

# OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



## Employer Advisory Group

July 16, 2021



# Agenda

- Director's Office Update
- Legislative Update
- Senate Bill 1049 Update
- Communications Update
- Actuarial Update
- Board Interaction
- Additional Items
  - First Wage Clean-Up Project
  - Prior Year Earnings (PYE) Report
  - WAR Update & Side Accounts

# Director's Office Update

## PERS reopening plans

- HQ building open to public September 1
- Continue remote work as business allows

## Agency budget update

## June 4, 2021, board meeting

# Legislative Update

## Wrap-up from 2021 Legislative Session

### Senate Bill (SB) 111A, SB 112, SB 113

- Agency PERS bills
- Amendments from other stakeholders
- Important takeaways for employers

### House Bill (HB) 2906, HB 2875, SB 297, SB 41

- Bills that affect PERS, not introduced by agency

### PERS budget SB 5536

### Implementation plan

# Senate Bill 1049 Update

## Project closures

- Salary Limit 5/28/21
- Employer Programs 7/16/21
- Member Choice 8/4/21

## Work After Retirement

- Work package 4: Side account credit allocation

## SB 1049 Technical Debt Project

- Work package 1: Employer Statements






# Senate Bill (SB) 1049 Implementation Road Map

2019-2021 Biennium


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

Revised: June 16, 2021

# 2021-2023 Biennium

PROJECTS	2021						2022												2023					
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
 <b>Employer Programs</b>	• 7/16/21 – Project Close																							
 <b>Work After Retirement</b>							• 12/16/21 – WP4 Side Account Credit Allocation																	
						• 2/23/22 – Project Close (Tentative)																		
 <b>Member Redirect</b>							• 2/24/22 – WP4.3 EPSA Transaction Display – Long Term																	
						• 10/14/21 – WP5 Voluntary Contribution Maintenance – Long Term												• 3/23/23 – WP9 Withdrawals – Long Term → •						
						• 1/25/22 – WP6 EPSA Retirement – Long Term																		
						• 4/21/22 – WP7.1 EPSA Divorce – Long Term																		
						• 7/28/22 – WP8.2 Pre-Retirement Death – Long Term																		
 <b>Member Choice</b>	• 8/4/21 – Project Close																							
<b>PROGRAM INITIATIVE</b>																								
 <b>Cross Project Effort</b>							• TBD – WP6 IAP Balance Comparison Tool																	
						• TBD – WP7.3 Tier One/Tier Two/OPSRP Payouts Actuarial Extract																		
						• 2/22/22 – WP3 IAP Divorce Tool																		
						• TBD – WP4.2 IAP Adjustment Calculator																		
						• TBD – WP5.2 PYE Invoicing Tool																		

# 2023-2025 Biennium

PROJECTS	2023						2024												2025					
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
 <b>Member Redirect</b>	• 9/28/23 – WP10.1 Post-Retirement Death – Long Term																							
						• 1/25/24 – WP11 Maintaining Benefits – Long Term																		
						• 2/29/24 – Migration Finalization																		
						• 2/21/24 – Project Close																		

Revised: June 16, 2021

# Senate Bill 1049 Update

## Employer Programs

- Project closed today (7/16/21)
- Revised Employer Rate Projection Tool now available:
  1. Completely web-based — more robust and secure
  2. Reflects current rate-setting valuation data (12/31/19)
  3. Communication email with more information will follow next week
- Complete series of UALRP educational guides available on website



# Senate Bill 1049 Update

## Salary Limit project

- Project closed week of May 24<sup>th</sup>
- Four separate work packages:
  1. Internal PERS Salary Limit reports
  2. Data change request to update salary limit in 2020
  3. Automated annual salary limit update; salary records suspend if they exceed annual limit
  4. Alert messages: internally and OMS
- Continuing to explore ways to improve upon processes involving partial-year limits

# Communications Update

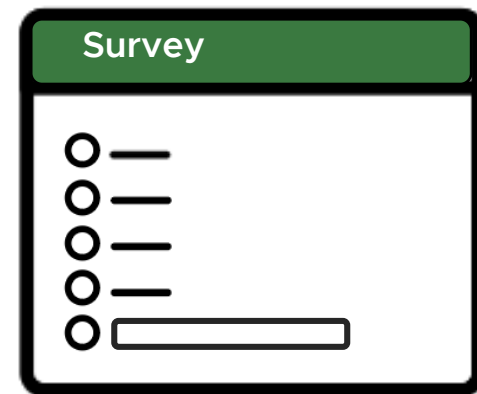
## Unfunded Actuarial Liability Resolution Program (UALRP) educational guides

