, were also announced.

DEI Training SEIU Sub-Local 459 and PERS collaborated on a DEI conversation held on December 14. Ann Su was the conversation leader, and helped staff unpack some truths and learn more about the world of diversity, equity, and inclusion.



Enterprise Portfolio Management Beginning on January 2, we launched the PERS Enterprise Portfolio Management (EPM) toolset, which is designed to improve the management of project work at the agency. As a key part of this undertaking, we will be taking a more proactive approach to resource planning and project tracking. This new process will allow managers and other staff who support projects to better understand project scheduling and resource capacity to ensure that PERS is estimating the effort of our projects accurately and giving staff enough time to complete their work. This tracking will also help determine if there is a business need to hire additional staff or to develop other opportunities for PERS' project resources.

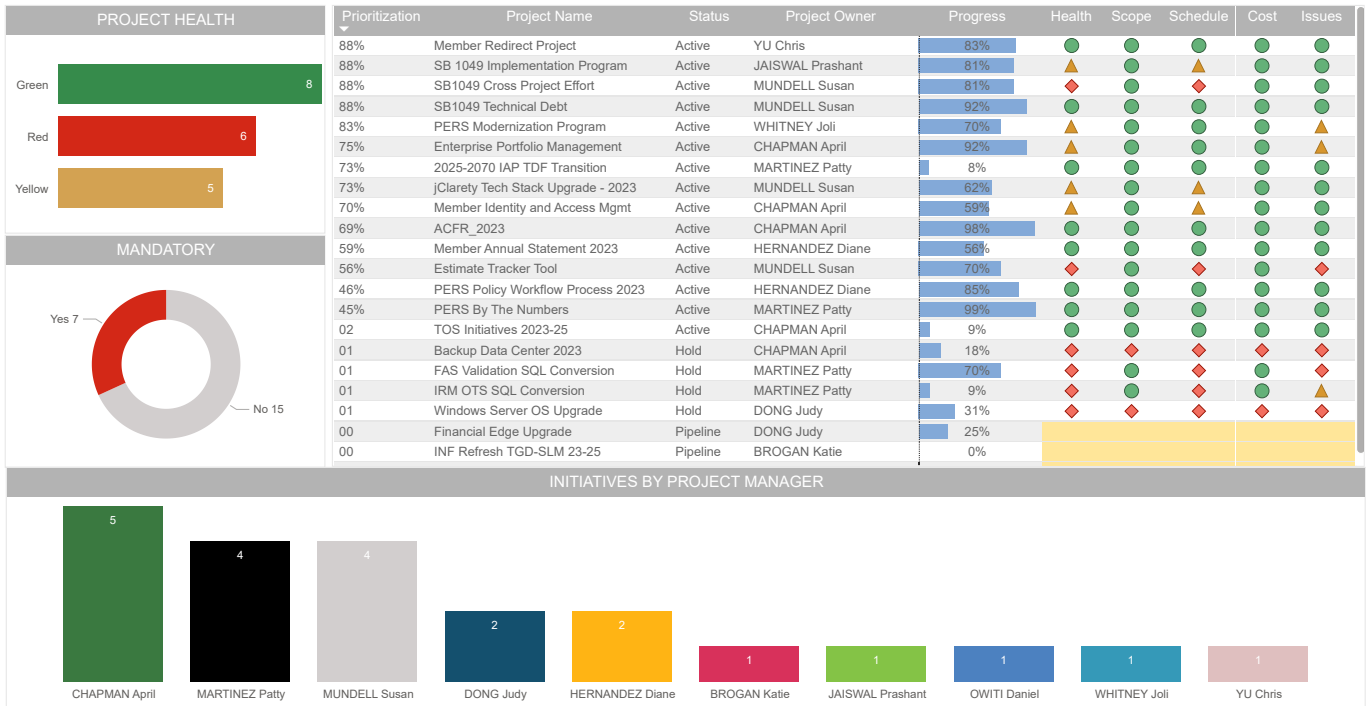
To be able to accomplish these outcomes, we will be asking staff to report hours worked on specific tasks. In December, training was held for staff identified by their managers who work on project related activities. Those staff who received training will begin tracking their hours spent on project tasks starting in January of 2024.

This is an important step for our agency, so we are



PORTFOLIO DASHBOARD

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working hard to ensure the training and support given to staff on this process is as robust as possible. The project team built out easy-to-follow job aids and are standing by to support users during and after training, should questions arise.

Through the Enterprise Portfolio Management (EPM) project, our current Strategic and Operational Planning (SOP) Report is evolving into "Portfolio Dashboards," and will provide a more comprehensive look at the agency portfolio of projects, coordination efforts, and releases. These dashboards are available to staff in real time in Power BI. Project managers will continue to send weekly status reports to their individual stakeholders, and SOP will continue to send a weekly email notifying staff of any efforts that are in red or yellow health status.

In October 2018, the Secretary of State Audits Division released report 2018-32 titled, "Severe Deficiencies in Disaster Recovery Program and Insufficient Information Technology Planning Pose Substantial Risks to Beneficiaries and the State," which included 16

recommendations. One of those was implementing an Enterprise Portfolio Management tool. We will be reporting this project as finalized at the April Audit and Risk Committee meeting, as we completed the retrospective and close-out activities in January of this year.

Agency initiatives and accomplishments

Gold Star Certificate The PERS team responsible for producing our Annual Comprehensive Financial Report (ACFR) received the Department of Administrative Services Chief Financial Office's Gold Star Certificate for fiscal year 2022, which is a longstanding financial services tradition at PERS. The certificate is awarded to state agencies that provide accurate and complete fiscal year-end information in a timely manner. Its achievement is due to diligent efforts to maintain accurate and complete accounting records throughout the year and aid in the timely preparation of the state of Oregon's ACFR.

2023 PERS Employee of the Year Award For last year's employee-of-the-year nominations, staff were asked to nominate a fellow employee who they consider to be a master team builder who embodies the below characteristics and attributes that set them apart.

The master team builder is:

- An innovator.
- Collaborative.
- A problem solver.
- A motivator.
- A creative visionary.
- Adaptable.

There were 17 nominations received with 14 employees nominated. Brian Wynn, Senior Support Analyst from the Technical Operations Section, was the winner. Honorable

mention was tied and went to Mary Lang, Legal Liaison and Wendy Lutrell, Operations Policy Analyst.



*Bryan Wynn,
winner of the 2023
Employee of the Year
award.*

2023 PERS Manager of the Year Award For last year's manager-of-the-year nominations, staff were encouraged to nominate a manager whose efforts have impressed them; they identified this person as someone who best exemplifies the attributes of the ideal manager through demonstrating the following:

- Commitment.
- Clear communication.
- Problem solving.
- Flexibility.
- Innovation.
- Productive feedback.
- Support.
- Consistency.

There were 28 nominations received with 14 managers nominated. Melissa Piezonka, manager of the Member

Information Center was the winner. Honorable mention went to Tamie Johnson, manager of the Intake and Review Team.



*Melissa Piezonka,
winner of the 2023
Manager of the Year
award.*

This recognition and the bestowing of both of these awards were made possible by an active and engaged Employee Recognition Work Group made up of staff

throughout the agency; I'd like to thank them for their efforts.

PERS BOARD MEETING FORWARD-LOOKING CALENDAR

Monday, April 1, 2024*

Senate Bill 1049 update
 Final earnings crediting
 Board approval to file 2025 legislative concepts
 Agency Budget preview
 Oregon Investment Council annual review
 Oregon Savings Growth Plan report out

Friday, May 31, 2024

PERS Modernization Program update
 Agency Budget development
 Board Scorecard Report on agency performance measures
 PERS Health Insurance Program (PHIP) renewals and rates
 PHIP report out
 Review Board Education Policy and training

Friday, July 26, 2024*

Senate Bill 1049 update
 Approval to submit Agency Request Budget
 CEM Benchmarking presentation

Friday, October 4, 2024

PERS Modernization Program update
 Board adoption of Actual Employer Rates
 Legislative update (if needed)
 PERS Strategic Plan update
 Member and Employer Survey results

Friday, December 6, 2024*

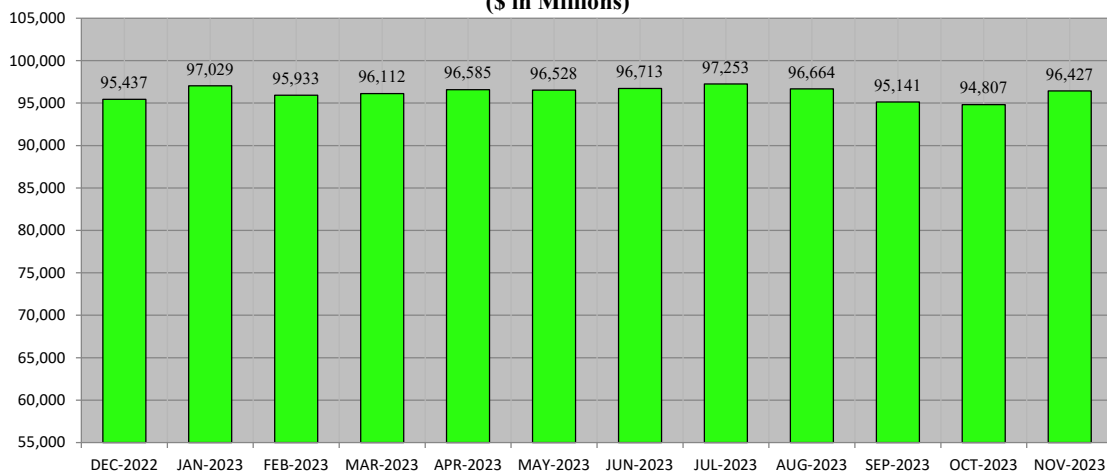
Senate Bill 1049 update
 Presentation of legislative concept drafts before filing
 Board Scorecard Report on agency performance measures

**Audit and Risk Committee planned for post-board meeting*

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
TOTAL OPERF Regular Account			\$ 92,618,760		4.28	3.39	1.99	7.80	7.66	8.08	8.60	7.66
<i>OPERF Policy Benchmark</i>					8.89	7.15	0.59	5.67	7.05	7.64	8.44	7.79
Value Added					(4.61)	(3.76)	1.40	2.14	0.61	0.44	0.16	(0.13)
<i>Oregon Reference Portfolio</i>					11.04	7.90	(2.48)	2.41	5.00	6.51	6.89	5.75
Public Equity	22.5-32.5%	27.5%	\$ 14,992,189	16.2%	14.04	10.65	1.33	7.26	8.14	8.94	9.50	7.67
<i>MSCI ACWI IMI Net</i>					15.52	11.09	(1.00)	5.37	7.62	8.71	9.30	7.41
Private Equity	17.5-27.5%	20.0%	\$ 26,565,236	28.7%	6.58	6.33	3.01	14.79	14.63	14.18	15.50	13.96
<i>Russell 3000+300 Bps Qtr Lag</i>					25.09	23.50	3.16	14.16	14.48	13.16	15.94	15.48
Total Equity	45.0-55.0%	47.5%	\$ 41,557,425	44.9%								
Total Fixed	20-30%	25.0%	\$ 21,246,962	22.9%	3.59	2.94	(4.22)	(2.98)	(0.48)	1.53	1.54	1.75
<i>Oregon Custom Fixed Income Benchmark</i>					1.64	1.18	(6.09)	(4.23)	(1.52)	0.59	0.80	1.10
Real Estate	9.0-16.5%	12.5%	\$ 13,275,835	14.3%	(9.23)	(9.19)	5.82	9.18	7.43	7.33	8.27	8.94
<i>Oregon Custom Real Estate Benchmark</i>					(12.27)	(12.17)	4.09	6.47	5.02	5.00	5.81	7.47
Real Assets	2.5-10.0%	7.5%	\$ 9,255,682	10.0%	4.95	5.07	11.38	13.77	9.79	7.11	7.17	5.28
<i>CPI +4%</i>					7.23	7.25	9.29	9.88	8.69	8.17	7.63	6.90
Diversifying Strategies	2.5-10.0%	7.5%	\$ 4,644,707	5.0%	1.64	2.59	12.54	11.49	3.98	3.06	1.95	2.72
<i>HFRI FOF: Conservative Index</i>					3.61	4.36	2.17	4.66	4.67	4.60	3.98	3.32
Opportunity Portfolio	0-5%	0%	\$ 2,596,086	2.8%	11.38	12.15	6.82	12.67	11.42	9.99	9.69	8.47
<i>Opportunity Custom Benchmark</i>					7.66	7.77	10.08	10.76	9.61	9.11	8.59	7.87
Cash w/Overlay	0-3%	0%	\$ 42,063	0.0%	4.85	5.27	2.64	1.80	1.78	2.10	1.95	1.58
<i>91 Day Treasury Bill</i>					4.53	4.91	2.98	2.00	1.70	1.82	1.67	1.21
Target Date Funds			\$ 3,582,322									
TOTAL OPERF Variable Account			\$ 225,703		15.70	11.28	(0.73)	5.66	7.92	9.02	9.64	7.76

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

(\$ in Millions)



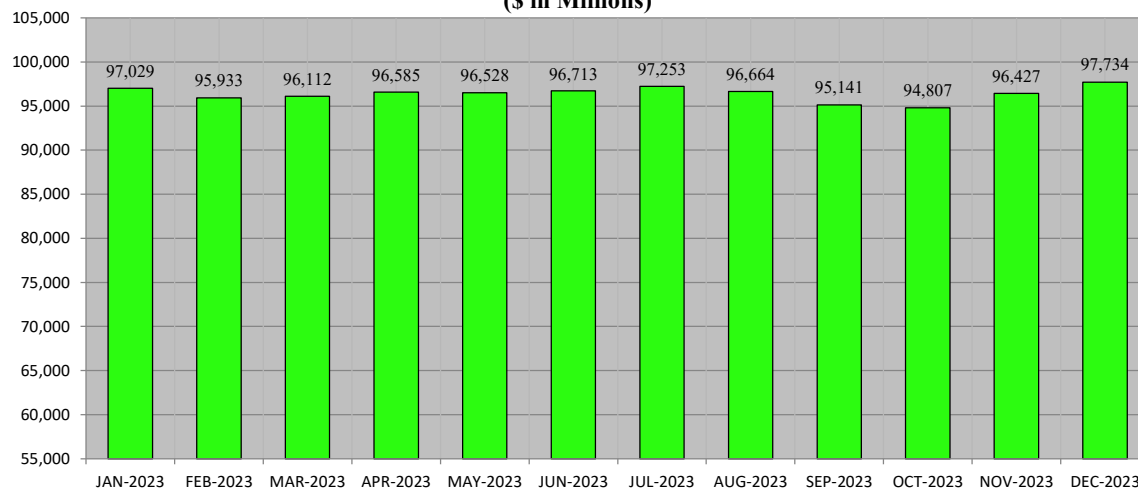
¹OIC Policy revised April 2023.

²Includes impact of cash overlay management.

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

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
TOTAL OPERF Regular Account			\$ 93,825,705		5.98	5.98	2.15	7.80	7.76	8.90	8.55	7.61
<i>OPERF Policy Benchmark</i>					11.31	11.31	0.89	5.57	7.23	8.55	8.45	7.77
Value Added					(5.34)	(5.34)	1.25	2.23	0.53	0.35	0.10	(0.16)
<i>Oregon Reference Portfolio</i>					16.35	16.35	(1.50)	2.82	5.59	8.51	7.37	6.14
Public Equity	22.5-32.5%	27.5%	\$ 15,455,093	16.5%	19.76	19.76	1.32	7.20	8.54	11.69	9.91	8.00
<i>MSCI ACWI IMI Net</i>					21.58	21.58	(0.40)	5.46	8.06	11.49	9.77	7.77
Private Equity	17.5-27.5%	20.0%	\$ 26,404,339	28.1%	6.38	6.38	3.74	15.12	14.52	13.83	14.93	13.35
<i>Russell 3000+300 Bps Qtr Lag</i>					24.02	24.02	2.61	12.64	14.06	12.40	14.96	14.59
Total Equity	45.0-55.0%	47.5%	\$ 41,859,432	44.6%								
Total Fixed	20-30%	25.0%	\$ 21,957,663	23.4%	7.04	7.04	(2.55)	(2.01)	0.32	1.97	1.97	2.09
<i>Oregon Custom Fixed Income Benchmark</i>					5.53	5.53	(4.19)	(3.10)	(0.61)	1.11	1.31	1.48
Real Estate	9.0-16.5%	12.5%	\$ 13,320,792	14.2%	(10.21)	(10.21)	3.82	8.67	7.14	7.16	7.69	8.56
<i>Oregon Custom Real Estate Benchmark</i>					(12.88)	(12.88)	2.65	6.19	4.74	4.72	5.43	7.12
Real Assets	2.5-10.0%	7.5%	\$ 9,484,747	10.1%	7.79	7.79	12.88	14.89	10.42	7.90	7.53	5.59
<i>CPI +4%</i>					7.47	7.47	9.07	9.81	8.69	8.22	7.61	6.89
Diversifying Strategies	2.5-10.0%	7.5%	\$ 4,554,927	4.9%	0.76	0.76	10.59	9.94	3.97	2.96	1.45	2.57
<i>HFRI FOF: Conservative Index</i>					4.60	4.60	2.31	4.05	4.65	4.98	4.00	3.33
Opportunity Portfolio	0-5%	0%	\$ 2,623,154	2.8%	13.88	13.88	7.39	12.34	11.79	10.64	9.92	8.62
<i>Opportunity Custom Benchmark</i>					10.06	10.06	10.90	11.39	10.12	9.57	8.86	8.07
Cash w/Overlay	0-3%	0%	\$ 24,990	0.0%	5.46	5.46	2.95	1.98	1.88	2.16	2.03	1.64
<i>91 Day Treasury Bill</i>					5.01	5.01	3.22	2.15	1.78	1.88	1.73	1.25
Target Date Funds			\$ 3,671,069									
TOTAL OPERF Variable Account			\$ 237,470									
					21.74	21.74	(0.15)	5.75	8.35	11.79	10.10	8.12

Total OPERF NAV
(includes Variable Fund assets)
One year ending DEC-2023
(\$ in Millions)



¹OIC Policy revised April 2023.

²Includes impact of cash overlay management.

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



Oregon

Tina Kotek, Governor

Public Employees Retirement System

Headquarters

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Tigard, OR 97281-3700

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www.oregon.gov/pers

February 2, 2024

TO: Members of the PERS Board
 FROM: Gregory R. Gabriel, Budget Officer
 SUBJECT: February 2024 Budget Report

2023-25 OPERATING BUDGET

Operating expenditures for November, December, and preliminary expenditures for January are \$4,729,285, \$4,788,789, and \$5,072,160 respectively. Final expenditures for January will close in the Statewide Financial Management System on February 16 and will be included in the April 2024 report to the board.

- Through January 12, 2024, the agency has expended a total of \$33,218,990 or 24.5% of PERS' legislatively approved operations budget of \$135,781,649.
- At this time, the agency's projected variance is \$2,308,217 or 1.7%.
- Core Retirement Systems Applications (CRSA) expenditures for November, December, and preliminary expenditures for January are \$670,306, \$679,090, and \$934,076 respectively. As of January 12, the agency has expended \$3,967,394 or 13.4% of the legislatively approved budget of \$29,704,845.
- At this time, the CRSA projected variance is \$5,750,786 or 19.4%.

2021-23 OPERATING BUDGET

Operating expenditures paid July through December 2023 were \$2,900,511. The final variance is \$6,640,020 or approximately 5.2% of the operations budget.

To date, the agency has expended a total of \$119,956,342 or 94.8% of PERS' legislatively approved operations budget of \$126,596,362. This concludes reporting on appropriation year 2023.

2023-25 NON-LIMITED BUDGET

The adopted budget includes \$13,523,120,517 in total estimated non-limited expenditures. Non-limited expenditures include benefit payments, health insurance premiums, and third-party administration payments for both the PERS Health Insurance Program (PHIP) and the Individual Account Program (IAP).

- Non-Limited expenditures through January 12, 2024 are \$3,365,702,854.

