



# OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING AGENDA

**Friday  
January 31, 2025  
9:00 a.m.**

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

ITEM	PRESENTER
<b>A. Administration</b>	
1. <a href="#">December 6, 2024 PERS Board Meeting Minutes</a>	JARAMILLO
2. <a href="#">Director's Report</a>	DIRECTOR
a. <a href="#">Forward-Looking Calendar</a>	
b. <a href="#">OPERF Investment Report</a>	
c. <a href="#">Budget execution report</a>	
d. <a href="#">Annual report of director's financial transactions</a>	STANLEY
<b>B. Administrative rulemaking</b>	
1. <a href="#">Notice of rulemaking for the Tax Remedy Rule</a>	YANG, VAUGHN
2. <a href="#">Notice of rulemaking for membership eligibility rules</a>	VU, VAUGHN
3. <a href="#">Notice of rulemaking for plan limits rules</a>	VAUGHN
4. <a href="#">Third reading of service retirement application requirements rules</a>	CHANDLER
5. <a href="#">Adoption of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule</a>	CHANDLER
<b>C. Action and discussion items</b>	
1. <a href="#">PERS Modernization Program update</a>	ELLEDGE-RHODES
2. <a href="#">PHIP Reserve Policy</a>	DIMELING-PERRIS, DONALDSON
3. <a href="#">Legislative preview and update</a>	CASE
4. <a href="#">Preliminary 2024 earnings crediting and reserving</a>	HORSFORD
5. <a href="#">Senate Bill 1566 reporting requirements</a>	WINSHIP
6. <a href="#">Update reflecting on earnings through December 31, 2024</a>	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.

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

**2025 Meetings: January 31, March 31\*, May 30, July 25, September 26, December 5\*** \*Audit Committee planned for post-board meeting

# A.

## **A. Administration**

### **1. December 6, 2024 PERS Board Meeting Minutes**

2. Director's Report

## B. Administrative rulemaking

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2. Notice of rulemaking for membership eligibility rules
3. Notice of rulemaking for plan limits rules
4. Third reading of service retirement application requirements rules
5. Adoption of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule

## C. Action and discussion items

1. PERS Modernization Program update
2. PHIP Reserve Policy
3. Legislative preview and update
4. Preliminary 2024 earnings crediting and reserving
5. Senate Bill 1566 reporting requirements
6. Update reflecting on earnings through December 31, 2024

# OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD MEETING MINUTES

December 6, 2024

## **Board members present:**

Jardon Jaramillo, Suzanne Linneen, and Bob Hestand attended in the PERS Boardroom.

John Scanlan and Kristen Connor attended virtually.

## **Staff present:**

Kevin Olineck, Yvette Elledge-Rhodes, Alex Gaub, AnneMarie Vu, Heather Case, Jake Winship, Melanie Chandler, Neil Jones, and Stephanie Vaughn attended in the PERS Boardroom.

Akiko Yoshida, Alyse Greer, Barbara Dimeling-Perris, Ben Cecka, Carla Shaw, Chris Geier, Colin Campi, Daniel Rivas, Elizabeth Rossman Weber, Erin Stutesman, Janice Richards, Joel Mellor, Jonathan Yost, Kai Meltzer, Karen Herrold, Katie Brogan, Katie Davis, Liam Contino, Matthew Graves, Melissa Piezonka, Pamela Foust, Richard Horsford, Shane Perry, Susannah Bodman, Sofia Lalev, Theresa Tabish, Tiffani Cairo, Troy Phillips, and Yong Yang attended virtually.

## **Others present:**

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

Aaron Hill, Andrea Bradbury, Brigid O'Callaghan, Carol Samuels, Chris Gerdes, Deedra Kleve, Diana Lancaster, Gay Lynn Bath, Heather Bixby, Ian Peterson, Jamie McCreary, Jenifer Jones, JoAnn Zahn, Kady Strode, Kali Leinenbach, Katie Kicza, Kevin Graine, Lacey Engle, Margaret Olney, Maurizio Bottalico, Miles Palacios, Muskan Arora, Nathan Klinkhammer, Odalis Aguilar, Robert Burket, Ruth Miles, Ryan Martin, Sara Collins, Shauna Tobiasson, Steven Demarest, and Tan Cao attended virtually.

Chair Jaramillo called the meeting to order at 9:04 a.m.

## **ADMINISTRATION**

### **A.1. OCTOBER 4, 2024 PERS BOARD MEETING MINUTES**

Board Member Linneen moved to approve the minutes from the October 4, 2024 PERS Board meeting as presented. Board Member Scanlan seconded the approval of the minutes.

Chair Jaramillo voted in favor of the motion; Board Member Linneen voted in favor of the motion; Board Member Scanlan voted in favor of the motion; Board Members Connor and Hestand abstained, as their terms had not yet started as of the October 4, 2024 PERS Board Meeting.

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 October 31, 2024, were positive, at 5.31%.

Operating expenditures for September, October, and preliminary expenditures for November are \$5,318,992, \$11,055,683, and \$5,392,555, respectively.

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.

Olineck reviewed the meeting agenda.

No board action was required.

### A.3. BOARD GOVERNANCE ASSIGNMENTS

Olineck reviewed the proposed PERS Board Governance Assignments: Bob Hestand, Audit and Risk Committee; Kristen Connor, no assignments; 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.

Chair Jaramillo moved to appoint Board Member Scanlan to the position of Vice Chair. Board Member Linneen seconded the motion.

Chair Jaramillo voted in favor of the motion; Board Member Linneen voted in favor of the motion; Board Member Scanlan voted in favor of the motion; Board Member Connor voted in favor of the motion; Board Member Hestand voted in favor of the motion.

The motion passed unanimously.

Chair Jaramillo moved to approve the PERS Board member governance assignments as presented. Board Member Linneen seconded the motion.

Chair Jaramillo voted in favor of the motion; Board Member Linneen voted in favor of the motion; Board Member Scanlan voted in favor of the motion; Board Member Connor voted in favor of the motion; Board Member Hestand voted in favor of the motion.

The motion passed unanimously.

### A.4. GOVERNOR'S EXPECTATIONS UPDATE

Olineck provided an update to the board on the Oregon Governor's Expectations for state agency leaders.

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 PERS continue to meet the Governor's expectations.

No board action is required.

### A.5. BOARD SCORECARD REPORT ON AGENCY PERFORMANCE MEASURES

Matt Rickard of PERS' Outcome-Based Management System Council presented the Board Scorecard Report for the third quarter 2024. Rickard highlighted eighteen consecutive quarters in the green range for both Benefit Estimates Completed and Eligibility Reviews Completed. The next report will be presented at the May 30, 2025, meeting, showing the scorecard results for the first quarter 2025.

## **ADMINISTRATIVE RULEMAKING**

### B.1. NOTICE OF RULEMAKING FOR CESSATION OF DISABILITY BENEFITS UPON REACHING NORMAL RETIREMENT AGE RULE

Melanie Chandler, Research Policy Coordinator, and Stephanie Vaughn, the Policy Analysis and Compliance Section (PACS) Manager, presented a notice of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule. Rules impacted include OAR 459-076-0045 Cessation of Disability Benefits Upon Reaching Normal Retirement Age.

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.

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

No board action was required.

#### B.2. SECOND READING OF SERVICE RETIREMENT APPLICATIONS RULE

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

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.

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

No board action was required.

#### B.3. ADOPTION OF RULEMAKING FOR POLICE AND FIREFIGHTER UNIT PURCHASES AND RETIREMENT ELIGIBILITY

Anne Marie Vu, Research Policy Coordinator, and Stephanie Vaughn, the Policy Analysis and Compliance Section (PACS) Manager, presented an adoption of rulemaking for police 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 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.

Board Member Linneen moved to pass a motion to adopt Police Officer and Firefighter Unit Purchases and Retirement Eligibility rules, as presented. Vice Chair Scanlan seconded the motion.

Chair Jaramillo voted in favor of the motion; Board Member Linneen voted in favor of the motion; Board Member Scanlan voted in favor of the motion; Board Member Connor voted in favor of the motion; Board Member Hestand voted in favor of the motion.

The motion passed unanimously.

#### B.4 ADOPTION OF RULEMAKING FOR REEMPLOYMENT OF RETIRED MEMBERS RULE

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

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.

Board Member Linneen moved to pass a motion to adopt Rulemaking for Reemployment of Retired Members Rule, as presented. Vice Chair Scanlan seconded the motion.

Chair Jaramillo voted in favor of the motion; Board Member Linneen voted in favor of the motion; Board Member Scanlan voted in favor of the motion; Board Member Connor voted in favor of the motion; Board Member Hestand voted in favor of the motion.

The motion passed unanimously.

## **ACTION AND DISCUSSION ITEMS**

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

Yvette Elledge-Rhodes, Deputy Director, presented.

Elledge-Rhodes reviewed the ongoing activities of the individual projects that make up the Senate Bill 1049 Program. She highlighted program activities that have been completed, or are in process, since the last update to the board.

Program health is in yellow status.

No board action was required.

### **C.2. EMPLOYER INCENTIVE FUND UPDATE**

Jake Winship, PERS Associate Actuary, presented an update on the Employer Incentive Fund (EIF).

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.

No board action was required.

### **C.3. PRESENTATION OF FINAL LEGISLATIVE CONCEPTS DRAFTS AND LEGISLATIVE ADVISORY COMMITTEE**

Heather Case, Senior Policy Advisor, presented the Final Legislative Concepts Drafts and the proposed Legislative Advisory Committee.

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.

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.

PERS' 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)

Case highlighted cost changes in item 3 - Amendments to PERS Health Insurance Subsidies. Board member Linneen discussed the potential increase to employer contribution rates this bill may bring and voiced her concerns with this bill moving forward on behalf of employers. In particular, board member Linneen, expressed her thoughts that, as written, the cost to fund the proposed change, a 4.87% increase which would equate to a \$675 million increase in contributions would not be sustainable by employers, given the actual 2025-27 contribution rate increase, which as noted the average collared net employer contribution rates will increase by 4.08% of pay. These cost increases would be over and above other funding pressures being placed on employers.

Case also proposed the recommended appointments for the PERS Legislative Advisory Committee, in preparation for the 2025 legislative session.

Board Member Linneen moved to pass a motion to approve the recommended appointments to the legislative advisory committee, effective immediately. Board Member Hestand seconded the motion.

Chair Jaramillo voted in favor of the motion; Board Member Linneen voted in favor of the motion; Board Member Scanlan voted in favor of the motion; Board Member Connor voted in favor of the motion; Board Member Hestand voted in favor of the motion.

The motion passed unanimously.

#### C.4. FINANCIAL MODELING PRESENTATION

Scott Preppernau and Matt Larrabee of Milliman presented.

The presentation reviewed long-term financial modeling projections reflecting published investment results through December 31, 2023. The preliminary year-end 2024 investment results will be available for the January 31, 2024 PERS Board meeting.

Chair Jaramillo adjourned the PERS Board meeting at 11:16 a.m.

Respectfully submitted,

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

Kevin Olineck, Director



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# Director's Report

## OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Kevin Olineck, Director



## Overview

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

## Highlights

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

**All-staff meeting** We held our semiannual all-staff meeting on December 10. PERS Board Vice Chair John Scanlan attended the meeting and provided welcoming remarks and comments on behalf of the board, which was appreciated by all in attendance.

The meeting agenda included updates on the PERS Modernization Program and the PERS budget, as well as a cybersecurity awareness and training presentation.

Two days after the all-staff meeting, we hosted an Executive Leadership Team question-and-answer session for all staff. During this event, staff raised a broad spectrum of questions with the appropriate executive responding. Both meetings were well attended and engaging for all participants.



*PERS Board Vice Chair John Scanlan spoke to PERS staff at the December 10 PERS All-Staff Meeting.*

**PERS Annual Employee Engagement Survey** PERS conducted our sixth employee engagement survey in November. We partnered with Gallup to conduct the survey to align with Governor Kotek's Oregon Agency Expectations. This allows for comparisons between all state agencies.

The purpose of this survey is to measure employee satisfaction and consider feedback. In just the past couple

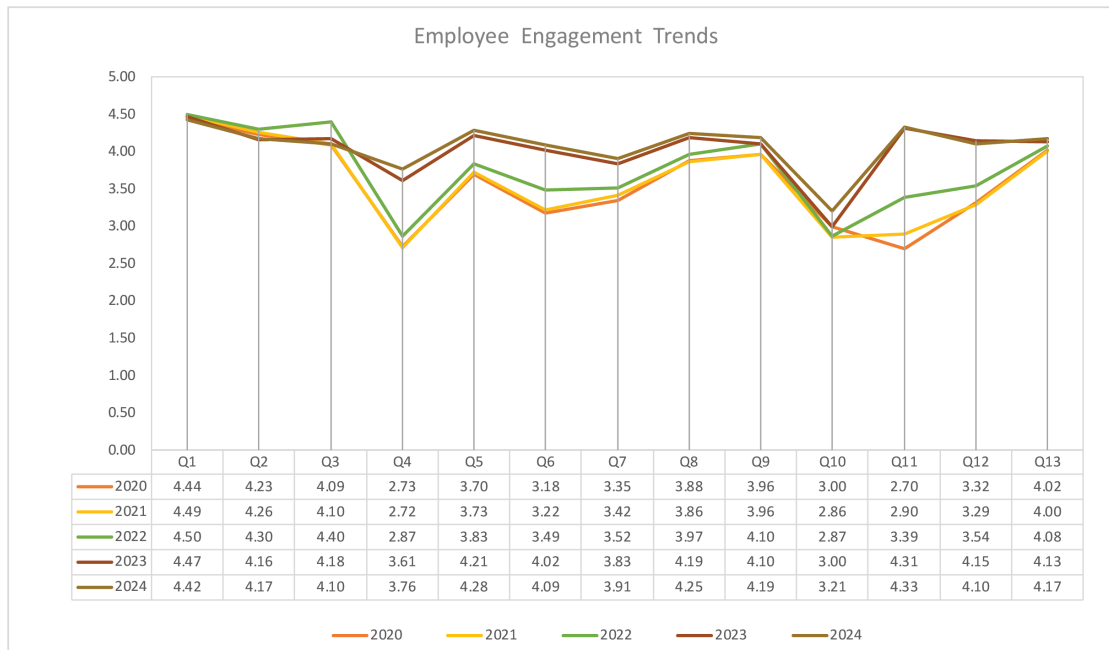
of years, as a result of the survey findings, we have:

- Increased training and engagement opportunities centered around diversity, equity, and inclusion.
- Expanded our lunch-and-learn sessions to include a wider variety of informative topics.
- Enhanced our focus on employee recognition.
- Continued to increase employee and manager interactions and mentoring by further developing our leaders.

The 2024 response rate was 83%, one percent lower than last year. As was the case in 2023, we had

increases in ten of the thirteen questions. The three questions with reduced scores did not have significant reductions in scoring.

After the survey closed, we worked with Gallup to provide management with a more thorough analysis than in previous years, including building out section-specific and division-specific action plans that will address tactical areas of improvement. These areas are determined through discussions between managers and their staff.



	2020	2021	2022	2023	2024	Delta	
<b>Q1</b>	4.44	4.49	4.50	4.47	4.42	-0.03	Do you know what is expected of you at work?
<b>Q2</b>	4.23	4.26	4.30	4.16	4.17	-0.14	Do you have the materials and equipment to do your work right?
<b>Q3</b>	4.09	4.10	4.40	4.18	4.10	-0.22	At work, do you have the opportunity to do what you do best every day?
<b>Q4</b>	2.73	2.72	2.87	3.61	3.76	0.74	In the last seven days, have you received recognition or praise for doing good work?
<b>Q5</b>	3.70	3.73	3.83	4.21	4.28	0.38	Does your supervisor, or someone at work, seem to care about you as a person?
<b>Q6</b>	3.18	3.22	3.49	4.02	4.09	0.53	Is there someone at work who encourages your development?
<b>Q7</b>	3.35	3.42	3.52	3.83	3.91	0.31	At work, do your opinions seem to count?
<b>Q8</b>	3.88	3.86	3.97	4.19	4.25	0.22	Does the mission/purpose of our agency make you feel your job is important?
<b>Q9</b>	3.96	3.96	4.10	4.10	4.19	0.00	Are your fellow employees committed to doing quality work?
<b>Q10</b>	3.00	2.86	2.87	3.00	3.21	0.13	Do you have a best friend at work? Versus Do you have friends at work?
<b>Q11</b>	2.70	2.90	3.39	4.31	4.33	0.92	In the last six months, has someone at work talked to you about your progress?
<b>Q12</b>	3.32	3.29	3.54	4.15	4.10	0.61	In the last year, have you had opportunities to learn and grow?
<b>Q13</b>	4.02	4.00	4.08	4.13	4.17	0.05	Please rate how satisfied you are as an employee at PERS. This question is now Q00 in 2024.

Gallup states that scores + or - 0.2 are meaningful.

# PERS BOARD MEETING FORWARD-LOOKING CALENDAR

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

Senate Bill 1049 update  
Legislative update  
Oregon Public Employees Retirement Fund (OPERF) performance review  
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\***

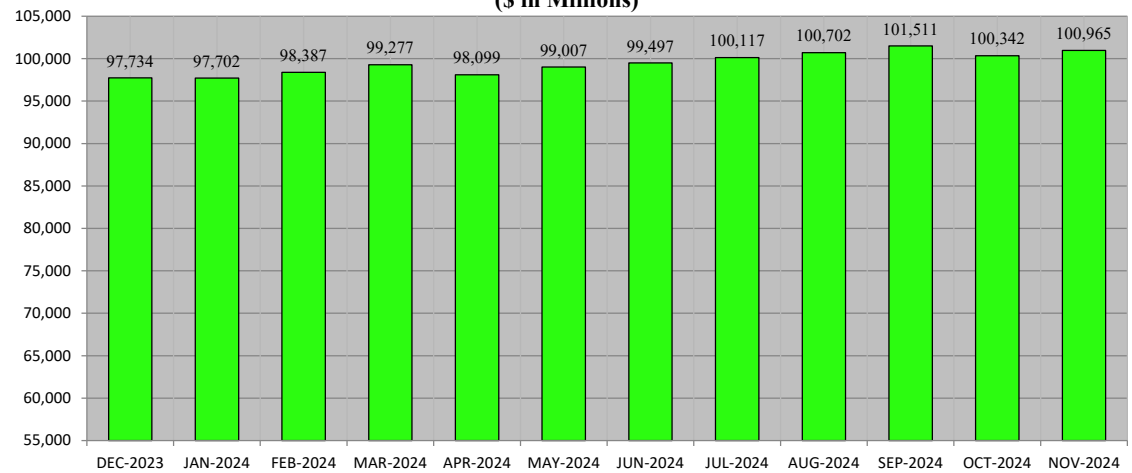
Board governance assignments  
Board Scorecard Report on agency performance measures  
Update on Governor's Expectations  
PERS Strategic Plan update  
Valuation update and financial modeling results  
Adoption of actuarial equivalency factor tables

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

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy <sup>1</sup>	Target <sup>1</sup>	\$ Thousands <sup>2</sup>	Actual	Year-To-Date <sup>3</sup>	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
<b>TOTAL OPERF Regular Account</b>			\$ 95,751,642		6.61	8.35	5.84	4.07	7.94	7.79	7.46	7.51
<i>OPERF Policy Benchmark</i>					12.43	14.96	11.01	5.18	7.93	8.59	8.20	8.14
<b>Value Added</b>					(5.81)	(6.62)	(5.17)	(1.12)	0.01	(0.80)	(0.74)	(0.63)
<i>Oregon Reference Portfolio</i>					13.96	19.42	13.51	4.33	6.42	7.73	7.09	6.94
<b>Public Equity</b>	22.5-32.5%	27.5%	\$ 15,638,046	16.3%	20.59	26.64	18.38	9.15	11.81	11.61	9.66	9.55
<i>MSCI ACWI IMI Net</i>					19.59	25.86	18.24	7.25	10.15	11.04	9.46	9.12
<b>Private Equity</b>	17.5-27.5%	20.0%	\$ 26,567,229	27.7%	5.15	4.95	5.64	3.65	12.25	12.63	13.23	12.31
<i>Russell 3000+300 Bps Qtr Lag</i>					35.32	34.17	28.73	12.60	18.87	18.17	16.94	15.94
<b>Total Equity</b>	45.0-55.0%	47.5%	\$ 42,205,275	44.1%								
<b>Fixed Income</b>	20-30%	25.0%	\$ 22,365,440	23.4%	4.01	7.47	5.18	(0.47)	(0.47)	1.06	2.06	2.11
<i>Oregon Custom Fixed Income Benchmark</i>					2.93	6.88	3.99	(1.95)	(1.57)	0.10	1.31	1.44
<b>Real Estate</b>	9.0-16.5%	12.5%	\$ 13,418,998	14.0%	(4.47)	(5.49)	(7.36)	1.91	5.31	4.71	5.57	6.87
<i>Oregon Custom Real Estate Benchmark</i>					(8.04)	(8.69)	(10.45)	(0.36)	2.46	2.12	3.29	5.37
<b>Real Assets</b>	2.5-10.0%	7.5%	\$ 10,036,472	10.5%	10.25	13.24	9.08	11.99	13.64	10.47	7.81	6.19
<i>CPI +4%</i>					6.61	6.85	7.05	8.47	9.11	8.32	7.71	7.05
<b>Diversifying Strategies</b>	2.5-10.0%	7.5%	\$ 4,820,485	5.0%	5.81	4.89	3.73	9.93	9.80	4.16	1.23	2.64
<i>HFRI FOF: Conservative Index</i>					5.94	7.34	6.09	4.03	5.45	5.30	4.46	3.74
<b>Opportunity Portfolio</b>	0-5%	0%	\$ 2,903,530	3.0%	10.90	13.39	12.77	8.96	12.85	11.81	9.98	8.83
<i>Opportunity Custom Benchmark</i>					12.43	14.96	11.33	11.70	11.80	10.66	9.67	8.72
<b>Cash w/Overlay</b>	0-3%	0%	\$ 1,442	0.0%	5.19	5.80	5.53	3.68	2.78	2.57	2.59	2.09
<i>91 Day Treasury Bill</i>					4.83	5.32	5.11	3.76	2.82	2.41	2.31	1.73
<b>Target Date Funds</b>			\$ 4,937,020									
<b>TOTAL OPERF Variable Account</b>			\$ 276,325		19.99	26.25	18.52	7.55	10.47	11.36	9.80	9.48

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

(\$ in Millions)



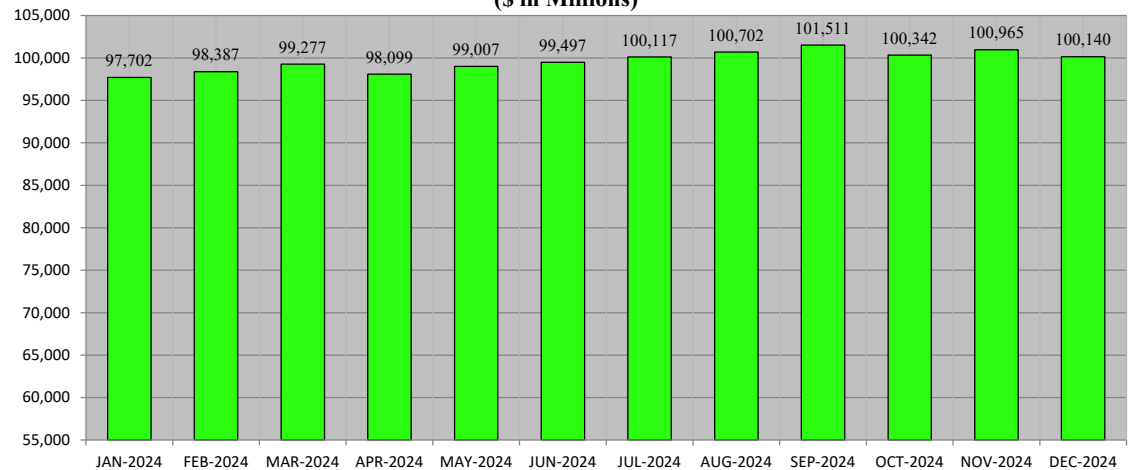
<sup>1</sup>OIC Policy revised April 2023.

