

# OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

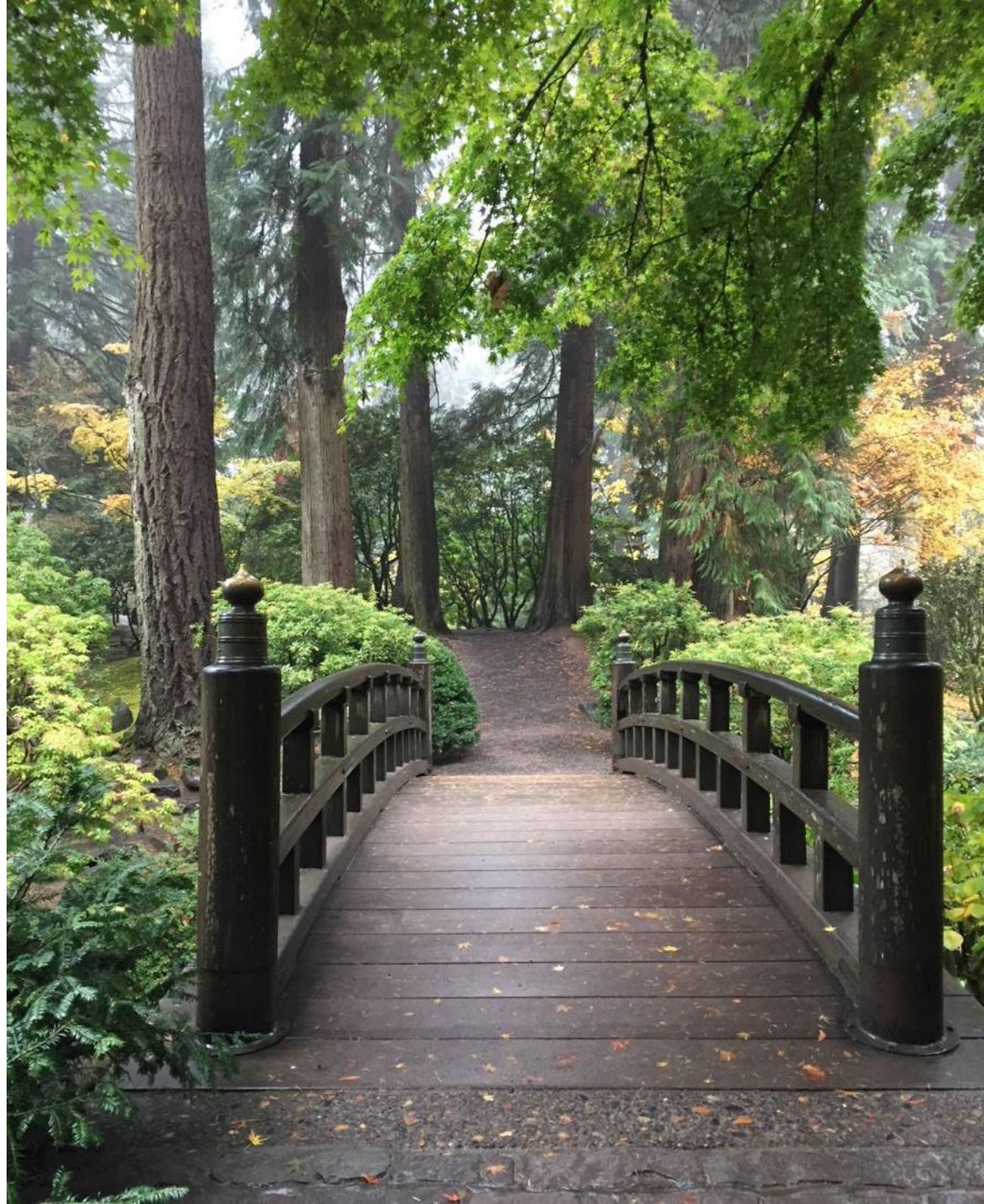


## 2023-25 Budget Presentation

Ways and Means  
General Government  
Subcommittee  
February 20, 2023

Kevin Olineck  
Director

Richard Horsford  
Chief Financial Officer



# PERS: Agency Presentation Schedule

## Day One

### System Overview

- Overview and Partnerships
- PERS Board
- Governance and Interdependencies
- Benefit Components
- Benefits and Funding
- Funded Status and Liabilities
- System-Wide Rates and Projections
- Appendix/Additional Resources

## Day Two

### Agency Overview

- System and Agency Funding
- Summary of Programs and Services
- Organizational Structure and Divisional Budgets
- Major Budget Drivers 2023-25
- Budget Risks and Environmental Factors
- Agency Changes Past Six Years
- Agency Program Changes and Service Delivery 2021-23
- 2023-25 Proposed Technology Projects
- Key Legislation 2023 Session
- Agency Cost Containing Measures
- 10% Budget Reduction Options

## Day Two Reference Materials (Appendix)

- Mission, Vision, Values
- Strategic Plan and Themes
- Performance and Outcome Measures
- Audit Response Reports
- Recent Changes to Agency Budget and Management
- 2021-23 Long-Term Vacancies
- Supervisory Span of Control
- Statewide Policy Packages
- Other Funds Ending Balances
- Additional Agency Budget Information
- Summary of 2023-25 Policy Option Packages
- Additional Resources

## Day Three

### Statutory Reporting

- Preliminary Earnings Crediting Report for Calendar Year 2022
- Senate Bill 1566 (2018) Reports:
  - General Status Update
  - School District Unfunded Liability Fund Update

# PERS Overview and Partnerships

(as of June 30, 2022)

The Oregon Legislative Assembly is the plan sponsor for the Oregon Public Employees Retirement System. The legislature determines the benefit structure for participating public employees. Those benefits have been modified over time, generally with benefit enhancements through 1995, but then reducing benefits since, including the creation of the Tier Two program for employees starting in 1996 and then the Oregon Public Service Retirement Plan (OPSRP) for employees that started after August 28, 2003.

The legislature established PERS, the agency, to administer the retirement system in partnership with more than 900 public employers, including school districts, special districts, cities, counties, community colleges, universities, and state agencies. PERS collects records and maintains relationships with over 393,000 current and former public employees or their beneficiaries.

## Membership by Employer

State/Univ/Judges: 64,115  
School Districts: 94,417  
Local Gov't: 74,222

## Public Employees Retirement System (The Agency)

## Membership by Program

Tier One: 19,785  
Tier Two: 40,391  
OPSRP: 172,578



## Public Employers

900+ schools, cities, counties,  
special districts, state agencies

## PERS Members

232,754 active/inactive  
160,326 benefit recipients

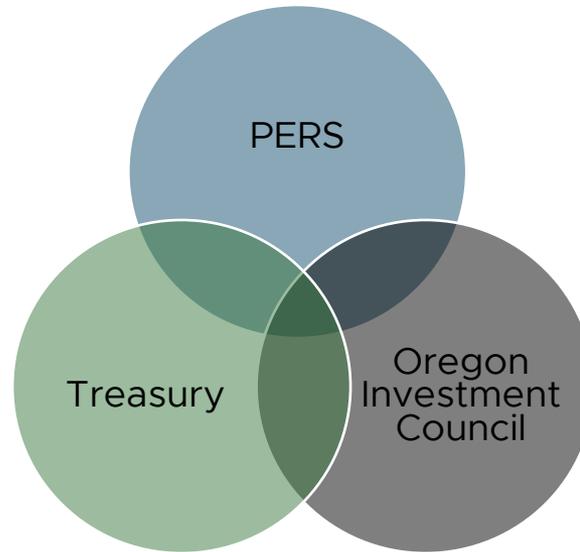
# PERS: A System Composed of Trusts

- The Oregon Public Employees Retirement System was created by the Oregon Legislative Assembly in 1945.
- Operations commenced on July 1, 1946.

Statute and Chapter	Program
ORS 237 and 238	Tier One/Tier Two
ORS 238A	Oregon Public Service Retirement Program (OPSRP)
ORS 238A.300 to ORS 238A.457	Individual Account Program (IAP)
ORS 238.500 to 238.585	Judge Member Retirement Program
ORS 238.485 to 238.492	Public Employees Benefit Equalization Fund
ORS 243.410 to 238.420	Retiree Health Insurance Program
ORS 243.401 to 243.507	Deferred Compensation Program: Oregon Savings Growth Plan (OSGP)
ORS 237.414 and 237.470	Social Security Administration Program

Oregon Administrative Rules (ref. chapter 459) govern the implementation of PERS' statutory responsibilities.

# Interdependencies with Other Entities



- For the Tier I, Tier II, OPSRP and IAP Programs, PERS is responsible for maintaining an adequate balance of funds for estimated benefit payments and administrative costs, while being able to maximize amounts invested. PERS provides Treasury with cash flow forecasts, which include an estimated investment buy and sell on each month. Treasury is responsible for managing PERS investments according to policies established by Oregon Investment Council (OIC).
- Similarly, for the Oregon Savings Growth Plan (OSGP), the PERS Board provides oversight of the administration and the OIC is responsible for the oversight of the investment program.

