



# OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING AGENDA

**Monday  
May 31, 2024  
9:00 a.m.**

**PERS HQ  
11410 SW 68<sup>th</sup> Pkwy  
Portland, OR 97223**

ITEM	PRESENTER
<b>A. Administration</b>	
1. <a href="#">April 1, 2024 PERS Board Meeting Minutes</a>	SHENOY
2. <a href="#">Director's Report</a>	OLINECK
a. <a href="#">Forward-Looking Calendar</a>	
b. <a href="#">OPERF Investment Report</a>	
c. <a href="#">Budget Execution Report</a>	
3. <a href="#">Review Board Education Policy, review of board member training activities</a>	OLINECK
4. <a href="#">Board Governance Best Practice Survey</a>	OLINECK
5. <a href="#">PERS Funding Policy</a>	OLINECK
6. <a href="#">Board Scorecard Report on agency performance measures</a>	RICKARD
<b>B. Administrative rulemaking</b>	
<b>C. Action and discussion items</b>	
1. <a href="#">Modernization update</a>	CRAVEN
2. <a href="#">PERS Health Insurance Plan annual update</a>	DIMELING-PERRIS, CRUSE, KING
3. <a href="#">2025 Retiree Health Insurance Plan renewals and rates</a>	DIMELING-PERRIS, CRUSE, KING
4. <a href="#">2025-27 budget development</a>	HORSFORD

*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.

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

Sadhana Shenoy, Chair    Stephen Buckley, Vice Chair    Jardon Jaramillo    Suzanne Linneen    John Scanlan    Kevin Olineck, PERS Director

## **A. Administration**

### **1. April 1, 2024 PERS Board Meeting Minutes**

2. Director's Report
3. Review Board Education Policy, review of board member training activities
4. Board Governance Best Practices Survey
5. PERS Funding Policy
6. Board Scorecard Report on agency performance measures

### B. Administrative rulemaking

### C. Action and discussion items

1. Modernization update
2. PERS Health Insurance Plan annual update
3. 2025 Retiree Health Insurance Plan renewals and rates
4. 2025-27 budget development

# OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING MINUTES

April 1, 2024

## **Board members present:**

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

## **Staff present:**

Kevin Olineck, Yvette Elledge-Rhodes, Sam Paris, Jordan Masanga, Richard Horsford, Jason Stanley, Heather Case, Rebecca Craven, Stephanie Vaughn, Yong Yang, Jack Schafroth, Shane Perry, Jake Winship, AnneMarie Vu, Katie Brogan, Emma McGinty, Neil Jones, and Alex Gaub attended in the PERS Boardroom.

Akiko Yoshida, Alyse Greer, Barbara Dimeling-Perris, Chris Geier, Daniel Rivas, David Larson, Debbie Foote, Dee Monday, Elizabeth Rossman, Holly Effenberger, Janice Richards, Jonathan Yost, Karen Herrold, Laurie Kosche, Megan Mumey, Megan Ujakovich, Melanie Chandler, Melissa Piezonka, Michiru Farney, Pat Donegan, Phuongnam Tran, Shawn Harper, Susannah Bodman, Theresa Tabish, Tiffani Cairo, and Troy Phillips attended virtually.

## **Others present:**

Scott Preppernau, Rex Kim, Jeff Gudman, and Michael Viteri attended in the PERS Boardroom.

Andre Moran, Andrea Bradbury, Anita Gurule, Anne Willis, Brendan Watkins, Carol Samuel, David Williams, Dee-dra Kleve, Elaine Jenkins, Gary Davis, Gay Lynn Bath, James Vermilya, Jamie McCreary, Jan Lewis, Jannel Kropf, Jay Wood, Jeanette Farrell, Jef Berg, Jeremy Whittlesey, Joe Ebisa, John Borden, Katie Kicza, Katie Davis, Kristi Jenkins, Luella Wampler, Michelle Cross, Nate Carter, Peter Iverson, Renee Klein, Robert Burket, Ruth Nelson, Sandra LeHoullier, Sara Collins, Shauna Tobiasson, and Steven Demarest attended virtually.

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

## **ADMINISTRATION**

### **A.1. MEETING MINUTES OF FEBRUARY 2, 2024**

Board Member Jaramillo moved to approve the minutes from the February 2, 2024, 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.

The Oregon Public Employees Retirement Fund (OPERF) returns, for the period ending February 29, 2024, were positive, 1.15%.

Operating expenditures for January, February, and preliminary expenditures for March are \$4,961,237, \$5,445,145, and \$7,444,116, respectively.

As of March 10, 2024, the agency has expended a total of \$43,638,151, or 32.1%, of PERS' legislatively approved operations budget of \$135,781,649. At this time, the agency's projected variance is (\$3,348,280), or -2.47%.

Olineck presented the proposed 2025 PERS Board Meeting dates.

Olineck reviewed the meeting agenda.

Chair Shenoy acknowledged the 2023 PERS Team of the Year winner, the Member Account Adjustment Team, and the runner up, the Member Education Team.

No board action was required.

### A.3. OREGON PUBLIC EMPLOYEES RETIREMENT FUND (OPERF) PERFORMANCE REVIEW

Rex Kim, Oregon State Treasury Chief Investment Officer, presented the Oregon Investment Council (OIC) Investment Report of the Oregon Public Employees Retirement Fund (OPERF) for the period ending December 31, 2023. He presented on the market environment over the next decade, 2023 performance, OPERF 20-year net asset value history, and current asset allocation.

No board action was required.

### A.4. OREGON SAVINGS GROWTH PLAN ANNUAL REPORT

Jack Schafroth, Oregon Saving Growth Plan Program Interim Manager, and Sam Paris, Chief Operations Officer, presented the Oregon Savings Growth Plan (OSGP) Annual Report. The presentation reflected information for the 2023 calendar year and included information regarding governance, administrative support, and plan and participant demographics. The report summarized assets, cash flow and investment composition, as well as investment performance, options, and fees.

No board action was required.

## **ADMINISTRATIVE RULEMAKING**

### B.1. ADOPTION OF RULES TO IMPLEMENT HOUSE BILL 2740 (2023)

Stephanie Vaughn, the Policy, Analysis, and Compliance Section (PACS) Manager, and AnneMarie Vu, Research Policy Coordinator, presented an adoption of Oregon Administrative Rule (OAR) 459-005-0012 to implement House Bill (HB) 2740 (2023) and a repeal of OAR 459-010-0012.

A rulemaking hearing was held remotely on February 20, 2024, at 2:00 p.m. The public comment period ended February 29, 2024, at 5:00 p.m. No public comment was received.

Board Member Scanlan moved to adopt OAR 459-005-0012 and repeal OAR 459-010-0012 to implement HB 2740 (2023), as presented. Vice Chair Buckley seconded the adoption. The motion passed unanimously.

### B.2. ADOPTION OF ANNUAL PLAN LIMITS RULES

Stephanie Vaughn, PACS Manager, presented an adoption of rulemaking in order to reflect the 2024 Internal Revenue Code (IRC) salary limit, and monthly salary threshold for the Employee Pension Stability Account (EPSA). Rules impacted include 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, and OAR 459-080-0500 Limitation on Contributions.

A rulemaking hearing was held remotely on February 20, 2024, at 2:00 p.m. The public comment period ended February 29, 2024, at 5:00 p.m. No public comment was received.

Board Member Jaramillo moved to adopt changes to the annual plan limits rules, as presented. Board Member Scanlan seconded the adoption. The motion passed unanimously.

### B.3. ADOPTION OF DISTRIBUTIONS DURING EMPLOYMENT (OSGP) RULE

Yong Yang, PACS Tax Policy Coordinator, presented an adoption of Distributions During Employment (OSGP) Rule OAR 459-050-0075 Distributions During Employment.

A rulemaking hearing was held remotely on February 20, 2024, at 2:00 p.m. The public comment period ended February 29, 2024, at 5:00 p.m. No public comment was received.

Board Member Linneen moved to adopt changes to Distributions During Employment (OSGP) Rule, as presented. Vice Chair Buckley seconded the adoption. The motion passed unanimously.

## **ACTION AND DISCUSSION ITEMS**

### **C.1. SENATE BILL 1049 PROGRAM UPDATE**

Yvette Elledge-Rhodes, Deputy Director, presented.

Elledge-Rhodes reviewed 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. LEGISLATIVE SESSION REVIEW**

Heather Case, Senior Policy Advisor, presented a review of the 2024 legislative session and bills impacting PERS.

No board action was required.

### **C.3. LEGISLATIVE CONCEPT PROPOSALS – 2025 SESSION**

Heather Case, Senior Policy Advisor, presented the proposed PERS Legislative Concepts for the 2025 legislative session.

Board Member Buckley moved to recommend approval to submit requests to the Department of Administrative Services (DAS) for drafting legislative concepts for the 2025 legislative session. Board Member Scanlan seconded the motion. The motion passed unanimously.

### **C.4. FINAL 2023 EARNINGS CREDITING AND RESERVING**

Richard Horsford, Chief Financial Officer, and Matt Graves, Financial Reporting Manager, presented the final rates for 2023.

Vice Chair Buckley moved to adopt the final crediting of earnings as presented for calendar year 2023. Board Member Jaramillo seconded the adoption. The motion passed unanimously.

### **C.5. 2025-27 BUDGET DEVELOPMENT**

Richard Horsford, Chief Financial Officer, presented the 2025-27 budget update.

Horsford provided an update on the latest activities in development of the agency's next budget request. An updated budget package will be presented to the PERS Board at the May meeting. Final board approval of the 2025-27 Agency Request Budget will occur during the PERS Board meeting on July 26, 2024.

No board action was required.

Chair Shenoy adjourned the PERS Board meeting at 11:25 a.m.

Respectfully submitted,

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

Kevin Olineck, Director

## **A. Administration**

1. April 1, 2024 PERS Board Meeting Minutes

### **2. Director's Report**

3. Review Board Education Policy, review of board member training activities
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5. PERS Funding Policy
6. Board Scorecard Report on agency performance measures

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2. PERS Health Insurance Plan annual update
3. 2025 Retiree Health Insurance Plan renewals and rates
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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 accomplishments that deserve to be recognized, with staff publicly acknowledged for their efforts.

**Agency all-staff meeting** We held our semiannual, all-staff meeting on May 21. Board Member Linneen attended the meeting and provided welcoming remarks and comments on behalf of the board; her participation was appreciated by all in attendance. The second part of our staff meeting, the Executive Leadership Team (ELT) question-and-answer session, was held on May 23. This provided staff an opportunity to ask questions directly of our ELT members on any subject.

**Year-end employer reporting** As part of PERS' year-end employer reporting process, our Employer Service Center acknowledges employers who have provided timely reporting with a Superhero Gold Star Award. This award started in 2016 and, for the 2023 reporting cycle, there were 713 Superhero Gold Star Awards sent to employers. This accounts for nearly 80% of all employer reports and is up nearly 20% from 2022, where there were 436 recipients.







**Employer Reporting Guides** The Communications Section, in conjunction with the Employer Service Center, has recently published new or updated employer reporting guides. These guides include:

- Guide 9: *Reporting Wages for a Qualifying Employee*
- Guide 10: *Reporting Wages for a Non-Qualifying Employee*
- Guide 12: *Military Leave*
- Guide 16: *Reporting a Retirement*
- Guide 17: *Calculating Unused Sick Leave Hours at Termination or Retirement*
- Guide 26: *Understanding Your Statement*
- Guide 27: *Paying your Invoice*

In addition, updates were made to the following Unfunded Actuarial Liability Resolution Program (UALRP) guides:

- Guide to Financial Modeling*
- Guide to Understanding Your Valuation: School Districts Pool*

## Accomplishments

**Award for Plan Sponsor of the Year** Annually, *PLANSPONSOR* magazine holds the Plan Sponsor of the Year awards program which recognizes retirement plan sponsors that show an exemplary commitment to their participants' financial health and retirement success.

The Oregon Savings Growth Plan has been selected as a finalist in the government defined contribution plans with assets greater than \$1 billion category. The other finalists are the County of Los Angeles and the Michigan Office of Retirement Services.

**NCPERS Certificate of Transparency** PERS participated in the 2024 National Conference on Public Employee Retirement Systems (NCPERS) Public Retirement Systems Study. In this 14th year of the study, public retirement plans across North America participated by providing the latest information on plan design, investment allocation and returns, actuarial assumptions, and plan governance practices.

As one of the 160 plans who participated, PERS was recognized for furthering open disclosure, increasing the range of data from which to learn, and contributing to the public's understanding of public retirement systems.





**Department of Administrative Services Accounts Receivable Honor Roll** The Department of Administrative Services notified PERS that the agency earned the Chief Financial Office Accounts Receivable Honor Roll Certificate for fiscal years 2022 and 2023. This is awarded to state agencies that submit timely and accurate accounts receivable reports.

**Public Service Recognition Week** Every year, the state celebrates Public Service Recognition Week, taking the opportunity to thank public employees for their service, make visible their important work, and deepen connections between state agencies and the communities they serve. This special week acknowledges and celebrates those who see, deliver, and improve our commitment to our stakeholders through the important work we do every day.

Public Service Ambassador nominations identified

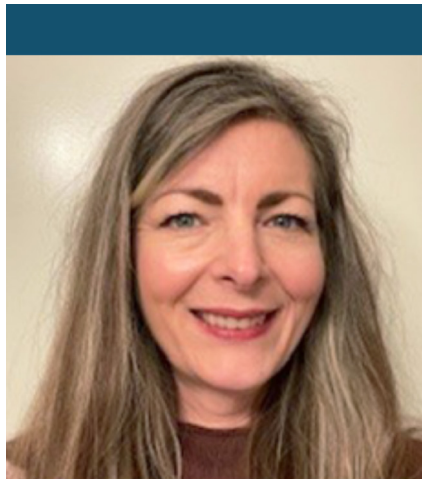
employees who have exemplified this year's theme, "Operational Excellence." Whether their stakeholders are external or internal, we shared how our employees embrace principles such as respect for every individual, continuous improvement, and empowering others. These principles help create a culture of excellence within Oregon state government and at PERS.

The PERS' Employee Recognition Work Group reviewed 13 nominations, representing four divisions. Three staff members, Christine Vanderhoof, Rory Stark, and Wendy Luttrell were selected for submission. The state subsequently notified our honorees about their recognition and awards. Additionally, the Department of Administrative Services Chief Human Resources Office coordinated statewide recognition of nominees by highlighting them on the recognition website. Nominees also received an honorary certificate from state leadership.



**Christine Vanderhoof**  
Senior Business Systems Analyst

*2024 Public Service Ambassador*



**Rory Stark**  
Retirement Counselor

*2024 Public Service Ambassador*



**Wendy Luttrell**  
Operations & Policy Analyst

*2024 Public Service Ambassador*

*It is an honor to serve the agency and the residents of Oregon, and I am excited to be nominated! In my role at PERS, I strive to be better today than the day before and support my team and other agency staff to the best of my ability. Someone asked me recently 'Why go above and beyond?' My response was essentially 'Why not?' My work in service of the agency and its mission, serve me, as a PERS-covered employee, as well. If I have the information, skills, and availability to help others be successful, then I want to do that! Your success is my success! Thank you for recognizing my contribution.*

*I'm completely caught off guard by the nomination and award. I love my job! There aren't enough words to express my deep gratitude for my incredibly satisfying work, supportive coworkers, reliable, friendly teamwork, and patient and wise mentors. This award is a cherry on top! Thank you so much. It feels good to be seen.*

*I'm honored to have been nominated as a Public Service Ambassador, it warms my heart, and stills my mind. Even with this I will continue to build bridges, better communication, and spearhead change when it comes to making things easier for members on the road to retirement.*

*One small quote to think about. "Too often we enjoy the comfort of opinion without the discomfort of thought." John F. Kennedy*

# PERS BOARD MEETING FORWARD-LOOKING CALENDAR

## **Friday, July 26, 2024\***

Senate Bill 1049 update  
Approval to submit Agency Request Budget  
CEM Benchmarking presentation  
Presentation of December 31, 2023 system valuation results

## **Friday, October 4, 2024**

PERS Modernization Program update  
Board Adoption of actual 2025– 27 contribution rates  
PERS Strategic Plan update  
PERS 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

## **Friday, January 31, 2025**

PERS Modernization Program update  
Annual report of director's financial transactions  
Legislative preview and update  
Preliminary earnings crediting and reserving  
Senate Bill 1566 reporting requirements

## **Monday, March 31, 2025\***

Senate Bill 1049 update  
Legislative update  
Oregon Savings Growth Plan annual report  
Final earnings crediting and reserving

## **Friday, May 30, 2025**

PERS Modernization Program update  
Board Scorecard Report on agency performance measures  
Propose board meeting dates for next year  
Annual report of board member training activities  
Retiree Health Insurance Plans renewals and rates  
PERS Health Insurance Program annual report  
Overview of actuarial methods and economic assumptions  
Legislative update

## **Wednesday, May 28, 2025, (Joint Meeting with Oregon Investment Council at Treasury)**

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

## **Friday, July 25, 2025\***

Senate Bill 1049 update  
Legislative session review  
Preliminary adoption of valuation methods and assumptions including assumed rate of return  
Preliminary adoption of Assumed Rate Oregon Administrative Rule (OAR)

**Friday, September 26, 2025**

PERS Modernization Program update  
Forward-looking calendar for next year  
PERS Strategic Plan overview  
Legislative update and legislative concepts  
PERS Member and Employer Survey results  
Final adoption of valuation methods and assumptions including assumed rate of return  
Valuation results – advisory employer rates  
Final adoption of Assumed Rate OAR

**Friday, December 5, 2025\***

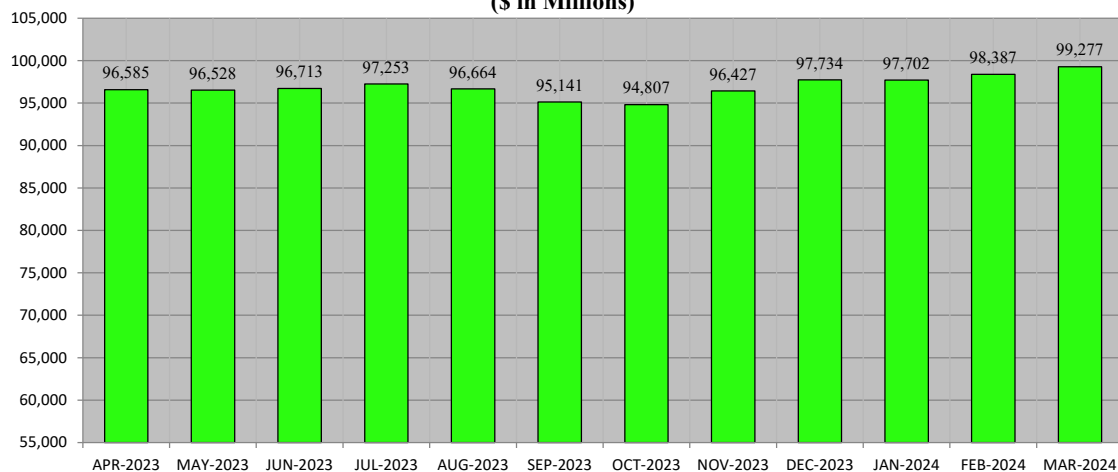
Board governance assignments  
Board Scorecard Report on agency performance measures  
PERS Strategic Plan update  
Valuation update and financial modeling results  
Adoption of actuarial equivalency factor tables

