OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

2025-2027 Budget presentation

Ways and Means
General Government Subcommittee
February 17, 2025

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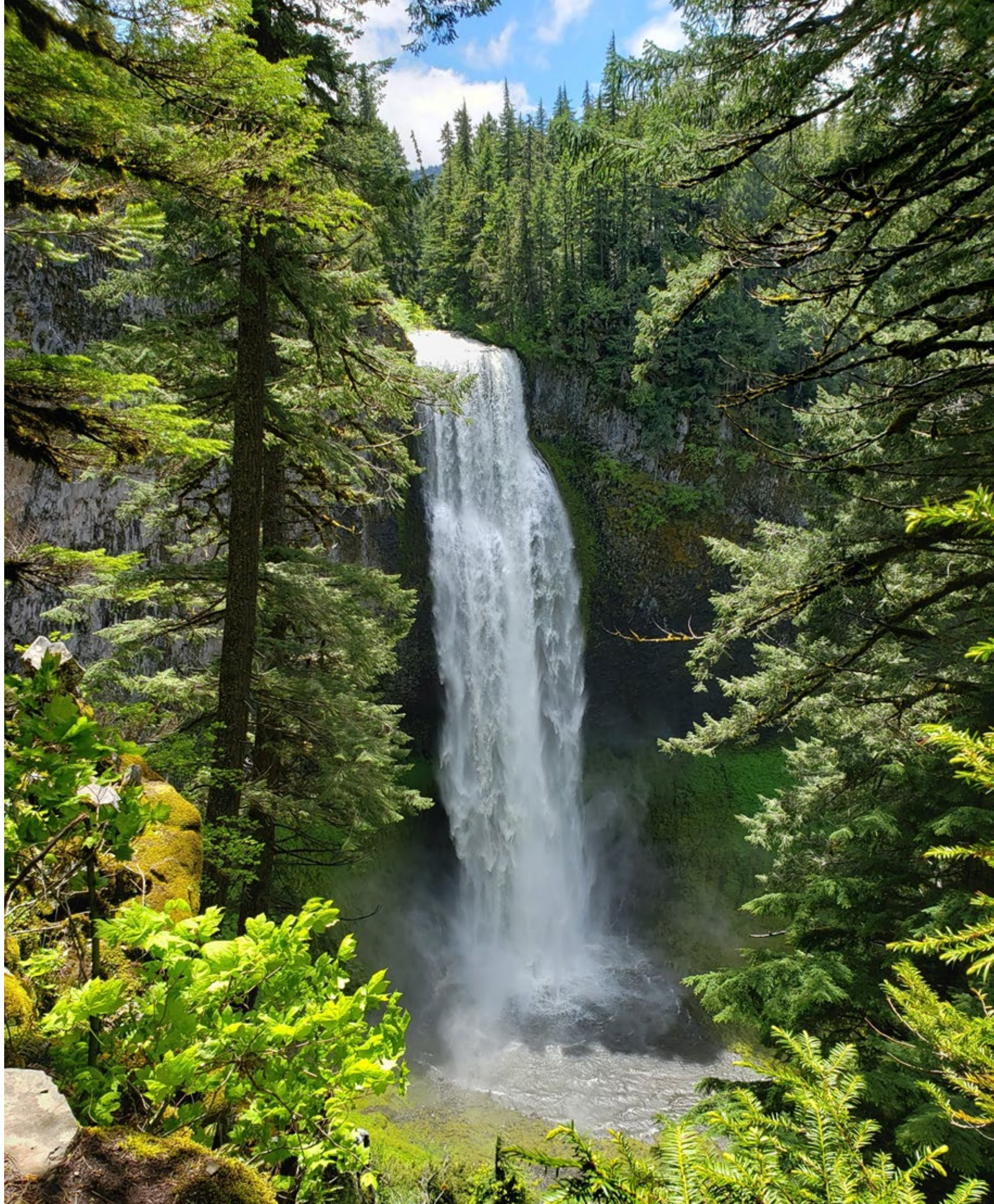


Agency presentation schedule

Day One

System overview

- Overview and partnerships
- Governance and interdependencies
- Benefits and funding
- Funded status and liabilities
- System-wide rates and projections
    - Principles, Rate Collar, Rate Calculation, Side Accounts, Projections
- Appendix and additional resources

Day Two

Agency overview

- System and agency funding
- Summary of programs and services
- Organizational structure and divisional budgets
- Major budget drivers 2025-2027
- Budget risks and environmental factors
- Agency changes past six years
- Agency program changes and service delivery 2023-2025
- Recent changes to agency budget and management
- Key legislation 2025 session
- Appendix and additional resources

Day Three

Detailed Budget Overview

- Detailed breakdown of policy option packages
- Statewide policy packages
- Summary of 2025-2027 policy option packages
- 2025-27 Proposed Technology Projects
- Supervisory Span of Control
- Performance and Outcome Measures
- 2023-25 long-term vacancies
- Other Funds' ending balances
- Agency Cost Containing Measures
- 10% budget reduction options
- Additional agency budget information
- Appendix and additional resources

Day Four

Statutory Reporting

- Preliminary earnings crediting report for calendar year 2024
- Senate Bill 1566 (2018) reports:
    - General status update
    - School district unfunded liability fund update
    - Employer incentive fund update
    - Unfunded Actuarial Liability Resolution Program update

PERS overview and partnerships
(as of June 30, 2024)

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 Program (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 415,000 current and former public employees or their beneficiaries.

Public Employees Retirement System
(the agency)

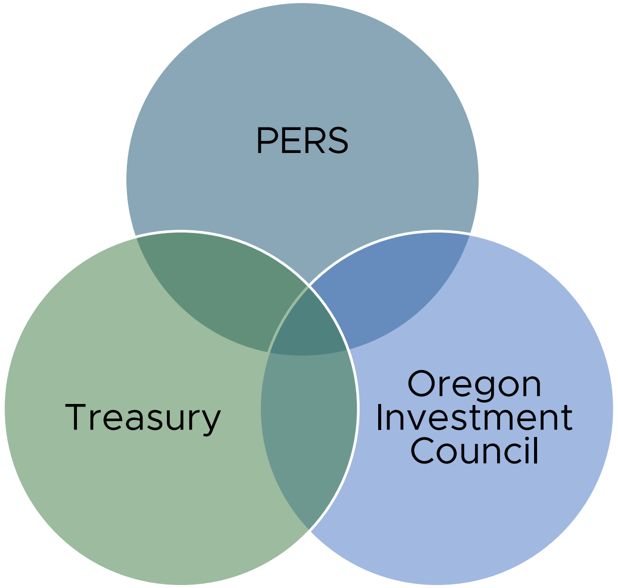
Membership by employer
State, universities, judges: 69,443
School districts: 100,296-
Local government: 79,618

Membership by program
Tier One: 142,812
Tier Two: 60,129
OPSRP: 212,552

Public employers
904 schools, cities, counties, special districts, state agencies

PERS members
249,357 active and inactive
166,136 benefit recipients

Interdepencies 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.

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 and 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 (reference chapter 459) govern the implementation of PERS' statutory responsibilities.

