



OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING AGENDA

Friday
December 6, 2024
9:00 a.m.

PERS HQ
11410 SW 68th Pkwy
Portland, OR 97223

ITEM

PRESENTER

A. Administration

1. [October 4, 2024 PERS Board Meeting Minutes](#) JARAMILLO
2. [Director's Report](#) OLINECK
 - a. [Forward-looking calendar](#)
 - b. [Oregon Public Employees Retirement Fund investment report](#)
 - c. [Budget execution report](#)
3. [Board governance assignments](#) OLINECK
4. [Governor's Expectations update](#) OLINECK
5. [Board scorecard report on agency performance measures](#) RICKARD

B. Administrative rulemaking

1. [Notice of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule](#) CHANDLER, VAUGHN
2. [Second reading of Service Retirement Applications Rule](#) CHANDLER, VAUGHN
3. [Adoption of rulemaking for police officer and firefighter unit purchases and retirement eligibility](#) VU, VAUGHN
4. [Adoption of rulemaking for Reemployment of Retired Members Rule](#) VAUGHN

C. Action and discussion items

1. [Senate Bill 1049 update](#) ELLEDGE-RHODES
2. [Employer Incentive Fund update](#) WINSHIP
3. [Presentation of final legislative concepts drafts and Legislative Advisory Committee](#) CASE
4. [Financial modeling presentation](#) MILLIMAN



OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING AGENDA

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: December 6* *Audit Committee planned for post-board meeting

A.

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4. Financial modeling presentation

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING MINUTES

October 4, 2024

Board members present:

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

Staff present:

Kevin Olineck, Yvette Elledge-Rhodes, Alex Gaub, Brandon Armatas, AnneMarie Vu, Heather Case, Jake Winship, Jason Stanley, John Lockwood, Sam Paris, Scott Wilkinson, Shane Perry, Shawn Harper, Yong Yang attended in the PERS Boardroom.

Akiko Yoshida, Ben Cecka, Colin Campi, Daniel Rivas, David Larson, Debbie Foote, Erin Stutesman, Greg Gabriel, Janice Richards, Jonathan Yost, Julie Coatney, Katie Brogan, Katie Davis, Laurel Galego, Matthew Graves, Melanie Chandler, Melanie Helmick, Melissa Piezonka, Niel Jones, Pamela Foust, Elizabeth Rossman Weber, Susannah Bodman, Shawn Harper, Stephanie Vaughn, Steven Ames, and Tiffani Cairo attended virtually.

Others present:

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

Audrey Roberson, Bob Hestand, Brenda Watkins, Dave Randall, David Williams, Dedra Day, Dee-dra Kleve, E.N. Easterly, Esther Orozco, Gay Lynn Bath, Ian Peterson, Israa Al Haiani, Ivy Jones, Jacki Olson, Jake Arnold, Jamie McCreary, Jan Lewis, Janice Oya, Jennifer Jones, Jeremy Whittlesey, Joe Ebisa, John Borden, Kady Strode, Katie Kicza, Kelli Blechschmidt, Kevin Graine, Laura Shimabuku, Margaret Olney, Maurizio Bottalico, Muskan Arora, Nancy Brewer, Nate Carter, Robert Burket, Samantha Awa, Sara Collins, Shauna Tobiasson, Steven Conway, Steven Demarest, Traci Yates, Twylla Miller, Valerie Colgrove, Victor Powers, and Yuheng Zhan attended virtually.

Chair Shenoy called the meeting to order at 9:01 a.m.

ADMINISTRATION

A.1. MEETING MINUTES OF JULY 26, 2024

Vice Chair Buckley moved to approve the minutes from the July 26, 2024, PERS Board meeting as presented. Board Member Jaramillo 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 August 31, 2024, were positive, at 5.41%.

Operating expenditures for July, August, and preliminary expenditures for September are \$2,247,981, \$478,628, and \$2,762,245, respectively.

Through September 13, 2024, the agency has expended a total of \$74,472,241 or 50.6% of PERS' legislatively approved operations budget of \$147,065,167.

Olineck reviewed the meeting agenda.

No board action was required.

A.3. STRATEGIC PLAN UPDATE

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

No board action was required.

ADMINISTRATIVE RULEMAKING

B.1. NOTICE OF RULEMAKING FOR POLICE OFFICER AND FIREFIGHTER UNIT PURCHASES AND RETIREMENT ELIGIBILITY

AnneMarie Vu, Research Policy Coordinator, and Stephanie Vaughn, the Policy Analysis and Compliance Section (PACS) Manager, presented a notice of rulemaking for Police Officer and Firefighter Unit Purchases and Retirement Eligibility. Rules impacted include OAR 459-016-0100 Purchase of Units by a Police Officer or Firefighter to Provide Increased Benefits, and OAR 459-075-0200 Retirement Eligibility for Police Officer and Firefighter Members.

A rulemaking hearing will be held remotely on October 22, 2024, at 2:00 p.m. The public comment period ends October 25, 2024, at 5:00 p.m.

The rule is scheduled to be brought before the PERS Board for adoption at the December 6, 2024, board meeting.

No board action was required.

B.2. NOTICE OF RULEMAKING FOR REEMPLOYMENT OF RETIRED MEMBERS RULE

Stephanie Vaughn, the Policy Analysis and Compliance Section (PACS) Manager, presented a notice of rulemaking for Reemployment of Retired Members. Rules impacted include OAR 459-017-0060 Reemployment of Retired Members.

A rulemaking hearing will be held remotely on October 22, 2024, at 2:00 p.m. The public comment period ends October 25, 2024, at 5:00 p.m.

The rule is scheduled to be brought before the PERS Board for adoption at the December 6, 2024, board meeting.

No board action was required.

B.3. FIRST READING OF SERVICE RETIREMENT APPLICATIONS REQUIREMENTS RULES

Melanie Chandler, Research Policy Coordinator, and Stephanie Vaughn, the Policy Analysis and Compliance Section (PACS) Manager, presented a first reading of Service Retirement Application Requirements. Impacted rules include OAR 459-013-0250 Service Retirement Application Requirements, and OAR 459-075-0040 OPSRP Service Retirement Application Requirements.

The rules are scheduled to be brought before the PERS Board for adoption at the December 6, 2024, board meeting.

No board action was required.

B.4 ADOPTION OF CONTINGENCY RESERVE SUBACCOUNT RULE

Yong Yang, Tax Policy Coordinator, and Stephanie Vaughn, the Policy Analysis and Compliance Section (PACS) Manager, presented an adoption of Contingency Reserve Subaccount Rule. Impacted rules include OAR 459-005-0625 Contingency Reserve Subaccount.

A rulemaking hearing was held remotely on August 20, 2024, at 2:00 p.m. The public comment period ended August 23, 2024, at 5:00 p.m. No public comment was received.

Board Member Buckley moved to adopt the Contingency Reserve Subaccount Rule, as presented. Board Member Linneen seconded the motion. The motion passed unanimously.

B.5. ADOPTION OF DELEGATION TO DIRECTOR AND STAFF RULE

Yong Yang, Tax Policy Coordinator, and Stephanie Vaughn, the Policy Analysis and Compliance Section (PACS) Manager, presented an adoption of Delegation to Director and Staff Rule. Impacted rules include OAR 459-001-0025 Delegation to Director and Staff.

A rulemaking hearing was held remotely on August 20, 2024, at 2:00 p.m. The public comment period ended August 23, 2024, at 5:00 p.m. No public comment was received.

Board Member Jaramillo passed moved to adopt Delegation to Director and Staff Rule, as presented. Board Member Scanlan seconded the motion. The motion passed unanimously.

ACTION AND DISCUSSION ITEMS

C.1. MODERNIZATION PROGRAM UPDATE

Yvette Elledge-Rhodes, Deputy Director, presented.

Elledge-Rhodes reviewed the ongoing activities of the individual projects that make up the PERS Modernization Program. She highlighted program activities that have been completed, or are in process, since the last update to the board. Program health is in red status.

No board action was required.

C.2. UPDATE ON ANNUAL EMPLOYER AND MEMBER SATISFACTION SURVEYS

John Lockwood, Member Services Manager, Brandon Armatas, Data Services Manager, and Elizabeth Rossman Weber, Enterprise Communications Manager, presented the results of the 2024 Member and Employer Satisfaction surveys.

Overall, PERS' 2024 results for employers showed a decrease of 4.7% from last year's 87%. Overall, PERS' 2024 results for members showed a .2% increase in satisfaction in overall quality of service over 2023's 88.1%.

No board action was required.

C.3. ADOPTION OF 2025-27 EMPLOYER CONTRIBUTION RATES

Actuaries Matt Larrabee and Scott Preppernau of Milliman presented the 2025-27 employer rates for adoption.

Adoption of the proposed rates complies with the board's rate-setting principles and fulfills its statutory obligation to set employer rates for the 2025-27 biennium.

Board Member Jaramillo moved to approve the 2025-27 individual employer contribution rates as recommended by the PERS Actuary, effective July 1, 2025.

Chair Shenoy and Vice Chair Buckley were each presented gifts in honor of their service on the PERS Board. Both of their terms on the board are complete as of the October 4 PERS Board Meeting.

Board Member Jaramillo will take over as chair of the board as of the December 6, 2024 PERS Board Meeting. In addition, two new members will join the board: Bob Hestand and Kristen Connor.

Chair Shenoy adjourned the PERS Board meeting at 10:38 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.

A. Administration

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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 recognize 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 highlighted, with staff publicly acknowledged for their efforts.

Cybersecurity Our Information Security staff from the Security and Risk Section hosted four lunch-and-learn sessions for PERS staff over the course of October, which was Cybersecurity Awareness Month. Topics included:

- Phishing
- Using Strong Passwords and a Password Manager
- Updating your Software
- Turning on Multifactor Authentication

All four sessions were well attended with a lot of discussion on all topics.

On a related cybersecurity issue, the Security and Risk



Section, in collaboration with our Human Resources Section, crafted the PERS Phishing Policy that will take effect January 1, 2024. The phishing policy sets forth the requirement for all agency personnel to exhibit behaviors that reduce the risk of unauthorized access or alteration of information systems and protected, or sensitive information entrusted to the agency.

In accordance with state statutes, policies, and the collective bargaining agreement, failing to identify phishing-attempts, within a rolling 12-month period, may result in disciplinary action (based on an increasing failure rate of monthly Department of Administrative Services (DAS) Cyber Security Services phishing campaigns) for agency personnel. Management has developed communications to ensure that staff understand how this policy works, the training support available to staff, and the consequences of consistent phishing identification failures.

Manager 360s In an effort to continue to grow our management practices in alignment with the competency expectations that the state has for its managers, PERS staff were invited to participate in a

360-degree manager assessment exercise facilitated by Gallup. This survey provided insights into how peers, supervisors, and staff at PERS feel that our managers and supervisors are doing at demonstrating these competencies.

To assist in managers understanding how to leverage the information provided via these surveys, we hosted an Introduction to Competencies Webinar with a Gallup representative and then, post survey, provided a personalized one-on-one coaching session with a Gallup team member to review the survey results and identify areas of strength and weakness. We asked managers to identify one to two areas that they would like to focus on over the course of the next year.

Accomplishments

PERS Expo PERS Expo 2024 Destination: Retirement was successfully presented and hosted this past October, with live sessions starting on October 1. This is the fourth year for this virtual event. Members were able to not only learn more about their PERS benefits, but what resources and assistance PERS provides, as

well as how and when to engage with PERS while on their journey toward retirement. Additional information was provided by representatives from Oregon Savings Growth Plan (OSGP), PERS Health Insurance Program (PHIP), Voya, Social Security, and Uplift Oregon. This robust assembly of presenters, tools, and resources ensured that members, no matter where they are in their retirement journey or what their individual circumstances are, have the information and resources they need to make informed decisions.

- Attendance — more than 7,500 members to date — more than 1,900 attendees post-event.
- 67% — first time expo attendees.
- 41% — attendees planning to retire within the next three years.
- Member satisfaction — 98%, with close to 70% feeling 'confident' to 'very confident' about 'planning for their retirement.'

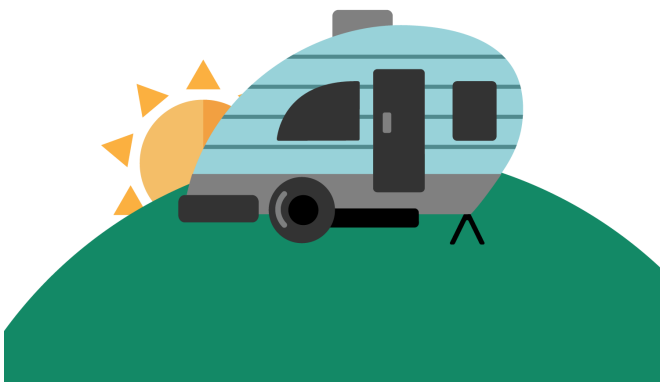
This year, artificial intelligence (AI) technology assisted attendees, guiding them and their questions to resources on the PERS website. Using pre-generated "common questions," as well as allowing members' own, over 1300 inquiries were made using the AI Concierge. A true thirst for knowledge from our members was shown, with another 1,700 additional questions being asked during the event presentations.

As with prior expo events, the information shared is available on demand and is downloadable. PERS member satisfaction with the event, the topics, and the information shared was reflected not only with attendance but with positive feedback and requests for more information and additional topics. Recognizing that, the PERS Expo planning team is already planning next year's event, building again for another successful expo.

Member comment:

I wasn't sure what to expect and did not come with a specific question, but I learned a ton and now have more specific ideas on what I need to research. Thank you!

PERS EXPO Destination: Retirement OCT 1, 2024



Publication of the PERS Annual Comprehensive

Financial Report PERS Annual Comprehensive Financial Report (ACFR) is scheduled to be published December 4, 2024. The ACFR represents a significant effort by the agency as it truly lives up to its descriptor: “comprehensive.” The agency is proud to win, for the 23rd year running, the 2024 Public Pension Standards Award for Funding and Administration related to our 2023 ACFR, as recognized by the Public Pension Coordinating Council, a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR). Additionally, for the 33rd consecutive year, we were awarded a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the 2023 ACFR.



The first PERS Popular Annual Financial Report PERS

is excited to be publishing its first ever PERS Popular Annual Financial Report (PAFR) this year, later in December. Geared more toward the general public, state agencies produce PAFRs to communicate financial information in a way that is easier to understand than what is contained in the more technical financial reports.

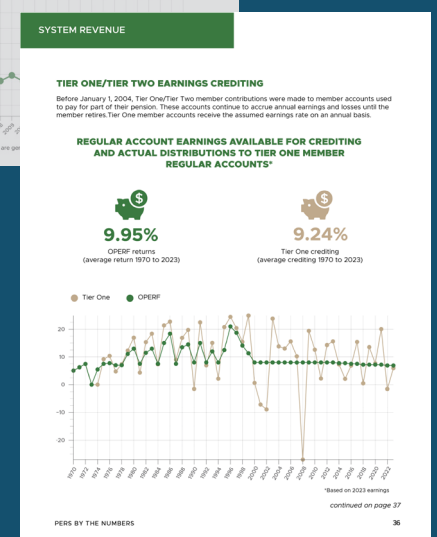
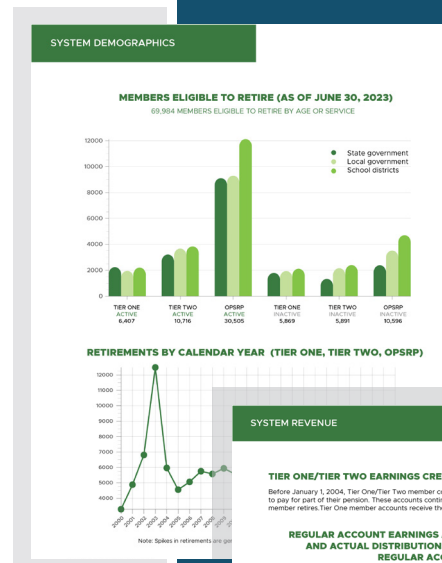
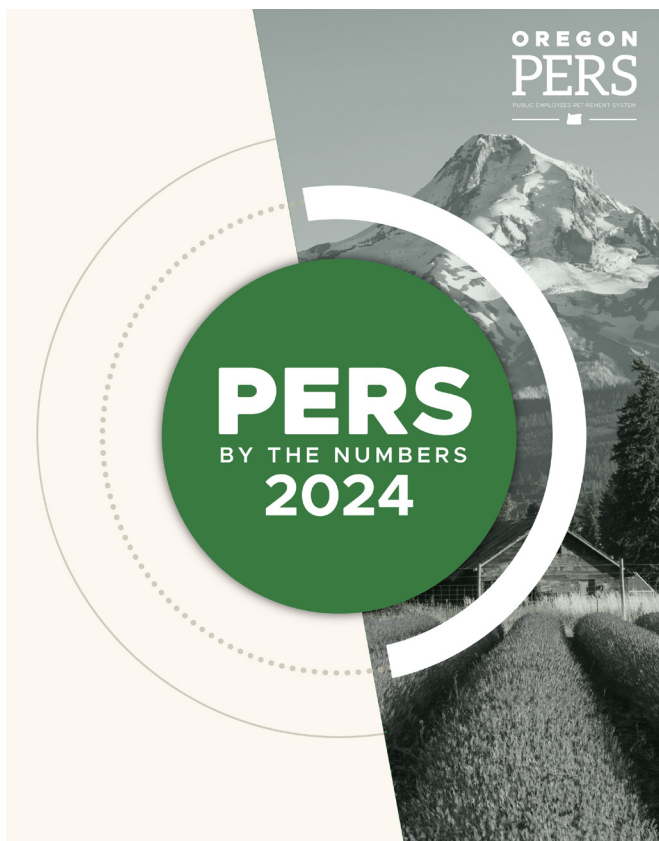
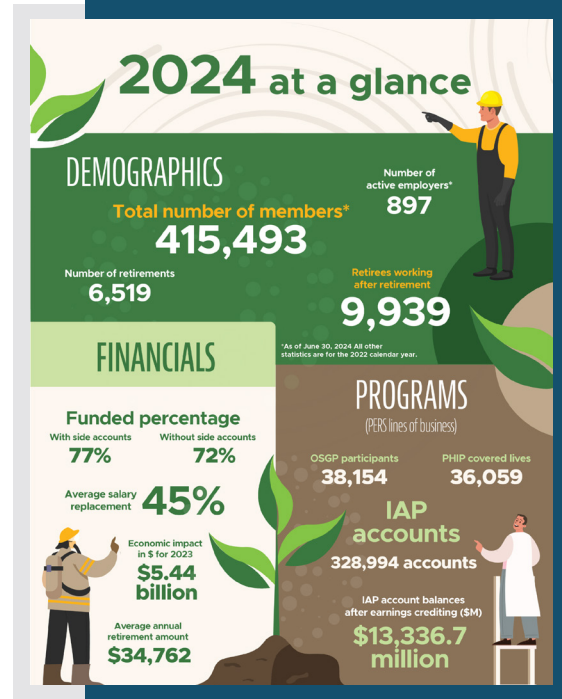
PAFRs are presented in a simple and easy-to-understand format and avoid using too many technical accounting terms and jargon. In this way, they align to the best practices and Oregon standards of using plain language in government communications. These reports are supplements to an agency’s annual comprehensive financial report (ACFR), which is a more detailed report that includes financial statements, schedules, and notes. As a companion to the ACFR, the data contained in a PAFR is consistent with the fiscal year covered by the more comprehensive report.

PAFRs also promote transparency and accountability by providing important financial information in a reader-friendly format. Because PAFRs are intended for a broad



audience, including the public and agency stakeholders who may not have a background in formal government financial reporting, the accessibility of the report is key to helping people understand the financial resources needed and utilized in running an agency.

PERS By the Numbers In 2023, we had an ambitious re-envisioning of the layout and organization of *PERS by the Numbers* (PBTN). Keeping in mind the importance of PBTN for educating stakeholders, which include the media, legislators, and PERS members, on annual updates, the Communications Section created a format that moved static information to the end of the document, to refocus attention on what changes we have seen over the course of a given year. This format also allows us to better relay trends over both the short and long term. This new layout was very well received and the 2024 PBTN builds upon that success and incorporates further changes to provide our stakeholders with an even more valuable source of PERS information. This is scheduled to be published December 20.





Charitable Fund Drive PERS staff are ardent supporters of the Oregon Employees' Charitable Fund Drive (CFD), a cross-governmental annual fundraising initiative. Staff are engaged in supporting the CFD through direct monetary pledges and other fundraising activities. By raising \$14,367 at time of publishing, we continue to be one of the top governmental fundraising entities for similar-sized organizations.

Employer communications materials In addition to working on the publications noted above, our communications staff also published the following guides to further assist our employers:

- Quick reference guide, *Detail 1 Member Demographics Fields*
- Employer reporting guide 21, *Viewing Employee Information*
- Employer reporting guide 16, *Reporting a Retirement*
- Employer reporting guide 14, *Disability Benefits*

Feedback from employers, as well as our Employer Advisory Group, has been positive regarding how these guides assist our participating employers in their jobs.

**Communications update
Updated materials**

Employer reporting guide 16,
Reporting a Retirement

- Largest, most comprehensive guide.
- For HR professionals to guide employees through every phase of PERS career — from wait time to getting their first pension check.
- Added more information: vesting estimate in OMS, Notice of Entitlement for working retiree wages.
- Updated new OPSRP Police and Fire retirement age as of January 1, 2024.



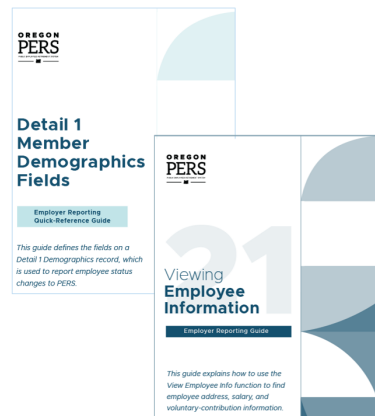
**Communications update
New materials**

Quick reference guide,
Detail 1 Member Demographics Fields

- Required fields for reporting new employee, name change, address change, and leave without pay.
- Save time by knowing which fields are required and how to fill them in.

Employer reporting guide 21,
Viewing Employee Information

- How to use View Employee Info function in EDX.
- Look up employee address, salary, or voluntary-contribution information.



PERS BOARD MEETING FORWARD-LOOKING CALENDAR

Friday, December 6, 2024*

Board governance assignments
Update on Governor's Expectations
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
PHIP Reserve Policy

Monday, March 31, 2025*

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

Wednesday, May 28, 2025, (joint meeting with Oregon Investment Council (OIC) 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, 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

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
Update on PERS annual member and employer satisfaction surveys
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*

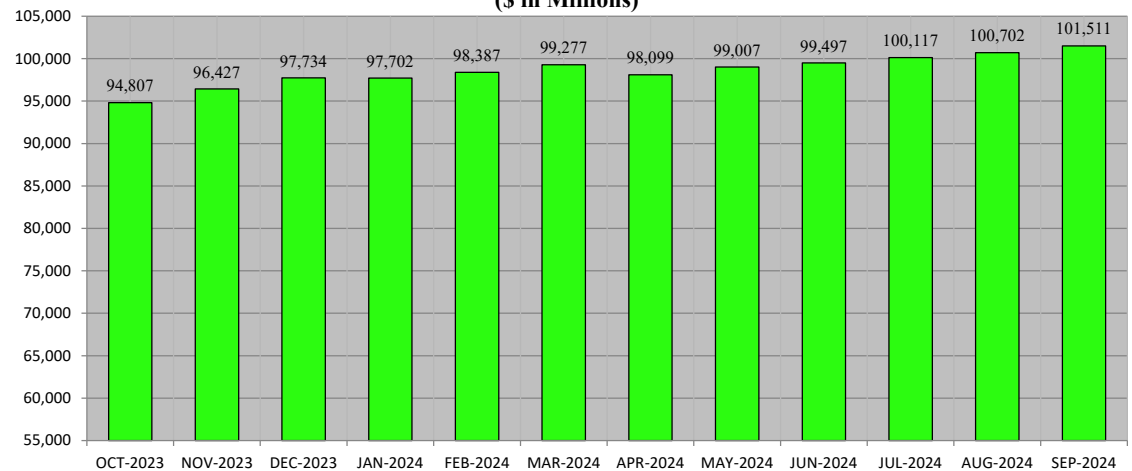
Board governance assignments
Board Scorecard Report on agency performance measures
Update on Governor's Expectations
PERS Strategic Plan update
Valuation update and financial modeling results
Adoption of actuarial equivalency factor tables

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

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
TOTAL OPERF Regular Account			\$ 96,308,871		6.11	9.55	7.62	4.83	9.34	8.17	7.83	7.61
<i>OPERF Policy Benchmark</i>					11.20	15.84	12.91	5.32	8.98	8.87	8.41	8.15
Value Added					(5.09)	(6.29)	(5.29)	(0.49)	0.35	(0.71)	(0.57)	(0.55)
<i>Oregon Reference Portfolio</i>					13.36	24.41	19.06	4.68	8.18	8.42	7.43	7.10
Public Equity	22.5-32.5%	27.5%	\$ 16,033,869	16.6%	18.24	31.02	25.81	8.70	14.06	12.24	10.03	9.59
<i>MSCI ACWI IMI Net</i>					17.83	30.96	25.44	7.44	12.45	11.87	9.85	9.20
Private Equity	17.5-27.5%	20.0%	\$ 26,847,925	27.9%	5.35	6.32	5.72	5.56	14.79	13.05	13.96	12.33
<i>Russell 3000+300 Bps Qtr Lag</i>					29.35	26.08	24.27	11.08	19.41	17.41	16.76	15.42
Total Equity	45.0-55.0%	47.5%	\$ 42,881,794	44.5%								
Fixed Income	20-30%	25.0%	\$ 22,578,796	23.4%	5.31	11.74	6.96	0.05	(0.01)	1.36	2.25	2.31
<i>Oregon Custom Fixed Income Benchmark</i>					4.45	11.57	5.97	(1.39)	(1.08)	0.41	1.52	1.69
Real Estate	9.0-16.5%	12.5%	\$ 13,179,856	13.7%	(4.47)	(7.38)	(6.87)	3.87	5.92	5.02	5.87	7.08
<i>Oregon Custom Real Estate Benchmark</i>					(8.06)	(9.99)	(10.36)	1.02	2.50	2.27	3.45	5.37
Real Assets	2.5-10.0%	7.5%	\$ 9,957,296	10.3%	7.40	12.31	8.82	12.56	13.48	10.07	7.55	5.53
<i>CPI +4%</i>					5.85	6.53	7.18	8.93	9.09	8.35	7.69	6.96
Diversifying Strategies	2.5-10.0%	7.5%	\$ 4,799,814	5.0%	5.34	4.45	5.30	9.37	9.12	3.63	1.67	2.80
<i>HFRI FOF: Conservative Index</i>					5.01	7.04	6.01	3.74	6.00	5.24	4.43	3.63
Opportunity Portfolio	0-5%	0%	\$ 2,860,342	3.0%	8.31	11.88	12.16	9.23	13.47	11.83	9.84	8.75
<i>Opportunity Custom Benchmark</i>					11.20	15.84	11.34	12.08	11.72	10.64	9.61	8.60
Cash w/Overlay	0-3%	0%	\$ 50,975	0.1%	4.35	6.05	5.42	3.37	2.60	2.49	2.49	2.03
<i>91 Day Treasury Bill</i>					4.03	5.46	4.96	3.49	2.63	2.32	2.22	1.65
Target Date Funds			\$ 4,929,766									
TOTAL OPERF Variable Account			\$ 272,470		18.14	31.30	25.68	7.74	12.77	12.17	10.18	9.56

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

(\$ in Millions)



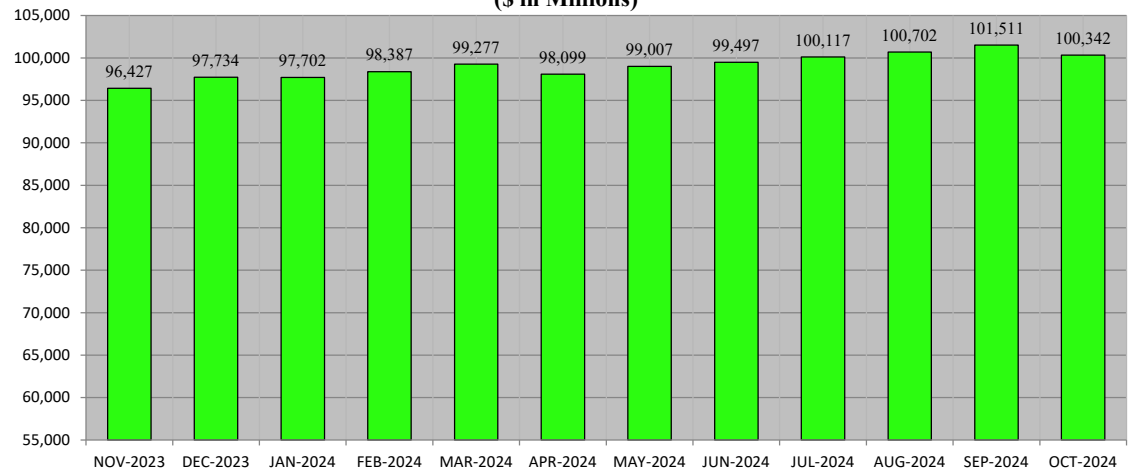
¹OIC Policy revised April 2023.

²Includes impact of cash overlay management.

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

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy ¹	Target ¹	\$ Thousands ²	Actual	Year-To-Date ³	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
TOTAL OPERF Regular Account <i>OPERF Policy Benchmark</i>			\$ 95,249,247		5.31	9.10	6.49	3.99	9.17	7.81	7.52	7.46
<i>Value Added</i>					10.36	16.81	11.62	4.37	8.84	8.43	8.10	8.02
<i>Oregon Reference Portfolio</i>					(5.06)	(7.71)	(5.12)	(0.38)	0.33	(0.63)	(0.58)	(0.56)
					10.67	24.91	15.40	2.70	7.98	7.47	6.85	6.76
Public Equity <i>MSCI ACWI IMI Net</i>	22.5-32.5%	27.5%	\$ 15,565,614	16.3%	15.78	32.14	20.33	6.68	14.01	11.22	9.35	9.27
					15.10	32.33	20.34	4.93	12.41	10.74	9.17	8.86
Private Equity <i>Russell 3000+300 Bps Qtr Lag</i>	17.5-27.5%	20.0%	\$ 26,780,251	28.1%	5.37	6.14	5.90	4.96	14.13	12.94	13.66	12.33
					32.30	30.06	26.48	11.84	19.14	17.79	16.85	15.68
Total Equity	45.0-55.0%	47.5%	\$ 42,345,865	44.5%								
Fixed Income <i>Oregon Custom Fixed Income Benchmark</i>	20-30%	25.0%	\$ 22,035,403	23.1%	3.07	10.60	6.26	(0.64)	(0.43)	0.89	1.92	2.04
					1.86	10.55	5.33	(2.20)	(1.58)	(0.12)	1.14	1.37
Real Estate <i>Oregon Custom Real Estate Benchmark</i>	9.0-16.5%	12.5%	\$ 13,263,868	13.9%	(4.47)	(7.21)	(6.91)	3.32	5.87	5.04	5.82	6.91
					(8.05)	(9.35)	(10.41)	0.33	2.48	2.20	3.37	5.37
Real Assets <i>CPI +4%</i>	2.5-10.0%	7.5%	\$ 9,873,891	10.4%	7.20	8.98	8.77	12.07	13.52	10.06	7.58	5.71
					6.32	6.69	7.03	8.67	9.11	8.32	7.72	6.99
Diversifying Strategies <i>HFRI FOF: Conservative Index</i>	2.5-10.0%	7.5%	\$ 4,801,735	5.0%	5.39	3.50	2.49	9.22	9.39	3.84	1.61	2.78
					5.15	7.64	5.85	3.56	5.95	5.23	4.33	3.74
Opportunity Portfolio <i>Opportunity Custom Benchmark</i>	0-5%	0%	\$ 2,904,513	3.0%	8.80	12.95	13.05	8.85	13.22	11.74	9.89	8.84
					10.36	16.81	10.47	11.34	11.38	10.33	9.44	8.50
Cash w/Overlay <i>91 Day Treasury Bill</i>	0-3%	0%	\$ 23,972	0.0%	4.75	5.97	5.53	3.52	2.69	2.52	2.53	2.06
					4.43	5.39	5.08	3.63	2.72	2.36	2.27	1.69
Target Date Funds			\$ 4,826,535									
TOTAL OPERF Variable Account			\$ 265,970									
					15.41	32.69	20.56	5.23	12.72	11.04	9.49	9.22

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



¹OIC Policy revised April 2023.

²Includes impact of cash overlay management.

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



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December 6, 2024

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

2023-25 OPERATING BUDGET

Operating expenditures for September, October, and preliminary expenditures for November are \$5,318,992, \$11,055,683, and \$5,392,555 respectively. Final expenditures for November will close in the Statewide Financial Management System on December 13 and will be included in the January 2025 report to the board.

- Through November 17, 2024, the agency has expended a total of \$96,230,003 or 65.4% of PERS' legislatively approved operations budget of \$147,065,167.
- At this time, the agency's projected variance is \$6,030,027 or 4.1%.
- Core Retirement Systems Applications (CRSA) expenditures for September, October, and preliminary expenditures for November are \$1,027,191, \$429,690 and \$3,198,498 respectively. As of November 17, the agency has expended \$13,854,887 or 45.6% of the legislatively approved budget of \$30,397,427.
- At this time, the CRSA projected variance is \$4,386,085 or 14.4%.

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 November 17, 2024 are \$8,992,510,810.

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

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

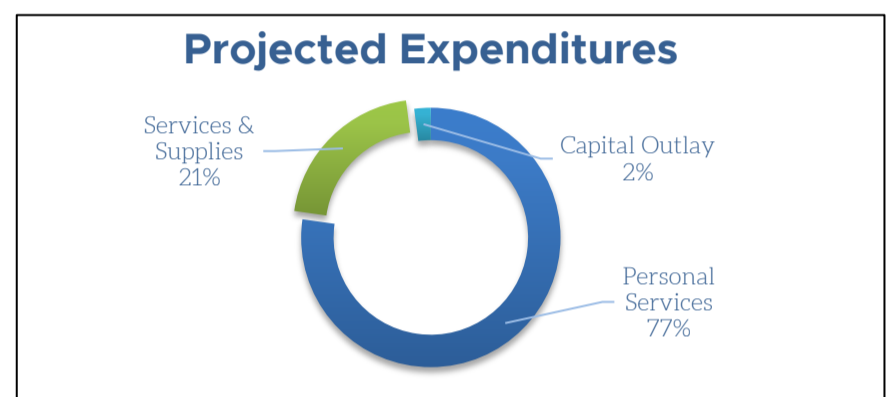
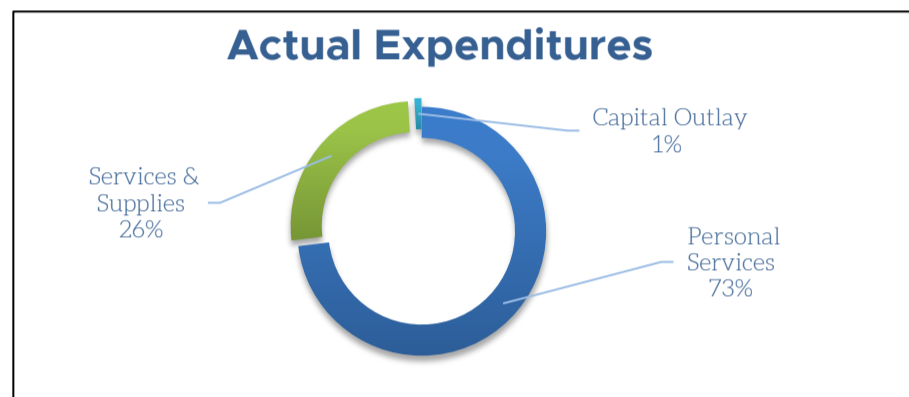
PERS Monthly Budget Report

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

Limited - Operating Budget

2023-25 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2023-25 LAB	Variance
Personal Services	70,338,050	35,377,208	105,715,258	109,656,430	3,941,172
Services & Supplies	25,012,915	9,485,380	34,498,295	36,267,336	1,769,042
Capital Outlay	879,038	941,000	821,588	1,141,401	319,813
Total	96,230,003	45,803,587	141,035,141	147,065,167	6,030,027



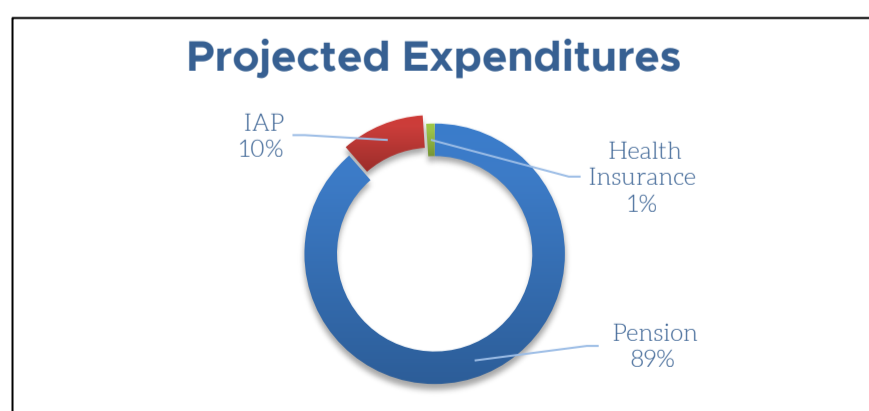
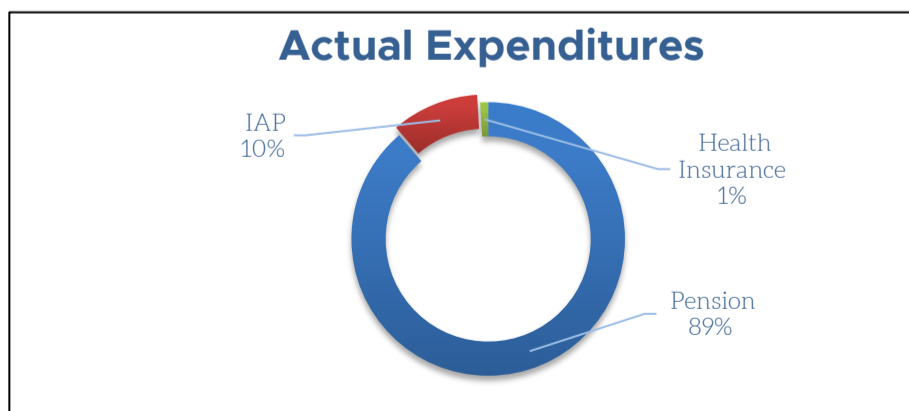
Monthly Summary

Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	4,379,507	4,538,349	158,842	4,137,532	5,053,887
Services & Supplies	796,765	825,663	28,898	1,471,348	1,355,054
Capital Outlay	216,284	224,128	7,844	51,708	134,429
Total	5,392,555	5,588,140	195,584	5,660,588	6,543,369

Non-Limited Budget

2023-25 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	7,977,369,836	3,964,149,033	11,941,518,869	11,823,032,167	(118,486,702)
IAP	930,627,474	465,601,898	1,396,229,372	1,482,829,663	86,600,291
Health Insurance	84,513,501	56,166,985	140,680,486	217,258,687	76,578,201
Total	8,992,510,810	4,485,917,917	13,478,428,728	13,523,120,517	44,691,790



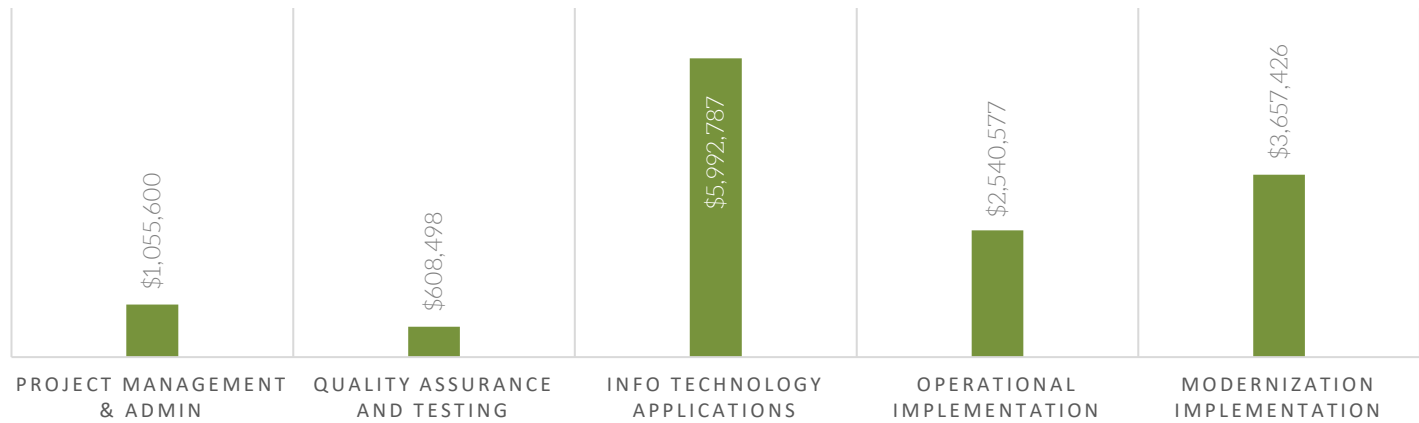
Core Retirement Systems Application

Summary Budget Analysis Preliminary for the Month of November 2024

Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2023-25 LAB	Variance
Personal Services	3,517,366	3,115,122	6,632,488	7,559,057	926,569
Services & Supplies	10,337,521	9,041,332	19,378,853	22,838,370	3,459,517
Capital Outlay					
Total	13,854,887	12,156,454	26,011,342	30,397,427	4,386,085

EXPENDITURES BY PACKAGE



EXPENDITURES BY PROJECT



A.

