

# OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



## Employer Advisory Group

October 18, 2024



# Agenda

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- Director's Office update
- Legislative update
- Actuarial update
- Employer Service Center update
- Communications update
- Additional items
- Open discussion

# Director's Office update

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Kevin Olineck, Director

# Director's Office update

## PERS Board updates

### Review of October 4 Board meeting

- Administrative rulemaking.
- Employer contribution rate setting for 2025-27 biennium.
- PERS modernization update.

### Board member updates

- Bob Hestand appointed to the board for a three-year term (independent member).
- Kristen Connor appointed to the board for a three-year term (independent member).
- Jardon Jaramillo appointed as the board chair.



New PERS Board Chair Jardon Jaramillo

# Legislative update

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Heather Case, Senior Policy Advisor

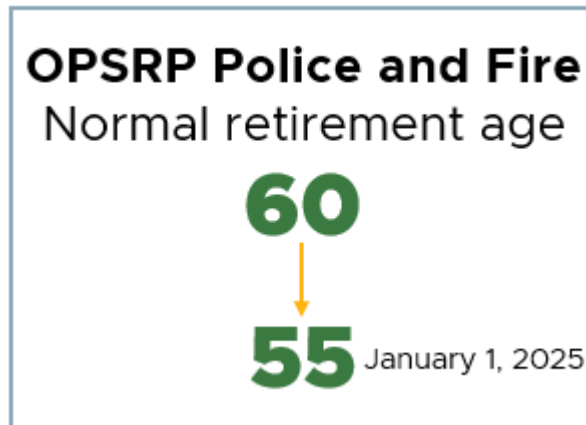
# Legislative update

## House Bill (HB) 4045

### Oregon Public Service Retirement Plan (OPSRP) Police and Fire retirement-age change

**Reminder** This portion of HB 4045 (2024) lowers the normal retirement age for OPSRP Police and Fire members who have fewer than 25 years of service from 60 to 55.

This goes into effect for retirement dates on and after January 1, 2025.



# Legislative update

## House Bill (HB) 4045

### What does this mean for employers of OPSRP Police and Fire members?

Their employees may be getting ready to retire sooner.

By the end of the year:

**Employees** — request estimates and data verifications from PERS.

**Employers** — requested by PERS to verify data or receive notice an employee is retiring.

### More info coming soon

Employers may get questions from employees about this change.

In October, we will send information to Police and Fire employers, as well as prominent police and fire unions, about this change, along with helpful links to get more information online.

# Actuarial update

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Troy Phillips, PERS Actuarial Business Specialist



# Actuarial update

## Summary of actuarial results

Starting July 2025:

- Average collared **base** employer contribution rates will increase **1.47%** of pay.
- Average collared **net** employer contribution rates will increase **4.08%** of pay.

# Actuarial update

## Factors affecting contribution rate calculations

- Collared base rate increase driven mostly by updates to the individual member pay increase assumption adopted with 2022 Experience Study.
  - Contributed to 1.00% increase in Oregon Public Service Retirement Plan (OPSRP) collared UAL rate; also increased normal cost rates.
- The collared Tier One/Tier Two UAL rate is unchanged for School Districts Pool and State and Local Government Rate Pool (SLGRP).
- **System-wide payroll grew by more than 20%** in the two years since the last rate-setting valuation.
  - Reduces the average rate offset for employer side accounts.

# Actuarial update

## Unfunded status and unfunded actuarial liability (UAL)

System-Total Pension Funded Status (\$ billions)			
Valuation:	12/31/2021 Rate-Setting	12/31/2022 Advisory	12/31/2023 Rate-Setting
Actuarial liability	\$ 98.4	\$ 102.9	\$ 106.4
Assets (excluding side accounts)	<u>78.4</u>	<u>74.9</u>	<u>77.0</u>
<b>UAL (excluding side accounts)</b>	<b>\$ 20.0</b>	<b>\$ 28.0</b>	<b>\$ 29.4</b>
<b>Funded status (excluding side accounts)</b>	<b>80%</b>	<b>73%</b>	<b>72%</b>
Side account assets	<u>\$ 6.6</u>	<u>\$ 6.2</u>	<u>\$ 5.4</u>
UAL (including side accounts)	\$ 13.4	\$ 21.8	\$ 24.0
<b>Funded status (including side accounts)</b>	<b>86%</b>	<b>79%</b>	<b>77%</b>