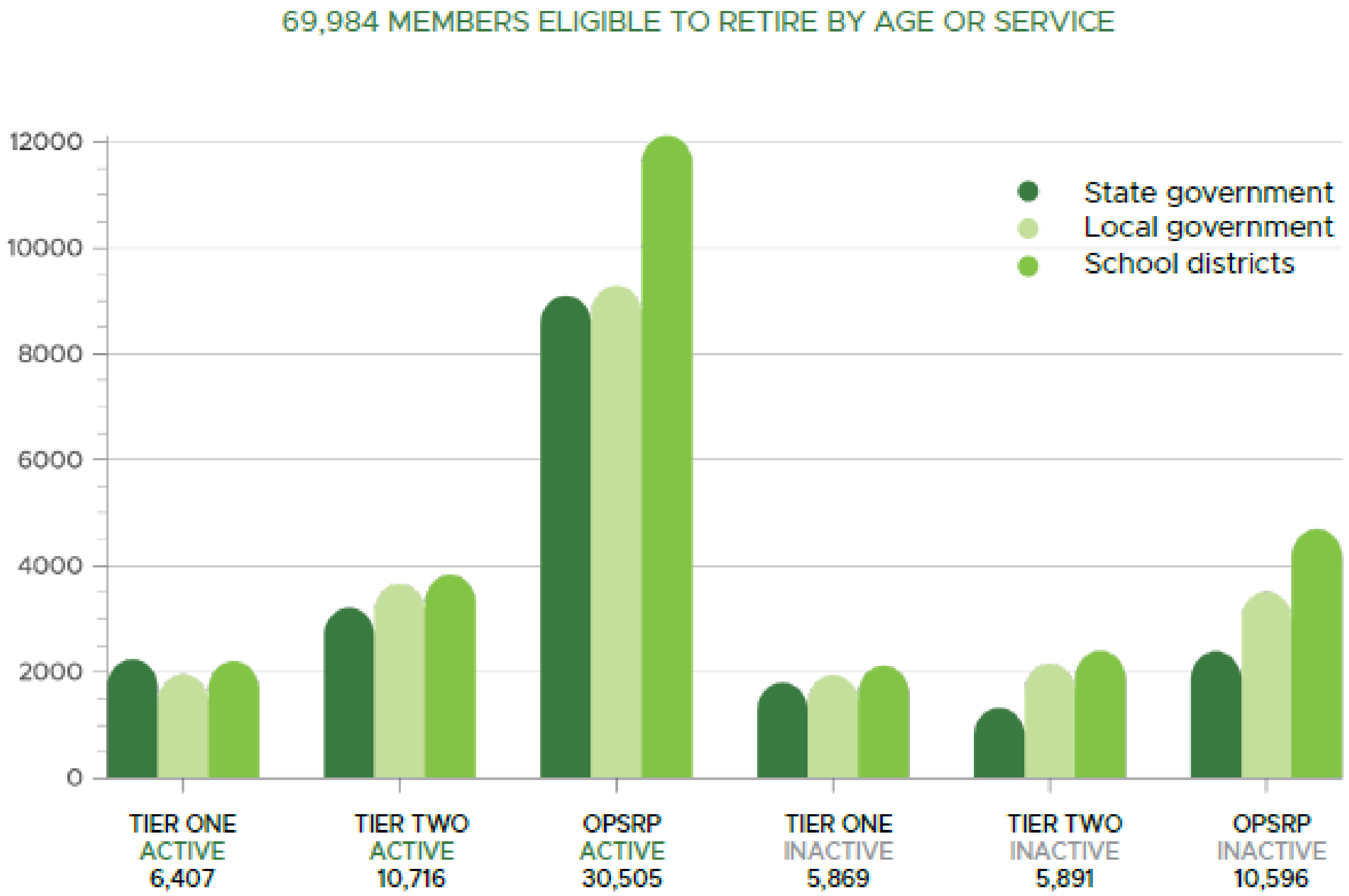
A history of complexity

- Between 1945 and 2022, the Legislature has approved close to 80 changes to PERS plans. These changes continuously increase 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: Cost-of-living 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 Unfunded Actuarial Liabilities Resolution Program, and a side account for school district rate relief (funded by various revenue streams).
    - 2019: Senate Bill (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.
    - 2024: House Bill 4045: Added district attorneys to the Police and Fire job classification, lowered the retirement age for Police and Firefighter members in OPSRP both with an effective date of January 1, 2025, and added a new job classification, Hazardous Positions, with an effective date of January 1, 2030.

❖ More detail in the Appendix.

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

Members eligible to retire

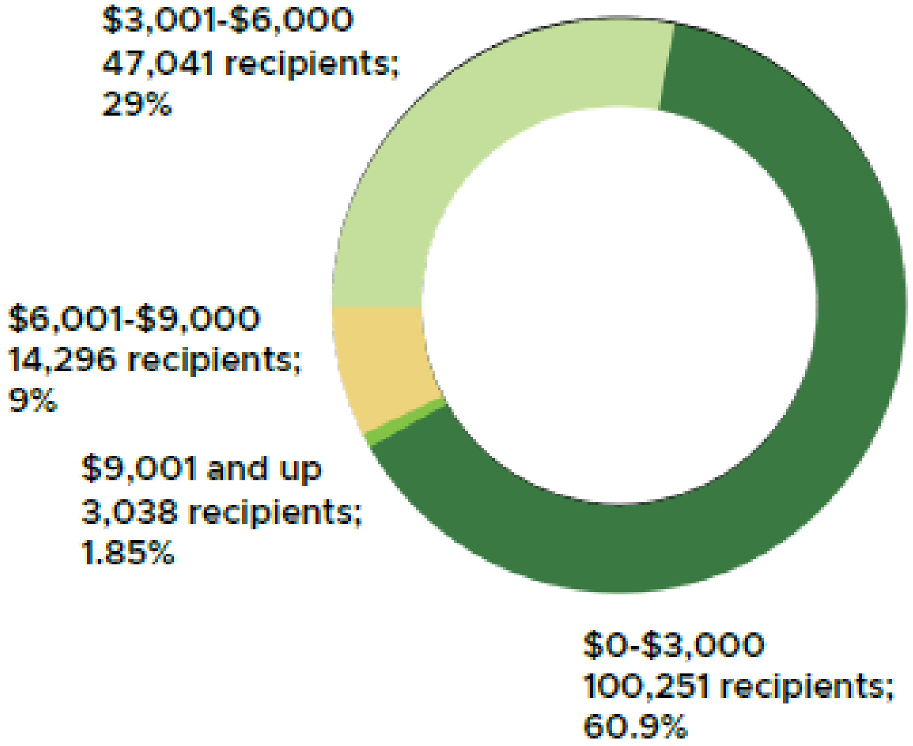


*Reflects the number of members eligible to retire (including those eligible for reduced benefits) based on age 55 or 30 years of service for general service members, age 50 or 25 years of service for police and firefighters, and age 60 for judge members.

Who gets paid how much?

MONTHLY BENEFIT PAYMENT AMOUNTS AS OF JANUARY 2024

Based on 164,626 monthly benefit payments totaling $476.8 million for the month of January 2024 (includes alternate payees and survivors; excludes lump-sum and unit payments). Benefit payment amounts include compounded annual cost-of-living adjustments (COLA) and other post-retirement benefit adjustments.