# PERS: A History of Complexity

- Between 1945 and 2022, the legislature has approved close to 80 changes to PERS plans. These changes continuously increasing the complexity of the plans and plan administration.
- Major recent changes include:
  - 2003: Establishment of the OPSRP program.
  - 2005–2007: Refinement and modification to the 2003 plan changes.
  - 2009-2010: Changes to data verification processes and the allowance of purchases using pre-tax funds.
  - 2011: Changes to tax remedy – prohibiting PERS from paying a tax remedy increase if a person is not a resident of Oregon or not subject to Oregon personal income tax for those eligible members who retire on or after January 1, 2012.
  - 2013: COLA reductions, addition of a temporary annual supplementary payment and elimination of all tax remedy payments for retirees who do not pay Oregon income taxes because they do not live in Oregon.
  - 2015: *Moro decision* – Oregon Supreme Court ruling that declared most of the 2013 reforms unconstitutional.
    - This *decision* resulted in the recalculation of 120,000 benefit accounts.
  - 2018: Reform efforts focused on creating relief programs for employer rate increases. Establishment of the Employer Incentive Fund, the UAL Resolution Program, and a side account for school district rate relief (funded by various revenue streams).
  - 2019: SB 1049: A comprehensive piece of legislation intended by the Oregon Legislature to address the increasing cost of funding Oregon PERS by providing relief to public employers for escalating PERS contribution rate increases.

# System Overview – Benefit Components

**Tier One:** Members hired before January 1, 1996

**Tier Two:** Members hired between January 1, 1996, and August 28, 2003

**OPSRP:** Members hired after August 28, 2003

**IAP :** All members with service after January 1, 2004

	Tier One Pension	Tier Two Pension	OPSRP Pension	IAP Account
Normal retirement age	58 (or 30 yrs) P&F* = age 55 or 50 with 25 yrs	60 (or 30 yrs) P&F = age 55 or 50 w/ 25 yrs	65 (58 w/ 30 yrs) P&F = age 60 or 53 w/ 25 yrs	Members receive IAP account at the time of retirement – may select distribution option
Early retirement	55 (50 for P&F)	55 (50 for P&F)	55, if vested	
Benefit calculation methods	Money Match Full Formula Formula + Annuity	Money Match Full Formula	Full Formula	Six account distribution options
Full Formula benefit factor	1.67% General Service 2.0% P&F	1.67% General Service 2.0% P&F	1.50% general 1.80% P&F	N/A
Lump-sum vacation payout Included in covered salary for contributions (6%)?	Yes	Yes	No	N/A
Included in final average salary? **	Yes	No	No	
Unused sick leave included in final average salary? **	Yes	Yes	No	N/A

# Who Gets Paid How Much?

(as of January 1, 2022)

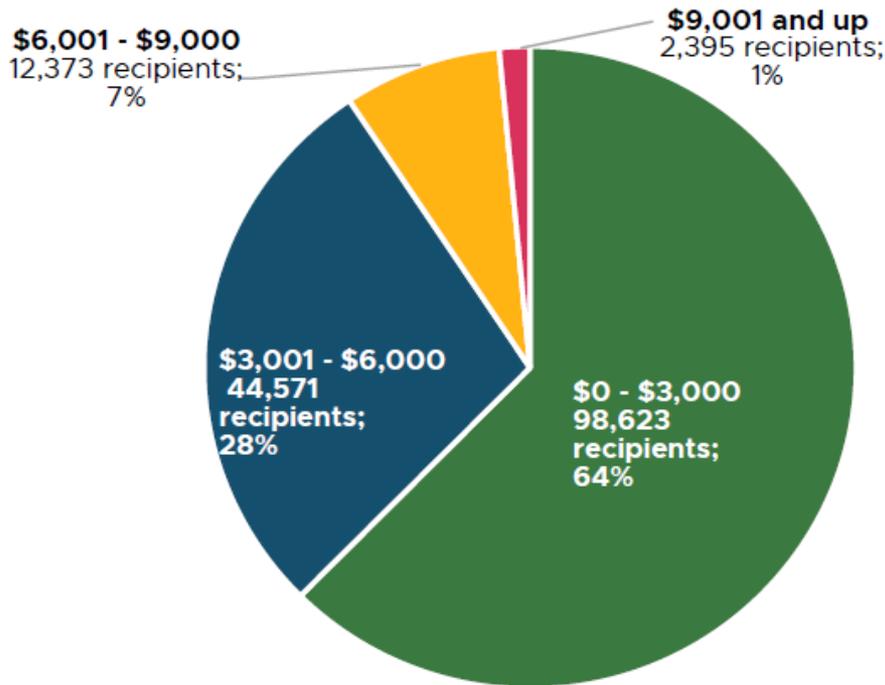
Monthly Benefit (\$)	Number of Retirees	Percent of Benefits Paid	Monthly Benefit (\$)	Number of Retirees	Percent of Benefits Paid
0 - 500	16,786	1.18%	3,001 - 3,500	10,293	7.57%
501 - 1,000	21,687	3.67%	3,501 - 4,000	8,886	7.53%
1,001 - 1,500	18,301	5.16%	4,001 - 4,500	7,834	7.53%
1,501 - 2,000	15,813	6.25%	4,501 - 5,000	6,725	7.23%
2,001 - 2,500	13,999	7.12%	5,001 - 5,500	5,938	7.05%
2,501 - 3,000	12,037	7.48%	5,501 - 6,000	4,895	6.36%
<b>Subtotal</b>	<b>98,623</b>		<b>Subtotal</b>	<b>44,571</b>	
<b>% of total</b>	<b>62.43%</b>	<b>30.86%</b>	<b>% of total</b>	<b>28.22%</b>	<b>43.27%</b>

Monthly Benefit (\$)	Number of Retirees	Percent of Benefits Paid	Monthly Benefit (\$)	Number of Retirees	Percent of Benefits Paid
6,001 - 6,500	3,782	5.34%	9,001 - 10,000	1,020	2.19%
6,501 - 7,000	2,944	4.49%	10,001 - 11,000	526	1.24%
7,001 - 7,500	2,160	3.54%	11,001 - 12,000	326	0.84%
7,501 - 8,000	1,508	2.64%	12,001 - 13,000	185	0.52%
8,001 - 8,500	1,117	2.08%	13,001 - 14,000	97	0.30%
8,501 - 9,000	862	1.71%	14,001 and up	241	0.99%
<b>Subtotal</b>	<b>12,373</b>		<b>Subtotal</b>	<b>2,395</b>	
<b>% of total</b>	<b>7.83%</b>	<b>19.80%</b>	<b>% of total</b>	<b>1.52%</b>	<b>6.08%</b>

# Who Gets Paid How Much?

## Monthly benefit payment amounts (as of January 1, 2022)

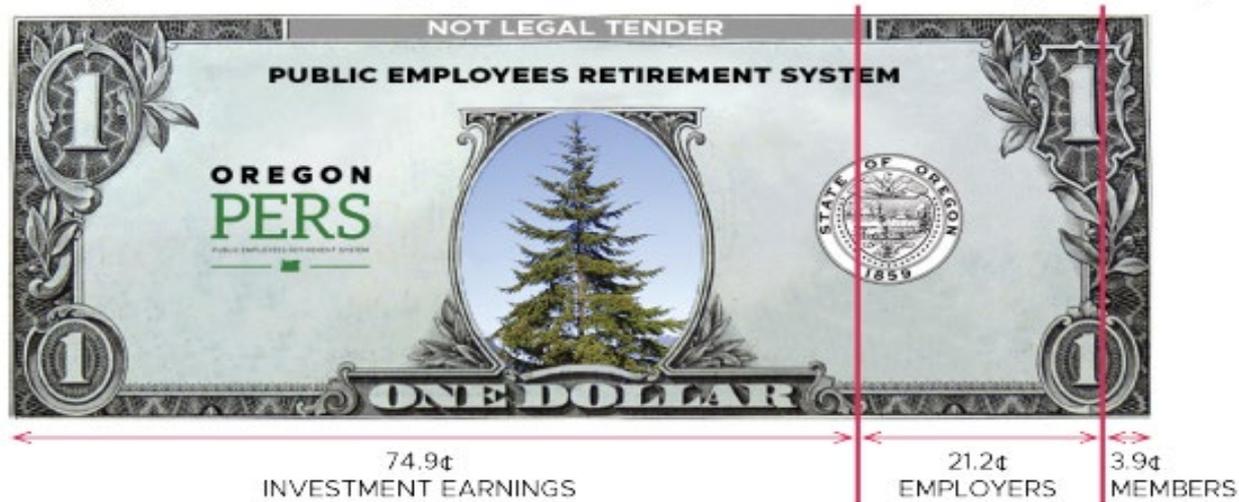
Based on 157,962 monthly benefit payments totaling \$389.6 million for the month (includes alternate payees and survivors; excludes lump-sum and unit payments). Benefit payment amounts include compounded annual cost-of-living adjustments (COLAs) and other post-retirement benefit adjustments.



- Average Annual Benefit: \$33,551
- Median Annual Benefit: \$26,642

# PERS Funding Sources and Funded Status

Money for PERS benefit payments comes from three sources (1970-2021)



	Calendar Year (as of December 31)									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Funded Status</b>										
Including side accounts	91%	96%	84%	79%	75%	80%	75%	79%	76%	86%
Excluding side accounts	82%	86%	76%	71%	69%	73%	69%	72%	71%	80%

# Who Is Eligible to Retire?\*

(as of June 30, 2022)

Employer Group	Tier One		Tier Two		OPSRP		Eligible to Retire by Employer Group	Total Members in Employer Group	Percentage of Members Eligible to Retire
	Actives	Inactives	Actives	Inactives	Actives	Inactives			
State Agencies & Universities	2,872	2,217	3,626	1,563	8,093	2,167	20,538	64,087	32.05%
School Districts	3,140	2,564	4,301	2,762	10,995	4,175	27,897	94,881	29.40%
Local Govt.	2,367	1,992	3,540	2,045	6,781	2,358	19,083	64,166	29.74%
Community Colleges	330	413	608	499	1,573	774	4,197	10,308	40.72%
<b>Eligible to retire</b>	<b>8,709</b>	<b>7,186</b>	<b>12,075</b>	<b>6,869</b>	<b>27,402</b>	<b>9,474</b>	---	---	---
Judges	---	---	---	---	---	---	65	203	32.02%
<b>TOTAL</b>	<b>15,895</b>		<b>18,944</b>		<b>36,876</b>		<b>71,779</b>	<b>233,650</b>	<b>30.72%</b>

\* Reflects the number of members eligible to retire (including those eligible for reduced benefits) based on age 55 or 30 years of service for General Service members; age 50 or 25 years of service for Police & Fire; and age 60 for judge members.