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

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy <sup>1</sup>	Target <sup>1</sup>	\$ Thousands <sup>2</sup>	Actual	Year-To-Date <sup>3</sup>	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
<b>TOTAL OPERF Regular Account</b>			\$ 94,373,593		2.30	6.50	2.71	6.75	10.43	8.42	8.32	7.55
<i>OPERF Policy Benchmark</i>					4.15	11.43	2.83	5.48	10.13	8.85	8.44	7.86
<b>Value Added</b>					(1.85)	(4.93)	(0.12)	1.27	0.30	(0.43)	(0.12)	(0.31)
<i>Oregon Reference Portfolio</i>					4.92	15.43	3.83	3.61	11.36	7.60	7.36	6.49
<b>Public Equity</b>	22.5-32.5%	27.5%	\$ 15,239,529	16.1%	8.54	23.70	8.09	7.44	18.46	11.05	10.22	8.75
<i>MSCI ACWI IMI Net</i>					7.72	22.45	6.32	6.31	17.31	10.57	9.90	8.43
<b>Private Equity</b>	17.5-27.5%	20.0%	\$ 26,843,257	28.4%	1.97	7.76	1.07	11.98	14.09	14.55	15.04	12.79
<i>Russell 3000+300 Bps Qtr Lag</i>					12.87	29.67	3.91	11.78	14.83	18.58	16.16	14.80
<b>Total Equity</b>	45.0-55.0%	47.5%	\$ 42,082,785	44.6%								
<b>Total Fixed</b>	20-30%	25.0%	\$ 21,952,202	23.3%	0.00	3.60	0.08	(1.06)	0.04	1.35	1.79	1.92
<i>Oregon Custom Fixed Income Benchmark</i>					(0.78)	1.70	(1.60)	(2.41)	(1.33)	0.36	1.07	1.29
<b>Real Estate</b>	9.0-16.5%	12.5%	\$ 13,131,580	13.9%	(2.09)	(10.00)	(1.46)	7.39	5.96	6.32	6.69	7.92
<i>Oregon Custom Real Estate Benchmark</i>					(5.00)	(12.73)	(3.57)	4.01	3.08	3.34	4.38	6.31
<b>Real Assets</b>	2.5-10.0%	7.5%	\$ 9,631,034	10.2%	1.70	6.49	11.07	13.59	11.07	8.70	7.44	5.92
<i>CPI +4%</i>					2.82	7.60	8.38	9.85	9.06	8.36	7.73	6.93
<b>Diversifying Strategies</b>	2.5-10.0%	7.5%	\$ 4,842,801	5.1%	6.23	8.46	10.31	10.10	7.25	3.89	1.76	3.40
<i>HFRI FOF: Conservative Index</i>					2.17	6.78	3.77	3.86	7.42	4.96	4.27	3.51
<b>Opportunity Portfolio</b>	0-5%	0%	\$ 2,709,788	2.9%	3.98	15.16	8.54	11.21	12.72	11.29	9.86	8.73
<i>Opportunity Custom Benchmark</i>					4.15	11.43	10.82	11.85	10.81	9.95	9.16	8.23
<b>Cash w/Overlay</b>	0-3%	0%	\$ 23,403	0.0%	1.39	5.60	3.98	2.44	2.30	2.23	2.18	1.76
<i>91 Day Treasury Bill</i>					1.29	5.24	3.86	2.58	1.96	2.02	1.90	1.38
<b>Target Date Funds</b>			\$ 4,661,790									
<b>TOTAL OPERF Variable Account</b>			\$ 241,408									
					7.83	22.68	6.61	6.60	17.58	10.88	10.24	8.78

Total OPERF NAV  
(includes Variable Fund assets)  
One year ending MAR-2024

(\$ in Millions)



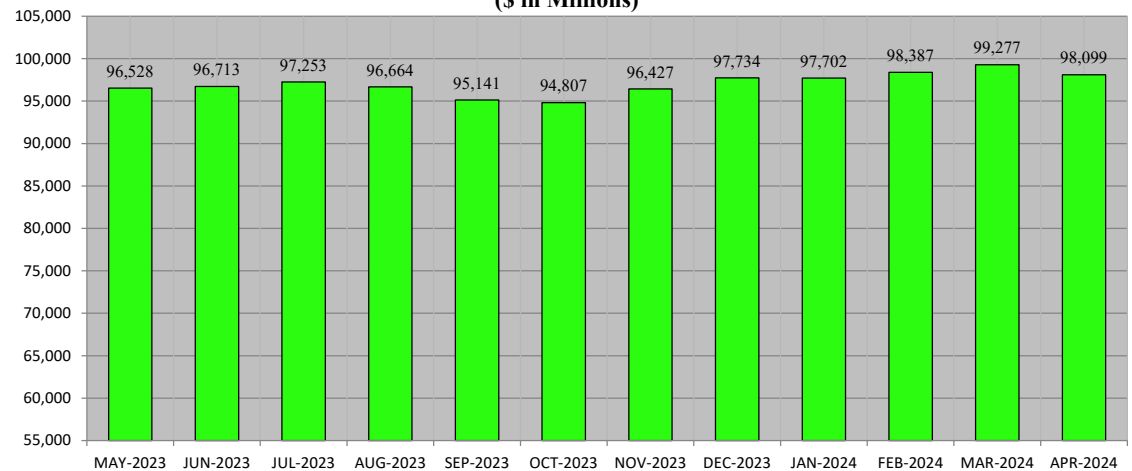
<sup>1</sup>OIC Policy revised April 2023.

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

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

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy <sup>1</sup>	Target <sup>1</sup>	\$ Thousands <sup>2</sup>	Actual	Year-To-Date <sup>3</sup>	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
<b>TOTAL OPERF Regular Account</b> <i>OPERF Policy Benchmark</i>			\$ 93,298,356		1.46	5.20	3.08	5.65	9.56	7.93	8.02	7.44
<i>Value Added</i>					3.23	9.39	4.05	4.34	9.04	8.16	8.18	7.71
<i>Oregon Reference Portfolio</i>					(1.77)	(4.20)	(0.97)	1.32	0.52	(0.23)	(0.15)	(0.27)
					1.65	10.67	5.81	1.43	8.32	6.43	6.67	6.08
<b>Public Equity</b> <i>MSCI ACWI IMI Net</i>	22.5-32.5%	27.5%	\$ 14,272,335	15.3%	4.87	18.01	9.83	4.90	14.54	9.67	9.42	8.39
					4.06	16.81	8.92	3.62	13.30	9.09	9.11	7.99
<b>Private Equity</b> <i>Russell 3000+300 Bps Qtr Lag</i>	17.5-27.5%	20.0%	\$ 27,033,580	29.0%	2.21	7.74	1.20	10.79	14.92	14.19	14.80	12.82
					16.59	30.56	6.43	12.14	17.97	18.25	16.70	15.17
<b>Total Equity</b>	45.0-55.0%	47.5%	\$ 41,305,914	44.3%								
<b>Total Fixed Income</b> <i>Oregon Custom Fixed Income Benchmark</i>	20-30%	25.0%	\$ 21,547,028	23.1%	(1.95)	0.96	0.56	(1.93)	(0.94)	0.90	1.40	1.68
					(3.28)	(1.47)	(0.95)	(3.48)	(2.39)	(0.18)	0.60	0.98
<b>Real Estate</b> <i>Oregon Custom Real Estate Benchmark</i>	9.0-16.5%	12.5%	\$ 13,041,387	14.0%	(3.04)	(10.39)	(2.83)	6.78	5.78	6.12	6.52	7.74
					(5.82)	(12.49)	(5.09)	3.50	2.80	3.08	4.25	6.22
<b>Real Assets</b> <i>CPI +4%</i>	2.5-10.0%	7.5%	\$ 9,750,493	10.5%	2.79	7.26	11.11	13.65	11.62	9.15	7.59	5.75
					3.56	7.48	8.29	9.70	9.35	8.33	7.75	6.94
<b>Diversifying Strategies</b> <i>HFRI FOF: Conservative Index</i>	2.5-10.0%	7.5%	\$ 4,916,773	5.3%	7.85	10.04	9.12	10.56	8.65	3.99	2.36	3.38
					3.19	7.57	4.30	3.72	7.23	4.96	4.35	3.63
<b>Opportunity Portfolio</b> <i>Opportunity Custom Benchmark</i>	0-5%	0%	\$ 2,712,292	2.9%	4.98	15.24	8.73	10.82	14.71	11.41	9.89	8.65
					3.23	9.39	9.80	11.06	10.63	9.55	8.91	8.06
<b>Cash w/Overlay</b> <i>91 Day Treasury Bill</i>	0-3%	0%	\$ 24,467	0.0%	1.80	5.57	4.24	2.56	2.18	2.26	2.22	1.79
					1.73	5.36	4.08	2.73	2.07	2.07	1.96	1.42
<b>Target Date Funds</b>			\$ 4,551,328									
<b>TOTAL OPERF Variable Account</b>			\$ 249,516									
					4.28	17.17	9.26	3.93	13.64	9.42	9.46	8.35

**Total OPERF NAV**  
(includes Variable Fund assets)  
One year ending APR-2024  
(\$ in Millions)



<sup>1</sup>OIC Policy revised April 2023.

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

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



# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

Headquarters

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

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

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

May 31, 2024

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

### 2023-25 OPERATING BUDGET

Operating expenditures for March, April, and preliminary expenditures for May are \$4,842,0831, \$7,874,634, and \$5,112,939, respectively. Final expenditures for May will close in the Statewide Financial Management System on June 14 and will be included in the July 2024 report to the PERS Board.

- Through May 10, 2024, the agency has expended a total of \$53,781,114 or 36.6% of PERS' legislatively approved operations budget of \$147,065,167.
- At this time, the agency's projected variance is \$6,371,916 or 4.3%.
- Core Retirement Systems Applications (CRSA) expenditures for March, April, and preliminary expenditures for May are \$354,678, \$1,752,751, and \$1,520,706, respectively. As of May 10, the agency has expended \$7,524,951 or 24.8% of the legislatively approved budget of \$30,397,427.
- At this time, the CRSA projected variance is \$3,871,769 or 12.7%.

### 2024 FEBRUARY SESSION

The following adjustments were made to the PERS operating budget during the most recent legislative session under Senate Bill 5701 for statewide compensation updates:

- Central Administration Division increased by \$3,793,013
- Financial Services Division increased by \$790,509
- Information Services Division increased by \$333,077
- Operations Division increased by \$3,712,338
- Compliance, Audit, and Risk Division increased by \$617,049
- Core Retirement Systems Application increased by \$692,582



The following adjustments were made to the PERS operating budget under House Bill 4045 related to implementation costs for new legislation:

- Central Administration Division increased by \$316,153 and 1.25 FTE
- Information Services Division increased by \$540,624 and 1.50 FTE
- Operations Division increased by \$1,180,755 and 5.96 FTE

### 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 May 10, 2024 are \$5,550,742,353.

A.2.c. Attachment 1 – 2023-25 Agency-wide Budget Execution Report

A.2.c. Attachment 2 – 2023-25 CRSA Summary Budget Analysis

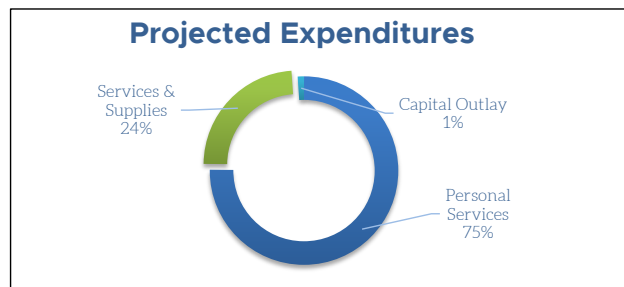
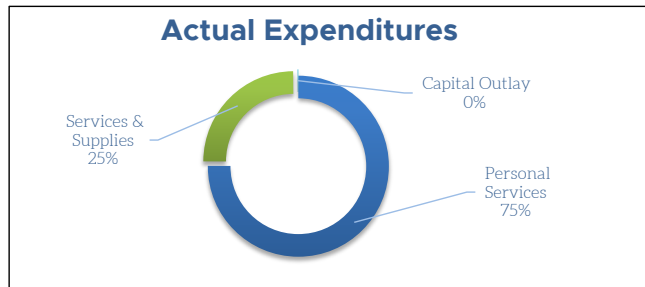
# PERS Monthly Budget Report

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

## Limited - Operating Budget

### 2023-25 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2023-25 LAB	Variance
Personal Services	40,368,378	65,369,584	105,737,962	109,656,430	3,918,468
Services & Supplies	13,343,362	20,679,583	34,022,945	36,267,336	2,244,391
Capital Outlay	69,374	941,000	932,344	1,141,401	209,057
<b>Total</b>	<b>53,781,114</b>	<b>86,990,167</b>	<b>140,693,251</b>	<b>147,065,167</b>	<b>6,371,916</b>



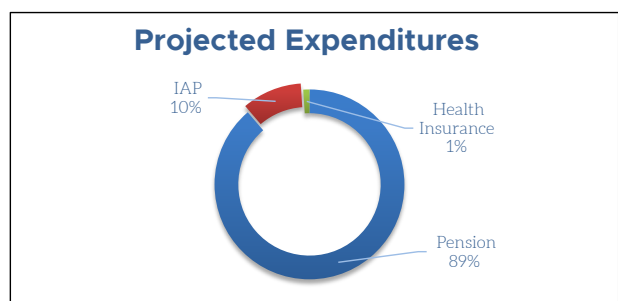
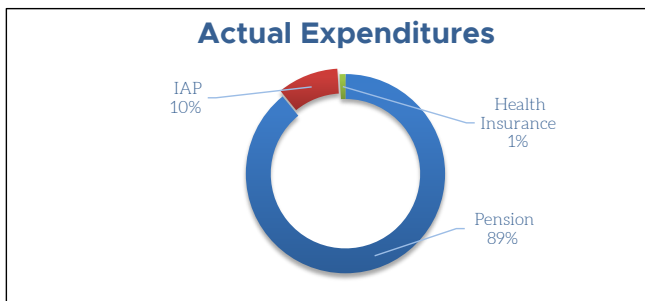
### Monthly Summary

Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	4,231,121	4,384,581	153,460	5,766,911	3,845,270
Services & Supplies	881,818	913,801	31,983	1,906,195	1,216,446
Capital Outlay	0	0	0	9,911	55,353
<b>Total</b>	<b>5,112,939</b>	<b>5,298,382</b>	<b>185,443</b>	<b>7,683,016</b>	<b>5,117,068</b>

## Non-Limited Budget

### 2023-25 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	4,947,699,492	6,883,648,869	11,831,348,361	11,823,032,167	(8,316,194)
IAP	549,931,577	811,710,494	1,361,642,071	1,482,829,663	121,187,592
Health Insurance	53,111,284	87,403,758	140,515,042	217,258,687	76,743,645
<b>Total</b>	<b>5,550,742,353</b>	<b>7,782,763,122</b>	<b>13,333,505,475</b>	<b>13,523,120,517</b>	<b>189,615,043</b>



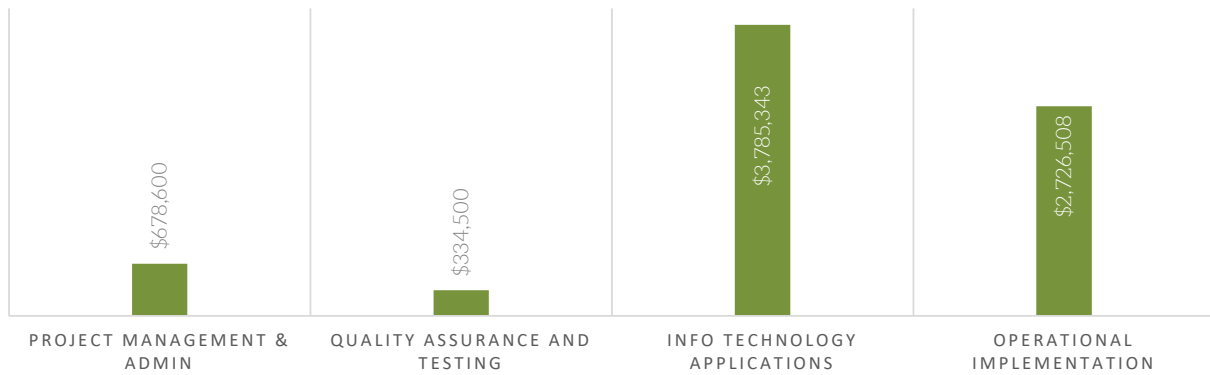
# Core Retirement Systems Application

Summary Budget Analysis  
Preliminary for the Month of May 2024

## Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2023-25 LAB	Variance
Personal Services	2,069,121	5,330,476	7,399,597	7,559,057	159,460
Services & Supplies	5,455,830	13,670,230	19,126,060	22,838,370	3,712,310
Capital Outlay					
<b>Total</b>	<b>7,524,951</b>	<b>19,000,707</b>	<b>26,525,658</b>	<b>30,397,427</b>	<b>3,871,769</b>

## EXPENDITURES BY PACKAGE



## EXPENDITURES BY PROJECT



## **A. Administration**

1. April 1, 2024 PERS Board meeting Minutes
2. Director's Report
- 3. Review Board Education Policy, review of board member training activities**
4. Board Governance Best Practices Survey
5. PERS Funding Policy
6. Board Scorecard Report on agency performance measures

## B. Administrative rulemaking

## C. Action and discussion items

1. Modernization update
2. PERS Health Insurance Plan annual update
3. 2025 Retiree Health Insurance Plan renewals and rates
4. 2025-27 budget development



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Tina Kotek, Governor

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May 31, 2024

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

At the May 2020 PERS Board Meeting, the board adopted the Board Education Policy (Attachment 1). The policy proposes that each board member be subject to a \$5,000 per annum education limit.

The policy states the Director will prepare a yearly report on the training activities of the PERS Board members. The report will include the seminar/conference name, sponsor, location, dates, and cost of the training.

Over the course of the May 1, 2023, through April 30, 2024, reporting period, Board Member Scanlan attended the National Conference on Public Employee Retirement Systems (NCPERS) May 21, 2023, through May 24, 2023. Conference registration was \$900.00 and related expenses were \$2,738.30 for a total of \$3,638.30.

In November 2020, PERS subscribed to an online board education tool, Board Smart. Board Smart representatives provided the board with a demonstration of their latest platform at the February meeting (Attachment 2). We have updated the onboarding and continuing education matrix that shows which of the Board Smart talks we would recommend board members take, as well as other talks that would be considered "optional." This list will continue to be refined as the Board Smart talks are updated.

The Director's Office maintains a repository of board-related documents that can be accessed by board members using the current board portal, Boardvantage. For example, our Board Orientation Manual, Funding Policy, Audit and Risk Committee Terms of Reference, links to Oregon Revised Statutes, as well as the Governance Manual is housed on the board portal.


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

No board action is required.

