

Employer Advisory Committee Conference Call Notes 7/6/05 2:00 p.m.

PERS In Attendance:

Gayle Lansky	Ed Wilson, Covansys
David Crosley	Steve Rodeman
Kirstin Carlson	Chuck Riddle, Covansys
Robert Adams	Loren Cheel

Employers In Attendance:

Teri Hunt PCC (onsite)	Mark Villegas, City of Eugene
Venice Anderson, Sutherlin School Dist	Debbie Vulsteke, TV Fire and Rescue
Marita Dizon, Metro	Fred Welding, Fernridge Library Dist
Marsha Ehlers, Multnomah City	Gordon Allen, OHSU
Melissa Hager, Coos City	Lori Ortiz
Linda Ely, OSPA	
Marsha Ehlers, Multnomah City	

Other Attendees:

Maria Keltner, LGPI Attorney & AOC
Policy Advocate

Gayle Lansky: Welcome with brief introductions of those in attendance.

Q: Is there anything that needs to be brought up from the last meeting?

No replies.

Policy on IAP Remediation (refer to attachment: Policy on IAP Remediation)

Steve Rodeman: Administrator for Policy, Planning and Legislative Analysis Division. Steve reviewed IAP Remediation & Related Policy Issues memo.

Q: Steve mentioned that 2004 is wrong and parts of 2005 are wrong. Is he mainly speaking about the interest allocation on a posting-by-posting basis or dollar amounts that were posted? What is it that is wrong, the contributions themselves? The amount of interest? I'm confused about the actions that need to be taken.

A: (Steve Rodeman) We have employers that didn't provide their contributions in time with the normal reporting structure had we had a normal reporting structure from the beginning. In other words, we figure we get around \$30 million in contributions a month. So theoretically, we should have that \$30 million invested in February 1, and \$60 million invested in March 1, and \$90 million April 1 on through the year and it didn't happen.

As an example, the State of Oregon didn't provide their data and contributions until last July or August. We don't know what the result of that is, whether accounts would be higher or lower if units were purchased on time, and that's part of the problem. In one month units may have been purchased at a gain and another month at a loss over the initial unit price. So we need to synthesize those impacts and recognize that the program didn't run as it should have. Without assigning blame to any one individual group, let's figure out *had* this gone the way it should have, what the impact on the global basis is and how we can make it right for each individual.

Gayle Lansky: Other Questions? Any immediate reactions?

Employer comment: Training sounds good.

Employer comment: I'm all for training.

Steve Rodeman: We need your feedback as to the model we should be using. Do we need to return to the old model of "twenty years from now, invoicing interest from 20 years ago?" Think about and please react to the suggestions brought up in the IAP Remediation & Related Policy Issues memo.

Gayle Lansky: This is a big subject, one that calls for some consideration and deliberation. I would encourage you to think about it and talk it over with your administrators. Email your thoughts or comments to me or directly to Steve.

Q: When you talk about crediting interest, are you looking at a flat rate to be credited at the end of the year as apposed to a monthly amount?

A: (Steve Rodeman) That's what we are saying with the models; we would adjust the accounts on an annual, rather than monthly basis.

Q: I am concerned about the employee with uneven monthly income--who might have larger contributions during the early part of the year and lower contributions because they changed jobs or their earnings changed at the end of the year. They may have higher earnings at the beginning of the year than the end of the year.

A: (Steve Rodeman) They would still get a percentage on the amount that's contributed throughout the year--a common percentage that IAP members would get.

Q: In regard to the timeline for deposits--currently you're depositing on a monthly basis. Are you giving some thought to crediting or depositing semi-monthly?

A: (Steve Rodeman) We are, and this is what happens when we go to a annual crediting model: the reason we can only post to member's accounts on a monthly basis is because we have to time our buys into treasury, into the broader investment pool, and can only post contribution on a monthly basis. If we can post contributions immediately to member accounts then we can get those contributions invested in the broader pool quicker and we don't have to limit ourselves just

to monthly buys. We'll discuss this further as we consider the options and their comparative impact on earnings and investments.

Employer Comments: I would support a more frequent base because you are looking at millions of dollars there that are not deposited.

Gayle Lansky: Let's hear next from Kristin Carlson regarding the planned changes to the EDX file format. In particular, we have been struggling with this difficult topic of how to structure reporting to capture salary and hours of "Earned when Earned." Kirstin has been involved with a group of stakeholders in Salem that has been providing input on this issue and she'll bring you up to date on that. I refer you to the second attachment labeled "Earned when Earned."

File Format "Earned when Earned" (refer to attachment: "Earned when Earned.")

Kirstin Carlson: The "Earned when Earned" attachment is a summary document of what came out of those (Salem) meetings. Please note that we ask all employer representatives to provide us with feedback tomorrow (July 7, 2005). Once we get the feedback from everyone, we are going to compile the data and send it back out to employers to make sure we have captured everything that you or other employer reps have to say on the issue. If needed, there will be another meeting on July 14, 2005 for final comments and feedback.

I know some of you are probably aware of HB 3262, which is still in committee. I believe the majority of employers will be switching to "Earned when Paid" should that legislation go through, with the exception of the cities and counties of Oregon. All other employer groups will be going to "Earned when Paid" should house bill 3262 pass in the legislature.

"Earned when Earned," "Earned when Paid" is only one piece of the file format change. We are still working on requirements for the rest of the format changes to come. Probably somewhere in October we'll plan on having a formal document rolled out employer groups of what the format changes will be.