A. Administration

1. October 4, 2024 PERS Board Meeting Minutes
2. Director's Report
- 3. Board governance assignments**
4. Governor's Expectations update
5. Board scorecard report on agency performance measures

B. Administrative rulemaking

1. Notice of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule
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4. Adoption of rulemaking for Reemployment of Retired Members Rule

C. Action and discussion items

1. Senate Bill 1049 update
2. Employer Incentive Fund update
3. Presentation of final legislative concepts drafts and Legislative Advisory Committee
4. Financial modeling presentation

Proposed PERS Board Governance Assignments

December 6, 2024

Bob Hestand	Audit and Risk Committee
Kristen Connor	
Suzanne Linneen	Audit and Risk Committee (Chair) Employer Advisory Group
John Scanlan	Board Vice Chair Retiree Health Insurance (PHIP) Liaison
Jardon Jaramillo	Board Chair Audit and Risk Committee

A.

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December 6, 2024

TO: Members of the PERS Board
 FROM: Kevin Olineck, Director
 SUBJECT: Governor's Expectations Update

BACKGROUND

When Governor Kotek took office, she sent a letter to Executive Branch agencies with a series of expectations for state agency leaders. She also tasked the Department of Administrative Services (DAS) with creating the infrastructure and oversight for agencies to meet these performance measures. DAS created a Strategic Initiatives and Enterprise Accountability Section in response to these expectations. They recently set up a dashboard where interested parties can track both overall and agency specific results:

<https://www.oregon.gov/das/strategy/Pages/agency-performance.aspx>.

Attachment 1 is the PERS specific update document that illustrates that PERS is in compliance with all fourteen categories. This update will be provided on an annual basis to assure the board that we continue to meet the Governor's expectations.

No board action is required.

A.3. Attachment 1 – *PERS Governor's Expectations Update Document*



OREGON AGENCY GOVERNOR EXPECTATIONS 2024

2024 Timeline:

- **May 31, 2024:** Submit Audit recommendation status report
- **June 1, 2024:** Strategic Plans (incorporating DEI plans) submitted to DAS Strategic Initiatives Office
- **Sept 30, 2024:** Update COOP Plans in Veoci Software
- **Nov 30, 2024:** Submit audit recommendation status report
- **Dec 31, 2024:** Update IT Strategic Plan and submit to EIS
Update Succession Plan and submit to DAS CHRO
Complete Gallup Employee Satisfaction Survey
- **Feb 1, 2025:** Submit Gallup Employee Satisfaction Survey results to DAS CHRO
- Per quarterly schedule: Director 360 Reviews

Accountability Measure	Tools/Resources	Agency Actions Due	Frequency	PERS Status
DIRECTOR 360 REVIEWS lucy.garner@das.oregon.gov	DAS price agreement/template on Strategic Initiatives Website .	According to Schedule and guidance outlined by CHRO,	Every two years	Next review June 2025.
PERFORMANCE FEEDBACK FOR EMPLOYEES brandy.meng@das.oregon.gov	DAS – CHRO - Performance Accountability & Feedback Resources – https://www.oregon.gov/das/HR/Pages/PAF.aspx . DAS - CHRO - Creating a Check-in using Workday – https://www.oregon.gov/das/HR/Documents/Talent_Create%20Check-In.pdf . DAS - CHRO - Creating Goals in Workday – https://wd5.myworkday.com/oregon/email-universal/inst/25755\$1433/rel-task/2998\$40834.html .	Maintain 90% compliance.	Quarterly check-ins by all managers	September 30, 2024 PAF's – 100%
MEASURING EMPLOYEE SATISFACTION lisa.b.hylton@das.oregon.gov	DAS has a price agreement with Gallup. Buyers guide template (oregon.gov). CHRO will help create action plans as needed.	Complete survey by December 31, 2024, and submit scores to DAS by February 1, 2025.	Annually	Survey conducted November 4 - 18, 2024
STRATEGIC PLANNING Rosa.Klein@das.oregon.gov	DAS vendor price agreements and templates posted on Strategic Initiatives Website .	Agencies with existing strategic	Every three years	Submitted 2023.



OREGON AGENCY GOVERNOR EXPECTATIONS 2024

		plans submitted a summary and uploaded their plan by December 31, 2023. Agencies starting new Strategic Plans will submit them by June 1, 2024.		Strategic Plan update submitted after the October 4, 2024 board meeting.
MANAGING IT PROCESSES scott.emry@das.oregon.gov	EIS will provide assistance through vendors and Assistant State CIOs and templates. Agencies can access resources here: https://www.oregon.gov/das/OSCIO/Documents/EISAgency-IT-Strategic-Plan-Template-and-Guide.pdf .	Agencies with 50 or more FTE will complete or update plan by December 31, 2024 .	Annually – or as defined within the agency’s IT Governance Policy	IT Strategic Plan approved by EIS April, 2024.
SUCCESSION PLANNING FOR THE WORKFORCE Katie.j.curtis@das.oregon.gov	DAS has developed a succession planning toolkit available at: https://www.oregon.gov/das/hr/pages/success-plan.aspx .	Complete or update plan and submit to CHRO by December 31, 2024.	Annually	Succession Plan to be submitted December, 2024.
DIVERSITY, EQUITY AND INCLUSION PLANS (INCLUDING AFFIRMATIVE ACTION PLAN) melinda.gross@das.oregon.gov	Oregon DEI Action Plan: DEI Action Plan 2021.pdf (oregon.gov) . Guidance for agencies: Affirmative Action workshop (oregon.gov) .	DEI plans that are combined with Agency Strategic Plans are due to be completed by June 1, 2024.	DEI update due 2026 (affirmative action plans updated annually)	DEI Action Plan submitted June, 2024. AAP submitted July, 2024.
AGENCY EMERGENCY PREPAREDNESS bobbi.mcallister@oem.oregon.gov	Oregon Emergency Management has developed a Continuity of Operations Plan Toolkit available at: coop.oregon.gov .	Update initial plan in Veoci Software by September 30, 2024.	Update annually	CMP updated September, 2024.
AGENCY HIRING PRACTICES katie.matysik@das.oregon.gov	Guidance Document on Strategic Initiatives site .	Meet target of 50 days to fill positions by June 1, 2023.	DAS CHRO will pull reports quarterly & send to agencies	Q3 2024 = 49 days Vacancy rate 6.9%.



OREGON AGENCY GOVERNOR EXPECTATIONS 2024

<p>AUDIT ACCOUNTABILITY jessica.k.butler@das.oregon.gov</p>	<p>Guidance document and forms on Strategic Initiatives website.</p>	<p>Agencies report on audit recommendation status.</p>	<p>Biannually: May 31 and November 30</p>	<p>Submitted November 2024.</p>
<p>NEW EMPLOYEE ORIENTATION brandy.meng@das.oregon.gov</p>	<p>Guidance Document on Strategic Initiatives site.</p>	<p>Agencies must be able to demonstrate all employees are participating within 60 days of hire.</p>	<p>Ongoing</p>	<p>100% compliant.</p>
<p>INTRODUCTORY MANAGER TRAINING brandy.meng@das.oregon.gov</p>	<p>Foundational management training available in Workday Learning. Guidance is here.</p>	<p>Agencies must ensure managers new to managing in state government complete training within 4 months.</p>	<p>Ongoing</p>	<p>100% compliant (six of six managers took training).</p>
<p>CUSTOMER SERVICE TRAINING brandy.meng@das.oregon.gov</p>	<p>DAS enrolls all new employees in required Customer Service Training as outlined here.</p>	<p>All new employees complete training.</p>	<p>Ongoing</p>	<p>100% compliant.</p>
<p>UPLIFT OREGON BENEFITS WORKSHOP brandy.meng@das.oregon.gov</p>	<p>Uplift Oregon has provided training available in Workday Learning. Resources for Agencies - Uplift Oregon.</p>	<p>Agencies must incorporate Uplift into onboarding and ensure all new employees complete the workshop within 30 days of hire.</p>	<p>Ongoing</p>	<p>100% compliant.</p>

A.

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December 6, 2024

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

OVERVIEW

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 third quarter 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 have been a couple of measures added, and we have a couple more measure revisions and additions currently being evaluated with measure owners. We will continue to keep the board informed of our progress towards updating measures.

REPORT HIGHLIGHTS

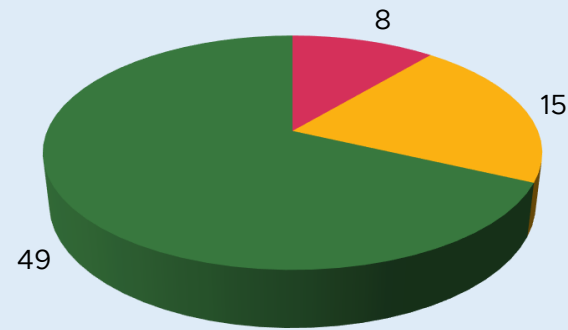
- Five of the eight measures are performing in the green ranges.
- There have been eighteen consecutive quarters in the green range for both Benefit Estimates Completed and Eligibility Reviews Completed.
- Fourteen of the last fifteen quarters are in the green range for Accuracy of Calculations.
- System Uptime has been in the green range nine of the ten previous quarters.
- Call Wait Time is out of the red range for the first time in nearly two years.
- Recruitment is back in the green range for the second time in the last year.

The next report will be presented at the May 30, 2025 meeting, showing the scorecard results for the first quarter 2025.

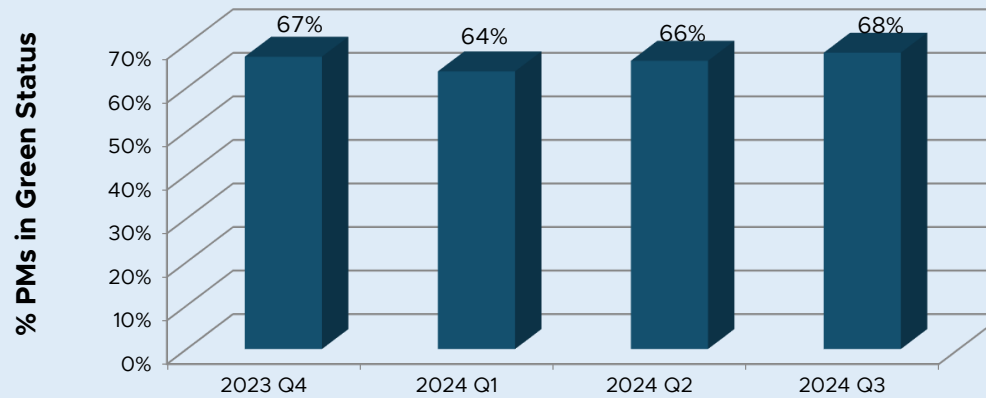
A.5 Attachment 1 – *Board Scorecard Report for Third Quarter 2024*

2024-Q3 Overall Performance (Quarter ending September 2024)

Outcome & Process Measure Performance

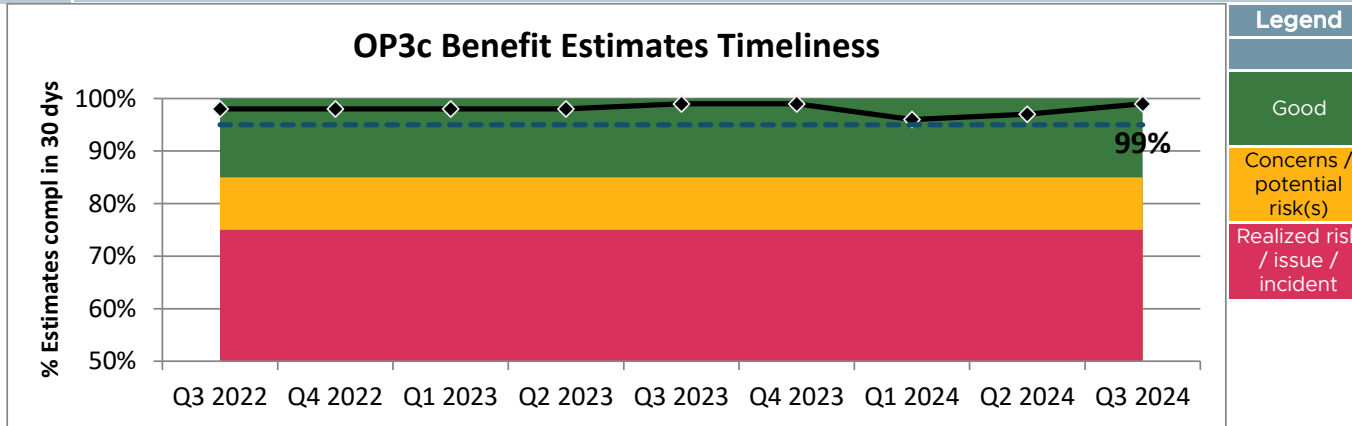


Quarterly Green Performance

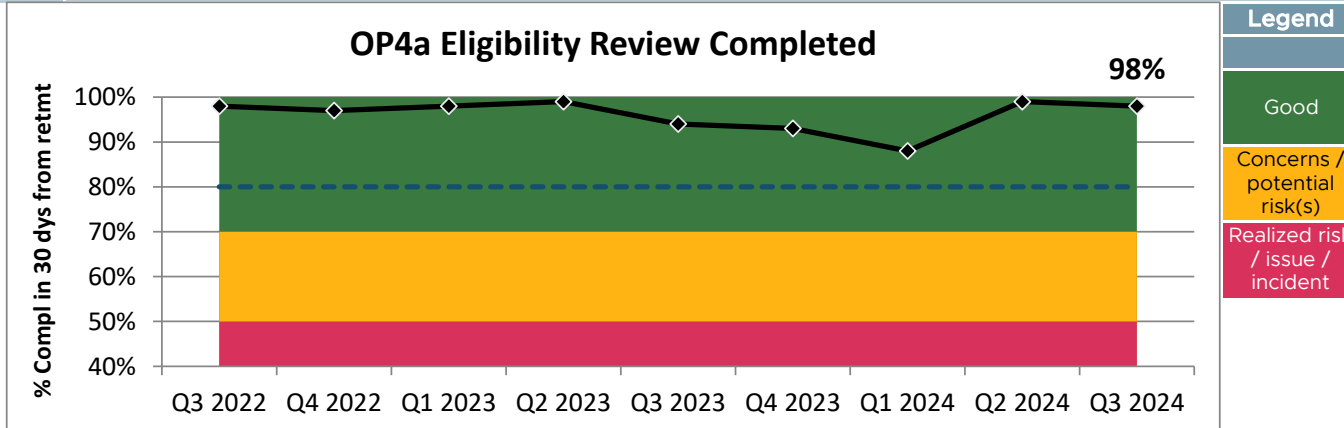


PERS Board Scorecard Report: 2024-Q3 and historic performance

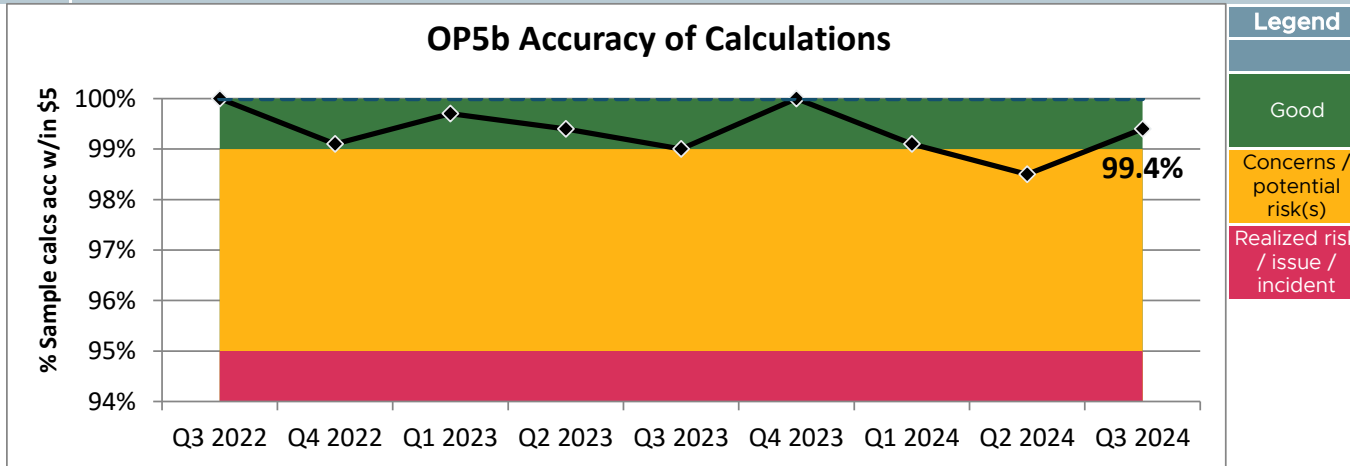
	Measure name	Measure calculation	Target	CY 2023			CY2024		
				Q2	Q3	Q4	Q1	Q2	Q3
OP3c	Estimate KPM	% of estimate requests completed within 30 days of receipt.	95%	98.0%	99.0%	99.0%	96.0%	97.0%	99.0%
Comment / Corrective Action:									



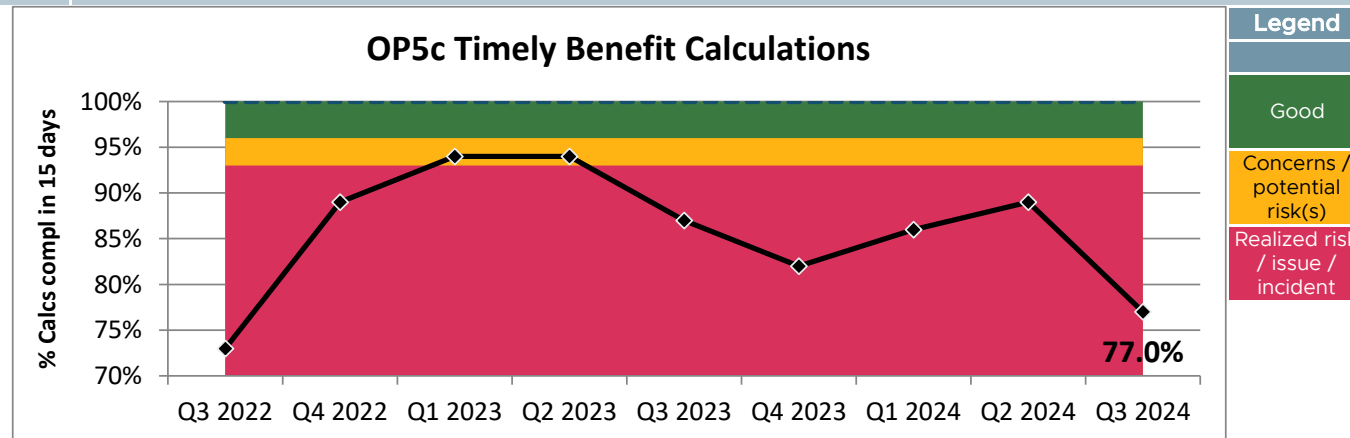
	Measure name	Measure calculation	Target	CY 2023			CY2024		
				Q2	Q3	Q4	Q1	Q2	Q3
OP4a	Eligibility review completed	% of eligibility analysis completed within 30 days of the effective retirement date.	80%	99.0%	94.0%	93.0%	88.0%	99.0%	98.0%
Comment / Corrective Action:									



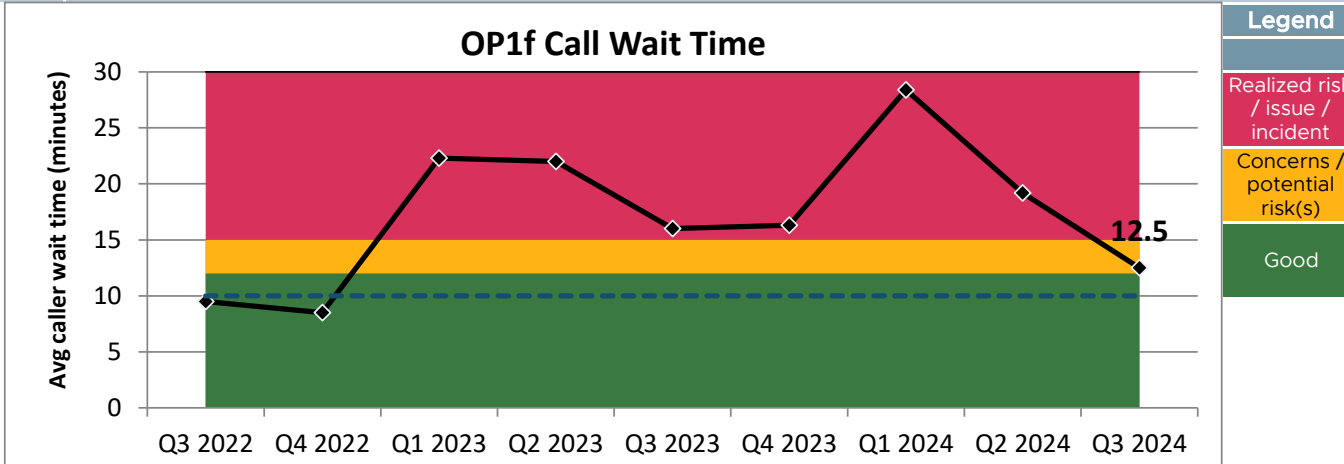
	Measure name	Measure calculation	Target	CY 2023			CY2024		
				Q2	Q3	Q4	Q1	Q2	Q3
OP5b	Accuracy of calculations	% of sample calculations that are accurate within plus or minus \$5	100%	99.4%	99.0%	100.0%	99.1%	98.5%	99.4%
Comment / Corrective Action:									



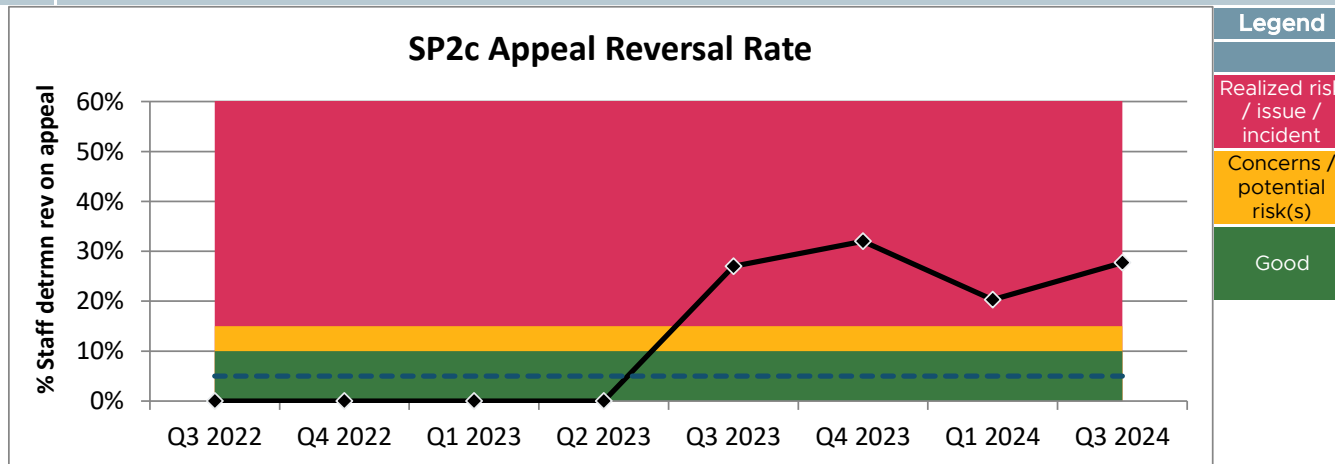
	Measure name	Measure calculation	Target	CY 2023			CY2024		
				Q2	Q3	Q4	Q1	Q2	Q3
OP5c	Timely benefit calculations	% of calculations completed within 15 calendar days from completed application date	100%	94.0%	84.0%	82.0%	86.0%	89.0%	77.0%
Comment / Corrective Action:		July ERD high volume. Training two RC employees. Additional employees needed for 238 inceptions.							



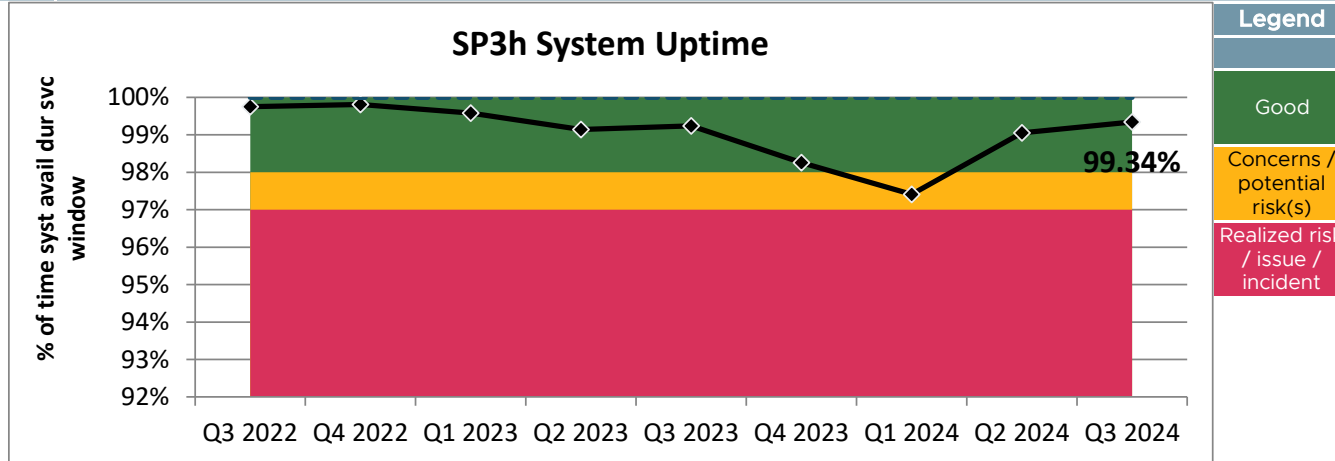
	Measure name	Measure calculation	Target	CY 2023			CY2024		
				Q2	Q3	Q4	Q1	Q2	Q3
OP1f	Call wait time	Average length of wait before caller reaches live person	10 minutes	23.2	16.0	16.3	28.4	19.2	12.5
Comment / Corrective Action:		With more RC1s now on the phones, we were able to get handle more members expeditiously							



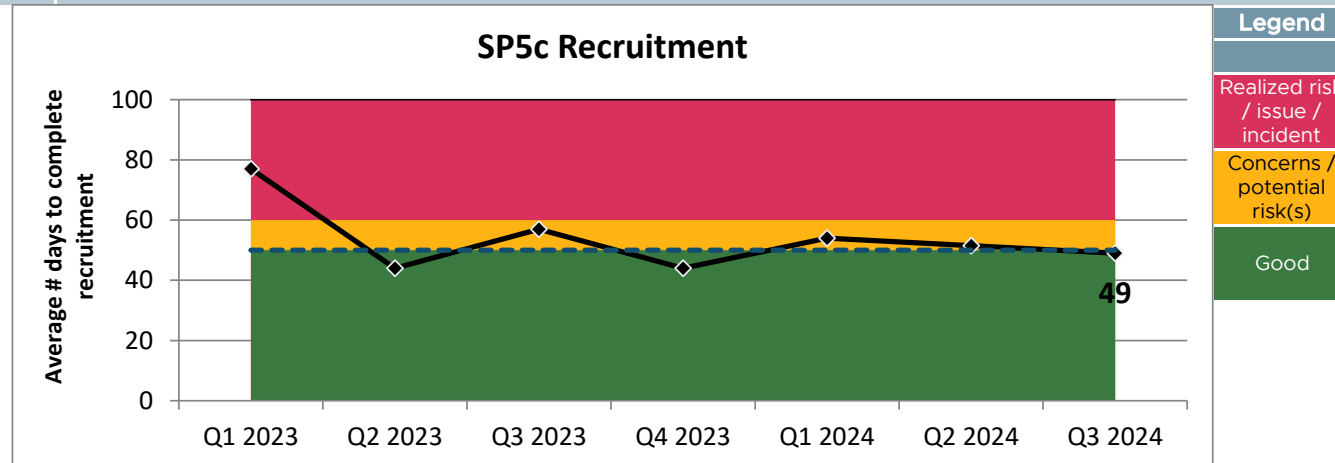
	Measure name	Measure calculation	Target	CY 2023			CY2024		
				Q2	Q3	Q4	Q1	Q2	Q3
SP2c	Appeal reversal rate	% of staff determinations that are reversed on appeal	5%	n/a	27.0%	32.0%	20.3%	n/a	27.7%
Comment / Corrective Action:		27 decisions in the quarter; 2 disability approvals by staff; 1 disability reversal by ALJ; 4.5 non-disability reversals							



	Measure name	Measure calculation	Target	CY 2023			CY2024		
				Q2	Q3	Q4	Q1	Q2	Q3
SP3h	System uptime	% of time systems are available during the service window	100%	99.1%	99.2%	99.3%	97.4%	99.1%	99.3%
Comment / Corrective Action:		447 minutes of downtime, all due to long batch runs							



	Measure name	Measure calculation	Target	CY 2023			CY2024		
				Q2	Q3	Q4	Q1	Q2	Q3
SP5c	Recruitment	Average number of days for recruitment (from requisition to offer)	50	44	57	44	54	51	49
Comment / Corrective Action:									



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December 6, 2024

TO: Members of the PERS Board

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

SUBJECT: Notice of Rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule:

OAR 459-076-0045 Cessation of Disability Benefits Upon Reaching Normal Retirement Age

OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Clarify how PERS administers the transition from disability benefits to retirement benefits for OPSRP members.
- Policy Issue: None identified.

BACKGROUND

While both the Chapter 238 pension program (for Tier One and Tier Two members) and the OPSRP pension program (for OPSRP members) both provide disability benefits, the structure of the benefits differs between the two pension programs. Under the Chapter 238 pension program, a member who is approved for disability receives a disability retirement that is calculated in the same manner as a service retirement. Like a service retirement, the member receives this disability retirement for life, assuming they continue to be disabled. Conversely, the disability benefit provided under the OPSRP pension program is a separate and distinct benefit from a service retirement. Instead of a formula benefit, it is calculated as 45% of the member's last monthly salary and is paid until the member reaches normal retirement age, assuming the member continues to be disabled. At normal retirement age, the disability benefit ends and the member must apply for a service retirement.

The OPSRP disability administrative rules were put in place when the OPSRP pension program was established in 2004. Now that the program has matured and members are beginning to reach normal retirement age, staff have been working more closely with the rules and have identified that the current rule regarding cessation of OPSRP disability benefits contains outdated and redundant language. In response, the rule has been amended to reflect up-to-date application norms as well as clarifying language for ease of understanding.

Finally, the current rule language only operates as intended when a member's birthday is other than the first of the month. A member whose birthday is the first of a month is eligible for service retirement on their birthday; whereas members whose birthdays are not the first of the month are not eligible for service retirement until the first of the month following their birthday. Both disability benefits and service retirement benefits are paid in arrears. Under the current language, a member who is receiving a disability benefit and has a birthday on the first of the month will receive their last disability benefit on the first of the following month, but if they retire for service on their birthday, they will also receive their first service retirement benefit on the first of the following month. To avoid this double payment scenario, the rule has been amended to clarify that, for members whose birthdays are the first of a month, the last disability benefit they are entitled to receive will be the disability benefit payable on their birthday.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held remotely on December 17, 2024, at 2:00 p.m. The public comment period ends December 27, 2024, at 5:00 p.m.

LEGAL REVIEW

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

IMPACT

Mandatory: No.

Benefit: Updates the rules to reflect current agency practice and provides clarification for members.

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

RULEMAKING TIMELINE

December 1, 2024	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
December 1, 2024	Secretary of State publishes the Notice in the Oregon Administrative Rules Database. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
December 6, 2024	PERS Board notified that staff began the rulemaking process.
December 17, 2024	Rulemaking hearing to be held remotely at 2:00 p.m.
December 27, 2024	Public comment period ends at 5:00 p.m.
January 31, 2025	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

A rulemaking hearing will be held remotely on December 17, 2024. The rule is scheduled to be brought before the PERS Board for adoption at the January 31, 2025, board meeting.

B.1. Attachment 1 – OAR 459-076-0045

*Cessation of Disability Benefits Upon Reaching Normal
Retirement Age*

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 076 – OPSRP DISABILITY BENEFIT**

1 **459-076-0045**

2 **Cessation of Disability Benefits Upon Reaching Normal Retirement Age**

3 (1) If a member who is receiving an OPSRP disability benefit reaches normal
4 retirement age, as defined in ORS 238A.160, **their last** disability benefit[s] will **be paid**
5 **[cease as of] on** the first of the following month **unless the member reaches normal**
6 **retirement age on the first of a month, then their last disability benefit will be paid**
7 **on that day.**

8 (2) The disability benefit will not automatically convert to a retirement benefit upon
9 the member reaching normal retirement age. The member must apply for service
10 retirement benefits before receiving them. In order to receive a service retirement benefit
11 *[beginning in the month in which a disability benefit ceases under section (1) above]*, the
12 member must:

13 (a) Complete the applicable Service Retirement application(s); and
14 (b) Submit the application(s) to PERS *[at least 92 days]* before the first of the month
15 in which the *disability benefit ceases under section (1)* **member wishes to commence**
16 **service retirement benefits.** In no case will a service retirement benefit become payable
17 during a month in which a member receives a disability benefit *[or earlier than the first*
18 *of the month in which an application was submitted]*.

19 (3) The OPSRP retirement pension benefit will be based on:

20 (a) The adjusted salary as set forth in section (4) of this rule; and
21 (b) The total retirement credit accrued, set forth in section (5) of this rule.

1 (4) The salary the member was receiving immediately prior to leaving active
2 employment as a result of disability will be adjusted for the cost-of-living for each year
3 after the member left employment and before the member’s effective date of service
4 retirement.

5 (a) Cost-of-living adjustments will be based on the Consumer Price Index for All
6 Urban Consumers, West Region (All Items), as published by the Bureau of Labor
7 Statistics of the United States Department of Labor and may not exceed a two percent
8 increase or decrease for any year.

9 (b) Cost-of-living adjustments will be made only for calendar years in which the
10 member received an OPSRP disability benefit for at least six months during a calendar
11 year.

12 (5) Retirement credit. A member receiving OPSRP disability benefits will accrue
13 retirement credit, as well as hours of service credit toward vesting, for the entire period of
14 disability until[:] until their disability benefit ends.

15 *[(a) The member is no longer disabled,*

16 *(b) The member reaches normal retirement age.]*

17 (6) The retirement credit will accrue under the same employment classification in
18 which the member was immediately employed prior to becoming disabled.

19 (7) A member who is receiving disability benefits who reaches normal retirement
20 age and has not applied for a service retirement will become an inactive member on the
21 first of the month following the month in which they reach normal retirement age.

22 Statutory/Other Authority: ORS 238A.450

23 Statutes/Other Implemented: ORS 238A.155 & 238A.235

B.

A. Administration

1. October 4, 2024 PERS Board Meeting Minutes
2. Director's Report
3. Board governance assignments
4. Governor's Expectations update
5. Board scorecard report on agency performance measures

B. Administrative rulemaking

1. Notice of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule
- 2. Second reading of Service Retirement Applications Rule**
3. Adoption of rulemaking for police officer and firefighter unit purchases and retirement eligibility
4. Adoption of rulemaking for Reemployment of Retired Members Rule

C. Action and discussion items

1. Senate Bill 1049 update
2. Employer Incentive Fund update
3. Presentation of final legislative concepts drafts and Legislative Advisory Committee
4. Financial modeling presentation



Oregon

Tina Kotek, Governor

Public Employees Retirement System

Headquarters

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

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

www.oregon.gov/pers

December 6, 2024

TO: Members of the PERS Board

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

SUBJECT: Second Reading of Service Retirement Application Requirements Rules:

OAR 459-013-0250 *Service Retirement Application Requirements*
OAR 459-075-0040 *OPSRP Service Retirement Application Requirements*

OVERVIEW

- Action: None. This is second reading of Service Retirement Application Requirements Rules.
- Reason: To establish a reasonable time limitation for submissions of materials necessary to calculate member benefits.
- Policy Issue: None.

BACKGROUND

PERS members must apply for retirement. PERS requires an application and various documentation (such as verification of date of birth) in order to establish a member's eligibility for a benefit and to calculate that benefit. On occasion, members do not return all required information to PERS in time for PERS to properly process the member's retirement benefit.