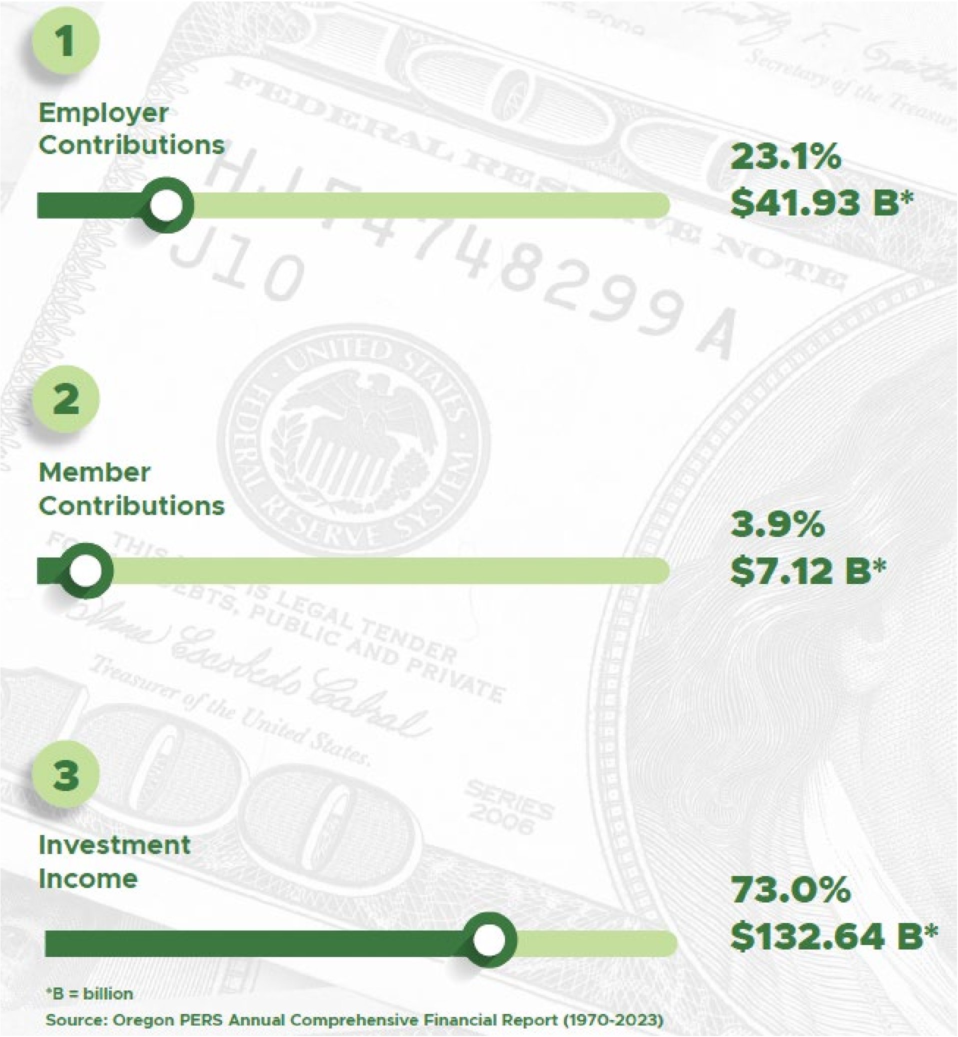


Average annual benefit: $34,762.

Median annual benefit: $27,647.

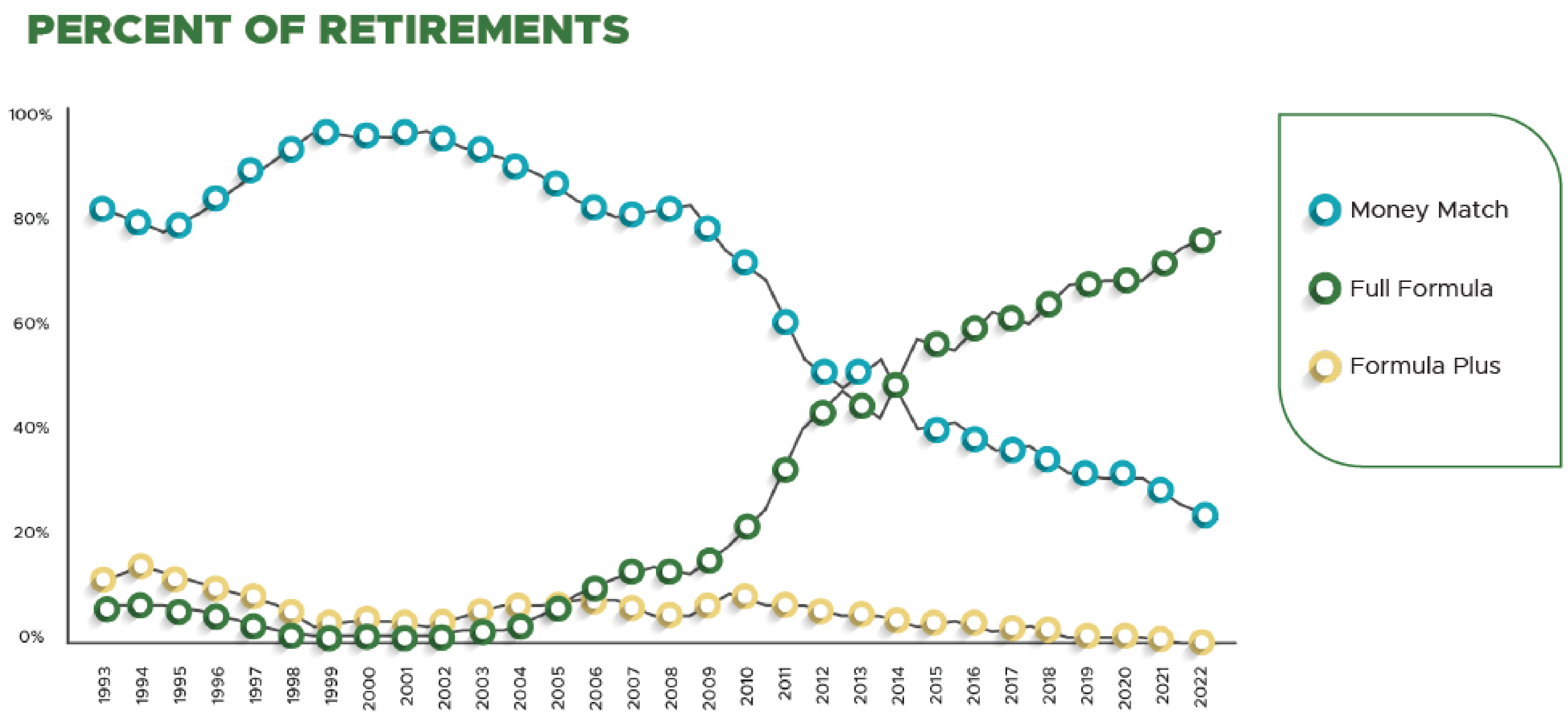
How has PERS been funded?

MONEY FOR PERS RETIREMENT COMES FROM THREE SOURCES (1970-2023)



Where the funding balance got away

Money Match versus Full Formula and Formula Plus



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.		Employer and member funds to pay pension benefits.		Future returns on invested funds.
Set by: Oregon Legislature		**Set by:** PERS Board		**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.

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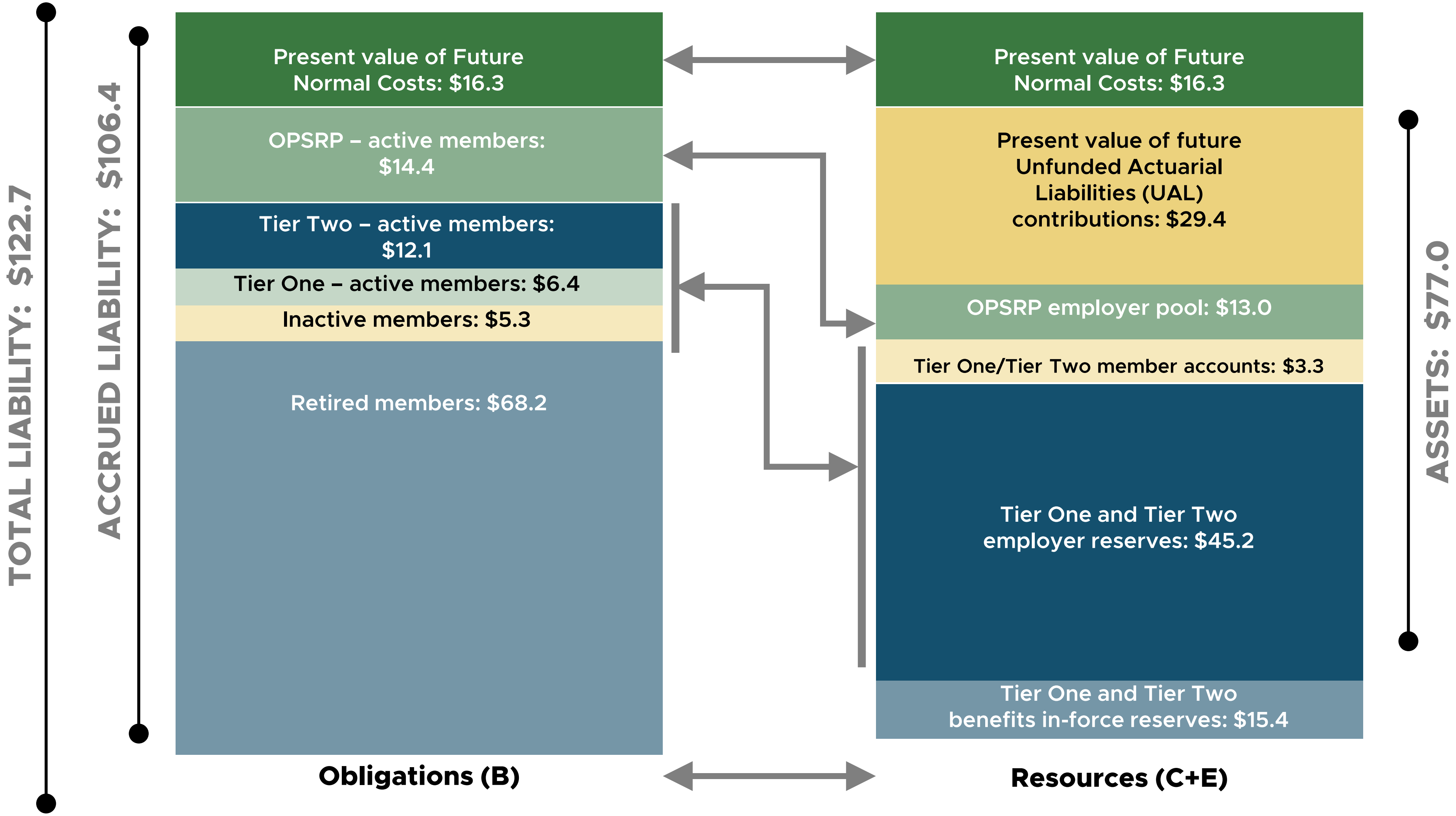
Problem: the (B) and (C+E) don't align



Excludes side accounts, Contingency Reserves, and Tier One Rate Guarantee Reserve.

