PERS EMPLOYER ADVISORY GROUP MEETING

Date: 07/19/2024 Time: 10:00 a.m. – 12:00 p.m. Location: Microsoft Teams

TYPE OF MEETING	EAG meeting
FACILITATOR	Sam Paris
NOTE TAKER	Holly Effenberger
CALL-IN NUMBER	+1 971-300-4342 Phone Conference ID: 715 143 891#
ATTENDEES	**EAG members:** Shauna Tobiasson, State of Oregon; Matt Warner, League of Oregon Cities; Jeff Rasmussen, Association of Oregon Counties; Ray Bonny, State Universities. **PERS staff:** Kevin Olineck, Yvette Elledge-Rhodes, Sam Paris, Heather Case, Brandon Armatas, Jake Winship, Laurel Galego, Troy Phillips, Latifa Salinez, Jonathon Yost, Theresa Tabish, Shawn Harper, Elli Probasco, Matthew Graves, Holly Effenberger. **Guests:** Sandra LeHoullier, Anita Gurule, Aaron Hill, Carol Samuels, Brendan Watkins, JoAnn Zahn, Morgan Allen, Suzanne Linneen, Jackie Olsen, Katie Kicza, Amber Schonbrod, David Jarvis, Donna Chastain.

NOTES

TOPIC	**Welcome**	Sam Paris

TIME: 10:00–10:02

Sam Paris, PERS Chief Operations Officer, welcomed the Employer Advisory Group (EAG) and went over the meeting agenda.

TOPIC	**Director's Office update**	Kevin Olineck

TIME: 10:02–10:12

Kevin Olineck, PERS Director, provided a Director's Office update.

Board member updates

Board Member Scanlan was reappointed for a second three-year term. Scanlan, a retired teacher from Pendleton, is the employer representative on the board.

July 26 board meeting

CEM Benchmarking results

PERS belongs to the group CEM Benchmarking, which has about 70 pension administrators across the world. PERS is benchmarked against 14 United States pension plans that are of similar size. PERS is the second most complex pension plan across this peer group. Due to this complexity and the agency being busy with Senate Bill (SB) 1049 implementation, there hasn't been time for modernization. This has caused low service scores, and the cost per member is higher than others in the peer group. PERS is pushing hard to modernize to become more effective and efficient from a cost perspective as well as to provide better services to both members and employers.

2025-27 Agency Request Budget board approval

The 2025-27 Agency Request Budget requires formal approval from the PERS Board before it can be submitted to the Chief Financial Office at the end of July.

Actuarial valuation report for period ending December 31, 2023

Milliman will present the new valuation report at the July 26 board meeting. They will explain changes in the funding status in 2023 and how it is expected to affect rates.

- The funded status of the PERS Fund decreased:
  - From 73% to 72%, excluding side accounts.
  - From 79% to 77%, including side accounts.
- This means contribution rates will be going up because of the Unfunded Actuarial Liability (UAL) increase. This has two factors —
  1. The returns for assets. Over the past two years, the regular account return was 4.3%, which is 10% less than the assumed return of 14.3%.
  2. The system payroll increased 20% over 2022 and 2023.
     - This is above the assumed payroll.
     - 12% was caused by payroll increases.
     - The active member headcount increased 8%.

For more details, see page 85 of the July 26, 2024, PERS Board Meeting Packet, which is posted on the PERS website.

Question: Carol Samuels – Do you believe that the board will look at modifying the payroll growth assumption more than they have already?

- Olineck: With inflation going down, it's likely they will look at this again next summer when they start to set up the assumptions for the next set of evaluations.
- Jake Winship, PERS Actuarial Activities Section Manager: Milliman considered some of the contract information with salary increases that were in line with inflation. The headcount increase was a surprise.
- Olineck: Every year PERS gets an experience study that helps form opinions on what assumption changes should be.

This information will be explained in greater detail at the July 26 PERS Board meeting.

TOPIC	**Legislative update**	Heather Case
TIME: 10:12–10:28		

Heather Case, PERS Senior Policy Advisor, gave a legislative update.