When required documentation supporting service retirement applications has not been received by PERS, the Intake and Review Team sends members multiple follow-up letters, and Team One Follow-Up subsequently contacts the member via telephone (and email when an email address is available). Despite staff's multiple efforts to obtain the required documentation, there are occasions when members do not provide the required information.

PERS is required to begin monthly benefit payments within 62 days from the date that the member's first monthly payment is due. Because PERS pays benefits in arrears, staff often refer to this requirement as a 92-day deadline to account for the month between a member's effective retirement date and benefits becoming payable. If the agency is unable to establish a member's eligibility for the benefit or the monthly benefit amount by the 92-day deadline because we have not received the required documentation from the member, PERS should reject the application as incomplete. Note that if PERS is unable to determine eligibility or calculate the benefit because the member's employer(s) have not provided necessary information by the 92-day deadline, the member will be put on estimated payments.

On November 7, 2024, staff met with outside stakeholders regarding the public comment submitted. Staff was able to address some of the concerns by providing additional information

and clarification. Staff also suggested augmenting the administrative process slightly to address some other concerns, which the stakeholders agreed would be helpful. Once edits to adjust the process are completed, which could include modifying the amended rule language, PERS staff will send all relevant information to the Department of Justice for an official opinion on the rules, as per the board's instruction.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held remotely on August 20, 2024, at 2:00 p.m. The public comment period ended August 23, 2024, at 5:00 p.m. PERS has received public comment regarding the requested rule modifications, which is provided as an attachment to this memo. Staff is presenting the rule now as a Second Reading as we continue to carefully evaluate the stakeholder's concerns and work with them to address concerns.

LEGAL REVIEW

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

IMPACT

Mandatory: No.

Benefit: Administrative costs will be reduced and promotes administrative efficiency.

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

RULEMAKING TIMELINE

July 26, 2024	PERS Board notified that staff began the rulemaking process.
August 1, 2024	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
August 1, 2024	Secretary of State published the Notice in the Oregon Administrative Rules Database. Notice was sent to employers, legislators, and interested parties. Public comment period began.
August 20, 2024	Rulemaking hearing was held remotely at 2:00 p.m.
August 23, 2024	Public comment period ended at 5:00 p.m.
October 4, 2024	First Reading of the rule.
December 6, 2024	Second Reading of the rule.
January 31, 2025	Board may adopt rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

NEXT STEPS

The rules are scheduled to be brought before the PERS Board for adoption at the January 31 2025, board meeting.

B.2. Attachment 1 – OAR 459-013-0250

Service Retirement Application Requirements

B.2. Attachment 2 – OAR 459-075-0040

OPSRP Service Retirement Application Requirements

B.2. Attachment 3 – *Public Comment from PERS Coalition*

OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 013 – OPSRP PENSION PROGRAM

1 459-013-0250

2 Service Retirement Applications Requirements

3 (1) For PERS to process a service retirement application, a person must provide the
4 following necessary information within 85 days of the effective retirement date:

5 (a) Member’s personal information:

- 6 i. Date of birth, including documentary evidence pursuant to OAR
7 459-013-0040;
- 8 ii. Social Security Number;
- 9 iii. Current address; and
- 10 iv. Citizenship information.

11 (b) Retirement option; If member elects a lump sum option, the allocation of
12 lump sum payments must be included.

13 (c) Notarized signature of member and, if married, member’s spouse;

14 (d) Beneficiary personal information, if applicable. Beneficiary personal
15 information must include beneficiary’s date of birth and documentary
16 evidence required pursuant to OAR 459-013-0040.

17 (2) If any required information is not received within 85 days after the effective
18 retirement date, the incomplete service retirement application will be cancelled and
19 the member must submit a new application.

20
21 Stat. Auth.: ORS 238.650

22 Stats. Implemented: ORS 238.300, 238.305, 238.374 & 238.455

OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 075 – OPSRP PENSION PROGRAM

1 459-075-0040

2 OPSRP Service Retirement Application Requirements

3 (1) For PERS to process a service retirement application, a person must provide
4 the following necessary information within 85 days of the effective retirement date:

5 (a) Member’s personal information:

6 (A) Date of birth, including documentary evidence pursuant to OAR 459-
7 013-0040;

8 (B) Social Security Number;

9 (C) Current address; and

10 (D) Citizenship information.

11 (b) Retirement option; if the member elects a lump sum option, the allocation of
12 lump sum payments must be included.

13 (c) Notarized signature of the member and, if married, the member’s spouse; and

14 (d) Beneficiary personal information, if applicable. Beneficiary personal
15 information must include the beneficiary’s date of birth and documentary evidence
16 required pursuant to OAR 459-013-0040.

17 (2) If any required information is not received within 85 days after the effective
18 retirement date, the incomplete service retirement application will be canceled and
19 the member must submit a new application.

20 Stat. Auth.: ORS 238A.450

21 Stats. Implemented: 238.455 & ORS 238A.180, 238A.190

Margaret Olney
direct: 503.546.9634
margaret@bennethartman.com

Robert A. Bennett (1931-2018)
Kate D. Flanagan
Nelson R. Hall
Gregory A. Hartman †
Henry J. Kaplan †
Linda J. Larkin §
Derrick A. Louie
Michael J. Morris §
Richard B. Myers ^{WA}
Margaret S. Olney ^{WA}
Julie D. Reading ^{ID} €

† retired
§ of counsel
€ Grand Ronde Tribal Court

August 22, 2024

Via email only: chris.GEIER@PERS.oregon.gov
stephanie.VAUGHN@PERS.oregon.gov
melanie.CHANDLER@PERS.oregon.gov

Chris Geier, Rules Coordinator
Stephanie Vaughn, Manager, Policy Analysis and Compliance Section
Melanie Chandler, Research Policy Coordinator, Policy Analysis and Compliance Section
Oregon Public Employees Retirement System

Re: PERS Coalition Comments on Proposed Rulemaking
Proposed OAR 459-013-0250 and OAR 459-075-0040
(Service Retirement Application Requirements)

Dear PERS Rulemaking Staff:

This office represents the PERS Coalition, a group of public employee labor organizations representing the people who teach our children, protect our life and property, repair our roads and bridges, and keep our communities healthy and safe. I write to comment on the new proposed administrative rules regarding “Service Retirement Application Requirements.” OAR 459-013-0245 (PERS), and OAR 459-075-0040 (OPSRP). The new rules set out service retirement application requirements, and then requires a member whose application is still “incomplete” 95 days after the effective retirement date will have that application cancelled and have to start over in order to obtain benefits, thus delaying the receipt of benefits for 90 days or more. We strongly object to the adoption of these rules; they are neither necessary nor consistent with the governing statutes.

According to PERS staff, it is proposing these rules to address the occasional situation where PERS is unable to calculate a member’s *actual* monthly benefit amount due to an incomplete application. When that occurs, PERS must still issue estimated payments pursuant to ORS 238.455, and then follow up with the member to complete the application. PERS staff argue that these rules are necessary because of the staff time spent monitoring these accounts. PERS staff also emphasized their outreach efforts to applicants. When questioned at the July

board meeting, PERS staff reported that there were approximately 160 Tier One/Tier Two members with incomplete applications and 13 OPSRP members.

While my client acknowledges that members should be able to complete the application without prompting (and most do) and that there may be a workload impact of tracking these incomplete applications, the fact remains that the current system is outdated and clunky. There is no mechanism for submitting an application or missing materials on-line, which can create a challenge for many members who do everything electronically and do not have ready access to a copier or printer. This is particularly true for members living in rural areas. The notarized signature requirement is also burdensome and likely confusing to members. Indeed, in the legal world, there are relatively few documents that require a notarized signature. Before adopting a rule that penalizes members who have incomplete applications, it is essential to understand exactly what the barriers are to completing the paperwork. Does the member have a health issue? Is there a language barrier or challenges accessing a copier? Does the member understand the difference between a “notarized” signature and a simple signature? Is their spouse sick or uncooperative? Is the beneficiary unavailable? All of these are potential reasons that point to systemic problems or barriers outside of the members’ control, as opposed to the lack of effort that is implied by the rule.¹

It is also critical to understand the impact on members of having to start the application process over, which would delay the receipt of benefits potentially another three months, assuming they understand that they need to submit a new application immediately. When members select a retirement date, they do so with the assumption that they will be receiving a monthly benefit in three months. During that time, they have often stopped working and may be using up their savings to bridge the gap until they get their monthly benefit. A delay of another three months could be the difference between paying rent, purchasing medicine or putting food on their table. Indeed, it is exactly because members rely on receiving benefits that the legislature required PERS to ensure that estimated payments are made, even when actual benefits cannot be finally calculated. ORS 238.455. The proposed rules allowing an administrative cancellation of an application to avoid paying estimated monthly benefits are contrary to legislative intent.

In response to my inquiries, PERS staff have indicated that a lack of a notarized signature is the most common reason for an application to be incomplete. Notably, this is an administrative requirement only. It is not currently required by rule or by statute, except for spousal signatures in certain circumstances. ORS 238.462(5). Historically, many official documents and contracts required notarized signatures to prevent fraud, but the requirement is

¹ Once PERS adopts a rule requiring that applications be cancelled 85 days after the effective date of retirement, it will likely claim that it has no discretion to extend the deadline, no matter the reason for the incomplete application.

less common now. We would be interested in understanding better the rationale for requiring notarized signatures, and any evidence that the practice has reduced fraud. If not, then we would recommend that the requirement be eliminated to reduce the administrative burden for all.

In addition to these general policy concerns, we believe the proposed rule is inconsistent with ORS 238.455 and therefore exceeds PERS statutory authority. ORS 183.400(3)(b). As PERS staff candidly acknowledged, they can calculate an estimated amount for the monthly payment based on the information then available and have been doing so. They are just not able to finalize the calculation because of the missing paperwork. The proposed administrative rules would effectively end-run ORS 238.455 by cancelling the application of a member who is otherwise entitled to receive benefits. This renders the rule unlawful.

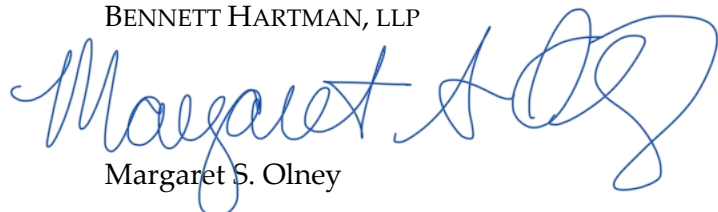
Finally, we are skeptical that the rule would, in fact, result in less work for PERS staff. In its presentation, PERS staff reported the frequent letters, calls, and emails made to members with missing information. There is nothing in the rule that requires staff to continue those efforts, nor is it clear whether any of that outreach reaches the member. But even if that outreach continues, a member whose application is cancelled is likely to complain and/or appeal the administrative cancellation. Dealing with those complaints and appeals is likely to be more time consuming than the status quo.

In closing, the PERS Coalition recognizes that PERS staff work hard to provide benefits to our members. PERS staff may also be rightly frustrated that some members are not responsive to their outreach. But the scope of the problem is relatively small and does not justify the adoption of the punitive solution set out in the proposed rules, particularly given the acknowledged systemic challenges (such as inability to file applications on-line), as well as the lack of information about *why* some members have been unable to complete the paperwork. Members of the PERS Coalition stand ready to work with PERS staff to identify strategies to minimize the administrative burden, but requiring members counting on receiving monthly benefits to start over is unacceptable and inconsistent with ORS 238.455.

Thank you for your consideration.

Sincerely,

BENNETT HARTMAN, LLP



Margaret S. Olney

cc: Clients

B.

A. Administration

1. October 4, 2024 PERS Board Meeting Minutes
2. Director's Report
3. Board governance assignments
4. Governor's Expectations update
5. Board scorecard report on agency performance measures

B. Administrative rulemaking

1. Notice of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule
2. Second reading of Service Retirement Applications Rule
- 3. Adoption of rulemaking for police officer and firefighter unit purchases and retirement eligibility**
4. Adoption of rulemaking for Reemployment of Retired Members Rule

C. Action and discussion items

1. Senate Bill 1049 update
2. Employer Incentive Fund update
3. Presentation of final legislative concepts drafts and Legislative Advisory Committee
4. Financial modeling presentation



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Tina Kotek, Governor

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

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

www.oregon.gov/pers

December 6, 2024

TO: Members of the PERS Board

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

SUBJECT: Adoption of Police Officer and Firefighter Unit Purchases and Retirement Eligibility Rules:

 OAR 459-016-0100 *Purchase of Units by a Police Officer or Firefighter to Provide Increased Benefits*

 OAR 459-075-0200 *Retirement Eligibility for Police Officer and Firefighter Members*

OVERVIEW

- Action: Adoption of Police Officer and Firefighter Unit Purchases and Retirement Eligibility Rules.
- Reason: Implement Police Officer and Firefighter Updates from House Bill (HB) 2283 (2023).
- Policy Issue: None identified.

BACKGROUND

Effective January 1, 2024, HB 2283 (2023) updated certain rules relating to police officers and firefighters (P&F). For purposes of these proposed rule amendments, it aligned the period for making P&F unit purchases with other purchases available for eligible Tier One and Tier Two members, extending the window for making the P&F unit purchase from 60 days to 90 days.

HB 2283 also made changes to the OPSRP pension program relating to retirement eligibility for members working in positions under the P&F classification. It changed the P&F retirement eligibility standard from five continuous years of P&F employment immediately preceding the member's effective date of retirement to the last 60 months of retirement credit accrued prior to reaching earliest or normal retirement age being P&F credit. Notably, the statutory changes allow a person who qualifies for P&F retirement eligibility to lock in their P&F retirement eligibility even if they later accrue retirement credit in non-P&F positions.

The proposed rule amendments provide clarification regarding a specific scenario involving the concurrent employment rules. When an OPSRP member who is concurrently employed in a P&F position and a non-P&F position but is on leave without pay from the P&F position, the 60-month retirement credit count does not restart if such member receives disability insurance payments while accruing retirement credit in the non-P&F position. The statute specifically addressed this circumstance, and these amendments provide clarification regarding how the provision will be administered. Members must submit proof of such disability insurance

payments to PERS in a format and manner approved by PERS, no later than the member's effective date of retirement.

CHANGES MADE SINCE NOTICE

None.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held remotely on October 22, 2024, at 2:00 p.m. The public comment period ended October 25, 2024, at 5:00 p.m. No public comment was received.

LEGAL REVIEW

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

IMPACT

Mandatory: No.

Benefit: Provides clarification on how to handle these special circumstances.

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

RULEMAKING TIMELINE

October 1, 2024	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
October 1, 2024	Secretary of State publishes the Notice in the Oregon Administrative Rules Database. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
October 4, 2024	PERS Board notified that staff began the rulemaking process.
October 22, 2024	Rulemaking hearing to be held remotely at 2:00 p.m.
October 25, 2024	Public comment period ends at 5:00 p.m.
December 6, 2024	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to adopt Police Officer and Firefighter Unit Purchases and Retirement Eligibility rules, as presented.
2. Direct staff to make other changes to the rules or explore other options.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

B.3. Attachment 1 – OAR 459-016-0100

Purchase of Units by a Police Officer or Firefighter to Provide Increased Benefits

B.3. Attachment 2 – OAR 459-075-0200

Retirement Eligibility for Police Officer and Firefighter Members

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 016 – POLICE OFFICERS AND FIRE FIGHTERS**

1 **459-016-0100**

2 **Purchase of Units by a Police Officer or Firefighter to Provide Increased Benefits**

3 (1) For the purposes of this rule:

4 (a) “Active” means an “active member” as defined in ORS 238.005(1).

5 (b) “Current” means a member who is currently employed as a police officer or
6 firefighter.

7 (c) “Firefighter” has the same meaning as set forth in ORS 238.005(10).

8 (d) “Five years” means five full years ending on the fifth anniversary date of the
9 transfer from a police or fire position.

10 (e) “Inactive” means an “inactive member” as defined in ORS 238.005(13).

11 (f) “Police officer” has the same meaning as set forth in ORS 238.005(19).

12 (2) Eligibility to Purchase Units. An active and current police officer or firefighter
13 may purchase a maximum of eight units to provide increased benefits between the date of
14 retirement and age 65. A member who retires prior to age 60 will receive unit payments
15 over a minimum five-year period.

16 (3) Lump-Sum Purchase at Retirement. An active and current police officer or
17 firefighter may choose to make a lump-sum purchase of police and fire units within the
18 90[60] days prior to the police officer’s or firefighter’s effective retirement date.

19 (a) If previous payroll contributions for unit benefits have been made, a lump-sum
20 purchase of any remaining units, for a maximum of eight units, may be made within
21 90[60] days prior to the member’s retirement date if the member is less than age 65.

1 (b) If no payroll contributions for unit benefits have been made, a lump-sum
2 purchase of units may be made within the 90[60] days prior to the member's retirement
3 date only if the member is less than age 60 as of their effective date of retirement.

4 (4) Additional Contributions for Police Officers or Firefighters Retiring Prior to Age
5 60. An active and current police officer or firefighter who retires prior to age 60 may
6 make additional contributions to purchase actuarially reduced unit benefits beginning at
7 any date between the date of early retirement and age 60.

8 (5) Police Officers or Firefighters Who Work Until the Age of 65. Contributions for
9 unit benefits are not permitted once the member reaches the age of 65. The amount in the
10 unit account of a member who works until age 65 will be refunded to the member in a
11 lump sum.

12 (6) Cancellation of Police and Fire Unit Contributions. A police officer or firefighter
13 who has elected to make unit contributions may elect, in writing, to cancel the additional
14 contributions at any time. Once canceled, the member will not be permitted to participate
15 in the unit benefit program at a future time.

16 (7) Refund of Unit Account.

17 (a) Voluntary Refund. A police officer or firefighter may request a refund of the unit
18 account if the police officer or firefighter is separated from all participating employers
19 and their control groups.

20 (b) Involuntary Refund. A police officer or firefighter who has elected to make unit
21 contributions and transfers to an inactive position or a non-police or fire job class will:

22 (A) Retain the unit account for five years immediately following the transfer.

1 (B) If at the end of the five years, the member has not turned age 50 or returned to a
2 qualifying police or fire position, the member's election will be canceled and the amount
3 in the unit account automatically refunded.

4 (c) A voluntary or involuntary refund results in a cancellation of the unit account.
5 Once a unit account is canceled, the member may not participate in the unit benefit
6 program at a future time.

7 (d) A police officer or firefighter who requests a withdrawal of the PERS member
8 account will automatically receive a refund of the unit account.

9 (8) Disability Retirement. A police officer or firefighter who is approved for a PERS
10 chapter 238 Program disability retirement is eligible to purchase the balance of the police
11 and fire units or make an initial purchase equal to the maximum eight units.

12 (9) Reemployment under USERRA. An eligible PERS chapter 238 Program police
13 or fire member who leaves a qualifying position to serve in the Uniformed Services is
14 eligible upon initiating reemployment to make up the unit benefit contributions which
15 would have been made to the member's unit account had the member not left to serve in
16 the Uniformed Services.

17 (a) Contributions made under this section must be remitted to PERS by:

18 (A) Payroll deduction; or

19 (B) Monthly payment of no less than one month of contributions; or

20 (C) Lump-sum payment.

21 (b) Any individual, agency, or organization may pay the employee contributions
22 specified in subsection (a) of this section on behalf of the employee under the payment
23 provisions set forth in paragraph (B) or (C) of this section.

1 Stat. Auth.: ORS 238.650

2 Stats. Implemented: ORS 238.440

**OREGON ADMINISTRATIVE RULE
PUBLIC EMPLOYEES RETIREMENT BOARD
CHAPTER 459
DIVISION 075 – OPSRP PENSION PROGRAM**

1 **459-075-0200**

2 **Retirement Eligibility for Police Officer and Firefighter Members**

3 (1) For purposes of this rule:

4 (a) “Police officer” and “firefighter” have the same meaning given them in ORS

5 238A.005.

6 (b) “Concurrently employed” means employment with two or more participating
7 employers in the same calendar month. *[Continuously” means a period during which the*
8 *member is employed in one or more qualifying positions as a police officer or firefighter in*
9 *consecutive months without interruption.]*

10 (2) An OPSRP Pension Program member will establish retirement eligibility as a
11 police officer or firefighter, if the member’s last 60 months of retirement credit
12 preceding the date the member reaches early retirement age under ORS 238A.160(2), or
13 normal retirement age under ORS 238A.165(2), were accrued while employed in a
14 qualifying position as a police officer or firefighter. *[For the purpose of establishing*
15 *eligibility for normal retirement under ORS 238A.160(2) and early retirement under*
16 *238A.165(2), an OPSRP Pension Program member will be considered to have held a position*
17 *as a police officer or firefighter continuously for a period of not less than five years*
18 *immediately preceding the effective date of retirement if:]*

19 *[(a) The member was employed in a qualifying position as a police officer or firefighter*
20 *continuously for five years prior to the date of the member’s termination from that*
21 *employment; and]*

1 *[(b) The member's effective date of retirement is the first of the month following*
2 *termination from that employment.]*

3 **(3) The 60 months of police officer & firefighter retirement credit does not have to**
4 **be continuous, but a member does not establish retirement eligibility as a police officer**
5 **or firefighter under section (2) of this rule if the member's last 60 months of retirement**
6 **credit preceding the date the member reaches early or normal retirement age includes**
7 **any months of retirement credit as other than a police officer or firefighter.**

8 *[A member who is concurrently employed by two or more employers in qualifying*
9 *positions as a police officer or firefighter and as other than a police officer or firefighter is*
10 *employed as a police officer or firefighter for purposes of this rule.]*

11 **(4) If the member is concurrently employed as a police officer or firefighter, the 60-**
12 **month retirement credit count described in section (2) of this rule restarts if the member**
13 **accrues retirement credit for service as other than a police officer or firefighter, unless**
14 **the member is receiving insurance payments for short-term or long-term disability for**
15 **which retirement credit is not available under ORS 238A.155; and concurrently**
16 **employed and performing service as other than a police officer or firefighter, accruing**
17 **retirement credit as other than a police officer or firefighter.**

18 **(5) A member who is receiving disability insurance payments as described in section**
19 **(4) of this rule must submit proof of such payments in a format and manner approved**
20 **by PERS, no later than the member's effective date of retirement.**

21 Stat. Auth.: ORS 238A.450

22 Stats. Implemented: 238A.160 & 238A.165

B.

A. Administration

1. October 4, 2024 PERS Board Meeting Minutes
2. Director's Report
3. Board governance assignments
4. Governor's Expectations update
5. Board scorecard report on agency performance measures

B. Administrative rulemaking

1. Notice of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule
2. Second reading of Service Retirement Applications Rule
3. Adoption of rulemaking for police officer and firefighter unit purchases and retirement eligibility
- 4. Adoption of rulemaking for Reemployment of Retired Members Rule**

C. Action and discussion items

1. Senate Bill 1049 update
2. Employer Incentive Fund update
3. Presentation of final legislative concepts drafts and Legislative Advisory Committee
4. Financial modeling presentation



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Public Employees Retirement System

Headquarters

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

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

www.oregon.gov/pers

December 6, 2024

TO: Members of the PERS Board
 FROM: Stephanie Vaughn, Manager, Policy Analysis and Compliance Section
 SUBJECT: Adoption of Rulemaking for Reemployment of Retired Members Rule:
 OAR 459-017-0060 *Reemployment of Retired Members*

OVERVIEW

- Action: Adoption of Reemployment of Retired Members Rule.
- Reason: Amendment to resolve administrative error created in filing prior amendment with the Secretary of State.
- Policy Issue: None identified.

BACKGROUND

PERS staff seeks adoption of the amendments to this administrative rule due to an administrative error. On December 1, 2023, proposed rule revisions to OAR 459-017-0060 were presented for notice at the PERS Board meeting to implement changes pursuant to House Bill (HB) 2296 (2023). For background, Senate Bill (SB) 1049 (2019) introduced new work-after-retirement allowances for retirees which were set to expire at the end of calendar year 2024. HB 2296 extended SB 1049's work-after-retirement provisions until the end of calendar year 2034.

On February 2, 2024, the PERS Board adopted the rules as presented at the December 1, 2023 PERS Board meeting. Also on February 2, 2024, staff opened the same administrative rule to update the Social Security Income limits for working retirees who receive Social Security payments.

On April 1, 2024, the PERS Board adopted the Social Security amendments to the rule as presented at the February 2, 2023, PERS Board meeting. On this date, PERS filed a Permanent Administrative Order with the Secretary of State amending OAR 459-017-0060 as approved by the board, however, the Permanent Order filing did not include the previous HB 2296 changes. The administrative error resulted in the work-after-retirement extensions being omitted from the current version of the rule.

Proposed revision of OAR 459-017-0060 amends the rule to incorporate the changes required by HB 2296, which have already been reviewed and adopted by the PERS Board on February 2, 2024.

PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held remotely on October 22, 2024, at 2:00 p.m. The public comment period ended October 25, 2024, at 5:00 p.m. No public comment was received.

LEGAL REVIEW

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

IMPACT

Mandatory: Yes.

Benefit: Proposed revision of OAR 459-017-0060 amends the rule to incorporate the changes under HB 2296 and previously passed by the board on February 2, 2024.

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

RULEMAKING TIMELINE

October 1, 2024	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
October 1, 2024	Secretary of State publishes the Notice in the Oregon Administrative Rules Database. Notice is sent to employers, legislators, and interested parties. Public comment period begins.
October 4, 2024	PERS Board notified that staff began the rulemaking process.
October 22, 2024	Rulemaking hearing to be held remotely at 2:00 p.m.
October 25, 2024	Public comment period ends at 5:00 p.m.
December 6, 2024	Staff will propose adopting the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

BOARD OPTIONS

The PERS Board may:

1. Pass a motion to adopt Rulemaking for Reemployment of Retired Members Rule, as presented.
2. Direct staff to make other changes to the rules or explore other options.

STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

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

1 **459-017-0060**

2 **Reemployment of Retired Members**

3 (1) For purposes of this rule:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 *[(18)]*(17) For calendar years 2020 through 2034*[24]*, a public employer employing
23 a retired member shall apply the employer's contribution rate for its covered payroll to
24 the wages paid to the retired member. The public employer shall make a payment to the

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

6 ~~[(19)]~~**(18)** For calendar years 2020 through 20~~35~~**[24]**, the limitations on
7 employment in section (2) of this rule do not apply to a retired member unless the
8 member retired under the provisions of ORS 238.280(1), (2), or (3), and does not have a
9 bona fide retirement.

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

13 ~~[(21)]~~**(19)** Sections ~~(18), (19), and (20)]~~**(17) and (18)** of this rule are repealed
14 effective January 2, 20~~35~~**[25]**.

15 Statutory/Other Authority: ORS 238.650 & ORS 238.630

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

C.

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C. Action and discussion items

- 1. Senate Bill 1049 update**
2. Employer Incentive Fund update
3. Presentation of final legislative concepts drafts and Legislative Advisory Committee
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December 6, 2024

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

BACKGROUND

Senate Bill (SB) 1049 was signed into law by the Governor on June 11, 2019. PERS' staff continue to focus on completing work in an efficient and effective manner and are in the last 18 months of the program.

PROGRAM AND PROJECT IMPLEMENTATION

The SB 1049 Implementation Program is being managed as one comprehensive program, with the following six individual projects. All projects go through the Enterprise Information Services (EIS) stage-gate process.

Project	Effective Date	Project Health and Status (as of 11/15/24)
SB 1049 Program		Program health: Yellow <ul style="list-style-type: none"> The program is in yellow status due to dependencies of non-SB 1049 projects and internal staffing risk. Cross Project Effort remains in Green status and focused on Business Functional Testing for final Work Package (WP) 7.3 Payouts Actuarial Extract.
Employer Programs Project	Effective 7/1/2019	Project ended 7/16/21.
Salary Limit Project	Effective 1/1/2020	Project ended 5/28/21.
Work After Retirement Project	Effective 1/1/2020	Project ended 2/24/22.
Member Redirect Project	Effective 7/1/2020	Project health: Yellow <ul style="list-style-type: none"> The Member Redirect Project health remains yellow as there are ongoing complexities with work packages WP11.1B Withdrawal Cancellation and Adjustments and WP11.1C Death

		<p>Cancelations and Adjustments. There are also non-SB1049 project impacts that continue to be a risk.</p> <ul style="list-style-type: none"> • User Acceptance Testing began on 10/28/24 for both WP11.1B and WP11.1 and is going well. • WP 11.1A (EPSA Retirement Cancelation and Adjustments) and WP 11.2B (Death Excess EPSA) successfully deployed on 8/15/2024. • The final work package, WP 11.3 EPSA Backlog, completed development.
Member Choice Project	Effective 1/1/2021	Project ended 8/4/21.
Technical Debt		Project ended 4/30/24.

HIGHLIGHTED ACTIVITIES

- iQMS activities:
 - The draft November 2024 Periodic Quality Status Report was received on 11/15/24.
 - The final October 2024 Quarterly QA Assessment Status and Improvement Report was received on 11/4/24.
- The next bi-monthly meeting with the Chief Financial Office, Legislative Fiscal Office, and the Governor’s Office is scheduled for 11/27/24.
- Planning for the Member Redirect Project and SB1049 Program closure activities are in progress.

PROGRAM/PROJECT BUDGET

The high-level budget information is contained within page three of the attachment to agenda item A.2.c. The detailed budget can be viewed in the attached SB 1049 Monthly Status Report. We will continue to update the board as program implementation continues.

C.1. Attachment 1 – *Monthly Project Status Report and Road Map*

SB 1049 Implementation Program

Status Report for November 22, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Program information:

Program start: **July 1, 2019** | Program end: **June 30, 2025**

Projects:

Project 1: Employer Programs

Project start: July 1, 2019 | Project end: July 16, 2021

Project status: **Complete**

Project 2: Work After Retirement (WAR)

Project start: July 1, 2019 | Project end: February 24, 2022

Project status: **Complete**

Project 3: Salary Limit

Project start: July 1, 2019 | Project end: May 28, 2021

Project status: **Complete**

Program statement:

SB 1049 is comprehensive legislation intended to address the increasing cost of funding Oregon's Public Employees Retirement System (PERS), reduce system Unfunded Actuarial Liability (UAL) obligations, and provide relief to escalating contribution rate increases for public employers. Implementation will occur across six subprojects.

Project 4: Member Redirect

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

Project status: **Yellow**

Project 5: Member Choice

Project start: October 23, 2019 | Project end: August 4, 2021

Project status: **Complete**

Project 6: Technical Debt

Project start: June 22, 2021 | Project end: April 29, 2024

Project status: **Complete**

Overall program status: **Yellow**

UAT for the Member Redirect February 2025 Release is in progress. Design/Development activities for the April 2025 release is complete, Business Functional Testing (BFT) is in progress. The iQMS Quarterly QA Report D4.1.19 is complete. Gartner has delivered the Draft Periodic Quality Status Report D3.3.19, PERS review is in progress.

The two remaining projects, Member Redirect and Cross Project Effort, are currently on schedule for completion. However, PERS recognizes the ever-decreasing timeframe remaining to implement the final work packages. This shrinking timeframe, coupled with the possibility of non-SB 1049 projects that may arise along with internal staffing risks, deems it prudent to have the overall program status remain at yellow for the duration of the program – June 30, 2025.

SB 1049 Implementation Program

Status Report for November 22, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Budget health: **Green**

Budget information by Project:

29560- SB 1049 Implementation Program by Project					
Other Funds Lmt	23-25 Budget	Actual to Date	Projections	23-25 Total	Variance
Member Redirect	\$ 19,566,232	\$ 9,791,487	\$ 8,030,797	\$ 17,822,284	(1,743,948)
Technical Debt	\$ 1,258,122	\$ 842,606	\$ -	\$ 842,606	(415,516)
				\$ -	-
Total	\$ 20,824,354	\$ 10,634,093	\$ 8,030,797	\$ 18,664,890	\$ (2,159,464)

Budget Information in the table above is for the FY23-25 biennium.

Projected Budget Variance at Completion					
Other Funds Lmt	Date Baseline Occurred	Baseline Budget	Estimate At Complete	Variance Amount	Variance Percentage
Member Redirect	7/31/2023	\$ 60,680,760	\$ 56,845,629	\$ (3,835,131)	-6.3%
Technical Debt	7/31/2023	\$ 3,823,863	\$ 2,779,670	\$ (1,044,193)	-27.3%
Salary Limit	7/1/2019	\$ 1,422,027	\$ 1,386,315	\$ (35,712)	-2.5%
Employer Programs	7/1/2019	\$ 2,051,084	\$ 2,006,740	\$ (44,344)	-2.2%
Member Choice	7/1/2019	\$ 2,337,814	\$ 2,282,274	\$ (55,540)	-2.4%
WAR	7/1/2019	\$ 3,310,580	\$ 2,513,353	\$ (797,227)	-24.1%
Program Total		\$ 73,626,128	\$ 67,813,981	\$ (5,812,147)	-7.9%

Budget Information in the table above is for the SB1049 Program since Inception.

SB 1049 Implementation Program

Status Report for November 22, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Budget information by POP:

29560- SB 1049 Implementation Program by POP					
Other Funds Lmt	23-25 Budget	Actual to Date	Projections	23-25 Total	Variance
Project Management & Admin	\$ 1,876,800	\$ 1,131,000	\$ 671,810	\$ 1,802,810	(73,990)
Quality Assurance and Testing	\$ 1,062,600	\$ 608,498	\$ 301,002	\$ 909,500	(153,100)
Info Technology Applications	\$ 13,423,000	\$ 6,354,018	\$ 5,789,978	\$ 12,143,996	(1,279,004)
Operational Implementation	\$ 4,461,954	\$ 2,540,577	\$ 1,268,007	\$ 3,808,585	(653,369)
Total	\$ 20,824,354	\$ 10,634,093	\$ 8,030,797	\$ 18,664,890	\$ (2,159,464)

Budget Information in the table above is for the FY23-25 biennium.

Projected Budget Variance at Completion					
Other Funds Lmt	Date Baseline Occurred	Baseline Budget	Estimate At Complete	Variance Amount	Variance Percentage
Project Management & Admin	7/1/2019	\$ 6,421,600	\$ 5,515,636	\$ (905,964)	-14.1%
Quality Assurance and Testing	7/1/2019	\$ 4,375,100	\$ 3,803,300	\$ (571,800)	-13.1%
Info Technology Applications	7/1/2019	\$ 42,752,000	\$ 41,861,174	\$ (890,826)	-2.1%
Operational Implementation	7/1/2019	\$ 20,077,428	\$ 16,633,871	\$ (3,443,557)	-17.2%
		\$ 73,626,128	\$ 67,813,981	\$ (5,812,147)	-7.9%

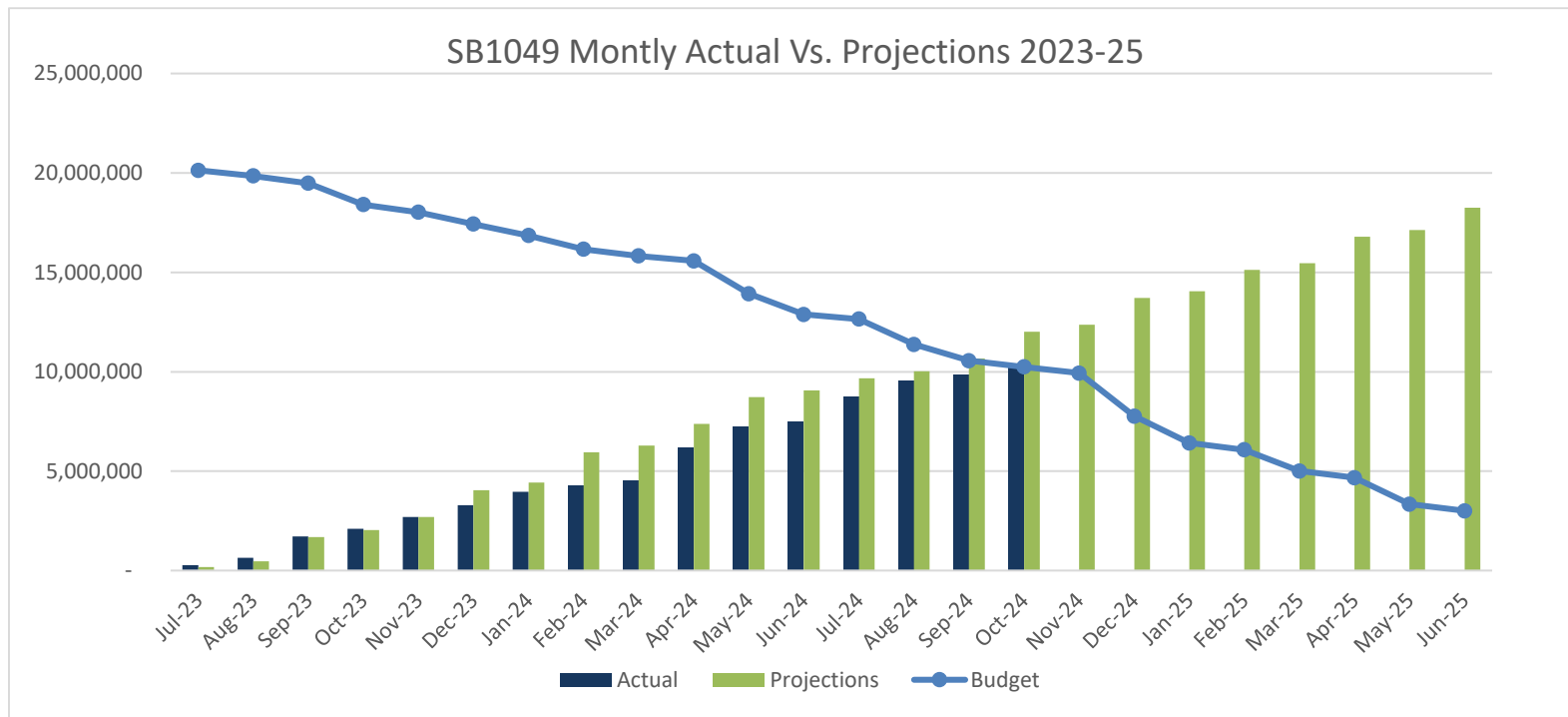
Budget Information in the table above is for the SB1049 Program since Inception.