A.3 Attachment 1 – *Board Education Policy*

A.3 Attachment 2 – *Board Smart Overview*

A.3 Attachment 3 – *Board Smart Online Continuing Education Matrix*

<b>Oregon Public Employees Retirement System</b>	<b>Posted date</b> 8/15/2023	<b>Number</b> 1.03.02.01.001.POL
<b>Signature</b> 	<b>Approval date</b> 8/14/2023	<b>Page</b> 1 of 3
<b>Policy:</b>	PERS Board Education	
<b>Objective:</b>	Requires each board member to have adequate education to perform the duties and obligations of the position.	
<b>References:</b>	<a href="#">State of Oregon’s Statewide Travel Policy</a> , <a href="#">DAS - CHRO - Preventing Discrimination, Harassment, and Sexual Harassment in the Workplace required training</a> , and <a href="#">DAS – EIS – Information Security Training: Foundations Content</a>	

### Policy

As fiduciaries, PERS board members are expected to be capable of performing their duties and responsibilities. To that end, each board member should avail themselves of sufficient education to discharge the obligations of the position.

The PERS board has established this Board Education policy, which is applicable to all board members.

#### A. Board Orientation Manual

As soon as is practicable, the board member should be provided with an up-to-date version of the *Board Orientation Manual* and meet with the director to review its contents. Contents of the *Board Orientation Manual* should include:

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

---

Origination date: June 5, 2020  
Last revision date: August 10, 2023  
Last review date: August 10, 2023

SL2

- Oregon Investment Council (OIC)

PERS agency overview:

- Mission statement.
- PERS executive and organizational structure.
- PERS Strategic Plan:
  - PERS Outcome-Based Management System (POBMS).
- Financial information:
  - Budget information.
  - Comprehensive Annual Financial Report (CAFR).
- Other PERS programs:
  - Oregon Savings Growth Plan (OSGP).
  - PERS Health Insurance Plan (PHIP).

## **B. Education policy**

Board members will evaluate their own educational needs to obtain knowledge in specific subject matters. Board members are encouraged to attend educational sessions related to:

- Pension benefit design.
- Fiduciary responsibilities.
- Actuarial issues and trends.
- Investment issues and trends.
- Other subjects related to the administration, management, and operation of PERS.

The director will periodically provide the board with information on available conferences and seminars. Examples of conferences and seminars that would be seen to be applicable include the following:

- Conferences and programs (including trustee certifications) sponsored by the International Foundation of Employee Benefit Plans (IFEBP).
- Conferences and programs (including trustee certifications) sponsored by the National Conference of Public Employees Retirement Systems (NCPERS).
- Conferences sponsored by the National Association of State Retirement Administrators (NASRA).

Origination date: June 5, 2020  
 Last revision date: August 10, 2023  
 Last review date: June 4, 2021 August 10, 2023

SL2

- Conferences sponsored by Pension & Investments.
- Conferences sponsored by the National Institute on Retirement Security.
- Conferences sponsored by Callan.

Each board member will be provided a yearly educational budget of \$5,000. This is intended to cover not only the registration for educational activities, but also travel-related expenses. Payment and reimbursement of travel-related expenses for training will be in accordance with the state of Oregon's Statewide Travel Policy: (<https://www.oregon.gov/das/Financial/Acctng/Documents/40.10.00.pdf> )

The director will prepare a yearly report on the training activities of the PERS board members. The report will include the seminar/conference name, sponsor, location, dates, and cost of the training.

### **C. State-mandated education**

On a yearly basis, each board member must also complete the following state-mandated education sessions via the state learning system:

DAS - CHRO - Preventing Discrimination, Harassment, and Sexual Harassment in the Workplace required training. <https://ilearn.oregon.gov/Default.aspx>

DAS – EIS – Information Security Training: Foundations Content. <https://ilearn.oregon.gov/Default.aspx>

### **D. Policy review and history**

1. This policy shall be reviewed by the PERS board no less frequently than every two years for continued relevance and appropriateness.
2. The PERS board adopted this policy on May 29, 2020.

Origination date: June 5, 2020  
 Last revision date: August 10, 2023  
 Last review date: June 4, 2021 August 10, 2023

SL2





**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?

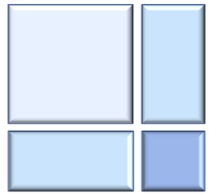
- Fiduciaries are responsible from the moment they become a fiduciary.
- All fiduciaries need to have a common understanding of governing statutes, rules, regulations, bylaws and policies.
- You need to know it all but too much to absorb all at once.

# Governance Essentials

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

Your dedicated Continuing Education website  
Secure & Accessible

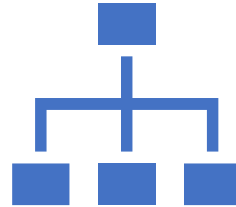




Day 1  
Onboarding



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
<b>Trustees</b>					
• New	✓	✓		✓	✓
• Experienced		✓		✓	✓
• Chairs/Vice Chairs			✓	✓	✓
<b>Executives</b>	✓	✓	✓	✓	✓

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



**F - CONDUCT BUSINESS**

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

Alphabetical ▼



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

## When you want it

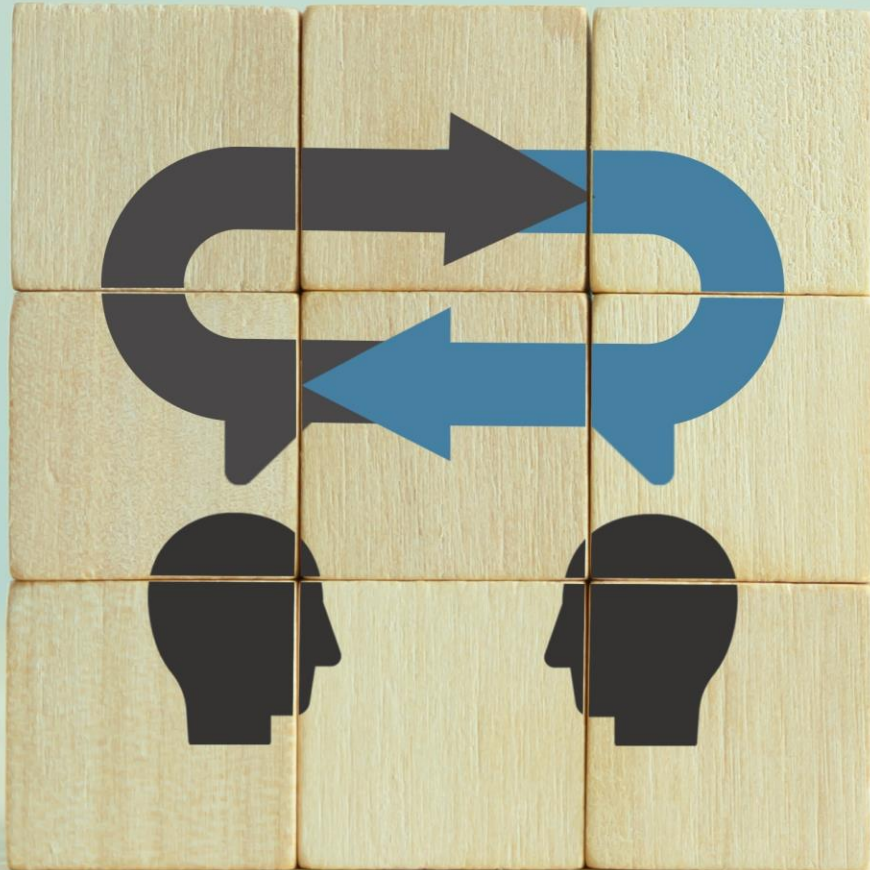


On  
Demand



“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](mailto: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](mailto:rfunston@boardsmart.com)

Sara Lussow Learning System Manager

Board Smart LLC

[slussow@boardsmart.com](mailto:slussow@boardsmart.com)



## Individual Continuing Education Plan 2024

			Recommendations	
Continuing Education Plan			User Profile	
	Source / Title	CE Credit	PERS Recommended	PERS Optional
<b>Board Smart</b>				
Essentials Overview	Governance Essentials Overview	0.5	0.5	
Purpose & Vital Functions	Purpose and Vital Functions Essentials	0.5	0.5	
	C101 (Basic) The State of Public Pensions	0.5	0.5	
	C102 (Basic) Importance of Public Pension Benefits	0.5	0.5	
	C103 (Basic) Defined Benefits/Defined Contributions	0.5	0.5	
	C104 (Advanced) Governance Structures	0.5		0.5
	C105 (Advanced) US versus Canadian Models	0.5		0.5
Relationships (External/Internal)	Relationship Essentials	0.5	0.5	
	D101 (Basic) Stakeholder Engagement	0.5	0.5	
Fiduciary Duties	Prudent Fiduciary Essentials			
	E101 (Basic) Fiduciary Fundamentals	0.5		0.5
	E102 (Basic) Role of the Fiduciary Board	0.5	0.5	
	E103 (Basic) Fiduciary Duty and the Job of the Board	0.5	0.5	
	E104 (Basic) Powers of the Fiduciary Board	0.5		0.5
Conduct Business	Conducting the Business of the Board	0.5	0.5	
	F101 (Basic) Ethics, Code of Conduct and Conflicts of Interest	0.5	0.5	
	F102 (Basic) Governance Policies	0.5	0.5	
	F104 (Basic) Operating in the Public Sector Fishbowl	0.5	0.5	
	F105 (Advanced) Role of Chairs/Vice Chairs	0.5		0.5
	F106 (Advanced) Role of Committees	0.5		0.5
	F107 (Advanced) Choosing the Right Leadership	0.5		0.5
	F108 (Advanced) Evaluating the Executive	0.5		0.5
	F109 (Advanced) Board Self-Evaluation	0.5		0.5
Approve/Delegate	H101 (Basic) Approve Key Decisions	0.5	0.5	
Oversee Execution	I101 (Basic) Insight, not Overload, Streamlining	0.5	0.5	
	I103 (Basic) Performance and Risk	0.5	0.5	
	I104 (Basic) Overseeing Performance and Risk	0.5	0.5	
	I105 (Basic) Understanding Investment Risk	0.5	0.5	
	I106 (Basic) Overseeing Investments	0.5		0.5
	I107 (Basic) Financial Management Essentials	0.5	0.5	
	I108 (Basic) Cyber Threats	0.5	0.5	
	I109 (Advanced) Performance Risk	0.5	0.5	
	I110 (Advanced) Risk Appetite and Risk Tolerance	0.5		0.5
	I111 (Advanced) Peer Benchmarking	0.5		0.5
	I112 (Advanced) Overseeing Investment	0.5		0.5
	TOTAL CONTINUING EDUCATION CREDITS		17	10.5



## **A. Administration**

1. April 1, 2024 PERS Board Meeting Minutes
2. Director's Report
3. Review Board Education Policy, review of board member training activities
- 4. Board Governance Best Practices Survey**
5. PERS Funding Policy
6. Board Scorecard Report on agency performance measures

## B. Administrative rulemaking

## C. Action and discussion items

1. Modernization update
2. PERS Health Insurance Plan annual update
3. 2025 Retiree Health Insurance Plan renewals and rates
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Tina Kotek, Governor

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

May 31, 2024

TO: Members of the PERS Board  
FROM: Kevin Olineck, Director  
SUBJECT: Board Governance Best Practices Survey

### BACKGROUND

PERS has eight legislatively-approved key performance measures (KPMs), with a requirement to report on these KPMs annually. One of the KPMs includes the results of a Board Best Practices Governance Survey, which is conducted on a biennial basis. This biennium's survey has been exported and is attached.

### BOARD OPTIONS

Following the board meeting, the agency will send the survey out to board members via a SurveyMonkey link. The results will be reported to the Legislature as part of our agency report in the fall.

No board action is required, other than to participate in the survey once sent.

A.4. Attachment 1 – *PERS Best Practices Governance Survey*

**Please rate each of the 18 board best practices by clicking on the appropriate button. The first 15 best practices are standard for all governing boards and commissions. The last three are additional practices identified by the PERS Board.**

**The text following each bolded best-practice measure describes the associated current PERS Board practice.**

Best Practice: Director Performance

Meets      Meets but needs improvement      Does not meet

**1. The PERS Board establishes clear performance expectations for the Director not less than biennially.**

The PERS Board, through the Chair and Vice Chair, establishes clear performance expectations for the Director not less than biennially. This includes overall expectations in the Director's position description, as well as any specific expectations contained in the board's policy agenda and other meeting-specific directives. The Director apprises the board of divisional appointments and organizational changes and provides open access to executive team members. Regular interactions by the executive team with the PERS Board are encouraged.

**2. Executive Director's performance is evaluated each biennium.**

Director's performance is evaluated each year, with a 360 degree assessment occurring in odd numbered years. In addition, regular informal feedback is provided to the Director as needed.

Best Practice: Strategic Management

Fully meets      Meets but needs improvement      Does not meet

**3. The agency’s mission and high-level goals are current and applicable.**

The agency’s mission and high-level goals are current and applicable. The PERS Board reviews and approves the agency mission statement, core values, and operating principles as part of the PERS Strategic Plan reviews and updates. The board reviews agency progress on key strategic initiatives and objectives using the semi-annual Board Scorecard Report on agency performance measures and the biennial budget development process.

**4. The PERS Board reviews the Annual Performance Progress Report.**

The board reviews the Strategic Plan Performance Progress Report annually. The board has the opportunity to review the annual report and provide comments to the Director.

Best Practice: Strategic Policy Development

Fully meets      Meets but needs improvement      Does not meet

**5. The PERS Board is appropriately involved in review of the Agency’s key communications.**

The board is appropriately involved in review of the Agency’s key communications. The board, both directly and through participation on committees (Audit and Risk, PERS Health Insurance Program (PHIP)), is involved in the agency’s public process and key communications. The Director coordinates regularly with the Governor’s Office and reports to the board on communications. The board approves the agency mission statement, core values, and operating principles.

**6. The PERS Board is appropriately involved in policy-making activities.**

The board is appropriately involved in policy-making activities. The board reviews and approves all agency rulemaking proposals and legislative concepts and participates in key legislative discussions and hearings as appropriate. The board is regularly updated on legislative bills that may impact the agency during the legislative session, legislative implementation, and other agency projects with policy implications (e.g., legislative mandate implementation). The Board Chair confers with the Director to plan board meetings and ensure the agenda and supporting materials cover all key policy issues.

**7. The agency’s policy option packages are aligned with its mission and goals.**

The agency’s policy option packages are aligned with its mission and goals. The PERS Board has early involvement and regular updates on proposed budget policy option packages and legislative concepts. The board reviews the Agency Request Budget and supporting materials (including the strategic outlook and key performance measures) in public meetings.

Best Practice: Fiscal Oversight

	Fully meets	Meets but needs improvement	Does not meet
<p><b>8. The PERS Board reviews all proposed budgets and supplemental requests.</b></p> <p>The board reviews all proposed budgets and supplemental requests. The board reviews and approves proposed biennial budget requests and supplementary budget requests.</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<p><b>9. The PERS Board periodically reviews key financial information and audit findings.</b></p> <p>The board periodically reviews key financial information and audit findings. The board receives agency operating budget reports and PERS fund investment updates at each regularly scheduled board meeting and receives regular presentations from its actuaries. The Audit and Risk Committee convenes three to four times each year to meet with internal and external auditors (contract or Audits Division) to review internal and external audit reports (including the Annual Comprehensive Financial Report (ACFR)), management letters and internal control reports, as well as management responses and corrective measures implemented to improve internal controls and operations. The board regularly reviews experience studies, system valuations, and financial modeling reports with its actuary.</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<p><b>10. The PERS Board appropriately accounts for resources.</b></p> <p>The board appropriately accounts for resources. The board and Audit and Risk Committee regularly review budgetary and other key financial and audit reports to ensure that the agency is appropriately accounting for resources. The Chief Compliance, Audit, and Risk Officer has direct access to the PERS Board and Audit and Risk Committee members.</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<p><b>11. The agency adheres to accounting rules and other relevant financial controls.</b></p> <p>The agency adheres to accounting rules and other relevant financial controls. The Audit and Risk Committee and the PERS Board review budgetary and financial updates (Oregon Investment Council (OIC), actuary, auditor, etc.) at each regularly scheduled meeting and special financial reports or updates as warranted. Annual risk assessments and periodic updates are reviewed with the Audit and Risk Committee. Agency staff prepare all financial transactions in accordance with Oregon Revised Statutes, Oregon Administrative Rules, Oregon Accounting Manual requirements, and generally accepted accounting principles. Annually, the Audit and Risk Committee and PERS Board review the summary of the Director's financial transactions and document said review in the minutes.</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Best Practice: Board Management

Fully meets      Meets but needs improvement      Does not meet

**12. Board members act in accordance with their roles as fiduciaries and public representatives.**

Board members act in accordance with their roles as fiduciaries and public representatives. The board uses best practices that support effective meetings. The board works with executive management to obtain information necessary to make well-informed and principled decisions (including opportunities for public comment at each PERS Board meeting). The board follows public meetings and public records laws and requirements, acts in compliance with State of Oregon ethics laws and conflict-of-interest requirements, and seeks advice from its Department of Justice general counsel on fiduciary and board governance issues. The PERS Board adheres to its guiding principles by working in a transparent, direct, and open manner.

**13. The PERS Board coordinates with others where responsibilities and interests overlap.**

The board coordinates with others where responsibilities and interests overlap. The board reviews the monthly performance reports of the OIC at regularly scheduled meetings, and several board members regularly attend OIC meetings. Board members coordinate with and may participate in stakeholder meetings. The board meets jointly with the OIC to be informed on the results of asset and liability studies. The board and its subcommittees coordinate with its stakeholders. Examples include: Audit and Risk Committee meetings with Audits Division staff regarding financial, performance, and information technology engagements; and PHIP Advisory Committee meetings with insurance carriers and plan administrators.

**14. Board members identify and attend appropriate training sessions.**

Board members identify and attend appropriate training sessions. The board receives notice of training supporting its governance and fiduciary efforts. Examples: New board member training and agency orientation, ethics training, and OIC workshops. If desired, board members are provided support to attend conferences and other networking opportunities in accordance with the Board Education Policy. Board members receive electronic copies of National Association of State Retirement Administrators (NASRA) publications to keep abreast of the nations' public retirement system's issues and concerns.

**15. The PERS Board reviews its management practices to ensure best practices are utilized.**

The board reviews its management practices to ensure best practices are utilized. The PERS Board reviews its best practices on at least a biennial basis and provides regular feedback to PERS staff on successes and opportunities for improvement.

Best Practice: Other Practices Identified by the PERS Board

Fully meets      Meets but needs improvement      Does not meet

**16. The PERS Board has identified all key stakeholders and continues to strengthen relationships in those areas as appropriate.**

The board has identified all key stakeholders and continues to strengthen relationships in those areas as appropriate. The board utilizes key stakeholders on all its advisory committees (e.g., Oregon Savings Growth Plan (OSGP), PHIP, legislative, rulemaking). Stakeholder input is actively solicited and facilitated through board rulemaking and policy adoption processes.

**17. The PERS Board works with the management team to identify the highest priority initiatives and allocates resources accordingly.**

The board works with the executive team to identify the highest priority initiatives and allocates resources accordingly. The board receives regular status reports on major agency projects (e.g., IT system modernization, legislative implementation(s)). The board reviews and approves biennial and supplementary budget requests, and reviews agency operating budget, workload progress reports, and key performance measures.