As of 12/31/2023

Dollar shown in billions.
May not add due to rounding.

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PUBLIC EMPLOYEES RETIREMENT SYSTEM

Funded 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
Assumed return:	6.90%	6.90%	6.90%
Actuarial liability	$ 98.4	$ 102.9	$ 106.4
Assets (excluding side accounts)	78.4	74.9	77.0
UAL (excluding side accounts)	**$ 20.0**	**$ 28.0**	**$ 29.4**
Funded status (excluding side accounts)	**80%**	**73%**	**72%**
Side account assets	$ 6.6	$ 6.2	$ 5.4
UAL (including side accounts)	$ 13.4	$ 21.8	$ 24.0
Funded status (including side accounts)	**86%**	**79%**	**77%**

Table provided by Milliman, PERS' actuary.

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

Funded status and UAL by program

Pension Funded Status ($ billions) at 12/31/2023 *totals may not add due to rounding*			
	Tier One/ Tier Two	OPSRP	Combined
Actuarial liability	$ 89.3	$ 17.0	$ 106.4
Assets (excluding side accounts)	$ 64.1	$ 13.0	$ 77.0
UAL (excluding side accounts)	$ 25.3	$ 4.1	$ 29.4
Funded status (excluding side accounts)	72%	76%	72%
Side account assets			$ 5.4
UAL (including side accounts)			$ 24.0
Funded status (including side accounts)			77%

Table provided by Milliman, PERS' actuary.

Sources of 2023 UAL (excluding side accounts) change

($ billions)	UAL Increase
Expected UAL increase/(decrease) during 2023	($ 0.2)
2023 actual investment performance	0.8
Plan changes	0.1
Actual demographic experience different than assumed	0.6
Actual UAL increase/(decrease) during 2023	$ 1.3

- The *expected UAL increase/(decrease)* is the UAL change, based on 12/31/2022 valuation results and contribution rates in effect during 2023, projected to occur during 2023 if actual 2023 experience followed that valuation's assumptions.
- The 2023 investment gain (e.g., actual versus assumed return) reflects actual 2023 PERS returns of +5.98% compared to the assumed 6.90% return.
- The increase from actual demographic experience different than was primarily due to individual member salary increase experience during 2023 higher than the long-term assumption.

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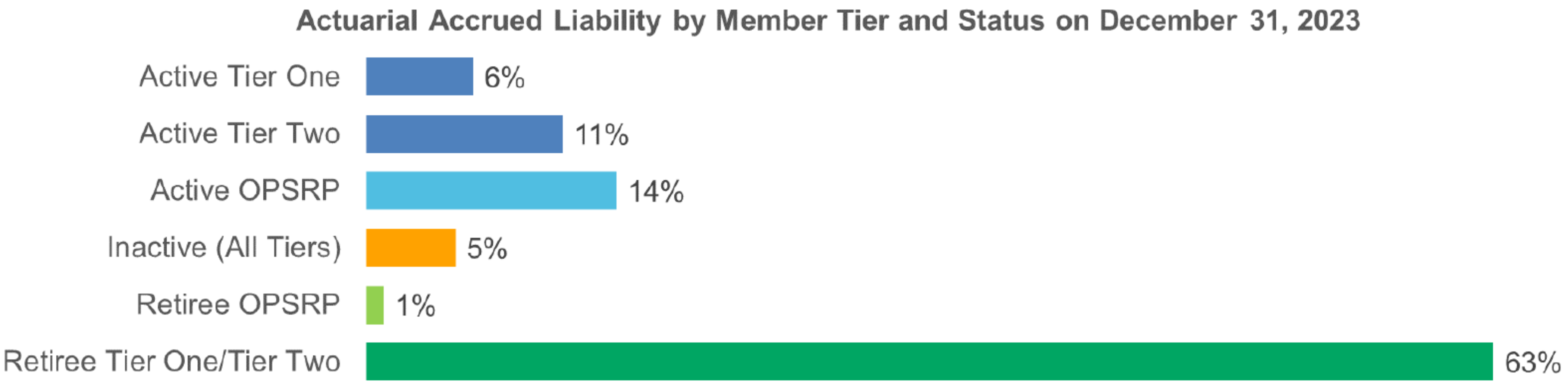
Table provided by Milliman, PERS' actuary.

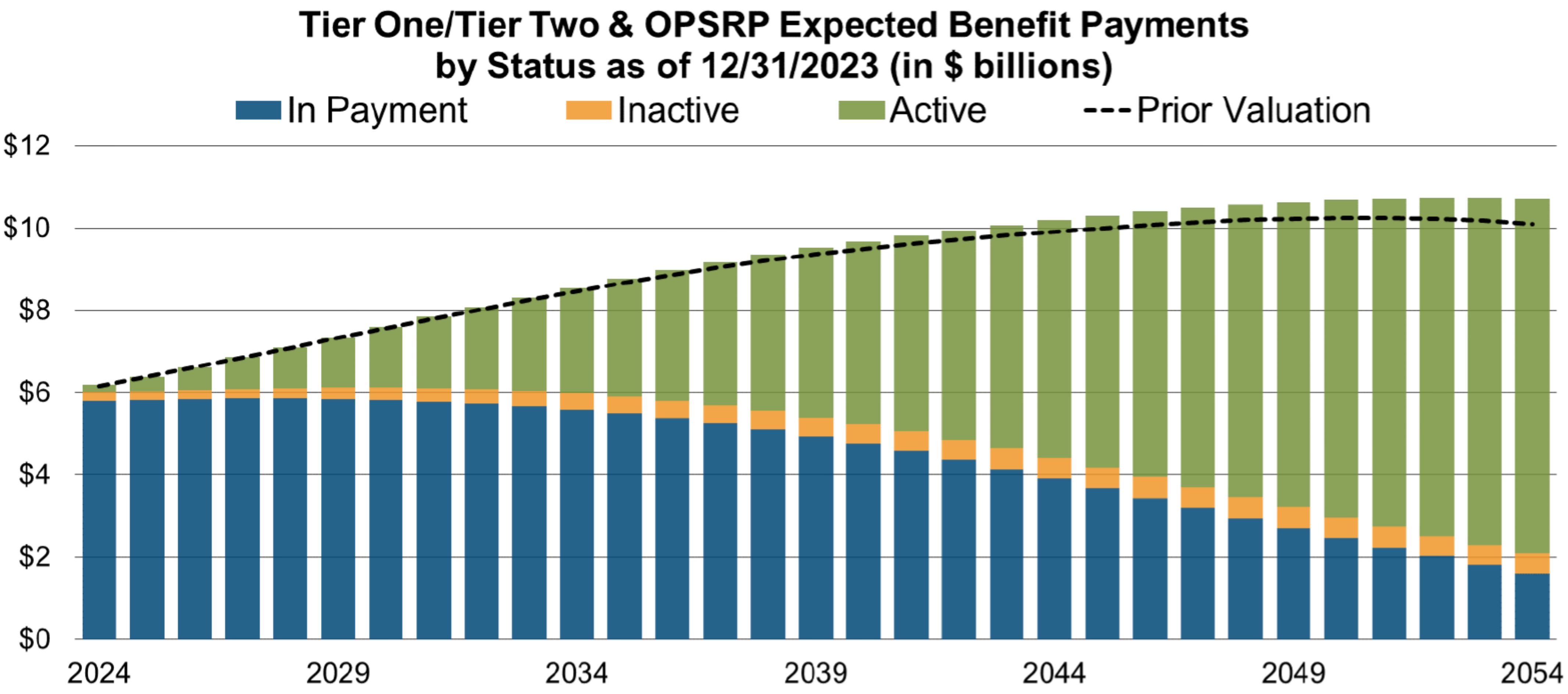
Actuarial accrued liabilities

Approximately 68% of PERS' total accrued actuarial liability is for members who are no longer working in PERS-covered employment (retired and inactive members).



