

PERS EMPLOYER ADVISORY GROUP MEETING

Date: 10/18/2024

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	<p>EAG members: Gina Turner, State Universities; Sharie Lewis, Oregon School Boards Association; Matt Warner, League of Oregon Cities; Anne Willis, State Universities; Shauna Tobiasson, State of Oregon; Ray Bonny, State Universities.</p> <p>PERS staff: Kevin Olineck, Sam Paris, Heather Case, Brandon Armatas, Jake Winship, Laurel Galego, Troy Phillips, Latifa Salinez, Shawn Harper, Jonathan Yost, Elizabeth Rossman Weber, Elli Probasco, Holly Effenberger.</p> <p>Guests: Gay Lynn Bath, Ian Petersen, Rhonda Miller, Angie Bond, Esther Orozco, Jennifer Jones, Cheryl Carder, Amber Schonbrod, Brendan Watkins, Morgan Allen, Eric Arellano, Fabiola Flores, Aaron Hill, Carol Samuels, Michelle Morrison.</p>

NOTES

TOPIC	Welcome	Sam Paris
TIME: 10:00–10:01		
Sam Paris, PERS Chief Operating Officer, welcomed the Employer Advisory Group (EAG) and reviewed the meeting agenda.		

TOPIC	Director’s Office update	Kevin Olineck
TIME: 10:01–10:03		
Kevin Olineck, PERS Director, provided a Director’s Office update.		
Review of October 4 PERS board meeting		
The October board meeting was held two weeks ago. During the meeting, the board completed administrative rulemaking and approved the new employer contribution rates for the 2025-27 biennium. Troy will review this in more detail during the Actuarial Update.		
Board member updates		
Sadhana Shenoy and Stephen Buckley reached the end of their board terms and were celebrated for their service to the board. New board members Bob Hestand and Kristen Conner were appointed for three-year terms. Their first meeting will be December 6. Board Member Jardon Jaramillo was appointed board chair by the Governor. Board member bios are available on the PERS website .		

TOPIC	Legislative update	Heather Case
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TIME: 10:03–10:16

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

House Bill (HB) 4045

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

This is a reminder to employers that a portion of HB 4045 becomes effective January 1, 2025. This portion lowers the OPSRP Police and Fire retirement age for members with fewer than 25 years of service from 60 to 55. PERS is on track with implementation. This goes into effect for retirement dates on or after 1/1/2025. This means qualifying employees could be turning applications now. They can do so up to 90 days before their retirement date.

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

The retirement process has remained the same. Only the age has changed. PERS has sent information about this change to prominent Police and Fire unions to distribute to their members. PERS will update more information for employers in the next couple of months.

Legislative Concepts

At the December 6 PERS Board meeting, Heather will present draft bills derived from legislative concepts. If you are interested in what PERS will be introducing as bills for the 2025 legislative session, tune in to that board meeting or download the meeting materials. Board meetings are listed on the [PERS website](#).

- *Question:* Morgan Allen – Why did the school districts with side accounts experience larger rate increases?
 - *Jake Winship, PERS Actuarial Activities Section Manager* – Essentially, side accounts have the impact of leveraging changes from assumed values. This biennium we came up short on our investment earnings. If we have stronger than expected earnings, having side accounts increases the positive impact. But if we come up short in investment returns, having a side account amplifies the negative impact.
 - There was also a tremendous increase in payroll since the last rate-setting valuation. When there is more payroll than we anticipated, it means that more of the side account is amortized. We start out with a smaller balance than we hoped for and have a higher denominator (payroll) used to calculate the offset rate.
 - *Kevin:* Refer to slide 100 of the [October board packet](#) for an illustration of school districts with and without side accounts.
 - *Heather:* If you are getting questions from legislators, you can send them my way.

- *Question:* Morgan Allen – *Is there a specific dollar figure for the school district rates? Please add to chat.*
 - *Kevin:* It's available in the [July board meeting packet](#). Slide 109 shows the changes to the total contribution rates in dollar figures. Slide 111 shows the amount of member redirect funds that will offset the increase to the total rate, which will then give you the total increase to employers. For example, School District total contribution rates are projected to increase by \$670 million. Coupled with the member redirect offset of \$105 million, the projected increase to school district employer rates is \$565 million.

- *Question:* Suzanne Linneen – Is there a list of all the side accounts and when they expire that can be made available?
 - *Jake Winship:* [July 1, 2025, Side Account Rate Offset by Side Fund](#)
- *Question:* Suzanne Linneen – Is there a way to show employers with Police and Fire employees how much the HB 4045 change to in retirement age added to their rates for this biennium?
 - *Heather Case:* There's Milliman's estimate from our Fiscal Impact Statement, but it is based on the previous valuation, not the 2023 valuation. This impact only applies to employers who have Police and Fire payroll. Total increase of 0.86% to rates for these employers, estimated, based on 2022 valuation. All employers with OPSRP UAL will see an approximate increase of 0.07% of the UAL. This is just for the lowering of the OPSRP Police and Fire retirement age change. Note: The 0.86% increase for Police and Fire employers includes that increase to the UAL.
- *Comment:* Kevin – This morning PERS sent employers a communication that highlights the main contributors of the rate increase. This October 18 message is linked on the [Employer newsletter webpage](#) in the Employer News Bites sidebar.