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

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

OPERF	Regular Account				Historical Performance (Annual Percentage)							
	Policy <sup>1</sup>	Target <sup>1</sup>	\$ Thousands <sup>2</sup>	Actual	Year-To-Date <sup>3</sup>	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS
<b>TOTAL OPERF Regular Account</b> <i>OPERF Policy Benchmark</i>			\$ 95,073,570		5.71 11.73	5.71 11.73	5.85 11.55	3.32 4.40	7.27 7.09	7.35 8.13	7.20 7.92	7.45 8.12
<b>Value Added</b> <i>Oregon Reference Portfolio</i>					(6.01) 11.29	(6.01) 11.29	(5.71) 13.79	(1.08) 2.59	0.18 4.88	(0.78) 6.70	(0.73) 6.54	(0.67) 6.80
<b>Public Equity</b> <i>MSCI ACWI IMI Net</i>	22.5-32.5%	27.5%	\$ 16,443,608	17.3%	17.34 16.37	17.34 16.37	18.55 18.95	6.40 4.90	9.65 8.09	10.25 9.67	8.99 8.78	9.38 9.00
<b>Private Equity</b> <i>Russell 3000+300 Bps Qtr Lag</i>	17.5-27.5%	20.0%	\$ 25,185,382	26.5%	4.11 38.41	4.11 38.41	5.24 31.02	3.86 13.37	12.26 18.59	12.36 18.56	12.99 17.03	12.14 16.12
<b>Total Equity</b>	45.0-55.0%	47.5%	\$ 41,628,990	43.8%								
<b>Fixed Income</b> <i>Oregon Custom Fixed Income Benchmark</i>	20-30%	25.0%	\$ 22,104,623	23.3%	2.62 1.25	2.62 1.25	4.80 3.37	(0.86) (2.41)	(0.87) (2.03)	0.78 (0.24)	1.81 1.01	2.00 1.31
<b>Real Estate</b> <i>Oregon Custom Real Estate Benchmark</i>	9.0-16.5%	12.5%	\$ 13,453,345	14.2%	(3.99) (8.04)	(3.99) (8.04)	(7.15) (10.49)	1.15 (1.04)	5.36 2.44	4.81 2.05	5.61 3.21	6.70 5.10
<b>Real Assets</b> <i>CPI +4%</i>	2.5-10.0%	7.5%	\$ 10,024,111	10.5%	10.06 6.99	10.06 6.99	8.92 7.23	11.93 8.37	13.66 9.10	10.35 8.35	7.77 7.72	6.28 7.11
<b>Diversifying Strategies</b> <i>HFRI FOF: Conservative Index</i>	2.5-10.0%	7.5%	\$ 4,904,513	5.2%	7.65 6.52	7.65 6.52	4.15 6.00	9.60 3.99	9.37 4.88	4.69 5.20	1.40 4.47	2.44 3.75
<b>Opportunity Portfolio</b> <i>Opportunity Custom Benchmark</i>	0-5%	0%	\$ 2,919,042	3.1%	11.15 11.73	11.15 11.73	12.50 10.93	8.63 11.20	12.04 11.49	11.66 10.46	10.01 9.51	8.85 8.67
<b>Cash w/Overlay</b> <i>91 Day Treasury Bill</i>	0-3%	0%	\$ 38,946	0.0%	5.62 5.25	5.62 5.25	5.54 5.13	3.83 3.89	2.88 2.92	2.62 2.46	2.63 2.35	2.14 1.77
<b>Target Date Funds</b>			\$ 4,800,790									
<b>TOTAL OPERF Variable Account</b>			\$ 265,865									
					16.72	16.72	19.20	5.18	8.39	9.97	9.11	9.35

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



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

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

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



# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

Headquarters

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Mailing Address:

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TTY (503) 603-7766

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January 31, 2025

TO: Members of the PERS Board  
 FROM: Gregory R. Gabriel, Budget Officer  
 SUBJECT: January 2025 Budget Report

### 2023-25 OPERATING BUDGET

Operating expenditures for November, December, and preliminary expenditures for January are \$5,669,598 \$5,794,605 and \$6,172,340, respectively. Final expenditures for January will close in the Statewide Financial Management System on February 14 and will be included in the March 2025 report to the board.

- Through January 12, 2025, the agency has expended a total of \$108,474,009 or 73.8% of PERS' legislatively approved operations budget of \$147,065,167.
- At this time, the agency's projected variance is \$5,605,198 or 3.8%.
- Core Retirement Systems Applications (CRSA) expenditures for November, December, and preliminary expenditures for January are \$2,096,062, \$699,948 and \$3,198,498, respectively. As of January 12, the agency has expended \$16,650,897 or 54.8% of the legislatively approved budget of \$30,397,427.
- At this time, the CRSA projected variance is \$3,610,587 or 11.9%.

### 2023-25 NON-LIMITED BUDGET

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

- Non-Limited expenditures through January 12, 2025, are \$10,144,416,691.

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

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

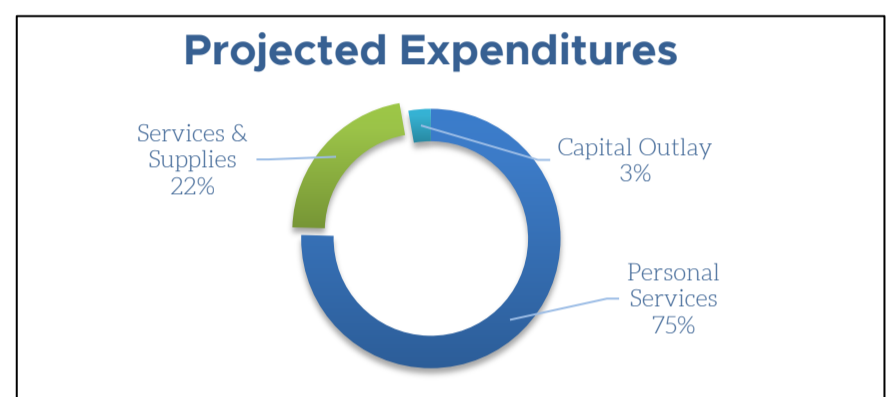
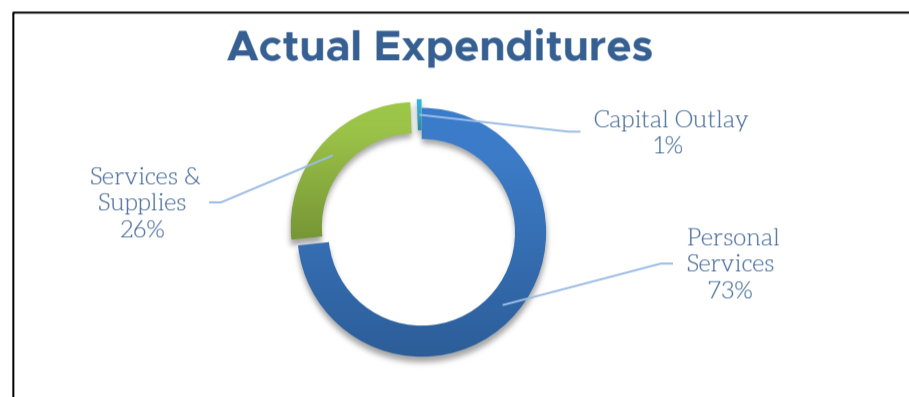
# PERS Monthly Budget Report

2023-25 Agency-Wide Budget Execution  
Preliminary for the Month of January 2025

## Limited - Operating Budget

### 2023-25 Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expenditures	2023-25 LAB	Variance
Personal Services	79,535,913	25,483,950	105,019,863	108,762,430	3,742,567
Services & Supplies	28,269,735	7,359,110	35,628,845	37,130,336	1,501,491
Capital Outlay	668,361	941,000	811,261	1,172,401	361,140
<b>Total</b>	<b>108,474,009</b>	<b>33,784,060</b>	<b>141,459,969</b>	<b>147,065,167</b>	<b>5,605,198</b>



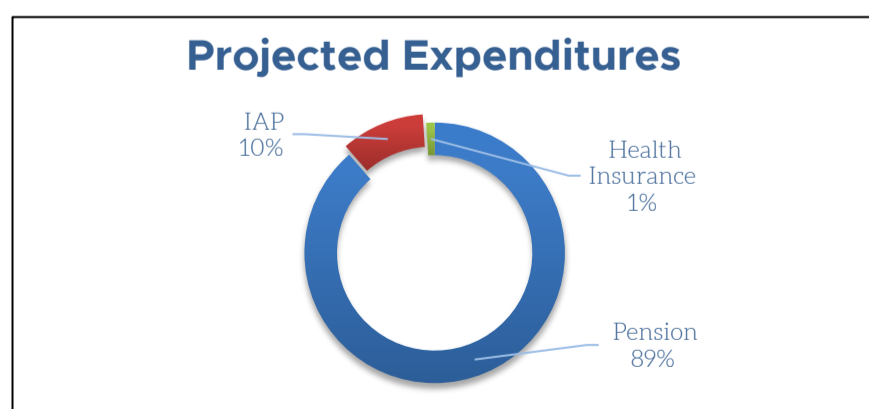
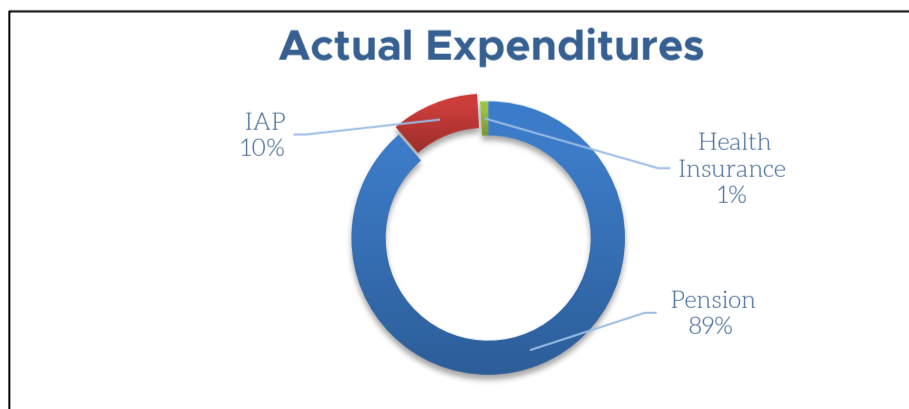
### Monthly Summary

Category	Actual Exp.	Projections	Variance	Avg. Monthly Actual Exp.	Avg. Monthly Projected Exp.
Personal Services	4,701,753	4,872,283	170,530	4,186,101	5,096,790
Services & Supplies	1,470,587	1,523,924	53,337	1,487,881	1,471,822
Capital Outlay	0	0	0	35,177	188,200
<b>Total</b>	<b>6,172,340</b>	<b>6,396,207</b>	<b>223,867</b>	<b>5,709,158</b>	<b>6,756,812</b>

## Non-Limited Budget

### 2023-25 Biennial Summary

Programs	Actual Exp To Date	Projected Expenditures	Total Est. Expenditures	Non-Limited LAB	Variance
Pension	8,991,970,116	2,949,548,753	11,941,518,869	11,823,032,167	(118,486,702)
IAP	1,056,491,312	339,738,060	1,396,229,372	1,482,829,663	86,600,291
Health Insurance	95,955,263	44,725,223	140,680,486	217,258,687	76,578,201
<b>Total</b>	<b>10,144,416,691</b>	<b>3,334,012,036</b>	<b>13,478,428,728</b>	<b>13,523,120,517</b>	<b>44,691,790</b>





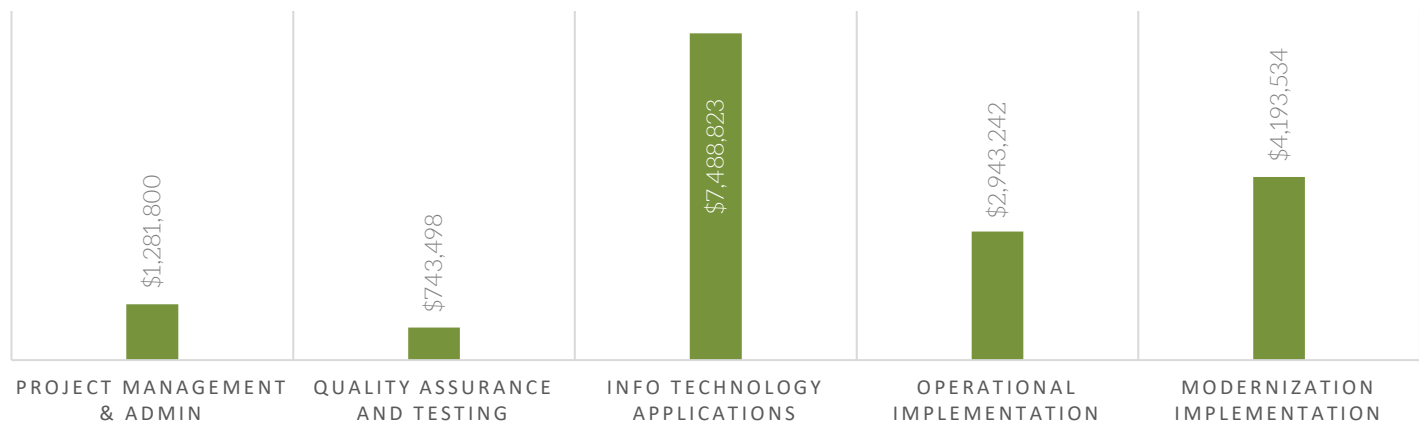
# Core Retirement Systems Application

## Summary Budget Analysis Preliminary for the Month of January 2025

### Biennial Summary

Category	Actual Exp. To Date	Projected Expenditures	Total Est. Expend.	2023-25 LAB	Variance
Personal Services	4,114,887	2,483,105	6,597,992	7,559,057	961,065
Services & Supplies	12,536,010	7,652,839	20,188,849	22,838,370	2,649,521
Capital Outlay					
<b>Total</b>	<b>16,650,897</b>	<b>10,135,944</b>	<b>26,786,841</b>	<b>30,397,427</b>	<b>3,610,587</b>

### EXPENDITURES BY PACKAGE



### EXPENDITURES BY PROJECT





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Tina Kotek, Governor

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January 31, 2025

TO: Members of the PERS Board  
 FROM: Jason Stanley, Chief Compliance, Audit, and Risk Officer  
 SUBJECT: Review the Annual Report of Financial Transactions of the  
 PERS Director for the fiscal year ended June 30, 2024

### REQUESTED ACTION

In accordance with PERS policy and procedure, the chair of the Audit and Risk Committee has reviewed the summary of salary, benefits, personnel expenses, travel, and other financial charges incurred by PERS Director Kevin Olineck in the aggregate amount of \$368,986. This amount covers the period of July 1, 2023, through June 30, 2024. Details of this amount were provided at the December 6, 2024 Audit and Risk Committee meeting. The financial records supporting this summary are maintained in the Financial Services Division (FSD).

### BACKGROUND

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

The policy requires the agency's chief compliance, audit, and risk officer or deputy director to review and approve all financial transactions of the director, including monthly timesheets, travel claims (both in-state and out-of-state), Small Purchase Order Transaction System (SPOTS) card purchases, etc. The policy also requires that the chair of the Audit and Risk Committee report to the committee and the PERS Board annually that they have reviewed the director's financial transactions, and that their review and approval be documented in the board meeting minutes.

I reviewed the detailed transactions (payroll time reports, travel expense reimbursement claims, and SPOTS card purchases) of the PERS director for the period of July 1, 2023, through fiscal year ended June 30, 2024, and found no exceptions or inappropriate transactions.

The PERS Board minutes for this meeting will reflect receipt of this report on the director's financial transactions for the fiscal year ended June 30, 2024, as submitted by Chief Compliance, Audit, and Risk Officer Jason Stanley, in compliance with OAM 10.90.00 PO.

## B.

### A. Administration

1. December 6, 2024 PERS Board Meeting Minutes
2. Director's Report

### **B. Administrative rulemaking**

#### **1. Notice of rulemaking for the Tax Remedy Rule**

2. Notice of rulemaking for membership eligibility rules
3. Notice of rulemaking for plan limits rules
4. Third reading of service retirement application requirements rules
5. Adoption of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule

### C. Action and discussion items

1. PERS Modernization Program update
2. PHIP Reserve Policy
3. Legislative preview and update
4. Preliminary 2024 earnings crediting and reserving
5. Senate Bill 1566 reporting requirements
6. Update reflecting on earnings through December 31, 2024



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January 31, 2025

TO: Members of the PERS Board

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

SUBJECT: Notice of rulemaking for the Tax Remedy Rule:  
OAR 459-013-0310 *Payment of Increased Benefits under ORS 238.372 to 238.384*

### OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Amend the rule to account for additional data from the Oregon Department of Revenue
- Policy Issue: None

### BACKGROUND

As provided in ORS 238.362 to ORS 238.378, PERS benefits are increased to account for Oregon personal income tax for individuals who had established PERS membership before July 14, 1995. This benefit increase is also known colloquially as Tax Remedy. The Oregon Legislature in 2011 and 2013 made changes to the tax remedy statute such that retirees whose PERS benefits are not subject to Oregon personal income tax are not eligible to receive tax remedy. PERS is authorized to exchange information with the Oregon Department of Revenue (DOR) for the purpose of evaluating whether someone's PERS benefits are subject to Oregon personal income tax.

After a system upgrade, DOR is now able to provide additional data on retirees who filed a partial year tax return (40P), specifically, the beginning and end dates the retiree was in the state. The proposed amendments to the rule outline how PERS staff will use these additional data in determining tax remedy eligibility. Currently, in order to determine residency for a retiree who filed a 40P, the determination is based on the prior year filing to presume the retiree moved in or out of the state. With more precise data, the determination can be made based on the current year's filing.

For individuals who filed a 40P, PERS will treat the person as an Oregon resident if the end-date field on the tax return is blank or the last day of the year; PERS will treat the person as a non-resident if the end-date field on the tax return is other than the last day of the year.

The amendments also take into consideration certain filing requirements. When a married Oregon resident files a joint return with a non-Oregon resident spouse, they are required to file a non-resident return (40N). Similarly, when a married retiree who is an Oregon resident for the entire year files a joint return with a spouse who was an Oregon resident for a partial year, they

must file a 40P. Included in the data obtained from DOR is the amount of pension and annuity income reported on 40Ns and 40Ps for state income tax purposes. Under the rule amendment, a retiree will be considered an Oregon resident if the reported pensions and annuities income on a 40N or 40P return is equal to or greater than the amount of PERS benefits distributed in the same tax year; if the reported pensions and annuities income is less than the amount of PERS benefits distributed in the same tax year, the retiree will be considered a non-resident.

#### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held remotely on February 25, 2025, at 2:00 p.m. The public comment period ends February 28, 2025, 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 were incorporated before the rules were presented for adoption.