# The PERS Funding Equation

At the end of each calendar year, the PERS actuaries calculate the system's funded status using the following basic equation:

$$B = C + E$$

**BENEFITS = CONTRIBUTIONS + EARNINGS**

Present value of  
earned benefits

**Set by:**  
Oregon Legislature

Employer and member funds to  
pay pension benefits

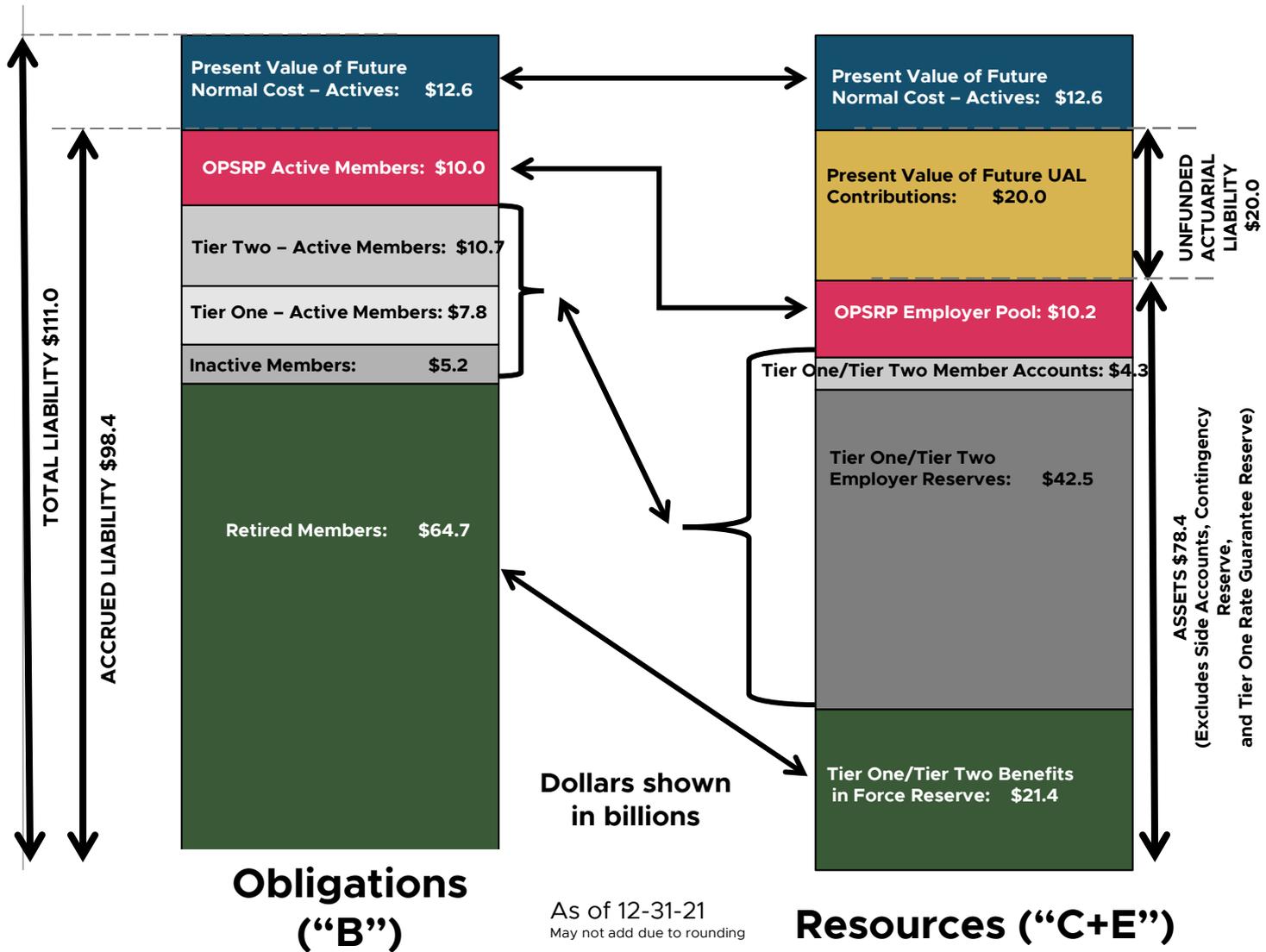
**Set by:**  
PERS Board

Future returns on  
invested funds

**Managed by:**  
Oregon Investment Council  
Oregon State Treasury

Every two years, the PERS Board adjusts contribution rates so that, over time, contributions will be sufficient to fund the benefits earned, if earnings follow assumptions.

# Problem: the “B” and “C+E” Don’t Align



# Funded Status and Unfunded Actuarial Liability (UAL)

System-Total Pension Funded Status (\$ billions)			
Valuation date:	12/31/2019	12/31/2020	12/31/2021
Assumed return:	7.20%	6.90%	6.90%
Actuarial liability	\$ 89.4	\$ 95.3	\$ 98.4
Assets (excluding side accounts)	<u>64.8</u>	<u>67.3</u>	<u>78.4</u>
<b>UAL (excluding side accounts)</b>	<b>\$ 24.6</b>	<b>\$ 28.0</b>	<b>\$ 20.0</b>
<b>Funded status (excluding side accounts)</b>	<b>72%</b>	<b>71%</b>	<b>80%</b>
Side account assets	<u>\$ 5.5</u>	<u>\$ 5.1</u>	<u>\$ 6.6</u>
UAL (including side accounts)	\$ 19.1	\$ 22.9	\$ 13.4
<b>Funded status (including side accounts)</b>	<b>79%</b>	<b>76%</b>	<b>86%</b>

# Funded Status and UAL by Program

Pension Funded Status (\$ billions) at 12/31/2021 <i>totals may not add due to rounding</i>			
	Tier One/ Tier Two	OPSRP	Combined
Actuarial liability	\$ 86.6	\$ 11.8	\$ 98.4
Assets (excluding side accounts)	<u>\$ 68.1</u>	<u>\$ 10.3</u>	<u>\$ 78.4</u>
UAL (excluding side accounts)	\$ 18.5	\$ 1.5	\$ 20.0
Funded status (excluding side accounts)	79%	87%	80%
Side account assets			<u>\$ 6.6</u>
UAL (including side accounts)			\$13.4
Funded status (including side accounts)			86%

# Sources of 2021 UAL Change

(Excluding Side Account)

(\$ billions)	UAL Increase
Expected UAL increase/(decrease) during 2021	\$ 0.0
2021 actual investment performance	(8.6)
Actual demographic experience different than assumed	<u>0.6</u>
Actual UAL increase/(decrease) during 2021	(\$ 8.0)

- The expected UAL increase/(decrease) is the UAL change, based on 12/31/2020 valuation results, projected to occur during 2021 if actual 2021 experience followed that valuation's assumptions; for several years prior to 2020 there was an expected increase, but there was essentially no expected change in 2021.
- The 2021 investment gain (i.e., actual versus assumed return) reflects actual 2021 OPERF returns of +20.05% compared to the assumed 6.90% return.
- The increase from actual demographic experience different than assumed was primarily due to individual member salary increase experience during 2021 higher than the long-term assumption; this was partially offset by higher mortality experience than assumed during the year.

# Side Accounts Explained

When an employer makes a lump-sum payment to prepay part or all of its unfunded actuarial liability (UAL), the money is placed in a special account called a “side account.”

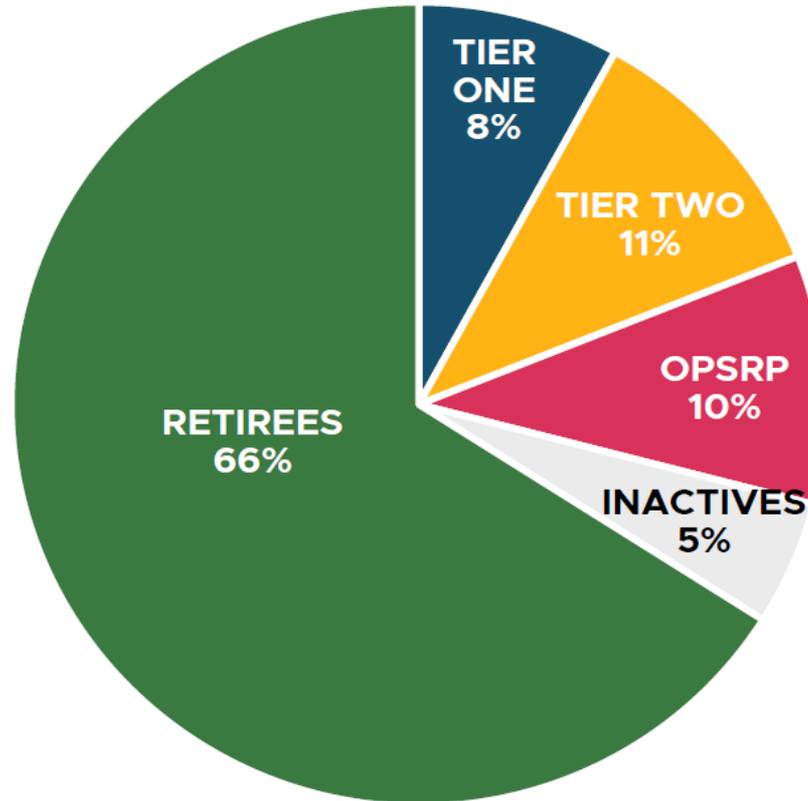
This account is attributed solely to the employer making the payment and is held separate from other employer reserves. Most employers with side accounts issued pension obligation bonds and provided the bond proceeds to PERS as a UAL lump-sum deposit to fund their side account.