**18. The PERS Board has processes in place to ensure ethical behavior by management and compliance with laws and regulations.**

The board has processes in place to ensure ethical behavior by management and compliance with laws and regulations. Internal audit staff report directly to the Audit and Risk Committee and are charged with investigating and reporting any instances of waste, fraud, abuse, or other unethical behavior by PERS management or staff. PERS management receives training in Oregon's laws and regulations regarding ethical behavior and conflict-of-interest standards.

**Thank you for your input. We will compile and report on the results.**



## **A. Administration**

1. April 1, 2024 PERS Board Meeting Minutes
2. Director's Report
3. Review Board Education Policy, review of board member training activities
4. Board Governance Best Practices Survey
- 5. PERS Funding Policy**
6. Board Scorecard Report on agency performance measures

## B. Administrative rulemaking

## C. Action and discussion items

1. Modernization update
2. PERS Health Insurance Plan annual update
3. 2025 Retiree Health Insurance Plan renewals and rates
4. 2025-27 budget development



# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

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May 31, 2024

TO: Members of the PERS Board  
 FROM: Kevin Olineck, Director  
 SUBJECT: PERS Funding Policy

### OVERVIEW

Action: Adopt the proposed PERS Funding Policy.

### BACKGROUND

As a follow up to the October 2019 Secretary of State Actuarial Review entitled *A Review of the Oregon Public Employees Retirement System*, management was to develop a single written funding policy document that incorporates the entire rate setting policy, including rate collaring.

The original funding policy was first adopted by the board in 2020, with a revised version adopted in 2022. Management has made updates to the 2022 version to align it with both the actuarial methods and assumptions the board approved in 2023, as well as relevant reference documents that have been updated since 2022. The attached version has the changes highlighted in yellow. Management is bringing the revised PERS Funding Policy for review and adoption.

### BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “adopt the PERS Funding Policy, as presented.”
2. Direct staff to make other changes to the policy or explore other options.

### STAFF RECOMMENDATION

Staff recommends the PERS Board choose option #1.

Attachment 1 –*PERS Funding Policy*

<b>Oregon Public Employees Retirement System</b>	<b>Posted date</b> x/xx/2024	<b>Number</b> 1.03.03.01.001.POL
<b>Signature</b>	<b>Approval date</b> 5/31/2024	<b>Page</b> 1 of 9
<b>Policy:</b>	PERS Funding	
<b>Objective:</b>	Explains the funding administration objectives of the PERS Board.	
<b>References:</b>	See the references listed at the end of this policy.	

## Policy

### Statutory authority

Oregon Revised Statutes Chapter 238 sets out the statutory duties of the PERS Board (“the Board” for the purposes of this document), including:

- Administer the system to create and maintain long-term stability and viability in the system and shall act to achieve full funding for the benefits provided by the system, giving equal consideration to the interests of the public employer and the employee, to the extent that treatment does not violate the fiduciary duties of the Board.
- Publish an actuarial report at least once every two years, evaluating the system’s current and prospective assets and liabilities and its financial condition, including the mortality, disability, and other experience of the members and employers.
- Adopt actuarial equivalency factor tables at least once every two years using the best actuarial information on mortality available at the time of adoption.

### Funding-policy background

A funding policy provides a transparent, dependable, and systematic process to ensure system-funding objectives are met over the long term. As fiduciaries of the system, the Board has a fundamental objective to ensure the System is adequately funded through current plan assets and future contributions and investment earnings to provide the benefits to the members when due.

In 2004, the Board adopted high-level objectives to assist in guiding the funding of the System as follows:

- Transparency of shortfall and funded status calculations
- Predictable and stable employer contribution rates
- Protection of the System’s funded status to enhance benefit security for members
- Equity across generations of taxpayers funding the program

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- Actuarial soundness — fully fund the System over a selected time period if assumptions are met
- Compliance with GASB (Governmental Accounting Standards Board) requirements

While the Board acknowledges there are inherent conflicts and tensions between the objectives noted above, it recognizes that funding-policy decisions should be aligned with the long-term nature of the plans and the System’s funding objectives.

### The PERS funding equation

The Board, as part of this funding policy, acknowledges the fundamental equation of pension plan financing, the role various entities, including the Board, play within that equation, and the fact that the Board’s primary responsibility within the equation is to set a contribution rate that contributes to balancing this equation.

$$B = C + E$$

<b>BENEFITS</b> present value of earned benefits <b>Design set by:</b> Oregon Legislature	<b>=</b>	<b>CONTRIBUTIONS</b> employer and member funds to pay pension benefits <b>Set by:</b> PERS Board	<b>+</b>	<b>EARNINGS</b> future returns on invested funds <b>Managed by:</b> Oregon Investment Council
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### Investment decisions and oversight

The Board is not charged with the investment of the PERS Fund. The Oregon Investment Council (OIC) oversees the investment and allocation of all state of Oregon trust funds, including the Oregon Public Employees Retirement Fund (OPERF). **The primary governance document that guides the OIC is as follows:**

- *Investment Policy Statement for the Oregon Public Employees Retirement Fund (INV 1203)*

While the Board and the OIC are separate entities and operate accordingly, there is an obvious and necessary requirement for the two entities to be aware of and informed by the other’s decisions. To that end, the Board and OIC have instituted regular joint meetings that take place in June of odd-numbered years. These meetings follow the spring OIC meeting where the OIC typically reviews and adopts the OPERF asset allocation policy, including up-to-date market expectations for future investment returns, and precedes the PERS Board meeting where the

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Board adopts new actuarial assumptions and methodologies, including the actuarial assumed rate of return to be used in future actuarial valuations and actuarial equivalency factors.

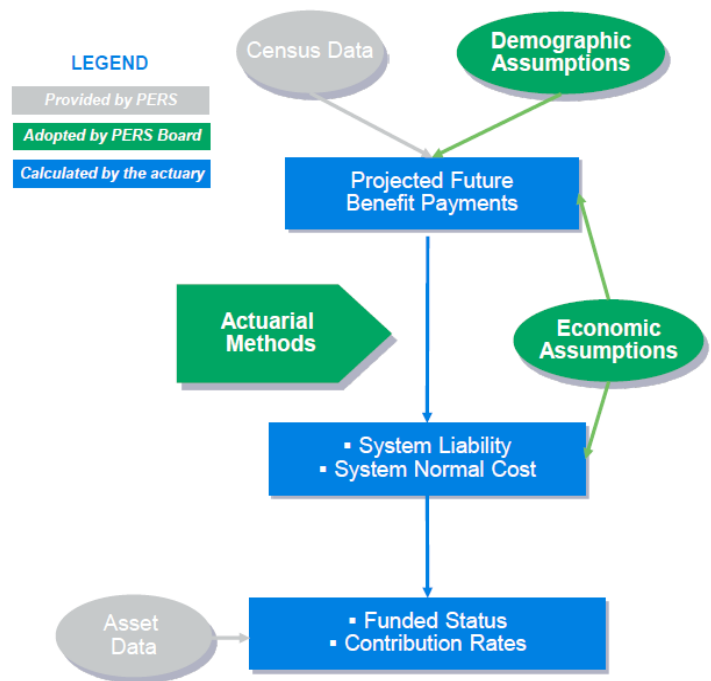
Additionally, the PERS Director is an ex-officio member of the OIC and is charged with keeping the OIC informed of any changes to the PERS System that may impact OPERF. As an OIC member, the PERS Director also keeps the PERS Board informed of OIC policies that may impact OPERF.

**Contribution rate-setting cycle**

The Board has established a two-year cycle for completing actuarial valuations. The analysis and valuations done in an odd-numbered year (i.e., 2023, with results as of December 31, 2022) are deemed to be “advisory” valuations, in that they do not directly impact employer contribution rates. Instead, these results allow employers an opportunity to understand what their estimated contribution rates are to appropriately budget for future contributions. In the even-numbered years (i.e., 2024, with results as of December 31, 2023), the actuarial results are reviewed and formally adopted by the Board, and the next biennium’s (i.e. July 1, 2025, through June 30, 2027) employer contribution rates are set based on those results.

**Two-Year Rate-Setting Cycle**

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



**Biennial actuarial experience studies and adoption of actuarial assumptions and methodologies**

In odd-numbered years, as part of the biennial Contribution Rate Setting Cycle noted above, the Board, over multiple meetings, shall review, and ultimately adopt as necessary, revised actuarial assumptions and methodologies. As part of this review cycle, the consulting actuary will perform an actuarial experience study to assist the Board in reviewing the experience of the System and provide a recommendation on changes to assumptions and methodologies.

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The adopted assumptions and methodologies shall remain in effect for the next two-year valuation cycle absent any subsequent action by the Oregon Legislature that would modify either the assumptions and methods or the level of projected System benefits.

**Actuarial methodology**

The following are the key actuarial assumptions and methodologies adopted by the Board in 2023.

Method	December 31, 2022 and December 31, 2023 Valuations
Investment Return Assumption	6.90%
Cost Method	Entry Age Normal
Funded Status	The actuarial value of assets expressed as a percentage of the actuarial accrued liability. For the purposes of this policy, funded status is determined without taking side account balances into effect.
Asset Valuation Method	Market value of assets, excluding amounts in the Contingency Reserve, Capital Preservation Reserve, and Tier One Rate Guarantee Reserve. If the Tier One Rate Guarantee Reserve is in a deficit status, the market value of assets will be reduced by the amount of deficit.
Unfunded Actuarial Liability (UAL) Amortization Method	UAL amortized using closed, layered periods as a level percent of combined Tier One/Tier Two and OPSRP payroll.
UAL Amortization Period	<p>UAL bases – closed amortization from the first rate-setting valuation in which experience is recognized.</p> <ul style="list-style-type: none"> <li>• For the December 31, 2019 valuation only, all existing Tier One and Tier Two UALs were re-amortized over a 22-year period as per SB 1049 (2019). The closed-period amortization under Senate Bill 1049 will continue to decline and will have 18 years remaining as of the December 31, 2023 rate-setting valuation.</li> <li>• Future Tier One/Tier Two UAL gains or losses will be amortized over 20 years.</li> </ul>

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	<ul style="list-style-type: none"> <li>• OPSRP – 16 year amortization period.</li> <li>• RHIA/RHIPA – 10-year amortization period. When funded status is over 100% at a rate-setting valuation, amortize the actuarial surplus over Tier One/Tier Two payroll using a rolling 20-year amortization basis. Allow the resulting negative UAL rate to offset the normal cost for the program, but do not allow contribution rates below 0.0%. If either program subsequently falls below 100%, the UAL will then be amortized over the combined payroll following the existing 10-year closed, layered amortization policy.</li> <li>• Newly established side accounts – An amortization period of 20 years since the most recent rate-setting valuation. Employers who make lump-sum payments in accordance with the rules of OAR 459-009-0086(9) may select a shorter amortization period of either six, 10, or 16 years since the most recent rate-setting valuation. Beginning with the December 31, 2022 valuation, side account amortization factors contain lag adjustments to manage expiring amortizations.</li> <li>• Newly established transition liabilities or surpluses – 18 years from the date joining the SLGRP (State and Local Government Rate Pool).</li> </ul>
Rate Collar	<p>Change in UAL Rate contribution rate component limited to:</p> <ul style="list-style-type: none"> <li>• 3% of payroll for Tier One/Tier Two SLGRP (State and Local Government Rate Pool) and Tier One/Tier Two School District Rate Pool</li> <li>• 1% of payroll for OPSRP</li> <li>• 4% of payroll for Tier One/Tier Two UAL rate of independent employers, but not less than one-third of the difference between the most recent uncollared and collared UAL rate</li> </ul> <p>Additionally, the UAL rate would not be allowed to decrease for a rate pool until the pool’s funded percentage, excluding side accounts, is over 87% and would not reflect the full collar width until reaching 90% funded.</p> <p>Exclude pension normal cost and RHIA and RHIPA rates from the rate-collar calculation.</p>

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### Actuarially determined contributions and rate collaring

It is the Board's intent to determine, for the next biennium, the actuarially determined contribution rate (ADC). This contribution rate will be calculated in a manner that will fully and systematically fund the long-term costs of promised benefits, while balancing the competing funding objectives noted above.

It is important to note that, for the purposes of describing the ADC, the Board considers the rate-collaring process set out in the actuarial assumptions and methodologies. The ADC is then described as the collared rate. This policy for determining the ADC has been in effect since it was adopted by the Board for the December 31, 2005 actuarial valuation, which set contribution rates for the 2007-09 biennium. After an extensive review over multiple meetings, a new methodology was adopted by the Board at the July 2021 board meeting. The collared rate for an experience-sharing pool consists of the UAL rate, as limited by the rate collar, and the normal cost rate, which is not limited.

In addition to the pension contributions noted above, all employers contribute to the Retirement Health Insurance Account (RHIA). Further, state agencies and state judiciary also contribute to the Retiree Health Insurance Premium Account (RHIPA). The Board has determined that the normal cost rates of RHIA and RHIPA are charged only to Tier One/Tier Two payrolls, as only Tier One and Tier Two members are eligible for these benefits. RHIA and RHIPA UAL rates are charged to all payrolls.

Contribution-rate volatility under ADC funding can be mitigated using several smoothing techniques, either on the inputs (e.g., asset smoothing) or the output, which is the contribution rate (i.e., rate collaring). Asset smoothing is an actuarial method used to systematically recognize gains and losses in assets over a predetermined period (typically five years) to reduce the effects of market volatility and provide stability to actuarially calculated contribution levels. The net effect is the same: smoothing of contribution rates.

The Actuarial Standards Board's Actuarial Standard of Practice No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions* defines an Output Smoothing Method as:

"A method to reduce volatility of the results of a contribution allocation procedure. The output smoothing method may be a component of the contribution allocation procedure or may be applied to the results of a contribution allocation procedure. Output smoothing methods include techniques such as 1) phasing in the impact of assumption changes on contributions, 2) blending a prior valuation with a subsequent valuation to determine contributions, or 3) placing a corridor around changes in the dollar amount, contribution rate, or percentage change in contributions from year to year. An output smoothing method may involve a combination of techniques."

These elements are satisfied by PERS' rate-collaring methodology.

### Funding risks

To fund the plans at an acceptable projected budgetary contribution cost over the long term, taking on a degree of investment and other funding risks is considered appropriate. The Board is responsible for determining the appropriate overall level of funding risk and determining strategies to mitigate the funding risks as needed. Examples of these strategies include performing yearly actuarial valuations, yearly stochastic financial modeling exercises, and a full experience study on a biannual basis.

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The plans are impacted by a range of economic risk factors, including inflation rates and interest rates. Inflation rates can affect overall salary increases, while interest rates can impact the present value of plan liabilities and investment returns.

Investment risk is a significant risk factor that affects the funding of the plans. Investment performance has a direct influence on the plans' funded status, and changes to future investment return expectations influence both the funded status and the projected level of the plans' actuarially calculated contribution rates. The Board considers the OIC's up-to-date market expectations for future investment returns, which includes investment risk, as part of their overall risk review.

Demographic risk factors for the plans include the general characteristics of the plans' populations, such as member age, sex, marital status, expected longevity, salary progression rates, termination rates, and early retirement rates. These variables directly impact the projected pension liability, and there is a risk that the plans' demographic experience varies from the projection. While demographic factors, in general change slowly over the short term, they are important drivers of long-term plan funding risk, particularly long-term longevity factors for retiree life expectancy.

The distinction between Tier One, Tier Two, and Oregon Public Service Retirement Plan (OPSRP) membership is an important demographic risk factor, since the contribution rates paid by an employer vary by payroll type.

The risks related to having assets readily available to fund benefit payments, when needed, requires effective management of the plans' liquidity. To the extent that the average duration of the plans' liabilities are relatively long, with no immediate net cash outflow, the assets may be managed with a longer time horizon, exhibiting low liquidity and higher equity allocation. When a greater proportion of assets invested by the OIC are expected to directly support near-term benefit payments, managing the liquidity risk related to asset-liability matching will be increasingly important.

Public sector pension plans face a level of scrutiny and attention not faced by other pension plans. There is a risk that funding decisions can become unduly influenced by temporary external pressures or opinions. Adopting a funding policy establishes a solid framework for funding decisions and helps mitigate this risk.

Governance of the plans requires careful coordination between many entities – the PERS Board, OIC, and the Oregon Legislature. Authority, accountability, cost monitoring, and reporting related to the plans can be challenging given the distributed nature of the governance structure.

Confidence in the risk assessment of the plans depends on plan data, computer systems, programs, and risk models used to conduct this assessment. Confidence also depends on the transparency, understandability, and soundness of the Board's funding policy. Ensuring accuracy of plan data, systems, and models is important to mitigate risk.

### **Review cycle**

This funding policy will be reviewed biennially as part of the odd-numbered year review of the System's actuarial assumptions and methodologies.

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May 31, 2024

TO: Members of the PERS Board  
 FROM: Matt Rickard, POBMS Council  
 SUBJECT: Board Scorecard Report on Agency Performance Measures

A key part of PERS' Outcome-Based Management System (POBMS) is a Quarterly Target Review of scorecards that evaluate our effectiveness in a number of outcome and process measures. These measures foster accountability and transparency in key operating areas. The scorecard results help direct strategic planning, resource allocation, and risk assessment.

The attached Board Scorecard Report for the first quarter of 2024 focuses on several measures we currently track based on essential business operations. A targeted performance range is created for each measure:

- "Green" – performance is at or above targeted goals.
- "Amber" – performance is marginally below targeted goals.
- "Red" – performance is significantly below; corrective action should be directed.

The POBMS Council is continuing its effort to review and update our enterprise measures. There are no major measure changes for the current quarter, but we will continue to keep the board informed of our progress to review and update our slate of measures.

Highlights of this report include:

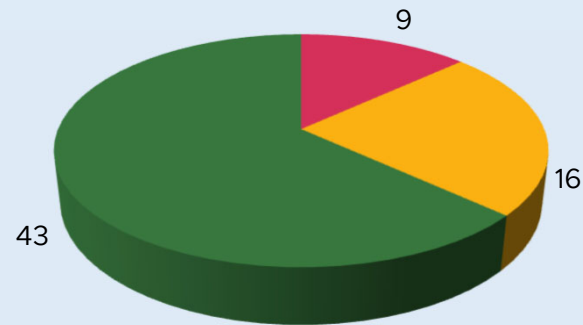
- The Board Scorecard format has been refined again this quarter to present more charting and trending history with each of the measures.
- Sixteen consecutive quarters in the green range for both Benefit Estimates Completed and Eligibility Reviews Completed.
- Eleven consecutive quarters in the green range for Accuracy of Calculations.
- System Uptime has been in the green range seven of the eight previous quarters.
- Three of the eight measures performing in the green ranges.
- Appeal Reversal Rate now has three quarters in a row with data reported, after a broken reporting tool had inhibited data reporting during the previous six quarters.

The next report will be presented at the December 2024 meeting, showing the scorecard results for the third quarter 2024.