SB 1049 Implementation Program

Status Report for November 22, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Budget Spend Down trend:



SB 1049 Implementation Program

Status Report for November 22, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

<p>Program information: Cross Project Effort (CPE)</p> <p>Start: May 28, 2020 End: May 9, 2025</p> <p>Project Manager: Susan K. Mundell</p> <p>Overall status: Green</p> <p>Narrative: Development for Cross Project Effort (CPE) Work Package 7.3 (Payouts Actuarial Extract) has completed, and Business Functional Testing (BFT) has begun. BFT is planned to continue until 1/9/2025.</p>	<p>Cross Project Effort objective:</p> <p>The Cross Project Effort (CPE) is focused on technical tools, and extracts that are used across multiple SB 1049 projects. Originally, these efforts were included as Work Packages within the individually impacted projects. The scope of this effort has not changed, but the work has been restructured to ensure it receives an appropriate level of coordination and ensure the success of the necessary inter-project integrations.</p>
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Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP 6: IAP Balance Comparison Production Release	100%	N/A	6/6/2024	
WP7.3: Payouts Actuarial Extract Development Begins	100%	10/4/2024	10/4/2024	
WP 7.3: Payouts Actuarial Extract Development Ends	100%	1/02/2024	11/15/2024	
WP 7.3: Payouts Actuarial Extract UAT Begins	0%	3/13/2025	1/21/2025	
WP 7.3: Payouts Actuarial Extract UAT Ends	0%	4/2/2025	3/11/2025	
WP 7.3: Payouts QA & Regression Testing Ends	0%	4/2/25	3/11/25	
WP 7.3: Payouts Actuarial Extract Regression UAT Ends	0%	N/A	4/1/2025	Final code merge testing.
WP 7.3: Payouts Actuarial Extract Release to Production Quality Gate	0%	4/3/2025	4/3/2025	
WP 7.3: Payouts Actuarial Extract Production Release	0%	4/17/2025	4/17/2025	
Cross Project Effort Closure	0%	5/9/2025	5/9/2025	

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

SB 1049 Implementation Program

Status Report for November 22, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal



Senate Bill (SB) 1049 Implementation Road Map

2019-2021 Biennium

	2019						2020						2021										
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
Employer Programs	● 7/1/19 – Effective Date						● 9/3/19 – Employer Incentive Fund (EIF) Application #1 Opens						● 8/6/20 – Employer Rate Projection Tool (ERPT) Assessment Complete										
							● 11/27/19 – EIF Application #1 Closes						● 12/1/20 – EIF Application #2 Closes										
							● 12/2/19 – EIF Application #2 Opens						3/30/21 – Work Package (WP) 1 Migrate and Adapt ERPT →●										
													6/30/21 – WP2 ERPT Stakeholder Acceptance and Deployment →●										
Salary Limit							● 12/24/19 – Work Package (WP) 1 – Short Term						● 11/19/20 – WP3 User Screens to Record Annual Salary Limit										
							● 1/1/20 – Effective Date						5/13/21 – WP4 Proration Reports and Workflow →●										
							● 1/24/20 – WP2 Post 2020 Salary Limit						5/28/21 – Project Close →●										
Work After Retirement							● 12/19/19 – Work Package (WP) 1 Retiree Wages Suspended – Short Term						● 11/19/20 – WP2 New Wage Codes with General Ledger (GL) Integration										
							● 1/1/20 – Effective Date						5/13/21 – WP3 Retro Rate Change →●										
Member Redirect							6/18/20 – Work Package (WP) 1 Employee Pension Stability Account Set Up/Batch/General Ledger – Short Term						● 9/22/20 – Voluntary Contributions Initial Functionality										
							7/1/20 – Effective Date						● 10/30/20 – WP2.2 IAP Forecaster Tool – non-jClarety										
													● 11/19/20 – Voluntary Contributions Final Functionality Release										
													1/21/21 – WP5.2 Online Member Services User Interface →●										
													1/26/21 – WP2 TIED SSIS – Non-jClarety →●										
													6/24/21 – WP4.2 EPSA Display, and WP12 Full EPSA Set up Screen →●										
Member Choice							● 10/23/19 – Project Kick Off						8/20/20 – Work Package (WP) 1 Online Member Services (OMS) Changes Deployed										
							5/15/20 – Member Annual Statements (MAS) Flyer Communication						● 9/1-30/20 – Election Period										
													● 1/1/21 – Effective Date										
													3/23/21 – WP2 OMS & jClarety Enhancements →●										
													5/1/21 – Member Choice reflected in MAS →●										
													6/24/21 – WP3 Online Member Services (OMS) Election and Bugs →●										
PROGRAM INITIATIVE													1/26/21 – WP2.1 IAP Payment Recon (short-term) →●										
Cross Project Effort													3/18/21 – WP1.2 IAP Validator Tool →●										
							9/17/20 – WP1.1 IAP Validator Tool (short-term) →●						4/27/21 – WP2.2 IAP Payment Recon →●										
													5/13/21 – WP7.2 Employer Information Actuarial Extract →●										
													6/18/21 – WP5.1 PYE Invoicing Tool →●										
													6/24/21 – WP7.1 Non-Retired Census Actuarial Extract →●										
													6/28/21 – WP4.1 IAP Adjustment Calculator →●										

SB 1049 Implementation Program

Status Report for November 22, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Senate Bill (SB) 1049 Implementation Road Map

2021-2023 Biennium

	2021						2022						2023											
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Employer Programs	● 7/16/21 – Project Close																							
Work After Retirement							● 12/16/21 – WP4 Side Account Credit Allocation																	
							● 2/24/22 – Project Close																	
Member Redirect							● 10/14/21 – WP5 Voluntary Contribution Maintenance						● 7/21/22 – WP6.1 EPSPA Retirement											
							● 3/24/22 – WP4.3 EPSPA Transaction Display						6/29/23 – WP9.1 EPSPA Withdrawal → ●											
													6/29/23 – WP9.2 Alter OPSRP Withdrawal → ●											
Member Choice	● 8/4/21 – Project Close																							
Technical Debt	● 7/1/21 – Project Kickoff						4/30/22 – WP3 General Ledger Reversals, Including Side Accounts – Functional Design Specification Completed						6/29/23 - WP6 General Ledger Reversals → ●											
							● 3/31/22 – WP2 Benefit Account Transition Status – Functional Design Specification Completed						● 7/21/22 – WP1 Employer Statements											
													● 10/20/22 – WP4 Hyperion Replacement											
PROGRAM INITIATIVE																								
Cross Project Effort																								
	● 3/4/22 – WP3 IAP Divorce Tool																							
	● 5/20/22 – WP5.2 PYE Invoicing Tool																							
	● 6/1/22 – WP4.2 IAP Adjustment Calculator																							

SB 1049 Implementation Program

Status Report for November 22, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal



Senate Bill (SB) 1049 Implementation Road Map

2023-2025 Biennium

PROJECTS	2023						2024						2025											
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Member Redirect				2/15/24 - WP8.1 EPSA Death → •										8/15/24 - WP11.1A EPSA Retirement Cancellation and Adjustment								5/9/25 - Project Close → •		
			2/15/24 - WP10 Mid-Project Clean up → •											2/6/25 - WP11.1B Withdrawal Cancellation and Adjustment → •								4/17/25 - WP11.3 EPSA Backlog → •		
														2/6/25 - WP11.1C EPSA Death Cancellation and Adjustments → •										
Technical Debt			2/15/24 - WP5 Side Account Reversals → •											4/29/24 - Project Close										
PROGRAM INITIATIVE														6/6/24 - WP6 IAP Balance Comparison Tool										
Cross Project Effort																						4/17/25 - WP7.3 Payouts Actuarial Extract → •		

SB 1049 Implementation Program

Status Report for November 22, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Project information: Member Redirect

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

Project Manager: Chris Yu

Overall project status: Yellow

Project Narrative: The project health remains yellow as there are on-going complexities with the remaining work packages of WP11.1B (Withdrawal Cancellation and Adjustments), WP11.1C (Death Cancellations and Adjustments) and WP11.3 (EPSA Backlog). There are also non-SB1049 project impacts that continue to be a risk. The User Acceptance Testing for Release 10.1.0, which includes WP11.1B and WP11.1C is progressing well. As of 11/18/2024, UAT has tested 41.89% and passed 41.72%. Development for WP11.3 (EPSA Withdrawal) was extended by 4 business days and was completed on 11/15/2024. The Business Functional Testing for WP11.3 EPSA began on 11/18/2024 and will continue towards the 1/9/2025 completion date. UAT for WP11.3 is expected to begin on its original start date of 1/21/2025

Project objective:

Effective July 1, 2020, this section of the bill redirects a portion of member contributions to a new Employee Pension Stability Account (EPSA) when the funded status of the plan is below 90% and the member's monthly salary is more than \$2,500.

Work Package 11.1B: Withdrawal Cancellation and Adjustments

- Production Deployment Date: 2/6/2025
- Business Functional Testing was completed on 10/3/2024
- User Acceptance Testing will be completed on 1/15/2025

Work Package 11.1C: Death Cancellations and Adjustments

- Production Deployment Date: 2/6/2025
- Business Functional Testing was completed on 10/3/2024
- User Acceptance Testing will be completed on 1/15/2025

Work Package 11.3: EPSA Backlog

- Production Deployment Date: 4/17/2025
- Business Functional Testing planned for completion on 1/9/2025
- User Acceptance Testing planned for completion on 3/11/2025

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

SB 1049 Implementation Program

Status Report for November 22, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

Budget health: Green

29560 SB1049 - Member Redirect Project					
Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS	\$ 1,600,000	\$ 579,472	\$ 1,020,528	\$ 1,600,000	\$ -
Personal Services - SB1049	\$ 4,069,311	\$ 2,175,573	\$ 1,526,085	\$ 3,701,657	\$ (367,654)
Professional Services	\$ 2,633,212	\$ 1,392,850	\$ 1,089,487	\$ 2,482,338	\$ (150,875)
IT Professional Services	\$ 9,763,709	\$ 5,617,662	\$ 4,406,223	\$ 10,023,885	\$ 260,176
Contingency	\$ 3,100,000	\$ 605,402	\$ 1,009,003	\$ 1,614,404	\$ (1,485,596)
					\$ -
SB1049 Total Expenses	\$ 19,566,232	\$ 9,791,487	\$ 8,030,797	\$ 17,822,284	\$ (1,743,948)
Project Total	\$ 21,166,232	\$ 10,370,959	\$ 9,051,325	\$ 19,422,284	\$ (1,743,948)
Average Monthly Spend (Burn Rate)		\$ 407,978.61	\$ 334,616.56		
*Not included in SB1049 Expenses					

Schedule Health: Yellow

The on-going complex nature of the remaining work packages are a risk to the current schedule

Scope Health: Green

The project scope to matches expectations

Quality Assurance activities:

The Monthly Release Management Report will be submitted for Quality Check Point review on 11/29/2024.

Emerging concerns/needs/impacts:

- Defect SWP-417 (WAR Bug) will be fixed and deploy into production on 11/26/2024

SB 1049 Implementation Program

Status Report for November 22, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

High Level Project Risks and Mitigation

Listed below are the most critical risks for this project.

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

#	Risk Description	Mitigation and/or Contingency Plan	Notes
4	Internal Staffing: Resource shifting, competing priorities, or over allocation impact the availability of dedicated project resources, or a key resource leaves PERS or is out for an extended period, and/or staff experience levels are inadequate and meet quality needs	➤ Work with other SB1049 and non SB1049 Project Managers to manage resources and schedule. Also, confirm back-up resources and communicate with team Managers	There is a risk with current resources as the holidays approach in this fall and winter. In addition, there is potential resource overlap with the remaining work packages in Member Redirect.
26	User Acceptance Testing: The resources, time, and/or tools are not adequate to support user acceptance testing.	➤ Adding additional FTE or contract resources (blocking defect) or extending the scheduled deployment, reduce the scope of testing and rely on BFT. Adding overtime including. Communicate and monitor testing activities	The project team will need to monitor code merges and testing environments as release 10.1.0 UAT continues.

Project Issues and Action Plans

Listed below are the most critical issues for this project. For the complete Issue Log, please see the Issue Log tab in the most recent weekly status report: [Member Redirect Weekly Status Report](#)

SB 1049 Implementation Program

Status Report for November 22, 2024

Executive Sponsor: Kevin Olineck
Program Manager: Prashant Jaiswal

No	Issue	Resolution / Notes	Estimated Resolution Date
	None		

Project Schedule Deliverables and Milestones

Milestones Schedule				
Milestone	Percent Complete	Baseline Finish Date	Actual / Forecast Finish Date*	Status/ Notes
WP 5.1 - Voluntary Contribution maintenance	100%	10/14/2021	10/14/2021	
WP 4.3 - EPSA Correct Member Account	100%	3/24/2022	3/24/2022	
WP 6.1 - EPSA Retirement	100%	7/21/2022	7/21/2022	
WP 9.1 - EPSA Withdrawal	100%	6/29/2023	6/29/2023	
WP 9.2 - Alter OPSRP Withdrawal	100%	6/29/2023	6/29/2023	
WP 8.1 - EPSA Death	100%	2/15/2024	2/15/2024	
WP 10 - Mid-Project Clean up	100%	2/15/2024	2/15/2024	
WP 11.1A - EPSA Retirement Cancelation and Adjustments	100%	8/15/2024	8/15/2024	
WP 11.2B - Death Excess EPSA	100%	8/15/2024	8/15/2024	
WP 11.1B - Withdrawal Cancelation and Adjustments	0%	2/6/2025	2/6/2025	
WP 11.1C - EPSA Death Cancelation and Adjustments	0%	2/6/2025	2/6/2025	
WP 11.3 EPSA Backlog	0%	4/17/2025	4/17/2025	
Project Complete	0%	5/9/2025	5/9/2025	

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

Project information: Technical Debt

Project start: June 22, 2021 | Project end: April 29, 2024

Project Manager: Susan Mundell

Overall project status: Complete

Project Narrative:

The Technical Debt project was successfully closed on April 29, 2024.

Work Packages:

Work Package 1: Employer Statements

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

Work Package 2: Benefit Account Status Transition

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

Work Package 3: General Ledger and Side Account Reversals

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

Work Package 4: Hyperion Replacement

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

Project objective:

The SB 1049 Technical Debt Project will address areas of technical debt which have been encountered and identified in the SB 1049 Implementation Program and prioritized for resolution. Resolution of technical debt will be limited to those items that are created by SB 1049, are exacerbated by SB 1049, or inhibit PERS' ability to complete SB 1049 requirements.

Project information: Salary Limit

Project start: July 1, 2019 | Project end: May 28, 2021

Project Manager: Bruce Rosenblatt

Project objective:

The Salary Limit Project is necessary because SB 1049 redefined "salary," which changes the calculation method for Final Average Salary, and contributions for members with subject salary greater than \$195,000. This limit is on salary for plan purposes, and is not a salary cap. The Salary Limit was adjusted for the Consumer Price Index, on 1/04/2021. The redefinition impacts the data and business processes used by diverse teams at PERS, including Benefit Calculations, Member Estimates, Data Verifications, Employer Data Reporting, and Account Data Reviews and Reporting.

Overall project status: Complete

Project Narrative: The Salary Limit Project was successfully closed on 5/28/2021.

Work Packages:

Work Package 1: Short-term Minimum Viable Product (MVP)

- Production Deployment Date: 12/24/2019 (Complete)

Work Package 2: Annual Implementation of New Salary Limit

- Production Deployment Date: 1/23/2020 (Complete)

Work Package 3: Adding self-service screens to jClarety system to record annual changes and effective dates - Long-term

- Production Deployment Date: 11/19/2020 (Complete)

Work Package 4 - Enhances proration work processes when partial year calculations may apply - Long-term

- Production Deployment Date: 5/13/2021 (Complete)

Project information: Employer Programs

Project start: July 1, 2019 | Project end: July 16, 2021

Project Manager: Joli Whitney

Project objective:

The Employer Programs section of SB 1049 expands the requirements for the Employer Incentive Fund (EIF); and appropriates \$100 million from the General Fund to the Employer Incentive Fund; directs net proceeds from Oregon Lottery Sports betting to the Employer Incentive Fund; allows participating public employers who make larger than \$10 million deposits to side accounts to determine when they wish to have these funds included in their employer rate assessment; and requires all public employers to participate in the Unfunded Actuarial Liability Resolution Program (UALRP).

Overall project status: Complete

Project Narrative: The Employer Programs project was successfully closed on 7/16/2021.

Work Packages:

WP 1 Migrate and Adapt ERPT

- Acceptance Quality Gate: 3/23/2021 (this WP was not released to production) (Complete)

WP 2 ERPT Stakeholder Acceptance and Deployment to Cloud

- Production Deployment Date: 6/3/2021 (Complete)

Project information: Member Choice

Project start: October 23, 2019 | **Project end:** August 4, 2021

Project Manager: Joli Whitney

Project objective:

The Member Choice sections of SB 1049 give members a say in how their Individual Account Program (IAP) accounts will be invested. Members' regular IAP accounts are currently allocated to Target-Date Funds (TDF) based on their year of birth. Beginning with calendar year 2021, members will be able to elect a TDF other than the default TDF.

Overall project status: Complete

Project Narrative: The Member Choice project was successfully closed on 8/4/2021.

Work Packages:

WP 1.1 Online Election

- Production Deployment Date: 8/20/2020 (Complete)

WP 1.2 Voya's updates to website and nightly sweep program

- Production Deployment Date: 1/19/2021 (Complete)

WP 1.3 PERS paper form election process including workflow

- Production Deployment Date: 8/12/2020 (Complete)

WP 1.4 Development of new reports (to Voya and internal)

- Production Deployment Date 9/29/2020 (Complete)

WP 2- Refining TDF Processes - Long-term

WP 2.1 -Online Member Services and jClarety Enhancements

- Production Deployment Date: 3/23/2021 (Complete)

WP 2.2 -Central Data Management Reports

- Production Deployment Date: 6/15/2021 (Complete)

WP 3- Online Member Services Election and Bugs

- Production Deployment Date: 6/24/2021 (Complete)

Project information: Work After Retirement (WAR)

Project start: July 1, 2019 | **Project end:** 2/24/2022

Project Manager: Susan K. Mundell

Project objective:

Effective January 1, 2020, the Work After Retirement (WAR) sections of SB 1049 allow most service retirees to work unlimited hours for PERS participating employers in calendar years 2020-2024 while retaining their retirement benefit. It also requires employers to pay employer contributions on retirees' salary during that period.

Overall project status: Complete

Project Narrative: The Work After Retirement Project was successfully closed on 2/24/2022.

Work Packages:

Work Package 1: Suspend DTL2-07 Retiree Wage Codes – Short-term

- Production Deployment Date: 12/19/2019 (Complete)

Work Package 2: New Wage Codes with General Ledger Integration – Long-term

- Production Deployment Date: 11/19/2020 (Complete)

Work Package 3: Retro Rate Change – Long-term

- Production Deployment Date: 5/13/2021 (Complete)

Work Package 4: Side Account Credit Allocation

- Production Deployment Date: 12/16/2021 (Complete)

C.

A. Administration

1. October 4, 2024 PERS Board Meeting Minutes
2. Director's Report
3. Board governance assignments
4. Governor's Expectations update
5. Board scorecard report on agency performance measures

B. Administrative rulemaking

1. Notice of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule
2. Second reading of Service Retirement Applications Rule
3. Adoption of rulemaking for police officer and firefighter unit purchases and retirement eligibility
4. Adoption of rulemaking for Reemployment of Retired Members Rule

C. Action and discussion items

1. Senate Bill 1049 update
- 2. Employer Incentive Fund update**
3. Presentation of final legislative concepts drafts and Legislative Advisory Committee
4. Financial modeling presentation



Oregon

Tina Kotek, Governor

Public Employees Retirement System

Headquarters

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

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

www.oregon.gov/pers

December 6, 2024

TO: Members of the PERS Board
 FROM: Jake Winship, Actuarial Manager
 SUBJECT: Employer Incentive Fund Update

BACKGROUND

The Employer Incentive Fund (EIF) Program was established by the 2018 Oregon Legislature with Senate Bill 1566. Then-Governor Kate Brown proposed this measure to provide additional funding for PERS by creating the EIF to match side account contributions by participating PERS employers.

Employers who apply to open or increase a side account under the EIF Program receive a matching deposit of 25% of their side account deposit. The match is paid from the Employer Incentive Fund, which is a separate fund managed by Oregon State Treasury that is funded by Oregon Lottery sports betting proceeds.

To be eligible for an EIF match, the side account must be funded from cash and **not** borrowed funds. The employer cannot have any transition liability when making a side account deposit, but they have the opportunity to pay off any transition liability and then subsequently make a side account deposit which is eligible for match.

The minimum match is \$6,250 (25% of the minimum deposit of \$25,000), while the maximum match is the **greater** of \$300,000 or 5% of the employer's unfunded actuarial liability (UAL).

Side account deposits of less than \$10 million (including any match amounts) will be amortized over 20 years. If the total deposit is \$10 million or more, the employer can select a shorter amortization period of 6, 10, or 16 years.

UPDATE

PERS is preparing to open a second application cycle of the Employer Incentive Fund (EIF). The purpose of the program is to encourage employers to deposit funds in a side account, which is one of the best ways to reduce their PERS contribution rate. Attachment 1 provides further information on how PERS has approached this new application cycle.

C.1. Attachment 1 – *Employer Incentive Fund – Survey Results and Next Steps*

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

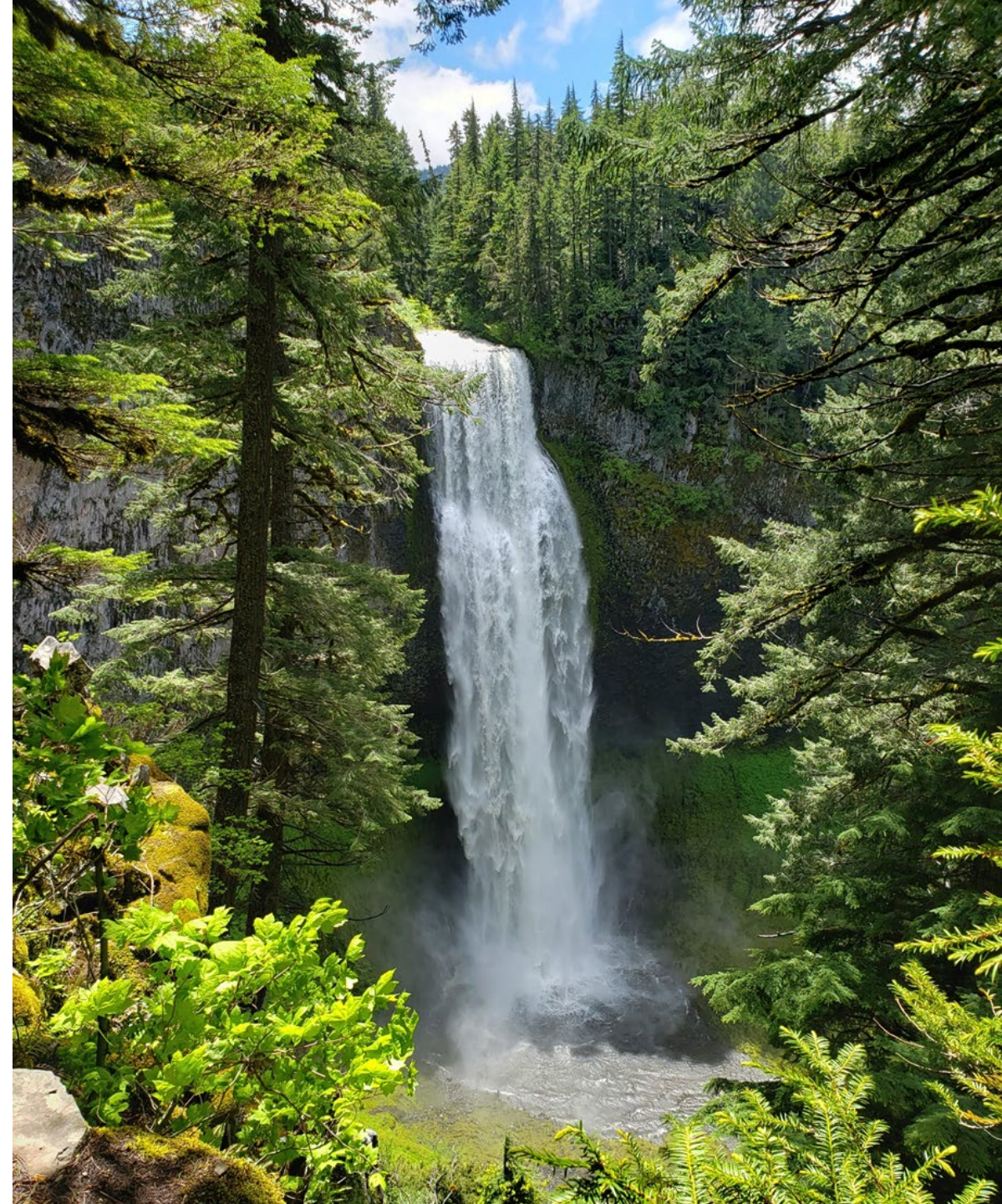


Employer Incentive Fund – Survey Results

PERS Board Meeting

Jake Winship

December 6, 2024



About the EIF

The Employer Incentive Fund (EIF) Program was established by the 2018 Oregon Legislature with Senate Bill 1566. Then-Governor Kate Brown proposed this measure to provide additional funding for PERS by creating the EIF to match side account contributions by participating PERS employers.

Employers who apply to open or increase a side account under the EIF program receive a matching deposit of 25% of their side account deposit. The match is paid from the Employer Incentive Fund, which is a separate fund managed by Oregon State Treasury that is funded by Oregon Lottery sports betting proceeds.

- The minimum match is \$6,250 (25% of the minimum deposit of \$25,000).
- The maximum match is either 5% of the employer's unfunded actuarial liability (UAL) or \$300,000, whichever is greater.

The EIF Program is scheduled to sunset on July 1, 2042. After that, any unexpended moneys remaining in the Employer Incentive Fund will be transferred to the state General Fund.

Criteria for EIF match

- Side account deposit is at least \$25,000 sourced from cash and **not** borrowed funds.
- Employer has no transition liability.
- Employer must research other ways to reduce their contribution rate by participating in the Unfunded Actuarial Liability Resolution Program.
- Deposits of less than \$10 million will be amortized over 20 years
- If the deposit is \$10 million or more, employer can select a shorter amortization period of 6, 10, or 16 years.

For more details about the program, read the complete EIF administrative rule: [Oregon PERS Chapter 459 Employer Incentive Fund Program](#).

EIF employer survey

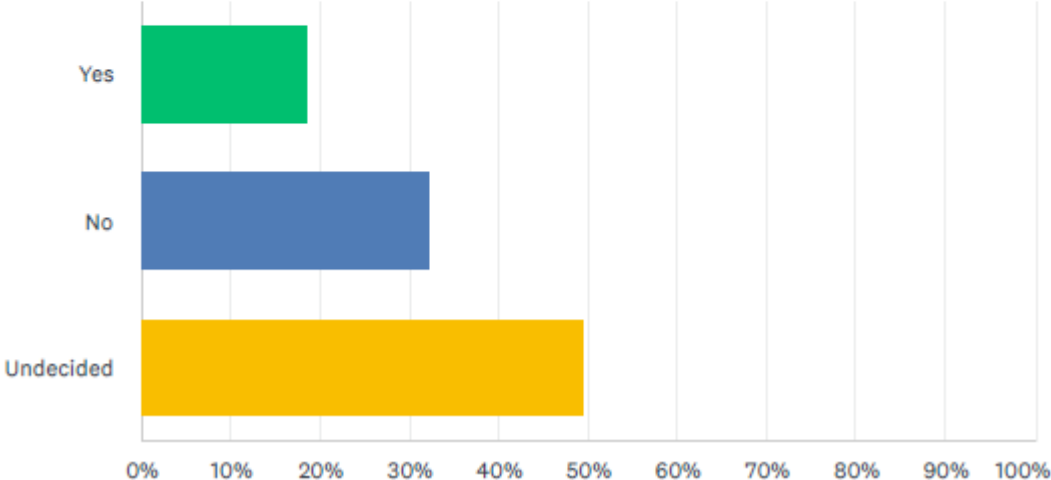
- PERS is preparing to open a second cycle of the Employer Incentive Fund (EIF).
- This program offers matching funds to qualifying employers who open or increase a side account under the program.
- The purpose of the program is to encourage employers to deposit funds in a side account, which is one of the best ways to reduce their PERS contribution rate.
- Before beginning the next cycle of the program, PERS Actuarial Services team surveyed employers to learn:
 - How many employers are interested in participating.
 - Approximate size of deposit employers plan to make into their side account.
 - What start date works best for most employers (you have nine months from the start date to remit your deposit to PERS).
- Survey was sent as an **Employer News Bite** on August 5, 2024, and ran until September 3, 2024. This News Bite was sent to those individuals who signed up for employer news through GovDelivery.
- To encourage participation, reminder emails were also sent to employer contacts identified by the Actuarial Section and a follow-up News Bite was sent on August 30.
- The survey was structured via SurveyMonkey and browser cookies tracked to allow only one response per email.

Employer survey results – question 1

Q1

Do you intend to apply for matching funds in the upcoming cycle of the Employer Incentive Fund?

Answered: 395 Skipped: 0



ANSWER CHOICES	RESPONSES
Yes	18.48% 73
No	32.15% 127
Undecided	49.37% 195
TOTAL	395

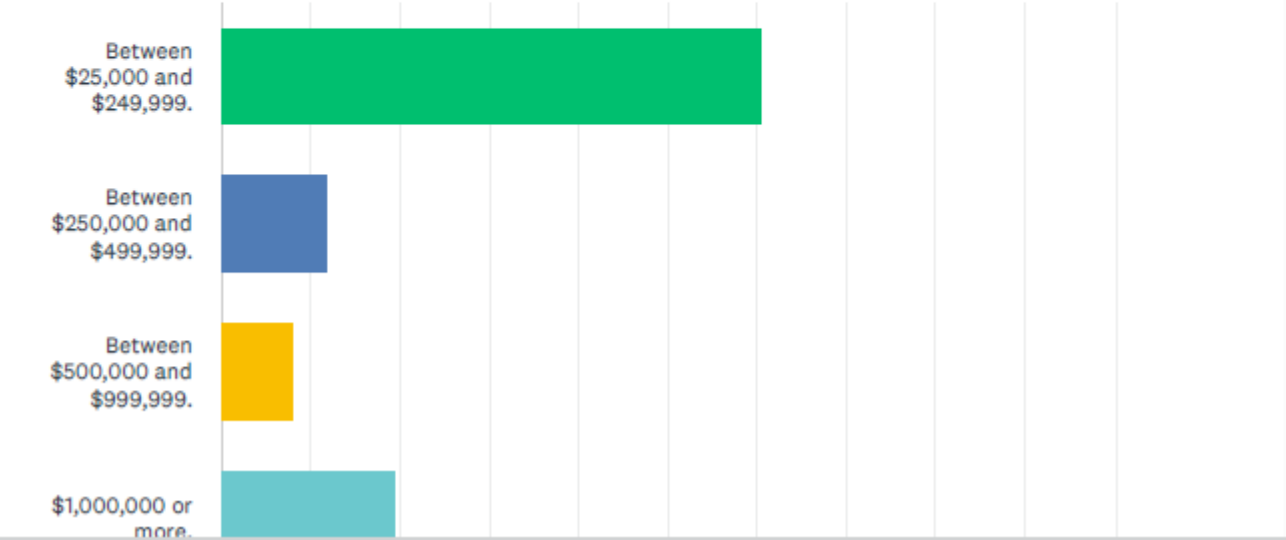
Employer survey results – question 2

Q2



What is the range of your preferred side account deposit?
You will qualify for a potential match of up to 25% of this amount.*

Answered: 160 Skipped: 235



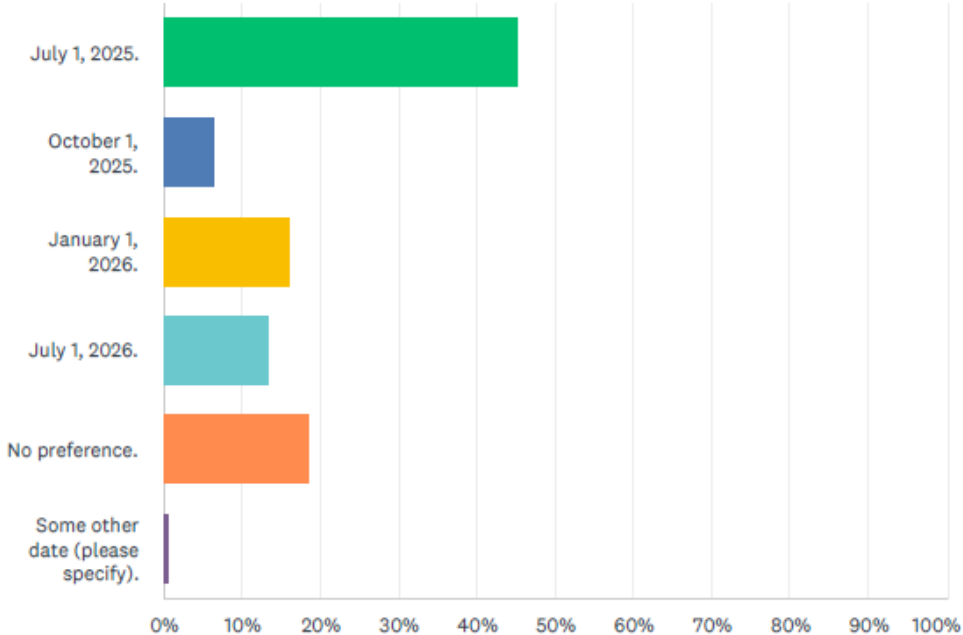
ANSWER CHOICES	RESPONSES
Between \$25,000 and \$249,999.	60.62% 97
Between \$250,000 and \$499,999.	11.88% 19
Between \$500,000 and \$999,999.	8.13% 13
\$1,000,000 or more.	19.38% 31
TOTAL	160

Employer survey results – question 3

Q3

Which of the following application start dates best fits the needs of your budget process? Please note that you must remit your side account deposit to PERS within nine months of the application start date. Also, before the application start date, there will be a 90-day application period reserved for employers whose UAL exceeds 200% of their valuation payroll.

Answered: 157 Skipped: 238



ANSWER CHOICES	RESPONSES	
July 1, 2025.	45.22%	71
October 1, 2025.	6.37%	10
January 1, 2026.	15.92%	25
July 1, 2026.	13.38%	21
No preference.	18.47%	29
Some other date (please specify).	0.64%	1
TOTAL		157

Next steps for new phase of EIF Match Application

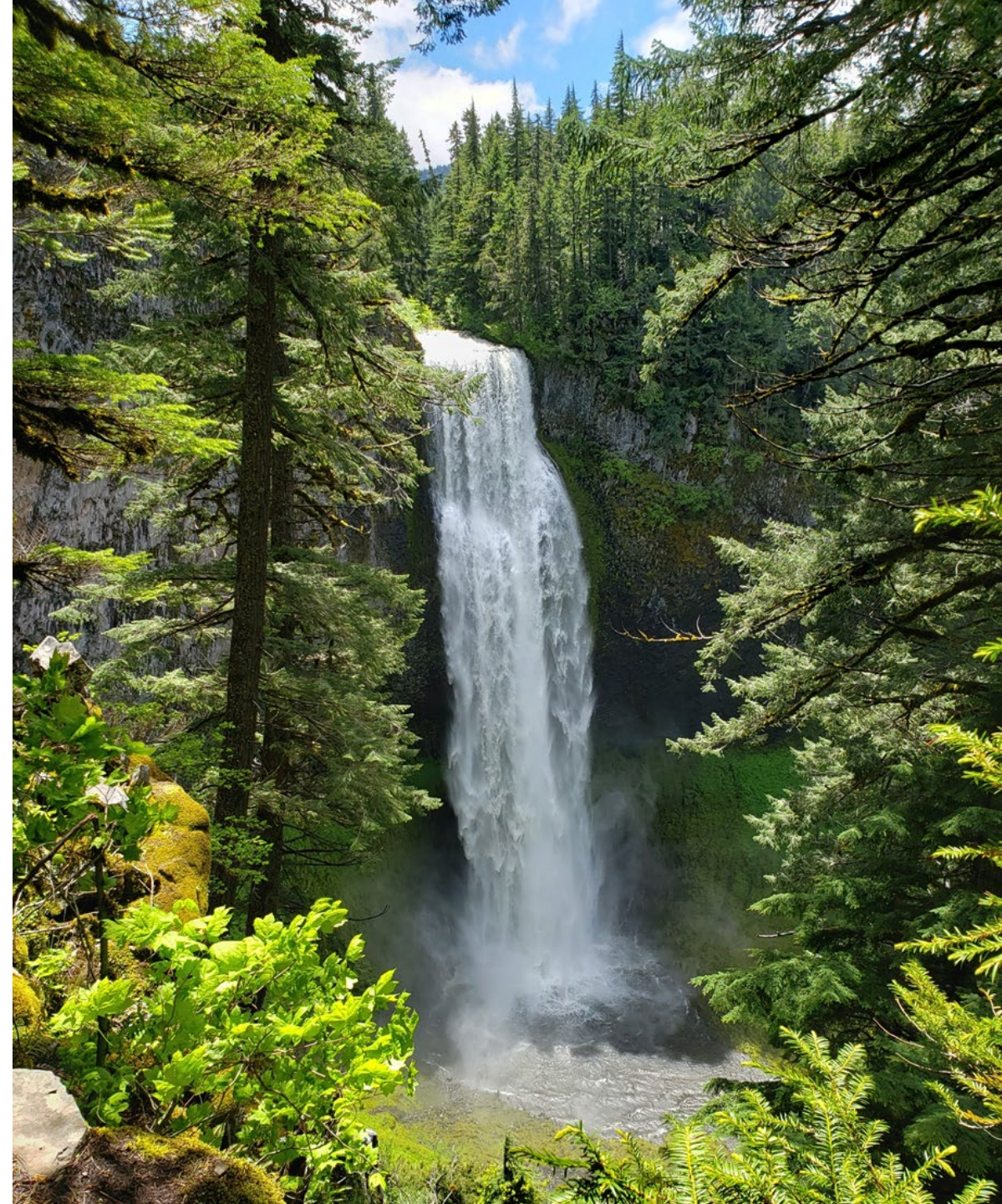
- New EIF match application for employers with unfunded actuarial liability (UAL) at least equal to 200% of valuation payroll will open on **April 1, 2025**.
 - Determination will be based on results from 12/31/2023 actuarial valuation.
 - Actuarial Activities Section will identify eligible employers and work with Employer Service Center to encourage these employers to apply for match.
- Application period for all other employers will open on **July 1, 2025**.
- Applications will be made via SurveyMonkey; Actuarial Activities Section will confirm time application received, and amount approved for match via email.
- Amount available for match is anticipated to be at least **\$40 million**, which should be available by the end of matching period on March 30, 2026. Any funds not yet available at time of side account deposit will be held until available for match.
- Based on discussions with PERS' Policy Analysis and Compliance Section (PACS), no revisions are needed to the governing OAR [459-009-0092](#).

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



THANK YOU



C.

A. Administration

1. October 4, 2024 PERS Board Meeting Minutes
2. Director's Report
3. Board governance assignments
4. Governor's Expectations update
5. Board scorecard report on agency performance measures

B. Administrative rulemaking

1. Notice of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule
2. Second reading of Service Retirement Applications Rule
3. Adoption of rulemaking for police officer and firefighter unit purchases and retirement eligibility
4. Adoption of rulemaking for Reemployment of Retired Members Rule

C. Action and discussion items

1. Senate Bill 1049 update
2. Employer Incentive Fund update
- 3. Presentation of final legislative concepts drafts and Legislative Advisory Committee**
4. Financial modeling presentation



Oregon

Tina Kotek, Governor

Public Employees Retirement System

Headquarters

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

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

www.oregon.gov/pers

December 6, 2024

TO: Members of the PERS Board
 FROM: Heather Case, Senior Policy Advisor
 SUBJECT: Presentation of Final Legislative Concept Drafts and Legislative Advisory Committee

LEGISLATIVE UPDATE

The 2025 Legislative Session will begin January 21, 2025 and must constitutionally end by June 28, 2025. PERS is prepared to introduce its agency bills, and to provide information to legislators regarding any bills that come forward involving PERS.