- Review of the program
- Review of the guides
- Newest guide



## Communications survey results

- Highlights
- Responses



# Communications Update

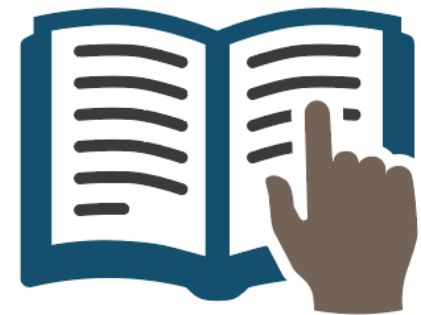
## Unfunded Actuarial Liability Resolution Program (UALRP) review



Employer Rate-Projection Tool



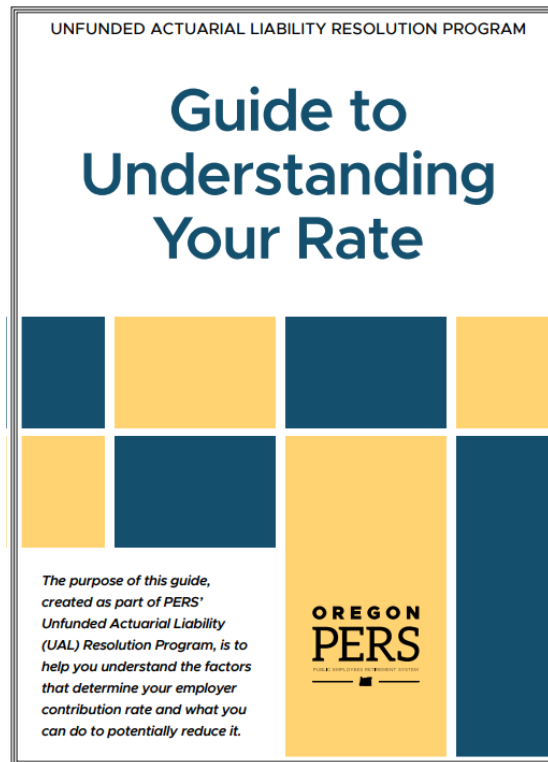
Actuarial valuation reports



Educational guides

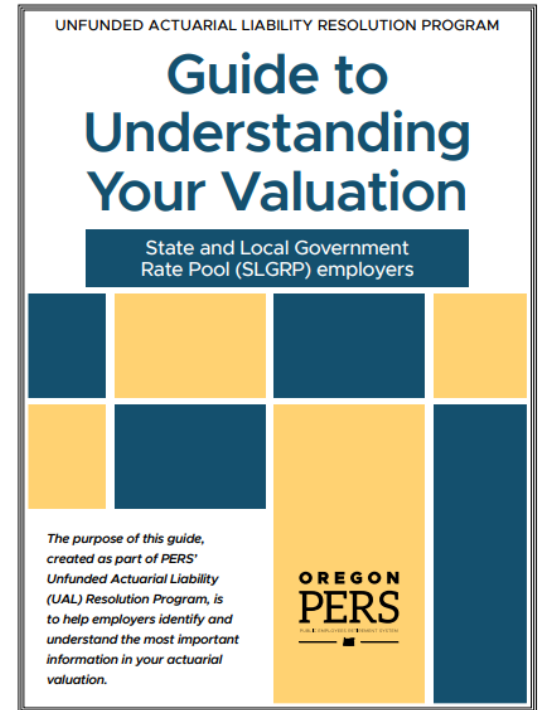
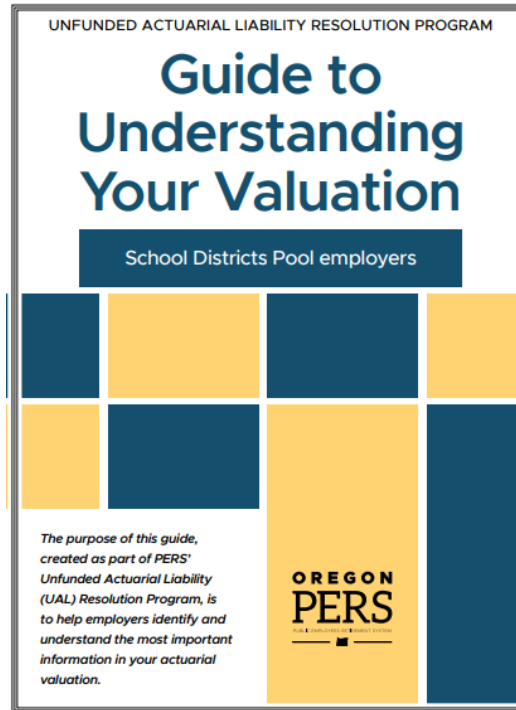
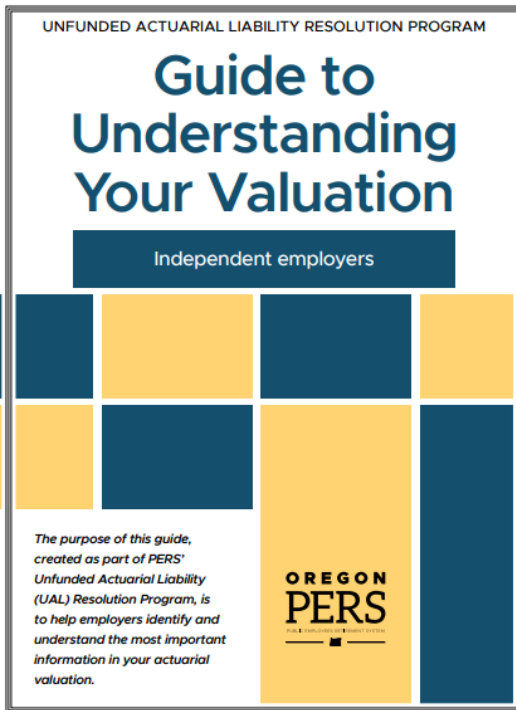
# Communications Update