Accrued actuarial liability is the value of benefits allocated to service prior to 2024.

Projected benefit payments



Graph provided by Milliman, PERS' actuary.

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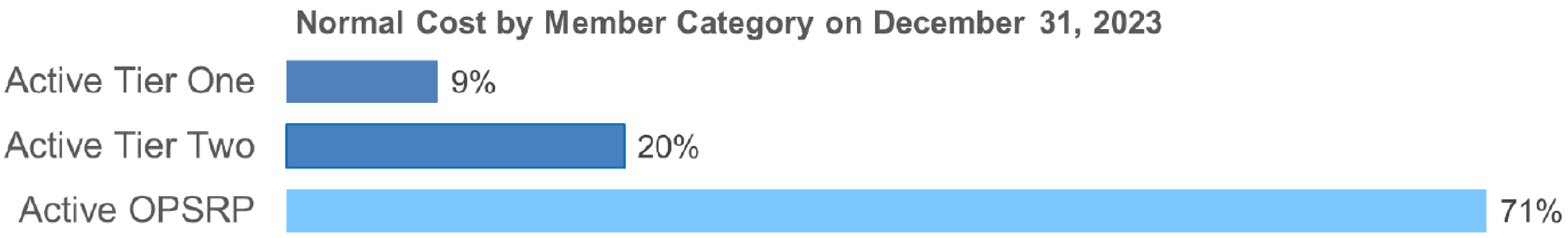
Normal cost by category

Approximately 71% of the normal cost is now made up of active OPSRP members who are now more than 81% of the total active members.



Normal cost is the value of benefits allocated to projected service during 2024.

Chart provided by Milliman, PERS' actuary.

Valuation process and timeline

- Actuarial valuations are conducted annually.
  - Alternate between “rate-setting” and “advisory” valuations.
  - The valuation as of 12/31/2023 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
12/31/2021 →	July 2023 – June 2025
12/31/2023 →	July 2025 – June 2027
12/31/2025 →	July 2027 – June 2029

Table provided by Milliman, PERS’ actuary.

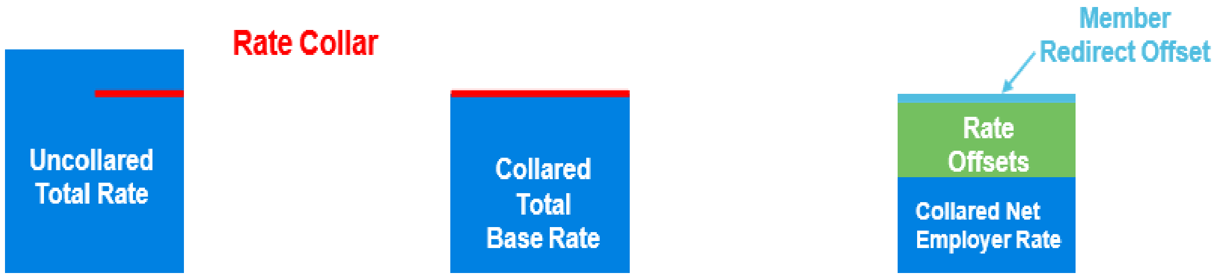
Board principles on rate setting

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

- Transparent process and inputs.
- Predictable and stable employer contribution rates.
- Protects funded status to secure future benefit payments.
- Equitable across generations of taxpayers funding the system.
- Actuarially sound – fully funds the system if assumptions are met.
- Governmental Accounting Standards Board-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.

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.
  - Actual future experience mirrors the actuarial valuation's assumptions.
  - 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.
  - State and Local Government Rate Pool (SLGRP) charges or offsets (e.g., Transition Liability or Surplus).

Figure provided by Milliman, PERS' actuary.

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 and Tier Two UAL Rates: 3% of pay.
  - OPSRP UAL rate: 1% of pay.
  - Tier One and Tier Two UAL rates of Independent Employers: greater of 4% of pay or 1/3rd of the difference between the collared and uncollared Tier One and 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%.

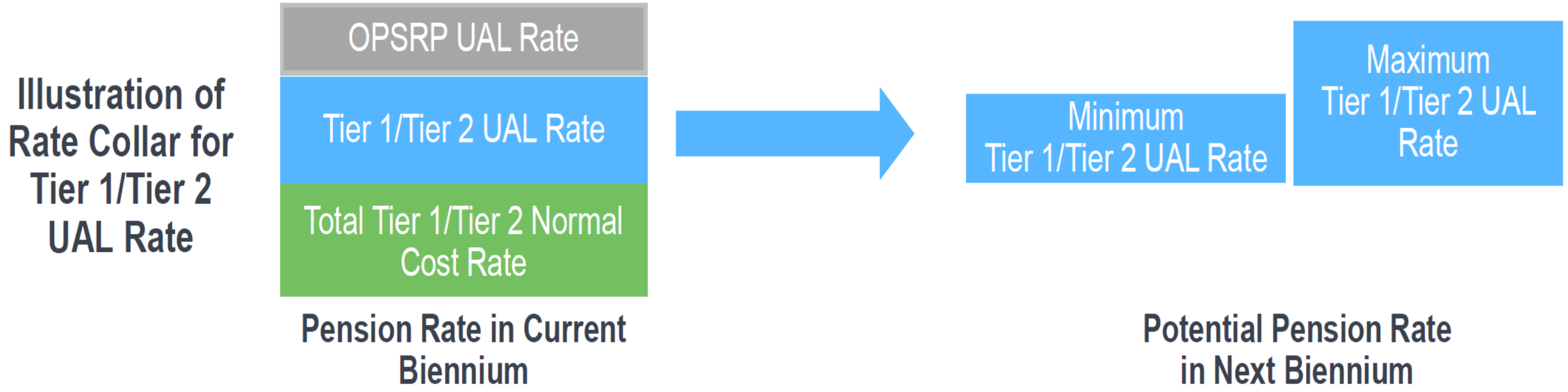
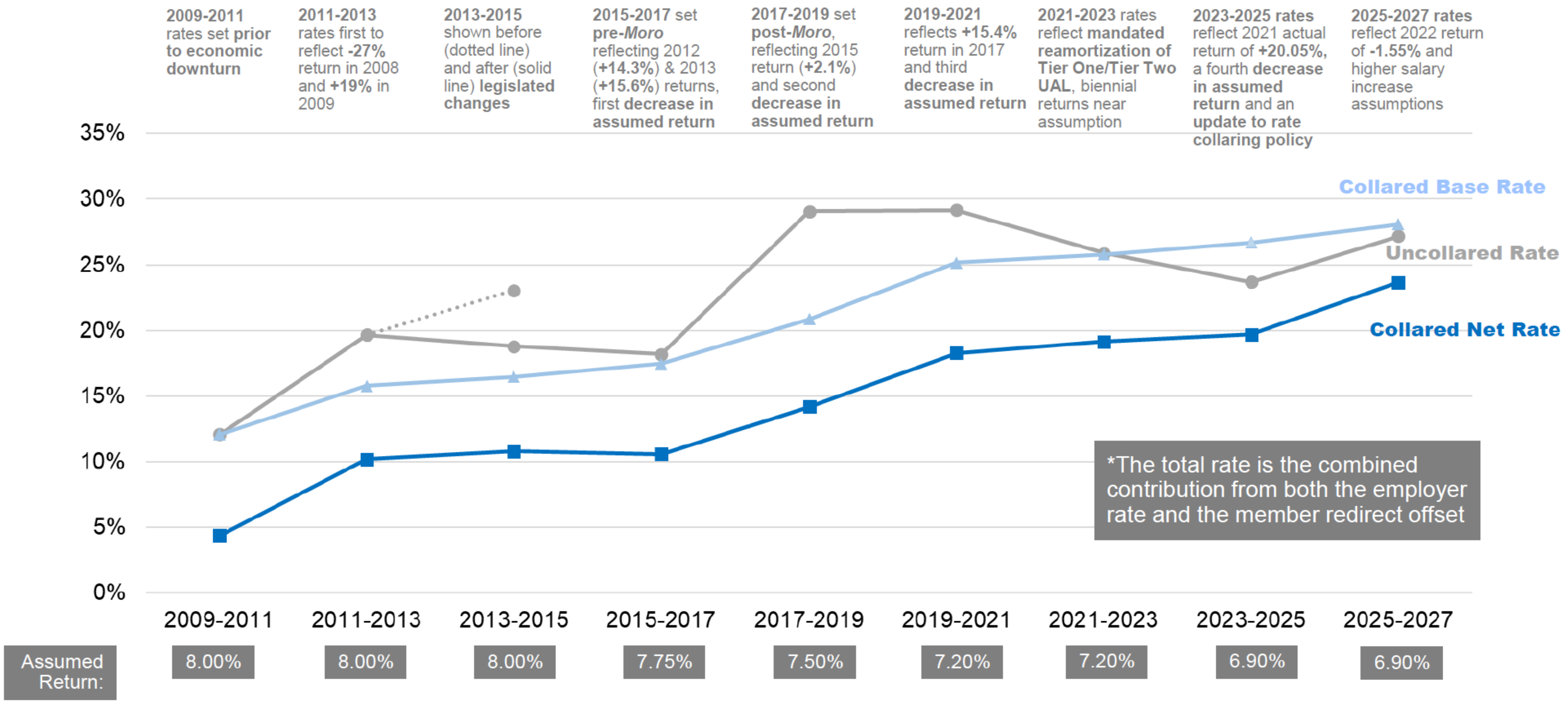