Milliman

# Actuarial update

## Tier One/Tier Two rate pool funded status and UAL

(\$ billions) <i>Totals may not add due to rounding</i>	SLGRP	School Districts
Tier One/Tier Two actuarial liability	\$ 48.8	\$ 32.6
Tier One/Tier Two assets (excluding side accounts)	<u>34.1</u>	<u>24.8</u>
<b>Tier One/Tier Two UAL (excluding side accounts)</b>	<b>\$ 14.7</b>	<b>\$ 7.9</b>
<b>Tier One/Tier Two funded status (excluding side accounts)</b>	<b>70%</b>	<b>76%</b>
Projected 2024 Tier One/Tier Two + OPSRP payroll	\$ 9.0	\$ 5.0
Assets to payroll ratio (excluding side accounts)	3.8x	5.0x
UAL to payroll ratio (excluding side accounts)	1.6x	1.6x
Side account assets	\$ 2.2	\$ 2.9
<b>Tier One/Tier Two UAL (including side accounts)</b>	<b>\$ 12.5</b>	<b>\$ 5.0</b>
<b>Tier One/Tier Two funded status (including side accounts)</b>	<b>74%</b>	<b>85%</b>

Milliman

# Actuarial update

## Individual employer rates

Employers pay separate rates on different payrolls.

### 1. Tier One/Tier Two payroll:

- Most employers pay a single average rate for both General Service and Police and Fire.
- Some SLGRP employers pay distinct General Service and Police and Fire rates.

### 2. OPSRP General Service payroll.

### 3. OPSRP Police and Fire payroll.



# Actuarial update

## Individual employer reports

Provided for more than 600 employers.

- 359 SLGRP employers.
- 128 Independent employers.
- 294 School District Pool employers:
  - 126 School District employers **with** side accounts receive individual reports.
  - 168 School District employers **without** side accounts receive an identical report.

Valuations are posted on the PERS website.

We email employers to tell them when valuations are posted and how to download them.

# Actuarial update

## Employer Incentive Fund

### Employer Incentive Fund (EIF) program

- Offers 25% matching funds to qualifying employers who open or increase a side account under the program.
- Purpose is to encourage employers to deposit funds in a side account, which reduces their PERS contribution rate.
- Learn more on the PERS website at [www.oregon.gov/pers/emp/Pages/Employer-Incentive-Fund.aspx](http://www.oregon.gov/pers/emp/Pages/Employer-Incentive-Fund.aspx).



# Actuarial update

## Employer Incentive Fund

### EIF cycle 2

#### Application

Employers will apply by filling out an online application created with SurveyMonkey.

- Application questions provided in advance to help employers prepare.
- Two application periods: first is for employers with high UAL.
- Applications placed in the order they are received, per statute.

#### Funds

Amount available for match anticipated to be \$40 million.

- Funds should be available by the end of matching period on March 30, 2026.
- Any funds not yet available at time of side account deposit will be held until available for match.

#### Policy

No revisions needed to governing Oregon Administrative Rule (OAR) 459-009-0092.

- Based on discussions between Actuarial Activities Section and Policy, Analysis, and Compliance Section (PACS).



# Actuarial update

## EIF preparation

### STEP 1 — Survey employers to help determine start date.

In August, Actuarial Services Team surveyed employers to learn:

- How many are interested in participating.
- Approximate size of deposit employers plan to make into their side account.
- What start date works best for most employers (they have nine months from the start date to remit their deposit to PERS).

Survey ran August 5 through September 3. Sent link to survey by email to financial contacts, agency heads, and those who did not specify their role.