A few employers funded their side accounts with lump-sum payments from other sources, such as savings from internal operations. PERS does not track individual employer costs associated with Pension Obligation Bonds.

Side accounts become a part of the “trust” and, consequently these accounts cannot be refunded to the employer.

As of December 31, 2022, 220 employers have side accounts. Of these, 77 employers have multiple side accounts; three state agencies, five counties, six community colleges, six special districts, seven cities and 52 school districts.

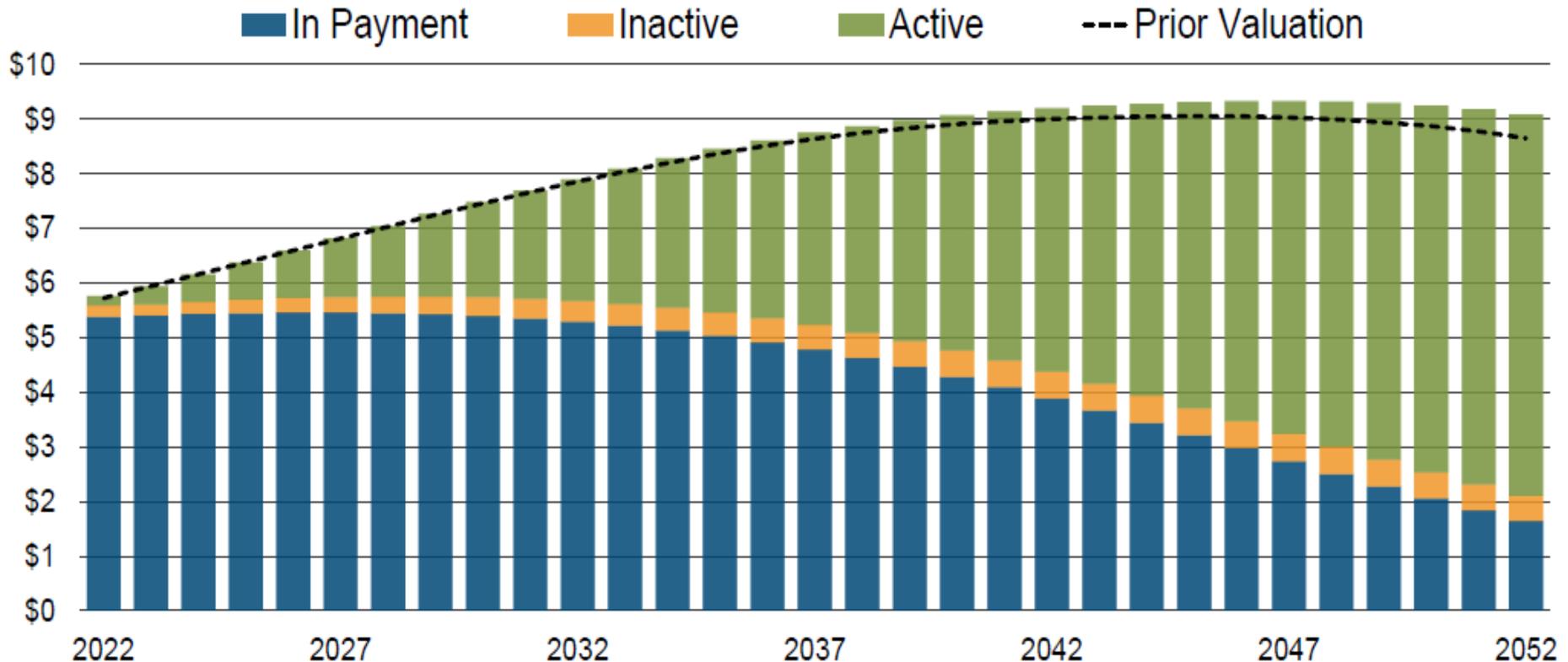
# Actuarial Accrued Liabilities Breakdown



Accrued Actuarial Liability represents the present value of projected future benefits allocated to service performed through December 31, 2021

# Projected Benefit Payments

Tier One/Tier Two & OPSRP Expected Benefit Payments  
by Status as of 12/31/2021 (in \$ billions)



# Board Principles on Rate Setting

When setting employer contribution rates, the PERS Board considers the following objectives and principles:

- Transparent process and inputs
- Predictable and stable employer contribution rates
- Protect funded status to secure future benefit payments
- Equitable across generations of taxpayers funding the system
- Actuarially sound – fully fund the system if assumptions are met
- GASB compliant

Some of the objectives can conflict, particularly in periods with significant volatility in investment return or projected benefit levels. Overall system funding policies should seek an appropriate balance between conflicting objectives.

# Employer Contribution Rate Setting Cycle

- Actuarial valuations are conducted annually.
  - Alternate between “rate-setting” and “advisory” valuations.
  - This valuation as of 12/31/2021 is rate-setting.
- Board adopts contribution rates developed in rate-setting valuations, and those rates go into effect 18 months after the valuation date.

Rate-Setting Valuation Date	Employer Contribution Rates
12/31/2019	July 2021 – June 2023
12/31/2021	July 2023 – June 2025
12/31/2023	July 2025 – June 2027

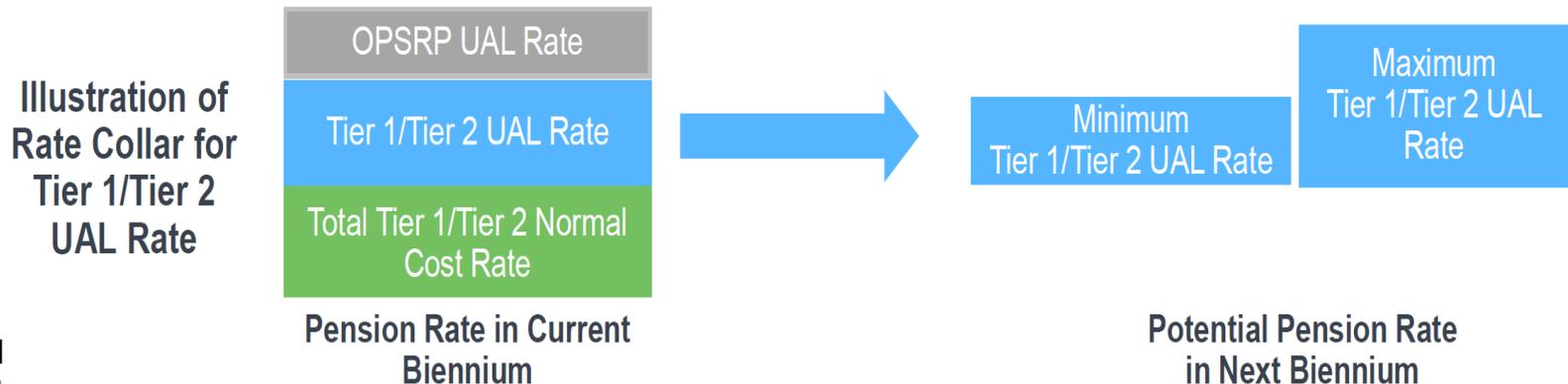
# Overview of Rate Collar Structure



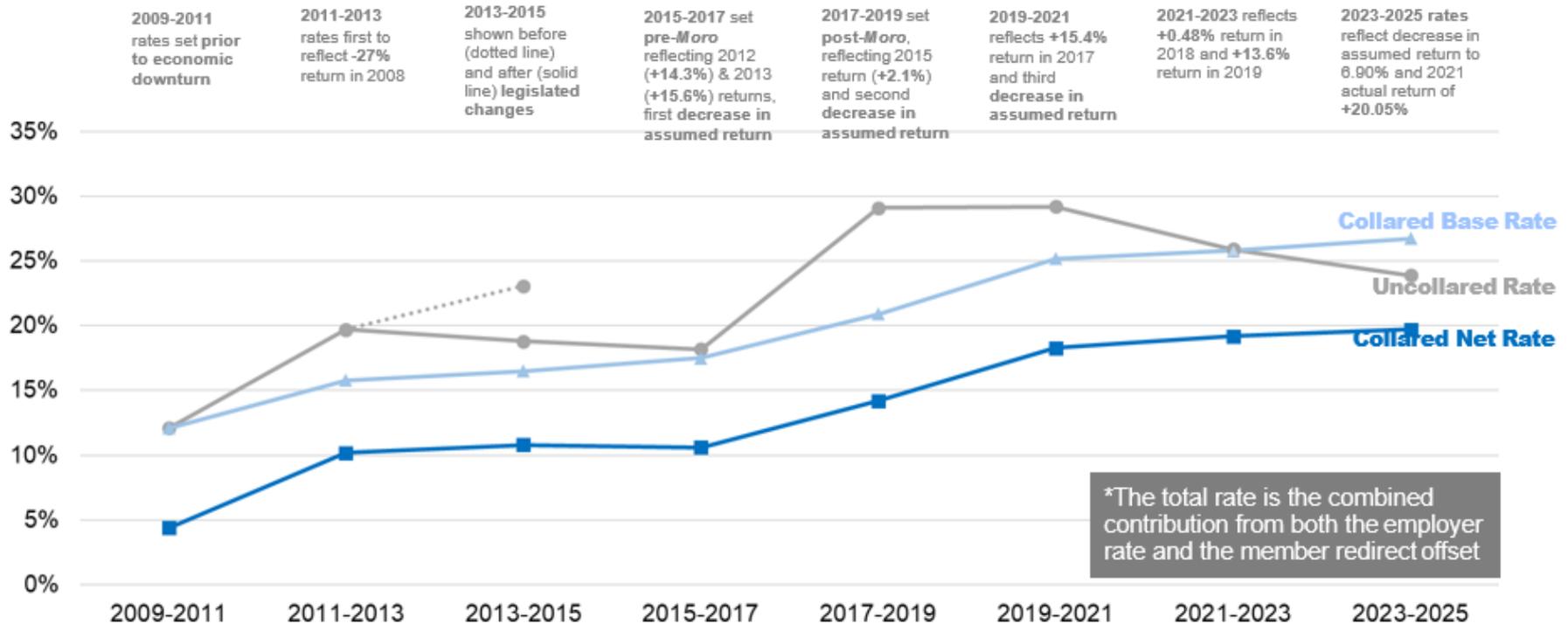
- The **uncollared total rate** is the theoretical contribution rate to reach 100% funded status over a specific amortization period if:
  - Contributions at that rate started on the actuarial valuation date, and
  - Actual future experience mirrors the actuarial valuation's assumptions, and
  - The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