SEPTEMBER LEGISLATIVE DAYS

September legislative days took place September 23, 2024 through September 25, 2024. During this time, PERS presented a PERS Modernization Program update to the Joint Legislative Committee on Information and Technology. That presentation can be viewed [here](#). The Legislature also voted to confirm Governor Kotek's appointment of our two new board members, Kristen Connor and Bob Hestand.

DECEMBER LEGISLATIVE DAYS

December legislative days are scheduled for December 10, 2024 through December 12, 2024. At this time, PERS does not anticipate bringing anything in front of the Legislature.

AGENCY LEGISLATION- 2025 SESSION

PERS will be submitting four agency bills for consideration in the 2025 legislative session. The substance of these bills has not changed since April when the board approved these concepts to go forward for drafting. The bills are summarized below and final drafts of bill language are attached for the board's convenience.

Four Individual Bills

1. Employer Reporting and Member Data Clarifications
2. Post-Retirement Death Benefit Clarifications
3. Amendments to PERS Health Insurance Subsidies
4. Repurpose School District Unfunded Liability Funds (SDULF)

Employer Reporting and Member Data Clarifications (Attachment 1 LC 473)

This bill will contain the following concepts:

- Waiver on overpayment recovery.
Currently, ORS 238.715(6) allows the PERS Board to waive any invoice amount less than \$50 resulting from overpayment to a member. The \$50 amount threshold was put in

place back in 1993 and has not been updated since. This proposed concept increases this waiver amount to \$200.

- Repeal ORS 238A.010.
238A.010 is a hold-over statute from when retirement credit was based on a *pro rata* share of 2080 hours in a year. It credits employees with 40 hours of service for each calendar week unless the employer reports otherwise. PERS relies solely on employer reporting; we do not automatically credit members with hours of service and this provision is unnecessary.
- Clean up data locking language in ORS 238.450.
Clarifies that changes may be made to data locked by a Notice of Entitlement (NOE): (1) to process a member's pending data verification request; or (2) in response to a member's data verification dispute. This addresses the rare circumstance when a member has a pending data verification or data verification dispute that is not completed until after the NOE is issued and the deadline for making changes to the NOE has expired.
- Clarifying language for creditable service accrual in a partial month.
Current statutory language uses the term "major fraction of a month." This concept clarifies the language for creditable service accrual in a partial month by basing it upon dates of employment.

Post-Retirement Death Benefit Calculations (Attachment 2 LC 474)

This bill will contain the following concepts:

- Individual Account Program (IAP) post-retirement death benefit payout.
Currently, IAP post-retirement death beneficiaries may elect a lump-sum distribution of the remaining balance or elect to continue to receive installment payments which must satisfy the IRS' complex new required minimum distribution (RMD) standards. The proposed concept would amend ORS 238A.400(3) and require all IAP post-retirement beneficiaries to take a lump-sum distribution of the remaining balance, and therefore remove the administrative pitfalls of the new RMD standards. The current installment payment option is utilized by a very small number of beneficiaries.
- Increase minimum monthly payment for additional Police and Fire (P&F) death benefit.
The additional benefit provided for survivors of retired P&F members still has a minimum monthly payment amount of \$30 to receive a monthly benefit. This proposed concept brings this minimum in line with all other monthly benefit thresholds to \$200 a month. Survivors will still receive an actuarial lump sum if the monthly benefit is less than this amount.
- Correct statutory language regarding the Oregon Public Service Retirement Plan (OPSRP) "pop-up" options.
For retired OPSRP members who elected a "pop-up" retirement option, statute states

the retiree may convert their benefit to a single life option in the event the “marriage relationship or *other relationship with the beneficiary* is terminated after the member retires.” This description is overly broad and may lead to confusion. This concept narrows the language to align with federal law and current practice. This concept will not change current agency practice that complies with federal law.

- Correct unintended limitation on allowing a surviving spouse beneficiary to make an option change for member.
A rarely used statutory provision allows a surviving spouse who is the designated beneficiary of a retiree to elect an option change if the retiree dies within the 60-day period to make an option change for a new retirement benefit. Due to changes in benefit administration, very few beneficiaries would be eligible for this option change under current practice. This is a technical change to the statutory language that would allow surviving spouses to make the option change as originally intended by the Legislature.

Amendments to PERS Health Insurance Subsidies (Attachment 3 LC 468)

This bill will deal with two different, but related concepts. For background, in PERS’ budget bill, House Bill (HB) 5033 (2023), the agency was asked to report on different suggestions for dealing with the declining enrollment of the pre-Medicare population in the PERS Health Insurance Program (PHIP). The agency reported to the Legislature that it is likely, due to other competition for pre-Medicare programs offered through former employers and the Oregon Health Insurance Marketplace, that the plan offerings by PHIP are being selected against. The agency presented multiple solutions, including moving pre-Medicare members to their former employers or the Oregon Health Insurance Marketplace. There are multiple challenges with these approaches, including the transfer of higher risk to these pools (and their expected hesitance to take on this higher risk), and administrative concerns about how to continue to pay health care subsidies from PHIP to retirees who would no longer be a part of the PHIP program.

PHIP has two subsidies currently. The first is the Retirement Health Insurance Account (RHIA). This subsidy is a \$60 flat amount that has not changed since this subsidy was first offered in 1988. It is available to all Tier One/Tier Two PHIP plan members. The second subsidy is the Retiree Health Insurance Premium Account (RHIPA). This subsidy is available to Tier One/Tier Two State of Oregon employees who are enrolled in a PHIP plan. The amount per month varies based on years of state service.

Potential alternatives the agency presented to the Legislature, which were well received regarding maintaining the viability of PHIP programs, were to raise the RHIA subsidy above \$60/month, and to open up both the RHIA and RHIPA subsidies to OPSRP members. The agency also proposed eliminating the RHIPA subsidy altogether, which was not as well received by the Legislature. Therefore the two concepts PERS is proposing are as follows:

- Raise RHIA subsidy above \$60, to 100% of the five-year average (currently, the five year average for all Medicare premiums that PERS contracts with is about \$271). This bill would also cap the subsidy at the actual monthly premium of the eligible retiree, to avoid members receiving cash payouts above their premium amount.

- Open up participation for both the RHIA and the RHIPA subsidies to OPSRP retirees. As the board is aware, participation in OPSRP is rising, while Tier One/Tier Two participation is declining. The viability of both of these PHIP subsidies would be protected more by allowing ongoing new enrollment from OPSRP retirees.

Milliman completed an analysis of these two concepts together using the numbers from the December 31, 2023 actuarial valuation. Increasing the RHIA subsidy to 100% of the five-year average premium amount, as well as opening up this subsidy to OPSRP participants (cost will illustrate participation doubling as a result of this) would result in the RHIA fund's unfunded accrued liability to increase from \$0 to just over 4 billion dollars. (\$4,298,500,000). This change would also increase the covered payroll under this program, raising employer contributions to the RHIA fund from 0% of covered payroll to 4.87% of covered payroll, or 674 million dollars across all participating employers.

The cost calculation regarding expanding RHIPA participation to OPSRP members with no other changes to the programs eligibility or procedures for determining subsidy amounts, and assuming OPSRP members behave in the same way as current Tier One/Tier Two members-meaning participation rates of 10% for those who qualify for the smallest subsidy level (at 8-10 years of service) to 25% for those who qualify for the maximum subsidy level (30+ years of service) would not increase the unfunded actuarial liability of this fund which is currently zero. This change would open the amount of covered payroll that these rates apply to all Tier One/Tier Two payroll, and all OPSRP payroll. These changes would result in the employer contributions to the RHIPA fund to rise from 0% currently to 0.04%, or about \$1.7 million across all participating employers (which is only state agencies).

Employer stakeholders are understandably concerned with any PERS concept that raises employers' PERS contribution rates. The agency has heard and understands these concerns, however, as the both the board and Legislature have been made aware, the future viability of PHIP plans has a poor prognosis, and the agency believes increasing access to these funds, and making them more competitive among other retiree health care options will both sustain the plan and ensure that retirees who are unable to be insured with another option (or if another option is cost-prohibitive) will continue to have the PHIP plans available to them for enrollment.

Repurpose School District Unfunded Liability Fund (SDULF) (Attachment 4 LC 471)

This bill will address use of the money residing in the SDULF at Treasury. This fund was created in 2018 by Senate Bill 1566. School District Rate Pool employers have been unable to take advantage of SDULF funds because they are not sufficient to establish a school district side account; the funds are insufficient to provide an employer rate offset, particularly over an amortization period (required for side accounts). Instead of a school district pooled side account, this concept removes the statutory requirement that the funds must be used to create a pooled side account, and instead gives the PERS Board discretion on applying the funds in a way that provides direct relief to school district employers' PERS liabilities. The last remaining revenue stream for the SDULF will end on January 2, 2027. Funds remain available until June 30, 2042. The current balance is approximately \$87 million. Stakeholders have expressed desire to apply these funds in a way that would favor school districts in greater need. While the agency will stand in a position to advise those groups of potential criteria, PERS does not have enough knowledge of the financial position of school districts to propose specific criteria ourselves, and

therefore has drafted this concept broadly in order to continue that conversation among stakeholders through the legislative session.

PERS LEGISLATIVE ADVISORY COMMITTEE

ORS 238.660(9) allows the PERS Board to act as policy advisor to the Legislative Assembly on legislative proposals for changes to PERS benefits. ORS 238.660(10) requires the PERS Board to appoint a committee to advise the board on those proposals. The committee must include an equal number of members representing labor and management. In preparation for the 2025 legislative session, staff requests that the board confirm membership of the Legislative Advisory Committee (LAC).

RECOMMENDED APPOINTMENTS

The proposed membership is balanced between labor and management representatives and includes members who participated in previous LAC appointments. New members have been contacted and are willing to serve on the committee.

Name	Representing
Odalis Aguilar	American Federation of State, County and Municipal Employees
Miles Palacios	Association of Oregon Counties
Jack Dempsey	Oregon Nurses Association/Oregon Association of Corrections Employees
Anthony Castaneda	Service Employees International Union
Karl Koenig	Oregon State Fire Fighters Council
Cynthia Branger Munoz	Oregon Education Association
Lori Sattenspiel	Oregon School Boards Association
Andrew Stolfi	Oregon Department of Consumer and Business Services
Scott Winkels	League of Oregon Cities
Hasina Wittenberg	Special Districts Association of Oregon

BOARD OPTIONS

The PERS Board may:

1. Approve the recommended appointments to the legislative advisory committee, effective immediately.
2. Direct staff to solicit different or additional candidates for appointment.

Staff Recommendation:

Staff recommends the PERS Board choose Option 1.

C.3. Attachment 1 – LC 473 (09/11/2024)

C.3. Attachment 2 – LC 474 (08/14/2024)

C.3. Attachment 3 – LC 468 (08/13/2024)

C.3. Attachment 4 – LC 471 (07/29/2024)

D R A F T

SUMMARY

Digest: The Act makes changes to PERS. (Flesch Readability Score: 100.0).
Modifies provisions relating to the Public Employees Retirement System.

A BILL FOR AN ACT

1
2 Relating to administration of Public Employees Retirement System member
3 account data; amending ORS 238.005, 238.148, 238.450, 238.580, 238.608,
4 238.715 and 238A.140; and repealing ORS 238A.010.

5 **Be It Enacted by the People of the State of Oregon:**

6 **SECTION 1.** ORS 238.715 is amended to read:

7 238.715. (1) If the Public Employees Retirement Board determines that a
8 member of the Public Employees Retirement System or any other person re-
9 ceiving a monthly payment from the Public Employees Retirement Fund has
10 received any amount in excess of the amounts that the member or other
11 person is entitled to under this chapter and ORS chapter 238A, the board
12 may recover the overpayment or other improperly made payment by:

13 (a) Reducing the monthly payment to the member or other person for as
14 many months as may be determined by the board to be necessary to recover
15 the overpayment or other improperly made payment; or

16 (b) Reducing the monthly payment to the member or other person by an
17 amount actuarially determined to be adequate to recover the overpayment
18 or other improperly made payment during the period during which the
19 monthly payment will be made to the member or other person.

20 (2)(a) Any person who receives a payment from the Public Employees

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted.
New sections are in **boldfaced** type.

1 Retirement Fund and who is not entitled to receive that payment, including
2 a member of the system who receives an overpayment, holds the improperly
3 made payment in trust subject to the board's recovery of that payment under
4 this section or by a civil action or other proceeding.

5 (b) The board may recover an improperly made payment in the manner
6 provided by subsection (1) of this section from any person who receives an
7 improperly made payment from the fund and who subsequently becomes en-
8 titled to receive a monthly payment from the fund.

9 (c) The board may recover an improperly made payment by reducing any
10 lump sum payment in the amount necessary to recover the improperly made
11 payment if a person who receives an improperly made payment from the fund
12 subsequently becomes entitled to receive a lump sum payment from the fund.

13 (3) Unless the member or other person receiving a monthly payment from
14 the fund authorizes a greater reduction, the board may not reduce the
15 monthly payment made to a member or other person under the provisions of
16 subsection (1) of this section by an amount that is equal to more than 10
17 percent of the monthly payment.

18 (4) Before reducing a benefit to recover an overpayment or erroneous
19 payment, or pursuing any other collection action under this section, the
20 board shall give notice of the overpayment or erroneous payment to the
21 person who received the payment. The notice shall describe the manner in
22 which the person who received the payment may appeal the board's deter-
23 mination that an overpayment or erroneous payment was made, the action
24 the board may take if the person does not respond to the notice and the
25 authority of the board to assess interest, penalties or costs of collection.

26 (5) If the board determines that an overpayment or erroneous payment
27 was not caused by the system or by a participating public employer, the
28 board may assess interest in an amount equal to one percent per month on
29 the balance of the improperly made payment until the payment is fully re-
30 covered. The board may also assess to the member or other person all costs
31 incurred by the system in recovering the payment, including attorney fees.

1 Interest and costs may be collected in the manner prescribed in subsections
2 (1) and (2) of this section. The board may waive the interest and costs on
3 an overpayment or other improperly made payment for good cause shown.

4 (6) Notwithstanding ORS 293.240, the board may waive the recovery of
5 any payment or payments made to a person who was not entitled to receive
6 the payment or payments if the total amount of the overpayment or other
7 improperly made payments is less than [~~\$50~~] **\$200**.

8 (7) A payment made to a person from the fund may not be recovered by
9 the board unless within six years after the date that the payment was made
10 the board has commenced proceedings to recover the payment. For the pur-
11 poses of subsection (1) of this section, the board shall be considered to have
12 commenced proceedings to recover the payment upon mailing of notice to the
13 person receiving a monthly payment that the board has determined that an
14 overpayment or other improperly made payment has been made.

15 (8) The remedies authorized under this section are supplemental to any
16 other remedies that may be available to the board for recovery of amounts
17 incorrectly paid from the fund to members of the system or other persons.

18 (9) The board shall adopt rules establishing the procedures to be followed
19 by the board in recovering overpayments and erroneous payments under this
20 section.

21 **SECTION 2.** ORS 238.450 is amended to read:

22 238.450. (1) Upon receiving an application for a retirement allowance or
23 benefit from a member of the Public Employees Retirement System and ob-
24 taining information necessary for computation of the retirement allowance
25 or benefit to which the member is entitled upon retirement, the system shall
26 provide to the member a written computation of the retirement allowance
27 or benefit to which the member is entitled upon retirement and summary of
28 the information used in making that computation.

29 (2) A member of the system may dispute the accuracy of the information
30 used by the system in making the computation only by filing a written notice
31 of dispute with the system not later than whichever of the following days

1 occurs last:

2 (a) The 240th day after the date on which the computation and informa-
3 tion summary is provided to the member pursuant to subsection (1) of this
4 section.

5 (b) The 240th day after the date on which the retirement allowance or
6 benefit to which the member is entitled first becomes payable.

7 (3) The filing of a notice of dispute under subsection (2) of this section
8 extends the time allowed for election of an optional form of retirement al-
9 lowance or benefit until the 30th day after the conclusion of the proceeding
10 and any judicial review thereof if the proceeding or review results in a
11 change in the computation of the retirement allowance or benefit.

12 (4) Upon receiving a notice of dispute under subsection (2) of this section,
13 the system shall determine the accuracy of the disputed information and
14 make a written decision either affirming the accuracy of the information and
15 computation based thereon or changing the computation using corrected in-
16 formation. The system shall provide to the member a copy of the decision
17 and a written explanation of any applicable statutes and rules. The member
18 is entitled to judicial review of the decision as provided in ORS 183.484 and
19 rules of the Public Employees Retirement Board consistent with applicable
20 statutes.

21 (5) After the last date for filing a written notice of dispute under sub-
22 section (2) of this section, a participating public employer may not modify
23 information that is provided to the system and that relates to a member's
24 creditable service, retirement credit, salary, employee contributions or accu-
25 mulated unused sick leave, unless specifically required by one of the follow-
26 ing circumstances:

27 (a) To comply with a judgment, administrative order, arbitration award,
28 conciliation agreement, settlement agreement or other legal agreement en-
29 tered into after the last date for filing a written notice of dispute under
30 subsection (2) of this section;

31 (b) To comply with ORS 238.156 or 238A.150; [or]

1 **(c) To comply with a verification of retirement data under ORS**
2 **238.285 that was submitted to the system before the member’s effective**
3 **date of retirement; or**

4 [(c)] **(d) To make a correction or modification as a result of a dispute**
5 **under subsection (2) of this section, or in response to the board’s request**
6 **under ORS 238.285 (5) for the purpose of a determination under ORS**
7 **238.285 (2) or (4).**

8 (6) This section does not affect any authority of the system, on its own
9 initiative, to correct an incorrect computation of any retirement allowance
10 or benefit.

11 **SECTION 3.** ORS 238.005, as amended by section 1, chapter 101, Oregon
12 Laws 2024, is amended to read:

13 238.005. For purposes of this chapter:

14 (1) “Active member” means a member who is presently employed by a
15 participating public employer in a qualifying position and who has completed
16 the six-month period of service required by ORS 238.015.

17 (2) “Annuity” means payments for life derived from contributions made
18 by a member as provided in this chapter.

19 (3) “Board” means the Public Employees Retirement Board.

20 (4) “Calendar year” means 12 calendar months commencing on January 1
21 and ending on December 31 following.

22 (5) “Continuous service” means service not interrupted for more than five
23 years, except that such continuous service shall be computed without regard
24 to interruptions in the case of:

25 (a) An employee who had returned to the service of the employer as of
26 January 1, 1945, and who remained in that employment until having estab-
27 lished membership in the Public Employees Retirement System.

28 (b) An employee who was in the armed services on January 1, 1945, and
29 returned to the service of the employer within one year of the date of being
30 otherwise than dishonorably discharged and remained in that employment
31 until having established membership in the Public Employees Retirement

1 System.

2 (6) "Creditable service" means any period of time during which an active
3 member is being paid a salary by a participating public employer and for
4 which benefits under this chapter are funded by employer contributions and
5 earnings on the fund. For purposes of computing years of "creditable
6 service," full months and major fractions of a month shall be considered to
7 be one-twelfth of a year and shall be added to all full years. "Creditable
8 service" includes all retirement credit received by a member.

9 (7) "Earliest service retirement age" means the age attained by a member
10 when the member could first make application for retirement under the pro-
11 visions of ORS 238.280.

12 (8) "Employee" means a person who performs services for a participating
13 public employer, including persons considered employees of a participating
14 public employer under 26 U.S.C. 3121(d)(2), as in effect on December 31, 2019,
15 and public officers. "Employee" does not include:

16 (a) Persons engaged as independent contractors.

17 (b) Seasonal, emergency or casual workers whose periods of employment
18 with any public employer or public employers do not total 600 hours in any
19 calendar year.

20 (c) Persons provided sheltered employment or made-work by a public em-
21 ployer in an employment or industries program maintained for the benefit
22 of such persons.

23 (d) Persons employed and paid from federal funds received under a federal
24 program intended primarily to alleviate unemployment. However, any such
25 person shall be considered an "employee" if not otherwise excluded by para-
26 graphs (a) to (c) of this subsection and the public employer elects to have
27 the person so considered by an irrevocable written notice to the board.

28 (e) Persons who are employees of a railroad, as defined in ORS 824.020,
29 and who, as such employees, are included in a retirement plan under federal
30 railroad retirement statutes. This paragraph shall be deemed to have been
31 in effect since the inception of the system.

1 (f) Persons employed in positions classified as post-doctoral scholar posi-
2 tions by a public university listed in ORS 352.002, or by the Oregon Health
3 and Science University, under ORS 350.370.

4 (9) "Final average salary" means whichever of the following is greater:

5 (a) The average salary per calendar year paid by one or more participat-
6 ing public employers to an employee who is an active member of the system
7 in three of the calendar years of membership before the effective date of re-
8 tirement of the employee, in which three years the employee was paid the
9 highest salary. The three calendar years in which the employee was paid the
10 largest total salary may include calendar years in which the employee was
11 employed for less than a full calendar year. If the number of calendar years
12 of active membership before the effective date of retirement of the employee
13 is three or fewer, the final average salary for the employee is the average
14 salary per calendar year paid by one or more participating public employers
15 to the employee in all of those years, without regard to whether the em-
16 ployee was employed for the full calendar year.

17 (b) One-third of the total salary paid by a participating public employer
18 to an employee who is an active member of the system in the last 36 calendar
19 months of active membership before the effective date of retirement of the
20 employee.

21 (10) "Firefighter" does not include a volunteer firefighter, but does in-
22 clude:

23 (a) The State Fire Marshal, the chief deputy fire marshal and deputy state
24 fire marshals;

25 (b) An employee of the State Fire Marshal whose primary duties include
26 fire investigation, fire prevention, fire safety, fire control or fire suppression;

27 (c) An employee of the State Forestry Department who is certified by the
28 State Forester as a professional wildland firefighter and whose primary du-
29 ties include the abatement of uncontrolled fires as described in ORS 477.064;
30 and

31 (d) An employee of the Oregon Military Department whose primary duties

1 include fighting structural, aircraft, wildland or other fires.

2 (11) "Fiscal year" means 12 calendar months commencing on July 1 and
3 ending on June 30 following.

4 (12) "Fund" means the Public Employees Retirement Fund.

5 (13) "Inactive member" means a member who is not employed in a quali-
6 fying position, whose membership has not been terminated in the manner
7 described by ORS 238.095 and who is not retired for service or disability.

8 (14) "Institution of higher education" means a public university listed in
9 ORS 352.002, the Oregon Health and Science University and a community
10 college, as defined in ORS 341.005.

11 **(15) "Major fraction of a month" means a month:**

12 **(a) In which an active member is employed for more than one-half**
13 **of the total calendar days in that calendar month; and**

14 **(b) In which the member is being paid a salary by a participating**
15 **public employer for hours worked in that calendar month.**

16 ~~[(15)]~~ (16) "Member" means a person who has established membership in
17 the system and whose membership has not been terminated as described in
18 ORS 238.095. "Member" includes active, inactive and retired members.

19 ~~[(16)]~~ (17) "Member account" means the regular account and the variable
20 account.

21 ~~[(17)]~~ (18) "Normal retirement age" means:

22 (a) For a person who establishes membership in the system before January
23 1, 1996, as described in ORS 238.430, 55 years of age if the employee retires
24 at that age as a police officer or firefighter or 58 years of age if the employee
25 retires at that age as other than a police officer or firefighter.

26 (b) For a person who establishes membership in the system on or after
27 January 1, 1996, as described in ORS 238.430, 55 years of age if the employee
28 retires at that age as a police officer or firefighter or 60 years of age if the
29 employee retires at that age as other than a police officer or firefighter.

30 ~~[(18)]~~ (19) "Pension" means annual payments for life derived from contri-
31 butions by one or more public employers.

1 [(19)] (20) "Police officer" includes:

2 (a) Employees of institutions defined in ORS 421.005 as Department of
3 Corrections institutions whose duties, as assigned by the Director of the
4 Department of Corrections, include the custody of persons committed to the
5 custody of or transferred to the Department of Corrections and employees
6 of the Department of Corrections who were classified as police officers on
7 or before July 27, 1989, whether or not such classification was authorized
8 by law.

9 (b) Employees of the Department of State Police who are classified as
10 police officers, forensic scientists or evidence technicians by the Super-
11 intendent of State Police.

12 (c) Employees of the Oregon Liquor and Cannabis Commission who are
13 classified as regulatory specialists by the administrator of the commission.

14 (d) Sheriffs and those deputy sheriffs or other employees of a sheriff
15 whose duties, as classified by the sheriff, are the regular duties of police
16 officers or corrections officers.

17 (e) Police chiefs and police personnel of a city who are classified as police
18 officers by the council or other governing body of the city.

19 (f) Police officers who are commissioned by a university under ORS
20 352.121 or 353.125 and who are classified as police officers by the university.

21 (g) Parole and probation officers employed by the Department of Cor-
22 rections, parole and probation officers who are transferred to county em-
23 ployment under ORS 423.549 and adult parole and probation officers, as
24 defined in ORS 181A.355, who are classified as police officers for the pur-
25 poses of this chapter by the county governing body. If a county classifies
26 adult parole and probation officers as police officers for the purposes of this
27 chapter, and the employees so classified are represented by a labor organ-
28 ization, any proposal by the county to change that classification or to cease
29 to classify adult parole and probation officers as police officers for the pur-
30 poses of this chapter is a mandatory subject of bargaining.

31 (h) Police officers appointed under ORS 276.021 or 276.023.

1 (i) Employees of the Port of Portland who are classified as airport police
2 by the Board of Commissioners of the Port of Portland.

3 (j) Employees of the State Department of Agriculture who are classified
4 as livestock police officers by the Director of Agriculture.

5 (k) Employees of the Department of Public Safety Standards and Training
6 who are classified by the department as other than secretarial or clerical
7 personnel.

8 (L) Investigators of the Criminal Justice Division of the Department of
9 Justice.

10 (m) Corrections officers as defined in ORS 181A.355.

11 (n) Employees of the Oregon State Lottery Commission who are classified
12 by the Director of the Oregon State Lottery as enforcement agents pursuant
13 to ORS 461.110.

14 (o) The Director of the Department of Corrections.

15 (p) An employee who for seven consecutive years has been classified as
16 a police officer as defined by this section, and who is employed or transferred
17 by the Department of Corrections to fill a position designated by the Direc-
18 tor of the Department of Corrections as being eligible for police officer sta-
19 tus.

20 (q) An employee of the Department of Corrections classified as a police
21 officer on or prior to July 27, 1989, whether or not that classification was
22 authorized by law, as long as the employee remains in the position held on
23 July 27, 1989. The initial classification of an employee under a system im-
24 plemented pursuant to ORS 240.190 does not affect police officer status.

25 (r) Employees of a school district who are appointed and duly sworn
26 members of a law enforcement agency of the district as provided in ORS
27 332.531 or otherwise employed full-time as police officers commissioned by
28 the district.

29 (s) Employees at youth correction facilities and juvenile detention facili-
30 ties under ORS 419A.050, 419A.052 and 420.005 to 420.915 who are required
31 to hold valid Oregon teaching licenses and who have supervisory, control or

1 teaching responsibilities over juveniles committed to the custody of the De-
2 partment of Corrections or the Oregon Youth Authority.

3 (t) Employees at youth correction facilities as defined in ORS 420.005
4 whose primary job description involves the custody, control, treatment, in-
5 vestigation or supervision of juveniles placed in such facilities.

6 (u) Employees of the Oregon Youth Authority who are classified as juve-
7 nile parole and probation officers.

8 (v) Employees of the Department of Human Services who are prohibited
9 from striking under ORS 243.726 and whose duties include the care of resi-
10 dents of residential facilities, as defined in ORS 443.400, that house individ-
11 uals with intellectual or developmental disabilities.

12 (w) Employees appointed as judicial marshals under ORS 1.177 who are
13 certified under ORS 181A.540.

14 (x) Certified parole and probation officers employed by the State Board
15 of Parole and Post-Prison Supervision.

16 (y) District attorneys and deputy district attorneys.

17 [(20)] **(21)** “Prior service credit” means credit provided under ORS 238.442
18 or under ORS 238.225 (2) to (6) (1999 Edition).

19 [(21)] **(22)** “Public employer” means the state, one of its agencies or any
20 city, county, municipal or public corporation, political subdivision of the
21 state or instrumentality thereof, or an agency created by one or more such
22 governmental organizations to provide governmental services. For purposes
23 of this chapter, such agency created by one or more governmental organiza-
24 tions is a governmental instrumentality and a legal entity with power to
25 enter into contracts, hold property and sue and be sued.

26 [(22)] **(23)** “Qualifying position” means one or more jobs with one or more
27 participating public employers in which an employee performs 600 or more
28 hours of service in a full calendar year, or would perform 600 or more hours
29 of service if the employee were employed for the full calendar year, excluding
30 any service in a job for which a participating public employer does not pro-
31 vide benefits under this chapter pursuant to an application made under ORS

1 238.035.

2 [(23)] (24) "Regular account" means the account established for each ac-
3 tive and inactive member under ORS 238.250.

4 [(24)] (25) "Retired member" means a member who is retired for service
5 or disability.

6 [(25)] (26) "Retirement credit" means a period of time that is treated as
7 creditable service for the purposes of this chapter.

8 [(26)(a)] (27)(a) "Salary" means the remuneration paid an employee in
9 cash out of the funds of a public employer in return for services to the em-
10 ployer, plus the monetary value, as determined by the Public Employees Re-
11 tirement Board, of whatever living quarters, board, lodging, fuel, laundry and
12 other advantages the employer furnishes the employee in return for services.

13 (b) "Salary" includes but is not limited to:

14 (A) Payments of employee and employer money into a deferred compen-
15 sation plan, which are deemed salary paid in each month of deferral;

16 (B) The amount of participation in a tax-sheltered or deferred annuity,
17 which is deemed salary paid in each month of participation;

18 (C) Retroactive payments described in ORS 238.008;

19 (D) Wages of a deceased member paid to a surviving spouse or dependent
20 children under ORS 652.190; and

21 (E) The full amount of required employee contributions under ORS
22 238A.330 that are paid by the employer on behalf of its employees under ORS
23 238A.335 (2)(b), solely for the purpose of computing a member's final average
24 salary, and not for any other purpose.

25 (c) "Salary" or "other advantages" does not include:

26 (A) Travel or any other expenses incidental to employer's business which
27 is reimbursed by the employer;

28 (B) Payments for insurance coverage by an employer on behalf of em-
29 ployee or employee and dependents, for which the employee has no cash op-
30 tion;

31 (C) Payments made on account of an employee's death;

- 1 (D) Any lump sum payment for accumulated unused sick leave;
- 2 (E) Any accelerated payment of an employment contract for a future pe-
3 riod or an advance against future wages;
- 4 (F) Any retirement incentive, retirement severance pay, retirement bonus
5 or retirement gratuitous payment;
- 6 (G) Payments for periods of leave of absence after the date the employer
7 and employee have agreed that no future services qualifying pursuant to ORS
8 238.015 (3) will be performed, except for sick leave and vacation;
- 9 (H) Payments for instructional services rendered to public universities
10 listed in ORS 352.002 or the Oregon Health and Science University when
11 such services are in excess of full-time employment subject to this chapter.
12 A person employed under a contract for less than 12 months is subject to this
13 subparagraph only for the months to which the contract pertains;
- 14 (I) Payments made by an employer for insurance coverage provided to a
15 domestic partner of an employee;
- 16 (J) Compensation described and authorized under ORS 341.556 that is not
17 paid by the community college employing the faculty member;
- 18 (K) Compensation described and authorized under ORS 352.232 that is not
19 paid by the public university employing the officer or employee;
- 20 (L) Compensation described and authorized under ORS 353.270 that is not
21 paid by Oregon Health and Science University; or
- 22 (M) For years beginning on or after January 1, 2020, any amount in excess
23 of \$195,000 for a calendar year. If any period over which salary is determined
24 is less than 12 months, the \$195,000 limitation for that period shall be
25 multiplied by a fraction, the numerator of which is the number of months in
26 the determination period and the denominator of which is 12. On January 1
27 of each year, the board shall adjust the dollar limit provided by this sub-
28 paragraph to reflect any percentage changes in the Consumer Price Index for
29 All Urban Consumers, West Region (All Items), as published by the Bureau
30 of Labor Statistics of the United States Department of Labor.
- 31 [(27)] **(28)** “School year” means the period beginning July 1 and ending

1 June 30 next following.

2 [(28)] **(29)** “System” means the Public Employees Retirement System.

3 [(29)] **(30)** “Variable account” means the account established for a member
4 who participates in the Variable Annuity Account under ORS 238.260.

5 [(30)] **(31)** “Vested” means being an active member of the system in each
6 of five calendar years.

7 [(31)] **(32)** “Volunteer firefighter” means a firefighter whose position
8 normally requires less than 600 hours of service per year.

9 **SECTION 4.** ORS 238A.140 is amended to read:

10 238A.140. (1) An active member of the pension program accrues one year
11 of retirement credit for each complete year of service and one-twelfth of a
12 year of retirement credit for each full month and each major fraction of a
13 month of service.

14 (2) An active member who is a school employee shall be credited with at
15 least six months of retirement credit if the member performs service for a
16 major fraction of each month of a school year that falls between January 1
17 and June 30, and at least six months of retirement credit if the member
18 performs service for a major fraction of each month of a school year that
19 falls between July 1 and December 31.

20 (3) When an eligible employee becomes a member under ORS 238A.100, the
21 board shall credit the eligible employee with retirement credit for the period
22 of employment required of the employee under ORS 238A.100.

23 (4) A member may not accrue more than one full year of retirement credit
24 in any calendar year.

25 (5) For purposes of this section[,]:

26 **(a) “Major fraction of a month” or “major fraction of each month”**
27 **means a month:**

28 **(A) In which an active member is employed for more than one-half**
29 **of the total calendar days in that calendar month; and**

30 **(B) In which the member is being paid a salary by a participating**
31 **public employer for hours worked in that calendar month.**

1 (b) "School employee" means:

2 [(a)] (A) A person who is employed by a common school district, a union
3 high school district or an education service district;

4 [(b)] (B) An employee of an institution of higher education who is en-
5 gaged in teaching or other school activity; and

6 [(c)] (C) An employee of the Department of Human Services, the Oregon
7 Youth Authority, the Department of Corrections or the State Board of Edu-
8 cation who is engaged in teaching or other school activity at an institution
9 supervised by the authority, board or department.

10 **SECTION 5.** ORS 238.148 is amended to read:

11 238.148. (1) A member of the Public Employees Retirement System who is
12 a police officer is entitled to receive retirement credit as provided in sub-
13 section (2) of this section if:

14 (a) The member was employed as a public safety officer by another state,
15 or political subdivision of another state, before being employed in a position
16 that entitled the member to credit in the system; and

17 (b) The member makes the payment required by subsection (2) of this
18 section within the time specified by that subsection.

19 (2) Except as provided in subsection (3) of this section, a member of the
20 system employed as a police officer who meets the requirements of subsection
21 (1) of this section is entitled to receive retirement credit for the period of
22 the member's service with another state, or political subdivision of another
23 state, not to exceed a maximum of four years, if the member within 90 days
24 of the member's effective date of retirement:

25 (a) Applies in writing to the Public Employees Retirement Board for such
26 retirement credit;

27 (b) Provides written verification to the board from the other state, or
28 political subdivision of the other state, that employed the member, verifying
29 the period of time that the member served as a public safety officer in the
30 other state; and

31 (c) Pays to the board, in a lump sum, for each year of retirement credit

1 applied for under this section, an amount determined by the board to repre-
 2 sent the full cost to the system of providing the retirement credit to the
 3 member, including all administrative costs incurred by the system in pro-
 4 cessing the application for acquisition of the retirement credit.

5 (3) A member may not receive retirement credit under the provisions of
 6 this section for any period of service with another state, or political subdivi-
 7 sion of another state, if the member is entitled to a pension or retirement
 8 allowance by reason of that service under a public plan or system offered
 9 by the other state or by a political subdivision of the other state.

10 (4) For the purposes of this section, “public safety officer” means a person
 11 who serves in a position with another state, or political subdivision of an-
 12 other state, that is the other state’s equivalent of a position described in
 13 ORS 238.005 [(19)] (20).

14 **SECTION 6.** ORS 238.580 is amended to read:

15 238.580. (1) Except as provided in subsection (3) of this section, ORS
 16 238.005 (4) and [(26)] (27), 238.025, 238.078, 238.082, 238.092, 238.115 (1), 238.250,
 17 238.255, 238.260, 238.350, 238.362, 238.364, 238.372 to 238.384, 238.410, 238.415,
 18 238.420, 238.445, 238.458, 238.460, 238.465, 238.475, 238.600, 238.605, 238.610,
 19 238.618, 238.630, 238.635, 238.645, 238.650, 238.655, 238.660, 238.665, 238.670 and
 20 238.705 and the increases provided by ORS 238.366 for members of the system
 21 who are serving as other than police officers or firefighters apply in respect
 22 to service as a judge member.

23 (2) This chapter applies in respect to persons described in ORS 238.505 (1)
 24 and in respect to service as a judge member only as specifically provided in
 25 ORS 238.500 to 238.585.

26 (3) ORS 238.005 [(26)(c)(M)] (27)(c)(M) does not apply in respect to service
 27 as a judge member.

28 **SECTION 7.** ORS 238.608 is amended to read:

29 238.608. (1) The Public Employees Retirement Board shall conduct a study
 30 of the life expectancy of members of the Public Employees Retirement System
 31 in the categories described in subsection (2) of this section. If the board de-

1 terminates that members in the categories described in subsection (2) of this
2 section have a life expectancy that is substantially shorter than the life ex-
3 pectancy of members of the system generally, the board shall adopt and use
4 separate actuarial equivalency factor tables under ORS 238.607 for the pur-
5 pose of computing the payments to be made to members in the categories
6 described in subsection (2) of this section and to the beneficiaries and al-
7 ternate payees of those members. Any actuarial equivalency factor tables
8 adopted under this section shall first become effective January 1, 2005.

9 (2) The provisions of this section apply to members of the system who are
10 defined as firefighters under ORS 238.005 or as police officers under ORS
11 238.005 [(19)(a)] (20)(a), (b), (d), (e), (f), (g), (L), (m), (o), (p) or (q).

12 **SECTION 8. ORS 238A.010 is repealed.**

13

D R A F T

SUMMARY

Digest: Changes some death benefits under PERS. (Flesch Readability Score: 71.8).

Modifies certain post-retirement death benefits under the Public Employees Retirement System.

A BILL FOR AN ACT

1
2 Relating to post-retirement death benefits under the Public Employees Re-
3 tirement System; amending ORS 238.400, 238.405, 238A.190 and 238A.400.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 238A.400, as amended by section 9, chapter 75, Oregon
6 Laws 2024, is amended to read:

7 238A.400. (1) Upon retirement on or after the earliest retirement date, as
8 described in ORS 238A.165, a member of the individual account program shall
9 receive in a lump sum the amounts in the member's employee account,
10 rollover account and employer account to the extent the member is vested
11 in those accounts under ORS 238A.320.