A.2.c. Attachment – 2021-23, 2023-25 CRSA, Agency-wide Budget Execution Summary Analysis

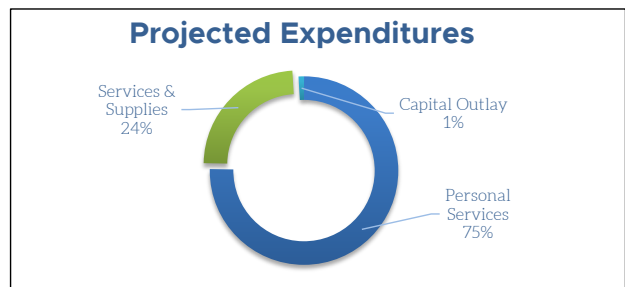
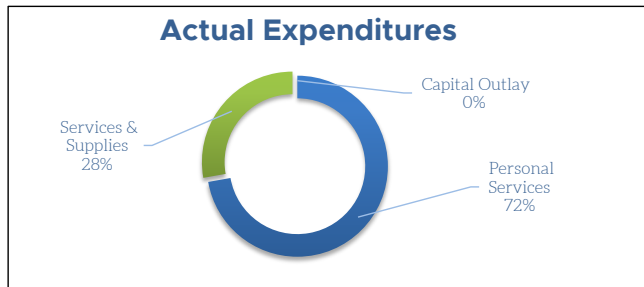
PERS Monthly Budget Report

2023-25 Agency-Wide Budget Execution
Preliminary for the Month of January 2024

Limited-Operating Budget

2023-25 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2023-25 LAB	Variance
Personal Services	23,990,976	75,449,663	99,440,639	98,372,912	(1,067,727)
Services & Supplies	9,228,014	23,863,779	33,091,793	36,267,336	3,175,543
Capital Outlay	0	941,000	941,000	1,141,401	200,401
Total	33,218,990	100,254,441	133,473,432	135,781,649	2,308,217



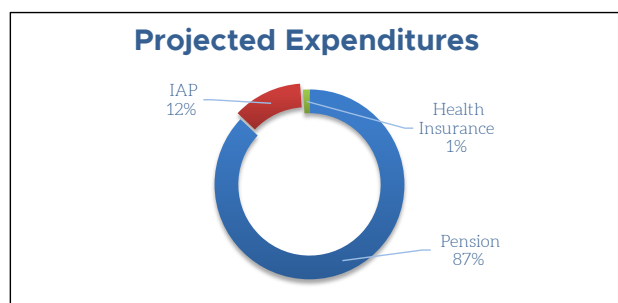
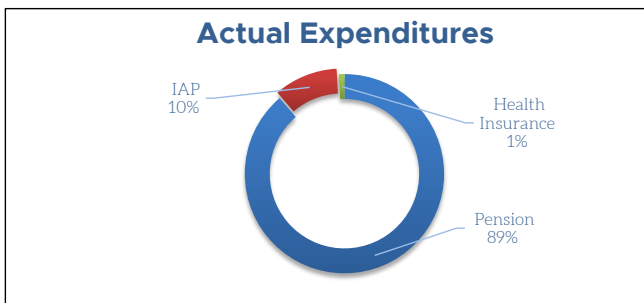
Monthly Summary

Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	4,201,198	4,353,573	152,375	3,427,282	4,438,215
Services & Supplies	870,963	902,552	31,589	1,318,288	1,403,752
Capital Outlay	0	0	0	0	55,353
Total	5,072,161	5,256,125	183,964	4,745,570	5,897,320

Non-Limited Budget

2023-25 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	2,985,857,789	8,662,430,762	11,648,288,551	11,823,032,167	174,743,616
IAP	349,316,926	1,235,812,890	1,585,129,816	1,482,829,663	(102,300,153)
Health Insurance	30,528,139	117,967,653	148,495,792	217,258,687	68,762,895
Total	3,365,702,854	10,016,211,306	13,381,914,160	13,523,120,517	141,206,357



PERS Monthly Budget Report

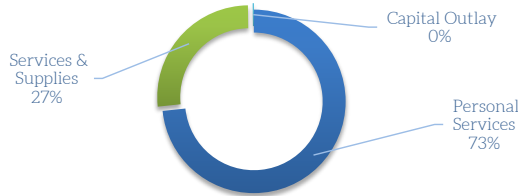
2021-23 Agency-Wide Budget Execution Summary for 2021 - 2023

Limited-Operating Budget

2021-23 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2021-23 LAB	Variance
Personal Services	87,973,237	0	87,973,237	91,033,361	3,060,124
Services & Supplies	31,748,192	0	31,748,192	34,094,093	2,345,901
Capital Outlay	234,913	0	234,913	1,468,908	1,233,995
Unscheduled				0	0
Total	119,956,342	0	119,956,342	126,596,362	6,640,020

Actual Expenditures



Projected Expenditures



Fiscal Year 2024 To Date

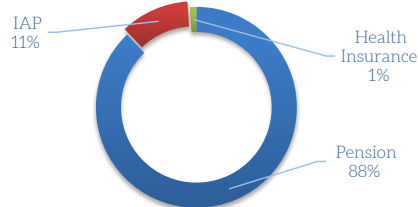
Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	79,092	83,435	4,344	3,620,435	3,966,667
Services & Supplies	2,607,950	2,558,055	(49,896)	1,318,502	1,259,021
Capital Outlay	213,469	73,271	(140,198)	1,129	75,000
Total	2,900,511	2,714,761	(185,750)	4,940,066	5,300,688

Non-Limited Budget

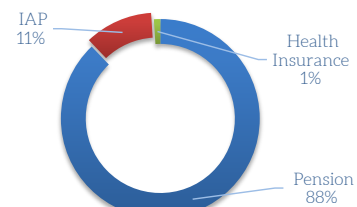
2021-23 Biennial Summary

Programs	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	11,232,480,112	0	11,232,480,112	11,215,517,678	(16,962,434)
IAP	1,417,603,192	0	1,417,603,193	1,298,603,848	(118,999,345)
Health Insurance	132,492,364	0	132,492,364	372,492,067	239,999,703
Total	12,782,575,668	1	12,782,575,669	12,886,613,593	104,037,924

Actual Expenditures



Projected Expenditures



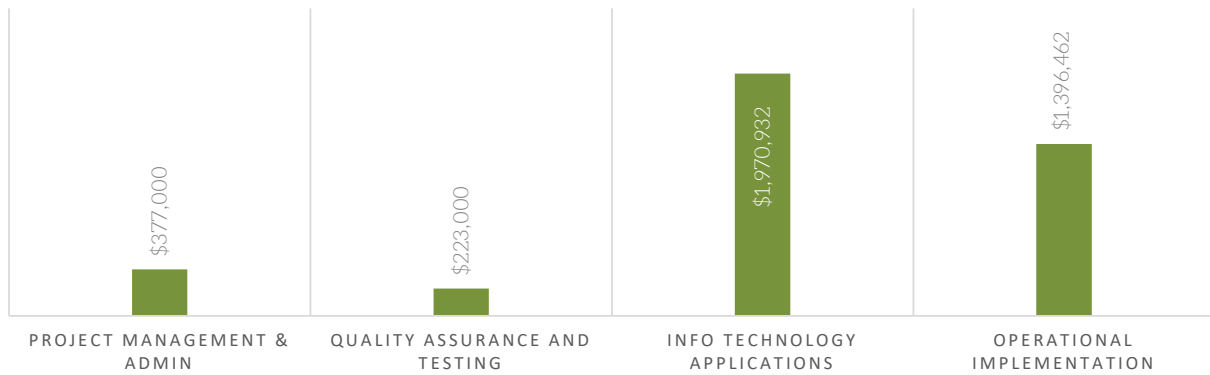
Core Retirement Systems Application

Summary Budget Analysis
Preliminary for the Month of January 2024

Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2023-25 LAB	Variance
Personal Services	1,149,851	6,673,113	7,822,965	6,866,475	(956,490)
Services & Supplies	2,817,543	13,313,551	16,131,094	22,838,370	6,707,276
Capital Outlay					
Total	3,967,394	19,986,665	23,954,059	29,704,845	5,750,786

EXPENDITURES BY PACKAGE



EXPENDITURES BY PROJECT





Oregon

Tina Kotek, Governor

Public Employees Retirement System

Headquarters

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Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

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www.oregon.gov/pers

February 2, 2024

TO: Members of the PERS Board
 FROM: Jason Stanley, Chief Compliance, Audit, and Risk Officer
 SUBJECT: Review the Annual Report of Financial Transactions of the
 PERS Director for the fiscal year ended June 30, 2023

REQUESTED ACTION

In accordance with PERS policy and procedure, the Chair of the Audit and Risk Committee has reviewed the summary of salary, benefits, personnel expenses, travel, and other financial charges incurred by PERS Director Kevin Olineck in the aggregate amount of \$363,577. This amount covers the period of July 1, 2022, through June 30, 2023. Details of this amount were provided at the December 1, 2023 Audit and Risk Committee meeting. The financial records supporting this summary are maintained in the Financial Services Division (FSD).

BACKGROUND

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

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

I reviewed the detailed transactions (payroll time reports, travel expense reimbursement claims, and SPOTS card purchases) of the PERS Director for the period of July 1, 2022, through fiscal year ended June 30, 2023, and found no exceptions or inappropriate transactions.

The PERS Board minutes for this meeting will reflect receipt of this report on the Director's financial transactions for the fiscal year ended June 30, 2023, as submitted by the Chief Compliance, Audit, and Risk Officer, in compliance with OAM 10.90.00 PO.

A. Administration

1. December 1, 2023, PERS Board Meeting Minutes
2. Director's Report
- 3. BoardSmart 3.0 presentation**

B. Administrative rulemaking

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6. Verbal update reflecting on earnings through December 31, 2023



OREGON
PERS
 PUBLIC EMPLOYEES RETIREMENT SYSTEM




Board  Smart



What every fiduciary needs to know
 and when they need to know it



Not intended as legal or investment advice

Congratulations, you are a fiduciary!

- A significant responsibility. No grace period.
- Subject to highest legal standards of care and conduct because of potential conflicts of interest.
- Expectations are constantly increasing.
- Must be loyal and prudent in making difficult decisions but also able to demonstrate it.
- The discretionary powers of fiduciaries vary by jurisdiction.
- Board governance is a collective decision-making process.
- Trustees need to agree on the governance essentials.

When in doubt, be sure to consult with your Chief Executive and/or Counsel.



What do you need to know? When do you need to know it?

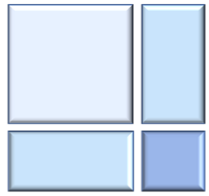
- Fiduciaries are responsible from the moment they become a fiduciary.
- All fiduciaries need to have a common understanding of governing statutes, rules, regulations, bylaws and policies.
- You need to know it all but too much to absorb all at once.

Governance Essentials

Specifically for your system, your fiduciaries
(1 size fits 1)

Your dedicated Continuing Education website
Secure & Accessible

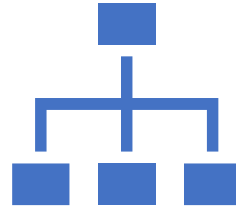




Day 1
Onboarding



Individual CE
Recommendations



Governance
Essentials

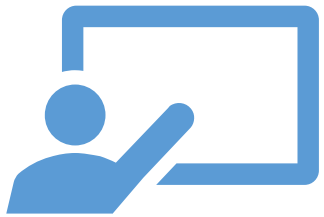


On Demand



Track & Report
Progress

Recommendations developed in close collaboration with your System Essentials + Lessons Learned based on each fiduciary's profile and board calendar



Individual CE Recommendations

Individual Fiduciary Profile	Day 1 On-Boarding	Essentials	On Demand		
			Role-Specific	Board Calendar Events	Lessons Learned
Trustees					
• New	✓	✓		✓	✓
• Experienced		✓		✓	✓
• Chairs/Vice Chairs			✓	✓	✓
Executives	✓	✓	✓	✓	✓

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



Board Smart














Start by learning the critical questions experts always ask.

Questions are similar but answers are different.

Site Navigation

PUSH
 New Essential/8 weeks

Welcome Kevin Olineck

 <p>G106 (Basic) - Expected Rate of Return Resume ▶</p>	 <p>Calendar See your scheduled events</p>	 <p>Cornerstone Resources Browse or download resources</p>		
 <p>Essentials Overview</p>	 <p>In-House Training</p>	 <p>Purpose Vital Functions</p>	 <p>Relationships External/Internal</p>	 <p>Fiduciary Duties</p>
 <p>Conduct Board Business</p>	 <p>Set Direction & Policy</p>	 <p>Approve Delegate</p>	 <p>Oversee Execution within Policy</p>	 <p>Verify Trust</p>

← **F - CONDUCT BUSINESS**

[Additional Available Courses](#) ▶ F - Conduct Business

Alphabetical ▾



 F - Conduct Business Essentials Online Course Start	 F - Conducting the Business of the Board Webinar Online Course ★ ★ ★ ★ ★ (0) Self - Enroll +	 F101(Basic) - Ethics, Code of Conduct, and Conflicts of Interest Online Course ★ ★ ★ ★ ★ (0) Start	 F102(Basic) - Governance Policies Online Course ★ ★ ★ ★ ★ (0) Start	 F104(Basic) - Operating in the Public Sector Fishbowl Online Course ★ ★ ★ ★ ★ (0) Self - Enroll +	 F105(Advanced) - Role of Chairs/ Vice Chairs Online Course ★ ★ ★ ★ ★ (0) Start	 F106(Advanced) - Role of Committees Online Course ★ ★ ★ ★ ★ (0) Start
 F107(Advanced) - Choosing the Right Leadership Online Course ★ ★ ★ ★ ★ (0) Start	 F108(Advanced) - Evaluating the Executive Director Online Course ★ ★ ★ ★ ★ (0) Start	 F109(Advanced) - Board Self-Evaluation Online Course ★ ★ ★ ★ ★ (0) Start				

When you want it

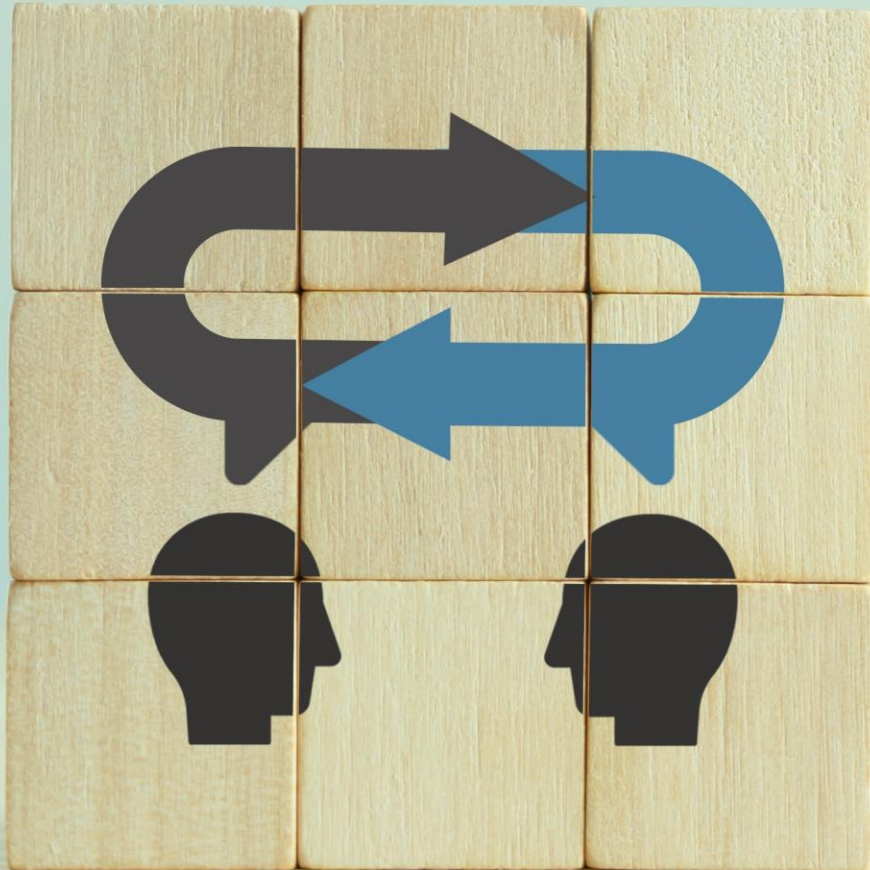


On
Demand



“State of the Art” Learning Management System

Fiduciary Feedback on System Governance



- PERS Governance
 - What's working well? What can be improved?
 - Input to your System's core governance processes
 - Comparisons with your peers
 - Not a pass/fail test
- Your fiduciaries' recommended improvements for Governance and Continuing Education

Board Smart 3.0

Earning Credits



Complete the Essential.



Complete the System Self-Assessments
(not a pass/fail).



Complete assessments questions to earn CE credits.

A New Essential every 8 weeks

- Starting in January 2024, every eight weeks you will receive a link to a short “Ted-like” Talk on a new Governance Essential.
 - Just click on the link and it will take you straight to the Essential.
 - This equates to an average time commitment of just 7.5 minutes a month.

If you encounter any issues, please contact Sara Lussow at slussow@boardsmart.com

What's the Value of the Essentials?

“Fiduciaries are held to the highest legal standards of care and conduct because of the potential for conflicts of interest.”

The Essentials provide an easier way for fiduciaries to:

- Act with loyalty and prudence
 - Better exercise discretionary powers to fulfill fiduciary duties.
- Make better informed decisions
 - Improve signal detection/pattern recognition.
 - Improve intelligence and insight.
 - Improve timely escalation/early warning of policy implications.
- Demonstrate loyalty, prudence and commitment.
- Make highest and best use of limited time.



Next Steps

Communications from the Chair

Check your email:

- Your email is your user id
- Your email is your temporary password
- Log in – change your password
- Profile / Recommended Courses
 - New / Experienced / Chair/Vice Chair
- New Essential every 8 weeks
 - Individual notifications/reminders

Further Information

Rick Funston CEO

Board Smart and Funston Advisory Services LLC

rfunston@boardsmart.com

Sara Lussow Learning System Manager

Board Smart LLC

slussow@boardsmart.com



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February 2, 2024

TO: Members of the PERS Board

FROM: Anne Marie Vu, Research Policy Coordinator, Policy Analysis and Compliance Section
Stephanie Vaughn, Manager, Policy Analysis and Compliance Section

SUBJECT: Notice of Rulemaking for Membership of Academic Employees of Community College and Public Universities Rules:
 OAR 459-010-0012 *Membership of Community College Employees*
 OAR 459-005-0012 *Membership of Academic Employees of Community College and Public Universities*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Implement HB 2740 (2023).
- Policy Issue: None identified.

BACKGROUND

During the 2023 legislative session, House Bill (HB) 2740 was passed amending ORS 238.074 and 238A.142. Prior to HB 2740's passage, these statutory provisions provided a special method to calculate hours used to determine PERS membership eligibility for academic employees of community colleges. They allowed community colleges to convert an academic employee's full-time equivalency (FTE) to hours. Such converted hours were subsequently reported to PERS and used to determine whether the academic employee has worked the requisite 600 hours in a calendar year to be considered employed in a "qualifying position," entitling them to any PERS benefits that require 600 hours of service in the calendar year. These statutory provisions previously did not apply to employees of public universities.

HB 2740 became effective January 1, 2024, and made three specific changes to the statute. First, HB 2740 removed the general FTE hour conversion method and replaced it with a new method that only converts hours of lecture or classroom time worked by an academic employee. Each assigned hour of lecture time or hour of classroom time is multiplied by 2.67. Second, HB 2740 limits the multiplier conversion method only to hours of lecture or classroom time. Other hours of employment are reported without any conversion. Lastly, HB 2740 expanded the special conversion method to apply to academic employees of public universities (who previously were not covered under ORS 238.074 or 238A.142) as well as community colleges. These proposed rule amendments clarify how the revised statutory provisions work, providing guidance to employers on their reporting obligations.

As part of rulemaking, PERS is presenting this clarification in a new rule in Division 5, because the rule applies to all PERS programs including Chapter 238 Programs (Tier One and Tier Two), and Oregon Public Service Retirement Plan (OPSRP). The existing rule (OAR 459-010-0012) is

a part of Division 10 and only applies to the Chapter 238 Programs. As such, it will be repealed to avoid any potential confusion.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held remotely on February 20, 2024, at 2:00 p.m. The public comment period ends February 29, 2024, 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: No.

Benefit: Provides clarification on PERS administration of revised ORS 238.074 and 238A.142.

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

RULEMAKING TIMELINE

February 1, 2024	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
February 1, 2024	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 2, 2024	PERS Board notified that staff began the rulemaking process.
February 20, 2024	Rulemaking hearing to be held remotely at 2:00 p.m.
February 29, 2024	Public comment period ends at 5:00 p.m.
April 1, 2024	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 February 20, 2024. The rules are scheduled to be brought before the PERS Board for adoption at the April 1, 2024 board meeting.

B.1. Attachment 1 – OAR 459-010-0012	<i>Membership of Community College Employees</i>
B.1. Attachment 2 – OAR 459-005-0012	<i>Academic Employees of Community Colleges and Public Universities</i>

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

1 ***[459-010-0012]***

2 ***[Membership of Community College Employee]***

3 *[(1) For purposes of this rule, “academic year” means 12 consecutive calendar*
4 *months beginning July 1 and ending the following June 30.]*

5 *[(2) For purposes of establishing membership in the system, effective July 1, 1988, an*
6 *academic employee of a community college who is employed .375 full-time equivalent*
7 *(FTE) on a 12-month basis or .50 FTE on a 9-month basis for the academic year is deemed*
8 *to be employed 600 hours or more for purposes of determining a “qualifying position”*
9 *under OAR 459-010-0003.]*

10 *[(3) For an academic employee of a community college, an FTE shall be measured*
11 *against an academic year.]*

12 *[(4) For purposes of determining a “qualifying position” under OAR 459-010-0003*
13 *for an academic employee of a community college, the following definitions apply:]*

14 *[(a) “Partial year of hire” means a period in the academic year the employee begins*
15 *employment after the first working day of the academic year, and continues employment*
16 *through the last day of the academic year.]*

17 *[(b) “Partial year of separation” means a period in the academic year the employee is*
18 *employed as of the beginning of the academic year, and separates from employment before*
19 *the last working day of the academic year.]*

20 *[(c) “Short segment” means a period in the academic year during which the employee*
21 *is hired after the first working day of the academic year, and separated from employment*
22 *before the last working day of the same academic year.]*

1 *[(5) An academic employee of a community college is an instructor who teaches*
2 *classes offered for college-approved credit or on a non-credit basis. Librarians,*
3 *counselors, and aides in non-teaching positions, tutors, or other non-teaching faculty, and*
4 *classified, professional or nonprofessional support staff are not academic employees for*
5 *the purposes of ORS 238.074; but are subject to the membership requirements under ORS*
6 *238.015.]*

7 *[(6) Each community college shall determine who is an academic employee in its*
8 *employ under this rule. In making that determination, a community college shall consider*
9 *all disciplines (academic activity) collectively when an employee’s assignment includes*
10 *multiple disciplines.]*

11 *[(7) For persons concurrently employed in academic positions in two or more*
12 *community colleges, the combined FTE shall be used in determining eligibility for*
13 *membership. If the combined FTE is less than the criteria in section (2) of this rule, the*
14 *combination of hours of service shall be considered in determining eligibility for*
15 *membership pursuant to ORS 238.015.]*

16 *[(8) For academic employees concurrently employed in an academic and a non-*
17 *academic position in one or more community colleges during an academic year, the*
18 *combination of academic and non-academic duties shall be considered in determining*
19 *eligibility for membership pursuant to ORS 238.015.]*

20 *[(9) Employment of retired members of the system in academic or non-academic*
21 *positions is subject to the limitations in ORS 238.082.]*

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

23 *[Stats. Implemented: ORS 238.074]*

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

1 459-005-0012

2 Membership of Academic Employees of Community College and Public Universities

3 (1) For purposes of this rule, an “academic employee” of a community college or
4 a public university means an instructor who teaches classes offered for college-
5 approved credit, or on a non-credit basis.