# Rate Collar Design

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



# System-Average Weighted Total\* Pension-Only rates



# Uncollared Total Pension Rates System-Wide

Excludes Retiree Health Care, IAP Contributions, Rate Collar, Side Accounts

	12/31/2019 Valuation 2021 – 2023 Final Rates			12/31/2021 Valuation 2023 – 2025 Final Rates		
	Tier One / Tier Two	Payroll OPSRP	Weighted Average <sup>1</sup>	Tier One / Tier Two	Payroll OPSRP	Weighted Average <sup>1</sup>
Normal Cost	14.92%	9.16%	11.09%	15.91%	10.47%	11.98%
Tier One/Tier Two UAL	13.13%	13.13%	13.13%	10.24%	10.24%	10.24%
OPSRP UAL	1.69%	1.69%	1.69%	1.51%	1.51%	1.51%
<b>Uncollared Total Rate</b>	<b>29.74%</b>	<b>23.98%</b>	<b>25.91%</b>	<b>27.66%</b>	<b>22.22%</b>	<b>23.73%</b>
<b>Increase</b>				<b>(2.08%)</b>	<b>(1.76%)</b>	<b>(2.18%)</b>

<sup>1</sup> Weighting based on system-wide payroll levels (Tier One/Tier Two, OPSRP) as of the valuation date.

Rates shown on this slide are “total” rates and include the member EPSA contribution component of the normal cost.

# Collared Total Pension Base Rates System-Wide

Excludes Retiree Health Care & IAP Contributions, Side Account Offsets

	12/31/2019 Valuation 2021 – 2023 Final Rates			12/31/2021 Valuation 2023 – 2025 Final Rates		
	Tier One / Tier Two	Payroll OPSRP	Weighted Average <sup>1</sup>	Tier One / Tier Two	Payroll OPSRP	Weighted Average <sup>1</sup>
<b>Uncollared Total Rate</b>	<b>29.74%</b>	<b>23.98%</b>	<b>25.91%</b>	<b>27.66%</b>	<b>22.22%</b>	<b>23.73%</b>
Effect of Rate Collar	(0.09%)	(0.09%)	(0.09%)	3.01%	3.01%	3.01%
<b>Collared Total Base Rate</b>	<b>29.65%</b>	<b>23.89%</b>	<b>25.82%</b>	<b>30.67%</b>	<b>25.23%</b>	<b>26.74%</b>
<b>Increase</b>				<b>1.02%</b>	<b>1.34%</b>	<b>0.92%</b>

<sup>1</sup> Weighting based on system-wide payroll levels (Tier One/Tier Two, OPSRP) as of the valuation date.

Rates shown on this slide are total rates and include the member EPSA contribution.

# Collared Employer Pension Rates System-Wide

Excludes Retiree Health Care & IAP Contributions

	12/31/2019 <sup>1</sup> Valuation 2021 – 2023 Final Rates			12/31/2021 <sup>1</sup> Valuation 2023 – 2025 Final Rates		
	Payroll			Payroll		
	Tier One / Tier Two	OPSRP	Weighted Average <sup>2</sup>	Tier One / Tier Two	OPSRP	Weighted Average <sup>2</sup>
<b>Collared Base Rate</b>	<b>29.65%</b>	<b>23.89%</b>	<b>25.82%</b>	<b>30.67%</b>	<b>25.23%</b>	<b>26.74%</b>
Member Redirect Offset	<u>(2.45%)</u>	<u>(0.70%)</u>	<u>(1.25%)</u>	<u>(2.40%)</u>	<u>(0.65%)</u>	<u>(1.10%)</u>
<b>Collared Base Employer Rate</b>	<b>27.20%</b>	<b>23.19%</b>	<b>24.57%</b>	<b>28.27%</b>	<b>24.58%</b>	<b>25.64%</b>
Side Account (Offset)	(6.24%)	(6.24%)	(6.24%)	(6.64%)	(6.64%)	(6.64%)
SLGRP Charge/(Offset)	(0.40%)	(0.40%)	(0.40%)	(0.39%)	(0.39%)	(0.39%)
<b>Collared Net Rate</b>	<b>20.56%</b>	<b>16.55%</b>	<b>17.93%</b>	<b>21.24%</b>	<b>17.55%</b>	<b>18.61%</b>
<b>Increase</b>				<b>0.68%</b>	<b>1.00%</b>	<b>0.68%</b>

<sup>1</sup> For this exhibit, adjustments are assumed not to be limited due to an individual employer reaching a 0.00% contribution rate.

<sup>2</sup> Weighting based on system-wide payroll levels (Tier One/Tier Two, OPSRP) as of the valuation date

Rates vary by employer, as only some employers have side accounts.  
Changes in side account offsets are not collared.

# System-Wide Rate Summary

## Weighted Average Total Rates (Tier One/Tier Two and OPSRP)

	Final 2021 - 2023	Final 2023 - 2025	Increase/ (Decrease)
Uncollared Total Base Rate	25.91%	23.73%	(2.18%)
Collared Total Base Rate	25.82%	26.74%	0.92%
Collared Base Employer Rate	24.57%	25.64%	1.07%
Collared Net Employer Rate	17.93%	18.61%	0.68%

- System-wide rates are the payroll-weighted average of rates for School Districts, the SLGRP, and independent employers that do not pool their Tier One/Tier Two liability experience.
- At a system-wide level, the uncollared total base rate of 23.73% is 3.01% of pay lower than the collared total base rate of 26.74%, reflecting that for most employers the rate collar prevents a decrease in the 2023-2025 UAL rate that would otherwise have occurred due to 2021 investment gains.

# Projected 2023-2025 Total Contributions

(\$ millions)	Projected 2021-23 Payroll*	(A) Projected 2021-23 Total Contribution	Projected 2023-25 Payroll*	(B) Projected 2023-25 Total Contribution	(B - A) Projected Total Contribution Increase / (Decrease)
State Agencies	\$ 7,820	\$ 1,560	\$ 8,360	\$ 1,740	\$ 180
School Districts	8,285	1,320	8,860	1,420	100
All Others	<u>9,270</u>	<u>1,900</u>	<u>9,910</u>	<u>2,115</u>	<u>215</u>
<b>Total</b>	<b>\$25,375</b>	<b>\$ 4,780</b>	<b>\$27,130</b>	<b>\$ 5,275</b>	<b>\$ 495</b>

- Collared net rates are used to project 2023-25 contributions
- Last year’s advisory valuation projected a total contribution increase of \$1,175 million between the 2021-23 and 2023-25 biennia, compared to a projected \$495 million increase in this valuation.
- Projected 2021-23 contributions increased by \$85 million compared to prior estimate (based on the 12/31/2020 advisory valuation) as a result of a larger-than-expected increase in system payroll.

\* Assumes total payroll grows at 3.40% annually based on 12/31/2021 active member census. The collared net rate applied to this payroll reflects the projected change over time in payroll composition as new OPSRP members are hired to replace retiring Tier One/Tier Two members.

# Factors Driving the Projected Contribution Increase

## The projected \$0.5 billion 2023- 25 total contribution increase consists of:

- \$0.2 billion caused by system-wide average increase in collared net employer contribution rates.
  - Primarily driven by the decrease in the assumed return from 7.2% to 6.9% and rate collar policy not allowing 2021 investment gains to reduce collared UAL Rates at the current funded status.
  - Includes impact on average contribution rate of projected change over time in payroll distribution between Tier One/Tier Two and OPSRP.
- \$0.3 billion due to projected system payroll growth between 2021-23 and 2023-25.
  - Assumed system payroll growth of 3.4% per year / 6.9% per biennium means the collared net employer rate increase is applied to a larger payroll base in non-inflation-adjusted dollars
  - Does not reflect projected change in payroll distribution between Tier One/Tier Two and OPSRP
- In 2023-25, redirected member EPSA contributions will continue to pay a portion of total contribution rates.
  - An estimate of this effect is shown on the next slide.