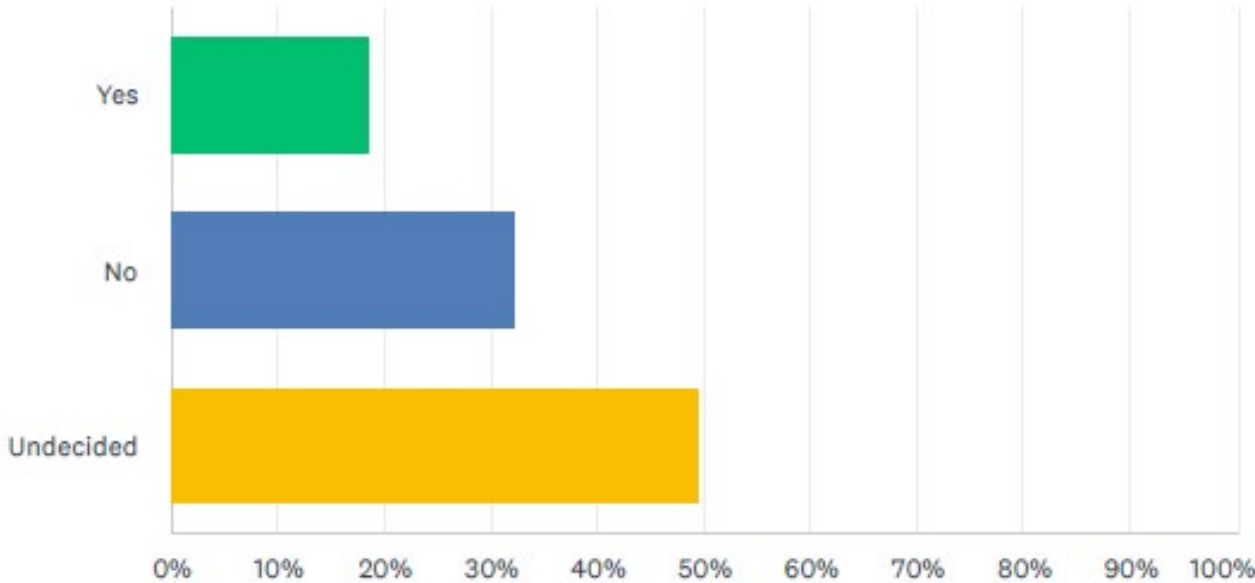
# Actuarial update

## EIF planning survey

### Question 1

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

Answered: 395 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	18.48%	73
No	32.15%	127
Undecided	49.37%	195
<b>TOTAL</b>		<b>395</b>