#### IMPACT

Mandatory: No

Benefit: Will allow PERS staff to examine additional data when making residency determinations for the purposes of tax remedy.

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

#### RULEMAKING TIMELINE

January 27, 2025:	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
February 3, 2025:	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.
January 31, 2025:	PERS Board notified that staff began the rulemaking process.
February 25, 2025:	Rulemaking hearing to be held remotely at 2:00 p.m.
February 28, 2025:	Public comment period ends at 5:00 p.m.
March 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 February 25, 2025. The rule is scheduled to be brought before the PERS Board for adoption at the March 31, 2025, board meeting.

B.1. Attachment 1 – OAR 459-013-0310 *Payment of Increased Benefits under ORS 238.372 to 238.384*

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 013 – RETIREMENT BENEFITS**

1 **459-013-0310**

2 **Payment of Increased Benefits under ORS 238.372 to 238.384**

3 (1) For purposes of determinations under ORS 238.372 to 238.384:

4 (a) “Person” includes a member, an alternate payee, or a beneficiary.

5 (b) The increased benefit percentage to be added to a benefit paid to a beneficiary  
6 under ORS 238.390, 238.395, 238.400, 238.405, or under an optional form of retirement  
7 allowance under ORS 238.305 or 238.325 will be determined based on:

8 (A) The increased benefit percentage(s) for which the member is otherwise eligible  
9 under ORS 238.364, 238.366 and 238.368; and

10 (B) The residency of the beneficiary.

11 (2) PERS will make the following determinations on residency status for the purpose  
12 of determining increased benefit eligibility under ORS 238.372 to 238.384, based on the  
13 yearly Oregon personal income tax return information provided by the Department of  
14 Revenue. Determinations under this section are effective the first day of the calendar year  
15 following receipt of information from the Department of Revenue.

16 (a) If the Department of Revenue notifies PERS that a person:

17 (A) Filed Oregon personal income tax as a resident, PERS will treat the person as a  
18 resident of Oregon.

19 (B) Filed Oregon personal income tax as a non-resident, PERS will treat the person  
20 as a non-resident of Oregon[, *except as provided in section (3) below*].

21 (C) Did not file Oregon personal income tax, PERS will treat the person as a non-  
22 resident of Oregon[, *except as provided in section (3) below*].

1 (D) *[Filed Oregon personal income tax as a partial-year resident and the prior year*  
2 *the person filed personal income tax as a resident, PERS will treat the person as a non-*  
3 *resident of Oregon, except as provided in section (3) below.*

4 (E) *Filed Oregon personal income tax as a partial-year resident and the prior year*  
5 *the person filed personal income tax as a non-resident, PERS will treat the person as a*  
6 *resident of Oregon.*

7 (F) *Filed Oregon personal income tax as a partial-year resident and the prior year*  
8 *the person did not file personal income tax, PERS will treat the person as a resident of*  
9 *Oregon.]*

10 (G) *Filed Oregon personal income tax as a partial-year resident, and the person*  
11 *also submitted residency status information on a form provided by PERS and received by*  
12 *PERS in the same calendar year, PERS will determine residency status based on the*  
13 *information provided on the form.]*

14 **(D) Filed Oregon personal income tax as a partial-year resident with the**  
15 **Oregon resident end-date either left blank or listed as the last day of the year on the**  
16 **tax return form, PERS will treat the person as a resident of Oregon.**

17 **(E) Filed Oregon personal income tax as a partial-year resident with the**  
18 **Oregon resident end-date listed as other than the last day of the year on the tax**  
19 **return form, PERS will treat the person as a non-resident of Oregon.**

20 **(F) Filed Oregon personal income tax as a partial-year resident joint filer with**  
21 **the pensions and annuities amount reported under the Oregon column in the joint**  
22 **filer return equal to or greater than the amount of PERS benefits distributed for the**  
23 **same tax year, PERS will treat the person as a resident of Oregon.**

1 (G) Filed Oregon personal income tax as a partial-year resident joint filer with  
2 the pension and annuities amount reported under the Oregon column in the joint  
3 filer return being less than the amount of PERS benefits distributed for the same tax  
4 year, PERS will treat the person as a non-resident of Oregon unless the resident  
5 end-date is left blank or is the last day of the year on the tax return form.

6 (H) Filed Oregon personal income tax as a non-resident joint filer with the  
7 pensions and annuities amount reported under the Oregon column in the joint filer  
8 return equal to or greater than the amount of PERS benefits distributed for the  
9 same tax year, PERS will treat the person as a resident of Oregon.

10 (I) Filed Oregon personal income tax as a non-resident joint filer with the  
11 pensions and annuities amount reported under the Oregon column in the joint filer  
12 return being less than the amount of PERS benefits distributed for the same tax  
13 year, PERS will treat the person as a non-resident of Oregon.

14 (b) If PERS cannot make a residency status determination based on information  
15 provided by the Department of Revenue or the person did not otherwise provide PERS  
16 with residency status information, PERS will treat the person as a non-resident of  
17 Oregon, except as provided in section (3) below.

18 (3) For purposes of determining increased benefit eligibility under ORS 238.372 to  
19 238.384, residency status information submitted on a form provided by PERS and  
20 received by PERS in the current calendar year will supersede any Oregon personal  
21 income tax return information provided by the Department of Revenue pursuant to  
22 section (2) of this rule.

23 (4) Residency status forms received by PERS shall be effective as follows:



1            (a) The first day of the calendar month following receipt, if received between  
2            January 1 and April 15;

3            (b) The first day of the calendar year following receipt, if received on or after April  
4            16.

5            (5) Notwithstanding sections (2) and (3) of this rule, PERS will revoke increased  
6            benefit eligibility and seek repayment if it finds a person has submitted fraudulent  
7            residency status information under section (2) or (3) of this rule.

8            Stat. Auth.: ORS 238.650

9            Stats. Implemented: ORS 238.362, 238.364, 238.366, 238.368 & 238.372 to 238.384

## B.

### A. Administration

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- 2. Notice of rulemaking for membership eligibility rules**
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January 31, 2025

TO: Members of the PERS Board

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

SUBJECT: Notice of rulemaking for membership eligibility rules:  
 OAR 459-005-0015 *Leave of Absence Without Pay (new)*  
 OAR 459-010-0003 *Eligibility and Membership for the PERS Tier One/Tier Two Program,*  
 OAR 459-010-0014 *Creditable Service in PERS Chapter 238 Program*  
 OAR 459-010-0035 *Six-Month Waiting Period,*  
 OAR 459-075-0150 *[OPSRP] Retirement Credit*  
 OAR 459-010-0010 *Leave of Absence Without Pay (repeal)*

### OVERVIEW

- Action: None. This is notice that staff has begun rulemaking.
- Reason: Clarify eligibility rules.
- Policy Issue: None.

### BACKGROUND

Oregon PERS was established in 1953. As is the nature of an over 70-year plan, it has evolved and expanded over the years, as have the administration of the plan and the systems supporting the plan. Prior to 2004, employers reported limited data to PERS on paper for employees only once they served their waiting time and established membership. Today, employers report data to PERS electronically, generally every pay period. They report employee demographic data (date of birth, address, etc.) upon hire for all employees, whether they are in qualifying or non-qualifying positions, part time, full time, regular members, or retirees working after retirement. The information PERS receives from employers today is much more detailed than the information PERS received prior to 2004.

When a member retires, as part of processing their application for retirement, PERS reviews all the member's data, verifying the data with the member's former employers when necessary. Evaluating the older data, particularly pre-2004, or legacy data, can be challenging because membership eligibility has changed and evolved over the years, leading to inconsistencies and unintended consequences. To address this, Policy Analysis and Compliance Section policy staff worked with a cross-divisional team to conduct a holistic review of all eligibility policies, from establishing membership, to maintaining membership and accruing creditable service/retirement credit. The project took a few years to complete (longer than anticipated) and all policies that do not require system changes or administrative rule changes have been, or are now, being implemented. We would like to acknowledge and thank all the members of the team, in

particular, Jeff Herman, Senior Data Services Operations Analyst from the Data Integrity Group; Chad Hursh, Data Services Operations Analyst on the Member Account Adjustment Team, and; Paul Scholes, Business Partner Reporting Operations Analyst from the Employer Services Center who were instrumental in helping us navigate all the fine details to identify and avoid potential pitfalls.

The goal in reviewing the policies was to ensure that our administration is consistent with governing Oregon Revised Statutes (ORS), Oregon Administrative Rules (OAR), and agency policies. The review identified differing membership determination standards for employment occurring before August 29, 2003, and highlighted how PERS staff sometimes erroneously apply the current rules to past periods when reviewing Tier One and Tier Two member accounts at retirement. The proposed rule amendments provide clarification on how to make accurate membership determinations, and situations that require special consideration, such as employer reporting for school employees.

OAR 459-010-0003 outlines how to establish and maintain membership for the PERS Tier One/Tier Two Program. The current rule remains relevant for describing how to maintain membership for employment occurring on and after January 1, 2006, but the current version is no longer relevant for establishing membership in the Tier One/Tier Two Program because the program was closed to new employees as of August 29, 2003.<sup>1</sup> The proposed rule amendments move the establishing membership portions of the rule to OAR 459-010-0035 which addresses the six-month waiting period that is required to establish Tier One and Tier Two membership. In addition, OAR 459-010-0035 was amended to provide instruction on how to evaluate concurrent employment during the six-month waiting time, and importantly clarifies that for purposes of establishing membership, concurrent employment must occur in the same months of the six-month waiting period.

Before January 1, 2006, the standard for qualifying service for a Tier One or Tier Two member only required that the position or concurrent positions *normally required* 600 or more hours of service. This is different than the current “qualifying position” definition, in that it did not require that the person *actually perform* 600 or more hours of service. The assessment of whether a position or concurrent position normally required 600 or more hours of service was made by the employer based upon their hire intent. Recognizing that prior membership eligibility determinations did not require 600 hours of service in a year to be qualifying, when reviewing employment that occurred prior to January 1, 2006 where an eligibility determination has not been made, or has been called into question, PERS staff shall apply the “normally requires 600 hours” standard to determine whether a position is qualifying or non-qualifying.

Amendments to OAR 459-010-0014 and OAR 459-075-0150, which address how retirement credit is accrued for school employees, clarify the dates that school is presumed to be in session and describes how the employer can rebut the presumption.

As a housekeeping issue, the substance of OAR 459-010-0010 is being moved to a new OAR. The current rule applies to all PERS programs, even though it’s current placement in Division 10 indicates that it only addresses PERS administration of ORS Chapter 238. As such, this rule is being repealed, renumbered, and added to Division 5 (Administration), which covers all programs in both ORS Chapters 238 and 238A. This change aligns the rule with a unified legal

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<sup>1</sup> New employees establishing membership on and after August 29, 2003, become members of the Oregon Public Service Retirement Plan program.

standard for administering leaves of absence. The rule amendments also clarify that a leave of absence does not have to be reported for school employees for summer months.

The proposed amendments ensure consistency and clarity in PERS membership and retirement processes.

#### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing will be held remotely on February 25, at 2:00 p.m. The public comment period ends February 28, 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: The rule amendments clarify how eligibility will be determined, particularly regarding school employees and employment before 2004.

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

#### RULEMAKING TIMELINE

January 27, 2025:	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
February 3, 2025:	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.
January 31, 2025:	PERS Board notified that staff began the rulemaking process.
February 25, 2025:	Rulemaking hearing to be held remotely at 2:00 p.m.
February 28, 2025:	Public comment period ends at 5:00 p.m.
March 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 February 25, 2025. The rule is scheduled to be brought before the PERS Board for adoption at the March 31, 2025, board meeting.

B.2. Attachment 1 – 459-005-0015

B.2. Attachment 2 – 459-010-0003

B.2. Attachment 3 – 459-010-0010

B.2. Attachment 4 – 459-010-0014

B.2. Attachment 5 – 459-010-0035

B.2. Attachment 6 – 459-075-0150

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

1 459-005-0015

2 Leave of Absence Without Pay

3 (1) For purposes of this rule:

4 (a) “major fraction of a month” means a minimum of 11 business days in a  
5 calendar month;

6 (b) “the period of time when school is not normally in session” means the period of  
7 time outside the dates that school is presumed to be in session as described in  
8 OAR 459-010-0014 and OAR 459-075-0150.

9 (2) Employer/Employee Agreement. An official leave of absence without pay for any  
10 purpose must have the following in order to be considered bona fide:

11 (a) An agreement in writing;

12 (b) Accordance with the applicable law, rules and regulations;

13 (c) The duration specifically stated at the time of granting; and

14 (d) Certification to PERS by the employer granting such leave.

15 (3) Creditable Service and Retirement Credit.

16 (a) A leave of absence without pay occurring on or after July 1, 1987, which constitutes  
17 the major fraction of a month:

18 (A) May not be used to calculate “years of membership” under ORS 238.300; and

19 (B) May not be used to determine “creditable service” or “retirement credit” under  
20 ORS 238.005.

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

1 (b) A leave of absence without pay occurring before July 1, 1987, which constitutes the  
2 major fraction of a month:

3 (A) Must be used to calculate “years of membership” under ORS 238.300; and

4 (B) Must be used to determine “creditable service” and “retirement credit” under  
5 ORS 238.005.

6 (c) A leave of absence without pay occurring on or after January 1, 2004, which  
7 constitutes the major fraction of a month may not be used to determine “retirement credit”  
8 under ORS 238A.140 for any period of employment after the date membership is  
9 established under ORS 238A.100.

10 (4) Reporting Requirement. Unless otherwise agreed upon by PERS, the employer  
11 shall report the following in a format acceptable to PERS:

12 (a) Any period of leave of absence without pay, which constitutes the major fraction of  
13 a month, for each member at the time the leave begins. The reported period of leave of  
14 absence without pay must include an end date.

15 (b) Any amendment or extension to a previously reported period of leave of absence  
16 without pay.

17 (5) A PERS member on an official leave of absence without pay is not considered  
18 terminated from service with a participating employer.

19 (6) An employee on an official leave of absence without pay on the date the employer  
20 begins to participate in PERS, shall be considered to be an employee on such date for the  
21 purpose of determining eligibility for participation in PERS.

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

1 (7) A layoff from employment does not constitute a leave of absence without pay.

2 (8) Reporting Leave of Absence Without Pay for School Employees.

3 (a) Except as provided by subsection (8)(b), a school employee who is on leave of  
4 absence without pay during the period of time when school is not normally in session  
5 should not be reported to PERS under section (4) of this rule.

6 (b) An employee of an institution of higher education, Department of Human Services,  
7 the Oregon Youth Authority, the Department of Corrections or the State Board of  
8 Education who is on leave of absence without pay during the period of time when school is  
9 not normally in session may be reported to PERS if:

10 (1) the employee is not engaged in teaching or other school activity at an institution  
11 supervised by the authority, board or department, and

12 (2) the employee was required to provide service during the period under the terms of  
13 their employment agreement.

14 Stat. Auth.: ORS 238.650 & 238A.450

15 Stats. Implemented: ORS 238.300 & 238A.140

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

1 **459-010-0003**

2 **Maintaining Membership in the PERS Tier One/Tier Two Program on and After**  
3 **January 1, 2006** *[Eligibility and Membership for the PERS Tier One/Tier Two*  
4 *Program]*

5 (1) For the purpose of this rule:

6 (a) “Concurrent positions” means employment with two or more participating  
7 employers in the same calendar year.

8 (b) “Partial year of hire” means a period in the calendar year the employee begins  
9 employment after the first working day of the year, and continues employment through  
10 December 31.

11 (c) “Partial year of separation” means a period in the calendar year the employee  
12 separates from employment that begins on January 1 of the year and ends before the last  
13 working day of the year.

14 (d) “Qualifying position” means a position designated by the employer as qualifying,  
15 including a position in a partial year of hire, partial year of separation, or short segment,  
16 except:

17 (A) A position or concurrent positions in which an employee performs at least 600  
18 hours of service in a calendar year is qualifying regardless of employer designation.

19 (B) A position in a partial year of separation is qualifying regardless of employer  
20 designation if the position is continued from an immediately preceding calendar year in  
21 which the employee performed at least 600 hours of service in the position or concurrent  
22 positions.

1 (C) A position with one employer in which the employee is employed for the entire  
2 calendar year and fails to perform at least 600 hours of service in that position or  
3 concurrent positions in the calendar year is non-qualifying regardless of employer  
4 designation.

5 (e) “Service” means a period in which an employee:

6 (A) Is in an employer/employee relationship, as defined in OAR 459-005-0020; and

7 (B) Receives a payment of “salary,” as defined in ORS 238.005 or similar payment  
8 from workers compensation or disability.

9 (f) “Short segment” means a period in the calendar year during which the employee  
10 is hired after the first working day of the year, and separated from employment before the  
11 last working day of the same calendar year.

12 (2) At the time an employee is hired, an employer must designate the employee’s  
13 position as qualifying or non-qualifying. An employer must designate a position as  
14 qualifying if the position is one in which an employee would normally perform at least  
15 600 hours of service in a calendar year.

16 (3) Employer designation of a position as qualifying or non-qualifying must be  
17 determined by PERS from information communicated to PERS by the employer. An  
18 employer designation that is contrary to the provisions of subsection (1)(d) of this rule in  
19 any calendar year will be reversed for that calendar year.

20 (4) Eligibility. An employee who was employed in a qualifying position before  
21 August 29, 2003, by an employer participating in the PERS Chapter 238 Program was  
22 eligible to become a member of that program if the employee [satisfies the requirements](#)  
23 [described in OAR 459-010-0035.](#)

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(a) Began the six-month waiting period described in OAR 459-010-0035 before August 29, 2003;

(b) Did not elect to participate in an optional or alternative retirement plan as provided in ORS Chapters 243, 341, or 353; and

(c) Was not otherwise ineligible for membership.]

(5) [ Establishing Membership. An employee who meets the requirements of section (4) of this rule becomes a member of the PERS Chapter 238 Program on the first day of the calendar month following the completion of the six-month waiting period described in OAR 459-010-0035 provided that the employee is employed on that date by the same employer that employed the employee throughout the waiting period.]

[(6)] Maintaining Membership. An employee who becomes a member of the PERS Chapter 238 Program under section (4) is eligible for membership in the system for service performed in a qualifying position on and after August 29, 2003, unless the employee:

(a) Terminates their membership under ORS 238.095;

(b) Elects to participate in an optional or alternative retirement plan as provided in ORS Chapters 237, 243, 341, or 353, and does not qualify for concurrent service eligibility under OAR 459-005-0350; or

(c) Becomes otherwise ineligible for membership.

**Statutory/Other Authority:** ORS 238.650

**Statutes/Other Implemented:** ORS 238.005, ORS 238.015 & ORS 238A.025

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

1 **[459-010-0010**

2 ***Leave of Absence Without Pay***

3 *(1) For purposes of this rule, “major fraction of a month” means a minimum of 11*  
4 *business days in a calendar month;*

5 *(2) Employer/Employee Agreement. An official leave of absence without pay for any*  
6 *purpose must have the following in order to be considered bona fide:*

7 *(a) An agreement in writing;*

8 *(b) Accordance with the applicable law, rules and regulations;*

9 *(c) The duration specifically stated at the time of granting; and*

10 *(d) Certification to PERS by the employer granting such leave.*

11 *(3) Creditable Service and Retirement Credit.*

12 *(a) A leave of absence without pay occurring on or after July 1, 1987, which*  
13 *constitutes the major fraction of a month:*

14 *(A) May not be used to calculate “years of membership” under ORS 238.300; and*

15 *(B) May not be used to determine “creditable service” or “retirement credit” under*  
16 *ORS 238.005.*

17 *(b) A leave of absence without pay occurring before July 1, 1987, which constitutes*  
18 *the major fraction of a month:*

19 *(A) Must be used to calculate “years of membership” under ORS 238.300; and*

20 *(B) Must be used to determine “creditable service” and “retirement credit” under*  
21 *ORS 238.005.*

1           (c) A leave of absence without pay occurring on or after January 1, 2004, which  
2           constitutes the major fraction of a month may not be used to determine “retirement credit”  
3           under ORS 238A.140 for any period of employment after the date membership is  
4           established under ORS 238A.100.

5           (4) Reporting Requirement. Unless otherwise agreed upon by PERS, the employer  
6           shall report the following in a format acceptable to PERS:

7           (a) Any period of leave of absence without pay, which constitutes the major fraction of  
8           a month, for each member at the time the leave begins. The reported period of leave of  
9           absence without pay must include an end date.

10          (b) Any amendment or extension to a previously reported period of leave of absence  
11          without pay.

12          (5) A PERS member on an official leave of absence without pay is not considered  
13          terminated from service with a participating employer.

14          (6) An employee on an official leave of absence without pay on the date the employer  
15          begins to participate in PERS, shall be considered to be an employee on such date for the  
16          purpose of determining eligibility for participation in PERS.

17          (7) A layoff from employment does not constitute a leave of absence without pay.

18          Stat. Auth.: ORS 238.650 & 238A.450

19          Stats. Implemented: ORS 238.300 & 238A.140]

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

1 **459-010-0014**

2 **Creditable Service in PERS Chapter 238 Program**

3 (1) For purposes of this rule:

4 (a) “Active member” has the same meaning as provided in ORS 238.005.

5 (b) “Creditable service” has the same meaning as provided in ORS 238.005.

6 (c) “Major fraction of a month” means a minimum of 50 hours in any calendar  
7 month in which an active member is being paid a salary by a participating public  
8 employer and for which benefits under ORS Chapter 238 are funded by employer  
9 contributions.