12 (2) In lieu of a lump sum payment under subsection (1) of this section, a
13 member of the individual account program may elect to receive the amounts
14 in the member's employee account and employer account, to the extent the
15 member is vested in those accounts under ORS 238A.320, in substantially
16 equal installments paid over a period of 5, 10, 15 or 20 years, or over a period
17 that is equal to the anticipated life span of the member as actuarially de-
18 termined by the Public Employees Retirement Board. Installments may be
19 made on a monthly, quarterly or annual basis. In no event may the period

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 selected by the member exceed the time allowed by the minimum distribution
2 requirements described in subsection (5) of this section. The board shall by
3 rule establish the manner in which installments will be adjusted to reflect
4 investment gains and losses on the unpaid balance during the payout period
5 elected by the member under this subsection. The board by rule may estab-
6 lish minimum monthly amounts payable under this subsection. The board
7 may require that a lump sum payment, or an installment schedule different
8 than the schedules provided for in this subsection, be used to pay the vested
9 amounts in the member's accounts if those amounts are not adequate to
10 generate the minimum monthly amounts specified by the rule.

11 (3) A member of the individual account program electing to receive in-
12 stallments under subsection (2) of this section must designate a beneficiary
13 or beneficiaries. In the event the member dies before all amounts in the
14 employee and vested employer accounts are paid, [*all remaining installment*
15 *payments shall be made*] **the remaining account balance shall be paid in**
16 **a lump sum distribution** to the beneficiary or beneficiaries designated by
17 the member. [*A beneficiary may elect to receive a lump sum distribution of the*
18 *remaining amounts.*]

19 (4) A member who is entitled to receive retirement benefits under ORS
20 chapter 238 may receive vested amounts in the member's employee account,
21 rollover account and employer account in the manner provided by this sec-
22 tion when the member retires for service under the provisions of ORS chap-
23 ter 238.

24 (5) Notwithstanding any other provision of ORS 238A.300 to 238A.415, the
25 entire interest of a member of the individual account program must be dis-
26 tributed over a time period commencing no later than the latest retirement
27 date set forth in ORS 238A.170, and must be distributed in a manner that
28 satisfies all other minimum distribution requirements of 26 U.S.C. 401(a)(9)
29 and regulations implementing that section, as in effect on January 1, 2024.
30 The board shall adopt rules implementing those minimum distribution re-
31 quirements.

1 **SECTION 2.** ORS 238.405 is amended to read:

2 238.405. (1) The surviving spouse or child of a police officer or firefighter,
3 who died a member of the Public Employees Retirement System while retired
4 either for service or disability and while receiving or being entitled to re-
5 ceive a benefit under ORS 238.345 or under this chapter, is entitled to a
6 benefit under this section. The benefit shall be equal to 25 percent of the
7 unmodified retirement allowance the police officer or firefighter was receiv-
8 ing or was entitled to receive at the time of death under ORS 238.345 or
9 under this chapter. The benefit authorized by this section is in addition to
10 any other benefit the surviving spouse or child is entitled to and is available
11 to the child until the child attains 18 years of age.

12 (2) For the purpose of this section, the unmodified retirement allowance
13 is that allowance described in ORS 238.300, or if election to receive the
14 benefits authorized under ORS 238.345 has been made, the unmodified re-
15 tirement allowance is 50 percent of the final average salary of the police
16 officer or firefighter as determined on the date of the injury causing disa-
17 bility.

18 (3) The board shall pay to a surviving spouse or child entitled to a benefit
19 under this section a lump sum amount equal to the actuarial value of the
20 allowance provided under this section if the allowance is less than [~~\$30~~] **\$200**
21 per month. The lump sum amount shall be in lieu of the allowance provided
22 for under this section.

23 **SECTION 3.** ORS 238A.190 is amended to read:

24 238A.190. (1) Before the effective date of retirement of a member of the
25 pension program, the member may elect to convert the pension calculated
26 under ORS 238A.180 or 238A.185 into the actuarial equivalent pension as
27 follows:

28 (a) A pension payable monthly during the member's life and, after the
29 death of the member, continuing at the same monthly amount for the life of
30 a beneficiary named by the member in a written designation filed with the
31 Public Employees Retirement Board at the time of election.

1 (b) A pension payable monthly during the member's life and, subject to
2 modification under subsection (2) of this section, after the death of the
3 member, continuing at the same monthly amount for the life of a beneficiary
4 named by the member in a written designation filed with the board at the
5 time of election.

6 (c) A pension payable monthly during the member's life and, after the
7 death of the member, continuing at one-half of the monthly amount paid to
8 the member for the life of a beneficiary named by the member in a written
9 designation filed with the board at the time of election.

10 (d) A pension payable monthly during the member's life and, subject to
11 modification under subsection (2) of this section, after the death of the
12 member, continuing at one-half of the monthly amount paid to the member
13 for the life of a beneficiary named by the member in a written designation
14 filed with the board at the time of election.

15 (2) A retired member who elects to receive a pension under subsection
16 (1)(b) or (d) of this section shall receive the pension that the member would
17 have received on the effective date of retirement under ORS 238A.180 or
18 238A.185 adjusted by the actual amount of any cost-of-living or other post-
19 retirement adjustments made to the original allowance since the effective
20 date of retirement, if:

21 (a) The spouse or other beneficiary dies after the member retires; or

22 (b) The marriage relationship [*or other relationship*] with the beneficiary
23 is terminated after the member retires.

24 (3) An increased benefit under subsection (2) of this section is first ef-
25 fective on the first day of the month following the date on which one of the
26 events specified in subsection (2) of this section occurs.

27 (4) If a member of the pension program is married on the effective date
28 of retirement, or there exists any other person on the effective date of re-
29 tirement who is constitutionally required to be treated in the same manner
30 as a spouse for the purpose of retirement benefits, the pension payable to the
31 member shall be as provided in subsection (1)(c) of this section with the

1 spouse or other person as beneficiary, unless:

2 (a) The member has selected a different pension provided for in subsection
3 (1) of this section with the spouse or other person as beneficiary; or

4 (b) The member submits to the board a document signed by the spouse
5 or other person, acknowledged by a notary public, consenting to a different
6 option or a different beneficiary.

7 (5) Subsection (4) of this section does not apply to a pension benefit that
8 is paid in a lump sum under ORS 238A.195.

9 **SECTION 4.** ORS 238.400 is amended to read:

10 238.400. *[If a person who is a member of the system, who has attained*
11 *normal retirement age and who has retired from service, dies without making*
12 *an election under ORS 238.305 and prior to the expiration of the time within*
13 *which such an election could be made by the person, and the records of the*
14 *Public Employees Retirement Board indicate that the person has designated*
15 *the surviving spouse as the beneficiary under ORS 238.390 (1), such] **If a***
16 **member of the system, who has attained normal retirement age and**
17 **has retired from service, dies prior to the expiration of the time an**
18 **election could be made by the member to change the member's service**
19 **retirement benefit option under ORS 238.305, and the records of the**
20 **Public Employees Retirement Board indicate that the member's sur-**
21 **living spouse is the member's beneficiary under ORS 238.390, the sur-**
22 **viving spouse may, not more than 60 days after the date of the death of such**
23 **deceased member, elect to receive the amount referred to in ORS 238.390**
24 **[(1)], or elect Option 2 or Option 3 under ORS 238.305 and designate self as**
25 **the beneficiary thereunder with the same force and effect as if the election**
26 **and designation had been properly made by the deceased member.**

27

D R A F T

SUMMARY

Digest: The Act makes changes to the health insurance subsidies retired PERS members can get. (Flesch Readability Score: 71.7).

Changes the calculation of the Retirement Health Insurance Account subsidy under the Public Employees Retirement System.

Allows members of the Oregon Public Service Retirement Plan to receive the Retiree Health Insurance Premium Account subsidy.

A BILL FOR AN ACT

1
2 Relating to health insurance subsidies under the Public Employees Retirement System; amending ORS 238.420 and 238A.050.

3
4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 238.420 is amended to read:

6 238.420. (1) As used in this section, “eligible retired member” means:

7 (a) A retired member of the Public Employees Retirement System who is
8 retired for service or disability, is receiving a retirement allowance or benefit under the system, had eight years or more of qualifying service in the
9 system at the time of retirement or is receiving a disability retirement allowance including a pension computed as if the member had eight years or
10 more of creditable service in the system at the time of retirement, and is
11 eligible for federal Medicare coverage; or

12 (b) A person who is a surviving spouse or dependent of a deceased eligible
13 retired member as provided in paragraph (a) of this subsection at the time
14 of death, who is eligible for federal Medicare coverage and who:

15 (A) Is receiving a retirement allowance or benefit under the system; or

16 (B) Was covered at the time of the retired member’s death by the retired
17
18

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 member's health insurance contracted for under ORS 238.410, and the mem-
2 ber retired before May 1, 1991.

3 (2) For purposes of subsection (1)(a) of this section, "qualifying service"
4 means creditable service in the system and any periods of employment with
5 an employer participating in the system required of the employee before be-
6 coming a member of the system.

7 (3) Of the monthly cost of coverage for an eligible retired member under
8 a health care insurance contract that provides [*coverage supplemental to*
9 *federal*] Medicare **or Medicare Supplement** coverage entered into under
10 ORS 238.410, an amount equal to [*\$60 or the total monthly cost of that cover-*
11 *age*] **100 percent of the five-year average of monthly cost of coverage**
12 **among all carriers contracted by the Public Employees Retirement**
13 **Board, as calculated by the board, or the actual total monthly cost of**
14 **that coverage to an eligible retired member**, whichever is less, shall be
15 paid from the Retirement Health Insurance Account established by sub-
16 section (4) of this section, and any monthly cost in excess of [*\$60*] **that**
17 **amount** shall be paid by the eligible retired member in the manner provided
18 in ORS 238.410 (4). **The board shall adopt rules establishing the fre-**
19 **quency by which the subsidy under this subsection is adjusted.** Any
20 amount paid under this subsection shall be exempt from all state, county and
21 municipal taxes imposed on the eligible retired member.

22 (4) Pursuant to section 401(h) of the Internal Revenue Code, the Retire-
23 ment Health Insurance Account is established within the Public Employees
24 Retirement Fund, separate and distinct from the General Fund. Interest
25 earned by the account shall be credited to the account. All moneys in the
26 account are continuously appropriated to the Public Employees Retirement
27 Board and may be used only to pay costs of health care insurance contract
28 coverage under subsection (3) of this section, paying the administrative costs
29 incurred by the board under this section and investment of moneys in the
30 account under any law of this state specifically authorizing that investment.

31 (5) The Retirement Health Insurance Account shall be funded by employer

1 contributions. Each public employer that is a member of the system shall
2 transmit to the board such amounts as the board determines to be actuarially
3 necessary to fund the liabilities of the account. The level of employer con-
4 tributions shall be established by the board using the same actuarial as-
5 sumptions it uses to determine employer contribution rates to the Public
6 Employees Retirement Fund. The amounts shall be transmitted at the same
7 time and in the same manner as contributions for pension benefits are
8 transmitted under ORS 238.225.

9 (6) As provided in section 401(h)(5) of the Internal Revenue Code of 1986,
10 upon satisfaction of all liabilities for providing benefits described in sub-
11 section (1) of this section, any amount remaining in the Retirement Health
12 Insurance Account shall be returned to the employers participating in the
13 retirement system on an equitable basis as determined by the board.

14 (7) No member of the system shall have an interest in the Retirement
15 Health Insurance Account.

16 **SECTION 2.** ORS 238A.050 is amended to read:

17 238A.050. (1) The Oregon Public Service Retirement Plan is part of the
18 Public Employees Retirement System and is administered by the Public Em-
19 ployees Retirement Board.

20 (2) ORS 238.008, 238.225, 238.229, 238.235, 238.285, 238.410, **238.415, 238.420,**
21 238.445, 238.447, 238.450, 238.455, 238.458, 238.460, 238.465, 238.470, 238.600,
22 238.601, 238.605, 238.610, 238.615, 238.618, 238.630, 238.635, 238.640, 238.645,
23 238.655, 238.660, 238.661, 238.665, 238.675, 238.692, 238.694, 238.695, 238.696,
24 238.698, 238.700, 238.705, 238.710 and 238.715 apply to the Oregon Public Ser-
25 vice Retirement Plan.

26 (3) The Oregon Investment Council shall invest the assets of the Oregon
27 Public Service Retirement Plan as a part of the Public Employees Retirement
28 Fund. Except as provided by subsection (4) of this section, the investment
29 of Oregon Public Service Retirement Plan assets is subject to the provisions
30 of ORS 293.701 to 293.857. The Oregon Investment Council may invest assets
31 of the individual account program and pension program differently than the

1 other assets of the Public Employees Retirement System.

2 (4) Investment of the assets of the Oregon Public Service Retirement Plan
3 is not subject to the limitations imposed by ORS 293.726 (6).

4 (5) The board may contract with a private provider for the administration
5 of the individual account program. The board is not subject to the provisions
6 of ORS chapter 279A or 279B in awarding a contract under the provisions
7 of this subsection. The board shall establish procedures for inviting proposals
8 and awarding contracts under this subsection.

9

D R A F T

SUMMARY

Digest: The Act changes how PERS uses the money in the SDULF. (Flesch Readability Score: 87.9).

Changes the application of moneys in the School Districts Unfunded Liability Fund.

A BILL FOR AN ACT

1
2 Relating to the School Districts Unfunded Liability Fund; amending section
3 24, chapter 105, Oregon Laws 2018.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** Section 24, chapter 105, Oregon Laws 2018, as amended by
6 section 51, chapter 355, Oregon Laws 2019, and section 19, chapter 10, Oregon
7 Laws 2020 (second special session), is amended to read:

8 **Sec. 24.** (1) The School Districts Unfunded Liability Fund is established
9 in the State Treasury, separate and distinct from the General Fund. Interest
10 earned by the School Districts Unfunded Liability Fund shall be credited to
11 the fund. The fund consists of moneys transferred, allocated or appropriated
12 to the fund.

13 (2) Moneys in the fund are continuously appropriated to the Public Em-
14 ployees Retirement Board for the purpose of [*establishing and funding a*
15 *pooled account to be applied against*] **reducing** the liabilities of participating
16 public employers, as defined in ORS 238.005, that are school districts.

17 (3) Moneys in the fund shall be invested in the Oregon Short Term Fund
18 established under ORS 293.728.

19 [(4) *The board shall establish an account in the Public Employees Retire-*

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 *ment Fund for the moneys in the School Districts Unfunded Liability Fund.]*

2 *[(5) The board shall adopt rules providing for:]*

3 *[(a) Proportional distribution to school districts of the moneys in the ac-*
4 *count established under subsection (4) of this section;]*

5 *[(b) Amortization of the moneys distributed; and]*

6 *[(c) Administration of the account established under subsection (4) of this*
7 *section in the same manner as accounts established under ORS 238.229 (2).]*

8 **(4) The board shall determine the appropriate timing to apply the**
9 **funds against the school district employers' liabilities.**

10 *[(6)] (5) No later than February 1 of each odd-numbered year, the board*
11 *shall report to the Oregon Department of Administrative Services and the*
12 *Legislative Fiscal Officer an estimate of how moneys will be distributed un-*
13 *der this section in the following biennium.*

14

C.

A. Administration

1. October 4, 2024 PERS Board Meeting Minutes
2. Director's Report
3. Board governance assignments
4. Governor's Expectations update
5. Board scorecard report on agency performance measures

B. Administrative rulemaking

1. Notice of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule
2. Second reading of Service Retirement Applications Rule
3. Adoption of rulemaking for police officer and firefighter unit purchases and retirement eligibility
4. Adoption of rulemaking for Reemployment of Retired Members Rule

C. Action and discussion items

1. Senate Bill 1049 update
2. Employer Incentive Fund update
3. Presentation of final legislative concepts drafts and Legislative Advisory Committee
- 4. Financial modeling presentation**



FINANCIAL MODELING

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Presented by:

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

December 6, 2024

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Introduction

- July: Milliman presented system-average results
 - Calculated as of December 31, 2023 valuation for the Tier One/Tier Two & OPSRP programs
- October: Board adopted employer-specific 2025-2027 contribution rates
 - Based on the December 31, 2023 valuation
- **Today: Long-term financial modeling projections reflecting published investment results through September 30**
 - System average contribution rates
 - System funded status
 - System unfunded actuarial liability (UAL)

Models and Inputs

- System financials are projected using two different models
 - Steady return model – consistent year-to-year future investment returns
 - Variable return model – future investment returns vary from year to year
- Modeling starts with liabilities and actuarial assumptions from the 12/31/2023 system-wide actuarial valuation report
 - This includes the current Board-adopted 6.90% return assumption for valuing liabilities
- Modeling uses 12/31/2023 assets adjusted for **published regular account returns of +6.11% through September 2024**
 - Returns for October through December 2024 vary in our models based on scenario

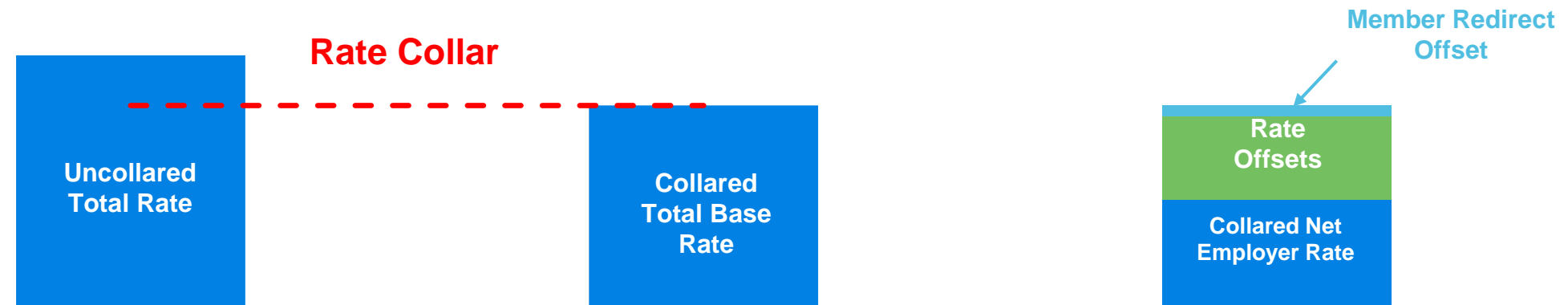
Financial Modeling - Comments on System Average Rates

- Projections depict **system average** funded status and employer contribution rates
- Rates shown in this presentation are “employer” rates
 - Redirected member contributions serve as an offset to “total” rate
- No single employer pays the system average rate
 - Contribution rates vary both by experience pooling group, employer, and type of payroll
- At the median scenario, average base employer rates for the 2027-2029 biennium are projected to remain fairly level, but average net employer rates are expected to increase due to expiration of side accounts
 - Actual outcome will vary by rate pool and employer
- Rates shown do not include:
 - Contribution rates for the Individual Account Plan (IAP)
 - Employer contribution rates for the RHIA & RHIPA retiree healthcare programs
 - Debt service payments on employer-specific pension obligation bonds

Rate Collaring

- In the December 31, 2023 rate-setting valuation, the rate collar policy had different effects on different components of the 2025-2027 contribution rates
- **Tier One/Tier Two UAL rate**
 - Large rate pools (Schools & SLGRP): held the UAL rate constant (above the uncollared UAL rate)
 - This provides a partial buffer against potential poor investment returns during the 2024 and 2025 calendar years and reduces the biennium-to-biennium increase in contribution rates resulting from any underperformance
 - Independent employers: effect depends on employer – nearly half saw no adjustment due to rate collar, while for some collar either increased or decreased final net rate
- **OPSRP UAL rate**
 - Collared rate is 0.19% of payroll below the uncollared rate (affects all employers)

Overview of Rate Calculation Structure

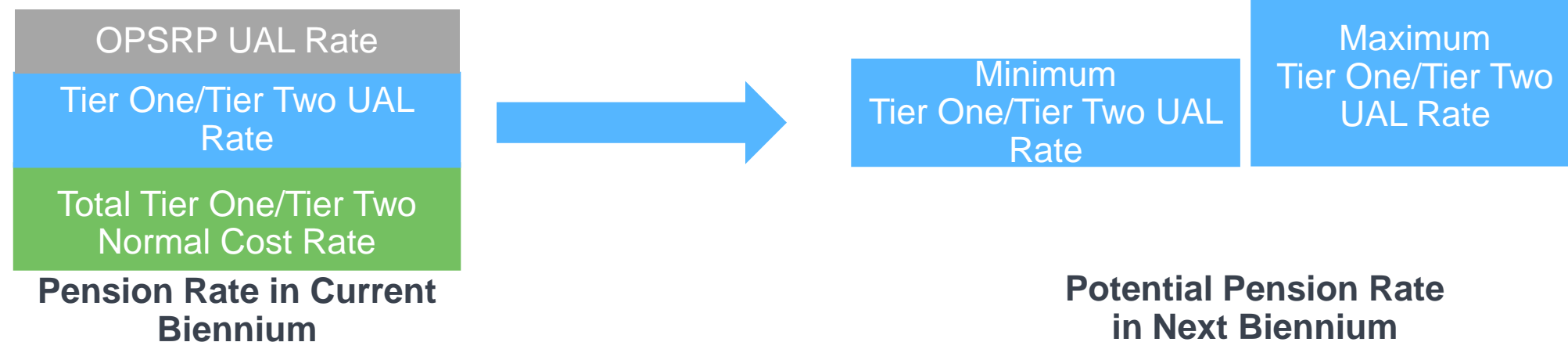


- The **uncollared total rate** is the theoretical contribution rate to reach 100% funded status over a specified amortization period if:
 - Contributions at that rate started on the actuarial valuation date, and
 - Actual future experience mirrors the actuarial valuation's assumptions, and
 - The normal cost rate does not change in subsequent years
- The rate collar sets a biennium's **collared total base rate**, limiting the base rate change for a single biennium when there is a large change in the uncollared rate
- **Member redirect offset** reflects estimated portion of collared total base rate paid by redirected member contributions
- Employers pay the **collared net employer rate**, which reflects the member redirect offset and any rate offset adjustments from:
 - Side account rate offsets for employers with side accounts
 - SLGRP charges/offsets (e.g., Transition Liability/Surplus)

Rate Collar Design

- Rate collar focuses on the biennium-to-biennium change in the UAL Rate component
 - Normal Cost Rate component is always paid in full and is not subject to a rate collar limitation
- The maximum biennium-to-biennium change in UAL Rate permitted by the rate collar is:
 - **SLGRP and School District Pools Tier One/Tier Two UAL Rates:** 3% of pay
 - **OPSRP UAL rate:** 1% of pay
 - **Tier One/Tier Two UAL Rates of Independent Employers:** greater of 4% of pay or 1/3rd of the difference between the collared and uncollared Tier One/Tier Two UAL Rates at the last rate-setting valuation
- UAL Rate is not allowed to decrease at all unless funded status excluding side accounts is at least 87%, and a full collar width decrease is not allowed unless funded status is at least 90%

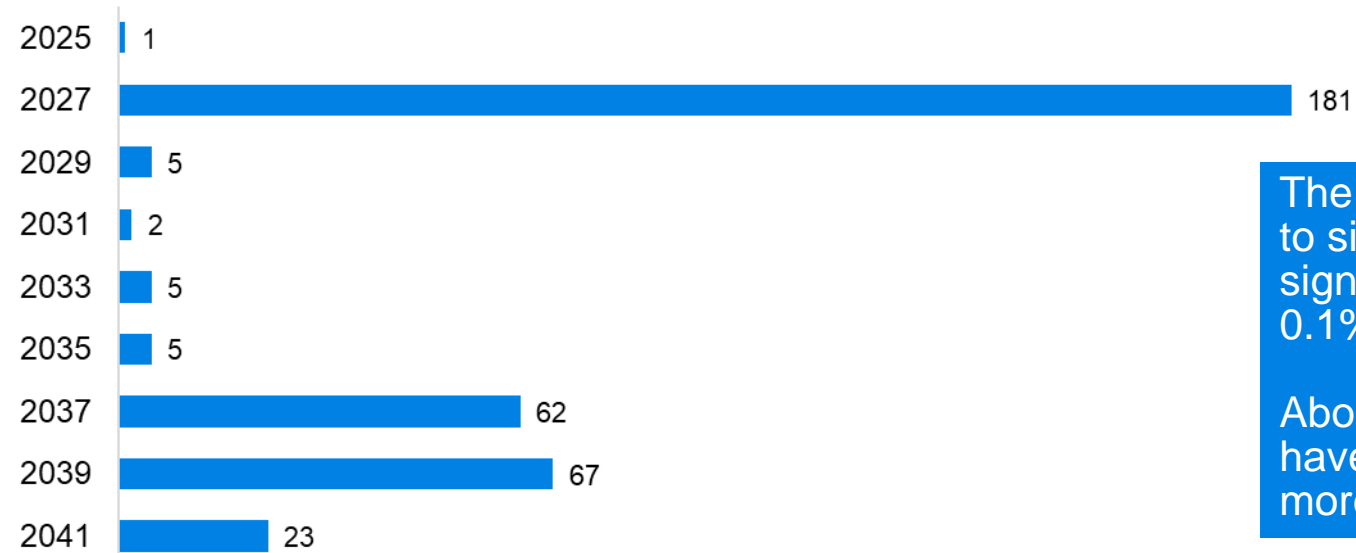
**Illustration of
Rate Collar for
Tier One/Tier Two
UAL Rate
(funded status
<87%)**



Side Accounts Rate Offsets & SLGRP Transition Charges/Offsets

- Adjustments to employer “base” contributions for side account offsets and SLGRP-related charges or offsets vary by employer
- For purposes of the projection, amounts are aggregated and treated as if the system was a single employer
- A large portion of these rate adjustments will expire soon:
 - Over half of side account balances are scheduled to amortize by December 31, 2027; rate offsets will not apply starting in the 2027-2029 biennium rates
 - Almost all SLGRP transition adjustments are scheduled to last apply for the 2027-2029 contribution rates
- We have reflected this timing in our modeling at an approximated, system-wide level

**Side Accounts
by End Year**
as of 12/31/2023



The size of the 2025-2027 rate offset tied to side accounts expiring in 2027 varies significantly by employer, ranging from 0.1% of payroll to over 20%.

About half of the expiring side accounts have a rate offset of 5.0% of payroll or more during 2025-2027.



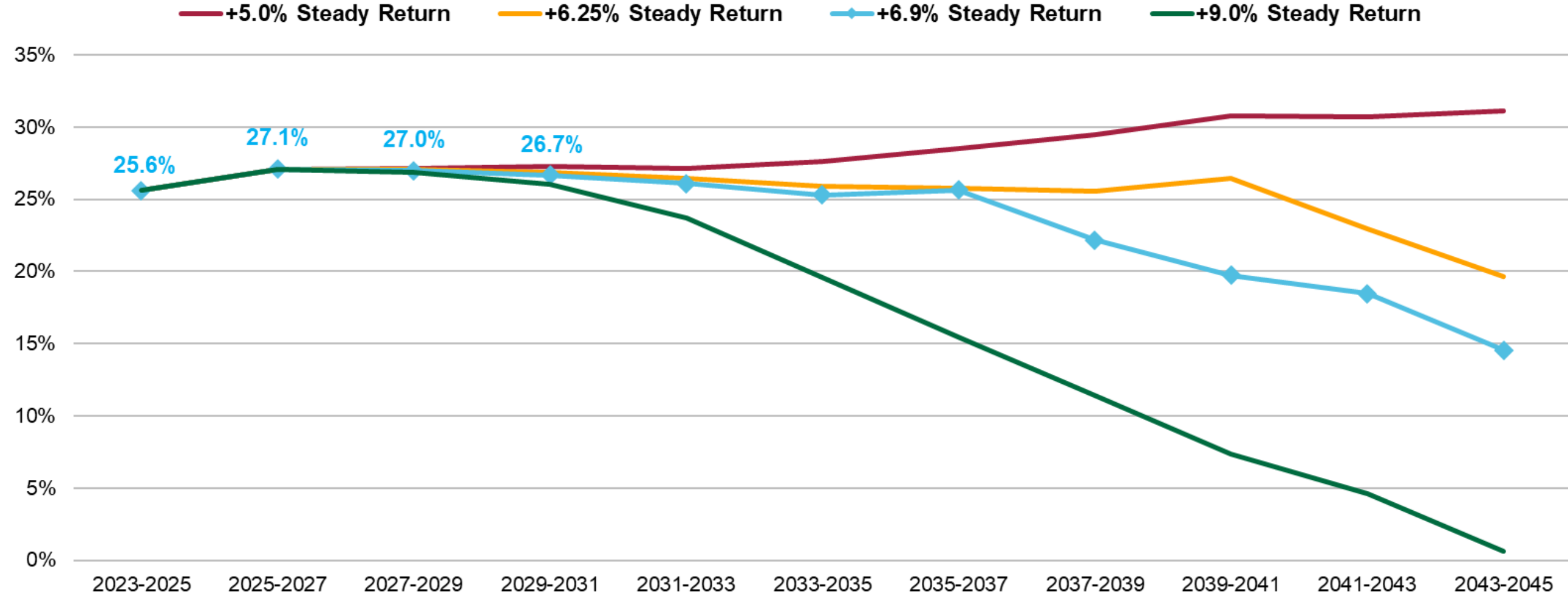
Steady Return Model

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Steady Return Model

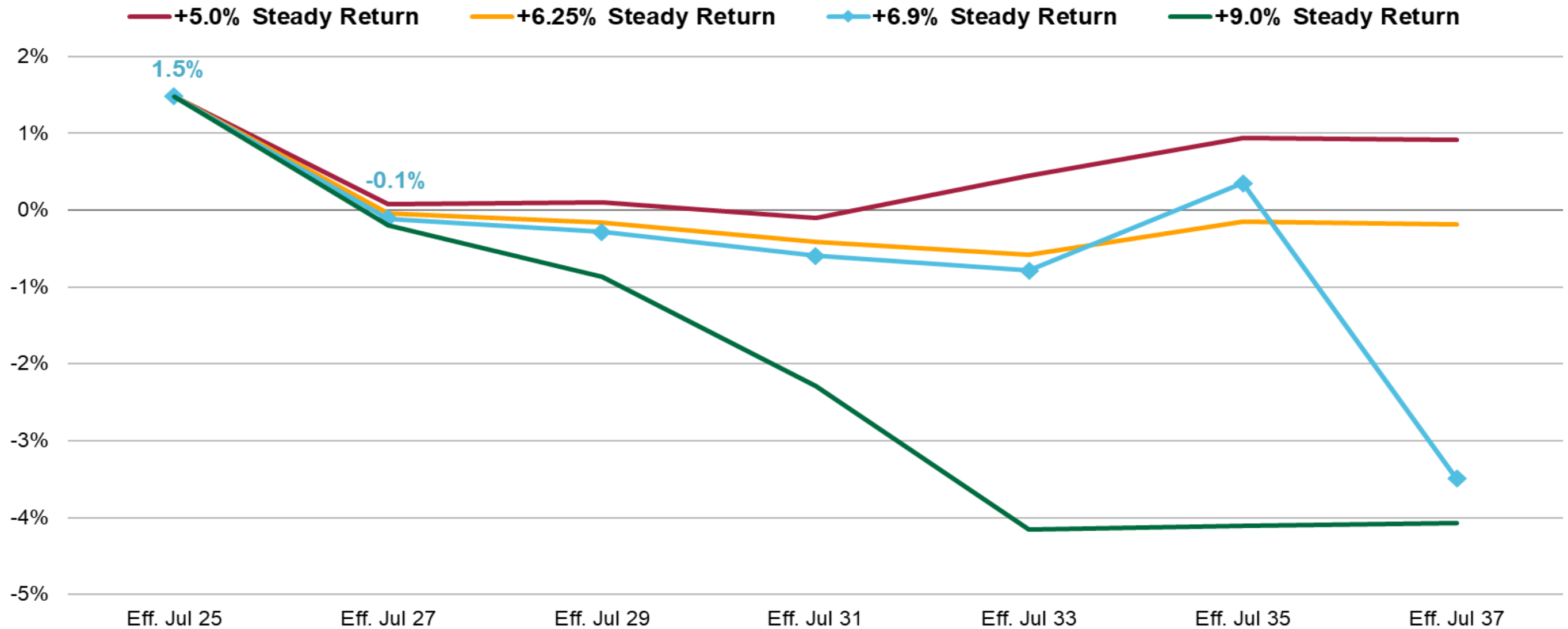
- The next four slides show financial projections under the current rate setting structure
 - Employer rates adjust each biennium, with changes limited by the rate collar
- Four scenarios for **steady annual actual future investment** return are shown
 - **+5.0%; +6.25%; +6.9%; +9.0%**
- While actual future returns won't be steady year-to-year, the steady return model clearly illustrates the financial dynamics
 - More realistic “noisy” future returns will be shown in the variable return model later in this presentation
 - The effects of near-term and/or long-term future annualized returns worse than +5.0% are captured in the variable return model
- Model incorporates published returns through September 2024 of 6.11%

Employer Collared Base Pension Rates (System Average)



- If future investment returns are near assumption, system average employer collared base pension rates in 2027-29 are projected to be similar to 2025-27 rates
- Blue line: rates decrease as new OPSRP members replace exiting Tier One / Tier Two members
- 2027-29 rates will be based on asset returns through December 31, 2025, along with assumption and methods adopted after the upcoming Experience Study

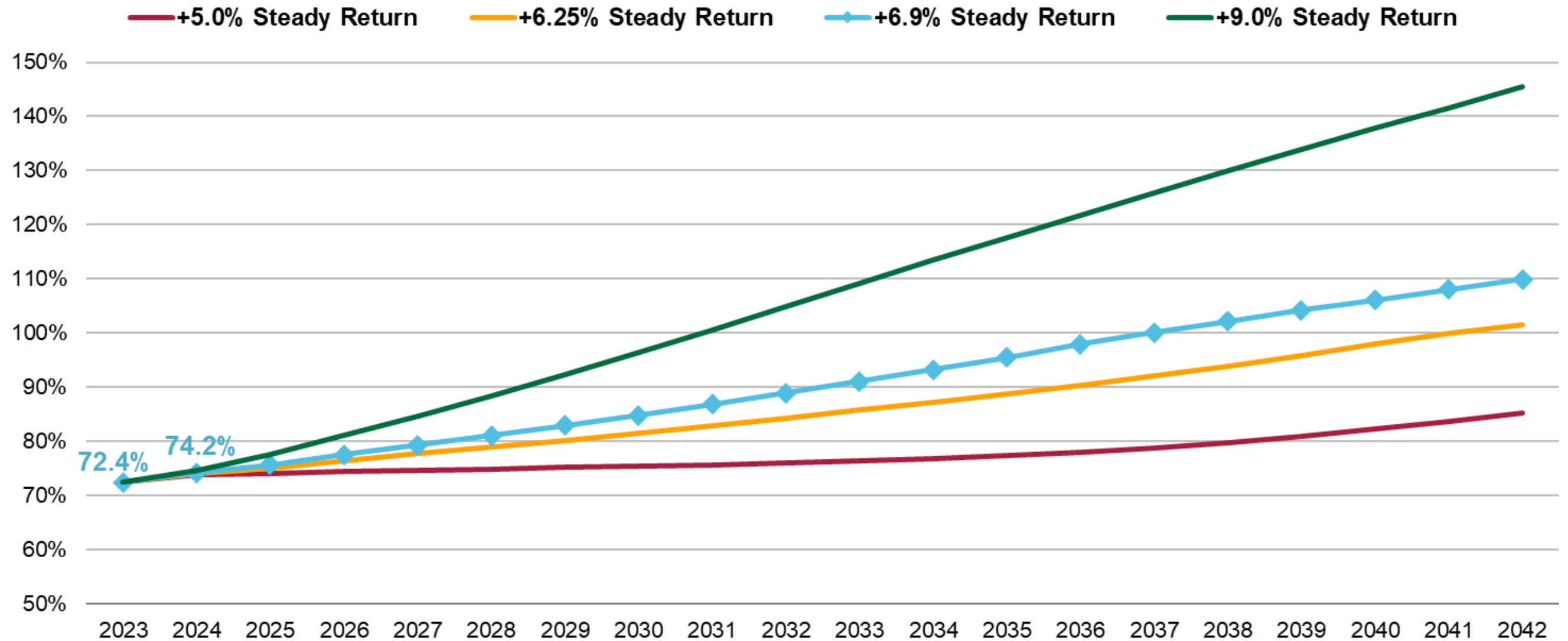
Biennial Change in Employer Collared Base Rate (System Average)



At 6.9% steady return, the average employer collared base rate:

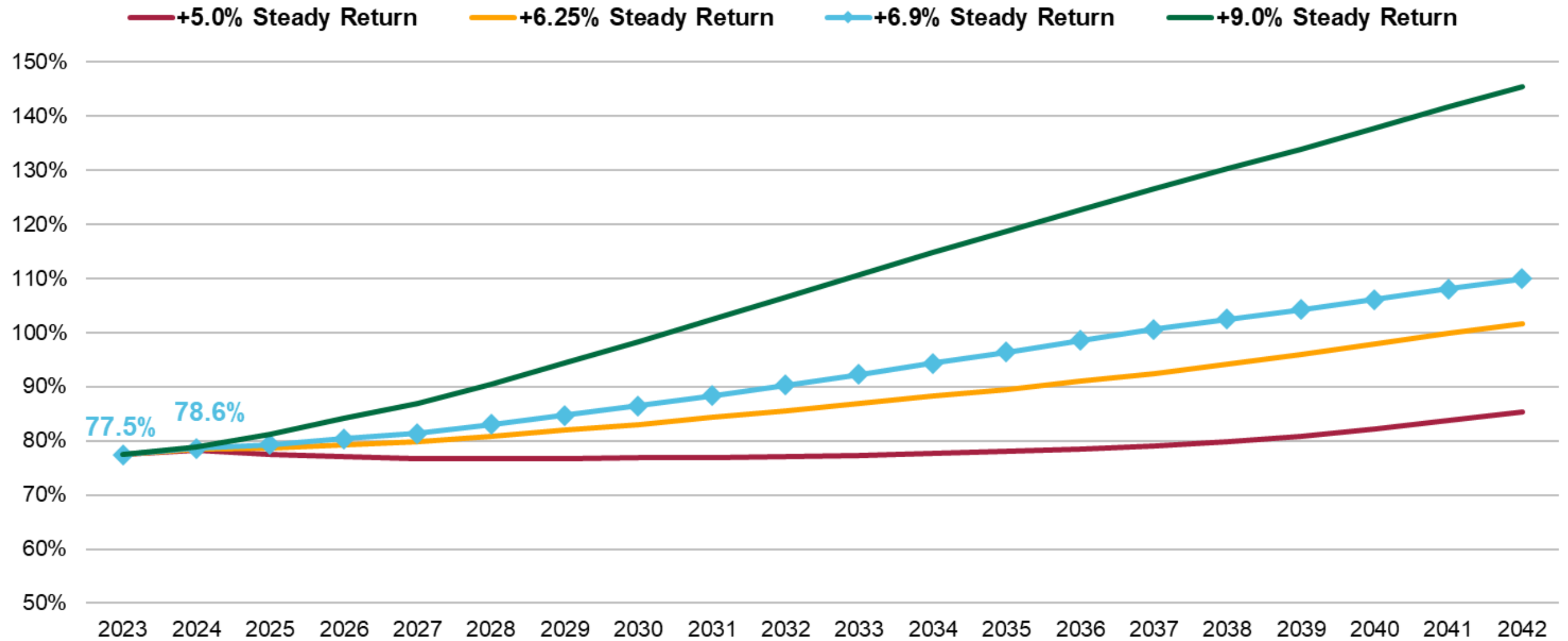
- Increases effective July 2035 due to switching off member redirect contributions
- Drops 3%-4% in July 2037 once Tier One/Tier Two funded status exceeds 90%, allowing a decrease in collared UAL rates