## Guide #1: Guide to Understanding Your Rate



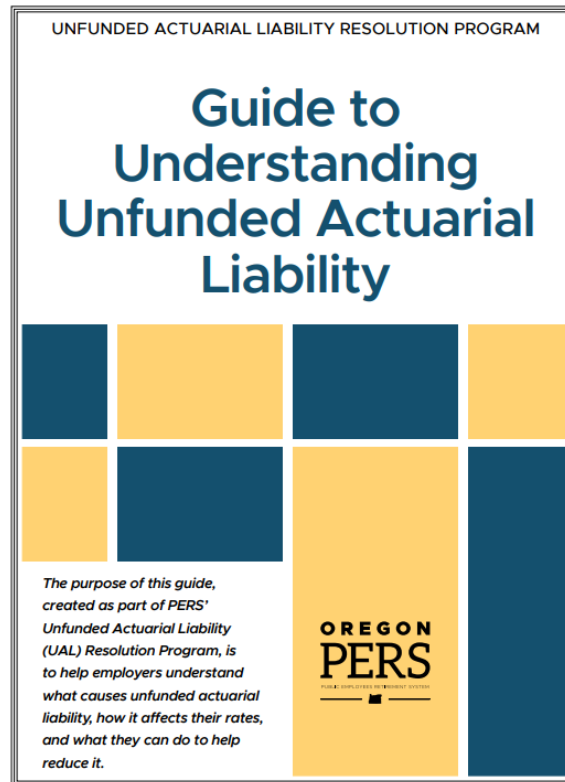
# Communications Update

## Guide #2: Guide to Understanding Your Valuation



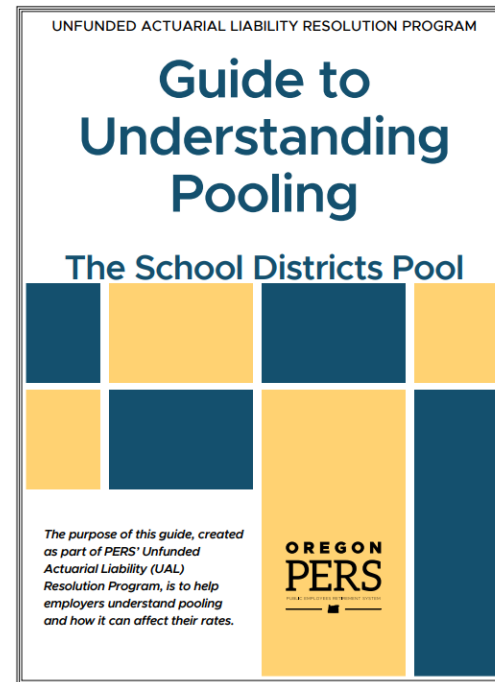
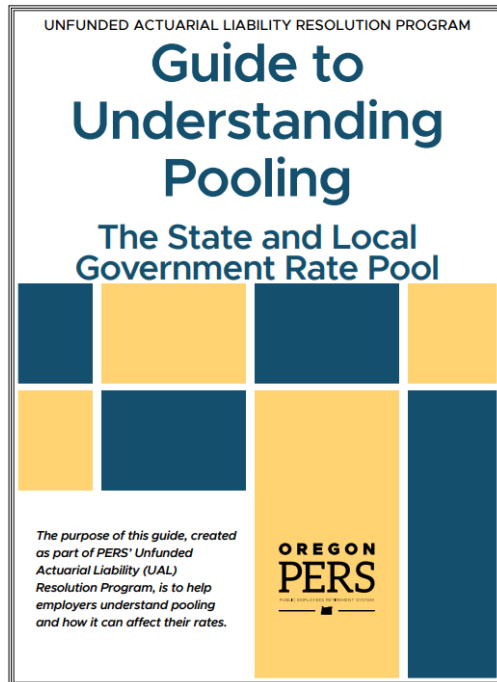
# Communications Update