10 (2) Except as provided in OAR 459-010-0010(3), an active member accrues one  
11 month of creditable service for each month in which the member performs service or  
12 receives paid leave as described in OAR 459-010-0011 for the major fraction of the  
13 month.

14 (3) An active member is presumed to have performed service for a major fraction of  
15 a month if:

16 (a) The member performs at least 600 hours of service in the calendar year and the  
17 member's employer(s) reports salary and hours for a pay period occurring within the  
18 calendar month;

19 (b) The member starts employment on or before the 15th day of the calendar month  
20 and the employment continues through the end of the month;

21 (c) The member starts employment on or before the first day of the calendar month  
22 and ends employment on or after the 16th day of the month; or

1 (d) The member starts employment on or before the first day of the calendar month  
2 and ends employment before the 16th day of the month, but is reemployed in a qualifying  
3 position before the end of the month.

4 (4) A member or employer may seek to rebut the determination of creditable service  
5 based on the presumptions in section (3) by providing to PERS records that establish that  
6 the member did or did not perform service for a major fraction of a month as defined in  
7 subsection (1)(c) of this rule.

8 (5) *[Except as provided in OAR 459-010-0010(3), a]* An active member who is a  
9 school employee will accrue six months of creditable service if the member performs  
10 service for a major fraction of each month of a school year when school is normally in  
11 session that falls between January 1 and June 30, and six months of creditable service if  
12 the member performs service for a major fraction of each month of a school year when  
13 school is normally in session that falls between July 1 and December 31.

14 (a) School is presumed to be in session during the following dates:

15 (A) For non-Higher Education employment, the first half of the school year is  
16 presumed to begin on or before September 15 and end on or after December 16.

17 (B) For Higher Education employment, the first half of the school year is  
18 presumed to begin on or before September 26 and end on or after December 16.

19 (C) For all school employment, the second half of the school year is presumed to  
20 begin on or before January 7 and end on or after May 26.

21 (b) If the school year falls outside the presumed dates described above, PERS  
22 must receive acceptable certification from the employer of the actual begin and end  
23 dates for each half of the school year.

1 (c) An active member who is a school employee on leave of absence without pay  
2 may accrue retirement credit as follows:

3 (A) If the period of leave of absence without pay falls outside the dates when  
4 school is presumed to be in session, the active member may accrue six months of  
5 retirement credit as described above.

6 (B) If the leave of absence without pay falls within the dates when school is  
7 presumed to be in session, the active member may only accrue six months of  
8 retirement credit if the leave of absence constitutes less than the major fraction of  
9 the month, as provided in OAR 459-010-0010(3).

10 (C) If the leave of absence without pay falls within the dates when the school  
11 year is in session, the active member may not accrue six months of retirement credit  
12 if the leave of absence constitutes the major fraction of the month, as provided in  
13 OAR 459-010-0010(3). Such member may accrue one month of retirement credit for  
14 each month in which the member performs service or receives paid leave for the  
15 major fraction of the month, as described in section (2) of this rule.

16 (6) A member may not accrue more than one month of creditable service for any  
17 calendar month and no more than one year of creditable service for any calendar year.

18 *[(7) The provisions of this rule are effective for service credit determinations made*  
19 *on or after January 1, 2008.]*

20 Stat. Auth.: ORS 238.650

21 Stats. Implemented: ORS 238.005 & 238.300



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

1 **459-010-0035**

2 **Six-Month Waiting Period to Establish Membership in the PERS Chapter 238**  
3 **Program**

4 *[(1) The six-month waiting period required for establishing membership under ORS*  
5 *238.015 is six full calendar months of service with the same employer. The service must*  
6 *be in a “qualifying position,” as defined in OAR 459-010-0003. The six full calendar*  
7 *months of service may not be interrupted by more than 30 consecutive working days.*

8 *(2) The waiting period begins on:*

9 *(a) The date the employee is hired, and includes the month of hire as a full calendar*  
10 *month, if the date of hire is the first business day of the month;*

11 *(b) The first day of the month following the date of hire; or*

12 *(c) The first day of the month following the end date of an interruption of service of*  
13 *more than 30 consecutive working days.*

14 *(3) In the event an employee is on an official leave of absence under OAR 459-010-*  
15 *0010, the period of absence shall not constitute an interruption of the waiting period*  
16 *under section (1) of this rule. The waiting period shall be extended by the length of the*  
17 *leave of absence.*

18 *(4) Absence from service by an educational employee during periods that the*  
19 *employing educational institution is not in session does not constitute an interruption of*  
20 *the waiting period under section (1) of this rule. The waiting period shall be extended by*  
21 *the length of the period the educational institution is not in session.]*

22

1 (1) For the purpose of this rule:

2 (a) “Concurrent” means occurring in the same calendar month.

3 (b) “Concurrent waiting time employers” means two or more participating  
4 employers for which the employee is employed in concurrent positions within the  
5 same calendar month during each month of the six-month waiting period that meets  
6 the qualifying position definition of subparagraph (1)(d)(3).

7 (c) “Non-qualifying position” means a position designated by the employer as  
8 normally requiring less than 600 hours of service in a calendar year, that does not  
9 meet the “qualifying position” defined in subsection (1)(d).

10 (d) “Qualifying position” means:

11 (A) a position designated by a participating employer as normally requiring 600  
12 hours in a calendar year, regardless of the number of hours worked; or

13 (B) a position in which the employee performs at least 600 hours in a calendar  
14 year with a single participating employer, regardless of employer designation; or

15 (C) concurrent positions, regardless of employer designation, if the employee  
16 performs at least 600 hours of service from the first month of employment with the  
17 concurrent waiting time employers through the end of the calendar year.

18 (2) Eligibility. An employee who was employed in a qualifying position before  
19 August 29, 2003, by an employer participating in the PERS Chapter 238 Program  
20 was eligible to become a member of that program if the employee:

21 (a) Began the six-month waiting period before August 29, 2003;

22 (b) Did not elect to participate in an optional or alternative retirement plan as  
23 provided in ORS Chapters 243, 341, or 353; and

1 (c) Was not otherwise ineligible for membership.

2 (3) Establishing Membership under ORS 238.015. An employee who meets the  
3 requirements of section (2) of this rule becomes a member of the PERS Chapter 238  
4 Program on the first day of the calendar month following the completion of the  
5 requirements below:

6 (a) they have completed six full calendar months of service in a qualifying  
7 position; and

8 (b) the employee is employed on that date by the same employer for which the  
9 employee completed six full calendar months of service required in subsection (a).  
10 The six full calendar months of service may not be interrupted by more than 30  
11 consecutive working days.

12 (4) If the employee is employed in a qualifying position as described in  
13 subsection (1)(d)(1) or (2) then the waiting period begins on the earlier of:

14 (a) The date the employee is hired, and includes the month of hire as a full  
15 calendar month, if the date of hire is the first business day of the month;

16 (b) The first day of the month following the date of hire; or

17 (c) The first day of the month following the end date of an interruption of  
18 service of more than 30 consecutive working days.

19 (5) If the employee is employed in a qualifying position as described in  
20 subsection (1)(d)(3) then the waiting period begins on:

21 (a) The date the employee is hired, and includes the month of hire as a full  
22 calendar month, if the date of hire is the first business day of the month and the first  
23 month of employment with any of the concurrent waiting time employers;

1 (b) If the date of hire of all the concurrent waiting time employers does not  
2 begin on the first business day of the month, then the waiting period begins on the  
3 first day of the month following the first month of employment with the concurrent  
4 waiting time employers; or

5 (c) The first day of the month following the end date of an interruption of  
6 service of more than 30 consecutive working days of all the concurrent waiting time  
7 employers.

8 (6) In the event an employee is on an official leave of absence under OAR 459-  
9 010-0010, the period of absence shall not constitute an interruption of the waiting  
10 period under section (1) of this rule. The waiting period shall be extended by the  
11 length of the leave of absence.

12 (7) Absence from service by an educational employee during periods that the  
13 employing educational institution is not in session does not constitute an  
14 interruption of the waiting period under section (1) of this rule. The waiting period  
15 shall be extended by the length of the period the educational institution is not in  
16 session.

17 Stat. Auth.: ORS 238.650

18 Stats. Implemented: ORS 238.015

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

1 **459-075-0150**

2 **Retirement Credit**

3 (1) For purposes of this rule:

4 (a) “Active member” has the same meaning as provided in ORS 238A.005.

5 (b) “Major fraction of a month” means a minimum of 50 hours in any calendar  
6 month in which an active member is being paid a salary by a participating public  
7 employer and for which benefits under ORS Chapter 238A are funded by employer  
8 contributions.

9 (2) Except as provided in OAR 459-010-0010(3), an active member accrues one  
10 month of retirement credit for each month in which the member performs service or  
11 receives paid leave paid leave as described in OAR 459-010-0011 for the major  
12 fraction of the month.

13 (3) An active member is presumed to have performed service for a major fraction of  
14 a month if:

15 (a) The member performs at least 600 hours of service in the calendar year and the  
16 member’s employer(s) reports salary and hours for a pay period occurring within the  
17 calendar month;

18 (b) The member starts employment on or before the 15th day of the calendar month  
19 and the employment continues through the end of the month;

20 (c) The member starts employment on or before the first day of the calendar month  
21 and ends employment on or after the 16th day of the month; or

1 (d) The member starts employment on or before the first day of the calendar month  
2 and ends employment before the 16th day of the month, but is reemployed in a qualifying  
3 position before the end of the month.

4 (4) A member or employer may seek to rebut the determination of creditable service  
5 based on the presumptions in section (3) by providing to PERS records that establish that  
6 the member did or did not perform service for a major fraction of a month as defined in  
7 subsection (1)(c) of this rule.

8 (5) *[Except as provided in OAR 459-010-0010(3), a]* An active member who is a  
9 school employee will accrue six months of retirement credit if the member performs  
10 service for a major fraction of each month of a school year when school is normally in  
11 session that falls between January 1 and June 30, and six months of creditable service if  
12 the member performs service for a major fraction of each month of a school year when  
13 school is normally in session that falls between July 1 and December 31.

14 (a) School is presumed to be in session during the following dates:

15 (A) For non-Higher Education employment, the first half of the school year is  
16 presumed to begin on or before September 15 and end on or after December 16;

17 (B) For Higher Education employment, the first half of the school year is  
18 presumed to begin on or before September 26 for Higher Education employment  
19 and end on or after December 16;

20 (C) For all school employment, the second half of the school year is presumed to  
21 begin on or before January 7 and end on or after May 26.

1 (b) If the school year falls outside the presumed dates described above, PERS  
2 must receive acceptable certification from the employer of the actual begin and end  
3 dates for each half of the school year.

4 (c) An active member who is a school employee on leave of absence without pay  
5 may accrue retirement credit as follows:

6 (A) If the period of leave of absence without pay falls outside the dates when  
7 school is presumed to be in session, the active member may accrue six months of  
8 retirement credit as described above.

9 (B) If the leave of absence without pay falls within the dates when school is  
10 presumed to be in session, the active member may only accrue six months of  
11 retirement credit if the leave of absence constitutes less than the major fraction of  
12 the month, as provided in OAR 459-010-0010(3).

13 (C) If the leave of absence without pay falls within the dates when the school  
14 year is in session, the active member may not accrue six months of retirement credit  
15 if the leave of absence constitutes the major fraction of the month, as provided in  
16 OAR 459-010-0010(3). Such member may accrue one month of retirement credit for  
17 each month in which the member performs service or receives paid leave for the  
18 major fraction of the month, as described in section (2) of this rule.

19 (6) A member may not accrue more than one month of retirement credit for any  
20 calendar month and no more than one year of retirement credit for any calendar year.

21 (7) Credit for the six-month waiting period required by OAR 459-075-0010(2).

1 (a) Upon establishing membership in the pension program, a member shall receive  
2 credit for the waiting period required to establish membership under OAR 459-075-  
3 0010(2).

4 (b) If the member’s waiting period before establishment of membership included an  
5 interruption of service as described in OAR 459-075-0010(2)(b), no credit shall be  
6 awarded for the period of employment before the interruption.

7 *[(8) The provisions of this rule are effective for retirement credit determinations*  
8 *made on or after January 1, 2008.]*

9 Stat. Auth.: ORS 238A.450

10 Stats. Implemented: ORS 238A.140



## B.

### A. Administration

1. December 6, 2024 PERS Board Meeting Minutes
2. Director's Report

### **B. Administrative rulemaking**

1. Notice of rulemaking for the Tax Remedy Rule
2. Notice of rulemaking for membership eligibility rules
- 3. Notice of rulemaking for plan limits rules**
4. Third reading of service retirement application requirements rules
5. Adoption of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule

### C. Action and discussion items

1. PERS Modernization Program update
2. PHIP Reserve Policy
3. Legislative preview and update
4. Preliminary 2024 earnings crediting and reserving
5. Senate Bill 1566 reporting requirements
6. Update reflecting on earnings through December 31, 2024



# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

Headquarters

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

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

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

January 31, 2025

TO: Members of the PERS Board

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

SUBJECT: Notice of rulemaking for plan limits rules:  
 OAR 459-005-0525, *Ceiling on Compensation for Purposes of Contributions and Benefits*  
 OAR 459-005-0545, *Annual Addition Limitation*  
 OAR 459-017-0060, *Reemployment of Retired Members*  
 OAR 459-045-0090, *PERS Administrative Fee*  
 OAR 459-080-0400, *Employee Pension Stability Account (EPSA)*  
 OAR 459-080-0500, *Limitation on Contributions*

### OVERVIEW

- **Action:** None. This is notice that staff has begun rulemaking.
- **Reason:** Update rules to reflect the 2025 Internal Revenue Code (IRC), Social Security, salary limit, monthly salary threshold for the Employee Pension Stability Account (EPSA), and the maximum divorce administration fee.
- **Policy Issue:** None identified.

### BACKGROUND

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

The proposed rule modifications to OAR 459-005-0545 and 459-080-0500 incorporate the federal adjustments for calendar year 2025 and are necessary to ensure compliance with the federal limits on the amount of contributions. In addition, the proposed modifications to OAR 459-017-0060 adopt the 2025 Social Security earnings limitations.

Under ORS 238.005, 238A.005 and 238A.330, as amended by Senate Bill (SB) 1049 (2019), on January 1 of each year, the PERS Board shall adjust the overall salary limit, and the salary threshold for Employee Pension Stability Account (EPSA) contributions to reflect cost-of-living increases from the previous year, based on the Consumer Price Index (CPI) for All Urban Consumers, West Region (All Items), as published by the Bureau of Labor Statistics of the United States Department of Labor. ORS 238.465 was updated by House Bill (HB) 2284 (2023), increasing the maximum administrative fee for administering a divorce decree to \$1,300, to be increased each January 1 according to the CPI as described for the salary and EPSA threshold.

PERS has established a three-tiered approach to the administrative fee based on the complexity and administrative cost of administering the court order.

The All Urban Consumers, West Region (All Items) CPI for November 2023-2024 is 2.4%. Accordingly, the amendments to the limits are as follows:

<b>SUMMARY OF PLAN LIMIT UPDATES</b>		
	<b>2024 Limit</b>	<b>2025 Limit</b>
Federal limit on contributions	\$69,000	\$70,000
Social Security compensation limit – before full retirement age	\$22,320	\$23,400
Social Security compensation limit – calendar year reach full retirement age	\$59,520	\$62,160
Salary limit	\$232,976	\$238,567
EPSA threshold	\$3,688	\$3,777
Divorce fee – low cost	\$650	\$666
Divorce fee – moderate cost	\$975	\$998
Divorce fee – high cost	\$1,300	\$1,331

**PUBLIC COMMENT AND HEARING TESTIMONY**

A rulemaking hearing will be held remotely on February 25, 2025, at 2:00 p.m. The public comment period ends February 28, 2025, at 5:00 p.m.

**LEGAL REVIEW**

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

**IMPACT**

**Mandatory:** Yes, statute requires the PERS Board to update its rules to reflect revisions by the IRS and Social Security Administration and to update its rules to reflect cost-of-living increases from the previous year for salary limit and EPSA contributions salary threshold.

**Benefit:** Clarifies the 2025 limits for: contributions and benefits under federal law, Social Security earnings limit, salary limit, EPSA contributions salary threshold, and the maximum divorce administrative fee.

**Cost:** There are no discrete costs attributable to the rules.

**RULEMAKING TIMELINE**

January 27, 2025:	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
February 3, 2025:	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.
January 31, 2025:	PERS Board notified that staff began the rulemaking process.
February 25, 2025:	Rulemaking hearing to be held remotely at 2:00 p.m.
February 28, 2025:	Public comment period ends at 5:00 p.m.
March 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 February 25, 2025. The rule is scheduled to be brought before the PERS Board for adoption at the March 31, 2025, board meeting.

B.3. Attachment 1 – 459-005-0525

B.3. Attachment 2 – 459-005-0545

B.3. Attachment 3 – 459-017-0060

B.3. Attachment 4 – 459-045-0090

B.3. Attachment 5 – 459-080-0400

B.3. Attachment 6 – 459-080-0500

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

1 **459-005-0525**

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

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

7 (2) For purposes of this rule:

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

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

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

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

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

20 (3) For eligible participants, the limit set forth in IRC Section 401(a)(17) shall not  
21 apply for purposes of determining the amount of employee or employer contributions  
22 that may be paid into PERS, and for purposes of determining benefits due under ORS  
23 Chapters 238 and 238A. The limit on annual compensation for eligible participants shall  
24 be no less than the amount which was allowed to be taken into account for purposes of

1 determining contributions or benefits under former ORS 237.001 to 237.315 as in effect  
2 on July 1, 1993, for calendar years before 2020. Beginning in ~~[2024]~~ 2025, the limit on  
3 annual compensation taken into account for purposes of determining contributions or  
4 benefits under ORS Chapter 238 or 238A for eligible participants shall be measured on a  
5 calendar year basis, and shall not exceed ~~[\$232,976]~~ \$238,567 per calendar year.

6 (4) For noneligible participants, the annual compensation taken into account for  
7 purposes of determining contributions or benefits under ORS Chapters 238 and 238A  
8 shall be measured on a calendar year basis, and shall not exceed ~~[\$232,976]~~ \$238,567  
9 per calendar year beginning in ~~[2024]~~ 2025.

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

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

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

21 (8) With respect to ORS Chapter 238, creditable service, as defined in 238.005,  
22 shall be given for each month that an active member is paid salary or wages and  
23 allowable contributions have been remitted to PERS, or would be remitted but for the  
24 annual compensation limit in this rule. With respect to Chapter 238A, retirement credit as  
25 determined in 238A.140, shall be given for each month that an active member is paid

1 salary or wages and allowable contributions have been remitted to PERS, or would be  
2 remitted but for the annual compensation limit in this rule.

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

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

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

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

1 **459-005-0545**

2 **Annual Addition Limitation**

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

6 (2) Except as otherwise provided in this rule, a member’s annual additions to PERS  
7 for any calendar year after ~~2023~~ 2024 may not exceed ~~[\$69,000]~~ \$70,000 (as adjusted  
8 under IRC Section 415(d)).

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

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

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

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

22 (5) If a member makes a payment to PERS to purchase retirement credit for service  
23 in the Armed Forces pursuant to 238.156(3)(c) or 238A.150 and the service is covered



1 under Internal Revenue Code Section 414(u), the following special rules shall apply for  
2 purposes of applying the annual addition limitation in section (2) of this rule:

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

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

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

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

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

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

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

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

1 **459-017-0060**

2 **Reemployment of Retired Members**

3 (1) For purposes of this rule:

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

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

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

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

14 (b) If the retired member is receiving retirement, survivors, or disability benefits  
15 under the federal Social Security Act, the period or periods of employment total less than  
16 either 1,040 hours in a calendar year, or the total number of hours in a calendar year  
17 that, 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]~~ \$23,400; or

22 (B) For the calendar year in which the retired member reaches full retirement age  
23 under the Social Security Act and only for compensation for the months before reaching  
24 full retirement age, the annual compensation limit is ~~[\$59,520]~~ \$62,160.

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

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

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

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

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

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

15 (B) The retired member retired at a reduced benefit under the provisions of ORS  
16 238.280(1) or (3), but is not employed by any participating employer until more than six  
17 months after the member’s effective retirement date, and the member’s retirement  
18 otherwise meets the standard of a bona fide retirement;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (A) PERS will cancel the member's retirement.

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

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

7            (iii) If the member received a single lump sum payment under ORS 238.305(4) or  
8 238.315, the member is entitled to the payment provided the payment was dated on or  
9 before the last day of the month in which the limitations were exceeded.

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

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

14           (C) The member's account must be rebuilt in accordance with the provisions of  
15 section (9) of this rule.

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

17           (A) PERS will cancel the member's retirement effective the date the member was  
18 reemployed.

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

21           (C) The member will reestablish active membership effective the date the member  
22 was reemployed.

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

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

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

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

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

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

12 (b) The member will reestablish active membership on the date the member is  
13 reemployed.

14 (c) If the member elected a benefit payment option other than a lump sum option  
15 under ORS 238.305(2) or (3), the last monthly service retirement allowance payment to  
16 which the member is entitled is for the month before the calendar month in which the  
17 member is reemployed. Upon subsequent retirement, the member may choose a  
18 different benefit payment option.