6 (2) Librarians, counselors, and aides in non-teaching positions, tutors, or other
7 non-teaching faculty, and classified, professional or nonprofessional support staff are
8 not academic employees for the purposes of ORS 238.074 or 238A.142.

9 (3) Effective January 1, 2024, each hour for lecture time or classroom time shall
10 be converted to 2.67 hours of employment. Other hours of employment shall be
11 reported with no conversion.

12 (4) Each community college or public university shall determine who is an
13 academic employee in its employ under this rule. In making that determination, the
14 employing community college or public university shall consider all disciplines
15 (academic activity) collectively when an employee’s assignment includes multiple
16 disciplines.

17 (5) For academic employees concurrently employed in an academic and a non-
18 academic position in one or more community colleges during an academic year, the
19 combination of academic and non-academic duties shall be considered in determining
20 eligibility for membership pursuant to ORS 238.015 or ORS 238A.100.

21 (6) Upon request by PERS, the employer shall submit an official copy of the
22 employee’s position description or other employment document that describes the

1 employee's duties and disciplines to support their determination under subsection (4)
2 of this rule.

3 (7) Employment of retired members of the system in academic or non-academic
4 positions is subject to the limitations in ORS 238.082 or ORS 238A.245.

5 Stat. Auth.: ORS 238.650

6 Stats. Implemented: ORS 238.074, 238A.142, House Bill 2740 (2023)

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February 2, 2024

TO: Members of the PERS Board

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

SUBJECT: Notice of Rulemaking for Annual Plan 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: None. This is notice that staff has begun rulemaking.
- Reason: Update rules to reflect the 2024 Internal Revenue Code (IRC), salary limit, and monthly salary threshold for the Employee Pension Stability Account (EPSA).
- Policy Issue: None identified.

BACKGROUND

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

The proposed rule modifications incorporate these federal adjustments for calendar year 2024 and are necessary to ensure compliance with the federal limits on the amount of annual compensation allowed for determining contributions and benefits.

Under ORS 238.005, 238A.005 and 238A.330, as amended by Senate Bill (SB) 1049 (2019), on January 1 of each year, the PERS Board shall adjust the overall salary limit, and the salary threshold for EPSA contributions to reflect cost of living increases from the previous year, based on the Consumer Price Index (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 12-month CPI for December 2023 was 3.3%. The amendments to the rules reflect the 3.3% increase, updating these amounts to \$232,976 for the calendar year salary limit, and \$3,688 for the monthly threshold for contributions to the EPSA for 2024.

Lastly, we have updated the income limits for retirees who receive social security payments and return to work. Note that the social security income limits are rarely, if ever, applied under the work after retirement provisions of SB 1049 (2019).

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held remotely on February 20, 2024, at 2:00 p.m. The public comment period ends February 29, 2024, 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, 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 2024 and clarifies salary limit and EPSA contributions salary threshold for calendar year 2024.

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

RULEMAKING TIMELINE

February 1, 2024	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
February 1, 2024	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 2, 2024	PERS Board notified that staff began the rulemaking process.
February 20, 2024	Rulemaking hearing to be held remotely at 2:00 p.m.
February 29, 2024	Public comment period ends at 5:00 p.m.
April 1, 2024	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 February 20, 2024. The rules are scheduled to be brought before the PERS Board for adoption at the April 1, 2024 board meeting.

B.2. Attachment 1 – OAR 459-005-0525	<i>Ceiling on Compensation for Purposes of Contributions and Benefits</i>
B.2. Attachment 2 – OAR 459-005-0545	<i>Annual Addition Limitation</i>
B.2. Attachment 3 – OAR 459-017-0060	<i>Reemployment of Retired Members</i>
B.2. Attachment 4 – OAR 459-080-0400	<i>Employee Pension Stability Account (EPSA)</i>
B.2. Attachment 5 – OAR 459-080-0500	<i>Limitation on Contributions</i>

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

1 **459-005-0525**

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

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

7 (2) For purposes of this rule:

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

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

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

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

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

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

1 Chapters 238 and 238A. The limit on annual compensation for eligible participants shall
2 be no less than the amount which was allowed to be taken into account for purposes of
3 determining contributions or benefits under former ORS 237.001 to 237.315 as in effect
4 on July 1, 1993, for calendar years before 2020. Beginning in ~~2023~~2024, the limit on
5 annual compensation taken into account for purposes of determining contributions or
6 benefits under ORS Chapter 238 or 238A for eligible participants shall be measured on a
7 calendar year basis, and shall not exceed ~~[\$225,533]~~\$232,976 per calendar year.

8 (4) For noneligible participants, the annual compensation taken into account for
9 purposes of determining contributions or benefits under ORS Chapters 238 and 238A
10 shall be measured on a calendar year basis, and shall not exceed ~~[\$225,533]~~ \$232,976 per
11 calendar year beginning in ~~2023~~ 2024.

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

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

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

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

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

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

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

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

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

1 **459-005-0545**

2 **Annual Addition Limitation**

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

6 (2) Except as otherwise provided in this rule, a member’s annual additions to PERS
7 for any calendar year after ~~2022~~ **2023** may not exceed ~~[\$66,000]~~ **\$69,000** as adjusted
8 under IRC Section 415(d).

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

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

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

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

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

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

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

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

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

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

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

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

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

1 **459-017-0060**

2 **Reemployment of Retired Members**

3 (1) For purposes of this rule:

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

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

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

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

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

20 (A) For retired members who have not reached full retirement age under the Social
21 Security Act, the annual compensation limit is ~~[\$21,240]~~ \$22,320; or

1 (B) For the calendar year in which the retired member reaches full retirement age
2 under the Social Security Act and only for compensation for the months before reaching
3 full retirement age, the annual compensation limit is ~~[\$51,960]~~ \$59,520.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 Stat. Auth.: ORS 238.650 & ORS 238.630

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

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 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 amount
6 and the system funded status is below 90%.

7 (2) The monthly salary threshold amount:

8 (a) Is [~~\$3,570~~] \$3,688 for calendar year [~~2023~~] 2024;

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 on
17 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.

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

5 Stat. Auth.: ORS 238A.450

6 Stats. Implemented: ORS 238A.050, 238A.330, OL 2021, Ch. 298, OL 2019, Ch.
7 355, 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 term
4 in 26 U.S.C. 415(c)(2).

5 (2) Except as otherwise provided in this rule, the annual addition to a member
6 account for any calendar year may not exceed [~~\$66,000~~] \$69,000 effective January 1,
7 ~~[2023]~~ 2024.

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

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

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

14 Stat. Auth.: ORS 238A.450

15 Stats. Implemented: ORS 238A.370

A. Administration

1. December 1, 2023, PERS Board Meeting Minutes
2. Director's Report
3. BoardSmart 3.0 presentation

B. Administrative rulemaking

1. Notice of rulemaking for Membership of Academic Employees of Community College and Public Universities Rule
2. Notice of rulemaking regarding Annual Plan Limits Rules
- 3. Notice of rulemaking to Distributions During Employment Rule (OSGP)**
4. Adoption of rules implementing 2023 legislation

C. Action and discussion items

1. Legislative update and legislative concept preview
2. Modernization update
3. Social Security fee update
4. Senate Bill 1566 reporting requirements
5. Preliminary 2023 earnings crediting and reserving
6. Verbal update reflecting on earnings through December 31, 2023



Oregon

Tina Kotek, Governor

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February 2, 2024

TO: Members of the PERS Board

FROM: Yong Yang, Tax Policy Coordinator, Policy Analysis and Compliance Section
Stephanie Vaughn, Manager, Policy Analysis and Compliance Section

SUBJECT: Notice of Rulemaking to Distributions During Employment (OSGP) Rule:
OAR 459-050-0075 *Distributions During Employment*

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Staff recommendation.
- Policy Issue: Whether to provide plan participants with the option of in-service distribution of their separately accounted for rollover amounts in the Oregon Savings Growth Plan (OSGP).

BACKGROUND

OSGP is a voluntary 457(b) deferred compensation plan. It can and does receive rollover funds from other qualified retirement plans, including the IAP account from PERS. For rollovers coming from non-457(b) plans, OSGP is required under federal law to account for the funds separately under the plan. Except for the specific distributions outlined in OAR 459-050-0075, distributions from OSGP while the participant is employed with a participating employer are not allowed. Under IRS Revenue Ruling 2004-12, if a 457(b) plan such as the OSGP separately accounts for amounts attributable to rollover contributions to the plan, the plan document may permit the distribution of such amounts at any time pursuant to a plan participant's request. Note that the OSGP plan document consists of the statute (ORS 243.401-.507) and OARs (Chapter 459, Division 50).

OSGP staff is seeking to amend OAR 459-050-0075 so that any rollover amount in a separate account established under OAR 459-050-0090(4)(c)(A) can be distributed while a plan participant is still employed by a participating employer.

POLICY QUESTION

Should the OSGP plan document be amended to provide plan participants with the option of in-service distribution of their separately accounted for rollover amounts in the OSGP?

As mentioned above, allowing a distribution of rolled-over funds that are separately accounted for in a 457(b) plan is allowable under the IRS guidelines. The policy rationale for providing this distribution option is to promote asset retention and increase participation in OSGP, as it is an option widely available in other 457(b) plans. For example, many PERS members roll their IAP account when they retire with PERS and return to work with a participating employer after retirement. Some of these members work for employers (e.g., local, and municipal governments) with their own 457(b) plans which provide in-service distributions for rolled-over amounts. Not offering this in-service distribution option puts OSGP at a competitive disadvantage for these assets. Retirees who may want to work after retirement will be more

likely to roll their funds to an account from which they will be able to access the funds. Amending the rule will allow plan participants to access their rolled over funds in the OSGP without a severance of employment. This would be true for funds rolled into OSGP from PERS as well as other employer's 401(k), 403(b), and 401(a) plans. The rule has been amended to allow distributions from OSGP of separately accounted for rollover funds and, unless the board directs otherwise, staff will proceed with the rule as presented.

Lastly, we are making a minor edit to subsection (1)(b) of the rule and deleting the existing section (5) of the rule which prohibits the use of rollover amounts to be included for the purpose of *permissible de minimis* distribution and unforeseen emergency withdrawals.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held remotely on February 20, 2024, at 2:00 p.m. The public comment period ends February 29, 2024, 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: No.

Benefit: attract rollover funds into OSGP as they can be accessed by plan participants at any time.

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

RULEMAKING TIMELINE

February 1, 2024	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
February 1, 2024	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 2, 2024	PERS Board notified that staff began the rulemaking process.
February 20, 2024	Rulemaking hearing to be held remotely at 2:00 p.m.
February 29, 2024	Public comment period ends at 5:00 p.m.
April 1, 2024	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 February 20, 2024. The rule is scheduled to be brought before the PERS Board for adoption at the April 1, 2024 board meeting.

B.3. Attachment 1 – OAR 459-050-0075 *Distributions During Employment*

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

1 **459-050-0075**

2 **Distributions During Employment**

3 The purpose of this rule is to describe the types of distributions available to a
4 participant who has not had a severance of employment. Distributions made while a
5 participant is still employed are in-service distributions.

6 (1) De minimis distribution. A de minimis distribution is an in-service distribution of
7 the entire balance of a small account before the date a participant has a severance of
8 employment. A de minimis distribution may be made if all of the following conditions
9 are satisfied:

10 (a) No prior de minimis distribution was made to the participant;

11 (b) The total balance of the participant’s account(s) within the Deferred
12 Compensation Program do(es) not exceed the limitations in the Internal Revenue Code
13 Section (IRC) 457(e)(9)(A) *[, which is \$5,000]*;

14 (c) Participant has not made any contributions to the Deferred Compensation
15 Program in the two-year period before the date of distribution; and

16 (d) Participant has applied for a de minimis distribution by using online account
17 access or other methods approved by the Deferred Compensation Program. No
18 distribution will be paid unless a complete application is filed with, and approved by, the
19 Deferred Compensation Program.

20 (2) Unforeseeable emergency withdrawal. An unforeseeable emergency withdrawal
21 is an in-service distribution made to a participant due to an unforeseeable emergency.

22 This withdrawal may be made before the date a participant has a severance of

1 employment and as defined in OAR 459-050-0150. A participant must apply for an
2 unforeseeable emergency withdrawal by using online account access or other methods
3 approved by the Deferred Compensation Program as provided for in OAR 459-050-0150.

4 (3) Military distribution. A participant is treated as having been severed from
5 employment during any period the participant is performing service in the uniformed
6 services while on active duty for a period of more than 30 days for the purposes of the
7 limitation on in-service distributions. For purposes of this rule, “uniformed services” has
8 the same meaning as given in OAR 459-050-0072. This section applies to distributions
9 made on or after January 1, 2009.

10 (4) Trustee-to-Trustee Transfers. A Trustee-to-Trustee Transfer for the purpose of
11 purchasing permissive service credit as described in Code Section 415(n) or a Trustee-to-
12 Trustee Transfer that meets the requirements of 26 CFR 1.457.10(b)(4) may be made
13 while a participant is still employed.

14 (5) *[Funds available for in-service distribution. Funds contributed to the Deferred*
15 *Compensation Program, and earnings on those contributions may be distributed in a de*
16 *minimis distribution or unforeseeable emergency withdrawal. Any funds directly*
17 *transferred or rolled over to the Deferred Compensation Program from any plan other*
18 *than an IRC 457 deferred compensation plan may not be distributed for a de minimis*
19 *distribution or an unforeseeable emergency withdrawal.] Rollover amount distribution.*
20 Any rollover amount in a separate account established under OAR 459-050-
21 0090(4)(c)(A) can be distributed while a plan participant is still employed.

22 (6) Notwithstanding any other sections of this rule, a participant who self-certifies
23 through a process provided by the Deferred Compensation Program as a “qualified

1 individual” as that term is defined in the Coronavirus Aid, Relief, and Economic Security
2 Act of 2020, may take an in-service distribution of no more than \$100,000 during
3 calendar year 2020.

4 (a) A qualified individual means an individual:

5 (A) Who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019
6 (COVID-19) by a test approved by the Centers for Disease Control and Prevention;

7 (B) Whose spouse or dependent (as defined in section 152 of the Internal Revenue
8 Code of 1986) is diagnosed with such virus or disease by such a test; or

9 (C) Who experiences adverse financial consequences as a result of being
10 quarantined, being furloughed or laid off or having work hours reduced due to such virus
11 or disease, being unable to work due to lack of child care due to such virus or disease,
12 closing or reducing hours of a business owned or operated by the individual due to such
13 virus or disease, or other factors as determined by the Secretary of the Treasury (or the
14 Secretary’s delegate).

15 (b) A distribution taken under this section, or any portion thereof, may be
16 redeposited by the plan participant back into the participant’s Deferred Compensation
17 Account within three years beginning on the day after the date of the withdrawal.

18 Statutory/Other Authority: ORS 243.470

19 Statutes/Other Implemented: ORS 243.401 - 243.507 & Pub. L. No. 116-136

A. Administration

1. December 1, 2023, PERS Board Meeting Minutes
2. Director's Report
3. BoardSmart 3.0 presentation

B. Administrative rulemaking

1. Notice of rulemaking for Membership of Academic Employees of Community College and Public Universities Rule
2. Notice of rulemaking regarding Annual Plan Limits Rules
3. Notice of rulemaking to Distributions During Employment Rule (OSGP)
- 4. Adoption of rules implementing 2023 legislation**

C. Action and discussion items

1. Legislative update and legislative concept preview
2. Modernization update
3. Social Security fee update
4. Senate Bill 1566 reporting requirements
5. Preliminary 2023 earnings crediting and reserving
6. Verbal update reflecting on earnings through December 31, 2023



Oregon

Tina Kotek, Governor

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February 2, 2024

TO: Members of the PERS Board

FROM: Melanie Chandler, Research Policy Coordinator, Policy Analysis and Compliance Section
Anne Marie Vu, Research Policy Coordinator, Policy Analysis and Compliance Section
Stephanie Vaughn, Manager, Policy Analysis and Compliance Section

SUBJECT: Adoption of Rules Implementing 2023 Legislation:
OAR 459-045-0090 *PERS Administrative Fee*
OAR 459-014-0040 *Valid Request for Distribution of Pre-Retirement Death Benefits*
OAR 459-017-0060 *Reemployment of Retired Members*

OVERVIEW

- Action: Adoption of rules to implement 2023 legislation.
- Reason: Implement PERS-related bills enacted by the 2023 Oregon Legislature.
- Policy Issue: None identified.

BACKGROUND

Staff have compiled amendments to administrative rules necessary to implement several PERS-related bills enacted during the 2023 Oregon Legislative Session.

House Bill (HB) 2284 PERS Administrative Fee

This is a PERS-sponsored bill that raises the statutory cap on the amount the agency can charge to process a divorce decree that requires PERS to administer an alternate payee award. The existing statutory limit of no more than \$300 for total administrative expenses and related costs incurred in obtaining data or making calculations related to divorce decrees was originally set in 1993. In 1996, the PERS Board adopted OAR 459-045-0090, which acknowledged that “The board has determined that actual and reasonable administrative expenses incurred by PERS for obtaining data and making calculations to administer an alternate payee award will always exceed \$300.” As of 2019, the approximate cost to process a divorce decree was ~\$1,300 and PERS processes approximately 1,000 decrees per year.

HB 2284 (2023) increases the maximum allowable administrative fee to administer a divorce decree from \$300 to \$1,300 and directs the PERS Board to increase the fee threshold by the Consumer Price Index (CPI) as published by the Bureau of Labor Statistics. Staff analyzed the potential ways that a divorce decree can be administered and evaluated the amount of work necessary to administer each decree variation. Using this research, fee tiers were developed to account for the different levels of work and administrative efficiency. The proposed revision of OAR 459-045-0090 amends the rule to incorporate the changes as effected by HB 2284 and

establishes the structure to allow for different pay tiers depending on the complexity of the decree administered. HB 2284 became effective January 1, 2024.

At the December 1, 2023 PERS board meeting, Vice Chair Buckley requested that staff consider whether the rule should include language setting a default in how the fees are allocated between the parties and allow for an alternate allocation. Unfortunately, ORS 238.465(9) specifies that the board must allocate the fee between the member and alternate payee based on the fraction of the benefit received by the member or alternate payee. Setting a default and allowing for an alternate allocation of the fee between the parties would require a statutory change.

House Bill (HB) 2283 Valid Request for Distribution of Pre-Retirement Death Benefits

HB 2417 (2019) established a new Optional Spouse Death Benefit (OSDB) for surviving spouses of Tier One and Tier Two PERS members who died before retirement. The bill included a requirement that surviving spouses must elect the OSDB within 60 days of the member's date of death. During implementation of HB 2417 (2019), PERS' staff observed that the restrictive timing language of HB 2417 (2019) meant that at least one-third of spouses who would have been eligible to elect the benefit were missing the required window to notify PERS of their election. In January 2020, the PERS Board amended OAR 459-014-0040 to accommodate surviving spouses to the extent allowable by statute by establishing a preliminary election which allowed a surviving spouse to request an estimate within 60 days from the date of death and providing an additional 60 days to notify the board in a final written election if they wished to elect the OSDB.

To address this issue more directly, HB 2283 (2023) includes a provision amending ORS 238.395(2)(b) and (d) to require the surviving spouse to make an election for the OSDB within 60 days of the date of the benefit estimate instead of the member's date of death.

The proposed revision of OAR 459-014-0040 amends the rule to remove the provisions that were previously put in place to clarify when the OSDB was deemed effective. HB 2283 became effective January 1, 2024.

House Bill (HB) 2296 Reemployment of Retired Members

The work-after-retirement provisions of Senate Bill (SB) 1049 (2019) allow retired PERS members to be reemployed by a participating public employer for an unlimited number of hours in a calendar year without reduction in pension benefits.¹ HB 2296 (2023) extends these provisions until the end of calendar year 2034. This means these retired members can retain their retired member status and continue to receive their PERS retirement benefits while working for a PERS participating employer as a retiree.