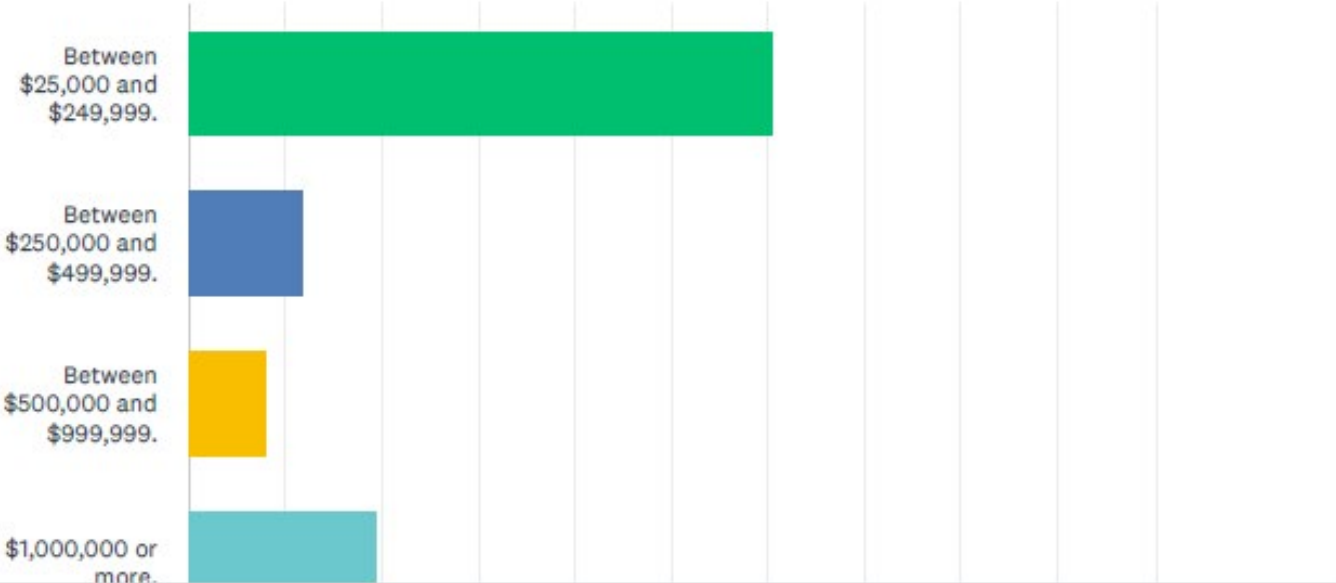
# Actuarial update

## EIF planning survey

### Question 2

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

Answered: 160 Skipped: 235



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

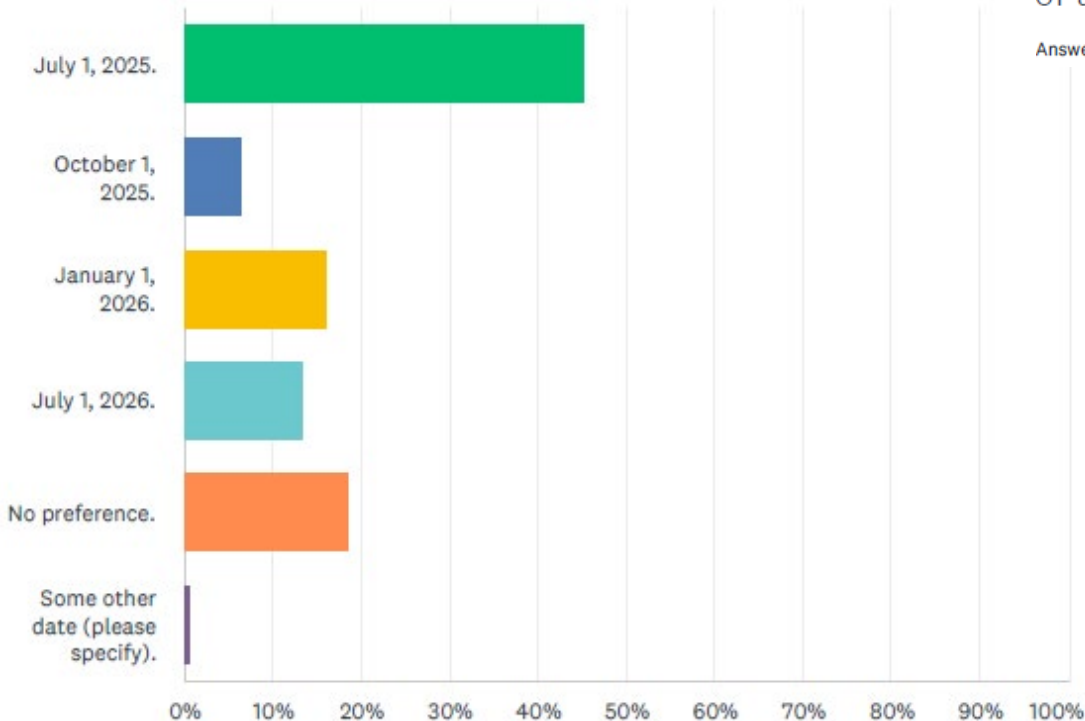
# Actuarial update

## EIF planning survey

### Question 3

Which of the following application start dates best fits the needs of your budget process? Please note that you must remit your side account deposit to PERS within nine

months of the application start date. Also, before the application start date, there will be a 90-day application period reserved for employers whose UAL exceeds 200% of their valuation payroll.



Answered: 157 Skipped: 238

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

# Actuarial update

## Next steps for EIF match application

### STEP 2 — Open application period for 200% UAL employers.

**April 1 until June 30, 2025:** New EIF match application for employers with an unfunded actuarial liability (UAL) greater than 200% of valuation payroll.

- Determination based on 12/31/2023 actuarial valuation.
- Actuarial Activities Section will identify eligible employers and work with Employer Service Center (ESC) to encourage them to apply for match.

### STEP 3 — Open application period for all other employers.

**July 1, 2025, until all funds are matched:** New EIF match application for all other employers.

# Actuarial update

## Expiration of side accounts

Most side accounts are scheduled to fully amortize on December 31, 2027:

- 183 out of 349 (52%).
- OHSU has two expiring before this date (out of seven current side accounts) —
  - One in 2023, one in 2025.
  - Account balances are monitored each month.
- Only 15 other side accounts are currently set to amortize before 2037.



# Actuarial update

## Expiration of side accounts

Key considerations when planning actions to resolve:

- Cash-flow concerns for employers using **pension obligation bonds**.
  - Pension obligation bonds require debt servicing until maturity date.
  - These costs are at least partially covered by reduced PERS' contributions caused by rate offset.
- Challenges implementing **mid-biennium rate changes**.
  - PERS is structured to make changes to contribution rates only at the beginning of each biennium (July 1 of odd-numbered years).
- Desire to not **“over withdraw”** side account balances.
  - Side account deposits become part of the PERS Trust.
  - If balance becomes negative, there are financial and legal challenges to treatment of the account assets.