# Projected Split of 2023-25 Total Contributions

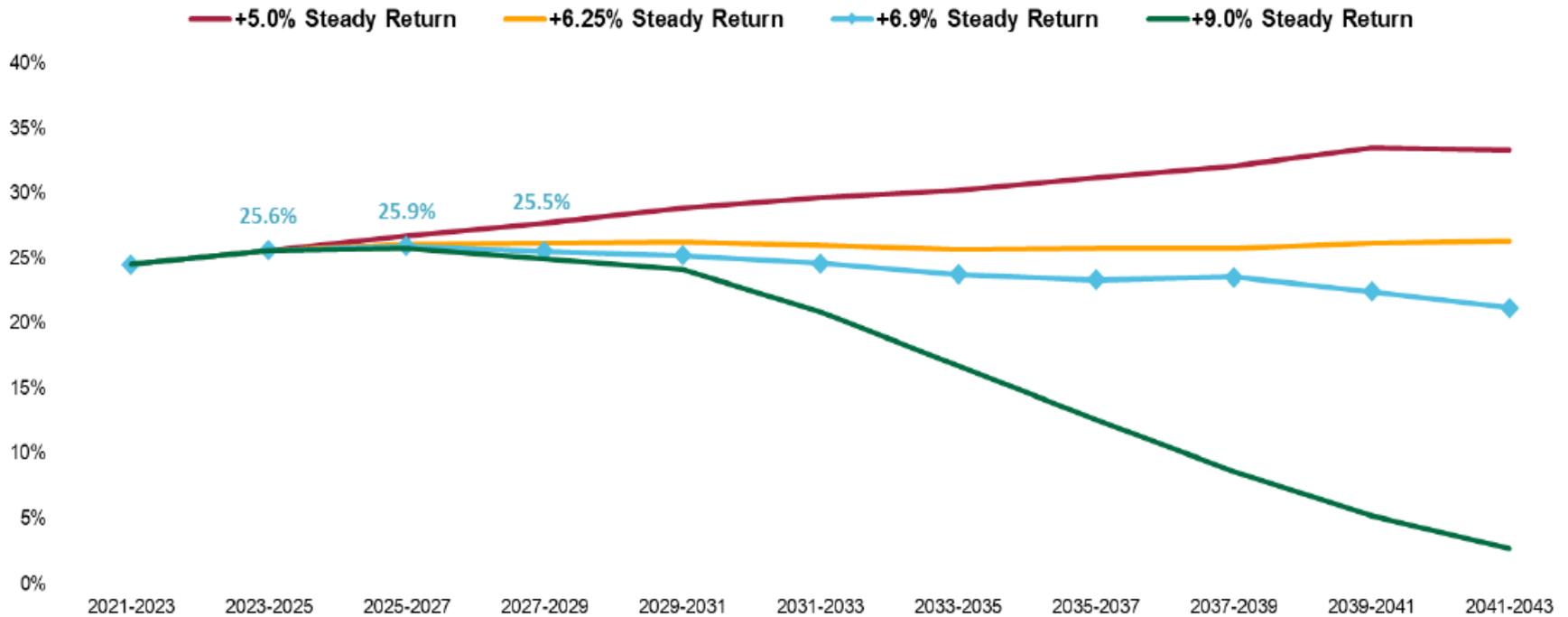
(\$ millions)	Estimated 2021-23 Member Redirect Contributions*	Estimated 2023-25 Member Redirect Contributions*	Projected 2021-23 Employer Contribution	Projected 2023-25 Employer Contribution
State Agencies	\$ 90	\$ 85	\$ 1,470	\$ 1,655
School Districts	100	95	1,220	1,325
All Others	<u>110</u>	<u>105</u>	<u>1,790</u>	<u>2,010</u>
Total	\$ 300	\$ 285	\$ 4,480	\$ 4,990

\* Reflects Member Redirect offset of 2.40% of payroll for Tier One and Tier Two, and 0.65% for OPSRP for 2023-25 (2.45% and 0.70% for 2021-23); the statutory 2.50% and 0.75% redirection levels were adjusted downward to estimate the anticipated effect of members below the statutory pay threshold who will not have contributions redirected.

# Collared Base Pension Rates

## Current Rate Setting Structure

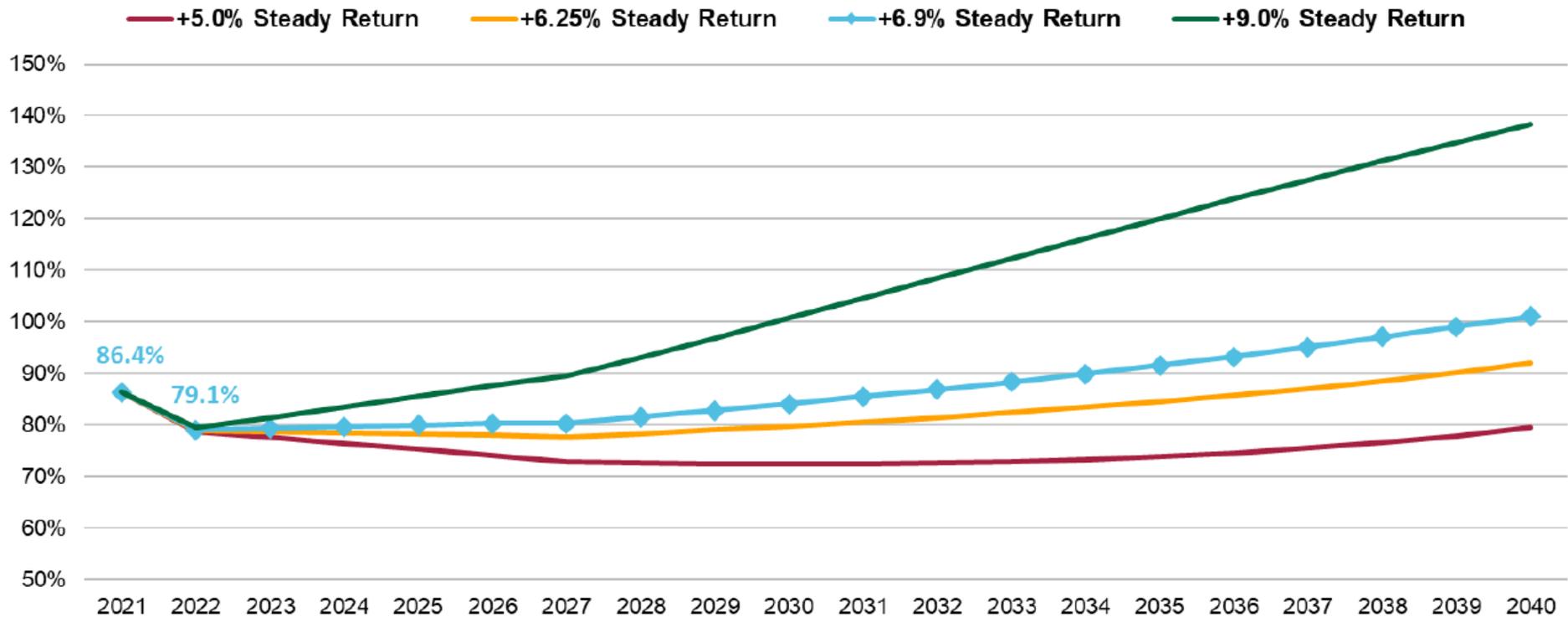
The steady return model illustrates impact of consistently achieving the assumed 6.90% return (blue line) and three alternative returns.



# System Funded Status (with Side Accounts)

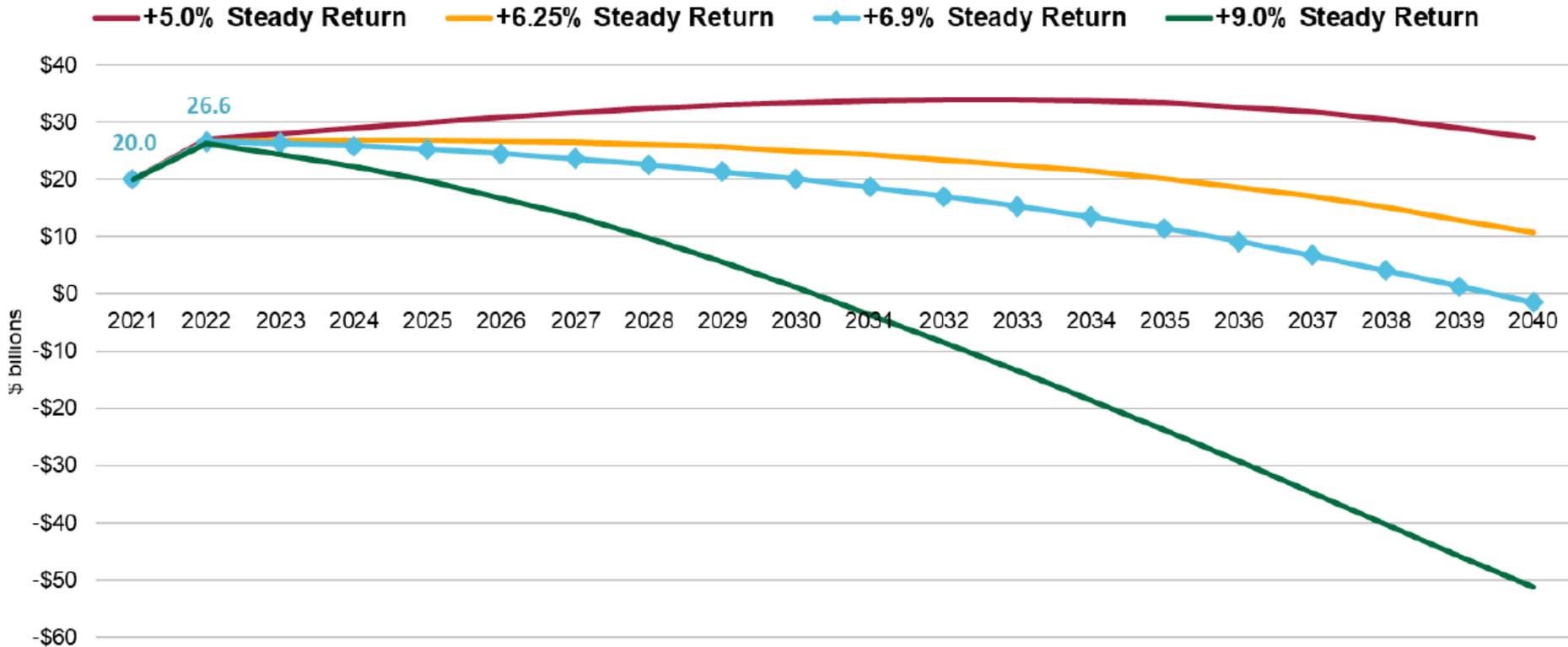
## Current Rate Setting Structure

The steady return model illustrates impact of consistently achieving the assumed 6.90% return (blue line) and three alternative returns.