Member webpage for Hazardous Position

As a reminder, House Bill 4045 was passed by the Oregon Legislature in 2024. The three components of this bill are:

1. Adds elected district attorneys, as well as forensic scientists and evidence technicians at the Oregon State Police, to the definition of "police officer" for PERS purposes, giving these positions Police and Firefighter benefits under PERS. This provision is effective for service performed on or after January 1, 2025.
2. Lowers OPSRP Police and Fire retirement age for those with less than 25 years of service from 60 to 55. For Police and Fire members with 25 years or more of service, retirement age remains at age 53. Effective for retirement dates on or after January 1, 2025.
3. Creates new OPSRP member classification called "Hazardous Position." Currently, classification contains employees at Oregon State Hospital who have direct contact with patients and 911 telecommunicators. Operative 1/1/2030.

Any additional Hazardous Positions added by the Legislature and must either:

- Require the person holding the position to work with or manage emergency or traumatic events in the regular course of work.
- Carry a high risk of physical harm.

In anticipation of implementation in 2025, PERS created a new webpage for frequently asked questions about Hazardous Position job classification. This webpage contains everything PERS knows currently. It was created for members, so there may be some information that doesn't apply to employers.

PERS will keep the webpage updated. More information will roll out between now and implementation. Please keep an eye on this webpage and share it with others.

Question: Linneen – Have you heard of people rallying to get positions added to this classification?

- Case: I have not heard anything. In the signing of the bill, the Governor did strongly encourage the Legislature to stop making changes to PERS benefits to give the agency a break from constant legislative implementation. The idea of the Hazardous Position was to reduce the plan's risk of adding groups to the Police and Fire classification. We'll probably see a trend of groups being added to Hazardous Position instead of Police and Fire.
- Linneen – Employers are probably concerned about cost. Hazardous pay is a topic employers need to be paying attention to.
- Olineck: HB 4045, with respect to changing the OPSRP Police and Fire retirement age, added $148 million to the UAL because more people are eligible to retire earlier.
- Linneen – It's interesting the Legislature would work so hard under SB 1049 to reduce costs to employers and then turn around and add costs. We need to work with our internal lobbyists to remind them that those are working in opposite directions.

PERS 2025 Legislative Concepts

PERS 2025 legislative concepts are continuing forward as introduced.

They were sent out to Legislative Counsel for drafting at the end of June. PERS will be working with counsel throughout the summer and fall to edit draft language.

Four potential bills (see April 2024 EAG meeting for more details):

1. Alignment/clean-up of death benefits.

2. Alignment/clean-up of employer reporting.
3. PERS Health Insurance Program (PHIP) concepts.
   This is regarding potentially increasing the subsidy for RHIA and RHIPA members of PHIP and exploring the idea of opening the subsidy options to OPSRP members.
4. Treatment of School District Unfunded Liability Fund (SDULF).
   The concept is proposing to use the money to benefit school districts. The proposed idea is to apply the fund directly to the Tier One/Tier Two UAL to provide relief to all.

These concepts are moving forward for drafting. Next after the final drafts come in, they will go to the PERS Board for approval (likely around December). The details will be available in that meeting's board packet.

Government affairs staff for your various membership groups are aware of the upcoming Legislative Concepts. They remain a resource for you about potential impacts and lobbying plans as the 2025 session approaches.

Topic	**PERS Modernization Program update**	Yvette Elledge-Rhodes
Time: 10:28–10:35		

Yvette Elledge-Rhodes, PERS Deputy Director, gave an update on the PERS Modernization Program.

Staffing

In May, Program Director Rebecca Craven submitted her resignation from PERS. I am overseeing program until a new program director is hired.

Project planning

Since the agency's primary focus is completing SB 1049, the PERS Modernization Program is working on smaller projects and foundational planning activities. In May, we made final updates to the 2023-25 Program Roadmap and started the Data Cleaning Implementation Project. PERS is working with a vendor for the next year to review data areas in JClarety and set up data monitoring tools for staff to use. This will help the agency have a better handle on what data needs to be corrected and cleaned.