Figure provided by Milliman, PERS' actuary.

System-average weighted total* pension-only rates



Graph provided by Milliman, PERS' actuary.

OREGON PERS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Uncollared total pension rates: system-wide

Excludes retiree health care, IAP contributions, rate collar, side accounts

	12/31/2021 Valuation 2023 – 2025 Final Rates			12/31/2023 Valuation 2025 – 2027 Final Rates		
	Payroll			Payroll		
	Tier One / Tier Two	OPSRP	Weighted Average[1]	Tier One / Tier Two	OPSRP	Weighted Average[1]
Normal Cost	15.91%	10.47%	11.98%	16.21%	11.11%	12.21%
Tier One/Tier Two UAL	10.24%	10.24%	10.24%	12.15%	12.15%	12.15%
OPSRP UAL	1.51%	1.51%	1.51%	2.86%	2.86%	2.86%
Uncollared Total Rate	**27.66%**	**22.22%**	**23.73%**	**31.22%**	**26.12%**	**27.22%**
Increase				**3.56%**	**3.90%**	**3.49%**

[1] 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

Table provided by Milliman, PERS' actuary.

OREGON PERS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Collared total pension base rates: system-wide

Excludes retiree healthcare, IAP contributions, and side account offsets

	12/31/2021 Valuation 2023 – 2025 Final Rates			12/31/2023 Valuation 2025 – 2027 Final Rates		
	Payroll			Payroll		
	Tier One / Tier Two	OPSRP	Weighted Average[1]	Tier One / Tier Two	OPSRP	Weighted Average[1]
Uncollared Total Rate	**27.66%**	**22.22%**	**23.73%**	**31.22%**	**26.12%**	**27.22%**
Effect of Rate Collar	3.01%	3.01%	3.01%	0.89%	0.89%	0.89%
Collared Total Base Rate	**30.67%**	**25.23%**	**26.74%**	**32.11%**	**27.01%**	**28.11%**
Increase				**1.44%**	**1.78%**	**1.37%**

[1] 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

Table provided by Milliman, PERS' actuary.

Collared employer pension rates: system-wide
Excludes retiree healthcare and IAP contributions

	12/31/2021[1] Valuation 2023 – 2025 Final Rates			12/31/2023[1] Valuation 2025 – 2027 Final Rates		
	Payroll			Payroll		
	Tier One / Tier Two	OPSRP	Weighted Average[2]	Tier One / Tier Two	OPSRP	Weighted Average[2]
Collared Base Rate	**30.67%**	**25.23%**	**26.74%**	**32.11%**	**27.01%**	**28.11%**
Member Redirect Offset	(2.40%)	(0.65%)	(1.10%)	(2.40%)	(0.65%)	(1.00%)
Collared Base Employer Rate	**28.27%**	**24.58%**	**25.64%**	**29.71%**	**26.36%**	**27.11%**
Side Account (Offset)	(6.64%)	(6.64%)	(6.64%)	(4.24%)	(4.24%)	(4.24%)
SLGRP Charge/(Offset)	(0.39%)	(0.39%)	(0.39%)	(0.18%)	(0.18%)	(0.18%)
Collared Net Rate	**21.24%**	**17.55%**	**18.61%**	**25.29%**	**21.94%**	**22.69%**
Increase				**4.05%**	**4.39%**	**4.08%**

1 For this exhibit, adjustments are assumed not to be limited due to an individual employer reaching a 0.00% contribution rate.
2 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

OREGON PERS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Table provided by Milliman, PERS' actuary.

System-wide rate summary
Weighted average total rates (Tier One/Tier Two and OPSRP)

	Final 2023 - 2025	Final 2025 - 2027	Increase/ (Decrease)
Uncollared Total Base Rate	23.73%	27.22%	3.49%
Collared Total Base Rate	26.74%	28.11%	1.37%
Collared Base Employer Rate	25.64%	27.11%	1.47%
Collared Net Employer Rate	18.61%	22.69%	4.08%

- 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 and Tier Two liability experience.

- At a system-wide level, the uncollared total base rate of 27.22% is 0.89% of pay lower than the collared total base rate of 28.11%. This means that for most employers, the rate collar prevents a decrease in the 2025-2027 UAL rate that would otherwise have occurred, compared to the current level.

Table provided by Milliman, PERS' actuary.

Projected 2025-2027 total contributions

($ millions)	Projected 2023-25 Payroll*	(A) Projected 2023-25 Total Contribution	Projected 2025-27 Payroll*	(B) Projected 2025-27 Total Contribution	(B - A) Projected Total Contribution Increase / (Decrease)
State Agencies	$ 9,460	**$ 1,960**	$ 10,120	**$ 2,440**	**$ 480**
School Districts	9,970	**1,600**	10,660	**2,270**	**670**
All Others	11,210	**2,380**	11,980	**2,990**	**610**
Total	$ 30,640	**$ 5,940**	$ 32,760	**$ 7,700**	**$ 1,760**

- Employer net contributions exclude employer side account transfer amount.
- Biennium-to-biennium increase driven primarily by the collared employer net rate change and secondarily by projected biennium-to-biennium payroll growth.
- All amounts reflect the 11% increase in system payroll and 4% increase in active member headcount since the last advisory valuation.

* Assumes total payroll grows at 3.40% annually based on 12/31/2023 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

Table provided by Milliman, PERS' actuary.

Factors driving the projected contribution increase

The projected $1.8 billion 2025-2027 total contribution increase consists of:

- $1.4 billion due to system-wide average increase in collared net employer contribution rates.
  - Primarily driven by cumulative 2022 and 2023 investment losses along with higher liabilities due to recent and assumed future salary growth.
  - Also reflects decrease in average remaining side account offsets due to significant payroll growth.
  - Includes impact on average contribution rate of projected change over time in payroll distribution between Tier One/Tier Two and OPSRP membership.
- $0.4 billion due to projected system payroll growth between 2023-2025 and 2025-2027.
  - 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 membership.
- In 2025-2027, redirected member Employee Pension Stability Accounts (EPSA) contributions expected to continue to pay a portion of total contribution rates.
  - An estimate of this effect is shown on the next slide.