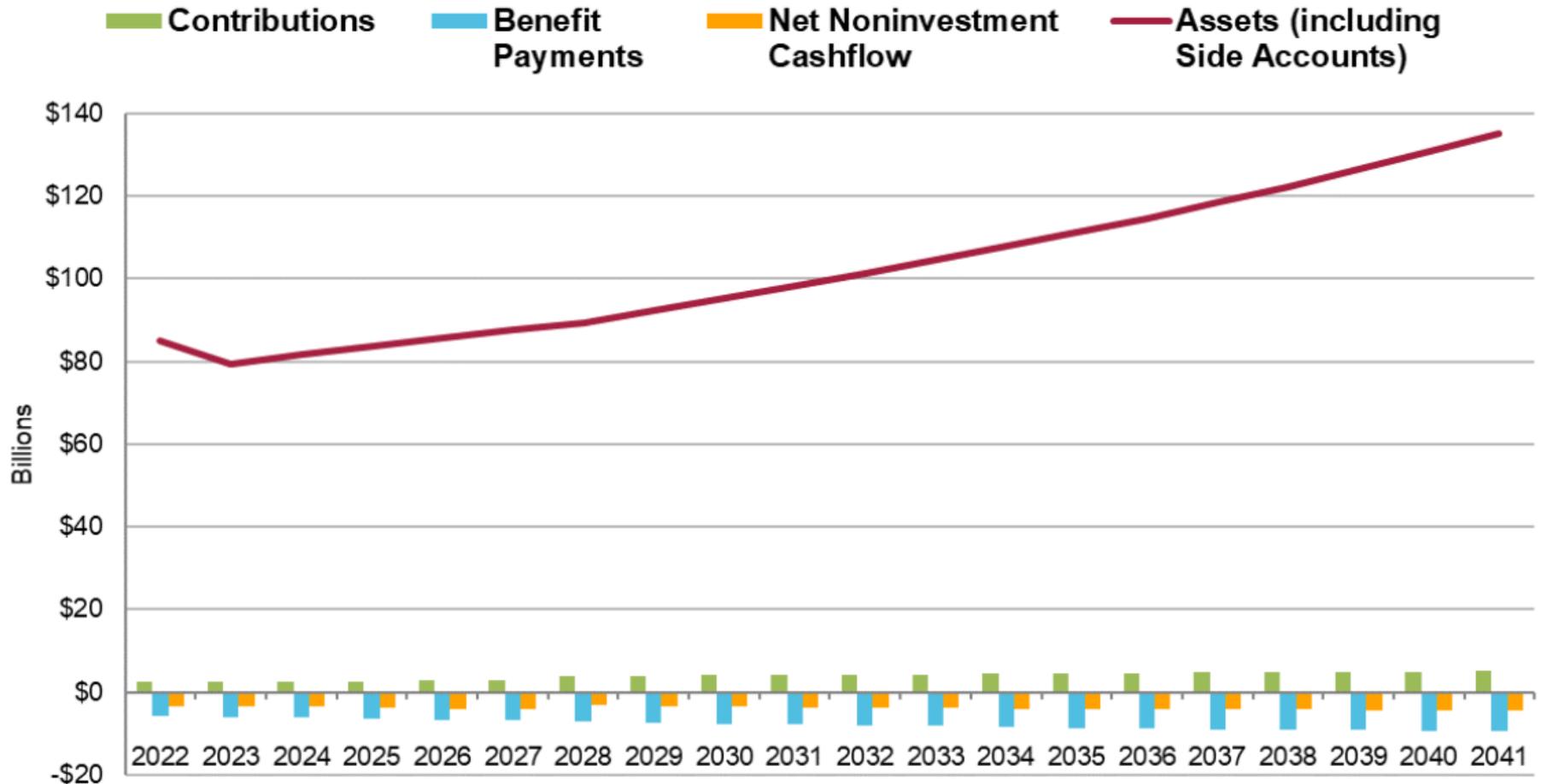
# Unfunded Actuarial Liability (UAL)