## Guide #3: Guide to Understanding UAL



# Communications Update

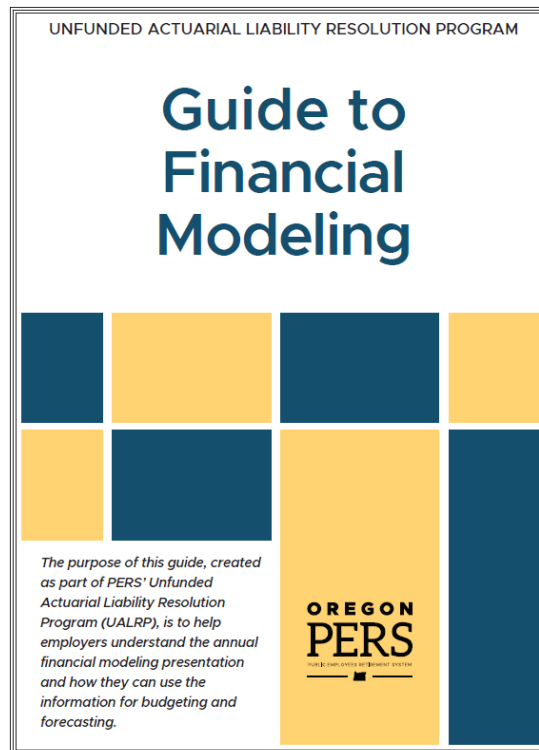
## Guide #4: Guide to Understanding Pooling



# Communications Update

## Guide #5: Guide to Financial Modeling

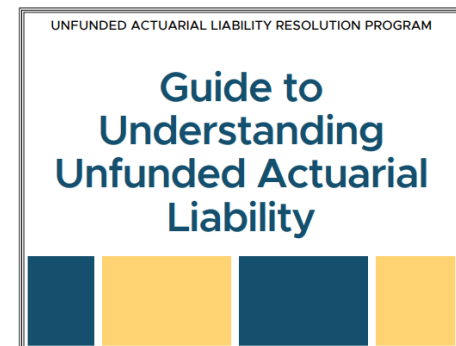
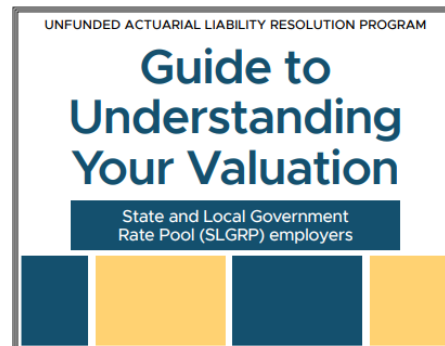
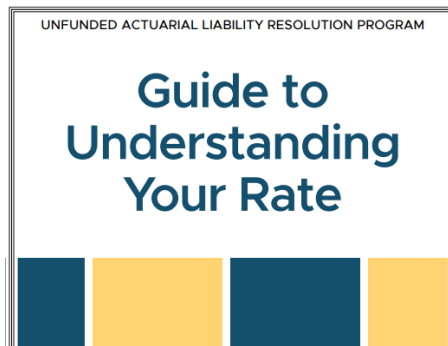
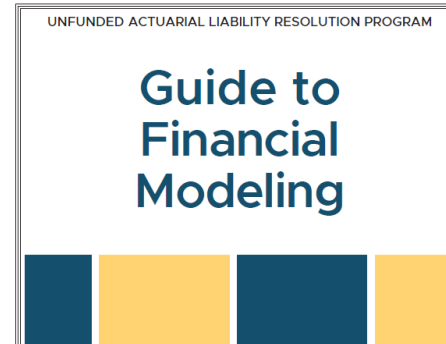
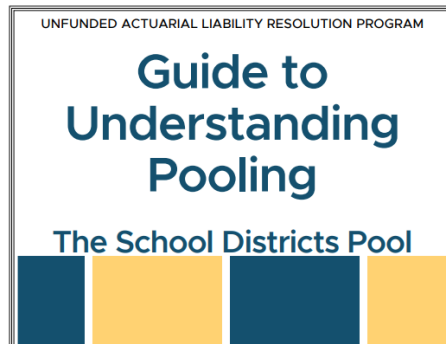
**NEW**





# Communications Update

## Complete series



[www.oregon.gov/pers/EMP/Pages/UALRP.aspx#guides](http://www.oregon.gov/pers/EMP/Pages/UALRP.aspx#guides)

# Communications Update

## 2021 Employer communications survey

**OREGON PERS**  
PUBLIC EMPLOYEES RETIREMENT SYSTEM

**PERS Employer Communications**

10. On the [Employer section of the PERS website](#), what information would you like to see added, increased, or enhanced? Choose all that apply.