Projected split of 2025-2027 total contributions

($ millions)	Estimated 2023-25 Member Redirect Contributions*	Estimated 2025-27 Member Redirect Contributions*	Projected 2023-25 Employer Contribution	Projected 2025-27 Employer Contribution
State Agencies	$ 95	**$ 95**	$ 1,865	**$ 2,345**
School Districts	105	**105**	1,495	**2,165**
All Others	115	**115**	2,265	**2,875**
Total	$ 315	**$ 315**	$ 5,625	**$ 7,385**

* Reflects member redirect offset of 2.40% of payroll for Tier One and Tier Two, and 0.65% for OPSRP for 2023-25 and 2025-2027; 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

Table provided by Milliman, PERS' actuary.

Side accounts – how they impact employer rates

When an employer makes a lump-sum payment to prepay part of their overall contributions, the money is placed in a special account called a “side account.” PERS calculates the side account impact as a results of amortization and uses a portion of the side account to offset a portion of current contributions.

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 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.

Side accounts – diminishing impact going forward

As of December 31, 2024, there are 232 employers with side accounts. Of these, 84 employers have multiple side accounts: seven counties, seven cities, seven special districts, seven community colleges, and 56 school districts. Additionally, four state agencies each have their own side accounts in addition to the State Government Side Account.

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

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

Actively working with employers with side accounts to deal with:

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

No rate offset will be included for expiring side accounts in the 2027-2029 employer rates. PERS will work with employers to use the remaining account balance after July 1, 2027.

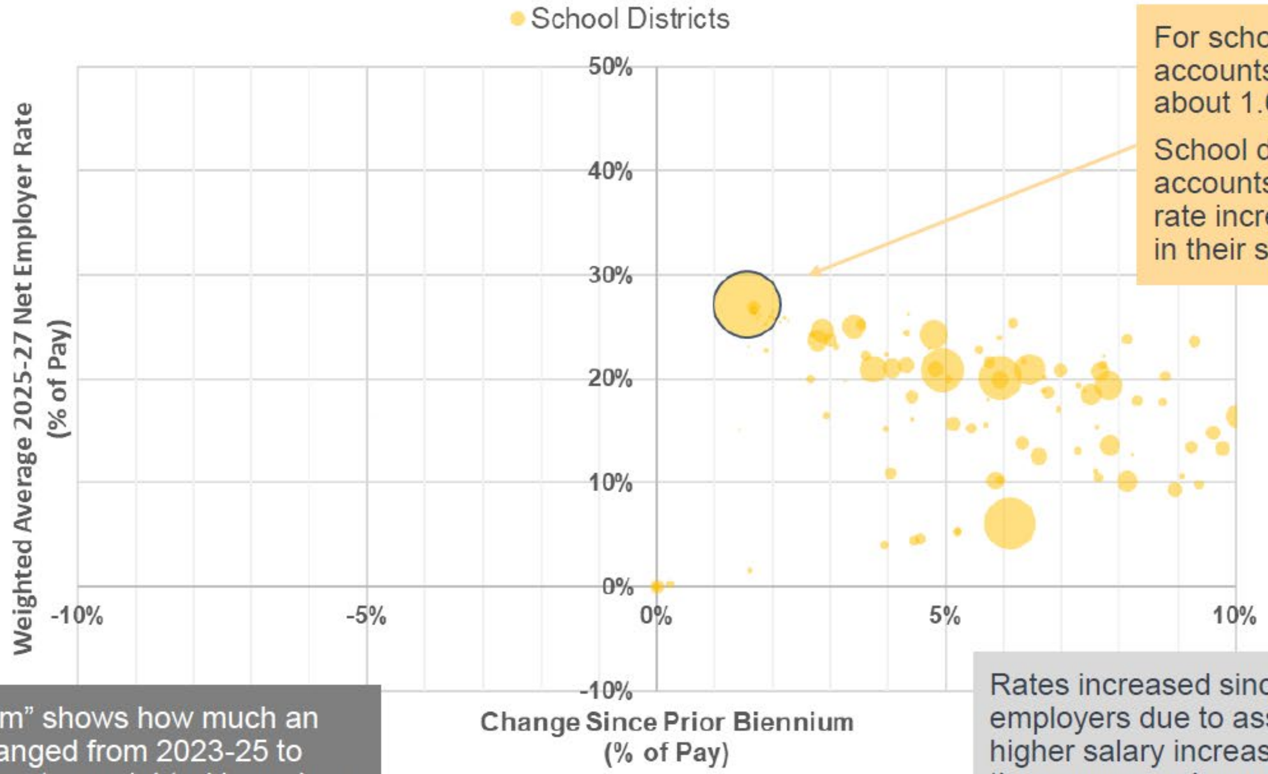
Have developed a complete set of employer guides as part of the Unfunded Actuarial Liability Resolution Program as part of SB 1049 efforts.

School district 2025-2027 rate change

Blended payroll

Bubble size is based on employer payroll

School districts



For schools without side accounts, average rate increased about 1.6% of pay.

School districts with side accounts typically had higher net rate increases due to a decrease in their side account rate offset.

"Change since prior biennium" shows how much an employer's average rate changed from 2023-25 to 2025-27, with both biennia's rates weighted based on 12/31/2023 valuation payroll

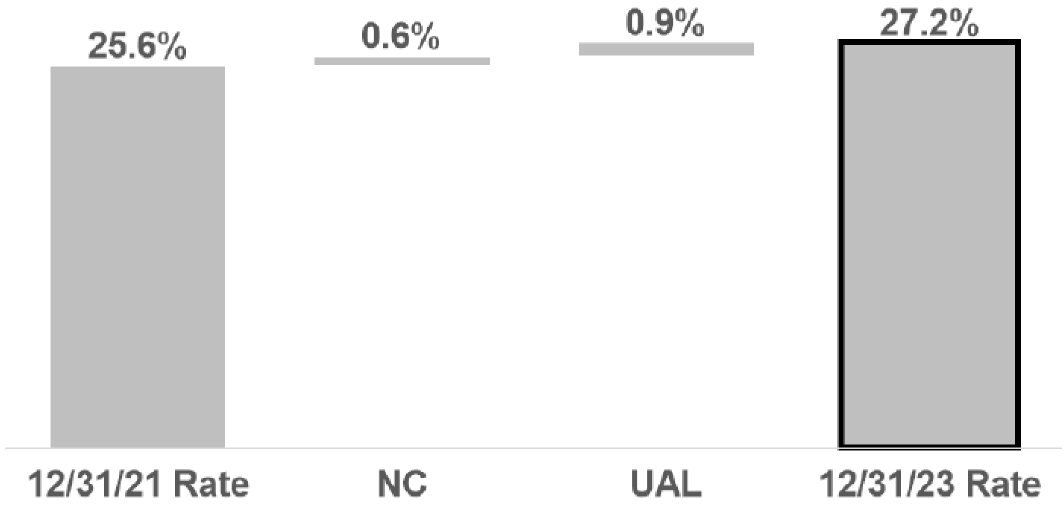
Rates increased since prior biennium for most employers due to asset performance and higher salary increase assumptions. Larger than average changes often related to side accounts and/or changes in employer payrolls

Graph provided by Milliman, PERS' actuary.