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

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

25 (d) If the member elected a partial lump sum option under ORS 238.305(2), the last  
26 monthly service retirement allowance payment to which the member is entitled is for the

1 month before the calendar month in which the member is reemployed. The last lump  
2 sum or installment payment to which the member is entitled is the last payment due  
3 before the date the member is reemployed. Upon subsequent retirement, the member  
4 may not choose a different benefit payment option unless the member has repaid to  
5 PERS in a single payment an amount equal to the lump sum and installment benefits  
6 received and the earnings that would have accumulated on that amount.

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

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

13        (e) If the member elected the total lump sum option under ORS 238.305(3), the last  
14 lump sum or installment payment to which the member is entitled is the last payment  
15 due before the date the member is reemployed. Upon subsequent retirement, the  
16 member may not choose a different benefit payment option unless the member has  
17 repaid to PERS in a single payment an amount equal to the benefits received and the  
18 earnings that would have accumulated on that amount.

19        (A) If the member repays PERS as described in this subsection the member’s  
20 account will be rebuilt as required by ORS 238.078 effective the date that PERS  
21 receives the single payment.

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

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

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

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

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

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

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

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

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

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

16 (10) If a member has been retired for less than six calendar months and is  
17 reemployed in a qualifying position by a participating employer under the provisions of  
18 238.078(2):

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

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

23 (c) The member will reestablish active membership effective the date the member is  
24 reemployed.



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

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

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

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

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

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

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

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

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

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

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

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

8 (18) For calendar years 2020 through 2024, a public employer employing a retired  
9 member shall apply the employer’s contribution rate for its covered payroll to the wages  
10 paid to the retired member. The public employer shall make a payment to the Public  
11 Employees Retirement Fund in that amount. This payment is in addition to the  
12 employer’s contribution required under ORS 238.225, and will be applied to the  
13 employer’s liabilities, including pension benefit costs and retiree medical benefit costs. If  
14 the employer is a member of a pool established under ORS 238.227, the additional  
15 payment will be applied to the employer’s rate pool’s liabilities.

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

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

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

23 Stat. Auth.: ORS 238.650 & ORS 238.630

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

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 045 – DOMESTIC RELATIONS ORDER**

1 **OAR 459-045-0090**

2 **PERS Administrative Fee**

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

6 (2) Pursuant to the provisions of ORS 238.465(9), the board may not charge more than  
7 **\$1,331** [~~\$1,300~~] for calendar year **2025** [~~2024~~] for the total administrative expenses and  
8 related costs incurred in administering court-ordered alternate payee awards. This fee is  
9 allocated between the member and the alternate payee based on the fraction of the benefit  
10 received by the member or the alternate payee.

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

14 (a) Low Administrative Cost Tier: Set at 50% of the maximum allowable  
15 administrative fee and is **\$666** [~~\$650~~] for calendar year **2025** [~~2024~~].

16 (b) Moderate Administrative Cost Tier: Set at 75% of the maximum allowable  
17 administrative fee and is **\$998** [~~\$975~~] for calendar year **2025** [~~2024~~].

18 (c) High Administrative Cost Tier: Set at 100% of the maximum allowable  
19 administrative fee and is **\$1,331** [~~\$1,300~~] for calendar year **2025** [~~2024~~].

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

22 Stat. Auth.: [ORS 238.465](#), [ORS 238.650](#) & ORS 238A.450

- 1 Stats. Implemented: [ORS 238.465](#)
- 2 Hist.: PERS 5-1996, f. & cert. ef. 6-11-96; f. & cert. ef. 5-28-2010; f. & cert. ef. 2-2-24
- 3

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 080 – OPSRP INDIVIDUAL ACCOUNT PROGRAM**

1 **459-080-0400**

2 **Employee Pension Stability Account (EPSA)**

3 (1) The Employee Pension Stability Account (EPSA) is a member account under the  
4 IAP as established in ORS 238A.353. A portion of the member contributions is credited  
5 to the member’s EPSA when the member’s monthly salary exceeds the threshold  
6 amount and the system funded status is below 90%.

7 (2) The monthly salary threshold amount:

8 (a) Is ~~[\$3,688 for calendar year 2024]~~ \$3,777 for calendar year 2025;

9 (b) Includes salary from all PERS covered employment during the calendar month;  
10 and

11 (c) Is determined based on the date the salary is paid except for retroactive salary  
12 payments, which are allocated to the period when the salary was earned or would have  
13 been earned.

14 (3) Though part of the IAP, EPSA funds are not invested in target date funds. EPSA  
15 funds are held in a separate member account that will be credited annually with earnings  
16 or losses in accordance with OAR 459-007-0005. There is no guaranteed rate of return  
17 on a member’s EPSA.

18 (4) Unless withdrawn prior to earliest retirement age, a member’s EPSA will be  
19 applied to the cost of the member’s retirement or other pension benefit attributable to  
20 service on and after July 1, 2020. The portion of the member’s benefit attributable to  
21 service on and after July 1, 2020 will be determined by dividing the number of months of  
22 service after July 1, 2020 by the total months of service.

23 (5) If the amount in the EPSA exceeds the cost of the pension or other retirement  
24 benefits that are payable to the member or the member’s beneficiary determined

1 according to section (4) of this rule, the board shall pay the excess amounts in a lump  
2 sum to the member or the member's IAP beneficiary.

3 Stat. Auth.: ORS 238A.450

4 Stats. Implemented: ORS 238A.050, 238A.330, OL 2021, Ch. 298, OL 2019, Ch.  
5 355, Sec. 2, & OL 2018, Ch. 118

**OREGON ADMINISTRATIVE RULE  
PUBLIC EMPLOYEES RETIREMENT BOARD  
CHAPTER 459  
DIVISION 080 – OPSRP INDIVIDUAL ACCOUNT PROGRAM**

1   **459-080-0500**

2   **Limitation on Contributions**

3       (1) For purposes of this rule, “annual addition” has the same meaning given the  
4 term in 26 U.S.C. 415(c)(2).

5       (2) Except as otherwise provided in this rule, the annual addition to a member  
6 account for any calendar year may not exceed [~~\$69,000~~] \$70,000 effective January 1,  
7 ~~[2024]~~ 2025.

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

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

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

14       Stat. Auth.: ORS 238A.450

15       Stats. Implemented: ORS 238A.370

## B.

### A. Administration

1. December 6, 2024 PERS Board Meeting Minutes
2. Director's Report

### **B. Administrative rulemaking**

1. Notice of rulemaking for the Tax Remedy Rule
2. Notice of rulemaking for membership eligibility rules
3. Notice of rulemaking for plan limits rules
- 4. Third reading of service retirement application requirements rules**
5. Adoption of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule

### C. Action and discussion items

1. PERS Modernization Program update
2. PHIP Reserve Policy
3. Legislative preview and update
4. Preliminary 2024 earnings crediting and reserving
5. Senate Bill 1566 reporting requirements
6. Update reflecting on earnings through December 31, 2024





# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

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Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

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

January 31, 2025

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: Third 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 the third 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

Staff continues to work on these rules, but given holiday and vacation schedules, and competing priorities, staff were unable to finalize the amendments to the rules for the January meeting.

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 the Team One Follow-Up Team 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 these edits to adjust the process are completed, PERS staff will include them in what has been sent 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 Third Reading as we continue to carefully evaluate the stakeholder's concerns and work with them to address those 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	Third Reading of the rule.
March 31, 2025	Expected Adoption of the rule.

NEXT STEPS

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

B.4. Attachment 1 – *OAR 459-013-0250 Service Retirement Application Requirements*

B.4. Attachment 2 – *OAR 459-075-0040 OPSRP Service Retirement Application Requirements*

B.4. 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 <sup>WA</sup>  
Margaret S. Olney <sup>WA</sup>  
Julie D. Reading <sup>ID</sup> €

† retired  
§ of counsel  
€ Grand Ronde Tribal Court

August 22, 2024

Via email only: [chris.GEIER@PERS.oregon.gov](mailto:chris.GEIER@PERS.oregon.gov)  
[stephanie.VAUGHN@PERS.oregon.gov](mailto:stephanie.VAUGHN@PERS.oregon.gov)  
[melanie.CHANDLER@PERS.oregon.gov](mailto: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.<sup>1</sup>

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

---

<sup>1</sup> 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.

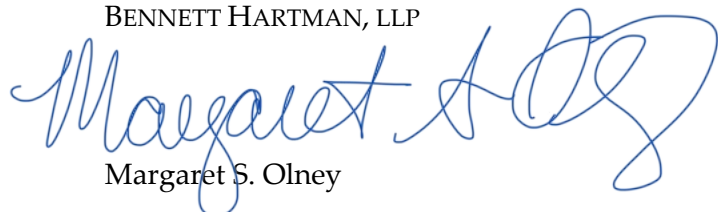
Finally, we are skeptical that the rule would, in fact, result in less work for PERS staff. In its presentation, PERS staff reported the frequent letters, calls, and emails made to members with missing information. There is nothing in the rule that requires staff to continue those efforts, nor is it 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. December 6, 2024 PERS Board Meeting Minutes
2. Director's Report

### **B. Administrative rulemaking**

1. Notice of rulemaking for the Tax Remedy Rule
2. Notice of rulemaking for membership eligibility rules
3. Notice of rulemaking for plan limits rules
4. Third reading of service retirement application requirements rules
- 5. Adoption of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule**

### C. Action and discussion items

1. PERS Modernization Program update
2. PHIP Reserve Policy
3. Legislative preview and update
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6. Update reflecting on earnings through December 31, 2024



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January 31, 2025

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: Adoption 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: Adoption of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule.
- Reason: Amendment to clarify how PERS administers the transition from disability benefits to retirement benefits for Oregon Public Service Retirement Program (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 was held remotely on December 17, 2024, at 2:00 p.m. The public comment period ended December 27, 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 are incorporated in the rules as 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 was held remotely at 2:00 p.m.
December 27, 2024	Public comment period ended 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.

### BOARD OPTIONS

The PERS Board may:

1. Pass a motion to adopt rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age 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.

B.5. 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



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January 31, 2025

TO: Members of the PERS Board  
 FROM: Yvette Elledge-Rhodes, Deputy Director  
 James Allen, Interim Program Director  
 SUBJECT: Modernization Program update

### BACKGROUND

The PERS Modernization Program is a multi-biennial effort to reimagine and evolve the deployment of our business capabilities via our people, processes, and technologies to meet our member and PERS-participating employer needs into the future. The program’s \$9,573,073 budget for the 2023-25 biennium was approved by the Legislature as part of the PERS budget bill, House Bill 5033.

### PROGRAM AND PROJECT STATUS

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

Initiative	Expected Completion	Health and Status (as of 1/10/2025)
PERS Modernization Program	June 30, 2031	Program health: Red <ul style="list-style-type: none"> <li>The program moved from green to red status on May 10, 2024 due to the resignation of the modernization program director. PERS appointed an interim program director on October 21, 2024, and has now completed a recruitment for a new program director; their start date is February 10, 2025.</li> <li>PERS will be working with a vendor to develop a detailed decision-making framework in support of a solution analysis for the Pension Administration System Modernization as requested by Department of Administrative Services (DAS) Enterprise Information Services.</li> </ul>



		This will impact the Modernization Roadmap.
Telephony Modernization Project	Original end date December 31, 2024	<p>Project health: Red</p> <ul style="list-style-type: none"> <li>The project is red due to solution costs exceeding the budget allocation approved by the Legislature. A plan is in place to mitigate this, and a Change Request will be presented to the Modernization Steering Committee on January 21, 2025.</li> <li>Stage Gate 3 project artifacts are in progress, including a baseline project schedule.</li> <li>The project team is beginning design sessions.</li> </ul>
Hybrid Integration Platform (HIP) Implementation Project	June 30, 2025	<ul style="list-style-type: none"> <li>Project initiated on September 10, 2024.</li> <li>Project Charter in progress.</li> <li>Discussions to determine scope and next steps are in progress.</li> </ul>
Data Cleaning Implementation Project	June 30, 2025	<p>Project health: Green</p> <ul style="list-style-type: none"> <li>This project is not subject to the stage-gate process.</li> <li>Project team is progressing through the 18 jClarety data areas.</li> <li>Project schedule updated with new milestone tracking method to proactively measure progress.</li> </ul>

**HIGHLIGHTED ACTIVITIES**

- The Governor’s Recommended Budget included all requested positions and budget for the 2025-2027 biennium.
- PERS received the December 2024 independent quality management services (iQMS) Quarterly QA Status and Improvement draft report on December 16, 2024. There were five recommendations which PERS is actively addressing:
  - Prioritize Completion of the Pension Administration System (PAS) Alternatives Analysis
  - Continue Efforts to Secure a Qualified and Experienced Program Director
  - Address Outstanding Program Governance Elements
  - Consider Providing an Additional Project Management Resource
  - Add Contextual Information to Reporting Materials

C.1. Attachment 1 – *January 2025 Monthly Project Status Report*

# Modernization Program

## Status Report

Kevin Olineck, Executive Sponsor

James Allen, Interim Director

Joli Whitney, Program Manager

## **Status report as of January 17, 2025**

### **PROGRAM INFORMATION**

The PERS Modernization Program is a multi-biennia initiative comprised of a variety of projects focused on transforming the core pension administration and supporting systems and eliminating the current need for and reliance on off-line tools and workarounds.

Through this transformation, opportunities to improve business processes will be realized and PERS will be in a better position to deliver the agency’s mission to “pay the right person, the right benefit, at the right time.” It is currently scoped to run from July 1, 2022, through June 30, 2031.

**Overall program status: RED**

#### ***Color Key***

<b>GREEN</b>	<i>On Track</i>
<b>AMBER</b>	<i>Delayed</i>
<b>RED</b>	<i>Needs Significant Adjustment</i>
<b>GRAY</b>	<i>Not Yet Started</i>

#### **Overview:**

The overall program status continues to be red. A key highlight of this month is the coordination of additional support for PERS to develop the Pension Administration Solutions Analysis. PERS seeks to engage Gartner to fill resource gaps and provide a framework to enable PERS to create a comprehensive solutions analysis which meets the requested requirements expressed by EIS. Staff have collaborated with EIS on including this work within our iQMS contract while maintaining the appropriate independent nature of that engagement

Interviews for the Program Director are complete and a final candidate has been identified. The position has been unfilled for more than six months. This has impacted overall progress on development of program artifacts which were anticipated to be completed by this time.

Over the last month, the Interim Program Director has supported program level activities to improve stakeholder communications such as updates to the content of this monthly report. Additional remediation activities to address program health have focused on Program Manager resource capacity by engaging the Strategic and Operational Planning team for support of an experienced project manager to help develop program plans and other critical artifacts.

## MODERNIZATION PROJECTS STATUS

### **RED** Telephony Modernization

**Objective:** Replace current PERS telephony system with modern telephony solution that includes cloud-based telephony offering and additional functionality to support future PERS Modernization Program efforts.

**Intended Benefits:** B1 - Reduction of Manual Processes, B2 - Increased Satisfaction with PERS Services, B8 - Increased Data Utilization

### **GREEN** Data Cleaning

**Objective:** Develop, plan and implement data cleaning processes for jClarety system data.

**Intended Benefits:** B1 - Reduction of Manual Processes, B8 - Increased Data Utilization

### **GRAY** Hybrid Integration Platform Implementation

**Objective:** Modernization of system integration capabilities by implementing a Hybrid Integration Platform (HIP) that enables connectivity between on-premises and cloud-based applications, systems and data sources.

**Intended Benefits:** B5- Reduced System Complexity, B8- Increased Data Utilization, B10- Increased Technical Skills of PERS Staff

## EMERGING PROGRAM CONCERNS

**Impact of Delays to Pension Administration System Modernization Solutions Analysis** - Increasing concern, see issue #12, “Detailed Program Scope is Not Defined”

- PERS has been working with EIS and Gartner to enable Gartner to provide the data so PERS can complete this analysis. This work will not be completed until the 2025 Legislative Session is underway, contributing to confusion regarding next steps for the 2025-2027 biennium.

**Impact of Non-Modernization Projects on Modernization** - Increasing concern, see issue #11, “Legislative Directives/Agency Focus”

- Uncertainty of the approach to address HB 4045 has created confusion for staff and external stakeholders regarding what is Modernization work and what is HB 4045.

**Governance Practices in Review** - Continued Concern, see risk #31, “Unclear Roles Between Modernization and IT” and Issue #13, “Unclear Agency Governance Processes”

- PERS agency governance bodies and PERS Modernization Program are evaluating span of control and interactions between all bodies to ensure there is clarity regarding decisions.

## QA/QC DELIVERABLES

Time Period	Due	Accepted
D4.1.1 Quarterly QA Status Report	9/26/24	10/11/24
D4.1.2 Quarterly QA Status Report	11/4/24	11/18/24
D3.3.1 Periodic Quality Status Report	12/23/24	TBD
D4.1.3 Quarterly QA Status Report	2/3/25	TBD
D3.3.2 Periodic Quality Status Report	3/20/25	TBD
D4.1.4 Quarterly QA Status Report	4/28/25	TBD
D3.3.3 Periodic Quality Status Report	6/13/25	TBD
D4.1.5 Quarterly QA Status Report	6/25/25	TBD

# Modernization Program

## BUDGET

Expenses	Budget	Actual to Date	Projections	Total	Variance
Program Staff	\$ 3,406,073	\$ 1,767,740	\$ 1,454,383	\$ 3,222,123	\$ 183,950
Client Relationship management	\$ 400,000	\$ -	\$ 400,000	\$ 400,000	\$ -
Data and Analytics	\$ 1,000,000	\$ 519,525	\$ 323,141	\$ 842,666	\$ 157,334
Development and Operations	\$ 560,000		\$ 350,000	\$ 350,000	\$ 210,000
Architecture	\$ 2,000,000	\$ 1,723,270	\$ 373,846	\$ 2,097,116	\$ (97,116)
Ind Quality Management Svcs	\$ 1,200,000	\$ 191,000	\$ 937,500	\$ 1,128,500	\$ 71,500
Hybrid Integration Platform	\$ 450,000		\$ 450,000	\$ 450,000	\$ -
Telephony	\$ 557,000		\$ 557,000	\$ 557,000	\$ -
<b>Project Total</b>	<b>\$ 9,573,073</b>	<b>\$ 4,201,535</b>	<b>\$ 4,845,870</b>	<b>\$ 9,047,405</b>	<b>\$ 525,668</b>
Average Monthly Spend (Burn Rate)	\$ 398,878	\$ 175,064	\$ 23,208	\$ 23,208	

## PROGRAM RISKS AND MITIGATION

#	Risk Description	Mitigation and/or Contingency Plan	Notes
31	<p><b>Unclear Roles Between Modernization and IT</b>- New role of Modernization section and engagement with strategic direction of IT is not clearly defined</p>	<p>Exec alignment and decisions recorded on division of roles for Modernization and intersections with IT Clearly define Modernization and IT roles and responsibilities and document governance structures</p>	<p>Org charts for the program are being updated to help support this discussion as a new program director is brought on board.</p>



**PROGRAM ISSUES AND CORRECTIVE ACTION PLANS**

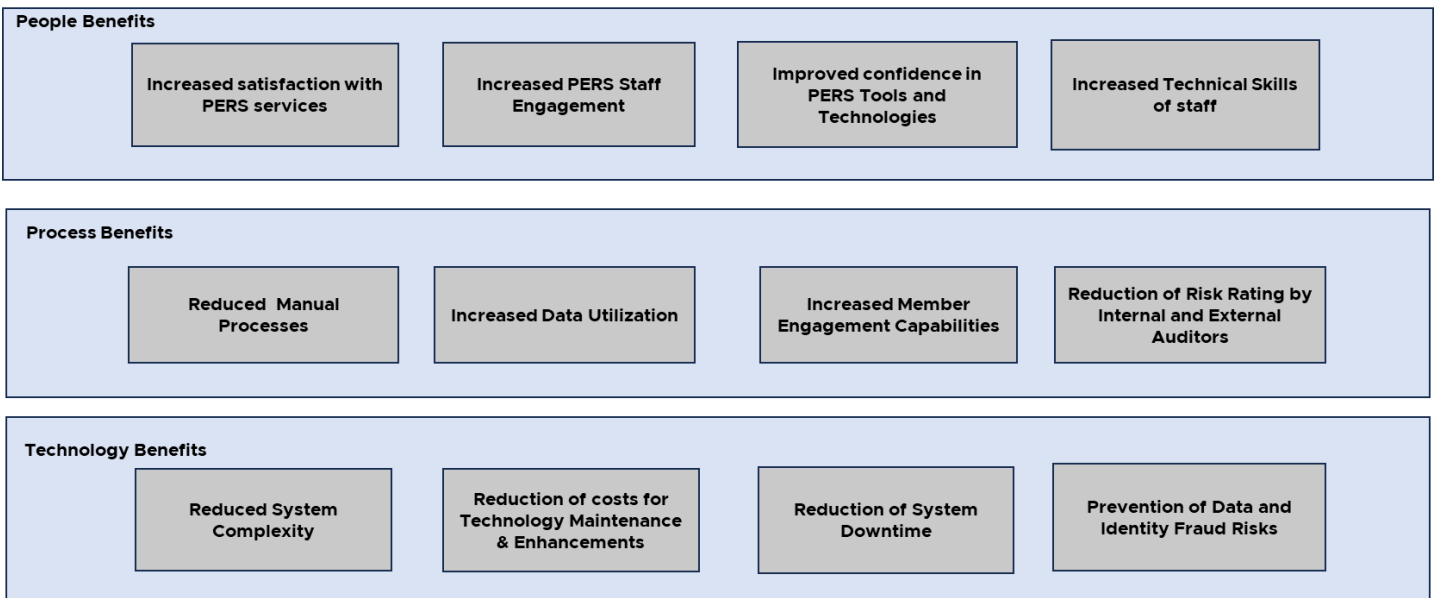
#	Issue	Resolution/Notes	Est. Resolution Date
9	<b>#3 Internal Staffing- Limited, Loss of or Inexperienced Resources:</b> A key resource leaves PERS	A finalist candidate for Modernization Director has been identified and hiring activities are in process.	1/31/25
11	<b>#11 Legislative Directives/Agency Focus:</b> New legislation may direct the agency to focus on implementation of a higher priority project or consumes agency resources in complex technical or policy analysis to prepare for future project.	This issue continues as we look at our alternatives for PAS modernization and understand requirements for HB 4045. We will continue to evaluate the needs for HB 4045 and work on our solution analysis for PAS. Once we better understand our options, decisions will be made to define where HB 4045 and modernization scope are dependent and where they are separate.	5/31/25
12	<b>#21 Detailed Program Scope is not defined-</b> Scope Statement in development leading to confusion about what work will be included in Modernization and what will be managed through other efforts.	Impact from Issue #11/Risk#11 Legislative Directives. PAS Modernization is such a critical component of benefit delivery for our overall Modernization Program that this will not be resolved until we reach a decision on our Solutions Analysis for PAS.	5/31/25
13	<b>#30 Unclear Agency Governance Processes-</b> Some decision-making areas of PERS have out of date or no charter, overlapping scopes of responsibility, or do not have a clear relationship documented with other established governance bodies. This causes confusion and delays of critical decisions.	A workshop on Governance was held with the Modernization Steering Committee and Gartner which yielded several ideas for improvements to the Program governance processes. These will be discussed in more earnest as a new director is brought in to incorporate their ideas.	2/15/24

## BENEFITS DELIVERY AND SCOPE

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

1. Reduced Manual Processes
2. Increased Satisfaction with PERS Services
3. Increased Member Engagement Capabilities
4. Prevention of Data and Identity Fraud
5. Reduced System Complexity
6. Increased Confidence in PERS Tools and Technologies
7. Increased Staff Engagement
8. Increased Data Utilization
9. Reduction of Costs for Technology Maintenance & Enhancements
10. Increased Technical Skills of PERS Staff
11. Reduction in Risk Ratings by Internal and External Auditors
12. Reduction of System Downtime

The Program benefits may also be viewed sorted into the three key areas of focus: **People, Processes and Technology.**



## TELEPHONY MODERNIZATION

### Project Objective

Replace current PERS telephony system with modern telephony solution that includes cloud-based telephony offering and additional functionality to support future PERS Modernization Program efforts.