Telephony Modernization Project

This project will modernize and expand the capacity of PERS telephone system. Currently, we are working with the state preferred vendor, Kyndryl, to make sure they can meet PERS' requirements. Implementation will hopefully occur by June 2025.

2025-27 budget

The modernization team is preparing its 2025-27 budget. The agency request budget is due by August 1, 2024.

2023-25 roadmap

This month is the one-year anniversary of the PERS Modernization Program.

The 2023-25 roadmap shows that a large amount of enterprise architecture work has been completed. Next, the program will look at the Hybrid Integration Platform Project. Later in this biennium, PERS may bring in a consultant to help with DevOps modernization readiness. We may hire additional staff to help with business process mapping.

TOPIC	**Actuarial update**	Elli Probasco
TIME: 10:35–10:44		

Troy Phillips, PERS Actuarial Business Specialist, presented an update on actuarial activities.

Employer Incentive Fund

The Employer Incentive Fund (EIF) was established by the Oregon Legislature in 2018 with the passage of Senate Bill 1566. This program created additional funding for PERS that is used to encourage employers to create side accounts by offering matching amounts. The idea is to assist employers with managing their unfunded actuarial liability.

Eligible employers can receive a 25% match for new side account deposits or deposits into existing side accounts. The minimum match amount is $6,250, which is 25% of the minimum deposit amount of $25,000. The maximum match amount is 5% of unfunded actuarial liability or $300,000, whichever is greater. The $300,000 figure would apply to an employer with a $6 million UAL. Under current legislation, the EIF Program is scheduled to sunset on July 1, 2042.

Criteria for EIF match

The minimum required deposit is $25,000, which must be from cash on hand; it cannot be from borrowed funds, which includes proceeds from a pension obligation bond.

For those employers belonging to the State and Local Government Rate Pool — if the employer has a current transition liability, an employer's payment can directly pay down the liability, but that payment is not eligible for a match.

Lastly, the employer must commit to participating in the Unfunded Actuarial Liability Resolution Program, which provides tools to assist employers with different methods of reducing their contribution rates.

Cycle 1

The EIF program has been extremely successful, having paid out $96.4M in matching funds for 117 side account deposits were made by 110 employers. This program contributed to a system-wide funding status improvement of 6%.

Cycle 2

A new cycle of funding will potentially be opened in 2025. There will be approximately $40,000,000 available in matching funds for this new cycle. Employers with a UAL greater than 200% will be given priority in the first 90 days of the application period. After 90 days, the program will open to all qualifying employers. On August 5, a survey will be sent to employers to gauge interest in the program and to solicit input on preferred application dates that may work best for employers' budget cycles. More information will be forthcoming.

- *Question*: Carol Samuels – Greater than 200% of payroll?
  - Phillips: Correct.

Expiration of side accounts

Amortization

Most side accounts are scheduled to fully amortize on 12/31/2027:

- 183 out of 349 (52%).
- Only 15 other side accounts are currently set to amortize before 2037.

Key items to consider when planning actions to resolve:

- Cash-flow concerns for employers using pension obligation bonds.
- Challenges implementing mid-biennium rate changes.
- Desire to not "over-withdraw" side account balances.

PERS staff are proactively discussing methods of handling these accounts in a way that prevents account balances from being overdrawn and addressing the challenges of mid-biennium rate changes, while being mindful of potential cash flow concerns for those employers who are servicing pension obligation bonds.

Proposed method to expire side accounts – Part 1

The proposed method of handling expiring accounts will be to have the consulting actuary determine the 2027-29 contribution rates for the 2025 valuation without a side account offset for those side accounts that will expire on 12/31/2027.

The side account balance as of 12/31/2026, including earnings, will be calculated in April of 2027.

The employer will then have the option to convert the balance into a new side account if the 12/31/26 balance is at least $500,000 and the employer has notified PERS of their intention to create a new side account on or before 531/2027.

The new side account deposit amount and rate offset will be communicated to the employer on 11/1/2027. This offset rate will then be effective 1/1/2028.

Proposed method to expire side accounts – Part 2

If a new side account is not selected or that option is not available to the employer, due to a balance of less than $500,000, then thirty percent of the 12/31/2026 side account balance will be credited to the employer's contribution account.