System Funded Status (Excluding Side Accounts)



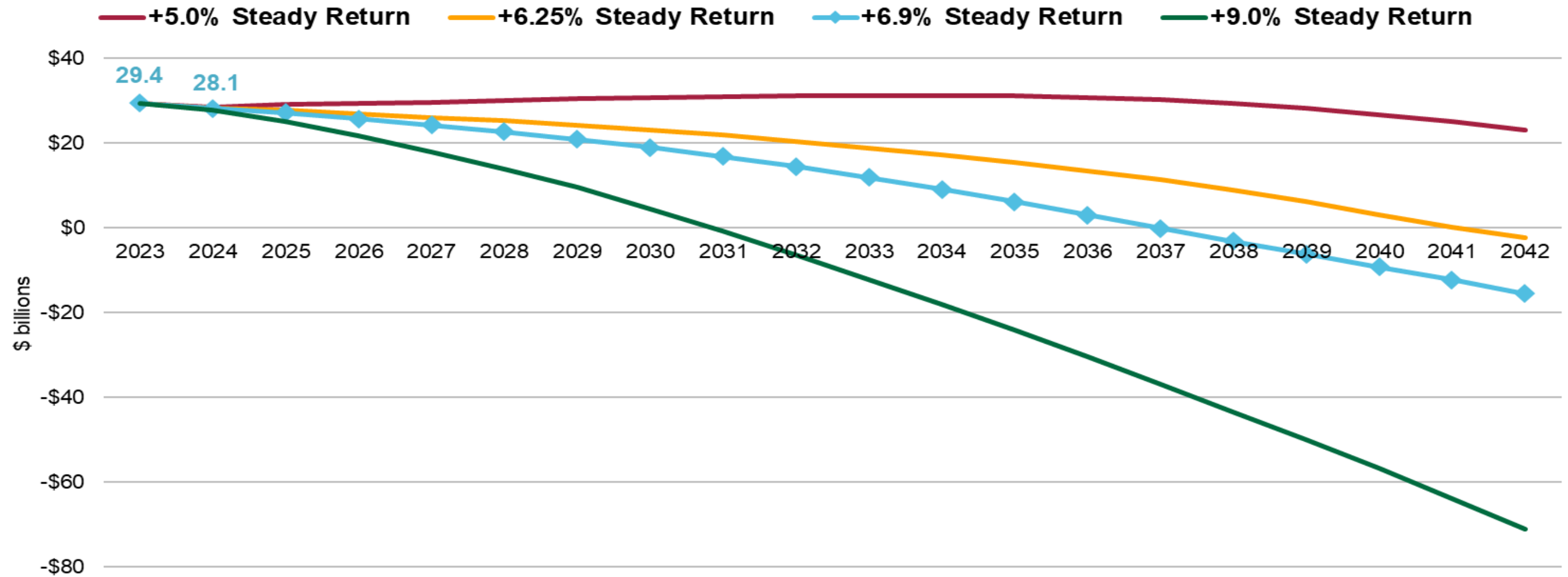
- 2024 funded status increases due to estimated year-end 2024 investment returns and contributions
- In steady +6.9% return scenario, funded status projected to reach 100% in 2037

System Funded Status (Including Side Accounts)



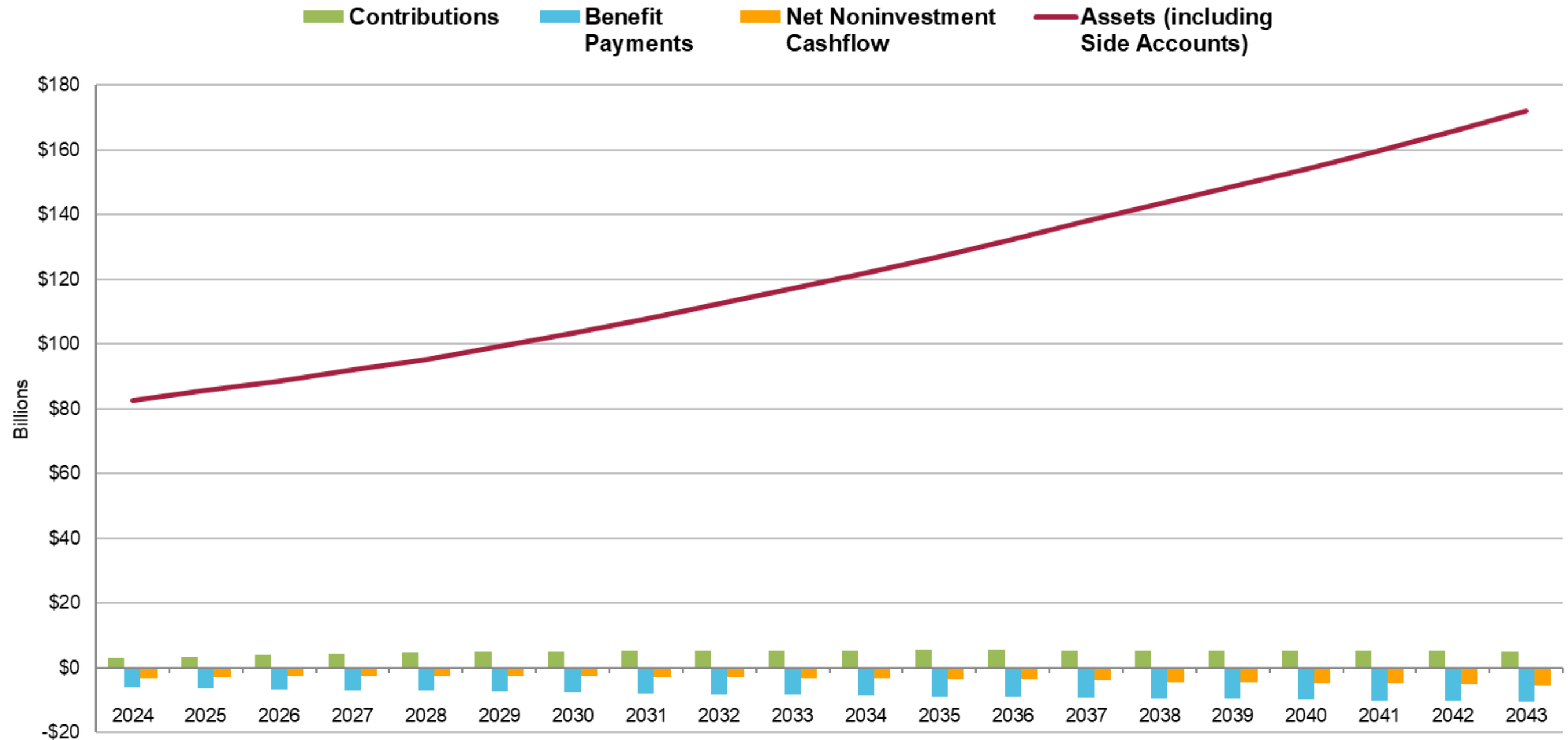
- 2024 funded status increases due to estimated year-end 2024 investment returns & contributions
- In steady +6.9% return scenario, funded status projected to reach 100% in 2037

UAL (Unfunded Actuarial Liability) Excluding Side Accounts

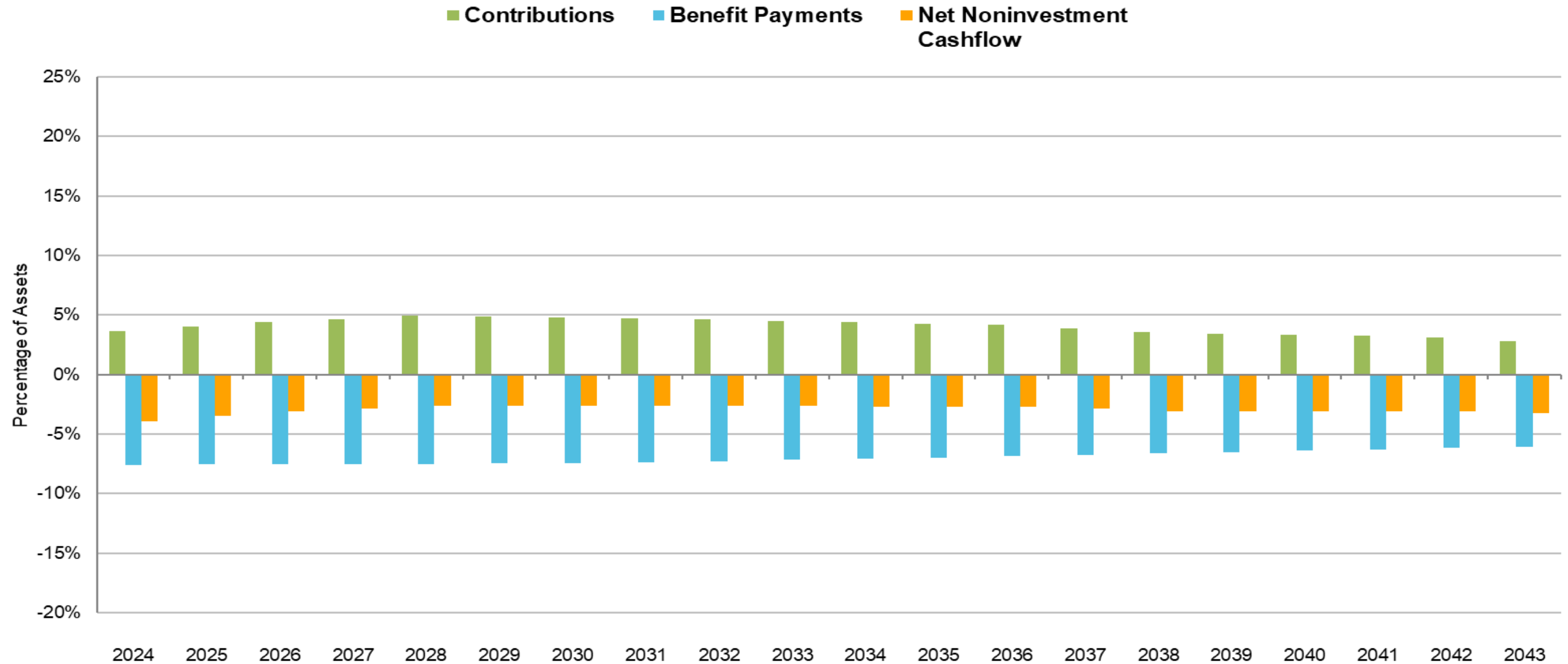


- 2024 UAL decreases due to estimated year-end 2024 investment returns and contributions
- At steady +6.9% return, UAL declines steadily, reaching \$0 at year-end 2037

Cash Flow and Asset Balance at +6.90% Actual Return in All Future Years

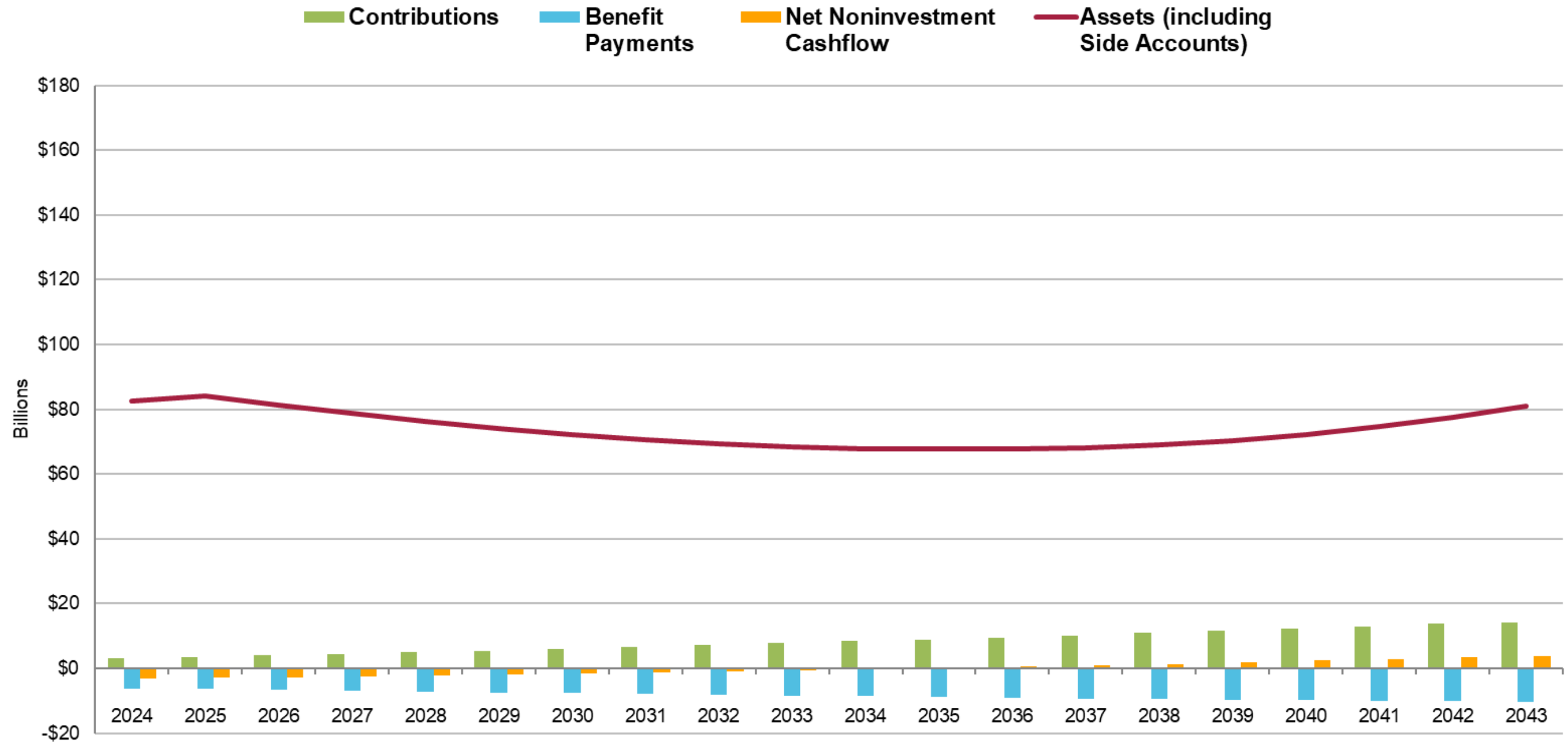


Cash Flows as % of Assets at +6.90% Actual Return in All Future Years

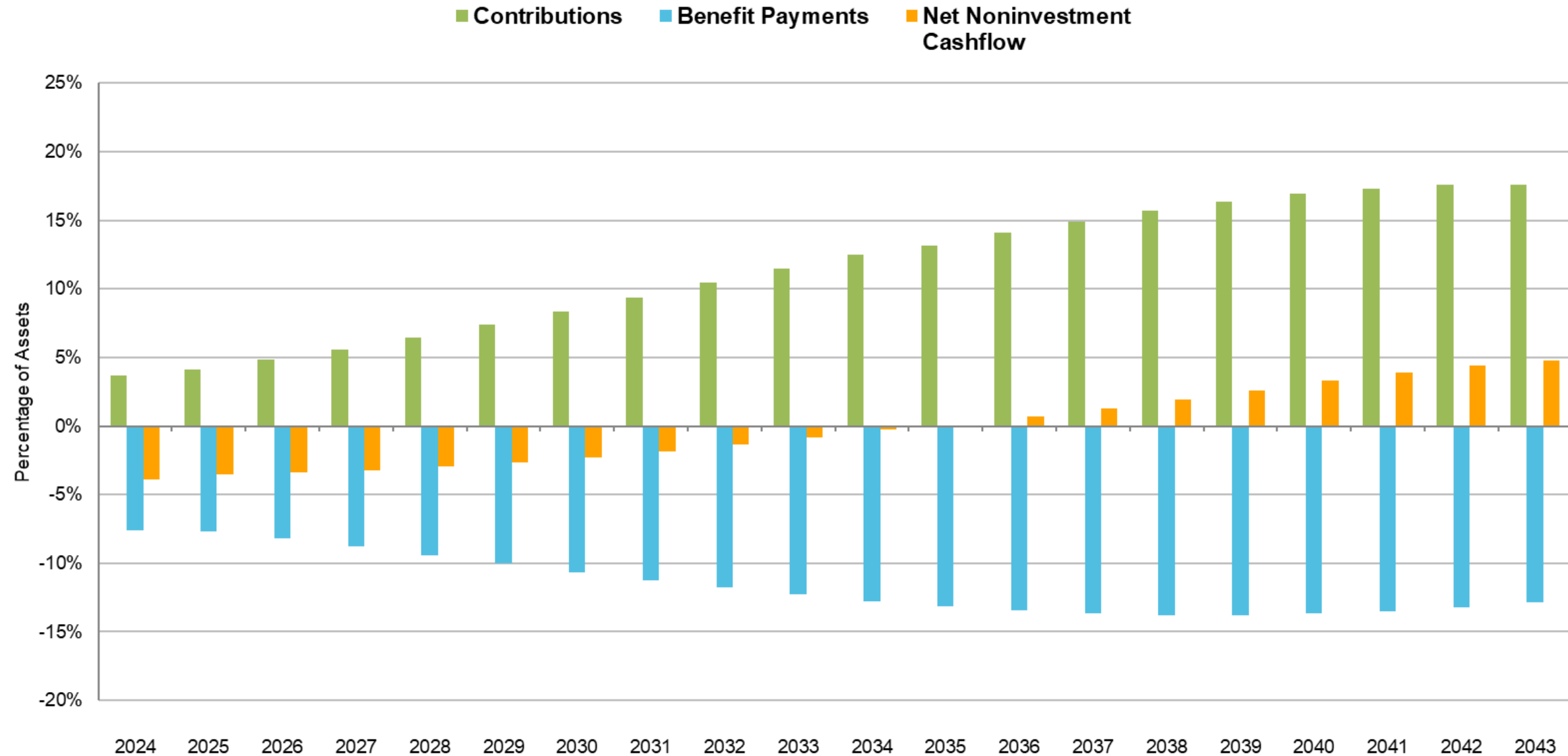


Net Noninvestment Cashflow = Contributions – Benefit Payments

Cash Flow and Asset Balance at +0.00% Actual Return in All Future Years



Cash Flows as % of Assets at +0.00% Actual Return in All Future Years



Net Noninvestment Cashflow = Contributions – Benefit Payments



Variable Return Model

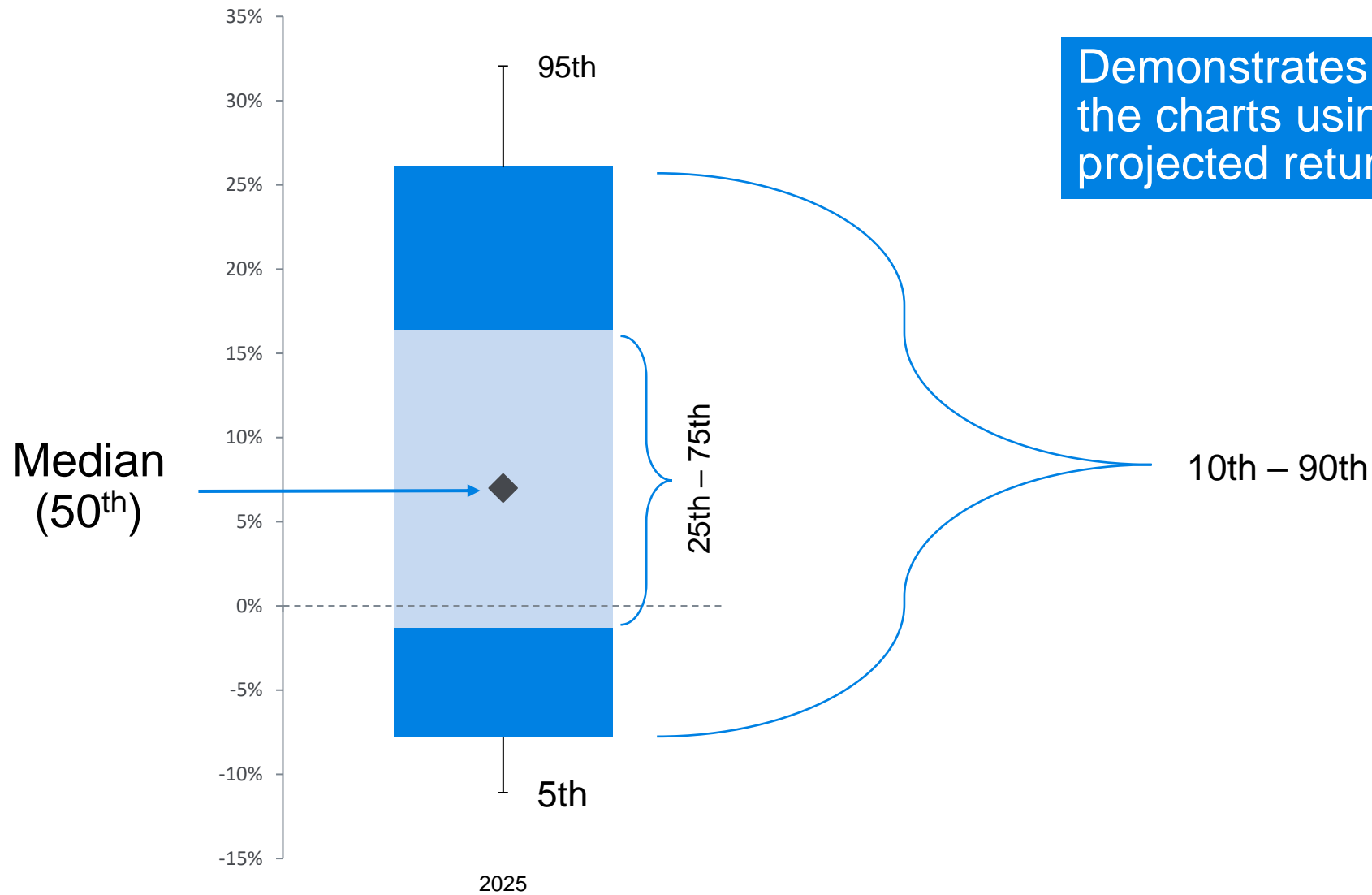
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Variable Return Model

- Model results are likelihood ranges instead of a single amount
 - The range's distribution is based on a stochastic simulation using 10,000 trials
 - Scenarios were developed by our national capital market specialists, and use the OPERF target asset allocation policy (reflecting recent proposed changes as described in the appendix); for these scenarios, the **median annualized average geometric 20-year return is 7.44%**
 - **Model incorporates published returns through September 2024**
- In our results charts, the dots represent median (50th percentile) outcomes
- We display model results from the 5th to 95th percentiles
 - Ten percent of model outcomes fall outside of the depicted range
- The chart format is demonstrated on the next slide

PERS Fund Rate of Return

Projected 2025 Investment Returns

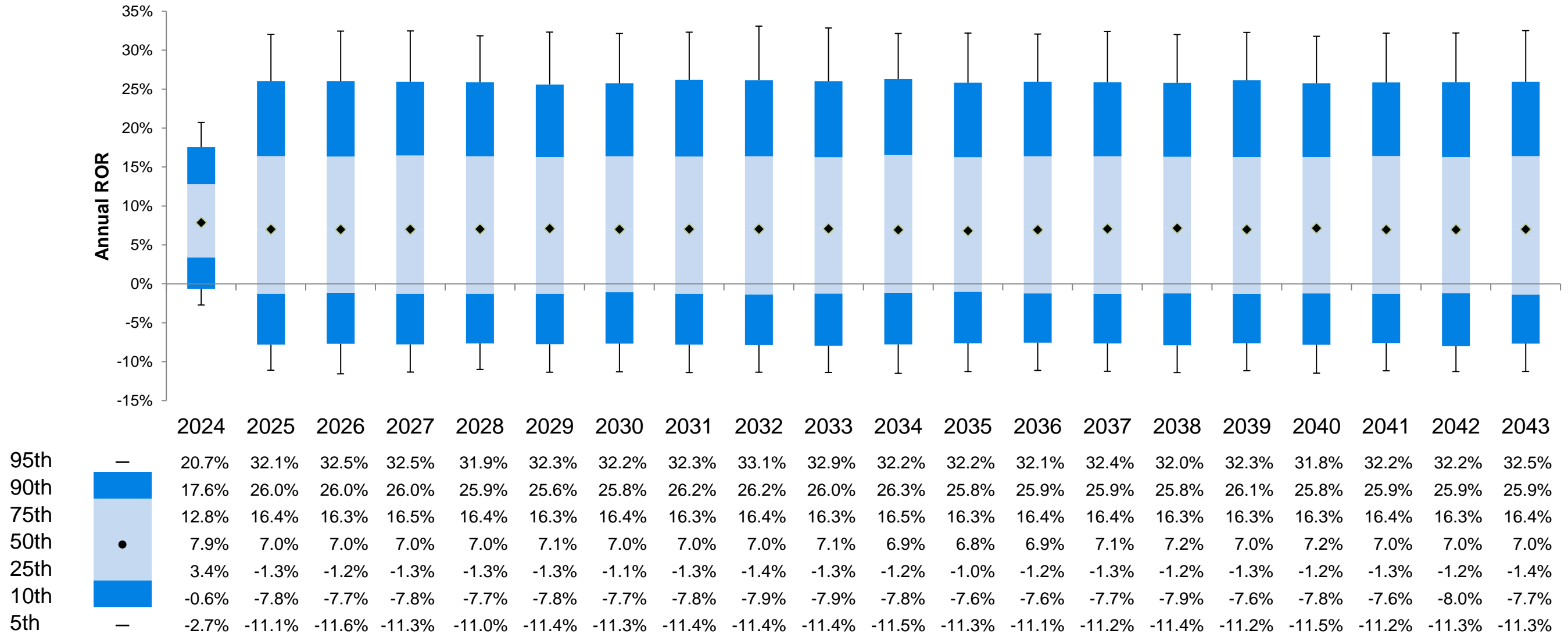


Demonstrates the format of the charts using single year projected returns in 2025.

PERS Fund Rate of Return

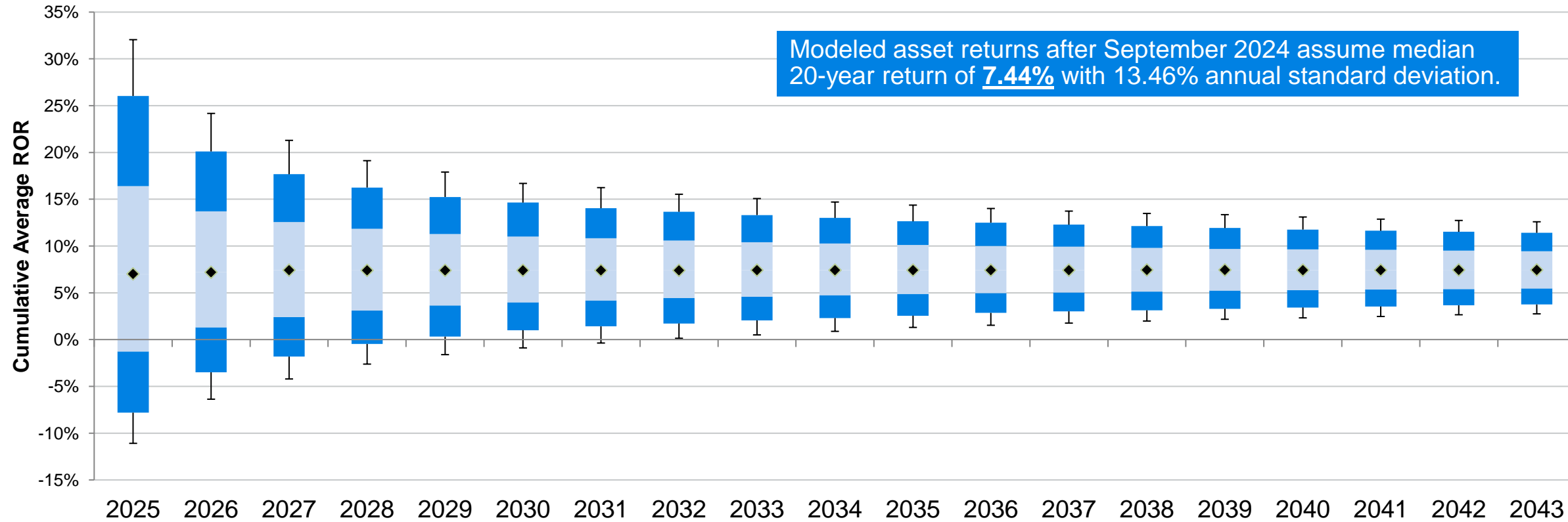
Single Calendar Year Investment Returns

The distribution of returns for 2024 reflects known results through September combined with modeled results for the last quarter of the year. Starting in 2025, our capital market outlooks model projects similar return ranges throughout the modeling period.



Average Annualized Rate of Investment Return

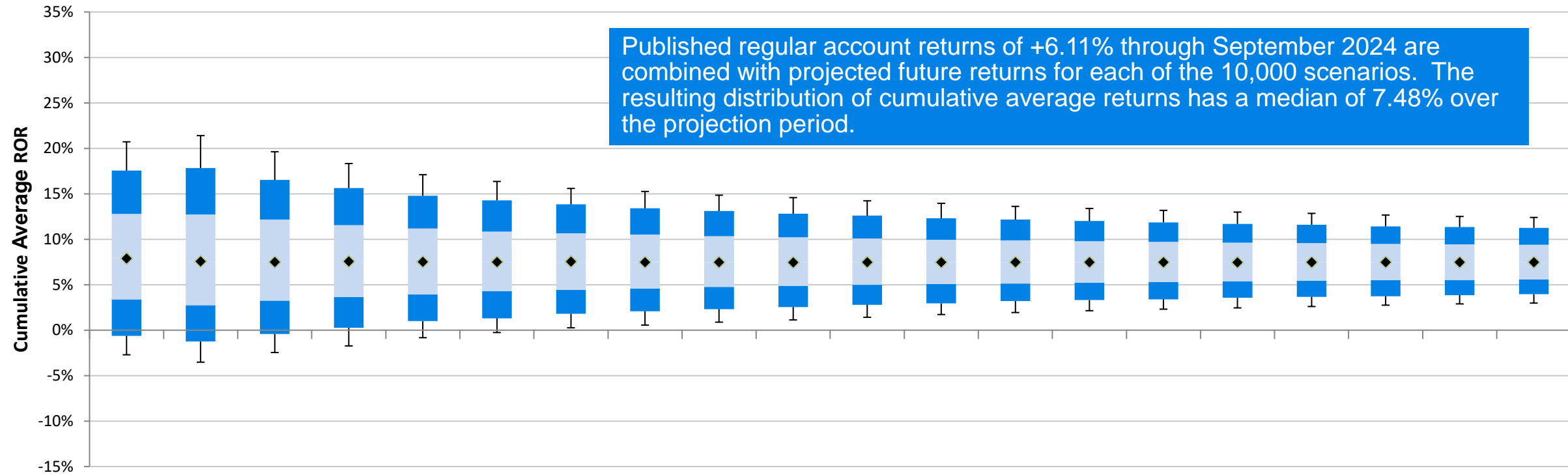
Post-2024 Modeled Returns (Geometric Average)



	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
95th	32.1%	24.2%	21.3%	19.1%	17.9%	16.7%	16.2%	15.5%	15.1%	14.7%	14.4%	14.0%	13.7%	13.5%	13.4%	13.1%	12.9%	12.7%	12.6%
90th	26.0%	20.1%	17.7%	16.3%	15.2%	14.6%	14.0%	13.7%	13.3%	13.0%	12.6%	12.5%	12.3%	12.1%	11.9%	11.8%	11.6%	11.5%	11.4%
75th	16.4%	13.7%	12.6%	11.8%	11.3%	11.0%	10.8%	10.6%	10.4%	10.3%	10.1%	10.0%	9.9%	9.8%	9.7%	9.6%	9.6%	9.5%	9.4%
50th	7.0%	7.2%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.5%	7.4%
25th	-1.3%	1.3%	2.4%	3.1%	3.7%	4.0%	4.2%	4.5%	4.6%	4.7%	4.9%	5.0%	5.0%	5.1%	5.2%	5.3%	5.4%	5.4%	5.5%
10th	-7.8%	-3.5%	-1.8%	-0.5%	0.3%	1.0%	1.4%	1.7%	2.1%	2.3%	2.6%	2.9%	3.0%	3.1%	3.3%	3.4%	3.5%	3.7%	3.8%
5th	-11.1%	-6.4%	-4.2%	-2.6%	-1.6%	-0.9%	-0.4%	0.1%	0.5%	0.9%	1.3%	1.5%	1.8%	2.0%	2.2%	2.3%	2.5%	2.7%	2.8%

Average Annualized Rate of Investment Return

Post-2023 Modeled Returns (Geometric Average)

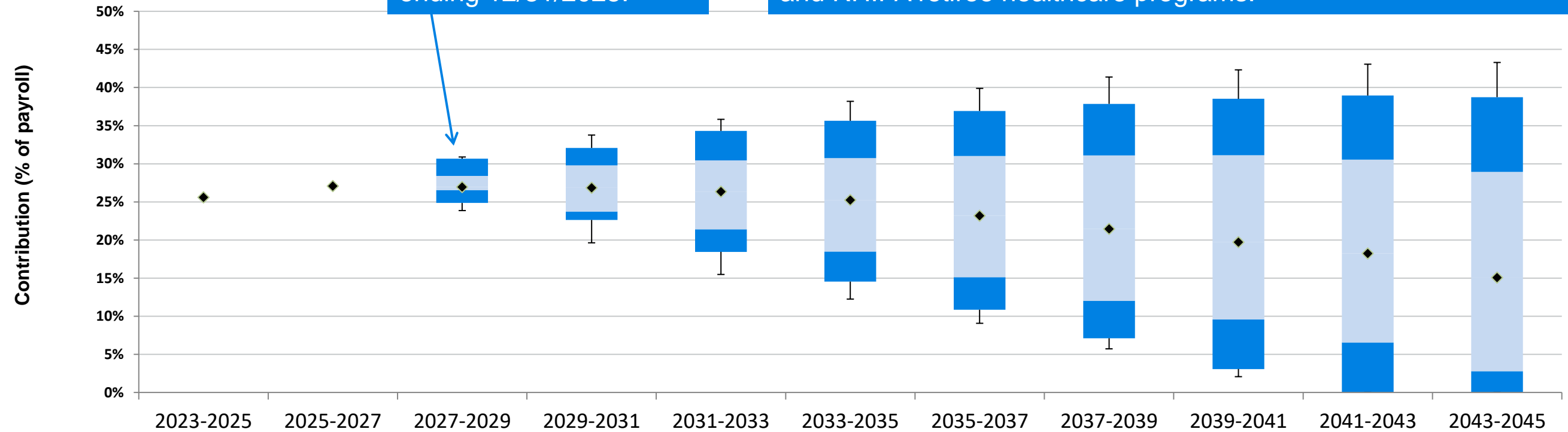


	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
95th	20.7%	21.4%	19.6%	18.3%	17.1%	16.4%	15.6%	15.3%	14.9%	14.6%	14.2%	14.0%	13.6%	13.4%	13.2%	13.0%	12.9%	12.7%	12.5%	12.4%
90th	17.6%	17.8%	16.5%	15.6%	14.8%	14.3%	13.8%	13.4%	13.1%	12.8%	12.6%	12.3%	12.2%	12.0%	11.9%	11.7%	11.6%	11.4%	11.4%	11.3%
75th	12.8%	12.7%	12.2%	11.6%	11.2%	10.8%	10.7%	10.5%	10.3%	10.2%	10.1%	9.9%	9.9%	9.8%	9.7%	9.6%	9.6%	9.5%	9.4%	9.4%
50th	7.9%	7.6%	7.5%	7.6%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
25th	3.4%	2.8%	3.3%	3.6%	3.9%	4.3%	4.5%	4.6%	4.8%	4.9%	5.0%	5.1%	5.1%	5.2%	5.3%	5.4%	5.4%	5.5%	5.5%	5.6%
10th	-0.6%	-1.3%	-0.4%	0.3%	1.0%	1.3%	1.8%	2.1%	2.3%	2.5%	2.8%	2.9%	3.2%	3.3%	3.4%	3.6%	3.7%	3.7%	3.9%	4.0%
5th	-2.7%	-3.5%	-2.5%	-1.7%	-0.8%	-0.3%	0.3%	0.6%	0.9%	1.1%	1.4%	1.7%	1.9%	2.1%	2.3%	2.5%	2.6%	2.8%	2.9%	3.0%

Employer Collared Base Pension Rates (System Average)

Rates for 2027-2029 are based on the modeled returns for the period ending 12/31/2025.

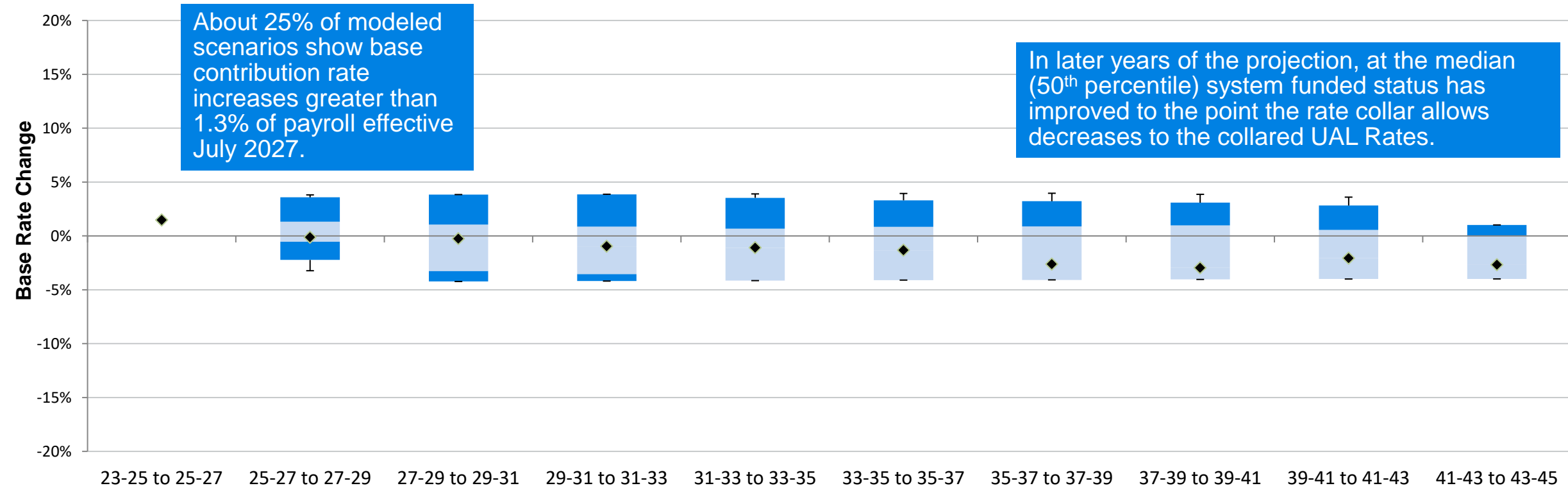
Employer "Base" rates are system average Tier One/Tier Two/OPSRP contribution rates excluding IAP contributions, the effect of side accounts & pension bond debt service, and contributions to the RHIA and RHIPA retiree healthcare programs.