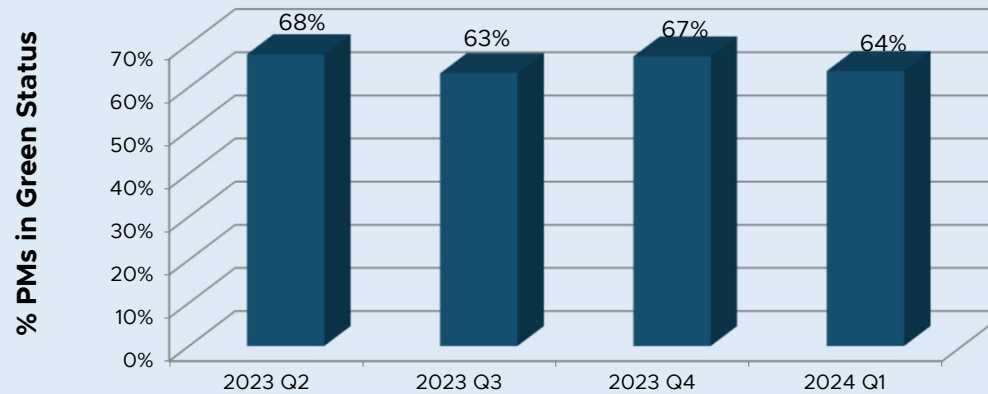
A.6 Attachment 1 – *Board Scorecard Report for First Quarter 2024*

2024-Q1 Overall Performance (Quarter ending March 2024)

**Outcome and Process Measure Performance**

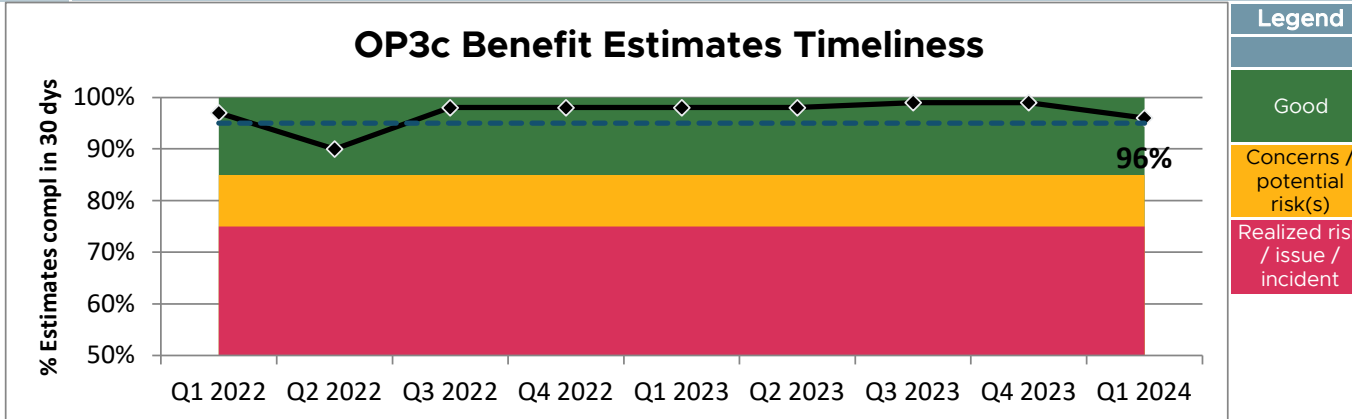


**Quarterly Green Performance**

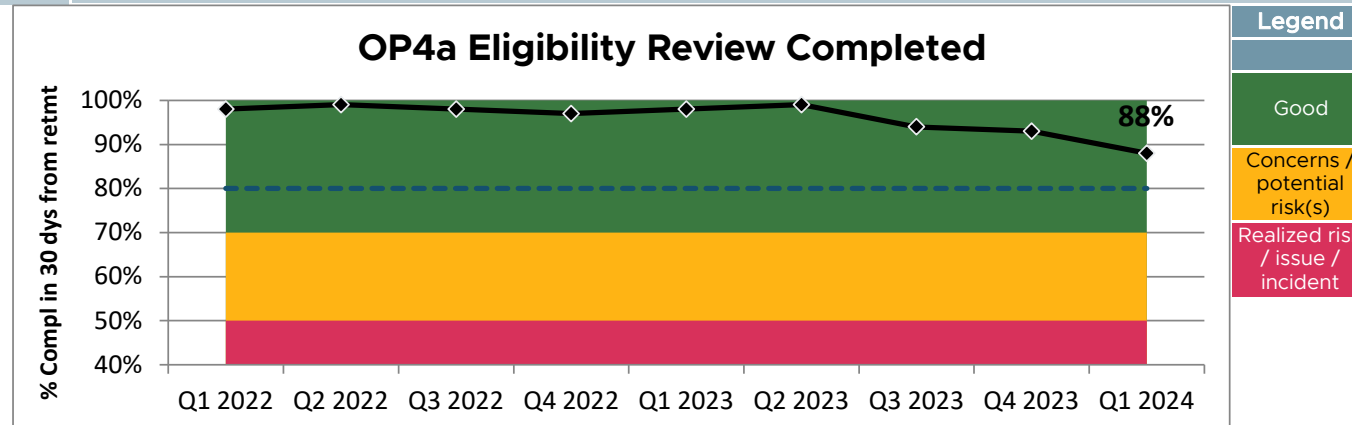


## PERS Board Scorecard Report: 2024-Q1 and historic performance

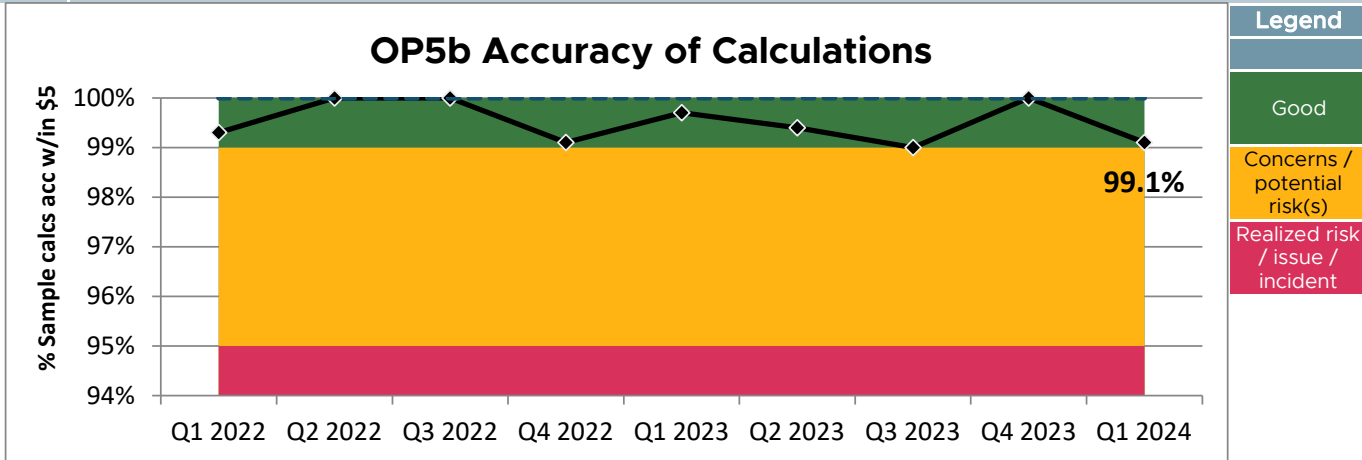
	Measure name	Measure calculation	Target	CY 2022	CY 2023					CY 2024
				Q4	Q1	Q2	Q3	Q4	Q1	
OP3c	<b>Estimate KPM</b>	% of estimate requests completed within 30 days of receipt.	<b>95%</b>	98.0%	98.0%	98.0%	99.0%	99.0%	96.0%	
Comment / Corrective Action:										



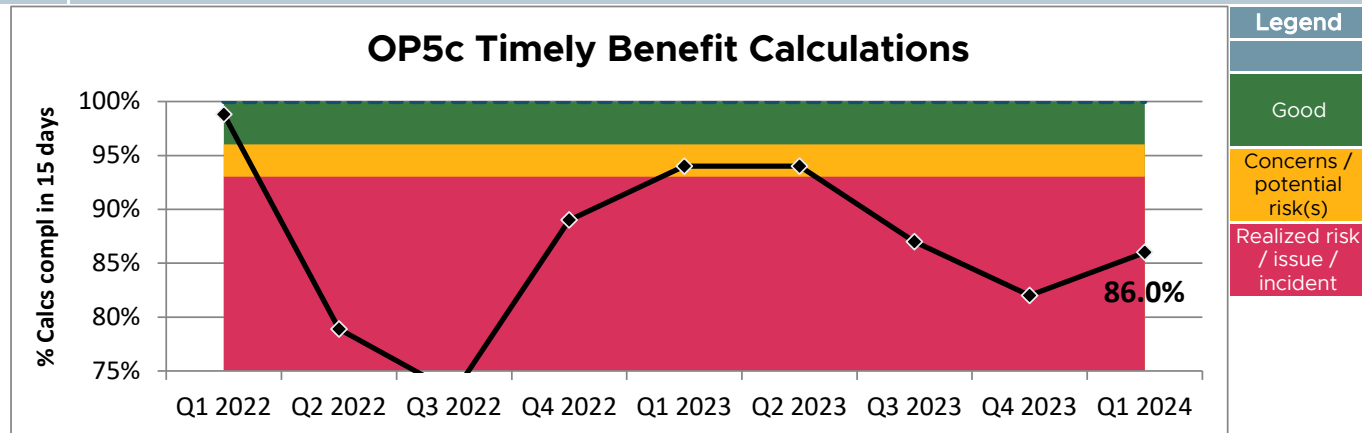
	Measure name	Measure calculation	Target	CY 2022	CY 2023					CY 2024
				Q4	Q1	Q2	Q3	Q4	Q1	
OP4a	<b>Eligibility review completed</b>	% of eligibility analysis completed within 30 days of the effective retirement date.	<b>80%</b>	97.0%	98.0%	99.0%	94.0%	93.0%	88.0%	
Comment / Corrective Action:										



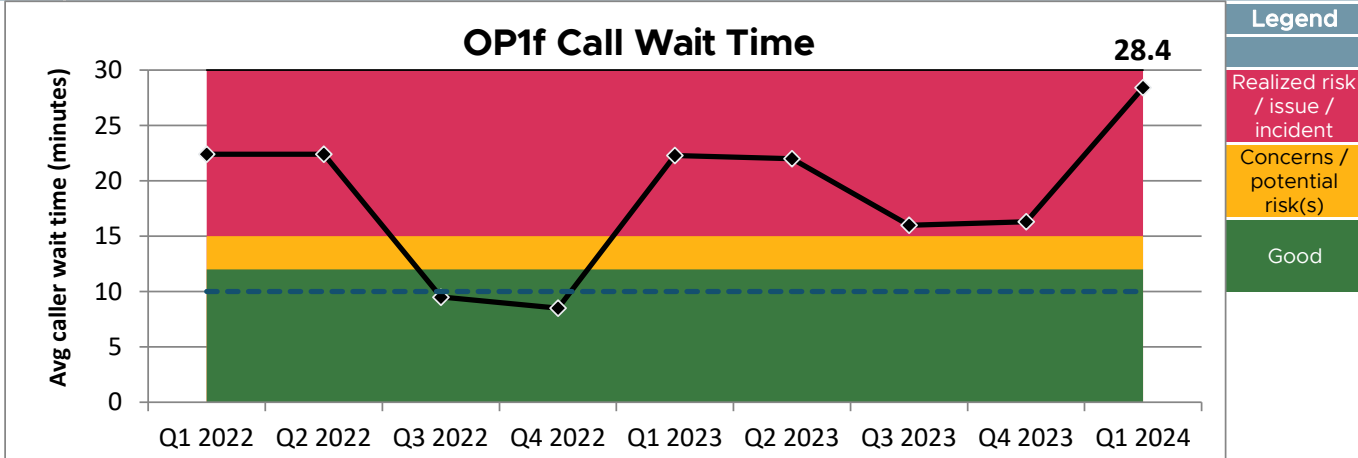
	Measure name	Measure calculation	Target	CY 2022	CY 2023					CY 2024
				Q4	Q1	Q2	Q3	Q4	Q1	
OP5b	<b>Accuracy of calculations</b>	% of sample calculations that are accurate within plus or minus \$5	100%	99.1%	99.7%	99.4%	99.0%	100.0%	99.1%	
Comment / Corrective Action:										



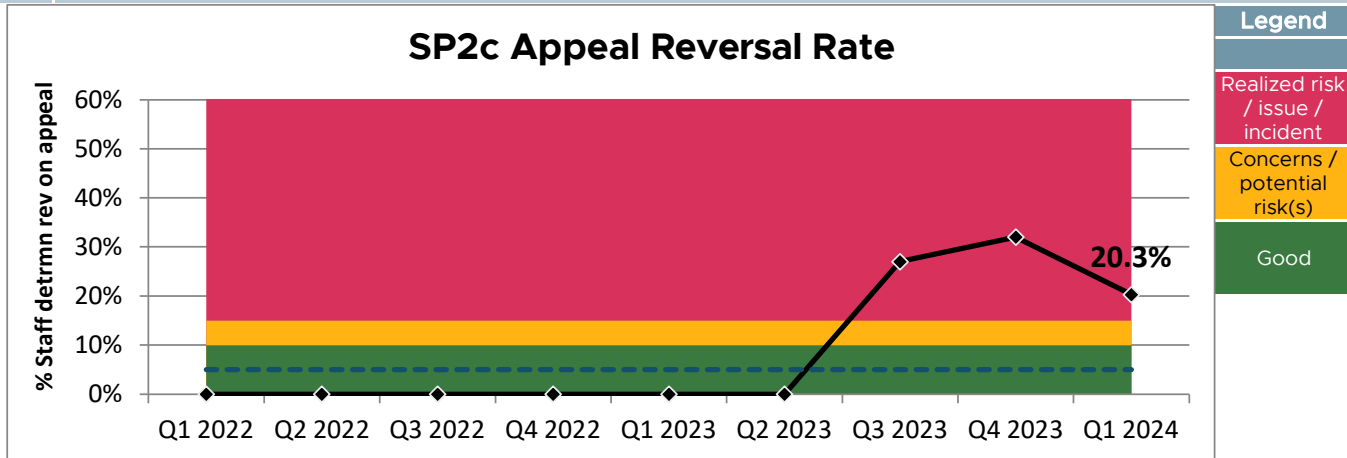
	Measure name	Measure calculation	Target	CY 2022	CY 2023					CY 2024
				Q4	Q1	Q2	Q3	Q4	Q1	
OP5c	<b>Timely benefit calculations</b>	% of calculations completed within 15 calendar days from completed application date	100%	89.0%	94.0%	94.0%	84.0%	82.0%	86.0%	
Comment / Corrective Action:		New OPAs on both inception teams and an increased pre-retirement death calculation volume. Trained 1 new counselor to calculate pre-retired death calculations and continued OPA training. As a result of these efforts, went from 80% in January to 92% in March.								



	Measure name	Measure calculation	Target	CY 2022	CY 2023				CY 2024
				Q4	Q1	Q2	Q3	Q4	Q1
OP1f	<b>Call wait time</b>	Average length of wait before caller reaches live person	<b>10 minutes</b>	8.5	22.3	23.2	16.0	16.3	28.4
Comment / Corrective Action:		Tax season especially rough this year with new W4P form/tax table changes, hired 4 new RC1s & trained them late Feb thru March – call volume very high through entire qtr.							

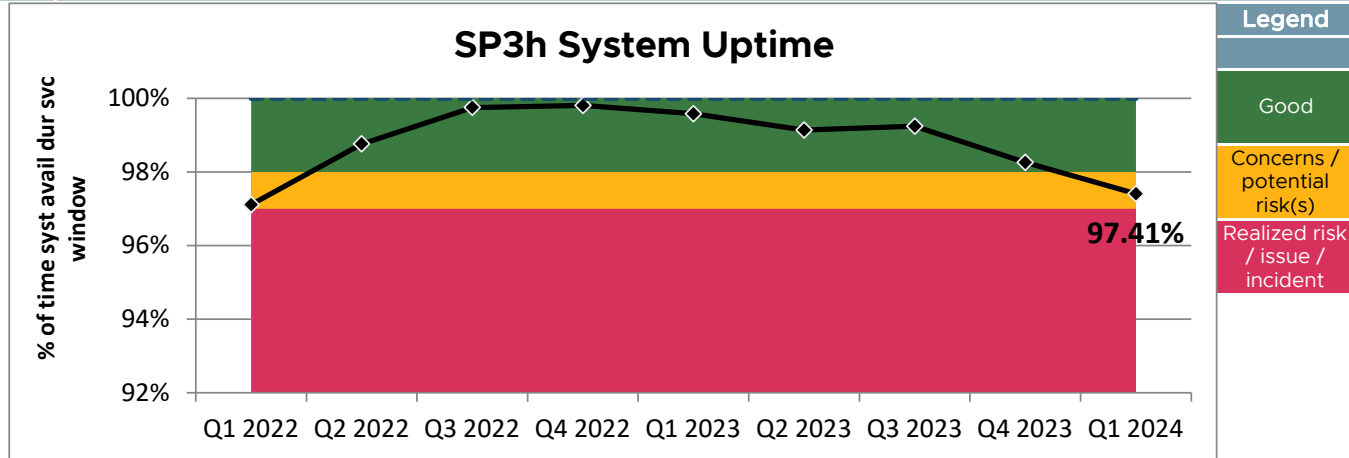


	Measure name	Measure calculation	Target	CY 2022	CY 2023				CY 2024
				Q4	Q1	Q2	Q3	Q4	Q1
SP2c	<b>Appeal reversal rate</b>	% of staff determinations that are reversed on appeal	5%	n/a	n/a	n/a	27.0%	32.0%	20.3%
Comment / Corrective Action:		37 decisions in quarter; 1 disability reversal; 6.5 non-disability reversals (mostly TR cases)							

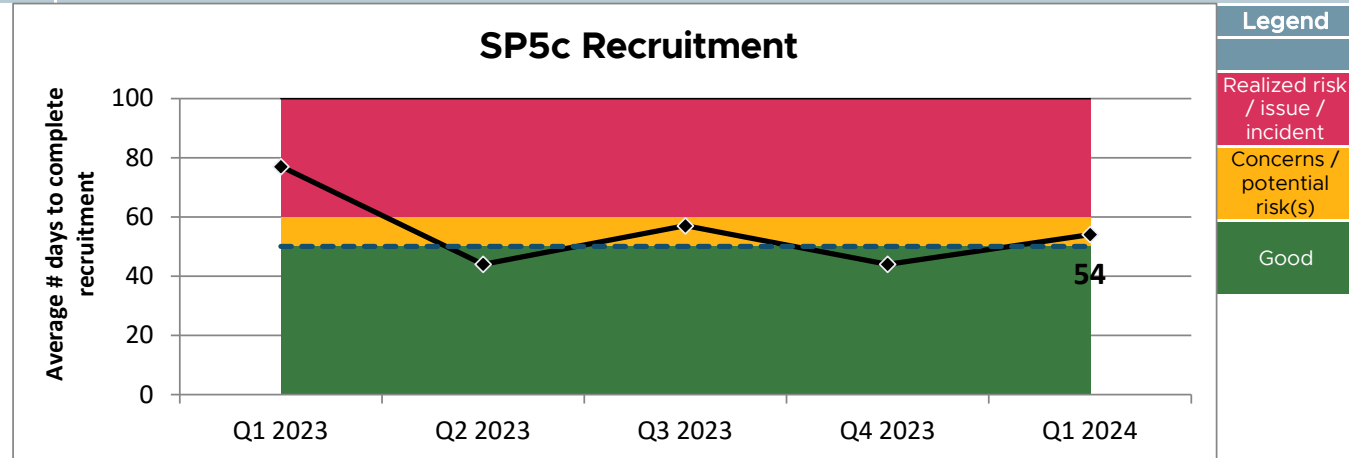




	Measure name	Measure calculation	Target	CY 2022	CY 2023				CY 2024
				Q4	Q1	Q2	Q3	Q4	Q1
SP3h	<b>System uptime</b>	% of time systems are available during the service window	<b>100%</b>	<b>99.8%</b>	<b>99.6%</b>	<b>99.1%</b>	<b>99.2%</b>	<b>99.3%</b>	<b>97.4%</b>
Comment / Corrective Action:		Long batch runs: 965 min. - 56.83%; Salem Vmware outage: 611 min. - 35.98% VPN: 84 min - 4.94%							



	Measure name	Measure calculation	Target	CY 2022	CY 2023				CY 2024
				Q4	Q1	Q2	Q3	Q4	Q1
SP5c	<b>Recruitment</b>	Average number of days for recruitment (from requisition to offer)	<b>50</b>	<b>n/a</b>	<b>77</b>	<b>44</b>	<b>57</b>	<b>44</b>	<b>54</b>
Comment / Corrective Action:		Continuing to strive to meet the Governor's goal							



## **A. Administration**

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4. Board Governance Best Practices Survey
5. PERS Funding Policy
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## B. Administrative rulemaking

## **C. Action and discussion items**

### **1. Modernization update**

2. PERS Health Insurance Plan annual update
3. 2025 Retiree Health Insurance Plan renewals and rates
4. 2025-27 budget development



# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

Headquarters

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May 31, 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 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.