This credit will be available to the employer on 6/30/2027 and will remain until depleted by contributions due.

The 7/1/2027 contribution rates will not include expiring side account offsets.

In October of 2027, the final side account balance effective 6/30/2027 will be calculated. A credit reflecting this balance will be available no later than 11/1/2027.

- *Comment*: Carol Samuels – There will be entities with large side accounts that would go beyond 2027 who may prefer not to set up a new side account. I'd like to continue that conversation to see if there are other options besides these two.
    - Winship – There will be individual employer consideration. But for general planning we want to establish these for most employers. We will continue to discuss and find solutions.

Topic	**Employer Service Center update**

Time: 10:44–10:47

Laurel Galego, Employer Service Center Manager, gave an update on ESC activities.

Beginner EDX Training course

The Employer Service Center (ESC) is excited to share the success of the new Employer EDX Basics Training class. When we announced the class, six months of classes filled in a matter of hours. We doubled the amount of classes and those filled as well.

This shows the high demand for employer reporter training. And now all classes for 2024 are full. Because the beginner class includes hands-on training in EDX, we have to keep the class sizes small. Now when ESC staff hear that an employer needs training and can't get into a class, their ESC representative trains them one-on-one.

Next steps

To help meet demand, ESC will produce a video of the course that employers can take on their own. This will not include practice in the EDX test environment, but it will allow many more employers to access the main presentation.

ESC and Communications will continue to work on the Intermediate and Advanced classes as quickly as schedules allow.

Our employer trainer, Theresa Tabish, accepted a new position in PERS, so we will be recruiting for a new employer trainer soon.

ESC is reviewing the amount of turnover that occurs with new reporters. Hopefully this will help the team provide the right training and communications for new reporters.

TOPIC	Communications update
TIME: 10:47–10:54	

Shawn Harper, Employer Communications Specialist, presented updates on recent communications activities.

PERS Employer Satisfaction Survey

PERS conducted the annual Employer Satisfaction Survey in May. This is a required survey that is a combination of questions PERS is required to ask for benchmarking and questions the agency choses to ask to measure employer satisfaction with process improvements, resources, and customer service. Communication worked with ESC to promote this survey. The number of responses increased from last year. But the biggest challenge is getting people to take the survey. Almost weekly reminders were sent. PERS is always open to receiving suggestions on how to encourage employers to take the survey.

The survey results are being compiled and analyzed now. Tune in or attend the October 4, 2024, PERS Board meeting for the results.

Employer News

Expanding focus

Communications is broadening the information covered in the employer newsletter beyond mainly EDX reporting tips. We are expanding topics to include information and processes for Human Resources (HR) roles, agency heads, and finance officers..

In April, the newsletter had a retirement theme intended to help HR professionals guide employees through retirement process. Communications received great feedback on this issue.

The July newsletter included the process of designating a preretirement beneficiary and making service time purchases — a complex and often confusing option for Tier One/Tier Two employees.

August's issue will cover reporting new employees in nonstandard circumstances, such as hiring a part-time employee, someone working out of state, someone coming back from a leave, or a PERS retiree.

Employer website

Communications is continuing to publish new, never-before published information to the Employers website. Examples include:

- Designating a Preretirement Beneficiary.
- Filling out a Tier One/Tier Two Written Benefit Estimate Form.
- Special Classifications and Statuses (in progress): This page will provide information specific to classifications (such as Police and Fire, School Employees) and statuses (such as employees on disability, serving military duty, and working retirees).

If you have feedback about Communications resources or materials, please email Employer_Advisory_Group@pers.oregon.gov.

TOPIC	**Open discussion**	Sam Paris
Time: 10:54–10:56		

Paris opened the meeting to EAG members for questions and discussion. No questions or comments were raised.

There are currently two vacant EAG member positions. One is with the League of Oregon Cities and the other is with the Oregon School Boards Association. Employers are encouraged to share this opportunity with peers.

Next meeting facilitator: Sam Paris
Next meeting date and time: October 18, 2024