- Information for Human Resources or Benefits professionals.
- Information for agency leaders.
- Budgeting and forecasting instructions.
- EDX instructions.
- Detailed information about employer statements.
- Information for new employer reporters.
- Other (please specify).

As part of the Unfunded Actuarial Liability Resolution Program (UALRP), PERS is publishing a series of guides to help employers better understand their contribution rate and other actuarial concepts.

Rate each guide from 1 (not useful) to 5 (very useful). Select N/A if you have not read it.

11. [Guide to Understanding Your Rate](#)

Not useful	Somewhat useful	Very useful	N/A
★	★	★	○

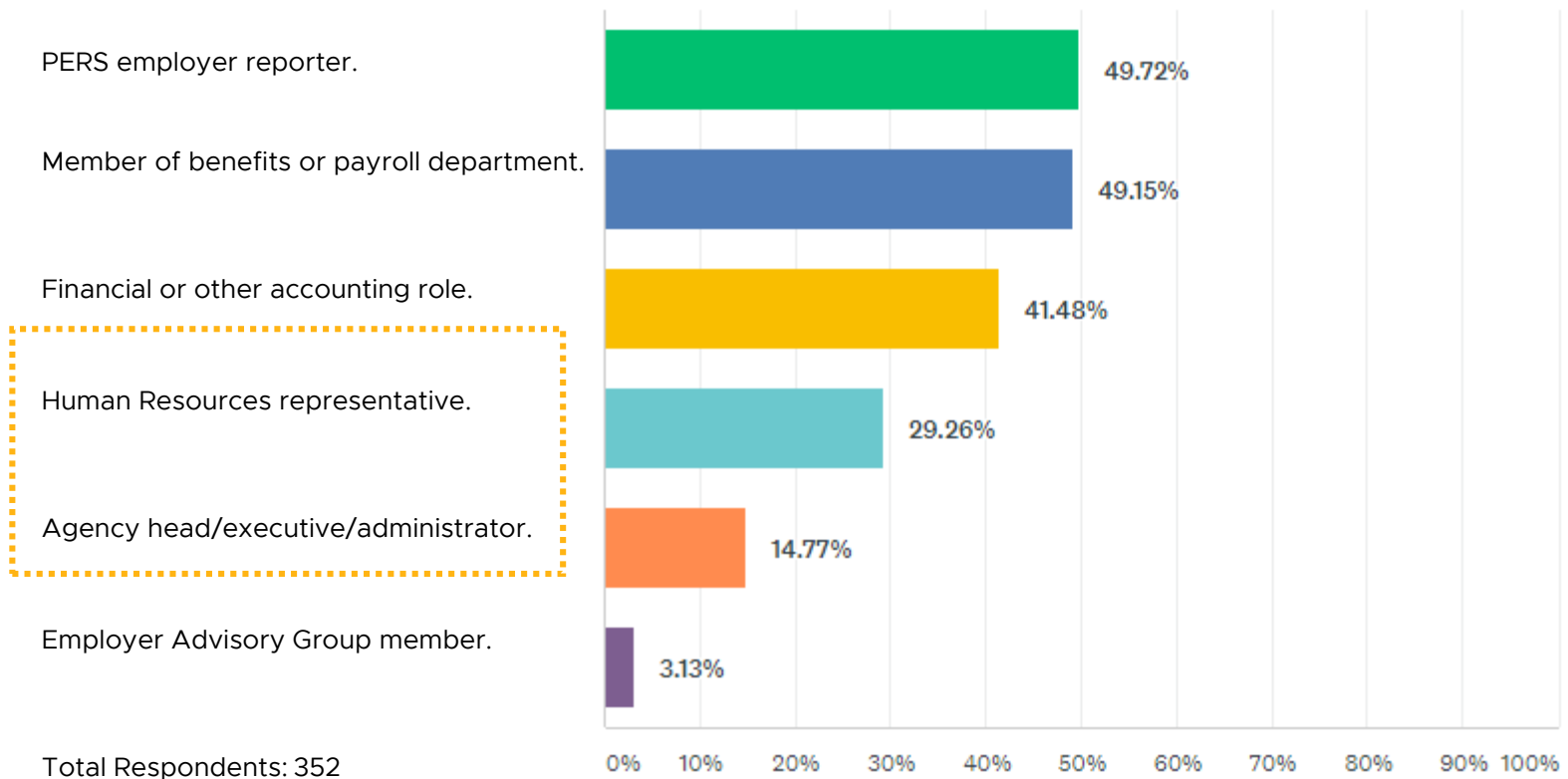
12. [Guide to Understanding Your Valuation](#)