	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033	2033-2035	2035-2037	2037-2039	2039-2041	2041-2043	2043-2045	
5th	—	25.6%	27.1%	30.9%	33.8%	35.8%	38.2%	39.9%	41.4%	42.3%	43.1%	43.3%
10th	—	25.6%	27.1%	30.7%	32.1%	34.3%	35.6%	36.9%	37.9%	38.5%	39.0%	38.7%
25th	—	25.6%	27.1%	28.4%	29.8%	30.4%	30.8%	31.0%	31.1%	31.1%	30.6%	28.9%
50th	•	25.6%	27.1%	27.0%	26.9%	26.4%	25.2%	23.2%	21.5%	19.7%	18.2%	15.1%
75th	—	25.6%	27.1%	26.6%	23.7%	21.4%	18.5%	15.1%	12.0%	9.6%	6.6%	2.8%
90th	—	25.6%	27.1%	24.9%	22.6%	18.4%	14.5%	10.9%	7.1%	3.1%	0.0%	0.0%
95th	—	25.6%	27.1%	23.9%	19.6%	15.5%	12.3%	9.1%	5.7%	2.1%	0.0%	0.0%

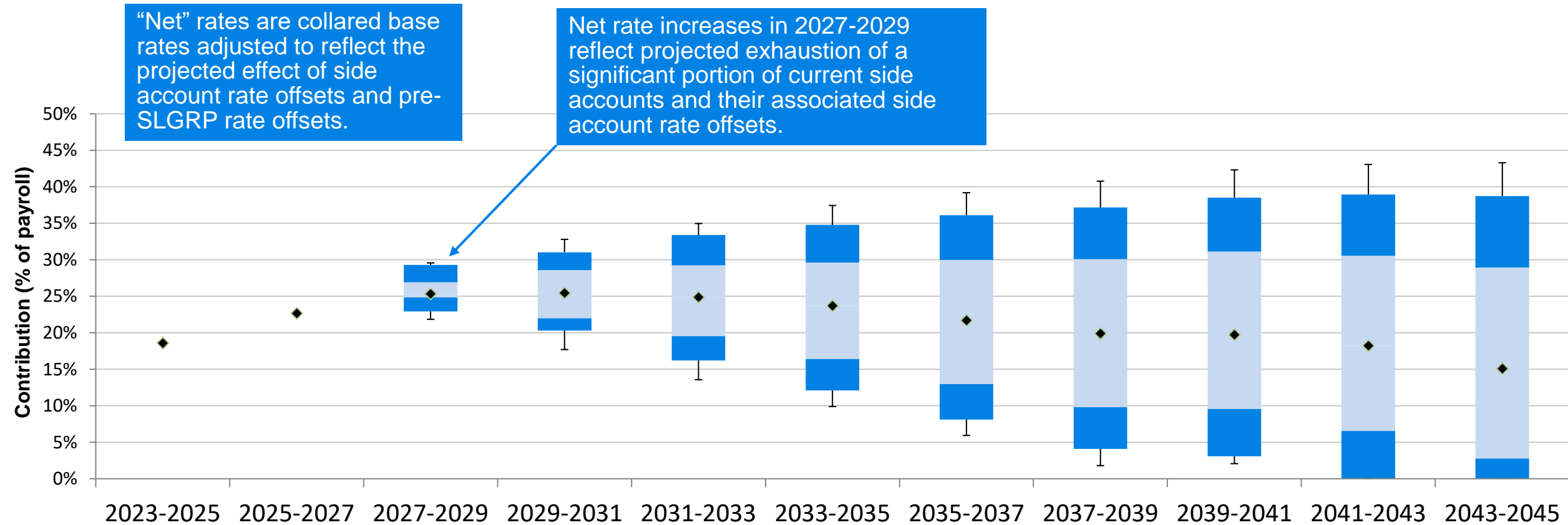
Biennial Change in Employer Collared Base Pension Rate

System Average Rates



	23-25 to 25-27	25-27 to 27-29	27-29 to 29-31	29-31 to 31-33	31-33 to 33-35	33-35 to 35-37	35-37 to 37-39	37-39 to 39-41	39-41 to 41-43	41-43 to 43-45	
5th	—	1.5%	3.8%	3.8%	3.9%	3.9%	3.9%	4.0%	3.9%	3.6%	1.0%
10th	—	1.5%	3.6%	3.8%	3.9%	3.5%	3.3%	3.2%	3.1%	2.8%	1.0%
25th	—	1.5%	1.3%	1.1%	0.9%	0.7%	0.8%	0.9%	1.0%	0.6%	0.0%
50th	•	1.5%	-0.1%	-0.3%	-1.0%	-1.1%	-1.3%	-2.6%	-3.0%	-2.1%	-2.7%
75th	—	1.5%	-0.5%	-3.3%	-3.5%	-4.2%	-4.1%	-4.1%	-4.0%	-4.0%	-4.0%
90th	—	1.5%	-2.2%	-4.2%	-4.2%	-4.2%	-4.1%	-4.1%	-4.0%	-4.0%	-4.0%
95th	—	1.5%	-3.2%	-4.2%	-4.2%	-4.2%	-4.1%	-4.1%	-4.0%	-4.0%	-4.0%

Employer Collared Net Pension Rates (System Average)

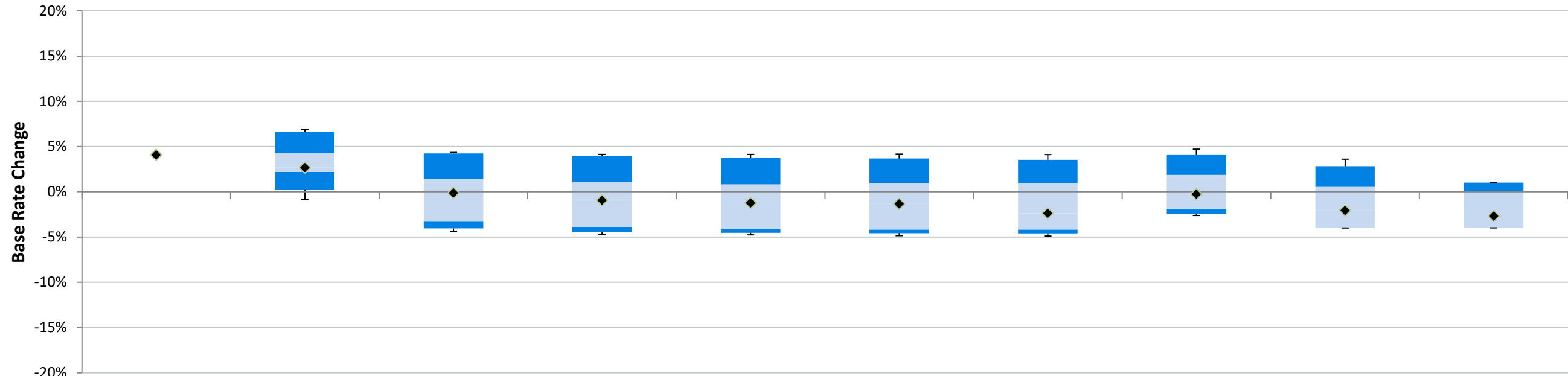


	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033	2033-2035	2035-2037	2037-2039	2039-2041	2041-2043	2043-2045	
5th	—	18.6%	22.7%	29.6%	32.8%	35.0%	37.4%	39.2%	40.8%	42.3%	43.1%	43.3%
10th	18.6%	22.7%	29.3%	31.0%	33.4%	34.8%	36.1%	37.2%	38.5%	39.0%	38.7%	
25th	18.6%	22.7%	26.9%	28.6%	29.3%	29.6%	30.0%	30.1%	31.1%	30.6%	28.9%	
50th	18.6%	22.7%	25.3%	25.4%	24.9%	23.7%	21.7%	19.9%	19.7%	18.2%	15.1%	
75th	18.6%	22.7%	24.8%	22.0%	19.5%	16.4%	13.0%	9.8%	9.6%	6.6%	2.8%	
90th	18.6%	22.7%	22.9%	20.3%	16.2%	12.1%	8.1%	4.1%	3.1%	0.0%	0.0%	
95th	—	18.6%	21.8%	17.7%	13.6%	9.9%	5.9%	1.8%	2.1%	0.0%	0.0%	

Biennial Change in Employer Collared Net Pension Rate

System Average Rates

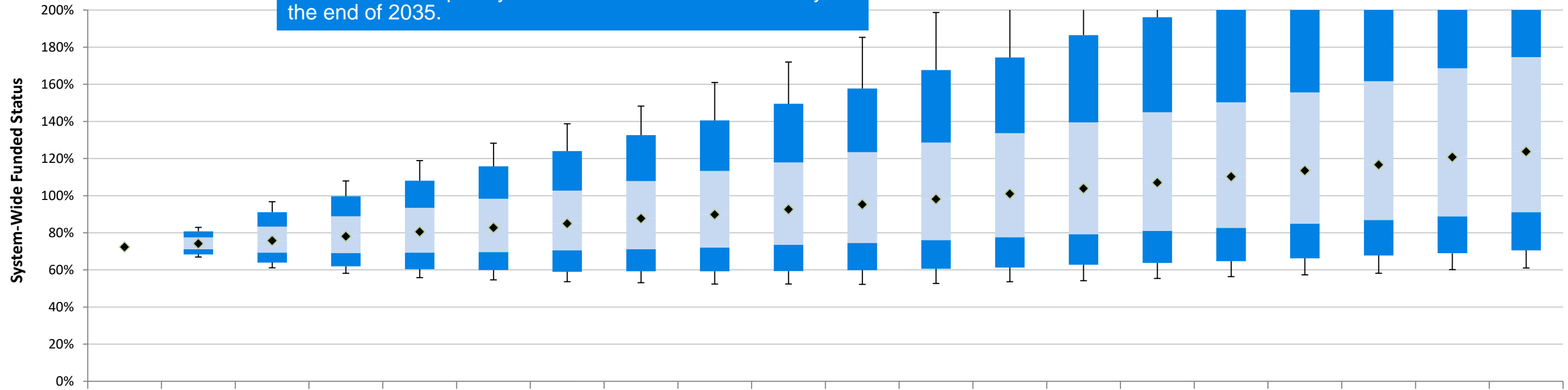
The July 2027 increase is related to the projected exhaustion of a significant portion of current side accounts rate offsets prior to the expiration of the Tier One/Tier Two UAL rate amortization charges.



	23-25 to 25-27	25-27 to 27-29	27-29 to 29-31	29-31 to 31-33	31-33 to 33-35	33-35 to 35-37	35-37 to 37-39	37-39 to 39-41	39-41 to 41-43	41-43 to 43-45	
5th	—	4.1%	6.9%	4.4%	4.1%	4.1%	4.2%	4.1%	4.7%	3.6%	1.0%
10th	—	4.1%	6.6%	4.2%	4.0%	3.8%	3.7%	3.5%	4.1%	2.8%	1.0%
25th	—	4.1%	4.3%	1.4%	1.1%	0.8%	1.0%	1.0%	1.9%	0.6%	0.0%
50th	●	4.1%	2.7%	-0.1%	-0.9%	-1.2%	-1.3%	-2.4%	-0.3%	-2.1%	-2.7%
75th	—	4.1%	2.2%	-3.3%	-3.9%	-4.1%	-4.2%	-4.2%	-1.9%	-4.0%	-4.0%
90th	—	4.1%	0.3%	-4.1%	-4.5%	-4.5%	-4.6%	-4.6%	-2.4%	-4.0%	-4.0%
95th	—	4.1%	-0.8%	-4.4%	-4.7%	-4.8%	-4.9%	-4.9%	-2.6%	-4.0%	-4.0%

Funded Status (Excluding Side Accounts)

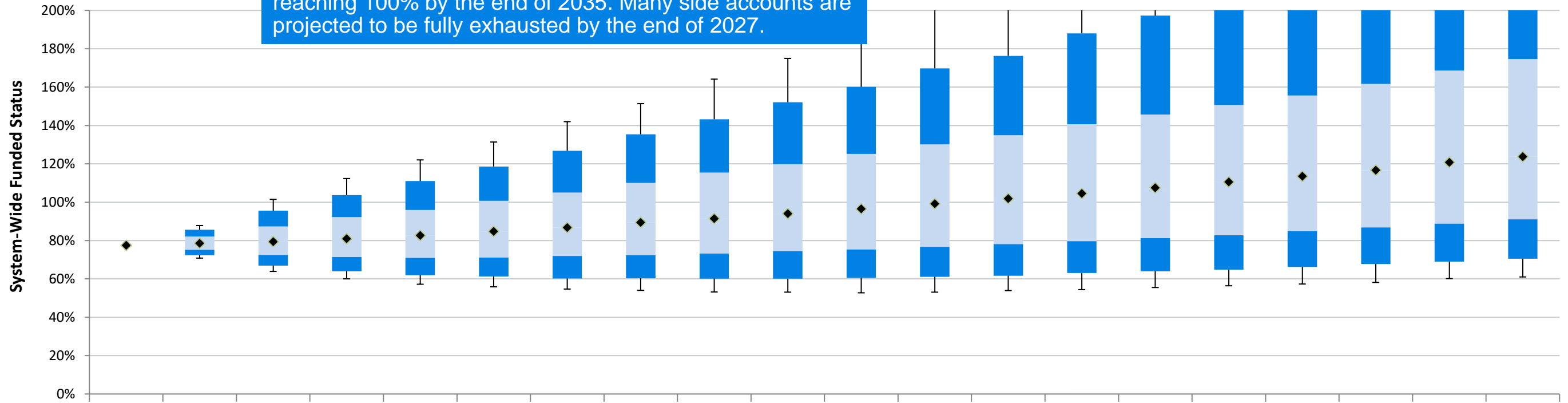
At the 50th percentile, funded status is 74.2% at year-end 2024 and subsequently increases to reach over 100% by the end of 2035.



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
95th	72.4%	82.9%	96.7%	108.0%	118.9%	128.3%	138.7%	148.3%	161.0%	172.0%	185.3%	198.7%	210.9%	223.1%	236.5%	249.9%	266.8%	281.1%	293.3%	308.1%
90th	72.4%	80.8%	91.1%	99.7%	108.1%	115.8%	124.0%	132.6%	140.5%	149.5%	157.8%	167.7%	174.4%	186.5%	196.1%	206.9%	215.5%	226.6%	238.1%	250.0%
75th	72.4%	77.5%	83.4%	88.9%	93.5%	98.3%	102.7%	107.9%	113.4%	117.9%	123.4%	128.6%	133.6%	139.5%	145.0%	150.3%	155.6%	161.7%	168.6%	174.7%
50th	72.4%	74.2%	75.8%	78.1%	80.6%	82.8%	85.0%	87.7%	89.9%	92.6%	95.3%	98.1%	101.0%	103.8%	107.0%	110.3%	113.5%	116.7%	120.8%	123.8%
25th	72.4%	71.1%	69.3%	69.1%	69.3%	69.6%	70.5%	71.2%	72.1%	73.5%	74.5%	76.1%	77.6%	79.2%	81.1%	82.7%	85.0%	86.9%	88.9%	91.1%
10th	72.4%	68.4%	64.0%	61.9%	60.5%	59.9%	59.0%	59.3%	59.3%	59.4%	59.9%	60.6%	61.3%	62.8%	63.8%	64.7%	66.3%	67.8%	69.0%	70.6%
5th	72.4%	67.0%	61.1%	58.2%	55.8%	54.6%	53.7%	53.1%	52.4%	52.4%	52.2%	52.7%	53.6%	54.2%	55.4%	56.4%	57.3%	58.2%	60.2%	61.0%

Funded Status (Including Side Accounts)

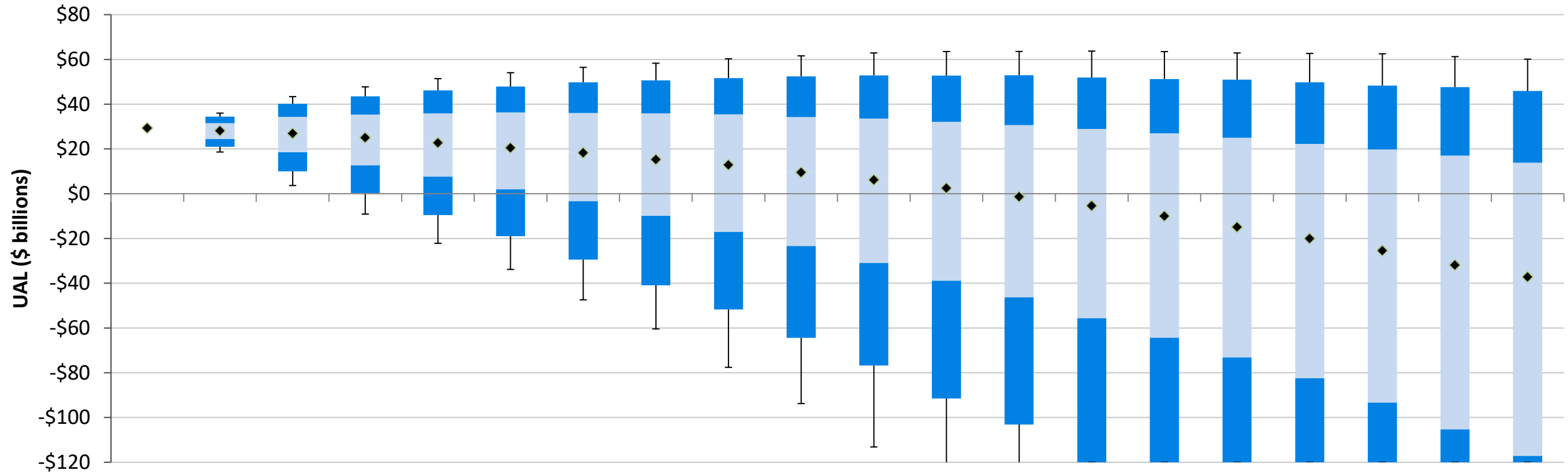
At the 50th percentile, funded status including side accounts is 78.5% at year-end 2024 and subsequently improves, reaching 100% by the end of 2035. Many side accounts are projected to be fully exhausted by the end of 2027.



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	
95th	—	77.5%	87.8%	101.5%	112.4%	122.1%	131.4%	142.0%	151.4%	164.2%	175.0%	188.2%	201.5%	213.3%	224.8%	237.9%	251.0%	266.8%	281.1%	293.3%	308.1%
90th	—	77.5%	85.6%	95.6%	103.7%	111.0%	118.6%	126.8%	135.4%	143.3%	152.1%	160.1%	169.8%	176.3%	188.1%	197.2%	207.6%	215.5%	226.6%	238.1%	250.0%
75th	—	77.5%	82.1%	87.4%	92.2%	95.9%	100.7%	105.0%	110.1%	115.4%	119.8%	125.2%	130.2%	135.0%	140.6%	145.7%	150.7%	155.6%	161.7%	168.6%	174.7%
50th	●	77.5%	78.5%	79.5%	81.0%	82.7%	84.8%	86.8%	89.5%	91.4%	94.0%	96.5%	99.2%	101.9%	104.6%	107.5%	110.5%	113.5%	116.7%	120.8%	123.8%
25th	—	77.5%	75.3%	72.5%	71.5%	71.0%	71.2%	72.0%	72.5%	73.3%	74.6%	75.5%	76.8%	78.2%	79.7%	81.3%	82.8%	85.0%	86.9%	88.9%	91.1%
10th	—	77.5%	72.4%	66.9%	64.0%	62.0%	61.3%	60.2%	60.4%	60.2%	60.1%	60.5%	61.1%	61.7%	63.1%	63.9%	64.8%	66.3%	67.8%	69.0%	70.6%
5th	—	77.5%	70.9%	63.9%	60.0%	57.2%	55.9%	54.7%	54.0%	53.2%	53.1%	52.8%	53.1%	53.9%	54.4%	55.5%	56.4%	57.3%	58.2%	60.2%	61.0%

UAL (Excluding Side Accounts)

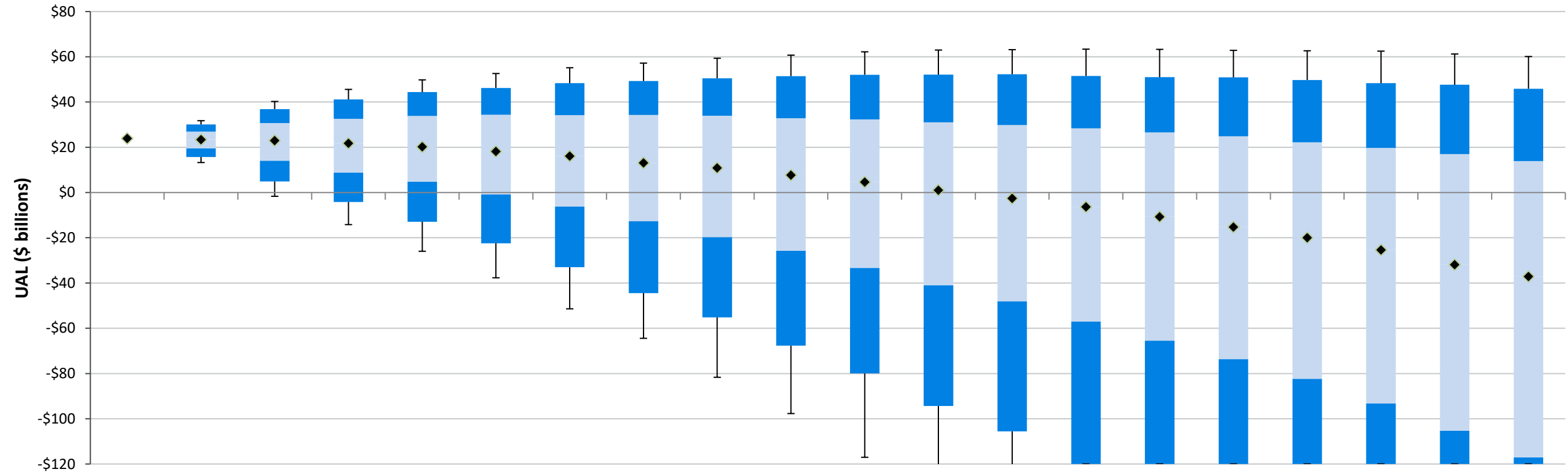
At the 50th percentile, the UAL excluding side accounts is \$28.2 billion at year-end 2024, and subsequently declines to less than \$0 by the end of 2035.



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	
5th	—	29.4	36.0	43.4	47.7	51.4	54.1	56.4	58.3	60.3	61.6	62.9	63.5	63.6	63.7	63.5	62.9	62.7	62.5	61.2	60.1
10th	—	29.4	34.4	40.2	43.5	46.2	47.8	49.8	50.7	51.7	52.4	52.9	52.8	52.9	51.9	51.2	51.0	49.8	48.3	47.6	45.9
25th	—	29.4	31.5	34.3	35.3	35.9	36.3	36.0	35.9	35.5	34.2	33.5	32.1	30.7	29.0	27.0	25.0	22.2	19.7	17.0	13.9
50th	—	29.4	28.2	27.0	25.1	22.7	20.6	18.3	15.3	12.9	9.6	6.2	2.5	-1.3	-5.3	-10.0	-14.8	-20.0	-25.4	-31.9	-37.1
75th	—	29.4	24.5	18.6	12.7	7.7	2.0	-3.3	-9.9	-17.0	-23.3	-30.9	-38.9	-46.3	-55.5	-64.3	-73.1	-82.4	-93.3	-105.3	-117.1
90th	—	29.4	21.0	10.0	0.3	-9.5	-19.0	-29.5	-40.9	-51.7	-64.4	-76.8	-91.5	-103.1	-121.1	-137.1	-155.7	-172.4	-192.4	-213.5	-235.5
95th	—	29.4	18.6	3.7	-9.1	-22.2	-33.8	-47.4	-60.4	-77.6	-93.8	-113.1	-132.9	-153.1	-171.4	-195.1	-219.5	-246.9	-272.7	-297.1	-326.2

UAL (Including Side Accounts)

At the 50th percentile, the UAL including side accounts is \$23.4 billion at year-end 2023, and subsequently declines to less than \$0 by the end of 2035. Many side accounts are projected to be fully exhausted by the end of 2027.



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	
5th	—	24.0	31.8	40.3	45.6	49.8	52.6	55.2	57.2	59.4	60.7	62.2	63.0	63.2	63.4	63.3	62.9	62.7	62.5	61.2	60.1
10th	—	24.0	30.1	36.9	41.1	44.4	46.3	48.3	49.3	50.5	51.4	52.1	52.1	52.3	51.5	51.0	50.9	49.8	48.3	47.6	45.9
25th	—	24.0	27.0	30.7	32.6	33.8	34.4	34.2	34.3	34.0	32.9	32.3	31.1	29.8	28.4	26.6	24.9	22.2	19.7	17.0	13.9
50th	•	24.0	23.4	22.9	21.8	20.3	18.2	16.1	13.1	10.9	7.8	4.6	1.1	-2.6	-6.3	-10.7	-15.2	-20.0	-25.4	-31.9	-37.1
75th	—	24.0	19.5	14.1	8.9	4.8	-0.8	-6.1	-12.6	-19.7	-25.7	-33.3	-41.0	-48.1	-57.0	-65.5	-73.6	-82.4	-93.3	-105.3	-117.1
90th	—	24.0	15.7	4.9	-4.2	-12.9	-22.4	-33.0	-44.4	-55.2	-67.7	-80.0	-94.3	-105.6	-123.3	-138.6	-157.0	-172.4	-192.4	-213.5	-235.5
95th	—	24.0	13.3	-1.7	-14.2	-26.0	-37.7	-51.4	-64.4	-81.7	-97.7	-117.0	-136.4	-156.4	-174.3	-197.2	-221.1	-246.9	-272.7	-297.1	-326.2

Variable Return Model Stress Test

- As in recent years, we also used the variable return model to do a “stress test” of the likelihood of certain events in the 10,000 scenarios modeled
 - Testing is done at a system-average level; results for individual rate pools or employers may vary
- The percentage of modeled scenarios with funded status above a specified threshold at the end of the projection period is shown below
 - Median projected funded status excluding side accounts at year-end 2024 is 74.2%

Likelihood of Funded Status Level as of 12/31/2042	
Funded Status (Excluding Side Accounts) > 100%	68%
Funded Status (Excluding Side Accounts) > 90%	76%
Funded Status (Excluding Side Accounts) > 80%	84%
Funded Status (Excluding Side Accounts) > 70%	90%
Funded Status (Excluding Side Accounts) > 60%	95%

Variable Return Model Stress Test

- Median projected funded status excluding side accounts at year-end 2024 is 74.2%
- The likelihood of specified events occurring at some valuation date during the 20-year projection period is shown below

Likelihood of Event Occurring at Some Valuation Date in Next 20 Years	
Funded Status (Excluding Side Accounts) > 100%	84%
Funded Status (Excluding Side Accounts) < 60%	31%
Funded Status (Excluding Side Accounts) < 40%	2%

Variable Return Model Stress Test

- The likelihood of specified events occurring during the 20-year projection period is shown below

Likelihood of Event Occurring in at Least One Biennium in Next 20 Years	
Employer Collared Base Rate (Excluding Retiree Healthcare) < 10% of Pay	40%
Employer Collared Base Rate (Excluding Retiree Healthcare) > 30% of Pay	44%
Employer Collared Base Rate (Excluding Retiree Healthcare) > 40% of Pay	10%

- The system-average employer base rate for the 2025-2027 biennium is about 27.1%, per the December 31, 2023 valuation

Variable Return Model Stress Test

- As shown earlier, about 25% of modeled scenarios show an increase in the employer collared base rate above 1.3% of payroll at July 2027
- Table shows likelihood in the model of an employer collared base rate increase exceeding a selected threshold at the July 2027 and July 2029 rate change dates

Likelihood of the Employer Collared Base Rate Increase Exceeding Threshold		
<u>Threshold Increase</u>	<u>July 2027</u>	<u>July 2029</u>
2% of Pay	20%	21%
3% of Pay	13%	16%
4% of Pay	<1%	<1%
5% of Pay	<1%	<1%

- Changes in net rates will vary by employer depending on the size and amortization schedule of any side account(s) the employer may have
 - Rate offsets for over half of existing side accounts are scheduled to expire in July 2027, which will increase net rates for affected employers

Wrap Up / Next Steps

- At the January 31, 2025 meeting, preliminary year-end 2024 investment results will be available
 - We can then comment as warranted on estimated impact on the 12/31/2024 actuarial valuation results, which will develop advisory 2027 – 2029 contribution rates
- The biennial experience study review of actuarial methods and assumptions will occur next year, with Board decisions anticipated at the July 25, 2025 meeting



Appendix

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

Certification

This presentation summarizes deterministic and stochastic modeling for the Oregon Public Employees Retirement System (“PERS” or “the System”) over a 20-year period beginning December 31, 2023 under a wide range of potential economic scenarios. The results are based upon the same assumptions, methods, and plan provisions as described in the 2022 Experience Study and the December 31, 2023 System-Wide Actuarial Valuation Report, except where noted otherwise.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts consistent with the adopted funding policy of the System. The computations prepared for other purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System’s funding policy. The calculations in this report have been made on a basis consistent with our understanding of the plan provisions described in the appendix of this report. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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

Actuarial assumptions, including discount rates, mortality tables, and others identified in this report, and actuarial cost methods are adopted by the PERS Board, which is responsible for selecting the plan’s funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies, methods, and assumptions used in this valuation are those that have been so adopted and are described in this report. The System is solely responsible for communicating to Milliman any changes required thereto. All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which, in our professional opinion, are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System and are expected to have no significant bias. The valuation results were developed using models intended for valuations that use standard actuarial techniques. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice.

Certification

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. Our December 31, 2023 Actuarial Valuation Report provides additional discussion of the System's risks. The PERS Board has the final decision regarding the appropriateness of the assumptions and actuarial cost methods.

Milliman's work is prepared solely for the internal business use of the Oregon Public Employees Retirement System. Milliman does not intend to benefit or create a legal duty to any third-party recipient of this report. No third-party recipient of Milliman's work product should rely upon this report. Such recipients should engage qualified professionals for advice appropriate to their own specific needs. No third-party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The actuaries are independent of the plan sponsors. We are not aware of any relationship that would impair the objectivity of our work.

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

Appendix

Actuarial Basis

Data

We have based our calculation of the liabilities on the data supplied by the Oregon Public Employees Retirement System and summarized in the Valuation Report.

Assets as of December 31, 2023, were based on values provided by Oregon PERS reflecting the Board's earnings crediting decisions for 2023, as shown in the Valuation Report. Financial model projections reflect September 30, 2024 investment results for regular and variable accounts as published by Oregon State Treasury.

Methods / Policies

Actuarial Cost Method: Entry Age Normal, adopted effective December 31, 2012.

UAL Amortization: The UAL for OPSRP and Retiree Health Care as of December 31, 2007 were amortized as a level percentage of combined valuation payroll over a closed 16-year period for OPSRP and a closed 10-year period for Retiree Health Care. For the Tier One/Tier Two UAL, the amortization period was reset at 20 years as of December 31, 2013. Senate Bill 1049 was signed into law in June 2019 and required a one-time re-amortization of Tier One/Tier Two UAL over a closed 22-year period at the December 31, 2019 rate-setting valuation which set actuarially determined contribution rates for the 2021-2023 biennium. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over the amortization period (20 years for Tier One/Tier Two, 16 years for OPSRP, 10 years for Retiree Health Care) from the odd-year valuation in which they are first recognized.

For the Retiree Health Care programs (RHIA and RHIPA), beginning with the December 31, 2021 rate-setting valuation the amortization policy when a program is over 100% funded status will be to amortize the actuarial surplus over Tier One/Tier Two payroll using a rolling 20-year amortization basis. The resulting negative UAL Rate will offset the normal cost rate for the program, but not below 0.0%. If either program subsequently fell below 100%, the UAL would be amortized over combined payroll following the 10-year closed, layered amortization policy.

Appendix

Actuarial Basis

Methods / Policies (cont'd)

Contribution rate stabilization method: The UAL Rate contribution rate component for a rate pool (e.g. Tier One/Tier Two SLGRP, Tier One/Tier Two School Districts, OPSRP) is confined to a collared range based on the prior biennium's collared UAL Rate contribution rate component (prior to consideration of side account offsets, SLGRP transition liability or surplus rates, or pre-SLGRP liability rate charges or offsets).

Collar Width: the rate pool's new UAL Rate contribution rate component will generally not increase or decrease from the prior biennium's collared UAL Rate contribution rate component by more than the following amount:

- Tier One/Tier Two SLGRP and Tier One/Tier Two School District Pool: 3% of payroll
- OPSRP: 1% of payroll
- Tier One/Tier Two rates for independent employers: greater of 4% of payroll or one-third of the difference between the collared and uncollared UAL Rate at the prior rate-setting valuation. In addition, the UAL Rate will not be allowed to be less than 0.00% of payroll for any Tier One/Tier Two independent employer with a funded status (excluding side accounts) less than 100%.

UAL Rate decrease restrictions: the UAL Rate for any rate pool will not be allowed to decrease if the pool's funded status is 87% (excluding side accounts) or lower; the allowable decrease will phase into the full collar width from 87% funded to 90% funded.

Expenses: System-wide administration expenses are assumed to be equal to \$64.0M. The assumed expenses are allocated between Tier One/Tier Two and OPSRP based on projected payroll and are added to the respective normal costs.

Actuarial Value of Assets: Equal to Market Value of Assets excluding Contingency and Tier One Rate Guarantee Reserves. The Tier One Rate Guarantee Reserve is not excluded from assets if it is negative (i.e. in deficit status). The Actuarial Value of Assets includes the value of Employee Pension Stability Accounts (EPSA).

Assumptions

Assumptions for valuation calculations are as described in the 2022 Experience Study Report.

Provisions

Provisions valued are as detailed in the December 31, 2023 System-Wide Actuarial Valuation Report.

Appendix

Rate Projection Basis

Assumptions

In general, all assumptions are as described in the 2022 Experience Study Report.

The major actuarial valuation assumptions used in our projections are shown below. They are aggregate average assumptions that apply to the whole population and were held constant throughout the projection period. The economic experience adjustments were allowed to vary in future years given the conditions defined in each economic scenario.

- Valuation interest rate – 6.90%
- Tier One Regular account growth – 6.90%
- Actual fund investment return – Varies by scenario according to capital market assumptions
- Variable account growth – Equal to investment return on public equity portion of the fund
- Inflation assumption – 2.40%
- Inflation experience – Varies by scenario according to capital market assumptions
- Wage growth assumption – 3.40%
- Wage growth experience – 1.00% greater than inflation experience
- Demographic experience – as described in 2022 Experience Study Report
- New entrant experience – New members are assumed to be hired at the rate necessary to keep the total number of members in each job class (General Service, School District, Police & Fire, and Judges) constant over the duration of the projection. All new entrants other than judges are assumed to join as OPSRP members. New entrant pay is assumed to grow at the rate necessary for overall system payroll to increase with wage growth experience, as described above.

Appendix

Rate Projection Basis

Reserve Projection

Contingency Reserve as of 12/31/2023 was \$50.0M. No future increases or decreases to this reserve were assumed.

The Tier One Rate Guarantee Reserve (“RGR”) was \$740.1 M as of 12/31/2023. The RGR was assumed to grow with excess returns above the 6.90% target growth on Tier One Member Accounts. When modeled aggregate returns were below 6.90%, applicable amounts from the RGR were assumed to transfer to Tier One Member Accounts to maintain the 6.90% target growth rate. The RGR is allowed to be negative, but the reserve is not excluded from valuation assets when it is negative. We did not include in rates any potential additional employer levy that could be required to eliminate a persistent negative RGR.

Offset for Member Redirect Contributions

Under Senate Bill 1049, a portion of the 6% of pay member contribution previously made to the IAP was redirected to fund Tier One/Tier Two and OPSRP defined benefits beginning July 1, 2020. For Tier One/Tier Two members, the redirected amount will be 2.50% of pay, and for OPSRP it will be 0.75% of pay. Members with less than \$2,500 in monthly pay (indexed in future years) will be exempt from the redirection.

For the rate projection, member redirect contributions are assumed to offset the contribution rates paid by employers. The offset is assumed to be 2.40% of total payroll for Tier One/Tier Two and 0.65% of total payroll for OPSRP.

Redirected member contributions are assumed to cease in a biennium following a rate-setting valuation where the funded status, including side accounts, is 90% or greater.

Work After Retirement Contributions

Under Senate Bill 1049, starting in 2020 and ending December 31, 2024, employers are required to pay PERS contribution rates on rehired retiree payroll. In 2023, HB 2296 extended the end date for this provision to December 31, 2034. For 2024, rehired retiree payroll was assumed to be approximately \$261.0M for Tier One/Tier Two members and \$20.3M for OPSRP members. After 2024, rehired retiree payroll was assumed to increase with the wage growth assumption.

Appendix

Rate Projection Basis

Capital Market Model

For each 20-year projection, we ran 10,000 stochastic scenarios for inflation and asset class rates of return. The scenarios were calibrated to represent Milliman's capital market assumptions in terms of expected average real returns, the expected year-to-year volatility of the returns, and the expected correlation between the returns of different asset classes. Annual rates of return for each of the asset classes and inflation are generated from a multivariate lognormal probability distribution. Rates of return are independent from year to year.

The variable return model includes 10,000 projected scenarios for possible future year-by-year system investment returns and levels of inflation. In developing that model, per Actuarial Standards of Practice we disclose reliance upon a Milliman colleague who is a credentialed actuary and also a credentialed investment professional with expertise in preparing capital outlook modeling. We reviewed overall model results for reasonability while, as part of his work, our investment professional colleague reviewed the investment projections for internal consistency.

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

Appendix

Rate Projection Basis

Capital Market Model

Reflects Milliman’s capital market assumptions as of July 1, 2024, adjusted for changes in interest rates occurring through September 30, 2024.

	Annual Arithmetic Mean	20-Year Annualized Geometric Mean	Annual Standard Deviation	Policy Allocation
Global Equity	8.35%	6.81%	18.23%	27.500%
Private Equity	12.62%	8.55%	30.00%	25.500%
Real Estate	7.79%	6.51%	16.57%	12.250%
US Core Fixed Income	4.71%	4.83%	4.50%	25.000%
Hedge Fund – Macro	5.86%	5.66%	6.26%	5.625%
Hedge Fund – Equity Hedge	7.04%	6.29%	11.80%	0.625%
Hedge Fund – Multistrategy	6.52%	6.16%	8.72%	1.250%
Infrastructure	8.07%	6.70%	17.18%	1.500%
Master Limited Partnerships	9.13%	5.86%	26.54%	0.750%
US Inflation (CPI-U)	2.40%	2.40%	1.45%	N/A
Fund Total (reflecting asset class correlations)	8.29%	7.47%*	13.46%	100.00%

* The model’s 20-year annualized geometric median is 7.44%.

Retirement System Risks

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