### PROGRAM AND PROJECT STATUS

The PERS Modernization Program is being managed as one comprehensive program with many individual projects expected to initiate and complete over the upcoming four biennia. All projects will be submitted for review by Enterprise Information Services (EIS) and, as appropriate, go through the EIS stage gate process; the PERS Modernization Program itself is not subject to EIS stage gate oversight.

Initiative	Expected Completion	Health and Status (as of 4/30/2024)
PERS Modernization Program	6/30/2031	Program health: Green <ul style="list-style-type: none"> <li>The program moved from yellow to green status on 3/8/2024 as a result of the 2023-25 budget rebalance approval.</li> <li>A baselined 2023-25 program roadmap depicting all expected projects and activities for the biennium was approved 5/14/2024.</li> </ul>
Telephony Modernization Project	12/31/2024	Project health: Green <ul style="list-style-type: none"> <li>The project received Stage Gate 1 endorsement from EIS on 3/11/2024.</li> <li>The project is focused on solutions analysis activities and detailed project planning.</li> </ul>

Hybrid Integration Platform (HIP) Implementation Project	6/30/2025	The PERS Modernization Program Steering Committee approved the allocation of resources to begin the initiation process for this project on 3/19/2024. Health and status updates are expected following the completion of Stage Gate 1 activities for this project.
Data Cleaning Project	6/30/2025	The program has decided to restructure this work as a formal project within the PERS project portfolio. The prioritization of this project and official assignment of agency resources is expected on May 14, 2024. Health and status updates are expected following the completion of initiation activities.

**HIGHLIGHTED ACTIVITIES**

- The reallocation request submitted to the Oregon Legislature for consideration in the 2024 legislative session was approved. This request redistributed budget for seven allocations within the 2023-25 biennial program budget but did not result in additional funding.
- Consulting services are well underway in several key areas of program activities. Current engagements are expected to conclude by 6/30/2024. The program will be incorporating all deliverables and recommendations received into program business cases and planning at the conclusion of each engagement.
- Interviews for the first independent quality management services (iQMS) quarterly report concluded on 4/30/2024. The report is expected to be delivered by Gartner, the program’s iQMS vendor, at the end of May 2024.
- Telephony Modernization Project resources are engaging in extensive information gathering and sharing activities with resources and agencies to better inform the project’s planning activities and solutions analysis. Project resources are appreciative of the ~10 agencies that have shared information with the team thus far.

C.1. Attachment 1 – April 2024 Monthly Project Status Report







# Modernization Program

## Status Report

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

### 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

Detailed scope is not yet defined. Benefits prioritization is in process with the Modernization Steering Committee which will be used to refine and focus program scope.

#### Budget

Delays from Senate Bill 1049 Implementation and 2021-23 procurements impacted the 2023-25 budget and planned activities. A budget reallocation request was submitted and approved at the 2024 legislative session.

## Modernization Program

- **Program Definition/Development**
  - Gartner final edits to iQMS Quality Standards deliverables are in process.
  - Preparation to manage Data Clean Up as a modernization component project is in process.
  - Final updates to 2023-2025 Program Roadmap in progress.
  - Gartner Quarterly iQMS interviews with key staff are in process as of (4/17/24).
- **Architecture Definition/Development**
  - Current State EA Summary Final deliverable (D1.4) accepted through Quality Check Point on 4/26/24.
  - Gartner enterprise architecture (EA) consulting began work on next deliverable recommendations for tailoring of PERS enterprise architecture framework.
  - Accenture As-Is jClarety System Assessment final deliverable accepted through Quality Check Point on 4/26/24.
  - iServer365 installation activities in progress – Data migration complete and under team review and validation.
- **Contracting Activities**
  - Second monthly PERS - Department of Administrative Services (DAS) Procurement status meeting held on 4/26/24.
  - No procurement activities in process for Modernization Program this month.
- **Budget**
  - No budget concerns at this time.

### PROGRAM PROJECTS AND COMPONENTS

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

#### Telephony Modernization Project

Telephony Modernization Project is in progress and below are the current activities:

- Continued Solution Analysis - High level requirements for mandatory functionality list completed and reviewed.
- Continued to monitor identified project risks.
- Second meeting held with other agencies currently managing telephony implementation projects to learn lessons from their experiences.
- Agency procurement request form in development to begin procurement activities.

# Modernization Program

BUDGET					
Expenses	Budget	Actual to Date	Projections	Total	Variance
Program Staff	\$ 3,406,073	\$1,189,458	\$2,216,615	\$ 3,406,073	\$ -
Client Relationship management	\$ 400,000	\$-	\$400,000	\$ 400,000	\$ -
Data and Analytics	\$ 1,000,000	\$-	\$842,666	\$ 842,666	\$ 157,334
Development and Operations	\$ 560,000		\$-	\$ -	\$ 560,000
Architecture	\$ 2,000,000	\$131,168	\$2,496,338	\$ 2,627,505	\$(627,505)
Independent Quality Management Svcs	\$ 1,200,000		\$1,128,500	\$ 1,128,500	\$ 71,500
Hybrid Integration Platform	\$ 450,000		\$450,000	\$ 450,000	\$ -
Telephony	\$ 557,000		\$557,000	\$ 557,000	\$ -
<b>Project Total</b>	<b>\$ 9,573,073</b>	<b>\$1,320,626</b>	<b>\$8,091,118</b>	<b>\$ 9,411,744</b>	<b>\$ 161,329</b>
<b>Average Monthly Spend (Burn Rate)</b>	<b>\$ 398,878</b>	<b>\$55,026.10</b>	<b>\$23,208.33</b>	<b>\$ 23,208.33</b>	

## 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.

## PROGRAM RISKS AND MITIGATION

**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.

- Mitigation: We have had two meetings in our new series with key DAS Procurement staff and leadership and PERS to discuss current and planned procurement activities and identify any roadblocks to anticipated timelines. This has been a helpful touchpoint. We will consider the positive impact of this new communication channel when this risk score is next reevaluated.

**Risk #11 Legislative Directives/Agency Focus:** New legislation may direct the agency to focus on a higher priority project.

- Notes: House Bill 4045 passed in the 2024 legislative session is currently under review by PERS. Once an implementation strategy is determined, this risk will be reevaluated for any impacts to the PERS Modernization Program.

**Risk #20 Lack of Documented Tailored Architecture Framework:** Assumptions and/or decisions regarding enterprise architecture and the intersections of architecture with program and project management have been made which are not documented or well understood.



## Modernization Program

- Mitigation: The Gartner Enterprise Architecture consulting work in process will assist PERS Enterprise Architecture Team with development of a tailored architecture framework. The first deliverable has been accepted and work is in process now to support development of a tailored framework.

**Risk #21 Detailed Program Scope is Not Determined:** Scope statement is in development leading to confusion and uncertainty about what work will be included within the PERS Modernization Program effort and what will be managed through other efforts.

- Mitigation: The Modernization Steering Committee has made progress defining and prioritizing anticipated program benefits. Based on this work, more detailed program scope will be defined in a detailed scope statement.

**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.

**Risk #31 Unclear Roles Between Modernization and Information Technology (IT):** New role of Modernization Section and engagement with strategic direction of IT is not clearly defined. Confusion on scope of roles. Key stakeholders are missing from meetings or not included in decisions which have downstream impacts.

- Mitigation: Executive alignment and decisions recorded on division of roles for modernization and intersections with IT. Clearly define modernization and IT roles, responsibilities, and document governance structures.

## PROGRAM ISSUES AND CORRECTIVE ACTION PLANS

There are no issues.

# Modernization Program

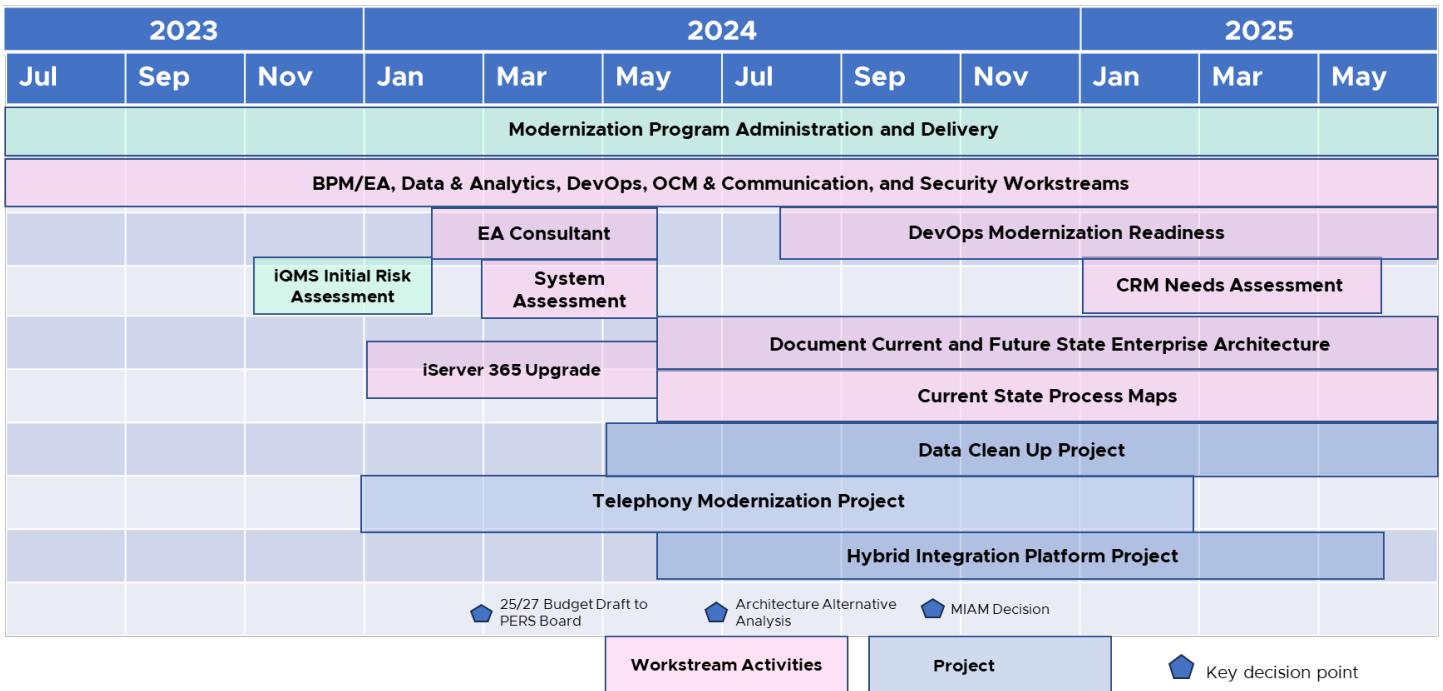
## ROADMAP

The current program roadmap focuses 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.

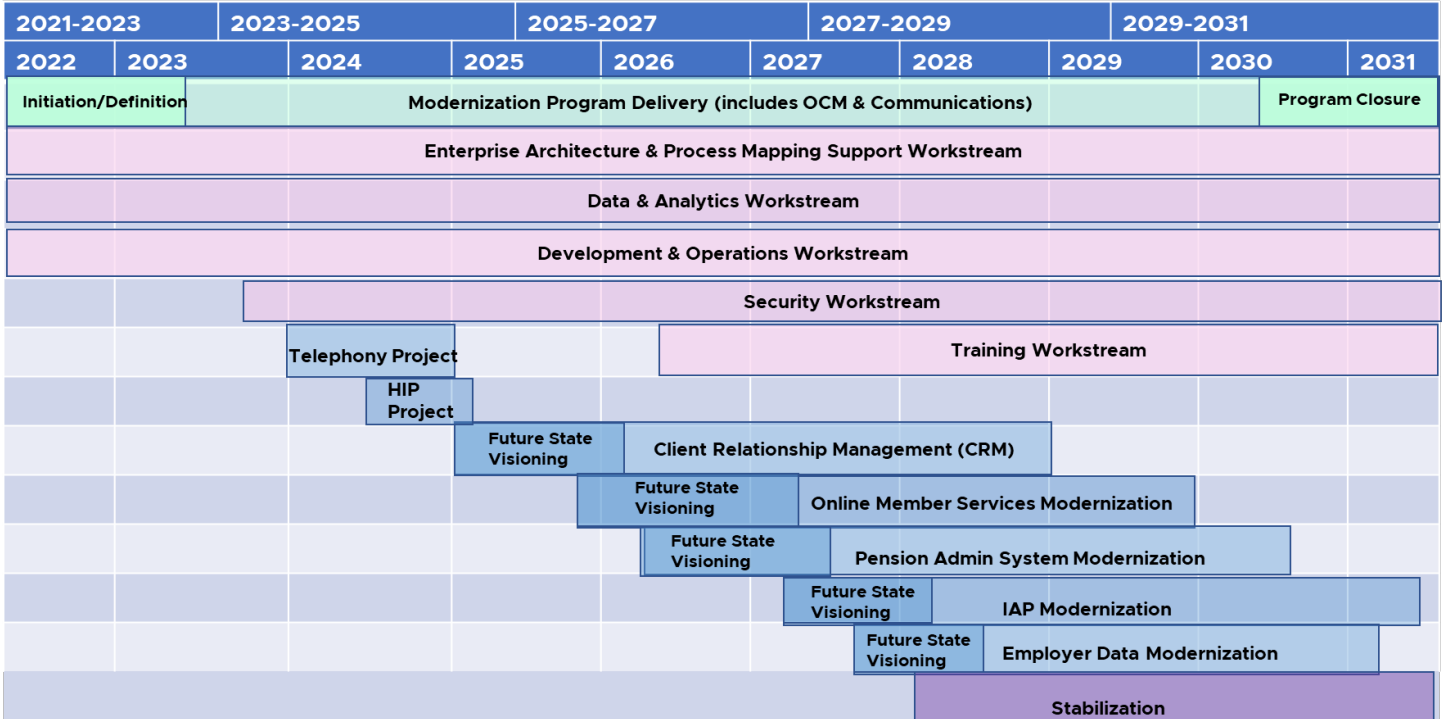
The PERS Modernization Program 23/25 Roadmap is expected to be approved by the Modernization Steering Committee as of 5/14/24. Any future changes to the 23/25 Roadmap will be subject to change control processes.

## PERS Modernization Program 23/25 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.

# 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.

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- 2. PERS Health Insurance Plan annual update**
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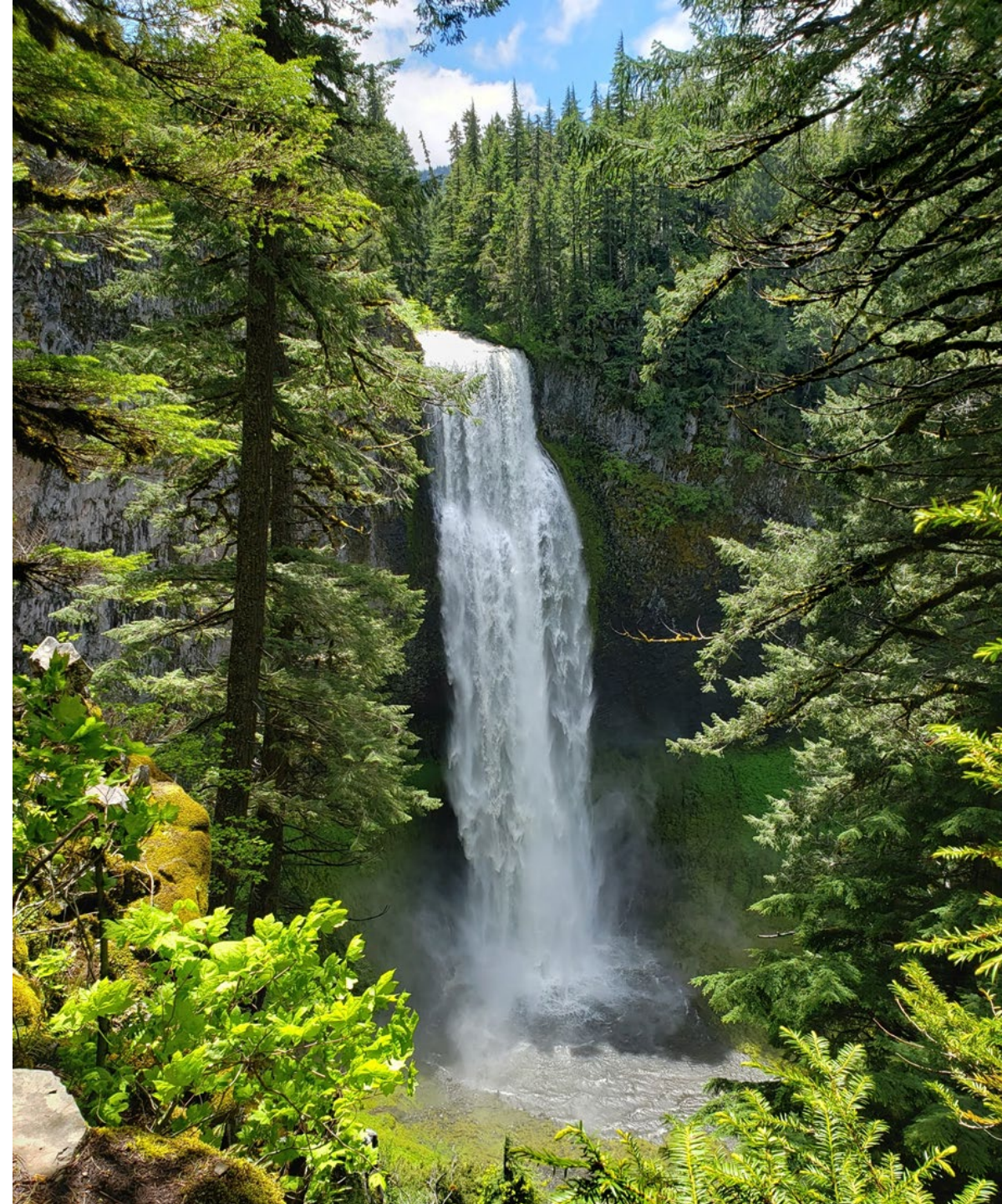
# OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



## **PERS Health Insurance Program (PHIP) Annual Report**

Calendar Year 2023



# PHIP mission

The PERS Health Insurance Program (PHIP) provides PERS retirees with benefits that offer high quality comprehensive coverage (or benefits) at the most cost-effective rates possible to meet retirees' benefit needs.