Not useful	Somewhat useful	Very useful	N/A
★	★	★	○

# Communications Update

## Survey highlights

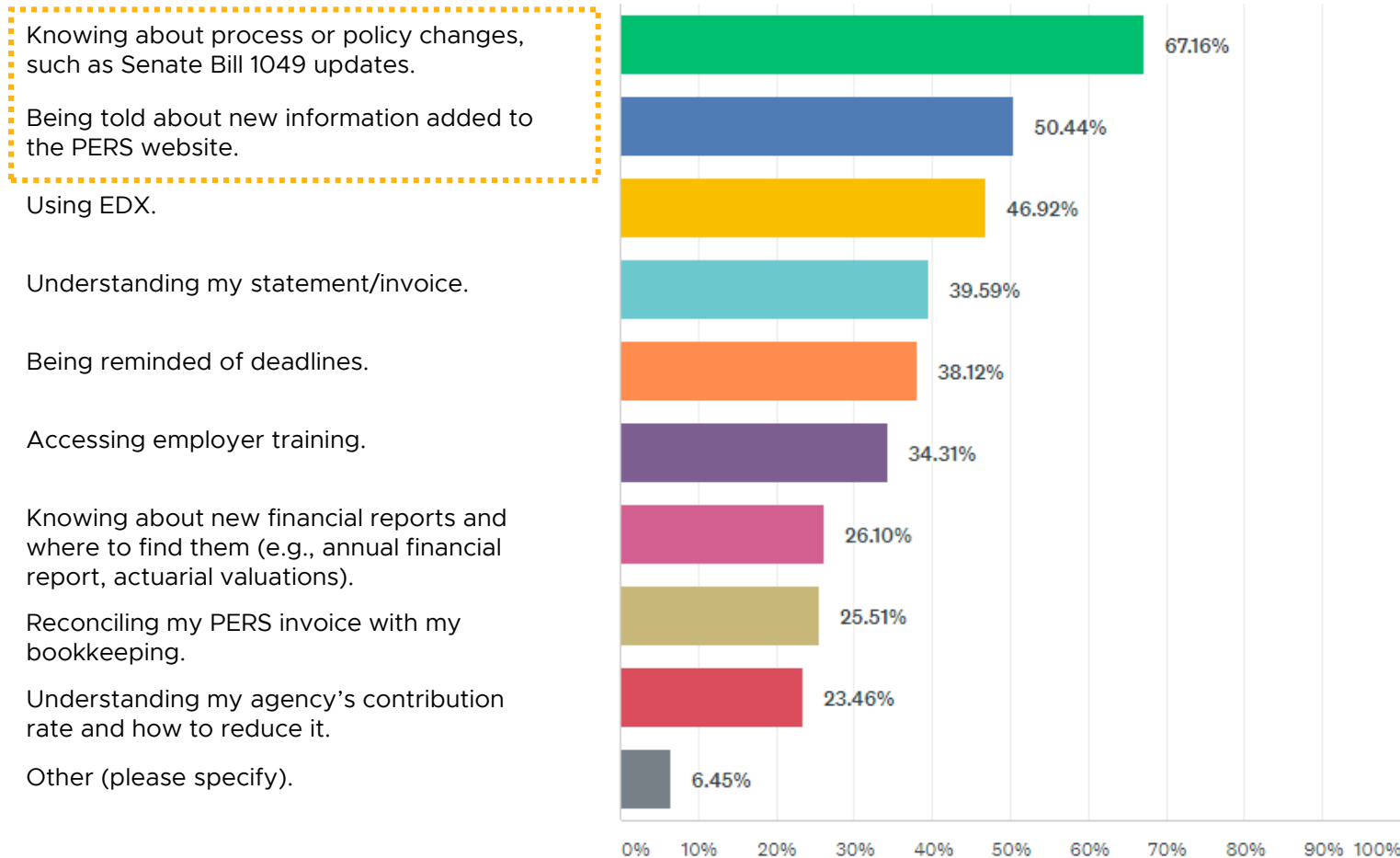
### What is your role?



# Communications Update

## Survey highlights

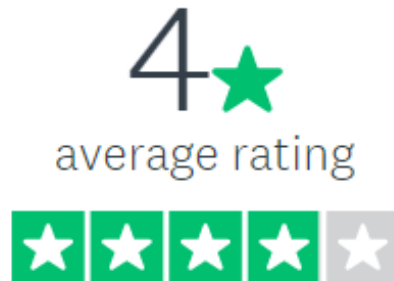
### Which topics are most useful in performing your role?