Gayle Lansky: You understand that the "Earned when Earned," "Earned when Paid" issue relates to Final Average Salary and I think you all probably know that PERS Tier 1 members are able to include salary and have salary considered "Earned when Paid" whereas Tier 2 and OPSRP members are considered "Earned when Earned" for Final Average Salary. We currently have no way to separate salary on EDX into the appropriate monthly buckets, so the issue at hand really is "How do we do that?" Kirstin has prepared for you a couple of different options that we are considering how best to appropriately report salary as "Earned when Earned," in other words, How to appropriately attribute it to the month it's actually earned. Currently as you know we have two dates on EDX: we have a pay date and a report date. Now we are going to have to have some way of including an "Earned" date as well, and that's really the difficult issue.

We talked a little bit at our last meeting and heard from you, "No way," "We don't have that source data," "There's no way we can report that." We took that back to employer representatives and basically everyone but the cities and counties said, "We can't do this we are going to support the earned when paid." So now we are still back to having to look at how to actually structure the EDX file format to allow employers to attribute salary to the appropriate month.

Kirstin Carlson: Note page 3 the discussion part. At this point it looks like we will be moving towards both option 2 and option 4. However we are still waiting for feedback from employer groups to make sure to ensure the best way to do it.

Other file format changes include the splitting up of lump sum payments and lump sum vacation payment. Some of you may be aware of House bill 2189 that just passed in the legislature which will change the definition of salary for PERS 238 members retroactively back to January 1 2004. This means we will have new fields to capture that data.

We will be adding unique ID number fields, although we will not be populating those right away, but we need to add them in case we move towards not using SSN.

We will add a "last day worked" field in addition to the termination date you already report.

Q: What kind of salary definition changes are we talking about?

A: (Kirstin Carlson) When OPSRP was enacted (HB 2020) last session, part of the change was that with the IAP account, lump sum vacation payments would not be subject for anybody. That has now been changed all the way back to the inception. So now, if you are a PERS 238 member who terminated in 2004 and got a lump sum vacation payment, we didn't collect contributions on that. We now have to go back all the way to January 1 2004, collect that 6% contribution, and put that into the members IAP account.

Gayle Lansky: Moreover, going forward, the salary definition will be different for OPSRP and PERS member so programming will require you to know which plan the individual is in because the salary will be reported differently for the two.

Kirstin Carlson: I believe bonuses and some other things that were not subject to IAP will now be subject for PERS 238 members only (still not subject for OPSRP members). This was just signed into law within the last week.

Gayle Lansky: I want to emphasize that this was not legislation that PERS initiated. We will be putting some kind of project together to minimize the actual data-fixing burden to employers. However there is a financial issue of going back and actually making contributions on those lump sum vacation payments.

Q: Will there be penalties?

A: No

Gayle Lansky: We will clarify in a written announcement. David Crosley is nodding his head yes.

Q: If I understand correctly, going back to January 1 2004 because of this new law, all of us employers need to pay the 6% for all the lump sum vacations that we currently were not in 2004 and 2005?

A: (Kirstin Carlson) Yes, except OPSRP members. For individuals who are pension members of OPSRP, member contributions will not be considered subject salary for lump sum vacation payments.

Q: But, those aren't considered for the employer side either, currently, correct?

A: (Kirstin Carlson) That's correct.

Q: When do you think this change will be implemented in EDX?

A: (Kirstin Carlson) The bill is effective January 1, 2006. We will not be able to capture the needed retro data (going back to January 1, 2004) until EDX has the needed file format changes made.

Q: Is it possible on EDX to capture whether they are a PERS 238 member or OPSRP member?

A: (Gayle Lansky) We will look into that. You can see now what plan a person is on.

Employer comment: As long as you report them one month in payroll then you can go into the View Employee Information screen and it will tell you if a person is PERS or OPSRP.

Gayle Lansky: Moving on to talk about the new statement revisions, here is Ed Wilson with Covansys.

Employer Statements (refer to attachment: PERS ER Stmt – Draft Page Layouts - ER Adv Cmmtte 070605)

Ed Wilson: These are some of the things we are doing to hopefully make the statements more meaningful:

- Currently, when you pull up statement information, you have to enter a beginning and end date. We are going to change that and essentially generate statements that are for consistent periods. Statements are going to be generated on the 5th and 20th of every month. Statements will contain the activity from the 21st to the 5th and 6th to the 20th.
- Create a payroll report balance sheet. This will show activity on a daily basis. Consolidates everything for one pay date. Attempts to align with payroll cycles.

Q: so it will be irrelevant if you are a monthly or bi-monthly reporter?

A: (Ed Wilson) Correct. The statement will be modeled along the lines of other online statements, e.g. cell phone statement or utility statements. Whenever you go to "select a statement," the information on that statement will always be the same. It will always be for a known period.

Q: Will you be able to print the un-billed activity?

A: (Ed Wilson) Yes.

Employer comment: I have a problem with making penny adjustments and it's hard to get the information I need out of the statements as they currently exist. It's a real pain, and my programmer doesn't know how to fix it.

Employer comment: I cut and paste the information from several statements and combine it together in a spreadsheet.

A: (Gayle Lansky) Perhaps if we can see the spreadsheet and all of the columns in the spreadsheet we can get a better sense of what would be useful for you. Is that something you could send?

Employer comment: Absolutely. If we had that option, we wouldn't have to do so much cutting and pasting.

Q: (Chuck Riddle, Covansys) Does this breaking the invoice summary out by plan provide any assistance to employers?

Answer from employer: Not really with me. I need the information by member rather than across the board. Another nice feature would be to download it into Excel without having to cut & paste and I could throw it into my database without having to cut & paste.

Ed Wilson: We can talk offline about this later and we will take that as a follow up.

Gayle Lansky: Thanks for bearing with us. There was an awful lot of information imparted to you at today's meeting. Once again, I would invite your thoughts and any feedback that you may have.

The call was concluded at 3:05 p.m.

Loren Cheel, Note Taker