## Core values

- **Maintain stability of premiums:** To avoid significant swings in rates from year to year, premium stabilization approaches to proposed contracted health plan (CHP) rates should be considered.
- **Maintain stability of coverage:** Benefits provided by PHIP should be reviewed annually in an attempt to avoid significant changes in benefits required by either local or national legislation or required to maintain premium rate affordability.
- **Maintain stability of carriers:** Promoting stability and long-term relationships with carriers — consistent with responsible procurement practices — is desired. Changes in contracted health plans should be driven by protection of current members' benefits and demonstrated long-term beneficial treatment of members.

# PHIP core operating principles

- Provide, to the extent possible, benefit plans to each PHIP population served (Medicare and non-Medicare) that are comparable to the services covered and member cost-sharing required.
- Utilize all available resources to obtain competitive benefit options and establish premium rates consistent with plans offered and utilization of services.
- Facilitate collaboration between PHIP consultants, contracted health plans, and other vendors to meet and exceed industry quality standards and provide innovative benefit designs and care coordination that includes wellness and disease-prevention activities.
- Advocate for PHIP enrollees in both coverage and cost.
- Provide customer service in a timely, professional, and respectful manner.

# Governance

- Oregon Revised Statute (ORS) 238.410-420
  - Also subject to all retirement, accounting, and procurement ORS.
- Oregon Administrative Rule (OAR)
- PHIP mission and values
- PERS Board
- Member input
- Centers for Medicaid and Medicare Services (CMS)



# Administrative team

## PHIP staff

- Barbara Dimeling-Perris, Interim Program Manager
- Danielle Keyser, Program Coordinator
- Carla Shaw, Membership Service Specialist
- Brooke Walker, PHIP Analyst

## Key PERS partners

- PHIP accountant; Accounting, Cash, and Tax Section
- PHIP procurement specialist; Procurement, Facilities, and Logistics Section
- Policy Analysis and Compliance Section
- Communications Section
- Intake and Review
- Death and Disability
- PERS Member Information Center

# Contracted operations and consulting

## Third-party administrator — Benefit Help Solutions

- PHIP call center
- Member Account Services (enrollment, eligibility)
- Recordkeeping
- Accounting

## Health insurance consultants — Segal Consulting

- Health insurance industry specialists
- Plan design
- Financial and utilization analysis
- Annual renewal

# Contracted health plans

## Providence Health Assurance

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

## UnitedHealthcare®

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

## Moda Health Plan

- Medicare Supplement — Moda Health Medicare Supplement Plan

# Contracted health plans

## Kaiser Permanente NW

- Medicare Advantage — Senior Advantage HMO Plan
- Non-Medicare — Traditional HMO Core Value Plan
- Non-Medicare — HSA-qualified High Deductible Health Plan (HDHP)
- DMO Dental Plan

## Delta Dental Plan of Oregon

- Indemnity Dental Plan with passive PPO

## PacificSource Community Health Plans, Inc.

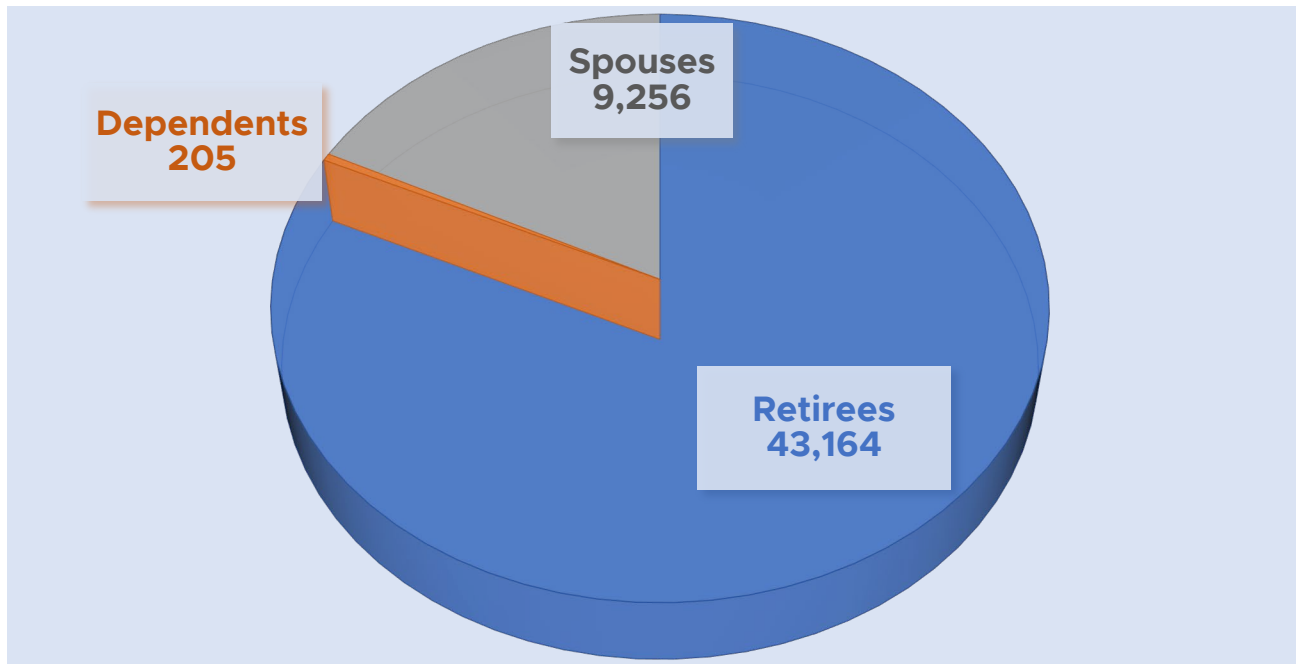
- Medicare Advantage — Medicare Essentials RX 803 HMO Plan

PacificSource is choosing not to renew their contract for 2025 plan year.

# Program membership

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

Total number of members by category  
2023 year-end

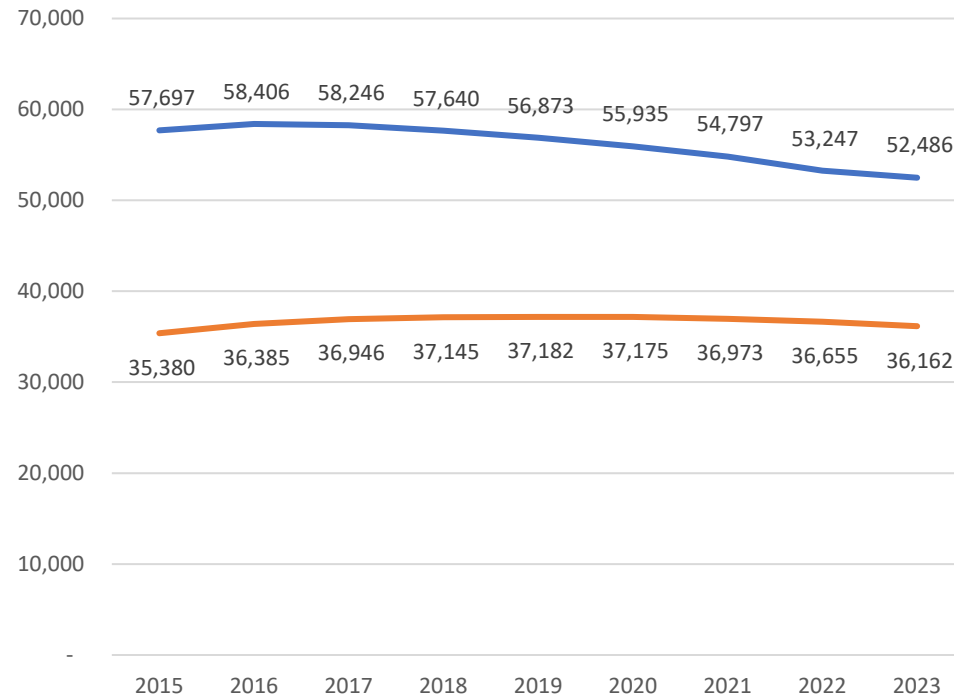


Total PHIP membership as of year end 2023: 52,625.

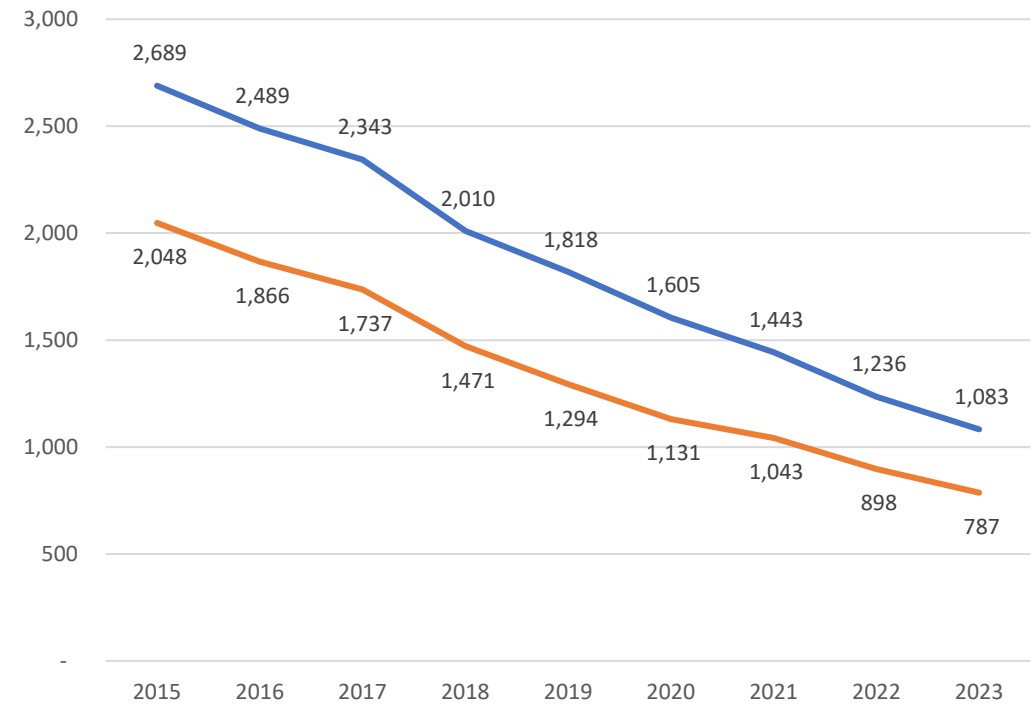
Total membership decreased by 2,038 members from 2022.

# Membership trends 2023 year-end

Medicare trend



Non-Medicare trend



— Medical — Dental

# Membership numbers

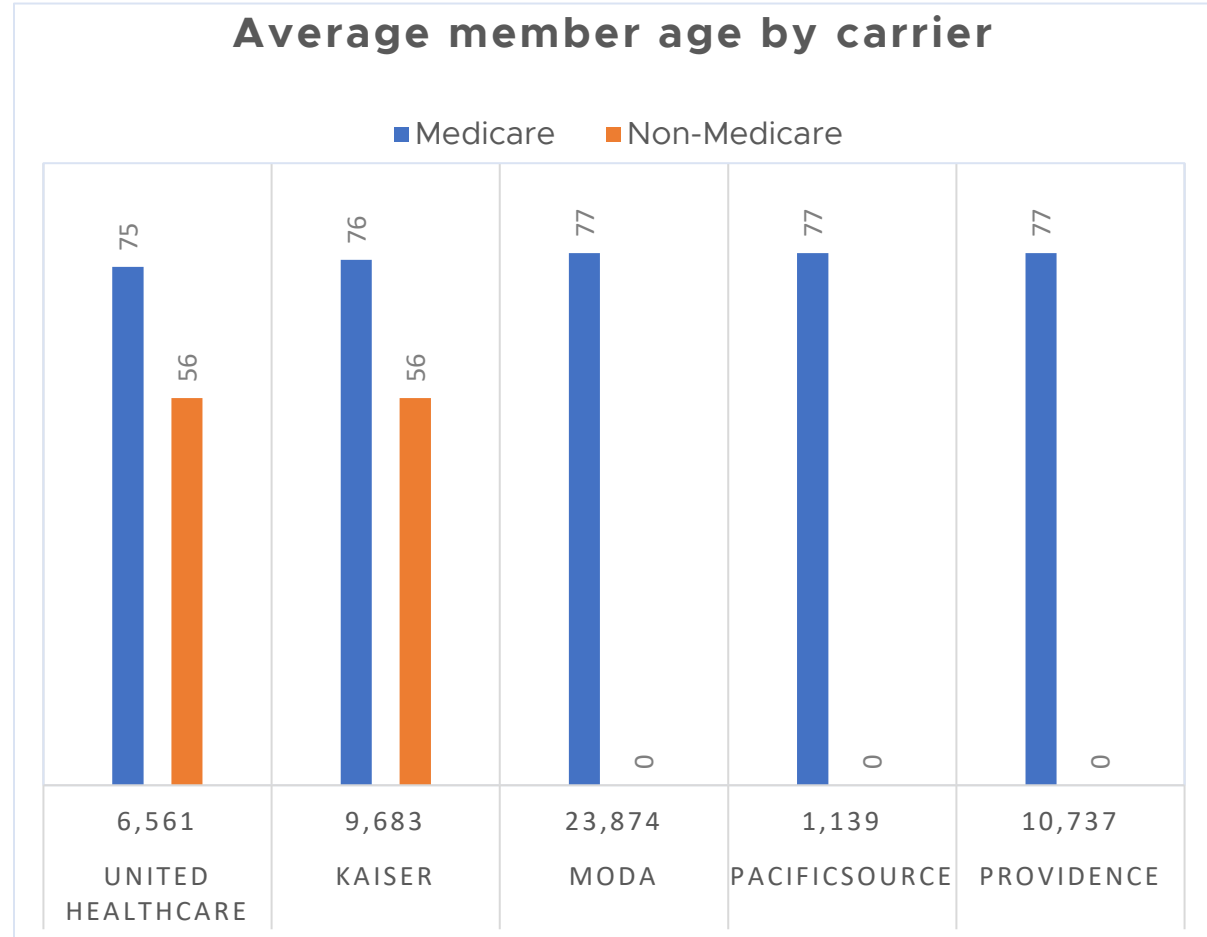
Average age for all PHIP members

**Medicare — 79 years old**

**Non-Medicare — 56 years old**

## PHIP members by carrier

United	12%
Kaiser	18%
Moda	45%
PacificSource	5%
Providence	20%



# Program funding 2023 year-end

- **Members**

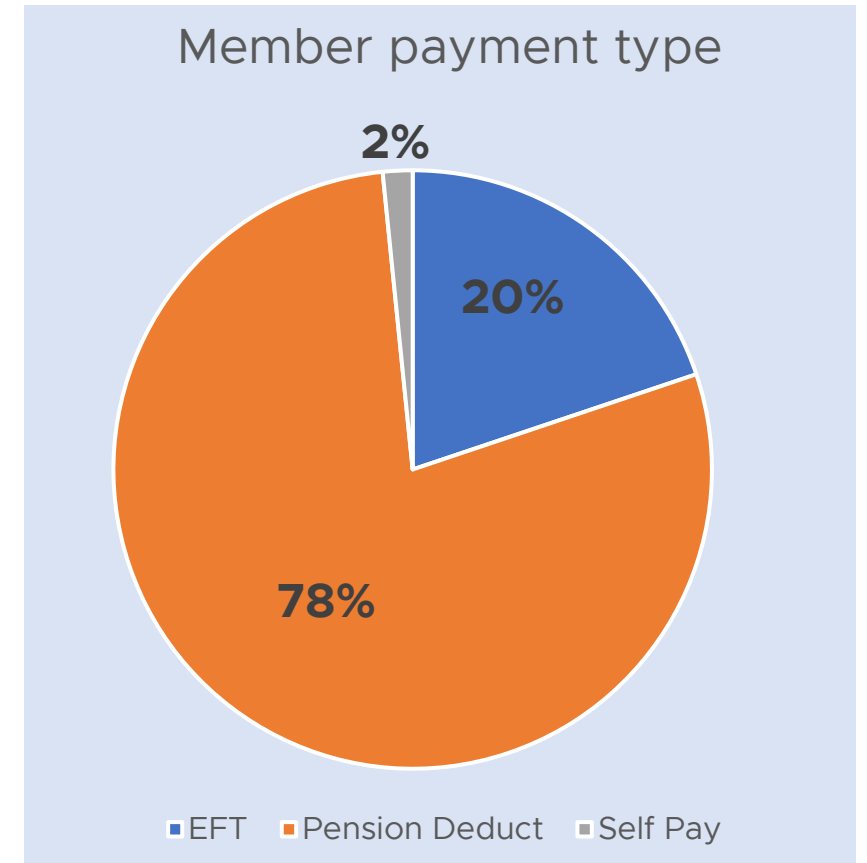
- ORS 238.410 establishes the **Standard Retiree Health Insurance Account**.
- Premiums are paid by the retirees.

- **Retiree Health Insurance Account (RHIA)**

- ORS 238.420 Medicare subsidy for eligible retirees.
- \$60/month.
- 40,731 PHIP members receiving subsidy.

- **Retiree Health Insurance Premium Account (RHIPA)**

- ORS 238.415 Pre-Medicare Insurance subsidy for eligible state employees.
- Average subsidy is \$442.44/month.
- 515 PHIP members receiving subsidy.





# Program accomplishments

## Process improvements

Aligning PHIP and PERS processes to improve member, team, and contractor experience.

- Information change request (ICR) forms
  - New process implemented between PERS Intake and Review Team and PHIP.
  - Allows member to change contact information with both PERS and PHIP at the same time.
- Automated file move requests — Send and receive reports and data from TPA
  - Updated process created by Technical Operations Support to assist PHIP in sending and receiving automated reports.
  - Improve accuracy and delivery time.
  - Fewer steps and saves time.
  - Added security with automated notification to multiple recipients.