The bill also removed certain sunset provisions for special work-after-retirement exceptions for Tier One and Tier Two members which would have otherwise been repealed, making these exceptions permanent. The work after retirement exceptions impacted by HB 2296 include the following:

¹ If they had retired at normal retirement age or were early retirees with a bona fide retirement (absent from employment with all participating public employers for at least six months before the date the person is rehired as a retiree).

- Retired member employed as a nursing instructor and who is a registered nurse. (Was set to expire January 2, 2026.)
- Retired member employed by the Department of Public Safety Standards and Training for training purposes. (Was set to expire January 2, 2026.)
- Retired member employed by a school district or educational service district (ESD) to provide services in the following positions:
 - As a speech-language pathologist, or as a speech-language pathology assistant. (Was set to expire January 2, 2026.)
 - As a teacher of career and technical education (CTE). (Was set to expire June 30, 2023.)

The proposed revisions to OAR 459-017-0060 amend the rule to incorporate the changes made under HB 2296.

CHANGES MADE SINCE NOTICE

None.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held remotely on December 19, 2023, at 2:00 p.m. The public comment period ended December 29, 2023, at 5:00 p.m. No public comment was received.

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: No.

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

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

RULEMAKING TIMELINE

December 1, 2023	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
December 1, 2023	PERS Board notified that staff began the rulemaking process.
December 1, 2023	Secretary of State published the Notice in the Oregon Administrative Rules Database. Notice was sent to employers, legislators, and interested parties. Public comment period began.
December 19, 2023	Rulemaking hearing was held remotely at 2:00 p.m.
December 29, 2023	Public comment period ended at 5:00 p.m.
February 2, 2024	Board may adopt the rule modifications.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “adopt changes to rules to implement 2023 legislation, as presented.”
2. Direct staff to make other changes to the rules or explore other options.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

B.4. Attachment 1 – OAR 459-045-0090

PERS Administrative Fee

B.4. Attachment 2 – OAR 459-014-0040

Valid Request for Distribution of Pre-Retirement Death Benefits

B.4. Attachment 3 – OAR 459-017-0060

Reemployment of Retired Members

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 45 – DOMESTIC RELATIONS ORDERS**

1 **459-045-0090**

2 **PERS Administrative Fee**

3 *[The Board has determined that actual and reasonable administrative expenses*
4 *incurred by PERS for obtaining data and making calculations to administer an*
5 *alternate payee award will always exceed \$300.00. At the time of benefit payment,*
6 *PERS shall allocate the administrative fee under the provisions of ORS 238.465(9).]*

7 **(1) An administrative fee is assessed by PERS for obtaining data and making**
8 **calculations to administer court-ordered alternate payee awards under ORS 238.465**
9 **in the name of an alternate payee.**

10 **(2) Pursuant to the provisions of ORS 238.465(9), the board may not charge**
11 **more than \$1,300 for calendar year 2024 for the total administrative expenses and**
12 **related costs incurred in administering court-ordered alternate payee awards. This**
13 **fee is allocated between the member and the alternate payee based on the fraction of**
14 **the benefit received by the member or the alternate payee.**

15 **(3) The fee to be assessed by the board shall be determined by the estimated**
16 **administrative cost of implementing the court order based on a percentage of the fee**
17 **threshold (rounded to the nearest dollar), as set forth below:**

18 **(a) Low Administrative Cost Tier: Set at 50% of the maximum allowable**
19 **administrative fee and is \$650 for calendar year 2024.**

20 **(b) Moderate Administrative Cost Tier: Set at 75% of the maximum allowable**
21 **administrative fee and is \$975 for calendar year 2024.**

1 **(c) High Administrative Cost Tier: Set at 100% of the maximum allowable**
2 **administrative fee and is \$1,300 for calendar year 2024.**

3 **(4) On January 1 of each year, the board shall update the administrative cost**
4 **fees tiers as the dollar limit threshold provided by ORS 238.465(9) is updated.**

5 Statutory Authority: ORS 238.465, 238.650 & 238A.450

6 Statutes Implemented: ORS 238.465

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

1 **459-014-0040**

2 **Valid Request for Distribution of Pre-Retirement Death Benefits**

3 (1) For the purposes of this rule, “valid request for distribution” is when PERS
4 receives the last required document PERS has determined necessary to distribute a death
5 benefit to a beneficiary.

6 *[(2) Effective January 1, 2020, a written request for an estimate by a surviving spouse
7 of a Tier One or Tier Two member received no later than 60 days after the member’s date
8 of death will be deemed a preliminary election under ORS 238.395(2). The surviving
9 spouse then has 60 days after the date of the estimate to notify the Board in a final written
10 election if they elect to receive the benefit provided under ORS 238.395(2).]*

11 ~~[(3)]~~(2) PERS must receive a copy of the death certificate of the deceased member or
12 alternate payee. PERS will provide instructions to a beneficiary identifying additional
13 documents that must be received to make a valid request for distribution. Required
14 documents may include but are not limited to:

- 15 (a) Death Benefit Election;
- 16 (b) Letters of Testamentary/Administration;
- 17 (c) Small Estate Affidavit or out of state equivalent;
- 18 (d) Affidavit of Next of Kin;
- 19 (e) Affidavit of Beneficiary;
- 20 (f) Declaration of Beneficiary;
- 21 (g) Proof of marriage;
- 22 (h) Proof of registered domestic partnership;

- 1 (i) Proof of birth of the beneficiary;
- 2 (j) Trust document or certification of trust;
- 3 (k) Proof of Conservatorship; and
- 4 (l) Proof of Guardianship.
- 5 ~~[(4)]~~(3) Earnings crediting for the distribution amount for an IAP account beneficiary
- 6 will be determined under OAR 459-007-0320.
- 7 Statutory Authority: ORS 238.650 & 238A.450
- 8 Statutes Implemented: ORS 238.390, 238A.230, 238A.410 & 238.395

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

1 **459-017-0060**

2 **Reemployment of Retired Members**

3 (1) For purposes of this rule:

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

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

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

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

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

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

1 (B) For the calendar year in which the retired member reaches full retirement age
2 under the Social Security Act and only for compensation for the months before reaching
3 full retirement age, the annual compensation limit is \$51,960.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24

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

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

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

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

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

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

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

17 *[(17)]***(15)** A member who is retired for service maintains their status as a retired
18 member of the system, and does not accrue additional benefits during the period of
19 employment. A retired member may not participate in the pension program or the
20 Individual Account Program as an active member, except as provided by ORS 238.092(1)
21 or 237.650.

22 *[(18)]***(16)** For calendar years 2020 through **2034***[2024]*, a public employer
23 employing a retired member shall apply the employer's contribution rate for its covered
24 payroll to the wages paid to the retired member. The public employer shall make a

1 payment to the Public Employees Retirement Fund in that amount. This payment is in
2 addition to the employer’s contribution required under ORS 238.225, and will be applied
3 to the employer’s liabilities, including pension benefit costs and retiree medical benefit
4 costs. If the employer is a member of a pool established under ORS 238.227, the
5 additional payment will be applied to the employer’s rate pool’s liabilities.

6 ~~[(19)]~~(17) For calendar years 2020 through ~~2034~~[2024], the limitations on
7 employment in section (2) of this rule do not apply to a retired member unless the
8 member retired under the provisions of ORS 238.280(1), (2), or (3), and does not have a
9 bona fide retirement.

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

13 ~~[(21)]~~(18) Sections ~~[(18), (19), and (20)]~~(16) and (17) of this rule are repealed
14 effective January 2, ~~2035~~[2025].

15 Statutory Authority: ORS 238.650 & 238.630

16 Statutes/Other Implemented: ORS 238.078, 238.082, 238.088, 238.092, 399.075,
17 2007 OL Ch. 499 & 774, 2015 OL Ch. 108 & 475, 2018 OL Ch. 48, 2019 OL Ch. 355, &
18 [House Bill 2296 \(2023\)](#)

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1. December 1, 2023, PERS Board Meeting Minutes
2. Director's Report
3. BoardSmart 3.0 presentation

B. Administrative rulemaking

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2. Notice of rulemaking regarding Annual Plan Limits Rules
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4. Adoption of rules implementing 2023 legislation

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2. Modernization update
3. Social Security fee update
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5. Preliminary 2023 earnings crediting and reserving
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February 2, 2024

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

2024 LEGISLATIVE SESSION

The 2024 Legislative Session (a “short session”) will last 35 days. It begins on February 5, and must end by Sunday, March 10, unless there is a vote to extend the session. During a short session, state agencies are not permitted to introduce bills through the Governor’s Office. Additionally, while budget adjustments can be made, budget bills for continued operation of state agencies are only passed during odd-numbered year “long” legislative sessions.

PERS will be available to provide needed information to legislators and committees, and answer questions. Additionally, the agency will be tracking bills that affect PERS, the plan, as well as PERS’ operation as a state agency.

We are currently aware of only one bill affecting PERS benefits that will be introduced during the 2024 Legislative Session. This is the Public Safety Workforce Stabilization Act of 2024. At this time, we have just received draft language of the bill and have begun bill analysis. However, we believe this bill will contain three concepts that were discussed during the 2023 legislative session: Making elected district attorneys “police officers” for PERS purposes, creating a new PERS member classification for hazardous positions, and lowering the OPSRP Police and Fire (P&F) retirement age by five years, from 60 to 55. During the session, PERS will work with our staff, as well as our consulting actuaries at Milliman, to analyze the cost of the bill to both the PERS plan, and our administrative costs of implementing such a bill, and provide that information to the Legislature.

REPORTING REQUIREMENTS

PERS’ latest budget bill, House Bill (HB) 5033 (2023) included direction to submit three different reports to the Legislature, all during the 2024 legislative session. These reports are as follows:

- To report to the Joint Legislative Committee on Information Management and Technology regarding implementation of Senate Bill (SB) 1049 (2019). PERS has submitted this report, and it will be heard by the committee during the legislative session.
- To report to the Joint Legislative Committee on Information Management and Technology regarding progress made on the PERS Modernization Program. PERS will be submitting this report, and it will be heard by the committee during the legislative session.
- To report to the Joint Committee on Ways and Means regarding whether the pre-Medicare population within the PERS Health Insurance Program (PHIP) should be combined with other groups in acquiring health care coverage. PERS has submitted this report, and it will be heard by the committee during the legislative session.

According to SB 1566 (2018), PERS is also required to submit a report regarding implementation and status of the Employer Incentive Fund (EIF) and the School District Unfunded Actuarial Liability Fund (SDULF). This report will be heard by the Joint Committee on Ways and Means during the 2024 Legislative Session.

Finally, each year, PERS reports to the Legislature on board action related to Preliminary Earnings Crediting. PERS will submit this report after that action is taken by the board today. Final Earnings Crediting action taken by the PERS Board on April 1 will also be reported to the Legislature.

2025 LEGISLATIVE CONCEPTS

State agencies are in the early stages of developing requests for legislation to be considered during the 2025 legislative session. What follows are ideas that PERS is considering, including those across multiple bills. Over the next few months, the agency will:

- Refine the content and/or packaging of requests.
- Develop preferred statutory language for proposed legislation.
- Determine any preliminary fiscal impact to the agency, members, or employers.
- Meet with the Governor's Office and Department of Administrative Services (DAS).
- Meet with both member and employer stakeholders to obtain feedback.
- Present the PERS Board with the option to move forward with requests to draft legislation.

We will hold a meeting with employer and member stakeholders in February to get their feedback regarding these potential legislative concepts. This feedback will be considered while the agency is refining content and developing preferred statutory language.

Upon PERS Board approval at the April meeting, DAS and the Governor's Office will give a final review of the agency's request for legislation and determine which will move forward to Legislative Counsel for drafting. Bill drafts will be developed over the summer and PERS will be able to review these drafts to ensure the bill will achieve the desired intent. Bill drafts will be available for the December board meeting when we will seek approval to ask the Governor for bill introduction.

What follows are PERS' potential legislative concepts, however the content will be refined, and more detail added between now and the April 1 board meeting. While the agency was able to do most of its statutory clean up and clarification through the 2023 Legislative Session (HB 2283), there are a few more clean-up concepts in this round as well.

Collections and payouts

- Allow only lump-sum Individual Account Program (IAP) death benefits post-retirement.
- Raise collection amount that can be waived on invoices from \$50 to \$200.
- Increase minimum payment for additional P&F death benefit from \$30 to \$200.

PERS Health Insurance Program (PHIP)

- Increase Retirement Health Insurance Account (RHIA) subsidy amount from \$60 per month to a percentage of the average premium per month. RHIA is for Medicare-eligible retirees.
- Extend RHIA and Retiree Health Insurance Premium Account (RHIPA) subsidy eligibility to OPSRP members (currently only Tier One/Tier Two members are eligible for these subsidies). RHIPA is for pre-Medicare eligible retirees.

Clarification and clean up

- Clarify “pop-up” language in Oregon Public Service Retirement Plan (OPSRP) statutes related to conversion of survivor benefit to single life benefit.
- Clarify statute to accommodate current administration regarding surviving spouses.
- Repeal obsolete statute regarding minimum service time crediting, as now agency and system allow for employer reporting of actual service time and accepts actual hours reported.
- Clarify data locking language from HB 2283 (2023), to include not only amendments needed after disputes of notices of entitlement, but also after disputes of data verifications as well.
- Clarify partial month creditable service and retirement credit to reflect agency practice.

Other concepts

- Re-purpose the School District Unfunded Liability Fund (SDULF) dollars to allow them to be applied directly against the unfunded actuarial liability (UAL) of the school district rate pool.
- Allow State Accident Insurance Fund (SAIF) to send worker’s compensation records directly to PERS for members applying for or receiving PERS disability benefits.

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February 2, 2024

TO: Members of the PERS Board
 FROM: Rebecca Jensen Craven, Modernization Program Director
 SUBJECT: Modernization Program Update

BACKGROUND

The PERS Modernization Program is a multi-biennial effort to reimagine and evolve the deployment of our business capabilities via our people, processes, and technologies in order to meet our member and PERS-participating employer needs into the future. The Program's \$9,573,073 budget for the 2023-25 biennium was approved by the Legislature as part of the PERS budget bill, House Bill 5033. The program previously received \$800,000 in the 2021-23 Legislatively Approved Budget and \$3,797,797 in funds granted at the June 2022 Emergency Board.

CURRENT ACTIVITIES

Current program activities are focused on detailed planning for 2023-25 priorities and continued refinement of the program road map through 2031. Recent key accomplishments and areas of progress include:

- *Initiation of Telephony Modernization Project:* The first component project of the program was formally initiated into the PERS project portfolio on January 9, 2024. The project is currently going through the Enterprise Information Services (EIS) Stage Gate 1 endorsement process. The program will be conducting lessons learned activities to gather feedback on ways to improve the efficiency and effectiveness of the project initiation process and will incorporate learnings into initiation processes for upcoming projects.
- *Independent Quality Management Services (iQMS) Initial Risk Assessment:* PERS received this critical first deliverable from its iQMS vendor, Gartner, in January 2024. The program will complete its response and risk mitigation planning in February 2024.
- *Preparation for the 2024 Legislative Session:* The PERS Modernization Program has submitted two items for consideration in the 2024 legislative session.
 - *2023-25 Legislatively Approved Budget (LAB) Reallocation Request:* PERS has submitted a request to the Joint Committee on Ways and Means for specific appropriations for modernization in the 2023-25 LAB to be updated to match expected spending and current project estimates. The adjustment of these appropriations does not result in a need for any additional limitation beyond the original \$9,573,073 provided.
 - *Policy Option Package (POP) 103 Budget Note Report:* The Joint Committee on Ways and Means approved the 2023-25 agency budget with a budget note requiring PERS to report to the Joint Committee on Information Management and Technology during the 2024 legislative session. PERS has prepared a report that

meets the requirements of the budget note and provides a holistic status update on the program and anticipates presenting this report at a committee meeting in February 2024. A copy of the report is included as an attachment to this memo.

C.2. Attachment 1 – *2024 POP 103 Budget Note Report*

C.2. Attachment 2 – *PERS Modernization Program Charter*

C.2. Attachment 3 – *Modernization Monthly Status Report December 2023*



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January 16, 2024

Senator Aaron Woods, Co-Chair
 Representative Nancy Nathanson, Co-Chair
 Joint Committee on Information Management and Technology

900 Court St NE
 H-178 State Capitol
 Salem, OR 97301-4048

Dear Co-Chairpersons:

SUBJECT: HB 5033 (2023) Modernization Program Budget Note Report

The Joint Committee on Ways and Means approved House Bill 5033 (2023) with a budget note requiring PERS to report to the Joint Committee on Information Management and Technology during the 2024 legislative session with updates to the business case, foundational program and project management documentation, system design artifacts, integrated implementation timeframes, including all component projects, and program budget, spending plans, and anticipated total costs.

BACKGROUND

The PERS Modernization Program (the “Program”) is a multi-biennia initiative comprised of a variety of projects focused on transforming the core pension administration and supporting systems and eliminating the current need for and reliance on off-line tools and work arounds. Through this transformation, opportunities to improve business processes will be realized and PERS will be in a better position to deliver the agency’s mission to “pay the right person, the right benefit, at the right time.” Modernization is a key part of the agency’s current Strategic Plan (2023-28) and IT Strategic Plan (2023-28). At this time the program is anticipated to include approximately 18 projects or component investments and is expected to conclude in 2031.

PERS received \$800,000 for pre-planning the Program in the agency’s 2021-23 LAB. PERS received an additional Other Funds expenditure limitation of \$3,797,797 through June 30, 2023. These allocations enabled PERS to conduct pre-planning work and hire key program staff in support of preparing a request to begin the first phase of the Program in the 2023-25 biennium. PERS Policy Option Package (POP) 103 in HB 5033 provided approximately \$9.6 million for 2023-25 modernization activities.

This memorandum provides a general update on the status of the Program and is intended to fulfill the requirements of the POP 103 budget note.

PERS MODERNIZATION PROGRAM 2023-25 BIENNIUM ACTIVITIES

The PERS Modernization Program has made substantial progress toward key foundational milestones necessary for program success:

- ***iQMS Contracting and Initial Risk Assessment:*** OPERS entered into a Work Order Contract for independent Quality Management Services (iQMS) with Gartner in

November 2023. Gartner will deliver its Initial Risk Assessment on January 12, 2024; PERS expects to have documented mitigation strategies and plans for any identified risks in this deliverable in an updated Program Risk Register by the end of February 2024. This deliverable represents a critical step toward agency preparation for the projects within the Program. Following the completion of the Initial Risk Assessment, PERS will begin receiving quarterly and periodic independent status reporting as well as Quality Control reviews of key program artifacts and deliverables.

- **Hiring Positions Funded by POP 103:** POP 103 included funding for 10 new Limited Duration positions and the continuation of 6 Limited Duration positions provided by the 2022 June eBoard. Of these 16 positions, PERS has filled 7 positions and is in the hiring process for two positions (expected to conclude in February 2024). The remaining positions are in approval processes with PERS Human Resources and DAS Chief Human Resources Office and PERS anticipates beginning recruitment in early 2024. PERS expects to have all positions filled by the end of FY24.
- **Establishing Key Program Governance Structures:** PERS established and chartered an Executive Steering Committee in August 2023. This committee meets every other month and brings together PERS Modernization Program Leadership, PERS executive leadership, and key stakeholders from other parts of state government. This body advises the PERS Modernization Program Executive Sponsor (PERS Director Kevin Olineck) and PERS Modernization Program Director.
- **Initiating the Telephony Modernization Project:** PERS convened stakeholders to conduct Future State Visioning activities and scope the Telephony Modernization Project. At this point the project has gone through the initiation and prioritization process within PERS and has been submitted to EIS for Stage Gate 1 review; initial stage gate endorsement is expected to occur in February 2024.
- **Establishing Program Workstreams:** PERS has established five workstreams to coordinate non-project program work. These workstreams are expected to be functional for the duration of the Program and provide critical touchpoints for agency operational teams and the PERS Modernization Team. Key activities for each workstream in the 2023-25 biennium to date include:
 - **Enterprise Architecture (EA) and Business Process Management (BPM):** establishing standards for mapping current state processes in BPMN (Business Process Mapping Notation); refinement of current state EA artifacts; contracting to upgrade the agency's EA repository to a cloud version that will enable further coordination and integration between EA and BPM as well as access to appropriate process/architecture information outside of these teams.
 - **Data and Analytics:** contracting for vendor support for an agency-wide data clean-up effort to initiate in June 2024.
 - **DevOps:** initiating planning activities for introduction of tooling to support DevOps pipeline creation.
 - **Security:** establishing roadmap for Modernization-supported and Modernization-led security activities, primarily for establishing/refining policies and procedures ahead of upcoming projects.
 - **Organizational Change Management (OCM) and Communications:** OCM training provided to all managers and Modernization supporting staff in August 2023; initial OCM assessments to drive effective change management in early stages of the Program.