TOPIC	Actuarial update	Troy Phillips
TIME: 10:16-10:31		
Troy Phillips, PERS Actuarial Business Specialist, presented an update on actuarial activities.		
Summary of actuarial results		
Rates will be increasing for the 2025–27 biennium. Base rates are the sum of system-wide normal cost and unfunded actuarial liability (UAL) rates. Net rates include member redirect offset, any rate offset adjustments from side accounts, and any State and Local Government Rate Pool (SLGRP) charges or offsets. These include adjustments for transition liability or surplus. The result of this is that employers can expect contribution rates to increase by approximately 4% on average.		
Factors affecting contribution rate calculations		
In 2022, the board adopted Milliman’s recommended “select period” salary increase assumption. That assumption will apply as an extra 2% annual increase in pay to the standard increase assumption (3.4%) for the next two years. It will apply to salary increases from 2023 to 2024 and from 2024 to 2025.		
The collared Tier One and Tier Two UAL rate is unchanged for School Districts and members of the SLGRP.		
Major factors contributing to the rate increase were the 20% growth in system-wide payroll since the last valuation and lower than anticipated investment earnings.		
Unfunded status and unfunded actuarial liability (UAL)		
Slide 11 shows that system-wide actuarial liability has increased while assets have decreased. This has led to an increase in unfunded liability and a diminished funded status — decreasing from 86% in 2021 to 77% in 2023.		

Tier One/Tier Two rate pool funded status and UAL

Slide 12 illustrates current Tier One and Tier Two figures for both the State and Local Government Rate Pool and School District Pool.

It's worth noting here the importance of side account assets and how they can have a positive impact on funded status — raising the SLGRP's funded ratio by 4% and that of the School District Pool by 9%.

Individual employer rates

It's important to remember that employers pay separate rates on different types of payroll. For Tier One and Tier Two payroll, most employers pay a single average rate for General Service and Police and Fire. Some SLGRP employers pay separate rates for those classes. OPSRP rates are distinct for General Service and Police and Fire.

Individual employer reports

Slide 14 breaks down the different groups of employers for which valuation reports are provided. Earlier this month, the individual employer reports were made available for downloading from the [PERS website](#). PERS always notifies employers when reports are available for downloading. On Monday, we notified employers via email through GovDelivery. If you didn't receive a notice, please make sure you are [signed up for GovDelivery](#).

Employer Incentive Fund (EIF) program

PERS is preparing to open a second cycle of the Employer Incentive Fund (EIF). The EIF offers up to 25% in matching funds to qualifying employers who open or increase a side account under the program. The goal of this program is to assist employers with lowering their PERS contribution rate.

The application period opens next year. Employers will use SurveyMonkey to apply for the EIF. There will be two application periods. The first, opening April 1, is for employers whose UAL exceeds 200%. The second, opening July 1, is for all employers.

More than \$40 million is expected to be available for matches.

EIF preparation

Step 1: Survey employers to help determine start date.

To prepare for this program, PERS surveyed employers from August 5 through September 3, 2024. We notified finance officers of the survey through an Employer News Bite and in the August *Employer News*.

The anonymous, three-question survey asked whether the organization was interested in participating in the EIF, the approximate dollar amount they would invest, and which application start date would work best for their organization.

Of the 900+ employers in our system, we received responses from 395 individuals.

Survey questions —

Question 1: Do you intend to apply for matching funds in the upcoming cycle of the Employer Incentive Fund?

The survey results showed that about 18% of the respondents intend to apply for matching funds, 32% indicated no intent to apply, and 49% were undecided.

Question 2: What is the range of your preferred side account deposit?

- Roughly 60% of those responding said they intended to deposit between \$25,000 and \$249,999.
- Nearly 12% between \$250,000 and \$499,999.
- 8% were in the \$500,000 to \$999,999 range.
- Just over 19% indicated a deposit of \$1,000,000 or more.

Question 3: Which of the following application start dates best fits the needs of your budget process?

Just over 45% selected July 1, 2025, 18% had no preference, and the remainder selected other dates.

Step 2: Open application period for 200% UAL employers.

Based on the survey responses, PERS will open the application period on April 1, 2025, for employers whose UAL exceeds 200%.

Step 3: Open application period for all other employers.

The application period for all other employers will open on July 1, 2025. PERS will use UAL figures from the upcoming 2023 valuation and work with the Employer Service Center to encourage qualifying employers to apply for the EIF.

We expect to distribute all available funds during this next cycle.

Expiration of side accounts

Troy provided an update on the plans to manage the large number of side accounts that will be expiring on December 31, 2027. 183 of the 349 existing side accounts are due to fully amortize on this date.

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

Proposed methods to expire side accounts

Option 1 — New side account: Our proposed method of handling expiring accounts will be to have our 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 December 31, 2027.

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

The employer will then have the option to convert the balance into a new side account if the December 31, 2026, balance is at least \$500,000 and the employer has notified PERS of their intention to create a new side account on or before May 31, 2027.