# Communications Update

## Survey highlights

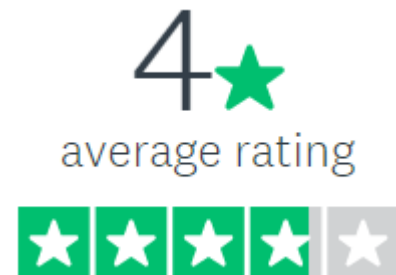
### Guide to Understanding Your Rate



24% — 5 stars (very useful)

43% — N/A

### Guide to Understanding Your Valuation



19% — 5 stars (very useful)

44% — N/A

# Communications Update

## Responses to feedback

### Feedback

*We want PERS benefits info for our employees*



### Our response

Overview of PERS Benefits webpage

*We want to know what's new on the website*



Employer News flags what's new/revised

*We have information overload*



Employer communications redesigned (examples below)



# Actuarial Update

## Milliman proposed valuation assumptions

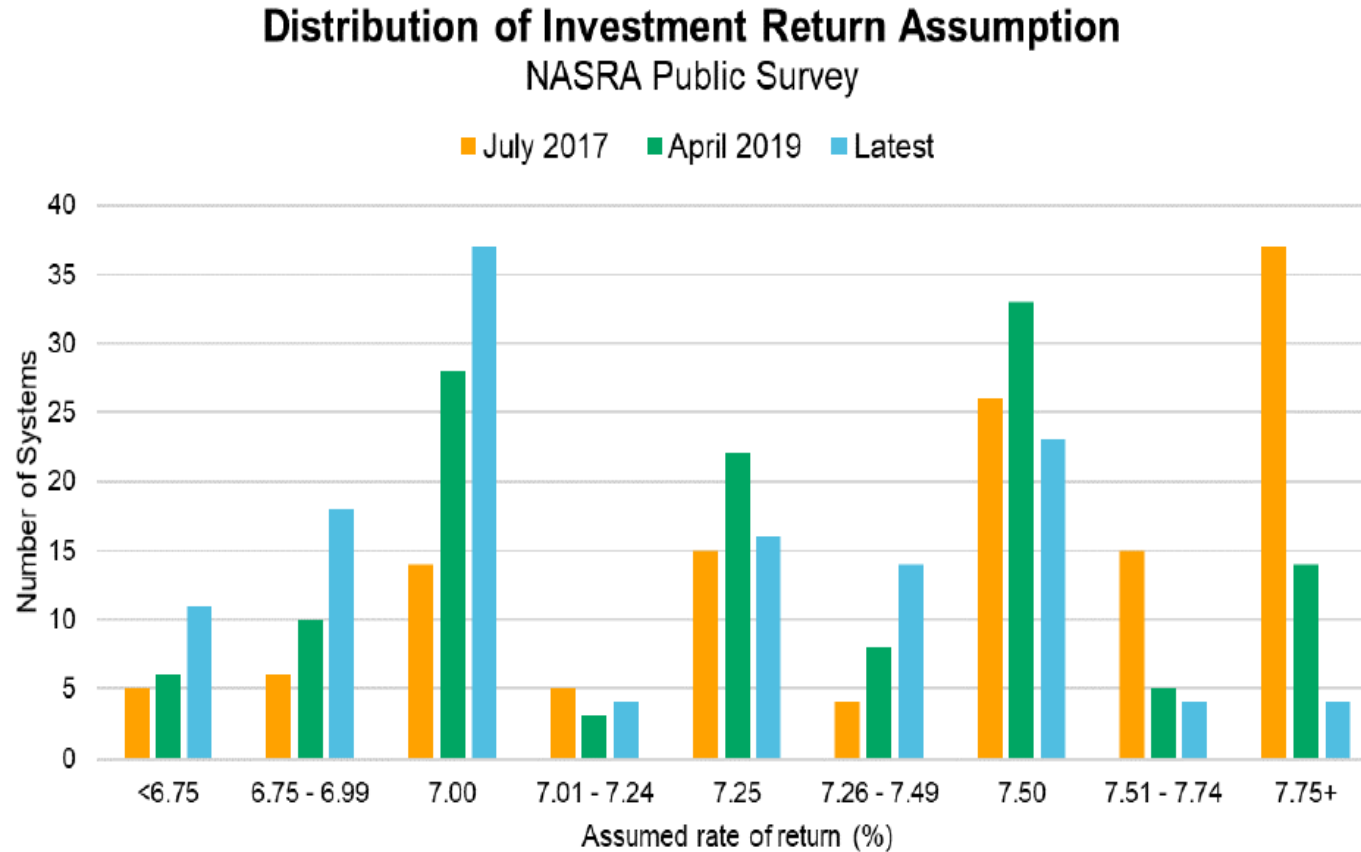
	12/31/2018 (current)	12/31/2020 (proposed)
Inflation	2.5%	2.4% (or lower)
Real wage growth	<u>1.0%</u>	<u>1.0%</u>
System payroll growth	3.5%	3.4% (or lower)
Administrative expenses	\$40.5 million	\$59 million