The Program has also been working to prepare for upcoming activities in 2023-25 by creating plans, conducting procurements, and otherwise preparing PERS staff to participate in activities. Activities expected to occur between now and the end of the 2023-25 biennium include:

- **Consulting Work for Key Program Processes and Decisions:** PERS is engaged in several procurement activities that will bring consultant expertise and agency resources together to make or structure key program decisions; PERS expects to execute resulting contracts before the end of FY24. These include contracts for a third-party assessment of the viability of jClarety to sustain a modernization effort; consultant support to determine a strategy for the agency's CRM planning process; and contracted support for continuing enterprise architecture work.
- **Revisions to Program and Workstream Roadmaps:** Each workstream will have an established roadmap with milestones that will direct work and touchpoints with the Program on an ongoing basis; these roadmaps will feed into the overall program roadmap to ensure the program's roadmap is reflective of all initiatives necessary for successful benefits delivery. These roadmaps will be informed by agency resources, market research, and consultant expertise (including the work described in the previous bullet point). A refined program roadmap is expected at the conclusion of the third party jClarety assessment.
- **Initiation of the Hybrid Integration Platform (HIP) Project:** PERS anticipates beginning initiation activities for the HIP Project in March 2024. This will enable PERS to receive initial deliverables from consulting work to inform the scope and direction of the project. The timeline also allows for PERS to conduct lessons learned exercises for the initial phases of the Telephony Modernization Project and incorporate learnings into HIP Project initiation and planning phases.
- **Planning for Client Relationship Management (CRM) Initiative in 2025-27:** The Program is initiating a procurement process to identify a vendor with expertise in the CRM strategy and implementation space to work with the Modernization Program Team to structure pre-initiation activities. This engagement is expected to occur in mid-2024 and expected to inform agency work on CRM late in the 2023-25 biennium.
- **Finalization of Modernization and Continuous Improvement Processes:** The Program is drafting, testing, and refining program processes through its first forays into certain types of activities. Taking an iterative approach and incorporating lessons learned early in the program will enable better processes at the outset of later program phases; however, this means that many modernization and continuous improvement processes will not be in a final form until later in the 2023-25 biennium.

Some additional program activities for 2023-25 are also included in the sections responding to the specific requests of the budget note that follow.

PROGRAM BUDGET

To date, the PERS Modernization Program has received \$14,170,870. Total budget of \$4,597,797 was allocated in the 2021-23 biennial budgeting process and through the June 2022 Emergency Board; PERS underspent this allocation by \$2,659,064 due to procurement delays that prevented planned spending on deliverables and through vacancy savings. To date, PERS

has spent \$517,060 of the 2023-25 LAB allocation for Modernization. The Program’s total expenditures to date are \$2,455,793.

Biennium	Allocation Totals	Expenditures to Date
2021-23	\$4,597,797	\$1,938,733
2023-25	\$9,573,073	\$517,060
Total:	\$14,170,870	\$2,455,793

The 2023-25 LAB for the Program separated the \$9,573,073 budget into eight specific allocations. PERS has submitted a reallocation request for consideration by the 2024 Joint Committee on Ways and Means to reflect the agency’s current understanding of expected work in the 2023-25 biennium. Adjustments are required due to the re-baselining of the Senate Bill 1049 Program schedule to extend into 2025, inability to complete critical foundational consulting engagements and purchases in the 2021-23 biennium due to procurement delays, and completion of initiation work that resulted in budget estimate refinements for both the Telephony Modernization Project and the Hybrid Integration Platform Project. This reallocation request does not ask for additional appropriations, but rather a rebalance of the already allocated \$9,573,073 within the 2023-25 budget. The requested adjustments are detailed as follows:

Title	Bill	Legislative y Adopted	Limitatio n	Requested LAB
ORION Modernization Project: Client relationship management	HB5033 Section 1 (6)(b)(B)	1,255,000	(855,000)	400,000
ORION Modernization Project: Data and analytics	HB5033 Section 1 (6)(b)(C)	1,300,000	(300,000)	1,000,000
ORION Modernization Project: Development and operations	HB5033 Section 1 (6)(b)(D)	1,102,000	(542,000)	560,000
ORION Modernization Project: Architecture	HB5033 Section 1 (6)(b)(E)	950,000	1,050,000	2,000,000
ORION Modernization Project: Independent quality management services	HB5033 Section 1 (6)(b)(F)	950,000	250,000	1,200,000
ORION Modernization Project: Hybrid integration platform	HB5033 Section 1 (6)(b)(G)	400,000	50,000	450,000
ORION Modernization Project: Telephony	HB5033 Section 1 (6)(b)(H)	210,000	347,000	557,000

PERS will update program budget reporting in the current biennium to reflect performance and expected expenditures against the new allocations.

The estimated budget for the entire Program remains at \$150 million. This estimate is informed by preliminary work completed with Accenture in 2022 that provides estimates for known bodies

of work within the Program. PERS is developing refined estimates for each body of work on an iterative, biennium-by-biennium basis, to reflect increasing certainty of scope and allow for market changes and best practice updates over time. This also aligns with the Program’s strategy of pursuing best-in-class solutions for business capabilities, rather than one monolithic platform or solution; this strategy necessitates the continual review of budget estimations as different decision-making processes provide increasing levels of certainty on disparate timelines.

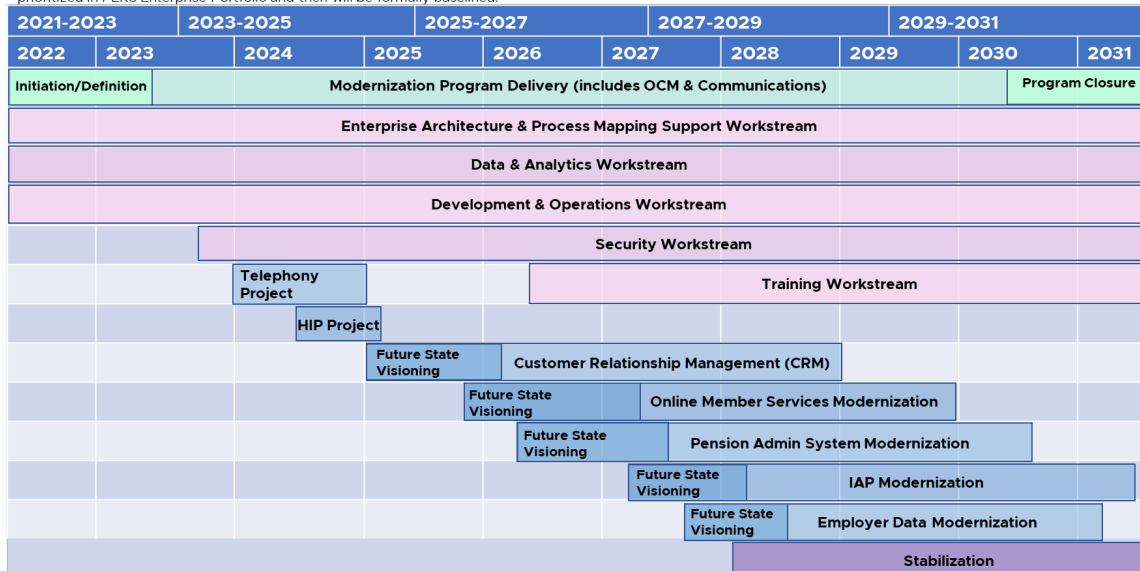
With that in mind, PERS is working on a 2025-27 biennial budget request that will provide more specific budget estimates for the Customer Relationship Management Project, the Online Member Services Modernization Project, and the Core Pension Administration System Modernization Project. While this budget request will be refined on the timeline set forth by the Governor’s Office and the Department of Administrative Services’ Chief Financial Office, at this time the 2025-27 biennial budget request for the Program is estimated to be \$34 million; this includes any initiation, planning, and execution activities component projects within the program as well.

INTEGRATED IMPLEMENTATION TIMEFRAMES

The Program Roadmap has remained relatively stable since the version presented in support of the program’s 2023-25 budget request.

PERS Modernization Program Roadmap

Note that this timeline is an estimation and should not be considered a project schedule. A project schedule is developed after projects and resources are approved and prioritized in PERS Enterprise Portfolio and then will be formally baselined.



The Program roadmap continues to reflect the “outside-in” approach to modernization that PERS has previously described, in which the agency will focus on modernizing business capabilities that will deliver value to members and beneficiaries first (e.g. through Telephony, Customer Relationship Management, and Online Member Services initiatives) before back-end

modernization of core systems. This approach is unchanged from early Program plans and documentation. As planned, PERS is on track to implement and close the Telephony Modernization Project and the Hybrid Integration Platform Project in the 2023-25 biennium. PERS is also planning to begin pre-initiation and visioning activities for the CRM initiative; these activities will help scope the implementation effort and determine how many applications or projects will be included in this initiative. This is a minor change from previous iterations of the program roadmap that reflects the delay in the initiation of this work until the conclusion of the Senate Bill 1049 Implementation Program. PERS still expects to conclude the program at the end of the 2029-31 biennium, or after 4 biennia of implementation activities.

The Program has adopted a Future State Visioning approach to initiation and planning activities that is equally focused on establishing project scope and engaging stakeholders early in project processes. Future State Visioning brings together representatives of EA, BPM, and OCM with a Product Owner as lead facilitator to devise appropriate engagement strategies and data gathering techniques to help impacted stakeholder groups share their ideas and priorities regarding the future of PERS in the context of a specific initiative. This process will result in quantitative and qualitative data that informs the initiation documentation for one or more projects and further refines the stakeholder register and engagement management plan for the program. As shown on the roadmap, the Program will begin each identified initiative with a Future State Visioning process that predates the initiation of the corresponding project(s).

The PERS Modernization Team has also developed a process for creating and maintaining workstream-specific roadmaps. This process is supported by contracted consultants that provide assessments, gap analysis, best practice recommendations and proposed roadmaps for each workstream for the duration of the program. These assessments from experts combined with identified agency operational interdependencies outside of the Program are used to develop roadmaps for each workstream. Once established roadmaps will be collaboratively updated each biennium and reviewed regularly to ensure that the knowledge, skills, tools and abilities to support Modernization components will be ready when they are needed. All Workstream Roadmaps will be integrated into the overarching Modernization Program Roadmap, including components and high-level milestones to give a holistic view of the overall trajectory of the Program. To date Data & Analytics and DevOps consulting engagements have been completed, a Business Process Mapping engagement is underway, and an Enterprise Architecture engagement is expected to begin in 2024.

Publication of workstream roadmaps and a refined program roadmap is expected at the conclusion of these engagements in mid-2024; at this time, any changes to expected implementation timeframes will also be discussed with stakeholders and oversight providers. The Modernization Steering Committee will then go through a validation and acceptance process and the Modernization Program Roadmap will be officially adopted and baselined.

Future updates to the Modernization Program Roadmap are anticipated to be identified in budget planning cycles, after final budgets have been approved, and in the Program's Annual Program Artifact Review process. Changes to the Modernization Program Roadmap will be managed through the Modernization Program's Change Control process.

FOUNDATIONAL MANAGEMENT ARTIFACTS STATUS

The PERS Modernization Program Team has produced drafts of many foundational program management artifacts that describe the processes and procedures the program intends to follow. These artifacts are informed by the Project Management Institute's *Guide to the Project Management Body of Knowledge, 7th Edition* (PMBOK) and the *Standard for Program Management, 4th Edition*, as well as by the EIS stage gate model. PERS has also consulted with leaders of other agencies and modernization efforts to take advantage of any lessons learned regarding planning and documentation activities that proved particularly helpful to program and/or project management. The artifacts PERS intends to produce at the program level are documented in a draft PERS Tailored Program Management Framework. Any artifacts that have not yet been drafted are planned for development in the coming months. The program intends to use drafts of these artifacts to structure early program activities, specifically the Telephony Modernization Project and the Hybrid Integration Platform Project and determine any revisions necessary to improve efficiencies while maintaining program and project management rigor as early as possible.

The Program will maintain templates for component projects that will be used by all projects run under the Program. These align with the PERS PMO's templates for projects while standardizing certain project activities (like risk and benefit management) with program management processes. The Program team will continue to iteratively identify new templates and updates to existing templates as the first projects under the program are initiated and planned in this biennium. This templated approach also allows for the rightsizing of project management under the program on the basis of project characteristics rather than instituting a one-size-fits-all method of project management. All projects under the program will maintain project management documentation and also progress through the EIS oversight process.

Quality control reviews of several foundational program artifacts are part of the contractual iQMS deliverables, including the tailored program management framework, the program management plan, and templates for component project management plans and schedules. Following the external review of the artifacts, responsive edits will be made, and the artifacts will be formally adopted by the Modernization Steering Committee or Modernization Program Team (as appropriate). The Modernization Program Team is also working with oversight providers to determine whether any additional foundational artifacts are required or recommended that may reduce risk or improve benefit delivery. PERS remains open to recommendations about the creation and use of program and project management processes and artifacts.

SYSTEM DESIGN ARTIFACTS STATUS

A foundational element of the PERS Modernization strategy is using an enterprise architecture framework and business process management to inform strategic and tactical decision-making for the program and its component projects, including:

- Understanding the current state of PERS technologies and processes that support business capabilities of focus in the current program phase
- Establishing architectural and business requirements for new solutions to be used in solution procurement and/or project planning processes
- Allowing solutions to be determined through iterative decision-making processes by designing a conceptual future state and ensuring alignment on a case-by-case basis

To ensure that enterprise architecture and business process management teams are equipped to support this strategy, 2021-23 spending included providing formal training to agency resources with responsibilities for enterprise architecture and business process management in The Open Group Architecture Framework (TOGAF) 10 and Business Process Mapping Notation (BPMN) respectively. The Program is continuing to invest in tools and consulting assistance to mature these functions as part of 2023-25 biennium activities. This includes:

- Continuing a consulting engagement that focuses on establishing the Business Process Management (BPM) team's use of Business Process Mapping Notation (BPMN), including structuring a new repository for business process models and maps and establishing touchpoints and processes to align the use of BPMN with the enterprise architecture framework.
- Beginning a consultant engagement in January 2024 to receive expert guidance to tailor an enterprise architecture framework (The Open Group Architecture Framework, or TOGAF) to define the processes and resulting artifacts that are necessary to meet PERS' Modernization and agency objectives.
- Procuring a new cloud repository and modeling tool (OrbusInfinity) that will enable better collaboration between the BPM and architecture teams, as well as provide a portal to enable agency-wide use of architecture and process deliverables.

While these engagements were intended to begin and be substantially complete by the end of the 2021-23 biennium, PERS experienced procurement delays that prevented the conclusion of the BPM engagement and contracting for the EA consultant and new repository until early 2024. However, these engagements remain foundational work that is critical for the Program to be able to use EA as an input to decision-making processes. A refocus on updating or producing EA and business process maps/models is expected at the conclusion of these engagements. While the Program has developed a preliminary list of artifacts and timelines for delivery for the 2023-25 biennium, the finalization of this list and updates to the workstream roadmap to reflect confirmed delivery expectations are anticipated at the conclusion of these engagements.

PERS is also completing a contracting process for a third-party assessment of the core pension administration system, jClarety. This system has been in place since 2003, and a central part of PERS' planned modernization strategy is to modernize this application rather than replace it. The assessment will evaluate the ability of jClarety to sustain a major modernization effort and compare this approach to other potential modernization approaches (including replacing jClarety with a new pension administration system). Confirming the expected role of jClarety in the modernization strategy has critical downstream impacts to most modernization decisions and plans. Following the conclusion of this evaluation (expected in April 2024), PERS will use the results to update the agency's modernization strategy and business case, future state architecture artifacts, and other plans for technology improvements that may be impacted by the role of jClarety in a modernized PERS. These updates will be made in consultation with partners and oversight bodies at DAS, EIS, LFO, and other state agencies.

MODERNIZATION PROGRAM BUSINESS CASE STATUS

PERS previously completed a Modernization Program Business Case for the purposes of outlining modernization plans and supporting previous budgeting requests and processes. The PERS Modernization Program is intending to update this business case at the conclusion of the third-party assessment of jClarety to ensure that the conceptual direction and design of PERS' future state is supported with available analysis. These updates are expected to be complete in Summer 2024 to coincide with the planning phase of the Hybrid Integration Platform Project and the 2025-27 biennium budgeting process. Updates to the PERS Modernization Program Business Case will be completed by the Program team in consultation with oversight entities and strategy partners, completing all required stage gate and oversight processes and reviews prior to finalization.

Action Requested

Acknowledge receipt of the report.

Legislation Affected

This report reflects Budget Note directives as approved in House Bill 5503 (2023). Please contact Rebecca Craven, Modernization Program Director at (971) 297-9631 with any questions.

Sincerely,



Rebecca Jensen Craven,
Modernization Program Director

ATTACHMENTS/EXHIBITS

Attachment 1: Program Charter

Attachment 2: December 2023 Program Status Report



PERS MODERNIZATION PROGRAM CHARTER

Version 1.1

July 31, 2023

CHARTER

Historical Record/Version Control

Date	Version	Description	Author
6/21/22	.001	Initial Draft	Joli Whitney
10/27/22	.002	Revisions for program structure	Rebecca Craven
12/2/22	0.1	Program name update, addition of governance section, scope and benefits updates	Rebecca Craven & Joli Whitney
12/12/22	1.0	Updated with Steering Committee feedback	Rebecca Craven
7/31/23	1.1	Regular Updates and address EIS feedback	Joli Whitney

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1. PROGRAM OVERVIEW

A “program,” as defined by the Project Management Institute (PMI), is “a group of related projects managed in a coordinated way to obtain benefits and control not available from managing them individually. Programs may include elements of related work outside of the scope of the discrete projects in the program.”

The PERS Modernization Program is a multi-biennia initiative comprised of a variety of projects focused on transforming the core pension administration and supporting systems and eliminating the current need for and reliance on off-line tools and work arounds. Through this transformation, opportunities to improve business processes will be realized and PERS will be in a better position to deliver the agency’s mission to “pay the right person, the right benefit, at the right time.”

2. CHARTER PURPOSE

The PERS Modernization Program Charter documents and communicates basic information about the program and authorizes the use of resources to attain the program’s objectives. The charter describes the vision and benefits to be achieved by the program and documents the alignment of the program with strategic plans of PERS and the State of Oregon. The charter is the official record and authorization of the sponsor’s decision to proceed.

3. DOCUMENT AUDIENCE

The Charter is intended for these primary audiences:

- PERS Modernization Program sponsors and steering committee members
- Internal and external oversight stakeholders
- Program and project team members and vendor staff
- PERS employees, and
- External stakeholders

4. BACKGROUND

The Oregon Public Employee Retirement System (PERS) administers public employee benefit trusts that provide members or beneficiaries with retirement benefits and services. PERS’ customers include approximately 233,000 non-retired members, 160,000 retired members or beneficiaries, and over 900 public employers. PERS’ strategic priorities align with the services needed by our stakeholders to ensure that we “pay the right person, the right benefit, at the right time.”

PERS’ Oregon Retirement Information Online Network (ORION) is the complex systems, databases and applications that allows PERS to accomplish its mission. PERS’ pension administration software, jClarety, is an essential part of it. jClarety provides

critical functions enabling the agency to provide pension administration and service to members, employers, and other stakeholders.

Since 2005, PERS has administered our benefit programs in ORION, integrated with other compatible components in a system architecture that was designed over twenty years ago. During the implementation of ORION, new provisions to the PERS plan were made (House Bill 2020 in August 2003) which established the Individual Account Program (IAP). A decision was made at the time to outsource this new provision to a Third-Party Administrator (TPA). This mitigated the risk this new system change had to the complex ORION implementation project which was in progress. Nearly 20 years later, IAP is still managed by the TPA causing a myriad of challenges, delays, and manual handoffs for PERS to manage this component of members' benefits given that approximately 80% of all IAP processes are manual in nature.

Recent changes to PERS Plans (specifically, changes mandated by Senate Bill 1049 2019) have added additional complexity to the ORION system. Implementing these significant changes to an already aging and quickly deprecating system that resides on an architecture which is not conducive to change, adds further burden to the maintenance of ORION. This directly affects our ability to provide adequate services to our members and employers. All stakeholders in the PERS system have a right to expect a system that is efficient, effective, and flexible.

5. RISKS MITIGATED

Some aspects of PERS administration have been supported by manual systems and processes in order to meet mandated short implementation deadlines. PERS' history of legislative changes that were approved, and subsequently completely or partially overturned by the Oregon Supreme Court has had the resultant impact of impeding forward progress on much needed operational process and system changes.

While the agency has been able to continue to administer the programs it is responsible for, from an enterprise risk management perspective, there is a risk that any future changes to the plan that aren't given the appropriate time and resources for implementation could negatively impact the agency and its ability to function in a cost effective, efficient and risk-mitigated fashion.

Modernizing core pension administration systems and business processes will ensure the agency can continue to meet the mission of pay the right person, the right benefit, at the right time, and be prepared to respond to emerging future needs. Postponing the modernization effort and continuing use of legacy systems increases the severity of and exposure to risks affecting the agency's ability to deliver key services.

The primary risks which will be mitigated by modernization include:

- Constrained and inflexible systems that cannot adapt to changing state, and federal requirements. There are many opportunities to be more efficient and effective in how services are delivered. Our current systems constrain our ability to change our business processes, implement requirements due to state and federal policy changes, resolve challenges, and automate or remove manual work. These improvements will allow us to be more efficient, reduce processing time, improve the accuracy of actions and information, and be more responsive to policy changes.
- Technical debt accumulated throughout the years as PERS has been placed in a position of meeting mandated timelines that did not allow for building more than a short-term or partial technical solution which has incurred future obligations that must be repaid in additional engineering work
- Risk that the agency cannot sustain delivery of secure and reliable services. First and foremost, the agency must ensure it can continue to deliver secure and reliable services. The sheer volume of members currently eligible to retire adds to this concern. An event which triggers a surge of retirement applications cannot be supported within our current staffing and systems. As of June 30, 2022, nearly 30% of PERS' members are retirement eligible.
- Challenges to provide customers with personalized and updated services. Customers desire personalized and updated services, such as online self-service options and mobile-friendly applications, and it is not feasible to meet these needs with the agency's current systems.
- Good, reliable data can be compromised by many factors: changes in determinations of service credit, contributions, and other key retirement data elements over a member's career; changes in employer reporting and recordkeeping systems as well as retroactive changes to member data by employers; and changes in technology.
- Challenges with delays, manual handoffs and risk of inaccurate benefit calculations on the IAP component of members' benefits given that approximately 80% of all IAP processes are manual in nature.
- Misalignment with existing PERS technologies and the stated strategic goals and objectives in the PERS 2023-28 Strategic Plan and the enterprise-wide technology strategies published by Enterprise Information Services.