**Project Status: RED**

### Current Activities

Overall, the project health status is RED this month. The costs for the base telephony products have exceeded our allocated project budget with a shortfall of approximately \$350k. PERS Executive Leadership has agreed to support an increase of the project budget to allow moving forward with the Kyndryl Service Orders. A project change request has been drafted and will be submitted once final service orders have been received.

The schedule for installation activities is in final development with the two Kyndryl service providers, OpenScape Voice and Amazon Web Services.

### Program Benefits

This project will contribute to the following planned Modernization Program benefits

- B1 - Reduction of Manual Processes
  - New automated reports will replace manually prepared information
- B2 - Increased Satisfaction with PERS Services
  - Enhanced service menu and call routing capabilities will improve call wait times
- B8 - Increased Data Utilization
  - Automated reports will provide data not currently available to allow improved management of call center needs

Milestone	% complete	Baseline	Actual/Forecast
Business Case Approved	100	TBD	10/29/24
Project Charter Approved	100	TBD	12/31/24
P3 Stage Gate 1 Endorsement Received	100	TBD	3/12/24
Solution Analysis Complete	100	TBD	6/30/24
P3 Stage Gate 2/3 Endorsement Received	75	TBD	1/21/25
Implementation Schedule Agreement	0	TBD	2/7/25
Design Complete	0	TBD	2/27/25
Implementation Complete	0	TBD	5/12/25
Training Complete	0	TBD	5/30/25
Project Closure	0	TBD	7/15/25

# Modernization Program

## TELEPHONY PROJECT BUDGET

Expenses	Budget	Actual to Date	Projections	Total	Variance
Personal Services - PERS Compass	\$ 102,500	\$ 88,917	\$ 13,583	\$ 102,500	\$ -
Modernization Payroll Direct	\$ -	\$ -	\$ -	\$ -	\$ -
Services and Supplies	\$ -	\$ -	\$ -	\$ -	\$ -
IT Professional Services	\$ 557,000	\$ -	\$ 557,000	\$ 557,000	\$ -
Professional Services	\$ -	\$ -	\$ -	\$ -	\$ -
IT Expendable Property	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 557,000	\$ -	\$ 557,000	\$ 1,277,500	\$ -
<b>Project Total</b>	<b>\$ 659,500</b>	<b>\$ 88,917</b>	<b>\$ 570,583</b>	<b>\$ 659,500</b>	<b>\$ -</b>
<b>Average Monthly Spend (Burn Rate)</b>	<b>\$ 27,479</b>		<b>\$ 23,208</b>		

**TELEPHONY PROJECT RISKS AND MITIGATION**

#	Risk Description	Mitigation and/or Contingency Plan	Notes
15	<b>Budget Limited to 23/25 Biennium-</b> Project budget is only available within the 2023-2025 biennium and implementation may not be completed before expiration	Escalate this concern to the Telephony services contract holder, Shared Services (EIS), to ensure project is on track with planned installation date which is prior to the end of the current biennium.	Vendor delays are risking overall project ability to complete procurement and implementation activities within the biennium
2	<b>Procurement Delays-</b> Coordination with vendor to conduct activities within specific timeline impacts project schedule	Escalate this concern to the Telephony services contract holder, Shared Services (EIS) to ensure project is on track with scheduled procurement milestones	

**TELEPHONY PROJECT ISSUES AND CORRECTIVE ACTION PLANS**

#	Issue	Resolution/Notes	Est. Resolution Date
2	<p><b>R16 Cost of Solution Exceeds Project Budget-</b> The cost of the solution may exceed our allocated project budget</p>	<p>The Executive Leadership team has decided to increase the project budget to implement the base products plus two additional features which are mandatory minimum requirements for PERS to maintain service levels. A project change request is in process to document these decisions. Once the change request is complete this issue will be resolved.</p>	2/4/25

## DATA CLEANING PROCESS IMPLEMENTATION

### Project Objective

Evaluate jClarety data issues, conduct clean-up activities and deliver strategy and process for regular data maintenance.

**Project Status: GREEN**

### Current Activities

The new PERS Data Governance committee met on January 15 and adopted the committee charter. Work to review data quality issues in Retirement Application Processing, Specialty Qualifications and Employer Actuarial areas is in process. Overall, issue analysis is in process for 7 of the 20 identified jClarety data areas. PERS is working with the vendor to more clearly define acceptance criteria within the work order contract.

### Program Benefits

This project will contribute to the following planned Modernization Program benefits:

- B1 - Reduction of Manual Processes
  - Introduction of routine data cleaning processes reduces the need for staff to address data issues in an ad hoc manner
- B8 - Increased Data Utilization
  - Addressing data management gaps is the first step to becoming a data driven organization

Milestone	% complete	Baseline	Actual/Forecast
Business Case Approved	100	TBD	5/10/24
Project Charter Approved	100	TBD	7/8/24
Data Management Workshop Completed	100	TBD	7/18/24
D2 Data Cleaning Plan and Schedule Accepted	100	TBD	8/5/24
Data Governance Committee Kick Off	100	TBD	11/25/24
Data Governance Charter Approved	75	TBD	2/19/25
D3 Final Data Report	0	TBD	6/30/25
Project closure	0	TBD	8/1/25

# Modernization Program

## DATA CLEANING PROCESS IMPLEMENTATION BUDGET

Expenses	Budget	Actual to Date	Projections	Total	Variance
IT Professional Services	\$ 1,000,000	\$ 519,525	\$ 323,141	\$ 842,666	\$ 157,334
Total Expenses	\$ 1,000,000	\$ 519,525	\$ 323,141	\$ 842,666	\$ 157,334
<b>Project Total</b>	<b>\$ 1,000,000</b>	<b>\$ 519,525</b>	<b>\$ 323,141</b>	<b>\$ 842,666</b>	<b>\$ 157,334</b>
Average Monthly Spend (Burn Rate)	\$ 26,646	\$	\$ 23,208	\$ -	



**DATA CLEANING PROCESS IMPLEMENTATION RISKS AND MITIGATION**

#	Risk Description	Mitigation and/or Contingency Plan	Notes
8	<b>Internal Staffing</b> - Limited specialized resources	Monitor resource allocations in regular PMO resource review meetings and at discussions project steering committee.	
9	<b>jClarety complexity</b> - The age and complexity of jClarety may prevent script testing or acceptance	Any issues encountered which are unable to be addressed will be documented and assigned to data governance committee and recommendations for resolution will be included in the final report.	

**DATA CLEANING PROCESS IMPLEMENTATION ISSUES AND CORRECTIVE ACTION PLANS**

#	Issue	Resolution/Notes	Est. Resolution Date
	<b>No current issues.</b>		

# Modernization Program

## HYBRID INTEGRATION PLATFORM (HIP) IMPLEMENTATION

### Project Objective

Modernize PERS system integration capabilities by implementing a Hybrid Integration Platform (HIP) solution which enables connectivity between on-premises and cloud-based applications, systems and data sources.

**Project Status:** GRAY

### Current Activities

The project is in early initiation. Project Business Case and Charter are under review with EIS to determine Stage Gate required level of oversight. The project team is being formed and roles and responsibilities identified. Risk analysis will commence once the charter and business case are finalized.

### Program Benefits

This project will contribute to the following planned Modernization Program benefits:

- B5 - Reduced System Complexity
  - HIP will provide a new integration capability for on-premises and cloud-based applications and data which is missing in our current architecture. This new capability will allow for connection between systems which are currently disparate.
- B8 - Increased Data Utilization
  - HIP will support enablement of the right tools and policies and reduce needs for offline tools.
- B10 - Increased Technical Skills of Staff
  - IT staff will be trained to work with and support cloud-based technologies through the HIP Implementation Project.

Milestone	% complete	Baseline	Actual/Forecast
TBD			

# Modernization Program

## HIP BUDGET

Expenses	Budget	Actual to Date	Projections	Total	Variance
*Personal Services - PERS Compass	\$ 62,500	\$ 5,730	\$ 56,770	\$ 62,500	\$ -
Modernization Payroll Direct	\$ -	\$ -	\$ -	\$ -	\$ -
Services and Supplies	\$ -	\$ -	\$ -	\$ -	\$ -
IT Professional Services	\$ 450,000	\$ -	\$ 450,000	\$ 450,000	\$ -
Professional Services	\$ -	\$ -	\$ -	\$ -	\$ -
IT Expendable Property	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 450,000	\$ -	\$ 450,000	\$ 450,000	\$ -
<b>Project Total</b>	<b>\$ 512,500</b>	<b>\$ 5,730</b>	<b>\$ 506,770</b>	<b>\$ 512,500</b>	<b>\$ -</b>
<b>Average Monthly Spend (Burn Rate)</b>	<b>\$ 21,354</b>	<b>\$ -</b>	<b>\$ 18,750</b>	<b>\$ -</b>	

**HIP RISKS AND MITIGATION**

#	Risk Description	Mitigation and/or Contingency Plan	Notes
	TBD		

**HIP ISSUES AND CORRECTIVE ACTION PLANS**

#	Issue	Resolution/Notes	Est. Resolution Date
	TBD		

## MODERNIZATION PROGRAM WORKSTREAMS

Five workstreams have been established to provide on-going support and planning for PERS Modernization Program. Workstreams are not projects as they are not expected to deliver a specific deliverable and do not have a targeted ending. Projects may be identified through workstreams when a large effort needs significant resources.

The five workstreams identified for the Modernization Program are

- Business Process Management and Enterprise Architecture (BPM & EA)
- Data and Analytics (D&A)
- DevOps
- OCM and Communications, and
- Security.

### BUSINESS PROCESS MANAGEMENT AND ENTERPRISE ARCHITECTURE (BPM & EA)

**Primary Objective** – The BPM/EA workstream combines the two skilled strategic consulting disciplines into one group to provide decision makers with key information about PERS technology and processes.

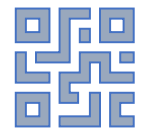


#### Current Focus -

- NTT Data D4-B Multi level repository Storage & Structure – Tool Specific for OrbusInfinity. This deliverable provides PERS with recommendations for how to best establish a new Business Process Map repository structure within OrbusInfinity. By having these maps in a central repository, they will be accessible to a wider audience. Also, with the new capabilities of OrbusInfinity, we will be able to link process maps to Enterprise Architecture artifacts. This capability will provide PERS a much more comprehensive understanding of the overall impact of system changes. D4-B was received on 12/31/24 and has been accepted through Quality Check Point (QCP).

### DATA AND ANALYTICS (D&A)

**Primary Objective** – Identify and support efforts to evolve agency analytical tools, skills and capabilities to use data as an asset and become an insight-driven organization.

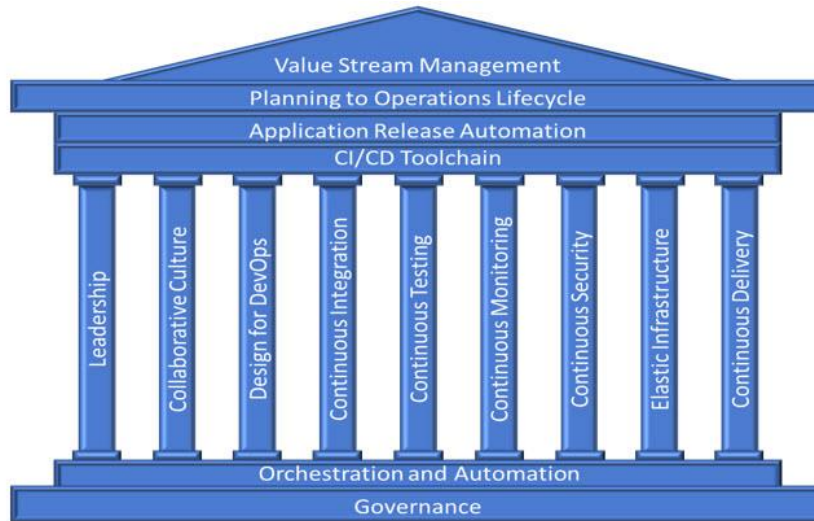


**Current Focus** - Supporting data cleaning project efforts and development and implementation of data governance processes and procedures.

**Primary Objective** - Following the 9 Pillars of DevOps, continue progress to implement a modern DevOps framework at PERS.



### The 9 Pillars of DevOps



#### Current Focus:

- An engagement with Ahead consulting has initiated. The first deliverable, DevOps Capability Implementation Plan, was received on 12/20/24 and accepted through Quality Check Point on 1/3/25.
- Future deliverables will evaluate implementation of new tools and processes and identify and recommend training for staff to advance the knowledge, skills and abilities of the team to support the evolving technologies of a modern system.

## OCM and Communications

**Primary Objective** – Combine OCM and Communications efforts to effectively prepare and proactively plan and communicate important program related information to stakeholders.



#### Current Focus:

- Development of a Program level Communications Plan which incorporates strategic considerations to communicate coming changes with internal and external stakeholders.
- OCM support for Executive Leadership Team to welcome new Modernization Director to team



**Primary Objective** – Application of an enterprise security perspective to problem solve and ensure all appropriate stakeholders are engaged in decision-making conversations at the right time.

**Current Focus** - Review of future security initiatives and identify which should be incorporated into the Modernization Roadmap either to maximize benefits or are a dependency to enable a planned component on the roadmap.



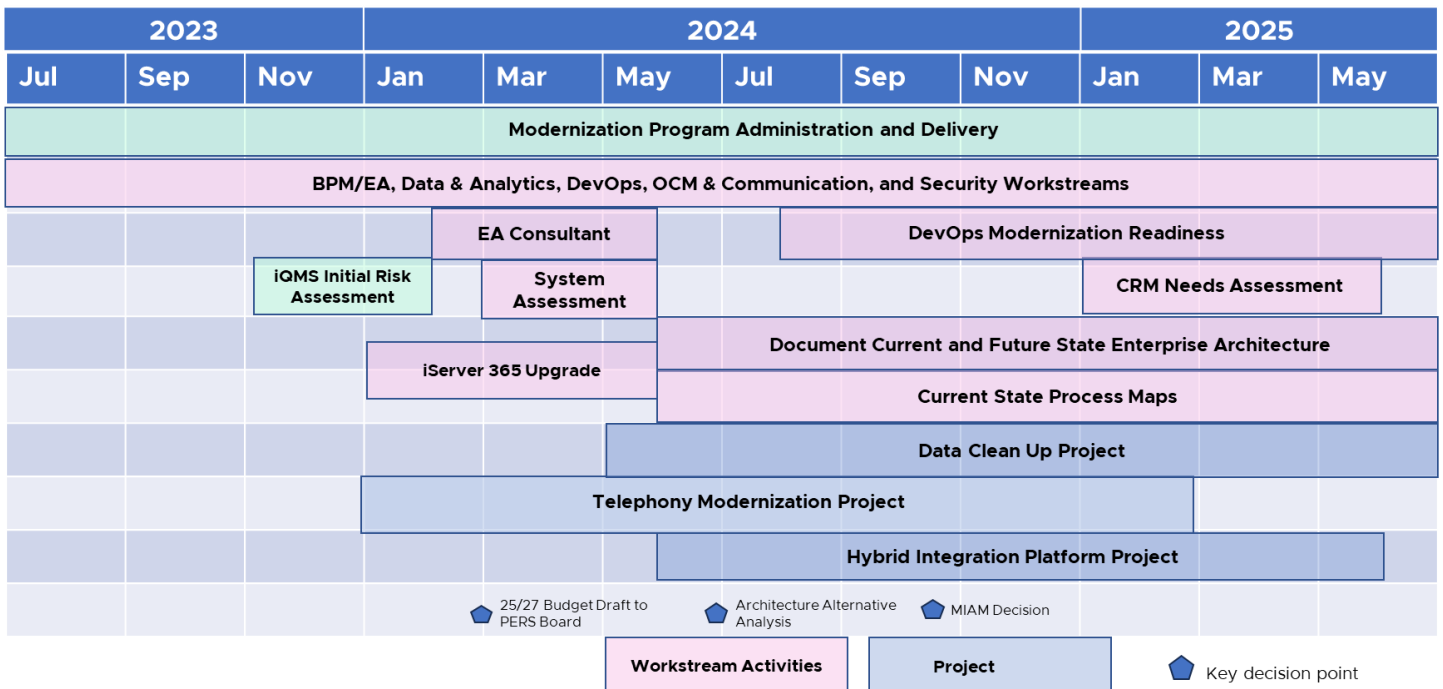
## ROADMAP

The current program roadmap focuses on program-level activities, including components, workstreams, and important events/milestones.

The PERS Modernization Program 23/25 Roadmap was approved by the Modernization Steering Committee on 5/14/24.