## Investment return 50<sup>th</sup> percentile

	OIC	Milliman	Horizon
<b>Median annualized return</b>	<b>6.60%</b>	<b>6.27%</b>	<b>6.80%</b>
Assumed inflation	2.10%	2.40%	1.98%
Timeframe modeled	20 years	20 years	10 years

# Actuarial Update

## Assumed Investment Return by Peers



Source: NASRA (May 2021)



# Actuarial Update

## Investment Return Assumption

- Milliman initial recommendation to lower the long-term future investment return assumption:
  - At least 0.20% from the current 7.20% assumption
  - Advise further decrease (i.e., lower than 7.00%)
  - OIC's outlook (the primary opinion) estimates long-term average future return of 6.6% under proposed allocation over next 20 years
- Uncollared system-average 2023–2025 base employer contribution rate preliminarily estimated to increase by:
  - 1.5%–1.6% of payroll using a 7.00% assumed rate
  - 3.1%–3.2% of payroll using a 6.80% assumed rate

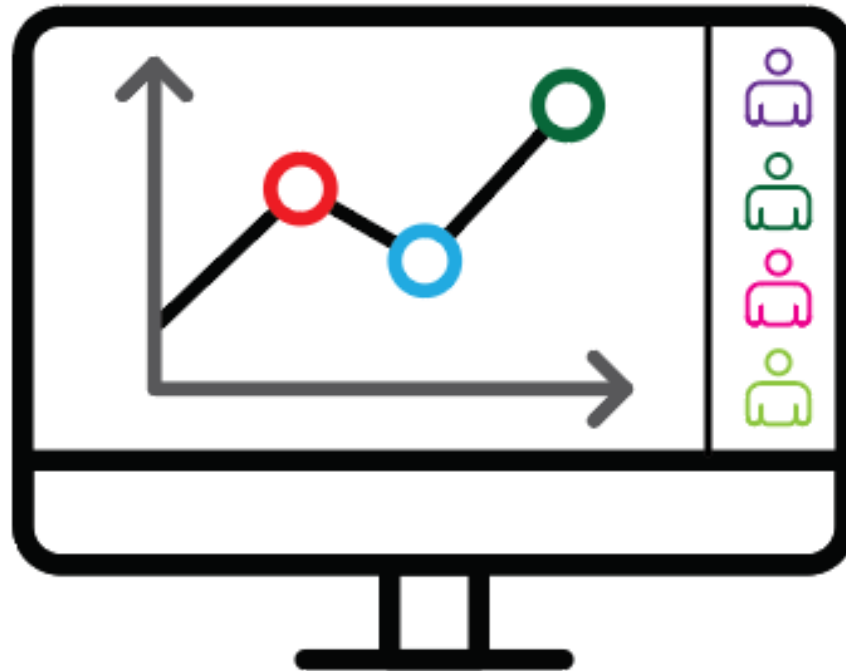
# Actuarial Update

## Proposed Change to Rate Collar

	Current policy	Fixed percent of pay UAL (3%/1%)	Fixed percent of pay with decrease restrictions
Collar width	Greater of 3% or 20% of current rate	3% of Tier One/ Tier Two, 1% of OPSRP	3% of Tier One/ Tier Two, 1% of OPSRP
Double collar	Yes	No	No
Applies to	UAL + NC	UAL only	UAL only
Allow rate decrease if funding < 90%	Yes	Yes	No
Wider rate collar for independents	No	Yes	Yes

# Board Interaction

- Understanding the public testimony process
- Discussion and feedback



# **Additional Items**

**First Wage Clean-Up Project**

**PYE Report**

**WAR Update and Side Accounts**

# Additional Items

## OPSRP First Wage Clean-Up Project

### Current Status

- Work plan mapped out and procedures being drafted

### Future Plans

- Finalize implementation strategy
- Notify impacted employers
- Initiate roll-out

# Additional Items

## PYE Report

- PERS deployed new version of PYE tool to include EPSA transactions — June 21, 2021
- Known bugs/risks prior to the deployment; requests submitted to correct these concerns
- Until these are resolved, ESC will manually review each PYE statement for EPSA transactions and work with accounts receivable team to suspend before statements go out

# Additional Items

## WAR Update and Side Accounts

- Background on statement issues and overpayments
- Status of correcting overpayments
- Technical fixes to statement errors

# Additional Items

## Open Discussion & Questions



# Upcoming Meetings

## Board meetings

- July 23
- October 1

## Oregon Investment Council presentations

- September 8
- October 27

## Employer Advisory Group meeting

- October 15

# OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



# THANK YOU