6. MODERNIZATION VISION

As PERS emerges from its 75th year as an agency, we recognize that we must reimagine how we evolve and deploy our business capabilities via our people, processes and technologies. This evolution is necessary to meet our member and employer needs into the future. Members and employers have a desire for more personalized and updated service delivery, such that they can be informed and interact and transact with PERS at the time of their choosing using the channel

of their choosing. This reimagining of our service delivery model will be accomplished, in alignment with our Strategic Plan, via an overarching Modernization program that, ultimately, ensures that we are meeting those future stakeholder needs in the most effective and efficient means to do so.

7. PROGRAM GOALS

PERS' goals for the PERS Modernization Program are listed below. These goals align with the modernization vision and agency strategic plans. The specific benefits in the next section describe the measurable ways that PERS intends to deliver on these goals through program components and activities.



TRANSFORM BUSINESS PROCESSES — Provide a digital self-service experience for both members and employers



AUTOMATE PROCESSES AND CALCULATIONS — Automate processes and calculations, where possible, to improve efficiency and reduce risk



ENGAGE MEMBERS IN THEIR RETIREMENT PLANNING AND EDUCATION



INTEGRATE LINES OF SERVICE — Incorporate all benefit plans and functionality into one integrated system, including online services, for a seamless experience for members, employers and staff



CREATE AN ADAPTABLE ENVIRONMENT — Build system on a platform which can be modified, in an efficient and cost-effective manner to reflect future needs and legislative changes



PROTECT MEMBER DATA — Ensure the confidentiality, integrity, availability and privacy of member and employer data are protected.

8. INTENDED PROGRAM BENEFITS

The Intended Program Benefits listed below reflect the operationalization of the PERS Modernization Program's vision and goals. Benefits map back to one (or more) goals and will be delivered through the coordinated execution of program components. As projects are initiated, the relevant goals, measurable benefits, and supporting metrics will be included in the project charters. The program will develop a Benefits

Management Plan that details when and how progress toward realizing the intended benefits will be measured, as well as responsible parties for benefit realization and benefits monitoring. Benefits will be more fully described in the Benefit Registry maintained by the Program Team; this includes specific instruments and tools for periodic assessments, expected timeframes for full realization, as well as baselines against which progress will be measured.

Intended Program Benefit	Associated Program Goal(s)
Increased satisfaction with PERS services	Goals 1, 2, 3, 4, 5
Increased PERS staff engagement	Goals 2, 4, 5
Reduction of annual escalations received	Goals 2, 3, 4
Reduction of manual calculations	Goals 1, 2, 4
Reduction of retirement application processing time	Goals 1, 2, 4, 5
Improved data accuracy	Goals 1, 2, 6
Improved confidence in PERS technologies, applications, tools and data	Goals 1, 2, 4, 5, 6
Majority of service offerings available in integrated system	Goals 1, 2, 3, 4, 5
Reduction of annual pension administration costs per member	Goals 1, 2, 4, 5
Increase in self-service options	Goals 1, 3, 4
Increase in service channel options	Goals 1, 3, 4
Reduction of required paper forms	Goals 1, 2, 4, 5
Reduction of manual data analysis	Goals 1, 2, 4, 5
Improved use of data for proactive decision making	Goals 1, 2, 4, 5, 6
Reduction in risk ratings by internal and external auditors	Goals 2, 6
Increase in percentage of members engaging with PERS throughout their pension lifecycle	Goals 1, 3, 4
Reduction of costs for technology maintenance and enhancements	Goals 2, 5
Reduction of system downtime for PERS staff and members/employers	Goals 1, 2, 3, 4, 5, 6

9. APPROACH

The PERS Modernization Program will be comprised of multiple projects and non-project components initiated to deliver the program benefits. The coordination of component delivery within the program will be achieved through two complementary program-level initiatives: disciplined program management using the guidelines and principles of The Standard for Program Management, 4th edition, and the development and adherence to a rigorous

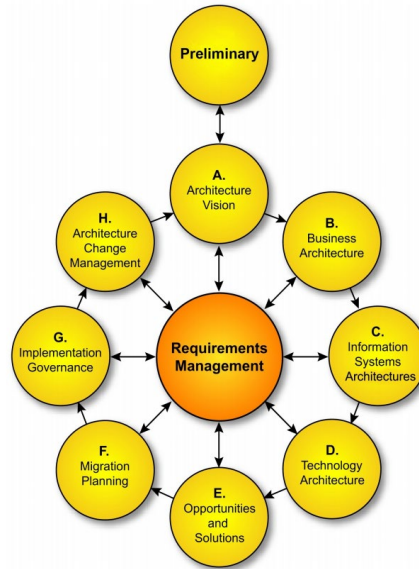
and proven enterprise architecture practice using the guidelines and principles of TOGAF 10.

- Program Management with The Standard for Program Management, 4th edition

The PERS Modernization Program will utilize The Standard for Program Management processes and methodologies throughout the program lifecycle. Component projects will utilize Project Management Body of Knowledge (PMBOK), 7th edition, processes and methodologies. These complementary Bodies of Knowledge are both governed by the Project Management Institute (PMI) and intended to be used in tandem for large program efforts such as this one. A general tailored set of plans for component projects will be described within program documentation and artifacts, with the ability for component projects to deviate from these general plans with program approval.

- Enterprise Architecture with TOGAF 10

PERS will use TOGAF 10 as the foundation of its structured approach to analysis and design for enterprise architecture. This flexible conceptual framework is designed to provide a structured process and assist with management requirements for large-scale technical modernizations. TOGAF has 8 phases, each of which contributes to, and is informed by, overall Requirements development. The TOGAF approach will help formulate a design to optimize PERS' legacy systems into an integrated environment that is responsive to change and supportive of the agency processes. TOGAF also supports an iterative approach to enterprise architecture, which will allow for continuous refinement of the architecture throughout the program lifecycle and for component projects with an appropriate level of rigor.



10. PROGRAM CONDITIONS (ASSUMPTIONS, CONSTRAINTS & DEPENDENCIES)

PERS acknowledges the following assumptions and constraints for the PERS Modernization Program at the time of chartering:

Assumptions:

- PERS will not receive new legislative direction that substantially alters the PERS System or diverts resources from modernization activities
 - The prioritization of the Senate Bill 1049 Implementation Program (SB1049) and Backup Data Center Project completion is known and will be adequately planned for in program schedules and resource plans.
- The PERS Modernization Program will be subject to a single, consistent external oversight model for the duration of the program. Components will be subject to individual oversight processes defined at component initiation.
- The PERS Modernization Program and its component projects will be subject to an integrated Independent Quality Management Services (iQMS) process for the duration of the program.
- Budget for program activities, including component project activities, will be requested and secured on a biennial basis for the duration of the project.
- ORION architecture may need to change according to business requirements, system/security requirements, and other events during the lifecycle of the program. Enterprise architecture and program roadmap documents will be periodically revisited for the duration of the program to ensure strategic value and alignment are maintained.

- Executive support and prioritization of modernization remains constant throughout the lifecycle of the program.

Constraints:

- Legislative Fiscal Office (LFO) budget note stipulates that requests for additional funding are contingent upon:
 - PERS adherence to all Stage Gate Oversight Model requirements
 - Progress towards successful completion of the Production Data Center Migration and Backup Data Center (Warm-site) Project
 - Completion of an independent information security assessment
 - The ISP assessment was completed by Deloitte in the '19-'21 Biennium.
- Support of business operations and other, high-priority Projects may result in resource conflicts

11. CRITICAL SUCCESS FACTORS

Critical success factors are the elements necessary for the PERS Modernization Program to achieve its goals. The critical success factors identified for success of the PERS Modernization Program are:

- Cohesive sponsorship and agency leadership supporting the program and its projects
- Sufficient funding to cover the resource needs for the program and constituent projects
- Timely, relevant, and transparent communication
- Change management resources and activities to prepare agency employees for new systems and changes in business processes
- Partnership and involvement from business and information technology units within the agency
- Regular engagement with partners and other external stakeholders
- Disciplined change control for scope, schedule, budget, and contract adjustments
- Attention to data conversion and data cleaning activities
- User involvement and clear business objectives and requirements
- Skilled and sufficient staffing

12. GUIDING PRINCIPLES

- Think like an enterprise - consider the Agency as a whole in addition to our specific business areas.
- Automate thoughtfully - Automate repeatable processes that don't require human judgment.
- Configure over customize whenever possible - Adapt, transform, and improve processes, rather than customizing the new system(s) to existing processes.

- Use business problems or opportunities as our inputs and directional guidance – program components and technologies are adopted and administered to address business needs, rather than technology first such that business value is created. Build out business capabilities based on end-to-end process reviews.
- Ensure all committee members have the opportunity to contribute to decisions – provide the information needed at an appropriate level of technical detail to enable both business and technical stakeholders to make decisions.
- Follow governance and respect the process – make program decisions and conduct program activities within the governance structures established by this program and in existing agency governance processes.
- Strive for good enough, not perfection – embrace program activities and components that will deliver intended program benefits, even if they do not exactly fit the envisioned ideal.
- Think incrementally – acknowledge and appreciate the gradual, steady implementation of system changes and realization of system improvements, rather than expecting final program results immediately.
- Adopt an agile mindset for program decisions – continue seeking out ways to optimize, problem-solve, reflect, and continuously improve the PERS systems and activities within program scope.
- Eliminate waste – minimize program activities and components that do not add value for stakeholders and solicit feedback for program process improvements.
- Regularly review- regularly engage with stakeholders, annually measure progress and adjust as needed to ensure benefits are being delivered by program activities. Lessons learned activities will also be conducted at completion of significant work packages and component closures, at minimum on a biennial basis.

13. SCOPE, SCHEDULE AND BUDGET

Program Scope

The PERS Modernization Program scope is a prioritized group of initiatives that can be achieved over a four-biennia timeframe to modernize key systems and processes that enable PERS to deliver on its mission. Of particular emphasis in this set of initiatives is the modernization of business processes and information technology systems that comprise ORION: jClarety, FileNet, Call Center, Kofax and Central Data Warehouse; supporting services such as batch processing, network services, backup and recovery, data storage, and security are also included in scope. For the purposes of supporting and implementing the PERS Modernization Program, agency processes and procedures and staff skills and abilities are considered in scope.

PERS has identified sources of technical debt as part of ongoing technology maintenance and enhancements. Technical debt that can be addressed through transformative business and technology initiatives will be included in the PERS Modernization Program scope on a case-by-case basis.

In addition to systems supporting these primary lines of business, the agency recognizes the importance of interfaces with other agency business units and systems, statewide financial systems, and service delivery partners. Therefore, interface and data sharing requirements will be considered in scope for the PERS Modernization Program.

Delivery of scope will be accomplished through the execution of individual projects and other program components. Scope for each project will include detailed methods to measure and report progress, and detail how the project's scope supports the delivery of the overarching program scope. At this time, PERS estimates ~18 individual projects will need to be executed under the PERS Modernization Program to achieve the program's stated goals and realize the intended benefits. Several of the projects will likely meet the state's established criteria for Major IT Projects.

Work on the following projects is expected in the current (2023-25) biennium:

- Telephony Modernization Project
- Hybrid Integration Platform (HIP) Implementation Project
- Client Relationship Management (CRM) Implementation Project

The PERS Modernization Program scope will be fully elaborated in the PERS Modernization Program Scope Statement that will be prepared by Program Management staff as part of program initiation and planning activities.

Program Schedule

The PERS Modernization Program is a multi-biennial effort that will continue until the program goals are met. Modernization will be carried out through the program's projects. Program milestones reflecting key decision points and benefits management activities at the program level will be tracked by the program management team. Component projects will also establish discrete milestones that highlight key delivery dates and activities for the project; these will be tracked at the project level and rolled up into overarching program schedule monitoring activities. Based on an initial capabilities and road mapping engagement with Accenture, PERS plans for the PERS Modernization Program activities to conclude, and Program closure to complete, by the end of Fiscal Year 2031.

PERS Modernization Program Schedule							
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Planning & Design	Program Management & Change Management						
	Phase 1						
		Phase 2					
			Phase 3				
			Insource IAP				
						Stabilization	

Program Budget

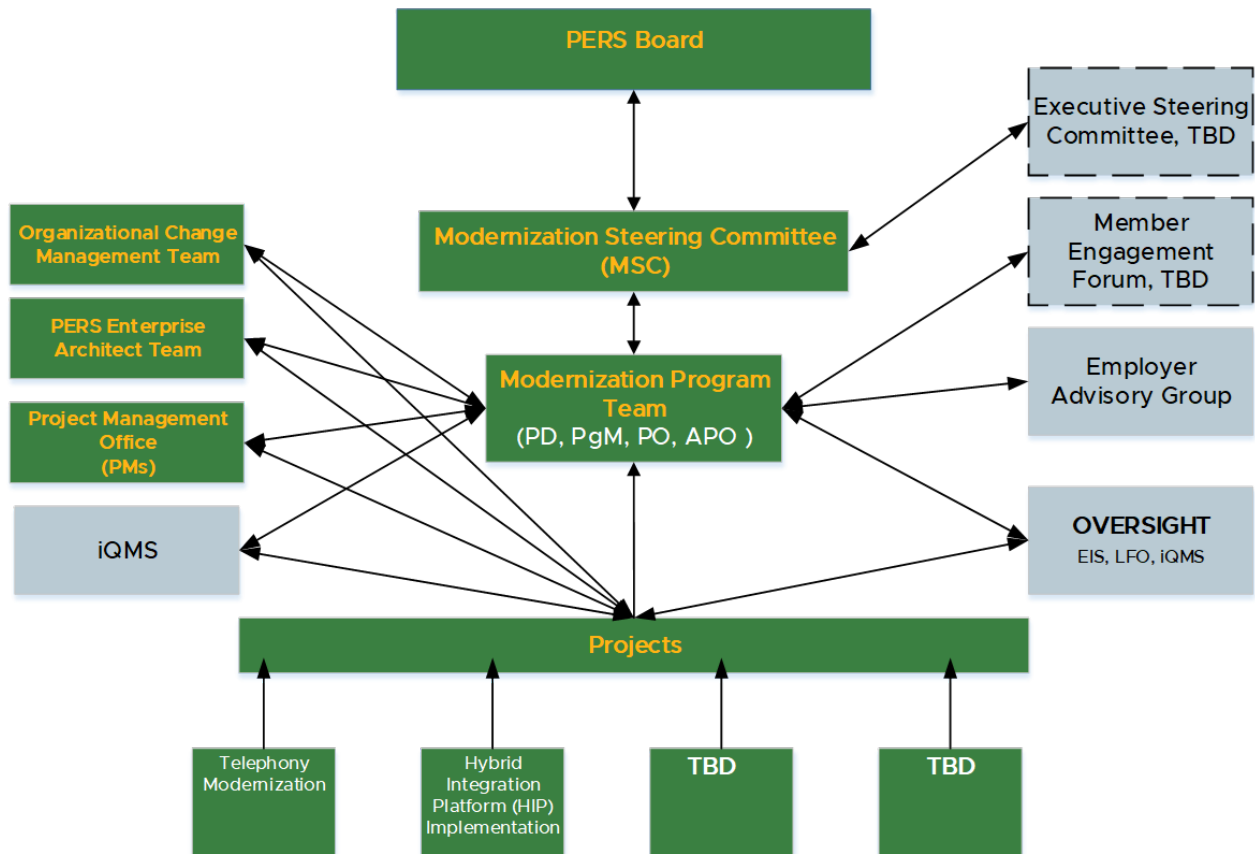
The current estimate of total program costs, including component projects, is \$150 million. This estimate is based on the work completed with Accenture during a program scoping and business capabilities exercise completed in 2022 and will be updated as program and component activities throughout the lifecycle of the program provide additional definition and clarity to budget requirements. The Program will be required to seek funding on a biennial basis given the anticipated duration of program activities. To date, the following funding has been received by PERS for the purposes of modernization-related activities:

- \$800,000 in 2021-2023
- \$3.9 million in June 2022 e-Board
- \$9.6 million in 2023-2025

14. PROGRAM GOVERNANCE

The PERS Modernization Program is subject to a governance process that incorporates a variety of internal and external groups and actors into decision-making processes. The specific roles and responsibilities of primary decision makers are described in the next section. The graphic below shows the intended interactions and information flows between groups involved in program-level governance. As per the Standard for Program Management, 4th edition (6.2.2 Program Steering Committee), multiple steering committees may be established to account for program complexity and stakeholder needs across individual program components.

The PERS Modernization Program governance roles and processes will be fully elaborated in the PERS Modernization Program Governance Plan that will be prepared by Program Management staff as part of program initiation and planning activities. Project-specific governance bodies will be further described in project initiation and planning artifacts.



15. PROGRAM TEAM ROLES & RESPONSIBILITIES

The charter authorizes key roles and groups to act on behalf of the PERS Modernization Program. The following sub-sections provide high-level descriptions of the expectations for the Program’s Executive Sponsor, Director, Manager, and the Program Team. The PERS Modernization Program Steering Committee’s role and responsibilities are outlined in the next section. A full description of Responsible, Accountable, Consulted, and Informed parties for all key program activities will be provided in the Program RACI that is developed by the Program Team as part of program initiation activities.

Program Executive Sponsor

The PERS Director serves as the Modernization Executive Sponsor and has ultimate responsibility and accountability for the PERS Modernization Program’s success and ability to achieve its goals and benefits for the agency. The Modernization Executive Sponsor ensures the program benefits are well defined, achievable, and aligned with the agency’s objectives and strategic direction. This person is the executive decision maker of the PERS Modernization Program at the highest level and is the authorizing person with the delegated funding and approval authority. Key responsibilities include:

- Providing leadership and advocacy for ongoing funding support
- Engaging with oversight stakeholders and key partners to provide awareness and understanding of the program's goals, benefits, and progress.
- Delivering key messages to agency staff, external stakeholders, and partners.
- Holding agency leadership accountable for thoughtfully planning and implementing changes that result from execution of the program and its projects.

Program Director

The PERS Modernization Program Director is responsible for the program's success and achievement of the program's goals and expected benefits. The Modernization Program Director is accountable for ensuring that the program is delivered within the agreed-upon scope, schedule, budget, and other established parameters. The Modernization Program Director works closely with the program's Steering Committee to escalate decisions, risks, organizational or operational impacts when appropriate. Key responsibilities include:

- Determining the priorities and focus of the PERS Modernization Program, based on PERS' vision, mission, strategic priorities, status of the modernization projects, and available resources.
- Providing strategic and operational leadership and direction to the PERS Modernization Program.
- Facilitating Steering Committee decision-making processes
- Maintaining relationships with oversight stakeholders and ensuring business requirements are met and expectations are managed.
- Clearly communicating the program's goals and expected benefits.
- Acting as the chair for the program's steering committee.
- Overseeing the decision-making hierarchy and ensuring that concerns, risks, and decisions are escalated to the appropriate individual or governance body.
- Working closely with the Modernization Program Manager to monitor and communicate progress of the program and its projects.
- Working with agency partners to explore opportunities to provide services in an innovative and streamlined way, being strategic within the enterprise.
- Working with sponsors and steering committee members to communicate needs, changes, and impacts.

Program Manager

The PERS Modernization Program Manager is responsible for the execution of key program management activities, including maintenance of program artifacts and monitoring of the program's scope, schedule, and risks. Key responsibilities include:

- Ensuring conformance of program activities to governance policies and processes.
- Monitoring and managing program-level risks, performance, and communications. Assessing, reporting, and escalating critical risks to the Program Director and/or the Program Steering Committee.
- Monitoring and track overall program benefits realization and program performance relating to scope, schedule, and budget, including consolidated reporting of performance for program components that are in progress.
- Monitoring and communicating key internal and external dependencies for program activities or activities of the program's component projects.
- Preparing change requests and decision-related materials for consideration by appropriate individual or governance body.