# Looking ahead

- **Strategic planning**

- Plan design
- Maintain and grow PHIP membership
- Membership communication
- Non-Medicare considerations (PERS Board memo)

- **Request for proposal for a new third-party administrator contract**

- 2024 preparation of the transition to a new TPA contract
- 2025 transition to the new TPA contract

- **Two legislative concepts**

- Extending RHIA and RHIPA subsidies to OPSRP members
- Increasing the \$60 RHIA subsidy amount

# OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



## Thank you



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May 31, 2024

TO: Members of the PERS Board  
 FROM: Barbara Dimeling-Perris,  
 Interim PERS Health Insurance Program Manager  
 SUBJECT: PERS Health Insurance Program (PHIP) 2025 Plans and Rates

### OVERVIEW

Action: Approve the PHIP contract renewals, benefits, and rates for the 2025 plan year.

### CURRENT PHIP PLANS OFFERED

PHIP historically has contracted with six contracted health plans (CHP) for medical, dental, and prescription drug plans (PDP), allowing participants a range of provider choices while maintaining stability of the overall program. Currently, contracts that are in place are as follows:

1. Kaiser Permanente NW
  - a. Medicare Advantage - Senior Advantage HMO Plan/Part D PDP
  - b. Traditional HMO Core Value Non-Medicare Plan/PDP
  - c. \$3,000 HSA-qualified High Deductible Health Plan (HDHP) Non-Medicare Plan/PDP
  - d. DMO Dental Plan
2. Moda Health Plan
  - a. Medicare Supplement – Moda Health Medicare Supplement Plan/Part D PDP
3. Delta Dental Plan of Oregon
  - a. Indemnity Dental Plan with passive PPO
4. PacificSource Community Health Plans, Inc.
  - a. Medicare Advantage - Medicare Essentials RX 803 HMO Plan/Part D PDP
5. Providence Health Assurance
  - a. Medicare Advantage - Medicare Align Group HMO Plan/Part D PDP
  - b. Medicare Advantage - Medicare Flex Group HMO-POS Plan/Part D PDP
6. UnitedHealthcare
  - a. Medicare Advantage - Medicare Advantage PPO plan/Part D PDP
  - b. \$1,000 Deductible Core Value Non-Medicare Plan/PDP Plan
  - c. \$3,000 HSA-qualified High Deductible Health Plan (HDHP) Non-Medicare Plan/PDP

PHIP is a voluntary insurance plan where eligible members pay most, if not all, of their own premiums for the plan of their choice. In addition to the CHP premium, PERS retirees also cover

the cost of program administration. The monthly premium rates that members pay are inclusive of these costs.

### RENEWAL PROCESS

The factors influencing the 2025 plan year PHIP renewal process, include:

- Consideration of plan design and benefit improvements in response to Member Services interaction with PHIP members.
- Consideration of plan design and benefit improvements in response to interaction with CHPs.
- Consideration of plan design and benefit improvements in response to changes from Centers for Medicare and Medicaid Services (CMS) for Medicare programs, which includes the Inflation Reduction Act of 2022.

PHIP began working with our CHPs in December 2023, asking questions about potential benefit changes and the legislative and regulatory landscape. In late March 2024, CHPs communicated anticipated legislative and regulatory changes. They presented initial proposed 2025 plan year renewal rates with significant increases over the 2024 plan year, primarily driven by the Inflation Reduction Act. As of January 1, 2025, CMS implemented significant changes to the Medicare Prescription Drug Benefit (Part D) program. These changes impact not only the structure of the Part D benefit, but also subsidy payments received from CMS.

Centers for Medicare and Medicaid Services announced final revenue increases on April 1, 2024. The final call letter provided guidance on how these programs will be administered, including the new Part D \$2,000-member out-of-pocket maximum. Another change, to be implemented as of January 1, 2025, is the requirement for plans to implement the Medicare Prescription Payment Plan (M3P), which allows members to opt-in to a payment plan that spreads the cost of their drugs over a 12-month period. Lastly, the final call letter did not increase the annual growth rate from the initial call letter, which is abnormal for CMS. With the restructuring of CMS reimbursements, group health plans are seeing a shift of more premiums on their plan versus being reimbursed by CMS.

As a result of these changes the PHIP plans, in general, are experiencing increased costs associated with the coverage of prescription drugs, CHPs are receiving less CMS revenue, and CHPs are experiencing additional administrative costs. The impact of these changes has varied across CHP's and is noted in differences in premium increases.

As of January 1, 2026, the Inflation Reduction Act (IRA) will include the impact of CMS' ability to negotiate drug prices. PHIP and its partners continue to monitor these changes and how they may impact the plan offerings.

The 2025 plan year premium rate changes were finalized and outlined by type of coverage for both Medicare and non-Medicare enrollees. The submissions were reviewed by PHIP with oversight from the Chief Operations Officer and the PERS Board PHIP Liaison.

The primary benefit focus areas for the 2025 plan year renewal include:

- Ensuring that PHIP is continuing to offer high value plans to PERS retirees and members.
- Improving offerings that will benefit members.
- Implementing the changes as a result of the IRA.

## 2025 PLAN YEAR RENEWAL OVERVIEW

### *Medical*

In the 2024 plan year (PY), PHIP introduced new financial incentive programs for UHC and PacificSource. For the 2025 PY, PHIP reviewed financial incentive programs for the other CHPs as well. However, at this time we are not recommending introducing these, as these programs do not yet seem to be mature. Other supplemental programs were considered, but after evaluation of these programs, PHIP is not recommending they be added due to low value return compared to costs. PHIP will continue to evaluate potential enhancements to ensure the plan continues to provide a high-valued benefit package.

One change of note for the 2025 PY is that PacificSource decided not to provide a renewal for their PHIP Medicare Advantage Plan. PHIP discussed this decision with PacificSource, and PacificSource stated that they made the determination that the PHIP program did not align with their current market strategy. While PHIP has lost a Medicare Advantage CHP option, the remaining CHPs provide overlapping access in the counties where PacificSource held members.

### *Pharmacy*

Currently members pay an annual out-of-pocket maximum of \$5,000. In the 2025 PY, all Medicare Advantage plans will be required to reduce the out-of-pocket maximum to \$2,000. Additionally, plans must implement the Medicare Pharmacy Payment Plan. These changes result in additional claims cost and administrative expenses for the CHPs. Because of this, CHPs were asked to provide pricing for alternative pharmacy plan designs, as well as provide solutions to help mitigate cost increases associated with the IRA. PHIP reviewed and considered these changes, however, it was determined that the value proposition for these changes did not outweigh the member disruption associated with the change and additional member costs.

### *Dental*

PHIP considered a new program for disabled members for the Delta Dental plans for the 2025 PY. This program was discussed with Delta Dental, and it was determined to have a low value proposition for the PHIP membership. It is recommended that we move forward with no changes from the current offerings for the 2024 PY and reconsider this offering in the future.

## RATE STABILIZATION RESERVE DRAWDOWN

The PHIP reserves cash balance as of December 31, 2023, is approximately \$87 million, down about \$6 million from December 2022. Total annual PHIP premium across all CHPs for calendar year 2025 is expected to be roughly \$254 million.

The CHPs 2025 PY best and final rates increased compared to the 2024 PY rates due to regulatory changes directly impacting the Medicare and Part D plans and the non-Medicare experience and group size. In accordance with policy, PHIP recommends utilizing the maximum allowable rate credit to help offset costs for members.

The recommended 2025 PY rates in Attachment 1 to this memo include rate credits consistent with the agency policy up to 7%. Applying a credit to these rates limits the impact of the

regulatory changes on the member. The PERS Director and Chief Operations Officer have reviewed rates and rate credits for compliance with this policy.

#### SUMMARY OF ACTION REQUIRING BOARD APPROVAL

- PHIP will continue to contract with Kaiser Permanente NW, Providence Health Assurance, Moda Health Plan, Delta Dental Plan of Oregon, and UnitedHealthcare for medical, prescription drugs, and dental (where applicable) insurance coverage for eligible retired Medicare and non-Medicare members, spouses, and eligible dependents.
- PHIP recommends adopting the premium rates as outlined in item C.3. Attachment 1: PHIP 2025 PY Proposed Rates.

#### BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “approve the proposed PHIP contract renewals, benefits, and rates for the 2025 plan year, as presented in Item C.3. Attachment 1: PHIP 2025 PY Proposed Rates.”
2. Direct staff to make changes to these terms or explore other options.

#### STAFF RECOMMENDATIONS

Staff recommends the PERS Board approve the contract renewals, benefits, and rates for 2025 PY as presented in Attachment 1.

C.3 Attachment 1 – *PHIP 2025 PY Proposed Rate*

C.3. Attachment 2 – *PHIP Membership*





**PHIP 2025 PROPOSED RATES**  
2024 vs. 2025 Contracted Health Plan Rates

Rates not approved/finalized


Effective January 1, 2025

**SUMMARY**  
Medical/Rx and Dental Rates

	Enrollment as of April 2024	Current 2024 Rates	Proposed 2025 Rates	Percentage Change
<b>Medicare Plans</b>				
Kaiser Foundation Health Plan of the NW Medicare Senior Advantage	9,232	\$ 267.65	\$ 284.19	6.18%
Moda Health Medicare Supplement	23,938	\$ 332.38	\$ 379.03	14.04%
PacificSource Medicare Advantage Essentials Rx 803 <sup>1</sup>	1,133	\$ 267.66	N/A	N/A
Providence Health Assurance Medicare Advantage Group Align Plan + Rx	6,113	\$ 313.95	\$ 365.69	16.48%
Providence Health Assurance Medicare Advantage Group Flex Plan + Rx (HMO-POS)	4,609	\$ 218.68	\$ 306.87	40.33%
United Healthcare Group Medicare Advantage (PPO)	6,007	\$ 267.67	\$ 287.00	7.22%
<b>Non-Medicare Plans</b>				
<b>Core Value</b>				
Kaiser Foundation Health Plan of the NW Traditional Core Value Plan	253	\$ 1,047.72	\$ 1,181.20	12.74%
United Healthcare Choice Core Value Plan	314	\$ 1,367.18	\$ 1,496.73	9.48%
<b>HDHP</b>				
Kaiser Foundation Health Plan of the NW Qualified HDHP Plan	203	\$ 623.55	\$ 702.99	12.74%
UnitedHealthcare Qualified HDHP Plan	246	\$ 1,047.73	\$ 1,077.75	2.87%
<b>Dental Plans</b>				
Kaiser Foundation Health Plan of the NW Dental HMO Plan	4,478	\$ 66.84	\$ 70.14	4.94%
Delta Dental Plan of Oregon	31,955	\$ 66.85	\$ 72.36	8.24%

**Notes to Rate Sheet:**

- Rates illustrated are "Adult" only premium (retiree or spouse)
  - Child rates are calculated as a percentage of the "Adult" rate as follows:
    - Child with Medicare coverage = 80%
    - Child with non-Medicare Coverage = 30%
    - Child with dental coverage = 40%
  - The rates in "Current 2024 Rates" and "Proposed 2025 Rates" columns, include a rate credit applied to CHP best and final offer.
  - Medical / Rx Rates do not include RHIPA/RHIA subsidies or PERS Administrative fees
- <sup>1</sup> PacificSource will not provide a renewal for the 2025 PY Medicare Advantage Plan.

 <b>PHIP Membership</b> As of April 2024			
	Non-Medicare Core Value & HDHP Plans	Medicare	Totals
<b>Program Enrollment</b>			
Covered Lives	1,016	51,032	52,660
Retirees (or Surviving Spouse)	624	39,049	39,673
Spouse/Dependents	392	11,983	12,375
Average Age of Enrolled Retirees	56	76	
<b>Health Plan Membership Enrollment</b>			
<b>Medicare</b>		<b>Non-Medicare (Core Value &amp; HDHP Plans)</b>	
Kaiser	9,232	Kaiser HDHP	203
United Healthcare	6,007	Kaiser Traditional Core Value	253
Moda Medicare Supplement	23,938	United Health Care HDHP	246
PacificSource	1,133	United Health Care Choice Plus Core Value	314
Providence - Medicare Flex	4,609		
Providence - Medicare Align	6,113		
<b>Dental</b>		<b>Dental</b>	
Kaiser Dental	4,292	Kaiser Dental	186
Delta Dental	31,396	Delta Dental	559
<b>Statutory Health Insurance Premium Subsidies</b>			
Retirees Receiving Retirement Health Insurance Account (RHIA)			39,473
Retirees Receiving Retiree Health Insurance Premium Account (RHIPA)			467
RHIA Payment - \$60 Per Member Per Month (PMPM)		\$	2,368,380.00
RHIPA Monthly Payment - \$442.44 (Avg) PMPM		\$	222,751.07
Total Monthly Premium Paid to Health Plans		\$	18,330,463.12

## **A. Administration**

1. April 1, 2024 PERS Board Meeting Minutes
2. Director's Report
3. Review Board Education Policy, review of board member training activities
4. Board Governance Best Practices Survey
5. PERS Funding Policy
6. Board Scorecard Report on agency performance measures

## B. Administrative rulemaking

## **C. Action and discussion items**

1. Modernization update
2. PERS Health Insurance Plan annual update
3. 2025 Retiree Health Insurance Plan renewals and rates
- 4. 2025-27 budget development**



# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

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May 31, 2024

TO: Members of the PERS Board  
 FROM: Richard Horsford, Chief Financial Officer  
 SUBJECT: 2025-27 Budget Development

### OVERVIEW

As PERS emerges from its 77th 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, 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.

### BUDGET DEVELOPMENT ACTIVITIES

The Agency Request Budget (ARB), one of three phases of budget development for the 2025-27 biennium, is officially underway. During this first phase, the agency carefully evaluates its operations and puts forth policy package requests to improve efficiency and increase value to its members. Below is our estimated Agency Request Budget, which is approximately 11.2% above the current budget.

	2023-25 LAB	2025-27 BASE	2025-27 CSL	Policy Packages	2025-27 ARB
Operating Budget	147,065,167	146,727,391	151,596,482	9,525,327	161,121,809
CRSA Budget	30,397,427	26,297,654	0	36,131,189	36,131,189
<b>Total</b>	<b>177,462,594</b>	<b>173,025,045</b>	<b>151,596,482</b>	<b>45,656,516</b>	<b>197,252,998</b>

The agency is considering the following policy package requests for the 2025-27 budget cycle, which increases our current operating budget.

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

Final board approval of the 2025-27 ARB will occur during the PERS Board meeting on July 26, 2024.

Division	Staff	Position Re/class	Total
Central Administration	4	1	917,362
Financial Services	1	-	182,375
Information Services	1	3	4,874,394
Operations	7	1	1,171,087
Compliance, Audit, and Risk	7	-	2,380,109
Core Retirement / SB1049	9	-	1,913,189
Core Retirement / Modernization	31	-	34,218,000
<b>Policy Package Request Total</b>	<b>60</b>	<b>5</b>	<b>45,656,516</b>

Central Administration Division

- Human Resource Workload: 1 Position | \$244,766

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

- Facilities Staffing: 1 Position | \$187,342

PERS relocated the Electronic Content Management Section (ECMS) from within the Information Services Division to the Central Administration Division in the February 2024 session. This request is for one additional supervisor to oversee this team now that the previous manager has retired.

- Communications Staffing: 2 Positions, 1 Reclassification | \$485,254

This improvement package would allow the Communications Section to improve its support of agency operations and needs, making the section personnel more skilled and processes more efficient. This transitions two limited duration web developers to permanent FTE, adds a training budget to the current service level budget, and reclassifies one position that will provide the needed structure and resources to maintain and support the current communication strategy.

Financial Services Division

- Actuarial Analyst: 1 Position | \$182,375

Current actuarial staff are often called upon to manage many routine data collection tasks, causing them to rely upon external consulting actuaries to manage more complex items. This request adds a lower level staff (Operations and Policy Analyst 1) that could take on routine tasks and broaden the pool for sharing knowledge and responsibilities. This would, in turn, free up higher level resources to focus on more complex, value-added tasks.

### Information Services Division

- Software Renewals: 0 Positions | \$2,374,280

This request is for a permanent increase in funding for annual software subscriptions and dues from cloud resources consumption, and the newly implemented Member Identity Access solution. This is due to significant cost increases by vendors and technologies which are outpacing inflation.

- Reclass Package: 3 Position Reclassifications | \$52,114

The agency is requesting to update two ISS4 developer positions to align with the enterprise application development needs and one ISS6 Software Application Developer position that involves working with new technologies in the Azure Cloud, as per the agency's strategic vision. The positions are currently requested as work out of class, but they need permanent funding to support the ongoing work requirements that meet the agency Software Development Life Cycle Policy for application development.

- Managed Services: 1 Position | \$248,000

PERS is engaged in conversations with Department of Administrative Services Data Center Services to build out the timeline to transition from a co-location model to managed services. This ultimately enables PERS access to warm site capabilities, which will align with our PERS Continuity Management Plan objectives. The position needed will be a Helpdesk supervisor to manage interactions between PERS and Data Center Services as well oversee the PERS Helpdesk.

- House Bill (HB) 4045 Implementation: 0 Positions | \$2,200,000

Funding for implementation of HB 4045 and associated programming costs.

### Operations Division

- Deputy Chief Operations Officer: 1 Position | \$299,095

Due to the number of programs, sections, and projects in the Operations Division, the Chief Operations Officer has limited time to focus on strategic planning, tactical implementation, succession planning, employee engagement, directing and overseeing programs, coaching, and mentoring. This request is for one Deputy Chief Operations Officer.

- Data Services Staffing: 1 Position Reclassification | \$6,948

This request is to convert a current Retirement Counselor 1 in the Data Analysis and Reconstruction Team (DART) to a Retirement Counselor 2. The work that resulted from Senate Bill 1049, as well as other more refined or established processes, created an increase in workload for DART.

- Intake and Review Service Level : 3 Positions | \$409,494

This request is to hire two permanent Office Specialist 2 positions and one permanent Office Assistant 1. These staff will replace the need for revolving temporary staff and replace the current Retirement Counselor 1 limited duration position.

- HB 4045 Implementation: 3 Positions | \$455,550

Funding for HB 4045 implementation and three limited duration staff to help with increased workload related to manually processing retirement applications.

#### Compliance, Audit, and Risk Division

- Enterprise Risk Management Program: 2 Positions | \$1,427,427

This proposal is intended to enhance the capabilities of the agency by implementing a PERS Enterprise Risk Management Program, which ties together strategy and business plans using risk management methodologies as one of the key decision-making criteria. It also includes one position to further enhance the PERS Information Security Program.

- Policy and Compliance Service Level: 5 Positions | \$952,682

The Policy Analysis and Compliance Section (PACS) has seen an increase in workload, especially around appeals. This section has not requested staffing for many years, which has caused backlogs resulting in slower customer service. PACS also has not been able to take on additional workloads that it should be covering due to the limited resources.

#### Core Retirement Systems Applications

- Modernization: 31 Positions | \$ 34,218,000

This proposal is to secure funding to support implementation of Customer Relationship Management capabilities, implementation of new agency data infrastructure, and planning for Online Member Services portal and core pension system modernization projects in 2027-29. Staffing request is the continuation of the program's current 16 LD positions, and 15 new LD positions.

- Senate Bill (SB) 1049 Resources: 9 Positions | \$1,913,189

This request continues the agency's efforts to implement SB 1049. The request includes nine positions for various operational duties, of which three will become permanent staff of the agency, with six limited duration staff to assist with workload backlogs as the implementation efforts finish over the course of this biennia.