# Actuarial update

## Proposed methods to expire side accounts

### OPTION 1 — New side account

- For 2025 valuation (scheduled for release October 2026) consulting actuary will determine 2027-29 biennium contribution rate for each employer.
- Contribution rate will **not** reflect any offset for side account(s) expiring 12/31/2027.
- Side account balance as of 12/31/2026 (including earnings) calculated in April 2027.
- Employer will have the option to convert residual balance into a new side account, provided that:
  - 12/31/2026 side account balance is at least \$500,000.
  - Employer notifies PERS of this intention on or before 5/31/2027.

**NOTES:** New side account deposit amount and offset rate will be shared on 11/1/2027. This offset rate will apply effective 1/1/2028 and run for 20 years.

No offsets between July 1 and October 31, 2027. May negatively impact cash flows if there are bond payments during this period.



# Actuarial update

## Expiration of side accounts

### OPTION 2 – Credit

30% of side account balance is calculated for future credit to employer's PERS contribution account.

30% side account credit available to employer; remains until extinguished by subsequent contributions due.

New contribution rates based on the 2025 valuation now apply. Rates include no side account rate offset for accounts expiring on 12/31/2027.

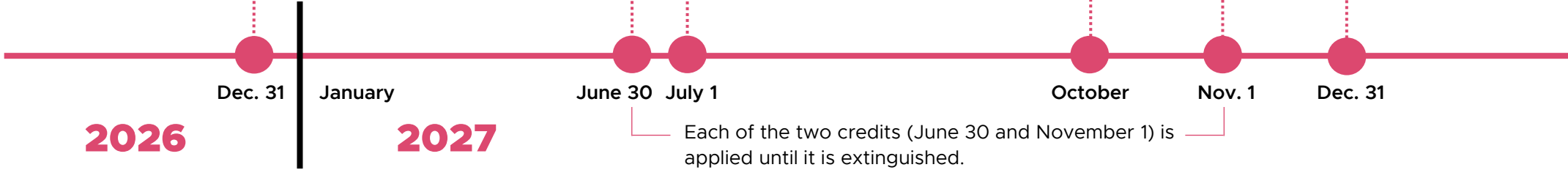
Remaining side account balance as of 6/30/2027 (less the 30% deducted in June 2027) is calculated.

A credit reflecting the October final balance is available no later than 11/1/2027.

No side account offsets apply to payroll reported after this date.

Side account expires and is now closed.

Each of the two credits (June 30 and November 1) is applied until it is extinguished.



# Employer Service Center update

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Laurel Galego, Employer Service Center Manager

# Employer Service Center (ESC) update

## Annual year-end reconciliation

Annual effort to help **100% of employers** get **100% of their reports** posted by year end.

Employer reporters need to search for and submit:

- ✓ Suspended records.
- ✓ Missing demographics records.
- ✓ Unposted wage records.
- ✓ New records for employees whose qualification status needs to change.

If this is overwhelming —

**SCHEDULE TIME WITH YOUR ESC REPRESENTATIVE.**



# Employer Service Center (ESC) update

## Finding ESC contact information



# Communications update

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Shawn Harper, Employer Communications Specialist