Program Team Members

The PERS Modernization Program Team will ensure that program deliverables are created according to the Program plan and schedule. General responsibilities include:

- Contribute to the success of the Program by taking ownership of deliverables most appropriate to their role
- Proactively identify to the Program Manager all issues and risks affecting Program success and/or completion of deliverables the team member is responsible for
- Provide accurate estimates of task durations to support developing an effective Program schedule
- Identify and propose solutions to critical Program concerns via the change request process
- Provide ongoing input into the Program to ensure goals are met
- Provide functional or technical expertise and represent their respective functional or technical area
- Reach consensus on Program issues that cross functional areas

16. PROGRAM STEERING COMMITTEE

The PERS Modernization Steering Committee will ensure that the Program adheres to the Program scope and structure and follows the recommendations of Enterprise Information Services (EIS), LFO and other state and executive program oversight. The committee will direct high-level program decisions including, but not limited to, the following:

- ❖ Authorization and Initiation of Component Projects
- ❖ External Stakeholder Relationships
- ❖ Program Budget Management
- ❖ Allocation of Program Resources

- ❖ Program Scope
- ❖ Desired Program Benefits
- ❖ Program Strategy
- ❖ Final Program Policy Recommendations/Decisions
- ❖ Function as Change Control Board for the Program

Steering Committee Membership

The PERS Modernization Program Steering consists of the PERS Executive Leadership Team* (ELT) and Modernization Program Leadership:

*Voting Member

Role	Individual
Director/Executive Sponsor*	Kevin Olineck
Deputy Director*	Yvette Elledge-Rhodes
Chief Information Officer*	Jordan Masanga
Chief Compliance, Audit and Risk Officer *	Jason Stanley
Chief Financial Officer *	Richard Horsford
Chief Operations Officer *	Sam Paris
Modernization Program Director	Rebecca Craven

The following list contains key stakeholders, high level Program- and Project-staff, and other resources that are regularly invited to attend Steering Committee meetings to provide information and contribute to discussions. These attendees are not voting members.

Role	Individual
Modernization Program Manager	Joli Whitney
Human Resource Manager	Louise Plata
Component Project Manager	Daniel Owiti
Component Project Manager	TBD
Organizational Change Manager	Kurtis Drake
Budget Manager	Greg Gabriel
Training	TBD
Business Architect	Chris Stiles
Applications Architect	TBD
Data Architect	Mo Naser
Security Architect	Shane Perry
Integration Architect	William Hawley
Technology Architect	Makiah Merritt
PMO Manager	Paul Brown
Business Process Management Lead	David Shevchenko

Communications	El Rossman
EIS IT Oversight Analyst (Optional)	Katy Combest
EIS Senior IT Portfolio Manager (Optional)	Karolina Bedacht
iQMS Vendor (Optional)	TBD

Proxies

Voting Steering Committee members may allow their ELT delegate to attend Steering Committee meetings and serve as a proxy in their absence. Proxies count toward the required quorum for Steering Committee meetings and are given the ability to vote on decisions brought before the Steering Committee.

Meetings

The PERS Modernization Program Steering Committee will at minimum meet monthly via Teams for the duration of the Program. Additional meetings can be convened by any Steering Committee member. Agenda items related to the PERS Modernization Program may also be placed on the weekly Executive Leadership Team meetings; for those agenda items only, the ELT will be considered convened for a Modernization Steering Committee meeting. Meetings require a quorum (4 of 6 voting members).

Decision-Making Processes

The Program Director will serve as the gatekeeper for decisions brought to the Steering Committee, ensuring appropriate documentation and analysis is available for Steering Committee consideration. This documentation must describe the impact of the decision options under consideration and be provided to Steering Committee members for review at least 2 business days prior to any vote or decision taking. All items must appear on a Steering Committee meeting agenda before any decision-making occurs.

The Steering Committee will make decisions by achieving consensus. If consensus is not achieved, the Steering Committee will use all applicable decision criteria (including the General Decision Criteria described below) to rank options, discuss and seek consensus. If consensus is still not achieved, the Program Executive Sponsor will make the final decision, informed by the Steering Committee’s discussion.

Votes will be taken in two ways:

- If a decision is taken during a Steering Committee meeting, the use of the “Raise Hand” button in Team meetings will record an affirmative/yea vote. If a hand is not raised, it will be recorded as a negative/nay vote.
- If a decision is taken outside of a Steering Committee meeting, an email to all voting Steering Committee members will be sent which describes the decision to be made and uses the Voting Buttons option in Outlook to record responses.

If two or more Steering Committee members are absent and/or delegating responsibilities to a proxy, the Executive Sponsor may choose to delay a vote until named Steering Committee members return or are otherwise available to provide a response. This will be communicated to Steering Committee members at the time the Steering Committee moves to make a decision.








General Decision Criteria

The following criteria will be used by Steering Committee members when considering decisions within the committee's decision-making authority. This is not an exhaustive list, as individual decisions may warrant inclusion of additional criteria on a situational basis. However, to the extent possible, decision-making will consistently incorporate the criteria below.

- Improvement on current service levels
Does this alternative improve current service levels or improve our ability to meet service expectations?
- Impact of the decision on...
 - Resources
Does this alternative provide value commensurate with the resources required?
 - Schedule
Does this alternative deliver value on a timeline that aligns with current program expectations?
 - Budget
Does this alternative provide value commensurate with the budget required?
- Delivery of intended benefits
Does this alternative maximize PERS' ability to deliver on one or more intended benefits of the program?
- Alignment with Modernization Roadmap
Does this alternative align with the current phase's priority business capabilities for modernization as identified in the accepted program roadmap? Is it sequenced properly when looking at all program initiatives?
- Alignment with PERS strategic planning documents?
Does this alternative align with the vision, values, and goals of PERS as agreed to in the agency strategic plan and other strategic documents/efforts?

17. APPROVALS

The undersigned acknowledge they have reviewed the Charter and authorize the program. Changes to the Charter will be coordinated with and approved by the undersigned or their designated representatives.

Version	Role	Name	Signature	Date
1.1	Executive Sponsor/Steering Committee Chair	Kevin Olineck		8/22/2023
1.1	Steering Committee Member	Yvette Elledge-Rhodes		8/22/2023
1.1	Steering Committee Member	Jordan Masanga		8/22/2023
1.1	Steering Committee Member	Jason Stanley		8/22/2023
1.1	Steering Committee Member	Richard Horsford		8/29/2023
1.1	Steering Committee Member	Sam Paris		8/22/2023
1.1	Modernization Program Director	Rebecca Craven		8/22/2023



Modernization Program

Status Report





Kevin Olineck, Executive Sponsor
Rebecca Craven, Program Director
Joli Whitney, Program Manager

Modernization Program

Status Report for: December 2023

PROGRAM INFORMATION

The PERS Modernization Program is a multi-biennia initiative comprised of a variety of projects focused on transforming the core pension administration and supporting systems and eliminating the current need for and reliance on off-line tools and workarounds. Through this transformation, opportunities to improve business processes will be realized and PERS will be in a better position to deliver the agency’s mission to “pay the right person, the right benefit, at the right time.” It is currently scoped to run from July 1, 2022, through June 30, 2031.

Color key		on track
		delayed
		needs significant adjustment
		not yet started

Overall program status health:



Governance

Governance is not clearly defined with our stakeholders and is impacting progress to develop foundational program documentation. Discussions to clarify scope and roles of groups in process.

Schedule

Overall program schedule is on track.

Scope

Scope is not yet defined. Scope statement is in development with Modernization Steering Committee. Benefit Prioritization will be done in January 2024.

Budget

Delays from SB 1049 Implementation and 2021-23 procurements impacted the 2023-25 budget and planned activities. A budget reallocation request will be considered at 2024 Legislative session.

Modernization Program

- **Program Definition/Development**
 - Telephony Modernization Project team has completed the project business case and will submit for project initiation in early January.
 - Independent Quality Management Service (iQMS) Initial Risk Assessment interviews were conducted in early December. Assessment is scheduled for delivery on 1/5/24.
- **Architecture Definition/Development**
 - Business Process Management and Enterprise Architecture team evaluating recommendations from consultant for structure and design of repository.
- **Contracting Activities**
 - iServer365 purchase order was approved on 12/28/23.
 - Enterprise Architecture Consulting services contract under final review in preparation for signatures.
 - Third-party system assessment of jClarety contract is under final review in preparation for signatures.
- **Budget**
 - Budget allocations in Policy Option Package (POP) 103 need adjustments to reflect changes in work plans based on resource impacts of Senate Bill (SB) 1049 Implementation Program schedule delays and procurement delays.
 - Reallocation request document is in final preparations for submission to be considered at the 2024 legislative session.

PROGRAM PROJECTS AND COMPONENTS

Component establishment and project initiation activities will be listed here as they are developed.

Telephony Modernization Project initiation is in development and reporting is anticipated to start in January 2024.

Modernization Program

BUDGET					
Expenses	Budget	Actual to Date	Projections	Total	Variance
Program Staff	\$ 3,406,073	\$ 386,965	\$ 3,653,174	\$ 4,040,139	\$ (634,066)
Client Relationship management	\$ 1,255,000			\$ -	\$ 1,255,000
Data and Analytics	\$ 1,300,000	\$ -	\$ -	\$ -	\$ 1,300,000
Development and Operations	\$1,102,000			\$ -	\$ 1,102,000
Architecture	\$ 950,000	\$ 130,095	\$ 819,905	\$ 950,000	\$ -
Independent Quality Management Srvs	\$ 950,000		\$ 1,128,500	\$ 1,128,500	\$ (178,500)
Hybrid Integration Platform	\$ 400,000			\$ -	\$ 400,000
Telephony	\$ 210,000		\$ 210,000	\$ 210,000	\$ -
Project Total	\$ 9,573,073	\$ 517,060	\$ 5,811,579	\$ 6,328,639	\$ 3,244,434
Average Monthly Spend (Burn Rate)	\$ 398,878	\$ 21,544.17	\$ 8,750.00	\$ 8,750.00	\$ -

ROAD MAP

This section is a placeholder for an appropriate view of the current program road map. This view will focus on program-level activities, including components, workstreams, and important events/milestones.

Executing component projects will be depicted at a high level in this section but have their own detailed scope/schedule reporting within the program status report.

Program road map is in development and will be included in January 2024 report.

BENEFITS DELIVERY/SCOPE

Program scope is defined in terms of delivery of benefits. Once measurable benefits are finalized and documented in the program’s benefits register, this section will be populated with reporting on a relevant subset of the benefits contained in the register to emphasize changes to benefits (target changes, additions to/deletions from benefits register, etc.) and any progress made on benefits delivery during the reporting period.

Modernization Program

PROGRAM RISKS AND MITIGATION

Risk #3 Internal Staffing- Limited, Loss of or Inexperienced Resources: Limited specialized resources, resource shifting, and competing priorities pull dedicated project resources, a key resource leaves PERS or is out for an extended period, and/or staff experience levels are inadequate.

- Mitigation: Work with SB 1049 and PERS operational program managers and managers to ensure resource allocations are reasonable. Develop process for reviewing resource allocations across all major component projects. Coordinate training opportunities as appropriate. The enterprise architecture consulting engagement in final stages of contracting process is a mitigation of the inexperience portion of this risk.

Risk #10 Stakeholder communication: Some stakeholder's communication needs are not met.

- Mitigation: iServer Upgrade procurement request is in process. The cloud version of this tool is accessible to a much wider audience and will provide visibility into architecture documentation. Once the purchase of iServer 365 is completed, this risk will be reevaluated.

Risk #16 Inability to document future state architecture — Documentation does not provide required information to sufficiently depict future state or the current phase.

- Mitigation: iServer and TOGAF (enterprise architecture framework) training has been delivered. iServer upgrade, and enterprise architecture consulting procurements in process to provide teams with tools and skills needed to document architecture in a detailed manner.

Risk #29 Insufficient Allocations in Program Budget Subcategories — The subcategory allocations in the legislatively approved budget may insufficiently fund the projects or activities for which they were allocated.

- Mitigation: Request for budget reallocation developed for consideration at 2024 Legislative Session. If approved, this risk will be considered resolved.

Risk #30 Unclear Agency Governance Processes -- Some decision-making areas of PERS have out of date or no charter, overlapping scopes of responsibility, or do not have a clear relationship documented with other established governance bodies. This causes confusion and delays of critical decisions.

- Mitigation: An agency-wide business process improvement initiative is in process to evaluate how we intake new projects and initiatives and identify roles and scope of decision-making authority for governance bodies. As this work moves forward, this risk will be reevaluated and updated as needed.

Modernization Program

PROGRAM ISSUES AND CORRECTIVE ACTION PLANS

Issue #8 – Realized Risk #1 Procurement Delays: Coordination with vendor, Department of Administrative Services (DAS) Procurement, Enterprise Information Services (EIS) and/or Department of Justice (DOJ) cause delays or inability to conduct planned activities within specific timeline.

Update: Two procurement activities which started in the 2021-23 biennium are still in process- Enterprise Architecture (EA) Consulting and iServer 365 Upgrade. Both are nearly completed, and we anticipate this issue will be resolved in early January. The EA Consulting and iServer Upgrade are mitigation strategies for Risks #3 (Inexperienced Resources), #10 (Stakeholder Communication), #12 (Insufficient As-Is Business Documentation), #16 (Inability to Document Future State Architecture) and #20 (Lack of a Documented Tailored TOGAF Framework)

- Resolution Strategy: Accept - These contract execution activities were originally planned to be executed in the 21-23 biennium budget. We have included funds for these contracts as part of the 2023 - 2025 Budget reallocation request.
- Estimated resolution date: 1/12/24.

A. Administration

1. December 1, 2023, PERS Board Meeting Minutes
2. Director's Report
3. BoardSmart 3.0 presentation

B. Administrative rulemaking

1. Notice of rulemaking for Membership of Academic Employees of Community College and Public Universities Rule
2. Notice of rulemaking regarding Annual Plan Limits Rules
3. Notice of rulemaking to Distributions During Employment Rule (OSGP)
4. Adoption of rules implementing 2023 legislation

C. Action and discussion items

1. Legislative update and legislative concept preview
2. Modernization update
- 3. Social Security fee update**
4. Senate Bill 1566 reporting requirements
5. Preliminary 2023 earnings crediting and reserving
6. Verbal update reflecting on earnings through December 31, 2023



Oregon

Tina Kotek, Governor

Public Employees Retirement System

Headquarters

11410 S.W. 68th Parkway, Tigard, OR

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

www.oregon.gov/pers

February 2, 2024

TO: Members of the PERS Board
 FROM: Richard Horsford, Chief Financial Officer
 SUBJECT: Allocation of Social Security Program Administration Expenses

OVERVIEW:

Recommendation to increase administrative expenses charged to public agencies served in the Social Security Program to \$0.96 per employee.

BACKGROUND

Related to the Social Security Program administered by PERS, OAR 459-020-0015(2) states: *"The board will determine administrative expenses for a period of 12 calendar months beginning July 1 of each year and allocate the expenses to each public agency in proportion to the number of employees reported to the board by the public agency."*

For the fiscal year ended June 30, 2023, program administration expenses were \$252,686 while the number of employees reported by public agencies were 263,079 resulting in a cost per employee of \$0.96.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion allocating the Social Security Program administration expenses to public agencies at a rate of \$0.96 per employee effective April 1, 2024.
2. Take no action, leaving a shortfall in fees collected to administer the program.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

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February 2, 2024

Senator Elizabeth Steiner, Co-Chair
 Representative Tawna Sanchez, Co-Chair
 Joint Committee on Ways and Means
 900 Court St NE
 H-178 State Capitol
 Salem, OR 97301-4048

Nature of the Request

As required by Senate Bill 1566 (2018), PERS is providing the status of the School Districts Unfunded Liability Fund, the Employer Incentive Fund, the Unfunded Actuarial Liability Resolution Program, and extended amortization options of \$10 million or more as of November 2023.

Agency Action

School Districts Unfunded Liability Fund

The School Districts Unfunded Liability Fund (SDULF) is a pooled side account intended to provide rate relief to all public school districts, public charter schools, and education service districts. The SDULF has three defined revenue sources: interest on unclaimed property from the Department of State Lands; proceeds from debt collection; and proceeds from estate taxes and from capital gains taxes.

As of November 2023, the SDULF has a balance of \$48,283,947. No deposits are anticipated during 2024 from any revenue source. The current funding is not sufficient to provide a meaningful offset for the School District Pool, which has a combined valuation payroll of \$4,617,100,000 as of December 31, 2022.

Proceeds from estate taxes and capital gains taxes as an income source for the SDULF sunset in 2023, while the transfer of proceeds from debt collection as an income source for the SDULF sunsets in 2024. The transfer of interest on unclaimed property as an income source for the SDULF will sunset in 2027.

Employer Incentive Fund

The Employer Incentive Fund (EIF) provides a 25% match to employers making a lump sum payment from non-borrowed funds of at least \$25,000. This lump sum payment may be used to establish a new side account or as a payment into an existing side account and is subject to the limitations stated in the statute. The first 90 days of the application period are dedicated to employers with a UAL as a percentage of payroll that exceeds 200% after which the application period is open to all employers.

As of November 2023, the EIF has a balance of \$12,465,290. A total match amount of \$96,421,899 was distributed to 110 participating employers located in 26 counties between 2019 and 2023.

PERS anticipates quarterly transfers from Lottery Funds reflecting proceeds from sports betting. The most recent quarterly transfer amount was \$3,573,355. Based on this information, we expect that the fund balance will exceed \$25 million by the end of 2024. Once this occurs, we will open the next application period, likely during early 2025.

Unfunded Actuarial Liability Resolution Program

Senate Bill 1049 modified the UAL Resolution Program (UALRP) to include the development of funding plans to improve the employers' funded status and to manage contribution rates. The bill also requires all PERS-participating employers to participate in the UALRP whereas previously this was a requirement for only employers participating in EIF.

In 2021, PERS launched the new Employer Rate Projection Tool hosted using Microsoft Azure's "platform as a service" environment. This tool provides greater security as well as the capability to incrementally add employer requested features. Currently employers can modify payroll or contribution rates and determine how these changes will affect their contributions over time. In the future, the top-requested modifications from employers are the ability to model additional scenarios of earnings and payroll growth rates.

PERS has created a series of guides to help employers understand the fundamentals of the system and provide context to the resources they receive when forecasting and budgeting.

Those guides are:

- Guide To Understanding Your Rate
- Guide to Understanding Your Valuation
- Guide to Understanding Unfunded Actuarial Liability
- Guide to Understanding Pooling
- Guide to Financial Modeling
- Guide to Understanding Pension Obligation Bonds

Extended Amortization Options

Senate Bill 1566 (2018) introduced additional amortization options for side accounts of at least \$10 million. These include the ability to select a shortened amortization period of six, 10, or 16 years. Employers could also select a deferred rate offset date.

Summary

Employer Programs have been well received by PERS-participating employers despite budgetary uncertainty. Employers appreciate incentives to proactively manage their contribution rates and appreciate the engaged role PERS has had in addressing knowledge gaps.

Action Requested

PERS requests the Joint Committee on Ways and Means acknowledge receipt of the report.

Legislation Affected

No legislation is affected by this request.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Olineck". The signature is written in a cursive style with a large, stylized initial "K".

Kevin Olineck, Director
Oregon Public Employees Retirement System

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February 2, 2024

TO: Members of the PERS Board

FROM: Richard Horsford, Chief Financial Officer
Matt Graves, Financial Reporting Manager

SUBJECT: 2023 Preliminary Earnings Crediting and Reserving

OVERVIEW

- Action: Allocate 2023 preliminary earnings crediting.
- Reason: ORS 238.670(5) requires PERS to submit a preliminary proposal to the appropriate legislative committee at least 30 days before making a final decision on earnings crediting.
- Subject: Crediting earnings for calendar year 2023 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 PERS Board's discretion.

2023 PRELIMINARY ALLOCATIONS

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

NON-DISCRETIONARY ALLOCATIONS

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

Credit Tier One Member Regular Accounts and Judge Member Accounts with the assumed earnings rate of 6.90% in effect during 2023.

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 and Judge member accounts when earnings are less than the assumed rate. Because earnings on Tier One member regular accounts for 2023 are less than the assumed rate, the earnings credited to this reserve will be reduced by the amount needed to bring the earnings rate credited to Tier One member regular accounts and Judge member accounts to the assumed rate of 6.9%. The net earnings credited to this reserve are \$13.7 million, or 1.86%, bringing the ending reserves after crediting to \$750.2 million.

2. Tier Two Member Regular Accounts

Credit Tier Two member regular accounts with a proportional share of available PERS Fund Regular Account earnings, which will result in a preliminary rate of 5.53%.

3. Benefits-in-Force and Employer Reserves

Credit the Benefits-in-Force and Employer Reserves evenly with the remaining available PERS Fund Regular Account earnings, which will result in a preliminary rate of 5.53%.

4. OPSRP Pension Plan 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 preliminary rate of 5.58%.

EARNINGS ALLOCATIONS DIRECTED BY STATUTE OR RULE

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

5. Individual Account Program (IAP)

These member accounts are credited with actual earnings or losses of the PERS Fund Regular Account as required by ORS 238A.350 (1). The overall preliminary IAP earnings for 2023 are 6.72% after deducting IAP expenses. The table below illustrates the IAP earnings by tranche.

Oregon Public Employees Retirement System Preliminary IAP TDF Earnings (All dollar amounts in thousands)				
TDF Fund	Reserves Before Crediting	2023 Crediting	Reserves After Crediting	2023 Rates
RAF Fund	\$ 458,353.9	\$ 42,336.7	\$ 500,690.6	9.23%
2025 Fund	1,240,265.3	80,618.4	1,320,883.7	6.50%
2030 Fund	1,966,921.0	139,569.8	2,106,490.8	7.09%
2035 Fund	2,531,203.8	172,318.5	2,703,522.3	6.80%
2040 Fund	2,355,839.7	139,572.9	2,495,412.6	5.92%
2045 Fund	1,811,384.6	118,268.4	1,929,653.0	6.52%
2050 Fund	1,020,176.0	86,362.6	1,106,538.6	8.46%
2055 Fund	473,480.8	37,247.6	510,728.4	7.86%
2060 Fund	168,637.3	11,592.4	180,229.7	6.87%
2065 Fund	45,643.2	3,217.1	48,860.3	7.04%
Total	\$12,071,905.6	\$831,104.4	\$12,903,010.0	

In accordance with Senate Bill 1049 (2019), effective July 1, 2020, for all currently employed Tier One/Tier Two and OPSRP members earning \$3,570/month or more (\$3,688 in 2024), a portion of their 6% monthly IAP contributions will be redirected to an “Employee Pension Stability Account.” The Employee Pension Stability Account (EPSA) will be used to pay for part of the member’s future pension benefit.