## Current Rate Setting Structure



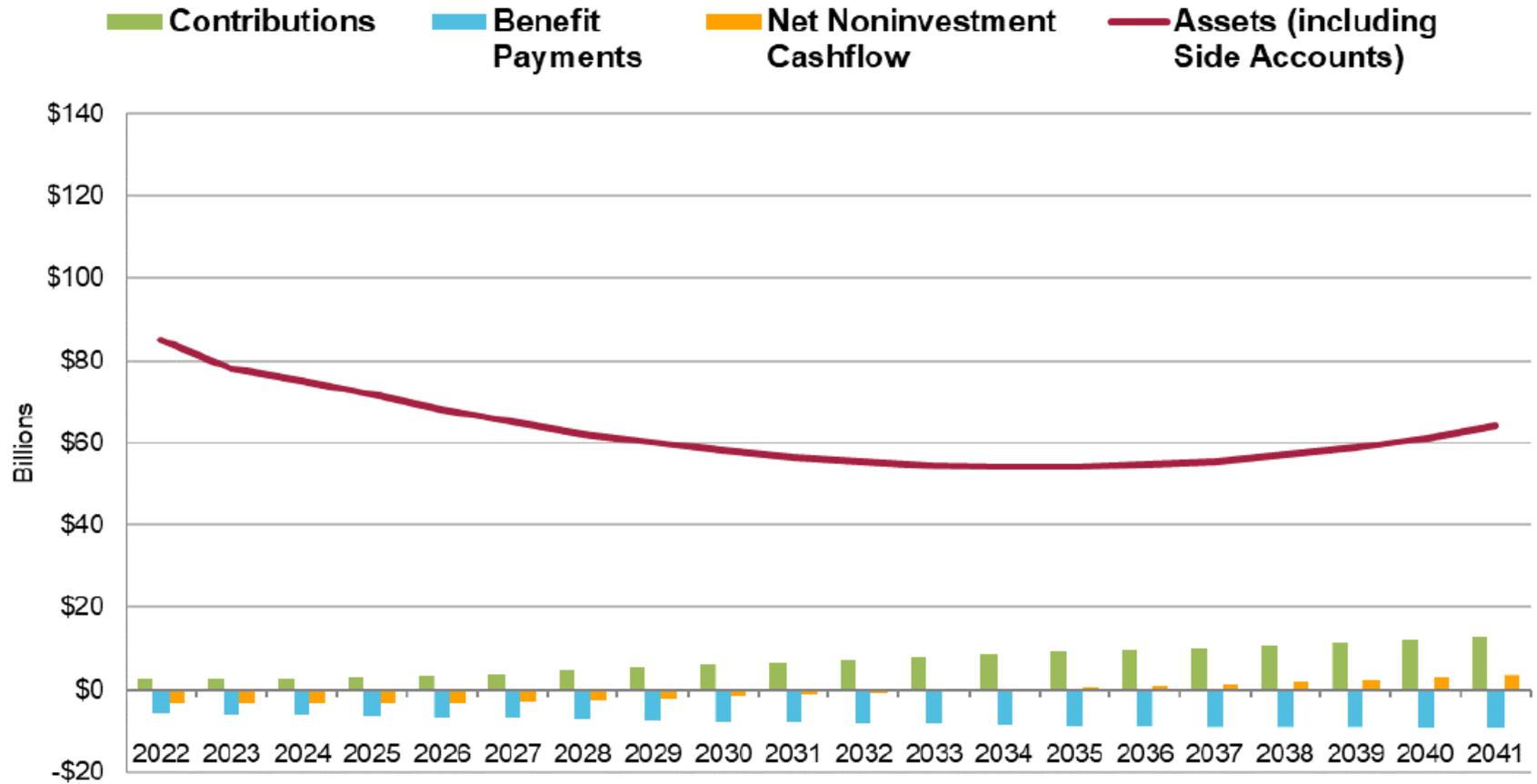
# Cash Flow and Asset Balance Analysis

Current Rate Setting Structure with 6.9% assumed return



# Cash Flow and Asset Balance Analysis

Current Rate Setting Structure and 0% assumed return



# OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



# Thank You

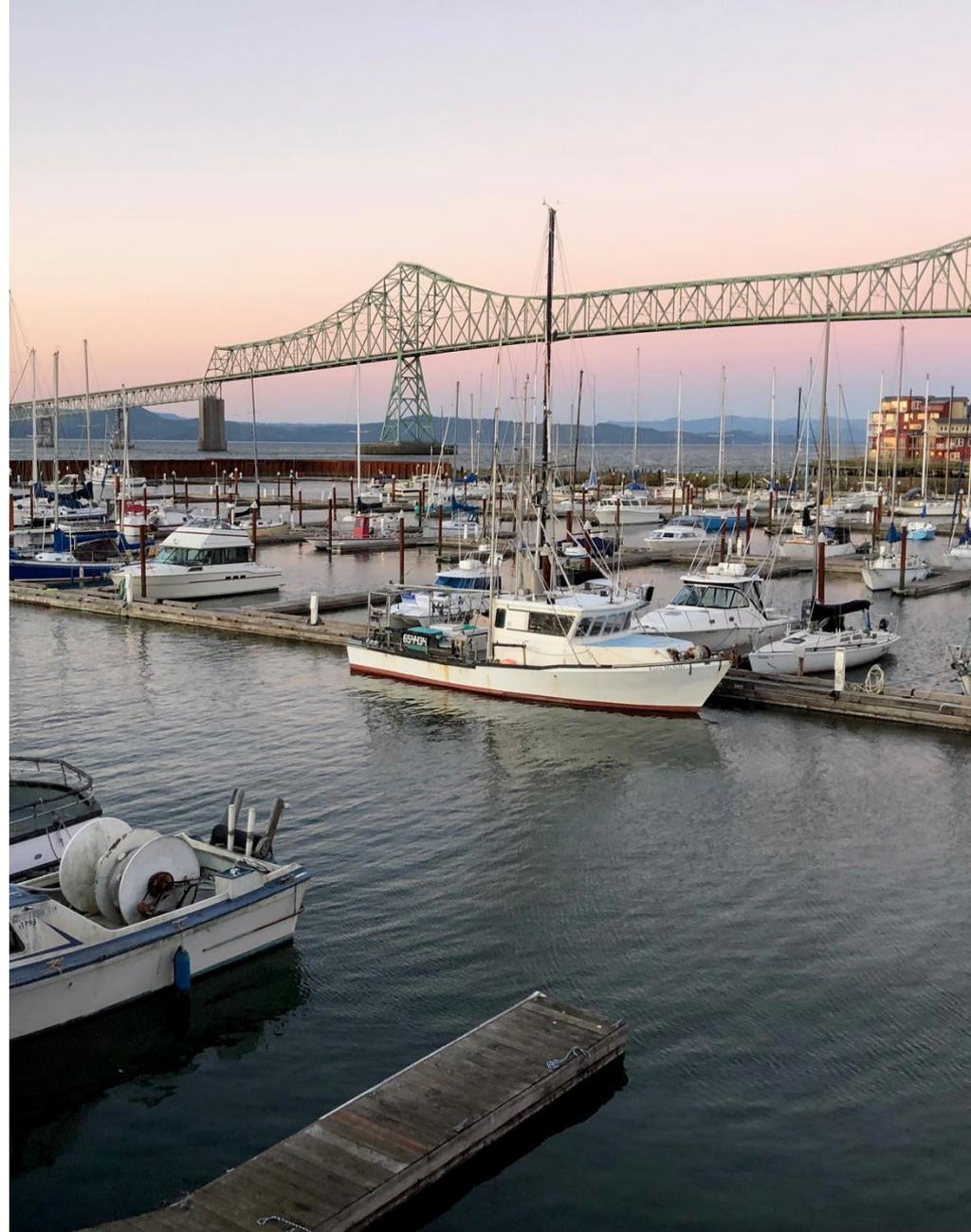
[www.oregon.gov/pers](http://www.oregon.gov/pers)



# APPENDIX

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- **PERS Board Constitution, Membership and Duties and Authority**
- **Additional Resources**



# Constitution of the PERS Board

(Oregon Revised Statutes Chapter 238.640)

Five members, appointed by the Governor and confirmed by the Senate (Governor designates who will serve as Board Chair):

- One member is an employee of the state in a management position or holds an elective office in a governing body of a public employer.
- One member is retired from a bargaining unit or is currently employed and in a bargaining unit.
- Three members are experienced in business management, pension management, or investing.

# PERS: Board of Trustees



**Board Chair:**  
Sadhana Shenoy



**Vice Chair:**  
Lawrence J. Furnstahl



Jardon Jaramillo



Stephen Buckley



John Scanlan

# PERS Board – Duties and Authority

(Oregon Revised Statutes Chapters 238.630)

- As trustees of the Public Employees Retirement Fund, directed to administer the system to create and maintain long-term stability and viability.
- Publish an actuarial report at least once every two years, evaluating the system's current and prospective assets and liabilities and its financial condition, including the mortality, disability, and other experience of the members and employers.
- Adopt actuarial equivalency factor tables at least once every two years, using the best actuarial information on mortality available at the time of adoption.
- Publish an Annual Comprehensive Financial Report (ACFR.)
- Adopt rules and take all actions necessary to maintain PERS as a federal tax qualified retirement plan.
- Employ the Director and set up any other positions under the Director deemed necessary to carry on the duties of the administration of PERS.

# Translating Duties to Governance

## **The Board meets six times per year (bi-monthly) to accomplish the following:**

- Set the economic assumptions and rate of return assumption biannually.
- Based on results of the actuarial valuation, the board sets the employer contribution rates for the subsequent biennium.
- Adopts actuarial equivalency factor tables which define the difference between the normal form of pension and other pension options.
- Approves fund earnings and interest crediting annually.
- Sets the contingency reserve allocation annually.
- Reviews and approves changes to the plan rules to ensure ongoing compliance with updates to applicable laws and regulations.
- Hires the Director and conducts regular performance review.
- Ensures there is adequate staffing under the Director to carry on the duties of the administration of PERS through adoption of budget requests.
- Reviews the PERS Objective Based Management System on a semi-annual basis to ensure the administration of the agency meets its objectives.

## **The Audit Committee meets three times per year to accomplish the following:**

- The Audit Committee reviews all internal and external audit reports and follows up on action items to address audit findings.
- The Audit Committee ensures the Annual Comprehensive Financial Report (ACFR) is published annually.

# Rate Collar Impact – Tier One/Two

The table below illustrates the impact of the collar for both the Tier One/Tier Two rate pools.

July 1, 2023 Tier One/Tier Two Rates Calculated as of December 31, 2021				
Calculation of Collar Adjustments	SLGRP	School Districts	Independent Employers	Tier One/Tier Two Totals
1. Current Tier One/Tier Two UAL rate <sup>1</sup>	12.46%	13.95%	10.49%	12.78%
2. Size of rate collar				
a. Impact of rate collar, prior rate-setting valuation	0.00%	0.00%	(0.99%)	(0.09%)
<b>b. Size of rate collar</b> <i>(3.00% for rate pools; otherwise greater of 4.00% or absolute value of [a. ÷ 3])</i>	<b>3.00%</b>	<b>3.00%</b>	<b>4.00%</b>	
c. Funded percentage	77%	82%	75%	79%
<b>d. Permissible decrease to UAL rate</b> <i>(b. if c. ≥ 90%; 0.00% if c. ≤ 87%; otherwise graded between those rates)</i>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	
3. July 1, 2023 Minimum UAL rate (1. - 2.d.)	12.46%	13.95%	10.49%	
4. July 1, 2023 Maximum UAL rate (1. + 2.b.)	15.46%	16.95%	14.49%	
5. July 1, 2023 UAL rate before collar	10.12%	9.48%	11.71%	
6. July 1, 2023 UAL rate after collar <i>(5., but not less than 3. or more than 4.)</i>	12.46%	13.95%	11.71%	
<b>7. Impact of collar (6. - 5.)<sup>2</sup></b>	<b>2.34%</b>	<b>4.47%</b>	<b>0.00%</b>	<b>2.83%</b>

<sup>1</sup> The average Tier One/Tier Two and Independent Employers rates have been recalculated based on current valuation payroll.

<sup>2</sup> The impact of collar shown for the system-wide column is the weighted average of the impact shown for each rate pool.

# Rate Collar Impact OPSRP

The table below shows the calculation of and any adjustment for the OPSRP rate collar.

July 1, 2023 Rates Calculated as of December 31, 2021	
	Average Rate
1. Current OPSRP UAL rate	1.69%
2. Size of rate collar	
a. Size of rate collar (1.00% for OPSRP)	1.00%
b. Funded percentage	87%
c. Permissible decrease to UAL rate (1.00% if b. ≥ 90%; 0.00% if b. ≤ 87%; otherwise graded between those rates)	0.00%
3. July 1, 2023 Minimum OPSRP UAL rate (1. - 2.c.)	1.69%
4. July 1, 2023 Maximum OPSRP UAL rate (1. + 2.a.)	2.69%
5. July 1, 2023 OPSRP UAL rate before collar	1.51%
6. July 1, 2023 OPSRP UAL rate after collar (5., but not less than 3. or more than 4.)	1.69%
7. Impact of collar (6. - 5.)	0.18%

# Additional Resources

## **Agency 2021-23 Governor's Recommended Budget**

- [Link to be established](#)

## **Milliman December 31, 2021, System Valuation**

- Annual actuarial report of the system assets and liabilities  
<https://www.oregon.gov/pers/Documents/Financials/Actuarial/2022/12312021%20Actuarial%20Valuation.pdf>

## **Annual Comprehensive Financial Report (ACFR) – Fiscal Year End June 30, 2021**

- Report of all funds over which the PERS Board exercises authority  
<https://www.oregon.gov/pers/Documents/Financials/CAFR/2022-ACFR.pdf>

## **PERS by the Numbers – Updated December 2021**

- Summary of information about system demographics, benefits, funding, revenue, and history  
<https://www.oregon.gov/pers/Documents/General-Information/PERS-by-the-Numbers.pdf>

## **PERS Economic Impact Study 2021**

- Summary of the economic impact of PERS pension payments on the Oregon economy  
<https://www.oregon.gov/pers/Documents/General-Information/Economic-Impact-Study.pdf>

## **PERS Agency Strategic Plan – 2023-2028**

- Agency-established priorities and plan to achieve the core mission  
<https://www.oregon.gov/pers/Documents/Strategic-Plan.pdf>

## **PERS Agency Website**

- PERS website  
<https://www.oregon.gov/pers/Pages/index.aspx>