# Communications update

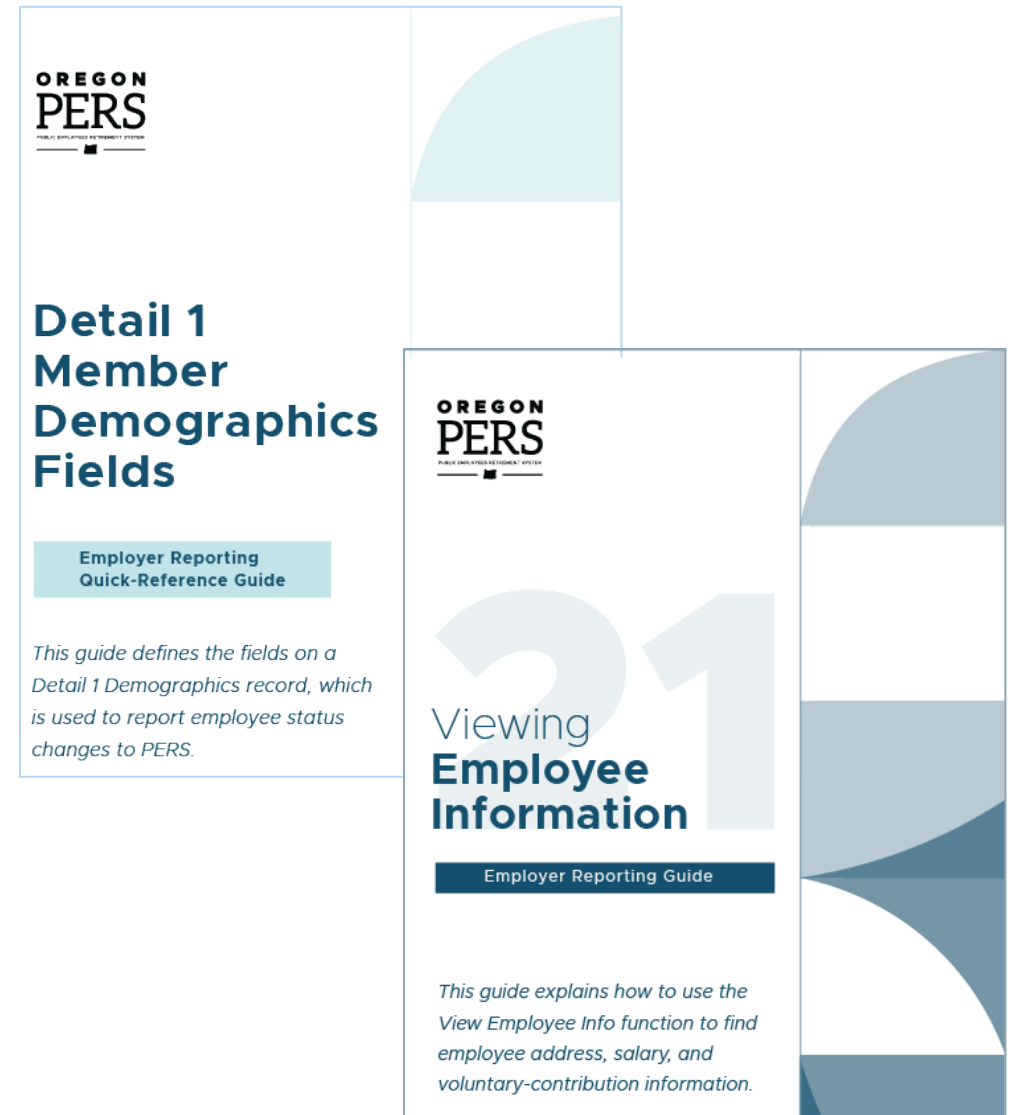
## New materials

### Quick reference guide, *Detail 1 Member Demographics Fields*

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

### Employer reporting guide 21, *Viewing Employee Information*

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



# Communications update

## Updated materials

### Employer reporting guide 16, *Reporting a Retirement*

- Largest, most comprehensive guide.
- For HR professionals to guide employees through every phase of PERS career — from wait time to getting their first pension check.
- Added more information: vesting, creating an estimate in OMS, Notice of Entitlement, reporting working retiree wages.
- Updated new OPSRP Police and Fire normal retirement age as of January 1, 2025.



# Communications update

## Updated materials

### Employer reporting guide 14, *Disability Benefits*

- Added hourly limit on Tier One/Tier Two disability retirees: when they reach normal retirement age and want to work for a PERS employer, they are limited to **599 hours/year**.
- Updated new OPSRP Police and Fire normal retirement age as of January 1, 2025.





# Communications update

## Under development

### Special Classifications and Statuses webpage

#### Special classifications and statuses:

Schools, colleges, and universities

Police officers and firefighters

Sick or injured employees

Working PERS retirees

Members of the US military

Hazardous Position employees (coming in 2030)

Union representatives

Out-of-state employees

Legislators and elected officials

Judges

Seasonal and part-time employees

Local governments

# Communications update

## Under development

### Employer communications feedback form

New web feature or web page allowing employers to provide feedback on types of communication materials, such as:

- A guide.
- A quick reference.
- The newsletter.
- An informational video.

#### POTENTIAL TYPES OF FEEDBACK

Unclear instructions.

Request for additional instructions.

Missing step.

Need more detail.

Information conflicts with another source.

Information too hard to understand.

Need more resources on \_\_\_\_\_ topic.

# Additional Items

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- Proposed 2025 EAG meeting dates

# Additional items

## 2025 EAG meeting dates

### Proposed dates:

- January 24, 2025.
- April 25, 2025.
- July 18, 2025.
- October 17, 2025.

# Open discussion

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# Open discussion

Any questions or comments for PERS?

Questions for each other?





# OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



**Thank you**