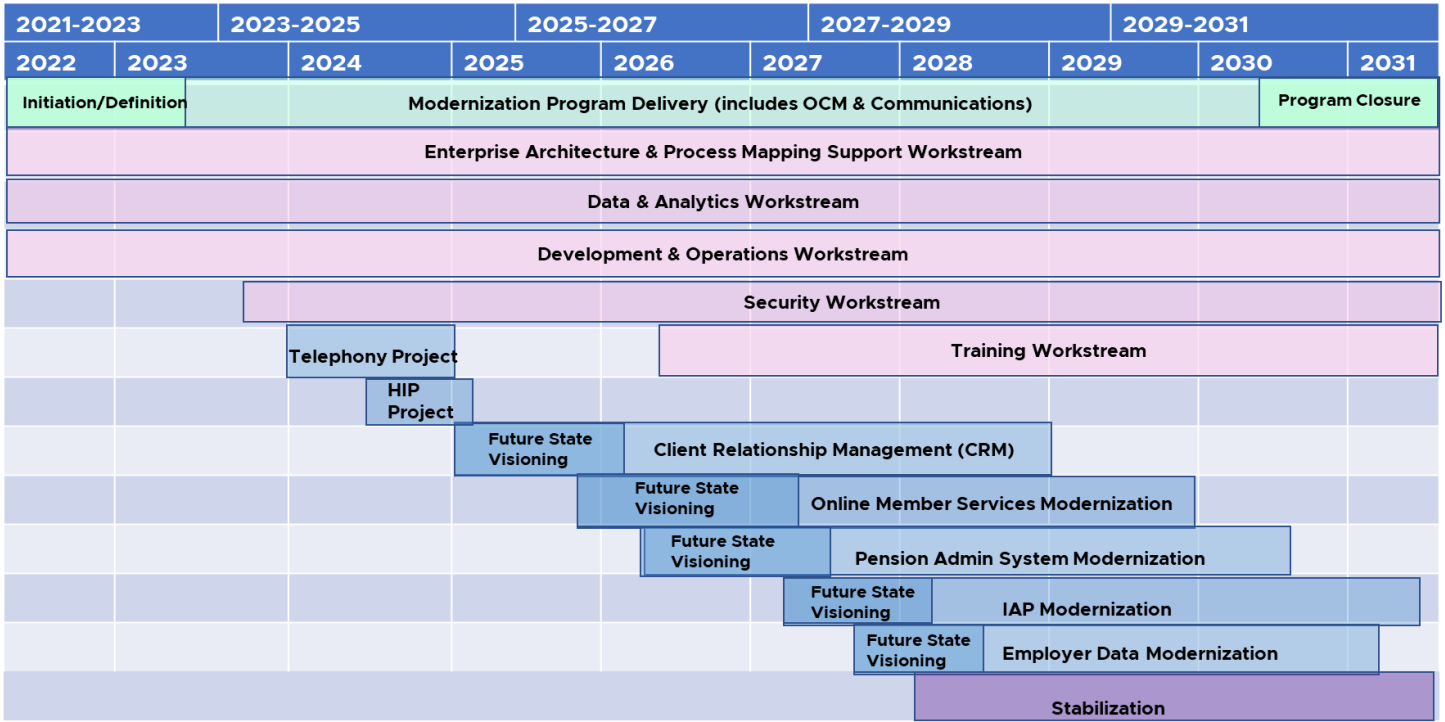
*The roadmaps are currently under evaluation and will be updated as appropriate.*

## PERS Modernization Program 23/25 Roadmap



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

# PERS Modernization Program Roadmap



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



## A. Administration

1. December 6, 2024 PERS Board Meeting Minutes
2. Director's Report

## B. Administrative rulemaking

1. Notice of rulemaking for the Tax Remedy Rule
2. Notice of rulemaking for membership eligibility rules
3. Notice of rulemaking for plan limits rules
4. Third reading of service retirement application requirements rules
5. Adoption of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule

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

1. PERS Modernization Program update
2. **PHIP Reserve Policy**
3. Legislative preview and update
4. Preliminary 2024 earnings crediting and reserving
5. Senate Bill 1566 reporting requirements
6. Update reflecting on earnings through December 31, 2024



# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

Headquarters

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

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

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

January 31, 2025

TO: Members of the PERS Board  
 FROM: Barbara Dimeling-Perris, Manager, PERS Health Insurance Program (PHIP)  
 SUBJECT: Proposed PHIP Reserves Policy changes

### OVERVIEW

- Action: PHIP is proposing to update the reserve policy and its reserve spend down conceptual design model to reduce the amount of reserves being held over a period of five years.
- Reason: Align the current reserve policy with the current plan benefits as well as the Standard Retiree Health Insurance Account (SRHIA). In addition, the current conceptual design model restricts the ability to spend down the reserves in the originally planned nine-year timeframe. Market conditions fluctuate year over year, and the new policy will allow PHIP to react to a dynamic marketplace, benefit more retirees, and meet desired reserve levels with a more managed approach.

### BACKGROUND

The PHIP reserves formal policy 2.01.08.03.001 was adopted in June 2013 and was updated in May 2020. This updated policy reduced the level of required reserve and removed some reserves previously held under the minimum premium arrangements, given these funding arrangements were no longer in place prospectively. In addition, this updated 2020 policy included a conceptual spend down design model. The model was intended to draw down the reserves over a period of nine years by incorporating a rate credit or rate surcharge into premium amounts which were also meant to mitigate year to year premium increases. While this policy has reduced some premiums, due to limitations on how it was crafted and positive interest accruals on the reserves, the spend down of reserves is not occurring at the projected original goal.

### RECOMMENDATION

PHIP has engaged with its actuarial consultant, Segal, in determining the appropriate reserve levels within the SRHIA. As PHIP's offerings are largely fully insured (the exception is the Delta Dental Plan), there is little claims liability associated with PHIP's plans. Therefore, PHIP has the ability to allocate additional assets to increase rate credits for more retirees, while maintaining an appropriate reserve level. While the reserve amount may fluctuate over time, the reserve currently estimated to be held by PHIP is approximately \$1,700,000. This would be reviewed annually to ensure that it aligns PHIP's assets, experience, and program design.

Since January 1, 2021, PHIP has made every effort to reduce the total reserves while keeping rates as stable as possible. As of June 30, 2024, the SRHIA was approximately \$91,800,000. In considering the required reserve, PHIP has room to reduce the current assets to a more appropriate level over time. While rate credits have been utilized historically, the total reserve balance remains high due to restrictions on how rate credits can be applied.

In an effort to meet the nine-year timeframe, PHIP recommends updating formal policy 2.01.08.03.001 to allow for the following:

- Remove any restriction on which plans the rate credits can be applied.
- Strike requirements that rate credits can only be applied if all Contracted Health Plan (CHP) rates generate a reduction.
- Increase the maximum subsidy percentage that can applied each year to 10%.

Please see the attached exhibit with proposed redline changes.

These adjustments will allow PHIP the ability to benefit more retirees as we will remove restrictions on which plans can receive rate credits, increase the maximum percentage that can be applied, and provide PHIP more flexibility in allocating the rate credits to react to changing market conditions.

### BOARD OPTIONS

The PERS Board may:

1. Approve the recommended changes to the PHIP Reserve Policy effective January 1, 2025.
2. Direct staff to make other changes or explore other options.

### STAFF RECOMMENDATION

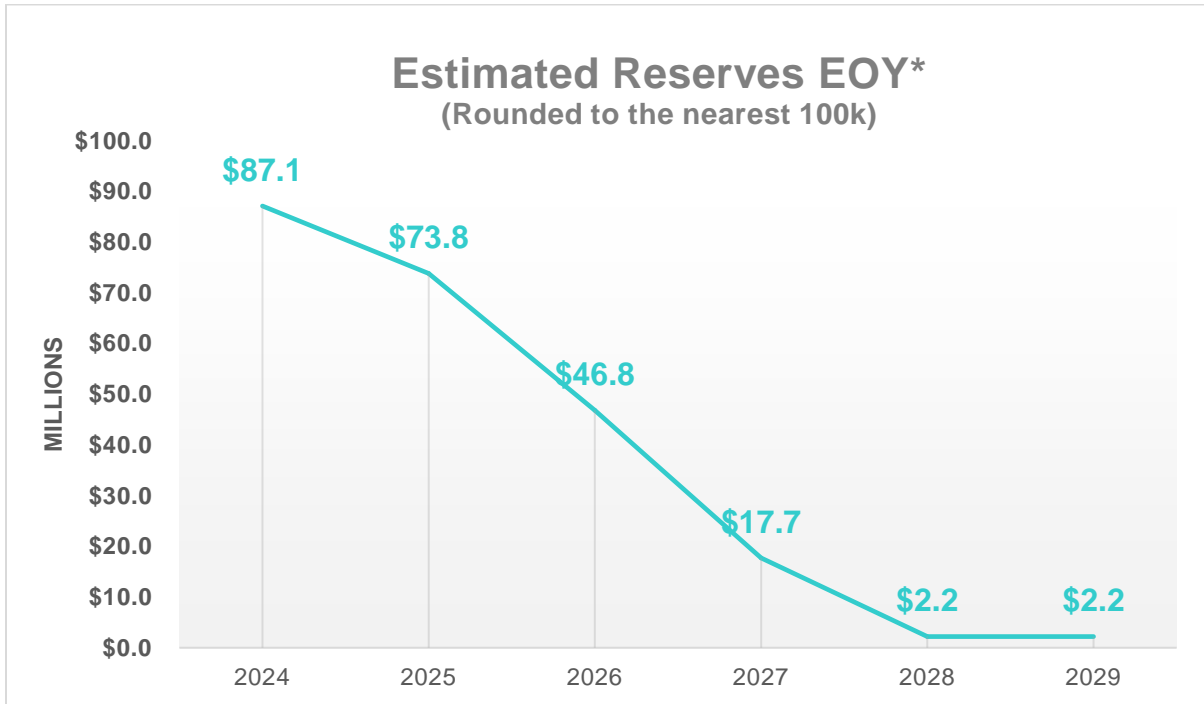
Staff recommends the PERS Board choose Option #1.

*C.2. Attachment 1 – Estimated Reserves Spend Down Red Line Changes*

*C.2. Attachment 2 – PERS Health Insurance Program Reserve Management Policy suggested changes*

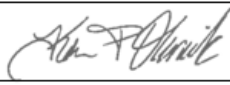
*C.3. Attachment 3 – Revised PERS Health Insurance Program Reserve Management Policy*

C.2 Attachment 1 – Estimated timeline proposed Reserve Spend Down Red Line changes.



\* Total assets at end of calendar year (EOY) are calculated using calendar year beginning assets adjusted for the allocated subsidy (rate credit), interest earnings, changes in required reserve amounts (incurred but not reported (IBNR) and Dental Plan Maximum Annual Loss). There may be other reserves being held in the SHRIA that are not being reflected in the estimate. The calculation includes the following assumptions:

- Maximum subsidy for all Contracted Health Plans (CHP) of 10% from 2026 through 2027 and 5% for 2028.
- Annual trends of 6% for Medicare, 8.5% for non-Medicare, and 3% for dental.
- Annual interest earnings of 1.6%.

<b>Oregon Public Employees Retirement System</b>	<b>Posted date</b> December 14, 2020	<b>Number</b> 2.01.08.03.001.POL
<b>Signature</b> 	<b>Approval date</b> 12/3/2020	<b>Page</b> 1 of 3
<b>Policy:</b>	PERS Health Insurance Program Reserve Management	
<b>Objective:</b>	Describes the management of financial reserves that are associated with the PERS Health Insurance Program.	
<b>References:</b>		

**Policy**

**I. Overview**

Excess reserves have accumulated over time from the operation of the PERS Health Insurance Program (PHIP). The PHIP reserves have been primarily accrued from better-than-expected financial results under the minimum premium program PHIP held with Moda Health Plan and Delta Dental of Oregon. The amount of PHIP revenue under the minimum premium program has been dramatically reduced with only the Delta Dental of Oregon benefit plan remaining under this arrangement beginning January 1, 2019. As such, PHIP will implement the PHIP Reserves Conceptual Design approved at the PERS board meeting of May 29, 2020. The purpose of this policy is to outline the PHIP practices that will be used to comply with the board-approved policy regarding the excess reserves. Updates to this policy will be made with Board approval.

**II. PHIP Reserves Definitions**

- ~~a. Claims reimbursement reserve is the contractually required number of months of expected claims to be available for prompt claims payment under the minimum premium arrangement.~~
- ~~b. Claims volatility reserve is the contractually required number of months of annual premium that is intended to cover actual claims under the minimum premium arrangement that may be higher than what was anticipated in rates.~~
- e-a Contracted Health Plan (CHP) is a company that is currently under contract with PHIP to provide insurance coverage to PERS members.
- d-b Incurred but not reported (IBNR) reserve is the contractually required reserve established for claims that have transpired during a contract period but have not yet been paid by the CHP. This item only applies to CHPs and benefit plans that are financed through a minimum premium arrangement.

Origination date: June 12, 2013  
 Last revision date: November 12, 2020  
 Last review date: November 12, 2020

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Level 3 - Restricted

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e-c. Maximum claims liability is the maximum amount of claims payments PHIP would be responsible for under a minimum premium arrangement. The appropriate amount is developed and agreed to in advance of a contract period.

f-d. Member refers to a PHIP-eligible individual enrolled in a plan offered by a CHP.

g-e. Minimum premium refers to a funding arrangement where an agreed upon fixed amount (referred to as the minimum premium) is prepaid monthly to cover expenses excluding actual claims payments. Claims are reimbursed weekly as the CHP pays providers for covered services up to the maximum claims liability agreed to in advance of a contract period.

h-f. PHIP means the PERS Health Insurance Program.

~~i. PHIP termination reserve refers to additional restricted reserves established in the event that the PHIP program is terminated.~~

j-g. Rate credit refers to the approved amount per member to be funded from the PHIP reserve as a reduction to the CHP-approved premium rate.

k-h. Rate surcharge refers to an amount per member per month that is added to the CHP-approved premium rate. These excess amounts will be deposited in the PHIP reserve for use as future rate credits. Amounts surcharged require board approval.

l-i. Restricted reserves include ~~a) the claims reimbursement reserve, b) claims volatility reserve, e a) IBNR, d) terminal runout reserve, and e) PHIP termination reserve~~ b) Maximum Claim Liability.

~~m. Terminal runout reserve is the contractually required reserve to ensure adequate insurance funding in the event the minimum premium arrangement is terminated.~~

j. Unrestricted reserve balance means the cash reserve balance less restricted reserves which include ~~both~~ contractually required ~~and PHIP termination~~ reserves.

n-k. Maximum Contractual Annual Loss reserve is set to the amount outlined in the dental minimum premium contract each year.

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### III. Managing PHIP Reserve Funds

The PHIP reserves have accrued due to unexpected additional revenues or rating actions taken to stabilize premiums. It is the intent that the unrestricted reserve balance will be drawn down beginning January 1, 2021, subject to PHIP Advisory Committee recommendations and PERS board approval.

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Origination date: June 12, 2013  
Last revision date: November 12, 2020  
Last review date: November 12, 2020

SL2

Level 3 - Restricted

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### **PHIP General Reserve Principles**

1. In order to avoid creating future rate instability, the unrestricted reserve balance will be used to credit member rates beginning January 1, 2021, by applying the following principles:
  - ~~a. Rate credits will not be used to reduce renewal rates from the current year rates unless all CHP rates generate reductions.~~
  - ~~b.a.~~ Rate credits will not exceed a ~~7~~10% reduction from the requested rate.
  - ~~e.b.~~ Rate credits or rate surcharges will not be used to change the rank order of requested CHP rates by plan (i.e., the rank from lowest to highest of requested rates will not be changed).
  - ~~d.c.~~ PHIP can decide not to apply rate credits for CHP plans that have not demonstrated over a 2-3-year period the ability to be self-sustaining and competitive long-term.
  - ~~e.d.~~ PHIP staff and consultants will annually present the proposed use in the upcoming rate-setting cycle that best meets the goals of reducing the unrestricted reserve balance and be applied across CHPs and benefit plans to closely resemble the source of the reserves.
  - ~~f.e.~~ In order to minimize administration, any rate credits or rate surcharges will be applied at the same percentage of the adult and child rate.
2. The following reserves will be allocated for the Delta Dental of Oregon plan, which remains under the minimum premium arrangement:
  - a. Incurred but not reported reserve
  - b. ~~Terminal runout reserve~~Maximum Contractual Annual Loss
  - c. ~~Claims reimbursement reserve~~
  - ~~d. Claims volatility~~
3. There may be future instances where PHIP consultants and staff recommend the application of rate surcharges to a particular plan(s) due to a concern about overly aggressive pricing that could result in future rate volatility. Under those circumstances, sections 1 (c), (e), and (f) above will apply.

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Origination date: June 12, 2013  
Last revision date: November 12, 2020  
Last review date: November 12, 2020

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Level 3 - Restricted

<b>Oregon Public Employees Retirement System</b>	<b>Posted date</b>	<b>Number</b> 2.01.08.03.001.POL
<b>Signature</b>	<b>Approval date</b>	<b>Page</b> 1 of 3
<b>Policy:</b>	PERS Health Insurance Program Reserve Management	
<b>Objective:</b>	Describes the management of financial reserves that are associated with the PERS Health Insurance Program.	
<b>References:</b>		

### Policy

#### I. Overview

Excess reserves have accumulated over time from the operation of the PERS Health Insurance Program (PHIP). The PHIP reserves, held in the Standard Retiree Health Insurance Account (SRHIA), have been primarily accrued from better-than-expected financial results under the minimum premium program PHIP held with Moda Health Plan and Delta Dental of Oregon. The amount of PHIP revenue under the minimum premium program has been dramatically reduced with only the Delta Dental of Oregon benefit plan remaining under this arrangement beginning January 1, 2019. As such, PHIP will implement the PHIP Reserves Conceptual Design approved at the PERS Board meeting of May 29, 2020. The purpose of this policy is to outline the PHIP practices that will be used to comply with the board-approved policy regarding the excess reserves. Updates to this policy will be made with PERS Board approval.

#### II. PHIP Reserves Definitions

- a. Contracted Health Plan (CHP) is a company that is currently under contract with PHIP to provide insurance coverage to PERS members.
- b. Incurred but not reported (IBNR) reserve is the contractually required reserve established for claims that have transpired during a contract period but have not yet been paid by the CHP. This item only applies to CHPs and benefit plans that are financed through a minimum premium arrangement.

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Origination date: June 12, 2013

Last revision date:

Last review date:

SL2

- c. Maximum claims liability is the maximum amount of claims payments PHIP would be responsible for under a minimum premium arrangement. The appropriate amount is developed and agreed to in advance of a contract period.
- d. Member refers to a PHIP-eligible individual enrolled in a plan offered by a CHP.
- e. Minimum premium refers to a funding arrangement where an agreed upon fixed amount (referred to as the minimum premium) is prepaid monthly to cover expenses excluding actual claims payments. Claims are reimbursed weekly as the CHP pays providers for covered services up to the maximum claims liability agreed to in advance of a contract period.
- f. PHIP is an abbreviation for the PERS Health Insurance Program.
- g. The Standard Retiree Health Insurance Account (SRHIA), is a trust account held by PERS.
- h. Rate credit refers to the approved amount per member to be funded from the PHIP reserve as a reduction to the CHP-approved premium rate.
- i. Rate surcharge refers to an amount per member per month that is added to the CHP-approved premium rate. These excess amounts will be deposited in the PHIP reserve for use as future rate credits. Amounts surcharged require board approval.
- j. Restricted reserves include; a) IBNR, b) maximum claims liability.
- k. Unrestricted reserve balance means the cash reserve balance less restricted reserves which include contractually required reserves.
- l. Maximum Contractual Annual Loss reserve is set to the amount outlined in the dental minimum premium contract each year.

### III. Managing PHIP Reserve Funds

The PHIP reserves have accrued due to unexpected additional revenues or rating actions taken to stabilize premiums. It is the intent that the unrestricted reserve balance will be drawn down beginning January 1, 2025, subject to PHIP leadership recommendations and PERS Board approval.

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Origination date: June 12, 2013

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SL2

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1. In order to avoid creating future rate instability, the unrestricted reserve balance will be used to credit member rates beginning January 1, 2025, by applying the following principles:
  - a. Rate credits will not exceed a 10% reduction from the requested rate.
  - b. Rate credits or rate surcharges will not be used to change the rank order of requested CHP rates by plan (i.e., the rank from lowest to highest of requested rates will not be changed).
  - c. PHIP can decide not to apply rate credits for CHP plans that have not demonstrated over a 2- 3-year period the ability to be self-sustaining and competitive long-term.
  - d. PHIP staff and consultants will annually present the proposed use in the upcoming rate-setting cycle that best meets the goals of reducing the unrestricted reserve balance and be applied across CHPs and benefit plans to closely resemble the source of the reserves.
  - e. In order to minimize administration, any rate credits or rate surcharges will be applied at the same percentage of the adult and child rate.
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Origination date: June 12, 2013

Last revision date:

Last review date:

SL2



## A. Administration

1. December 6, 2024 PERS Board Meeting Minutes
2. Director's Report

## B. Administrative rulemaking

1. Notice of rulemaking for the Tax Remedy Rule
2. Notice of rulemaking for membership eligibility rules
3. Notice of rulemaking for plan limits rules
4. Third reading of service retirement application requirements rules
5. Adoption of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule

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

1. PERS Modernization Program update
2. PHIP Reserve Policy
3. **Legislative preview and update**
4. Preliminary 2024 earnings crediting and reserving
5. Senate Bill 1566 reporting requirements
6. Update reflecting on earnings through December 31, 2024



# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

Headquarters

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

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

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

January 31, 2025

TO: Members of the PERS Board  
 FROM: Heather Case, Senior Policy Advisor  
 SUBJECT: Legislative preview and update

### DECEMBER LEGISLATIVE DAYS

December Legislative Days were held December 10 to 12, 2024. PERS was not a subject of discussion during committee meetings, and the agency did not bring anything before the Legislature.

### AGENCY LEGISLATION – 2025 SESSION

The 2025 legislative session is still in its early days, having begun on January 21, 2025. PERS' legislative concepts were filed as bills and accepted for the 2025 legislative session. They will begin their journey in the Senate as Senate Bill (SB) 847 (Amendments to PERS Health Insurance Subsidies), SB 849 (Repurpose School District Unfunded Liability Funds), SB 851 (Employer Reporting and Member Data Clarifications), and SB 852 (Post-Retirement Death Benefit Clarifications). PERS will be monitoring the agency's bills and stands ready to provide any needed information to legislators about these bills throughout the session.

### LEGISLATIVE PREVIEW – 2025 SESSION

At the time of this writing, over 2,200 bills have been filed for this session. We look forward to providing updates throughout the session on PERS' bills, as well as other bills that may impact our agency and/or the plan itself.

### REPORTING REQUIREMENTS FOR 2025 LEGISLATIVE SESSION

There are a number of statutory reporting requirements that agencies must submit to the Legislature every year. The majority of those reports include information that is also given to the board, as well as reports on board actions. The following is a brief summary of those reporting requirements. We will update the board throughout the session as these reports are scheduled to be presented to the relevant legislative committees.

- Per SB 1566 (2018), PERS is required to report to the Legislature on the implementation of employer programs, including the School Districts Unfunded Liability Fund and the Employer Incentive Fund.
- Each year, PERS reports to the Legislature on board action related to preliminary earnings crediting. Final earnings crediting action taken by the PERS Board on March 31, 2025, will also be reported to the Legislature.