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

Option 2 – Credit: If employer chooses not to revert their balance into a new side account, or that option is not available to the employer because their side account balance is less than \$500,000, then 30% of the December 31, 2026, side account balance will be credited to the employer’s contribution account.

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

The July 1, 2027, contribution rates will not include expiring side account offsets.

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

We plan to communicate with employers who will be affected. In addition, employers are encouraged to reach out to [PERS Actuarial Services team](#) with any questions.

(10:31-10:35) Before moving on to the next topic, the group reviewed a few questions written in the meeting chat. These questions and answers were recorded in the Legislative Update section of the minutes.

Topic	Employer Service Center update	Laurel Galego
Time: 10:35–10:41		
<p>Laurel Galego, Employer Service Center Manager, gave an ESC update.</p> <p>System issue with wage code 17</p> <p>A few employers have been getting error messages in their reports regarding wage code 17 (Retiree Wage – ER Rate). The issue is being worked on and the proposed fix should be deployed November 19. Reps are available to help employers get the reports to post.</p> <ul style="list-style-type: none">○ <i>Question:</i> Shauna Tobiasson – When the fix goes through, will it backdate to September?<ul style="list-style-type: none">▪ Elli Probasco: They won’t automatically go back. All the records will have to be resaved and then they will post through the system.○ <i>Question:</i> Shauna Tobiasson – Will a communication go out, notifying the fix is done?<ul style="list-style-type: none">▪ Elli Probasco: We can send confirmation that it has gone through.○ <i>Question:</i> Shauna Tobiasson – Laurel, do we need to point you to the records, or do you locate them?<ul style="list-style-type: none">▪ Laurel: We locate them. We’ll make sure our data is correct and then work with you. <p>Annual year-end reconciliation</p> <p>ESC is working with employers to clean up their PERS accounts by year-end. Employer reporters can review and update their suspended records, missing demographics records, unposted wage records, and new records for employees whose qualification status needs to change.</p> <p>ESC is here to help. Schedule a meeting with your ESC representative if needed.</p> <p>Finding ESC Contact information</p> <p>Laurel demoed how to locate ESC contact information on the PERS website.</p>		

TOPIC	Communications update		Shawn Harper
TIME: 10:41-10:47			
Shawn Harper, Employer Communications Specialist, gave a Communications update.			
New materials			
Quick-reference guide: Detail 1 Member Demographics Fields			
This guide defines the fields on a Detail 1 Demographics record and explains the types of demographic changes that you can make with a Detail 1. It also shows which fields are required depending on the type of demographic change you are reporting, which helps reporters complete their Detail 1s correctly the first time.			
Employer reporting guide 21: Viewing Employee Information			
This guide covers the View Employee Info function in EDX. Employers can use this function to check an employee address, salary, or voluntary-contribution information, or do a Work List Salary Breakdown Request.			
Updated materials			
Employer reporting guide 16: Reporting a Retirement			
This guide was recently updated. It's our most comprehensive guide. It is designed mainly for HR professionals to guide employees through every phase of their PERS career.			
<ul style="list-style-type: none"> • Added more information about vesting, creating an estimate in OMS, Notice of Entitlement, and reporting working retiree wages. • Updated new OPSRP Police and Fire normal retirement age as of January 1, 2025. 			
Employer reporting guide 14: Disability Benefits			
This guide describes the disability retirement for Tier One/Tier Two employees and the disability benefits for OPSRP employees.			
<ul style="list-style-type: none"> • 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. 			
Under development			
Special Classifications and Statuses webpage			
A new webpage is under development that will allow employers to look up information by type of employee status or situation rather than topic. It's intended to be a faster and easier way to find information. Slide 33 lists the special classifications and statuses that will be found on this webpage.			
Employer communications feedback form			
Communications is working on an online feedback form. This feature will allow employers to provide feedback on communication materials, such as guides, quick references, newsletters, and the website.			

TOPIC	Additional Items	Sam Paris
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Time: 10:47-10:49

2025 EAG meeting dates

Sam Paris presented the proposed 2025 meeting dates. If you have concerns about these dates, please email Sam Paris or the EAG box. The meetings will continue to be held at the same time of day: 10:00 a.m. to 12:00 p.m.

- January 24, 2025.
 - April 25, 2025.
 - July 18, 2025.
 - October 17, 2025.
- *Question: Rhonda Miller* – Can OPSRP employees that have reached full retirement age (65), under SB 1049, come back to work without hour limit?
 - *Laurel:* There are criteria that need to be met. I will send you the information.
 - Employers can learn more in employer reporting guide [8, Hiring a PERS Retiree](#), “Guide Summary” section.

Topic	Open discussion	Sam Paris
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Time: 10:49-10:50

The meeting was opened for questions and discussion. No questions or comments were raised.

Sam highlighted that there are currently three vacant EAG member positions. One is under the Association of Oregon Counties and two are under the League of Oregon Cities. Employers are encouraged to share this opportunity with peers.

Next meeting facilitator: Sam Paris

Next meeting date and time: January 24, 2024