For earnings crediting purposes, Tier One/Tier Two member EPSA accounts will be credited with the same rate as Tier Two Regular Member accounts, which will result in a preliminary rate of 5.53%.

For earnings crediting purposes, OPSRP member EPSA accounts will be credited with the same rate as OPSRP Pension Member Accounts, which will result in a preliminary rate of 5.58%.

6. Employer Lump Sum Payment Accounts

These accounts are credited with actual earnings or losses of the PERS Fund Regular Account less administrative expenses, as authorized by ORS 238.225. For 2023, the preliminary crediting rate for the side accounts established before 1/1/2023 is 5.75%. The preliminary crediting rate for new lump sum payment accounts varies depending on the time of payments.

7. Health Insurance Accounts

These accounts are created as part of the PERS Fund and directed by statute to be credited with actual earnings or losses, less the expense related to the administration of the programs (ORS 238.410(7); 238.415(4); 238.420(4)). For 2023, the preliminary crediting rate for these accounts are listed in the table below:

Oregon Public Employees Retirement System Health Insurance Accounts Preliminary Rates	
Health Insurance Fund	2023
RHIA	5.69%
RHIPA	4.76%
SRHIA *	3.18%

* Invested in the Treasury Short-Term Fund

8. Variable Annuity Account

This account is credited with earnings and losses on its distinct asset allocation of the PERS Fund. The Variable Annuity Account is only invested in equities and therefore its earnings are discrete from those of the more diversified PERS Fund Regular Account. For 2023, the preliminary Variable Annuity Account earnings is 27.38%.

Administrative Expenses

PERS administrative costs are funded by earnings when they are sufficient, as they were in 2023 (ORS 238.610(1)).

The following charts present preliminary earnings crediting and reserving for 2023:

Oregon Public Employees Retirement System Calendar Year 2023 Preliminary 2023 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 ⁴ (d)	Net 2023 Crediting (a+b+c+d)	Reserves After Crediting	2023 Rates
Tier One Member Regular Accounts	\$1,980.5	\$187.5	(\$29.8)	(\$2.9)	(\$18.1)	\$136.7	\$2,117.2	6.90%
Tier One Rate Guarantee Reserve	736.5	-	-	-	13.7	13.7	750.2	1.86%
Tier Two Member Regular Accounts	977.5	67.4	(10.7)	(1.1)	(1.6)	54.0	1,031.5	5.53%
Benefits In Force Reserve	15,026.3	1,036.7	(164.8)	(16.2)	(23.9)	831.8	15,858.1	5.53%
Employer Reserves	42,769.6	2,953.6	(469.6)	(46.3)	(68.1)	2,369.6	45,139.2	5.53%
Tier One/Two Employee Pension Stability Account ¹	272.6	17.8	(2.9)	-	(0.4)	14.5	287.1	5.53%
OPSRP Pension	12,020.9	774.8	(123.2)	(16.7)	36.4	671.3	12,692.2	5.58%
OPSRP Employee Pension Stability Account ²	244.1	14.2	(2.3)	-	1.8	13.7	257.8	5.58%
IAP Accounts, as a whole ³	12,520.4	983.1	(103.1)	(17.3)	(20.5)	842.2	13,362.6	6.72%
UAL Lump-Sum Pmt. Side Accounts ³	5,091.6	385.7	(61.3)	(0.2)	-	324.2	5,415.8	Various ⁵
Contingency Reserve ⁶	50.0	-	-	-	-	-	50.0	N/A
Total	\$91,690.0	\$6,420.8	(\$967.7)	(\$100.7)	(\$80.7)	\$5,271.7	\$96,961.7	

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

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

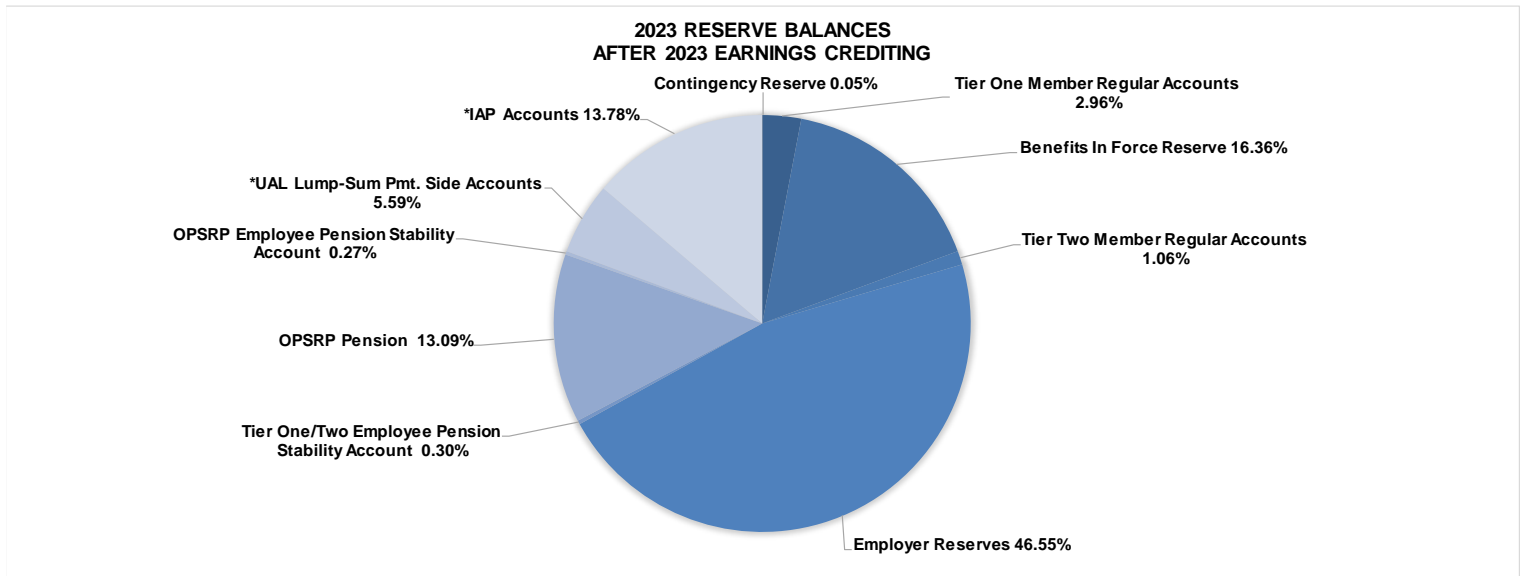
³ Informational only. Not affected by Board reserving or crediting decisions.

⁴ Primarily due to defined benefit commingled earnings transfer and the earnings credited to mid-year retirements.

⁵ The preliminary earnings rate for the pre-2023 Side Accounts is 5.75%.

⁶ The contingency reserve balance is \$49,978,971.08.

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



*Informational only. Not affected by Board reserving or crediting decisions.
IAP accounts receiving installments have already received 2023 earnings.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “adopt the preliminary crediting of earnings as presented for calendar year 2023, subject to final adoption at the April 1, 2024, PERS Board meeting.”
2. Pass a motion preliminarily allocating 2023 earnings in an alternative proportion, subject to final adoption at the April 1, 2024, PERS Board meeting.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

NEXT STEPS

Preliminary Earnings Crediting: Once the board makes its preliminary allocation, staff will prepare and present the required report to the Joint Legislative Committee on Ways and Means. Any comments received from the committee will be presented to the PERS Board prior to the final crediting decision at its meeting on April 1, 2024.

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

C.5. Attachment 1: ORS 238.670 – *Reserve Accounts in Fund*

C.5. Attachment 2: OAR 459-007-0005 – *Annual Earnings Crediting Rule*

C.5. Attachment 3: ORS 238.610 – *Administrative Expenses of System, Rules*

238.670 Reserve accounts in fund.

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

- (a) To prevent any deficit in the fund by reason of the insolvency of a participating public employer. Reserves under this paragraph may be funded only from the earnings on employer contributions made under ORS 238.225.
- (b) To pay any legal expenses or judgments that do not arise in the ordinary course of adjudicating an individual member's benefits or an individual employer's liabilities.

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

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

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

(5) At least 30 days before crediting any interest and other income received through investment of the Public Employees Retirement Fund to any reserve account in the fund, the board shall submit a preliminary proposal for crediting to the appropriate legislative review agency, as defined in ORS 291.371

(1), for its review and comment. [Formerly 237.281; 2001 c.945 §5; 2017 c.746 §11]

OAR 459-007-0005**Annual Earnings Crediting**

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

accounts, the OPSRP Pension Program reserve, Employee Pension Stability Accounts, the Benefits-in-Force Reserve, employer contribution accounts, the Capital Preservation Reserve and the Contingency Reserve shall be credited to the Contingency Reserve to the level at which the Board determines it is adequately funded for the purposes specified in ORS 238.670(1).

(b) The portion of the Contingency Reserve allowed under ORS 238.670(1)(a) for use in preventing a deficit in the fund due to employer insolvency may only be credited using earnings attributable to employer contribution accounts.

(9) Tier One Member Rate Guarantee Reserve. All remaining earnings attributable to Tier One regular accounts, the Tier One Member Rate Guarantee Reserve, judge member regular accounts, the Benefits-in-Force Reserve, and the Contingency Reserve may be credited to the Tier One Member Rate Guarantee Reserve established under ORS 238.255(1).

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

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

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

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

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

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

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

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

(16) Benefits-in-Force Reserve. Remaining earnings attributable to the Benefits-in-Force Reserve, the Contingency Reserve, the Capital Preservation Reserve and employer contribution accounts, in

that order, shall be used, to the extent available, to credit the Benefits-in-Force Reserve with earnings for that calendar year in accordance with ORS 238.670(2).

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

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

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

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

History:

PERS 1-2022, amend filed 01/31/2022, effective 01/31/2022
PERS 9-2020, amend filed 06/23/2020, effective 06/23/2020
PERS 9-2019, amend filed 12/06/2019, effective 12/06/2019
PERS 2-2018, amend filed 02/02/2018, effective 02/02/2018
PERS 7-2017, temporary amend filed 12/01/2017, effective 12/01/2017 through 05/29/2018
PERS 9-2012, f. & cert. ef. 5-24-12
PERS 4-2009, f. & cert. ef. 4-6-09
PERS 1-2006, f. & cert. ef. 2-1-06
PERS 18-2005(Temp), f. & cert. ef. 10-26-05 thru 4-19-06
PERS 8-2004, f. & cert. ef. 4-15-04

238.610 Administrative expenses of system; rules.

(1)(a) The administrative expenses of the Public Employees Retirement System shall be paid from interest earned by the Public Employees Retirement Fund; provided, that if such interest be insufficient the expense in excess thereof shall be paid from the contributions which this chapter and ORS 238A.220 and 238A.240 require participating employers to pay into the Public Employees Retirement Fund. The Public Employees Retirement Board by rule may establish procedures for recovering administrative costs from members for services provided in estimating retirement benefit amounts and processing payments if the board determines that the services requested by an individual member result in extraordinary costs to the system.

(b) The board may adopt rules establishing procedures for recovering administrative costs from participating public employers for providing to those employers information or services needed to report in compliance with generally accepted accounting principles. Administrative costs recovered under this paragraph may be recovered only from interest earned on employer contributions made under ORS 238.225 or 238A.220.

(2) In order to facilitate financing the establishment and administration of the system the board may designate fiscal periods and may provide that extraordinary expenses incurred during one such period, such as expenses for equipment and actuarial studies, may, for purposes of equitably distributing part of the burden of the expenses, be apportioned to subsequent fiscal periods in such manner as to the board seems equitable.

(3) For each fiscal period designated by the board there shall be deducted from the interest earned by the fund, the administrative expenses of the system for that period; provided, that if such interest be insufficient for such purpose, the excess expense shall be paid by deducting from the account of each employer participating in the system that fraction of the administrative expense of the system for that period which the employer's total contribution to the fund for the period is of the sum of all the employers' contributions to the fund for the period.

(4) Amounts payable as refunds and retirement allowances shall not for any purpose be deemed expenses of the board and shall not be included in its biennial departmental budget.

[Formerly 237.291; 2003 c.105 §5; 2003 c.733 §56; 2014 c.105 §1]

A. Administration

1. December 1, 2023, PERS Board Meeting Minutes
2. Director's Report
3. BoardSmart 3.0 presentation

B. Administrative rulemaking

1. Notice of rulemaking for Membership of Academic Employees of Community College and Public Universities Rule
2. Notice of rulemaking regarding Annual Plan Limits Rules
3. Notice of rulemaking to Distributions During Employment Rule (OSGP)
4. Adoption of rules implementing 2023 legislation

C. Action and discussion items

1. Legislative update and legislative concept preview
2. Modernization update
3. Social Security fee update
4. Senate Bill 1566 reporting requirements
5. Preliminary 2023 earnings crediting and reserving
- 6. Verbal update reflecting on earnings through December 31, 2023**



UPDATED VALUATION RESULTS ESTIMATES

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Presented by:

Matt Larrabee, FSA, EA, MAAA

Scott Preppernau, FSA, EA, MAAA

February 2, 2024

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Calendar

- September: System-wide results of December 31, 2022 actuarial valuation
- December:
 - **Advisory** employer-specific 2025-2027 contribution rates
 - Based on the December 31, 2022 actuarial valuation
 - Long-term financial modeling projections reflecting published investment **returns through September 30, 2023 of +2.65%**
 - System average contribution rates, funded status, and unfunded actuarial liability (UAL)
- Today: Preliminary estimate of system-wide December 31, 2023 results
 - Based on financial model presented in December, updated for published **full-year 2023 returns of +5.98%**
 - Actual December 31, 2023 valuation results will reflect updated member data
 - Initial system-average valuation results will be presented to the Board on July 26, 2024
 - Proposed 2025-2027 contribution rates for Board adoption on October 4, 2024

Preliminary 12/31/2023 valuation results estimate

Actual 2023 Investment Return	Excluding Side Accounts		Including Side Accounts	
	UAL	Funded Status	UAL	Funded Status
+ 5.98%	\$28.4	73%	\$22.8	78%

(Amounts in billions)

- Estimate reflects 12/31/2022 member census data, including the effect of assumed individual member salary increases during 2023
- Side accounts reflected do not include new accounts established during 2023
- Final valuation results will be based on 12/31/2023 member census data, including the effect of actual individual member salary increases during 2023
- At 12/31/2022 and excluding side accounts, UAL was \$28.0 billion and funded status was 73%

System-Average Weighted Total* Pension-Only Rates

2009-2011 rates set prior to economic downturn

2011-2013 rates first to reflect -27% return in 2008 and +19% in 2009

2013-2015 shown before (dotted line) and after (solid line) legislated changes

2015-2017 set pre-Moro reflecting 2012 (+14.3%) & 2013 (+15.6%) returns, first decrease in assumed return

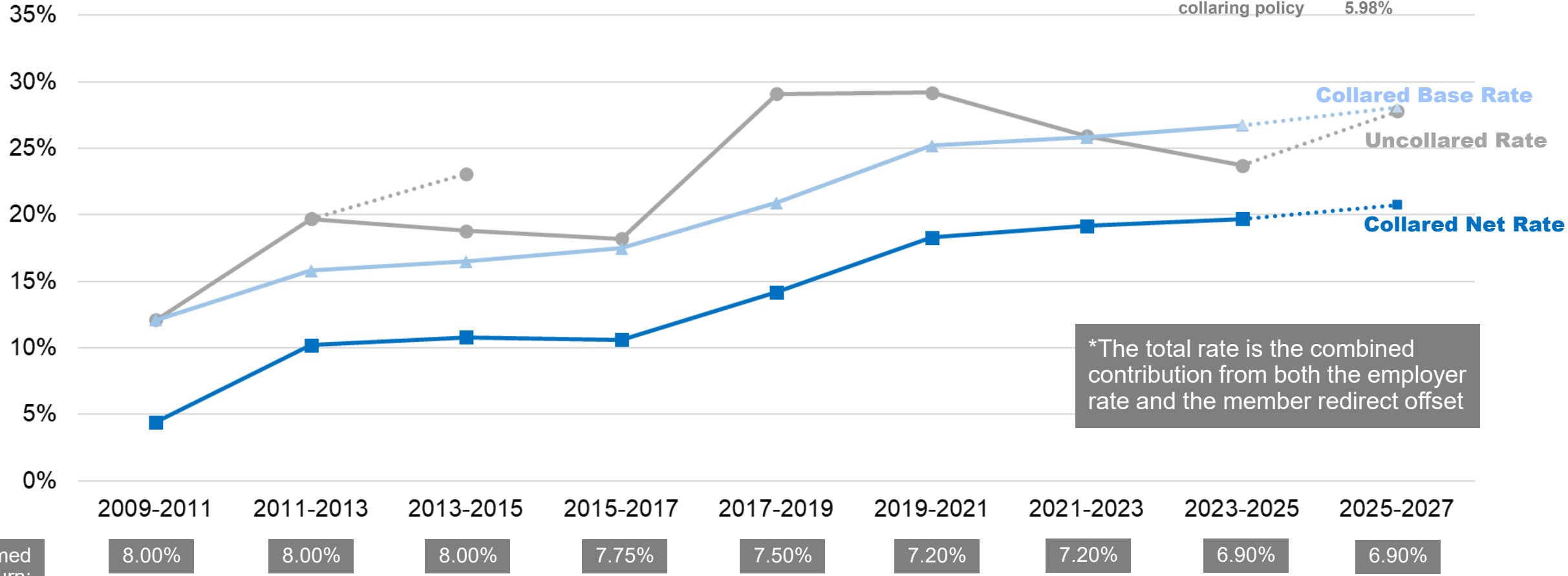
2017-2019 set post-Moro, reflecting 2015 return (+2.1%) and second decrease in assumed return

2019-2021 reflects +15.4% return in 2017 and third decrease in assumed return

2021-2023 rates reflect mandated reamortization of Tier One/Tier Two UAL, biennial returns near assumption

2023-2025 rates reflect 2021 actual return of +20.05%, a fourth decrease in assumed return and an update to rate collaring policy

2025-2027 rates are preliminary estimates; reflects higher salary increase assumptions, 2022 actual return of -1.55% and 2023 return of 5.98%



System-average pension rates

	2023-2025	Estimated 2025-2027
Uncollared Total Rate	23.7%	27.8%
Collared Total Base Rate	26.7%	28.1%
Member Redirect Offset	<u>(1.1%)</u>	<u>(1.1%)</u>
Collared Base Employer Rate	25.6%	27.0%
Collared Net Employer Rate	18.6%	19.7%

(Excludes retiree healthcare and IAP contributions)

- Member redirect offset shown for 2025-2027 is average of 2.40% for Tier One/Tier Two and 0.65% for OPSRP, based on estimated 12/31/2023 payroll weightings
 - Amounts reflect estimated impact of redirect excluding members with monthly pay below statutory threshold
 - Over time, average will converge to OPSRP offset of 0.65%
- Estimates reflect 2023 investment return of +5.98% and 12/31/2022 member census data



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 summarizes a limited update to deterministic modeling for the Oregon Public Employees Retirement System (“PERS” or “the System”) initially presented to the PERS board in December 2023 based on a valuation with a measurement date of December 31, 2022. Updates since December 2023 consist solely of changes to modeled 2023 investment returns as noted in the body of this presentation, including a modeled +21.74% 2023 return on Tier One/Tier Two member variable accounts. The December 2023 presentation and the December 31, 2022 Actuarial Valuation Report should be referenced for additional detail on the assumptions, methods, and plan provisions underlying these results.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts consistent with the adopted funding policy of the System. The computations prepared for other purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System’s funding policy. The calculations in this report have been made on a basis consistent with our understanding of the plan provisions described in the appendix of this 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.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System’s staff. 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.

Actuarial assumptions, including discount rates, mortality tables, and others identified in this report, and actuarial cost methods are adopted by the PERS Board, which is responsible for selecting the plan’s funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies, methods, and assumptions used in this valuation are those that have been so adopted and are described in this report. The System is solely responsible for communicating to Milliman any changes required thereto. All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which, in our professional opinion, are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System and are expected to have no significant bias. 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.

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Certification

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

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 December 31, 2022 Actuarial Valuation Report provides additional discussion of the System's risks. The PERS Board has the final decision regarding the appropriateness of the assumptions.

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 this report. No third-party recipient of Milliman's work product should rely upon this report. Such recipients should engage qualified professionals for advice appropriate to their own specific needs. 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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The actuaries are independent of the plan sponsors. 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.

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.

Retirement System Risks

- Oregon PERS, like all defined benefit plans, is subject to various risks that will affect future plan liabilities and contribution requirements, including:
 - **Investment risk:** the potential that investment returns will be different than expected
 - **Demographic risks:** the potential that mortality experience, retirement behavior, or other demographic experience for the plan population will be different than expected
 - **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 plan risks and historical information regarding plan 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.