- PERS also notifies the Legislature 30 days before the board adoption of actuarial methods and assumptions. This notification will likely occur near the end of July. Because this is after the legislative session will have ended, the agency will not likely be called upon to present this information directly to a legislative committee.
- Per House Bill (HB) 5033 (2023), PERS was asked to report on the progress of the PERS Modernization Program in the 2024 legislative session. While this report was requested as a one-time report, we anticipate being asked to report to the 2025 Legislature as well, since this program is ongoing.
- In HB 4045 (2024), PERS was asked to report during every odd numbered year regular legislative session as to the progress of implementation of the “hazardous position” sections of this bill. As a reminder, one of the things HB 4045 did was create a new member classification within OPSRP, called “hazardous position,” effective January 1, 2030.
- PERS reports yearly on our legislatively-approved key performance measures. While this is a general legislative report, we will also be including it in presentations about our budget bill to the Legislature.





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2. Director's Report

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4. **Preliminary 2024 earnings crediting and reserving**
5. Senate Bill 1566 reporting requirements
6. Update reflecting on earnings through December 31, 2024



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Tina Kotek, Governor

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TTY (503) 603-7766

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

January 31, 2025

TO: Members of the PERS Board  
 FROM: Richard Horsford, Chief Financial Officer  
 SUBJECT: 2024 Preliminary Earnings Crediting and Reserving

### OVERVIEW

- Action: Allocate 2024 preliminary earnings crediting.
- Reason: ORS 238.670(5) requires PERS to submit a preliminary proposal to the appropriate legislative committee at least 30 days before making a final decision on earnings crediting.
- Subject: Crediting earnings for calendar year 2024 to the PERS Fund's accounts and reserves.

The PERS Board is charged with crediting the earnings from the PERS Fund each calendar year. Some of those allocations are directed by statute or rule; allocation of the balance, if any, is at the PERS Board's discretion.

### 2024 PRELIMINARY ALLOCATIONS

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

### NON-DISCRETIONARY ALLOCATIONS

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

Credit Tier One Member Regular Accounts and Judge Member Accounts with the assumed earnings rate of 6.90% in effect during 2024.

**Tier One Rate Guarantee Reserve:** This reserve, established under ORS 238.255(1), is used to fund crediting of the assumed rate to Tier One member regular accounts and Judge member accounts when earnings are less than the assumed rate. Because earnings on Tier One Member Regular accounts for 2024 are less than the assumed rate, the earnings credited to this reserve will be reduced by the amount needed to bring the earnings rate credited to Tier One Member Regular accounts and Judge member accounts to the assumed rate of 6.9%. The net earnings credited to this reserve are \$11.5 million, or 1.56%, bringing the ending reserves after crediting to \$751.6 million.

#### **2. Tier Two Member Regular Accounts**

Credit Tier Two Member Regular Accounts with a proportional share of available PERS Fund Regular Account earnings, which will result in a preliminary rate of 5.32%.

**3. Benefits-in-Force and Employer Reserves**

Credit the Benefits-in-Force and Employer Reserves evenly with the remaining available PERS Fund Regular Account earnings, which will result in a preliminary rate of 5.32%.

**4. OPSRP Pension Plan Member Accounts**

OPSRP member accounts usually are credited with a proportional share of available PERS Fund Regular Account earnings or losses, which will result in a preliminary rate of 5.43%.

EARNINGS ALLOCATIONS DIRECTED BY STATUTE OR RULE

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

**5. Individual Account Program (IAP)**

These member accounts are credited with actual earnings or losses of the PERS Fund Regular Account as required by ORS 238A.350 (1). The overall preliminary IAP earnings for 2024 are 6.32% after deducting IAP expenses. The table below illustrates the IAP earnings by tranche.

Oregon Public Employees Retirement System Preliminary IAP TDF Earnings (All dollar amounts in thousands)				
TDF Fund	Reserves Before Crediting	2024 Crediting	Reserves After Crediting	2024 Rates
Retirement Allocation Fund	\$ 387,101.5	\$ 29,077.6	\$ 416,179.1	7.51%
2025 Fund	1,142,555.7	54,600.3	1,197,156.0	4.77%
2030 Fund	2,020,648.6	113,154.3	2,133,802.9	5.59%
2035 Fund	2,721,310.4	169,418.7	2,890,729.1	6.22%
2040 Fund	2,580,863.4	182,107.1	2,762,970.5	7.05%
2045 Fund	2,047,492.0	146,815.9	2,194,307.9	7.17%
2050 Fund	1,213,234.7	87,018.7	1,300,253.4	7.17%
2055 Fund	589,126.3	39,253.1	628,379.4	6.66%
2060 Fund	232,478.0	13,691.6	246,169.6	5.88%
2065 Fund	73,611.7	3,969.2	77,580.9	5.39%
<b>Total</b>	<b>\$ 13,008,422.3</b>	<b>\$ 839,106.5</b>	<b>\$ 13,847,528.8</b>	

In accordance with Senate Bill 1049 (2019), effective July 1, 2020, for all currently employed Tier One/Tier Two and OPSRP members whose gross pay exceeds the monthly salary threshold (\$3,688 in 2024 and \$3,777 in 2025), a portion of their 6% monthly IAP contributions are redirected to an “Employee Pension Stability Account.” The Employee Pension Stability Account (EPSA) will be used to pay for part of the member’s future pension benefit.

For earnings crediting purposes, Tier One/Tier Two member EPSA accounts will be credited with the same rate as Tier Two Regular Member accounts, which will result in a preliminary rate of 5.32%.

For earnings crediting purposes, OPSRP member EPSA accounts will be credited with the same rate as OPSRP Pension Member Accounts, which will result in a preliminary rate of 5.43%.

**6. Employer Lump Sum Payment Accounts**

These accounts are credited with actual earnings or losses of the PERS Fund Regular Account less administrative expenses, as authorized by ORS 238.225. For 2024, the preliminary crediting rate for the side accounts established before January 1, 2024 is 5.61%. The preliminary crediting rate for new lump sum payment accounts varies depending on the time of payments.

**7. Health Insurance Accounts**

These accounts are created as part of the PERS Fund and directed by statute to be credited with actual earnings or losses, less the expense related to the administration of the programs (ORS 238.410(7); 238.415(4); 238.420(4)). For 2024, the preliminary crediting rate for these accounts are listed in the table below:

<b>Oregon Public Employees Retirement System Health Insurance Accounts Preliminary Rates</b>	
<b>Health Insurance Fund</b>	<b>2024</b>
RHIA	5.43%
RHIPA	4.85%
SRHIA *	1.64%

\* Invested in the Treasury Short-Term Fund

**8. Variable Annuity Account**

This account is credited with earnings and losses on its distinct asset allocation of the PERS Fund. The Variable Annuity Account is only invested in equities and therefore its earnings are discrete from those of the more diversified PERS Fund Regular Account. For 2024, the preliminary Variable Annuity Account earnings is 14.51%.

### Administrative Expenses

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

The following charts present preliminary earnings crediting and reserving for 2024:

Oregon Public Employees Retirement System Calendar Year 2024 Preliminary 2024 Crediting and Reserving No Contingency Reserve Funding (All dollar amounts in millions)								
	Reserves Before Crediting	Gross Investment Income (a)	Investment Expense (b)	Administrative Expenses (c)	Other Adjustments <sup>4</sup> (d)	Net 2024 Crediting (a+b+c+d)	Reserves After Crediting	2024 Rates
Tier One Member Regular Accounts	\$1,770.7	\$169.1	(\$26.7)	(\$2.7)	(\$17.6)	\$122.1	\$1,892.8	6.90%
Tier One Rate Guarantee Reserve	740.1	-	-	-	11.5	11.5	751.6	1.56%
Tier Two Member Regular Accounts	968.0	65.2	(10.3)	(1.0)	(2.3)	51.6	1,019.6	5.32%
Benefits In Force Reserve	12,264.7	826.2	(130.3)	(13.1)	(29.5)	653.3	12,918.0	5.32%
Employer Reserves	45,991.4	3,098.7	(488.8)	(49.1)	(110.7)	2,450.1	48,441.5	5.32%
Tier One/Two Employee Pension Stability Account <sup>1</sup>	339.6	20.4	(3.3)	(0.1)	0.3	17.3	356.9	5.32%
OPSRP Pension	14,068.1	870.9	(139.9)	(19.0)	51.9	763.9	14,832.0	5.43%
OPSRP Employee Pension Stability Account <sup>2</sup>	340.4	19.1	(3.1)	(0.1)	2.8	18.7	359.1	5.43%
IAP Accounts, as a whole <sup>3</sup>	13,479.6	1,004.3	(98.2)	(18.5)	(35.0)	852.6	14,332.2	6.32%
UAL Lump-Sum Pmt. Side Accounts <sup>3</sup>	4,123.9	329.9	(52.0)	(0.2)	-	277.7	4,401.6	Various <sup>5</sup>
Contingency Reserve <sup>6</sup>	50.0	-	-	-	-	-	50.0	N/A
<b>Total</b>	<b>\$94,136.5</b>	<b>\$6,403.8</b>	<b>(\$952.6)</b>	<b>(\$103.8)</b>	<b>(\$128.6)</b>	<b>\$5,218.8</b>	<b>\$99,355.3</b>	

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

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

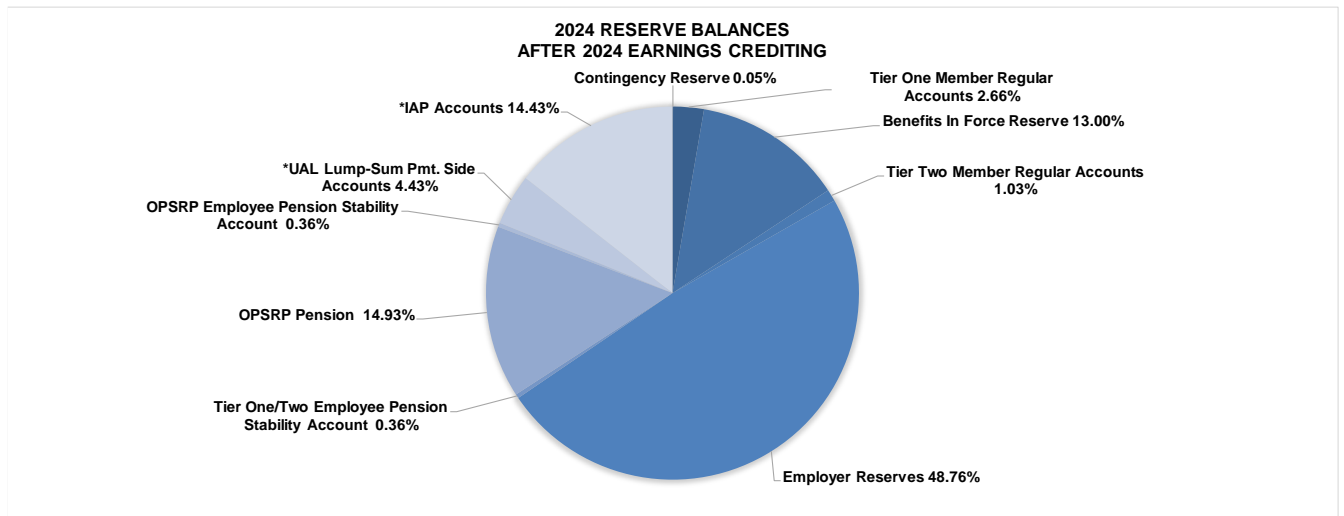
<sup>3</sup> Informational only. Not affected by Board reserving or crediting decisions.

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

<sup>5</sup> The preliminary earnings rate for the pre-2024 Side Accounts is 5.61%.

<sup>6</sup> The contingency reserve balance is \$49,978,971.08.

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



<sup>\*</sup> Informational only. Not affected by Board reserving or crediting decisions. IAP accounts receiving installments have already received 2024 earnings.

### BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “adopt the preliminary crediting of earnings as presented for calendar year 2024, subject to final adoption at the March 31, 2025, PERS Board meeting.”
2. Pass a motion preliminarily allocating 2024 earnings in an alternative proportion, subject to final adoption at the March 31, 2025, PERS Board meeting.

### STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

### NEXT STEPS

Preliminary Earnings Crediting: Once the board makes its preliminary allocation, staff will prepare and present the required report to the Joint Legislative Committee on Ways and Means. Any comments received from the committee will be presented to the PERS Board prior to the final crediting decision at its meeting on March 31, 2025.

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

C.4. Attachment 1 – ORS 238.670 – *Reserve Accounts in Fund*

C.4. Attachment 2 – OAR 459-007-0005 – *Annual Earnings Crediting Rule*

C.4. Attachment 3 – ORS 238.610 – *Administrative Expenses of System, Rules*

C.4. Attachment 4 – ORS 238.671 – *Proposal to legislative review agency for crediting of interest or income*

**238.670 Reserve accounts in fund.**

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

(a) To prevent any deficit in the fund by reason of the insolvency of a participating public employer. Reserves under this paragraph may be funded only from the earnings on employer contributions made under ORS 238.225.

(b) To pay any legal expenses or judgments that do not arise in the ordinary course of adjudicating an individual member's benefits or an individual employer's liabilities.

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

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

(4) The board may provide for amortizing gains and losses of invested capital in such instances as the board determines that amortization is preferable to a reserve account provided for in subsection (3) of this section. [Formerly 237.281; 2001 c.945 §5; 2017 c.746 §11; 2020 s.s.2 c.10 §14]

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

History:

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

**238.610 Administrative expenses of system; rules.**

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

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

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

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

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

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

**238.671 Proposal to legislative review agency for crediting of interest or income.**

At least 30 days before crediting any interest or other income received through investment of moneys to any fund or account, the Public Employees Retirement Board shall submit a preliminary proposal for crediting to the appropriate legislative review agency, as defined in ORS 291.371, for its review and comment. The proposal shall identify gross earnings, investment expenses and administrative expenses, by fund or account, related to the crediting of the interest or other income. [2020 s.s.2 c.10 §13]



## A. Administration

1. December 6, 2024 PERS Board Meeting Minutes
2. Director's Report

## B. Administrative rulemaking

1. Notice of rulemaking for the Tax Remedy Rule
2. Notice of rulemaking for membership eligibility rules
3. Notice of rulemaking for plan limits rules
4. Third reading of service retirement application requirements rules
5. Adoption of rulemaking for Cessation of Disability Benefits Upon Reaching Normal Retirement Age Rule

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

1. PERS Modernization Program update
2. PHIP Reserve Policy
3. Legislative preview and update
4. Preliminary 2024 earnings crediting and reserving
5. **Senate Bill 1566 reporting requirements**
6. Update reflecting on earnings through December 31, 2024



# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

Headquarters

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

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

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

January 31, 2025

TO: Members of the PERS Board  
 FROM: Jake Winship, Actuarial Manager  
 SUBJECT: Senate Bill 1566 reporting

### OVERVIEW

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

### BOARD ACTIONS

We ask that the PERS Board approve a new cycle of application for matching funds from the Employer Incentive Fund (EIF).

This cycle will begin on April 1, 2025, and be open to PERS' employers whose UAL exceeds 200% of combined valuation payroll. Beginning July 1, 2025, EIF match will be open to all participating employers and matched until \$40 million in matching funds are approved. All applications will be made via SurveyMonkey, and actuarial staff will confirm to each applying employer the amount matched.

### BOARD OPTIONS

The PERS Board may:

1. Pass a motion to approve a new cycle of application for matching funds from the Employer Incentive Fund.
2. Decline to approve a new cycle of application for the EIF.

### STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

C.5. Attachment 1 – *SB 1566 Report Ways and Means 2025*



January 31, 2025

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

### Nature of the Request

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

### Agency Action

#### *School Districts Unfunded Liability Fund*

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

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

As of November 2024, the SDULF had a balance of \$89,298,046. A transfer of \$77,153,534 was received from Department of State Lands on January 28, 2025. No further deposits are anticipated during 2025 from any revenue source. The current funding is not sufficient to provide a meaningful offset for the School District Pool, which has a combined valuation payroll of \$4,985,000,000 as of December 31, 2023.

PERS anticipates that proposals for the disposition of SDULF will be explored in the upcoming legislative session under Senate Bill 849.

#### *Employer Incentive Fund*

The Employer Incentive Fund (EIF) provides a 25% match to employers making a lump sum payment from non-borrowed funds of at least \$25,000. This lump sum payment may be used to

establish a new side account or as a payment into an existing side account and is subject to the limitations stated in the statute. The first 90 days of the application period are dedicated to employers with a UAL as a percentage of payroll that exceeds 200% after which the application period is open to all employers.

As of November 2024, the EIF has a balance of \$27,560,948. A total match amount of \$96,421,899 was distributed to 110 participating employers located in 26 counties between 2019 and 2023. PERS anticipates quarterly transfers from Lottery Funds reflecting proceeds from sports betting. The most recent quarterly transfer amount was \$3,523,298. Based on current budget projections, the effective balance as of August 2025 will be \$38,887,327. This will permit a new cycle of EIF match application in 2025.

This cycle will begin on April 1, 2025, and be open to PERS' employers whose UAL exceeds 200% of combined valuation payroll. PERS actuarial staff identified 57 employers who meet this criterion. These employers include counties, cities, and special districts – no school districts meet this requirement. Actuarial Activities Section (AAS) and Employer Service Center staff are working to develop a communications plan for these employers.

Beginning July 1, 2025, EIF match will be open to all employers and matched until \$40 million in matching funds are approved. All applications will be made via Survey Monkey, and AAS will confirm to each employer via email the amount matched.

#### *Unfunded Actuarial Liability Resolution Program*

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

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

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

Those guides are:

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



*Extended Amortization Options*

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

Summary

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

We anticipate significant interest among employers in participating in the upcoming cycle for EIF match.

Action Requested

PERS requests the Committee acknowledge receipt of the report.

Legislation Affected

No legislation is affected by this request.

Sincerely,

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

Kevin Olineck, Director  
Oregon Public Employees Retirement System



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# Public Comment

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January 26, 2025

Board Chair Jaramillo,  
Board Vice Chair Scanlan,  
Member Linneen,  
Member Hestand,  
Member Connor

VIA: email

I am a current PERS retiree. I worked in local government in public finance in Oregon for 33 years. I attend most PERS Board meetings; those I miss I watch later. I have been an active member of numerous employer groups working on PERS issues, including working on developing and passing legislation that created the OPSRP retirement system to slow the employer contribution rates, serving as one of the founding members of the Employer Advisory Group (until I retired and no longer met the qualifications to serve), and working with PERS staff to expand and improve communications with employers on how PERS works. I was even in attendance at the Board meeting where then Executive Director Rodeman introduced the now-common PERS formula of:

$$\mathbf{B = C + E}$$

Where Benefits equals Contributions plus Earnings.

The PERS staff and Board have previously made it clear that they believe it is up to the legislature to determine the 'B'. Further, the response of PERS to any suggested changes in benefit levels should be to only provide information to the legislature on bills introduced. I believe staff does a good job in providing information to both the legislature and the public on legislative proposals.

'C' – Employer Contributions is discussed at each Board meeting, whether it is in setting employer rates, administrative cost allocation and the impact on earnings, assumptions the actuaries should use in setting recommended rates, review of the funded status and impacts of legislation on funding levels, etc. It is clear the Board is well focused on employer contributions.

What I believe is missing is an equal focus on 'E' – system earnings. In “PERS by the Numbers”, staff calculate that roughly 73 cents of every dollar of benefits comes from investment earnings, so it is of crucial importance. Yet, at the December meeting the Board had a report that earnings YTD (October) were at 5.31%, well below the assumed rate target of 6.9% and to all appearance, unlikely to hit 6.9% by year end. On that same day the S&P 500 closed over 30% higher for the year. Though the S&P lost a bit at the end of the year, it still ended 23% higher for the year. I will also note that at that same meeting your Actuary showed how much improvement in funding would be achieved if the system earned just 9% as opposed to the assumed rate of 6.9%. The packet for your January meeting makes it clear the assumed rate was not achieved in 2024.

Given the portfolio underperformance, I had expected the Board would have a discussion at the December meeting about whether the assumed rate would be met. Instead, there were no comments or questions about the poor performance of the portfolio at all. Moreover, this seeming lack of interest or concern is standard behavior for this Board. I do not believe there has been a conversation about the performance of the fund all year. I hope the January meeting has a robust discussion on this issue.

The Board has a clear fiduciary responsibility to ensure the health of the pension system, and this seeming indifference to earnings concerns me greatly. At a minimum, the Board should have considerably more public discussion with both PERS and Treasury staff about the portfolio and its performance and should make policy changes as appropriate to improve performance. 2024 is the third year in a row where the portfolio performance has been below assumption; and this past year, well below most other market comparisons.

Without robust portfolio performance, the only way for the system to have enough assets to cover the projected liabilities will be to continue to increase employer contributions, which are already so high they put a significant financial strain on public employers and thus taxpayers. Perhaps there are legitimate reasons for this happening, but it's never discussed, so I have no way of knowing if Treasury is following the Board's investment management strategy. If the assumed rate is unachievable because of a desired reduction in the risk profile of the fund, it may well be appropriate to reduce the assumed rate. Hiding that fact from the public benefits no one and likely leads to more 'kicking the can down the road' strategies that have permeated the response to system losses since 2008.

In 1996 I began to work on PERS issues as an employer representative. Corvallis received notice that our employer rate would jump from 9.10% to 14.9% (a rate many employers would love to have today). This jump in rates for Corvallis, and cities such as Portland, Salem, Gresham, and Eugene, caused employers to delve into monitoring PERS actions, which ultimately led to many of the reforms that are still in place today. I firmly believe

PERS is better managed and more open on most issues than it was in the 1990s. However, Board oversight of Treasury's compliance with Board goals on the portfolio continues to be invisible. Please do better.

Sincerely,



Nancy Brewer

C: Director Olineck