OREGON PERS PUBLIC EMPLOYEES RETIREMENT SYSTEM

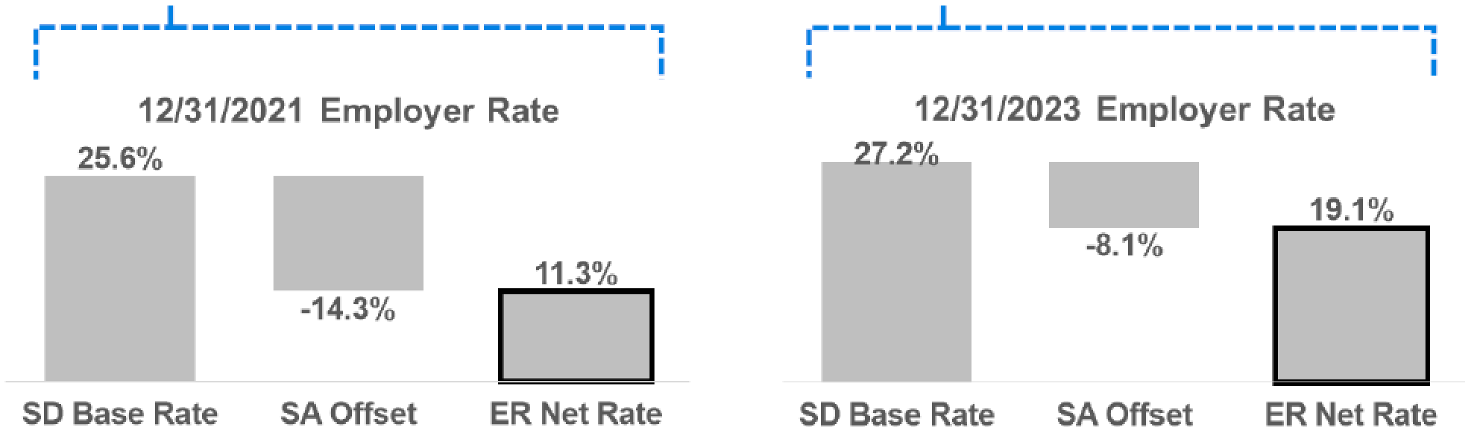
Net rate change: school districts illustration
Blended payroll

School Districts without Side Accounts



Increase of 1.6% of pay.

Illustrative School with Side Account



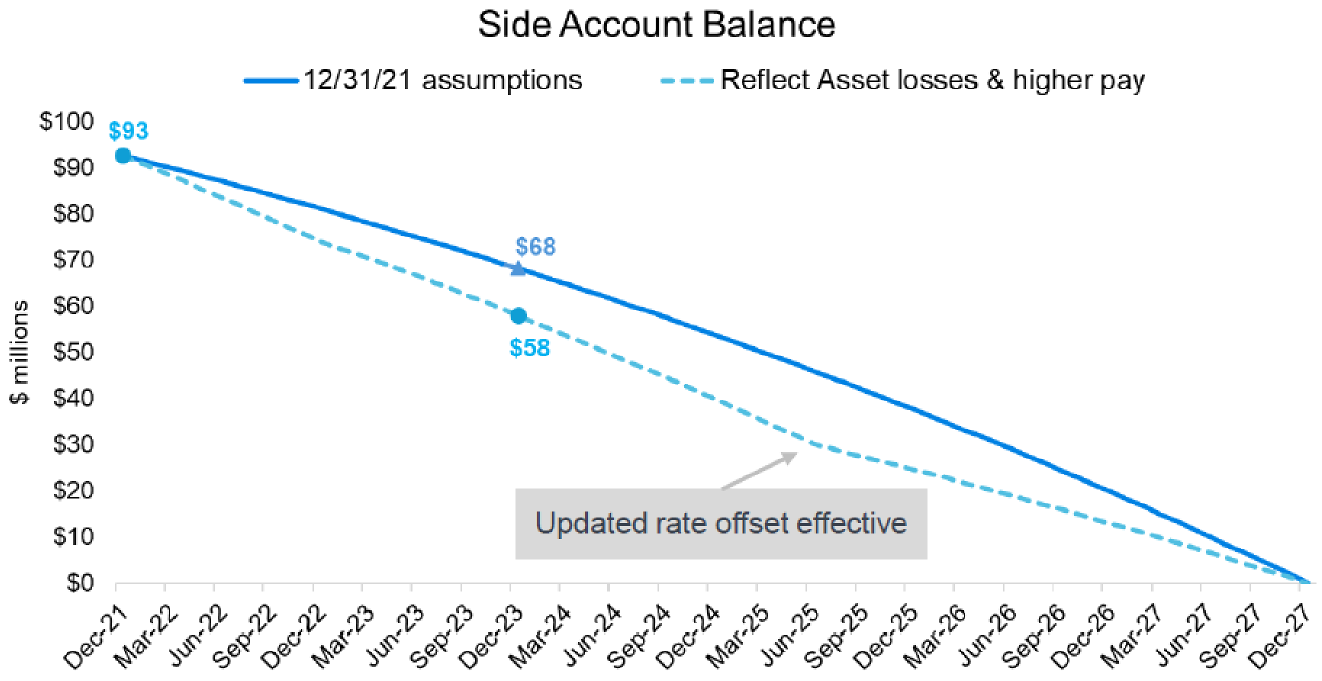
Increase of 7.8% of pay, reflects smaller side account offset.

Graph provided by Milliman, PERS' actuary.

Net rate change: school districts illustration

Employer's net rate increase of 7.8% of pay driven by reduction to side account offset, due to two factors:

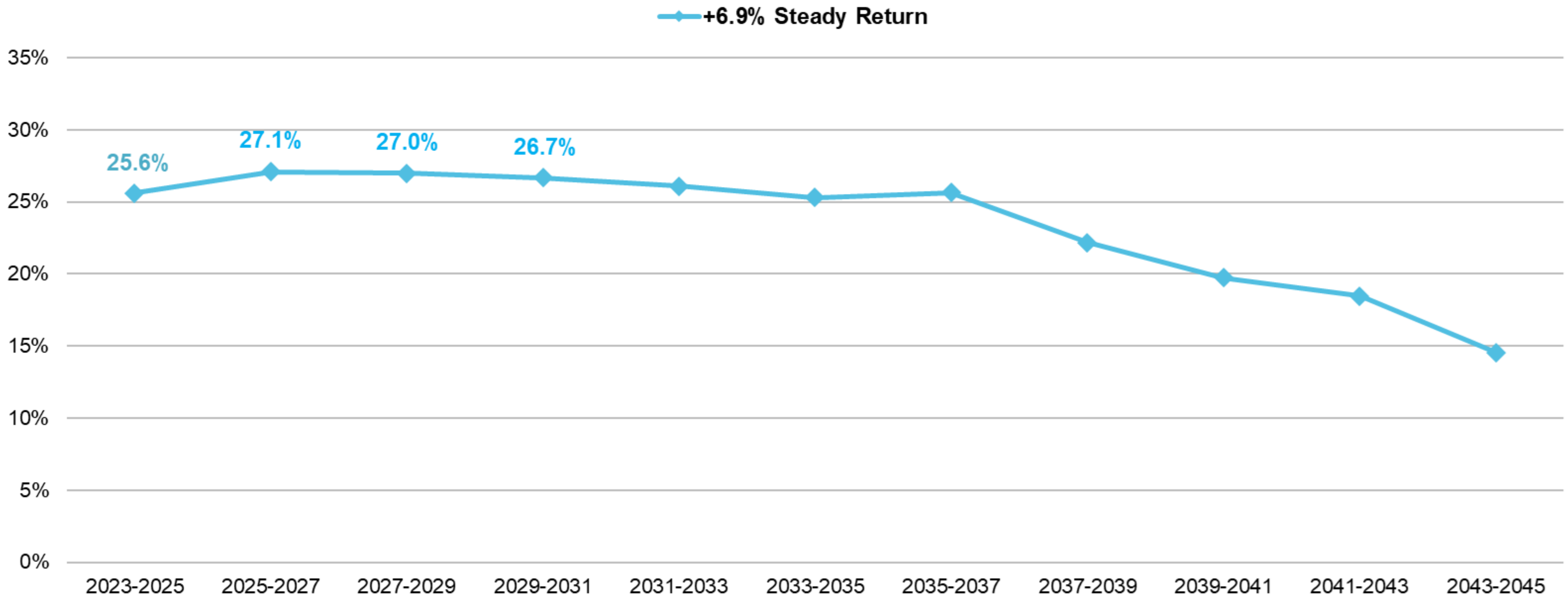
- Side balance decreased more than assumed from 12/31/2021 to 12/31/2023 due to asset performance and employer payroll growth
- Higher-than-assumed growth in employer payroll leads to lower percentage of pay rate offset for remaining amortization period



12/31/2023 ER Valuation Payroll	
Projected	$130 M
Actual	$150 M

Graph provided by Milliman, PERS' actuary.

Employer collared base pension rates (system average)

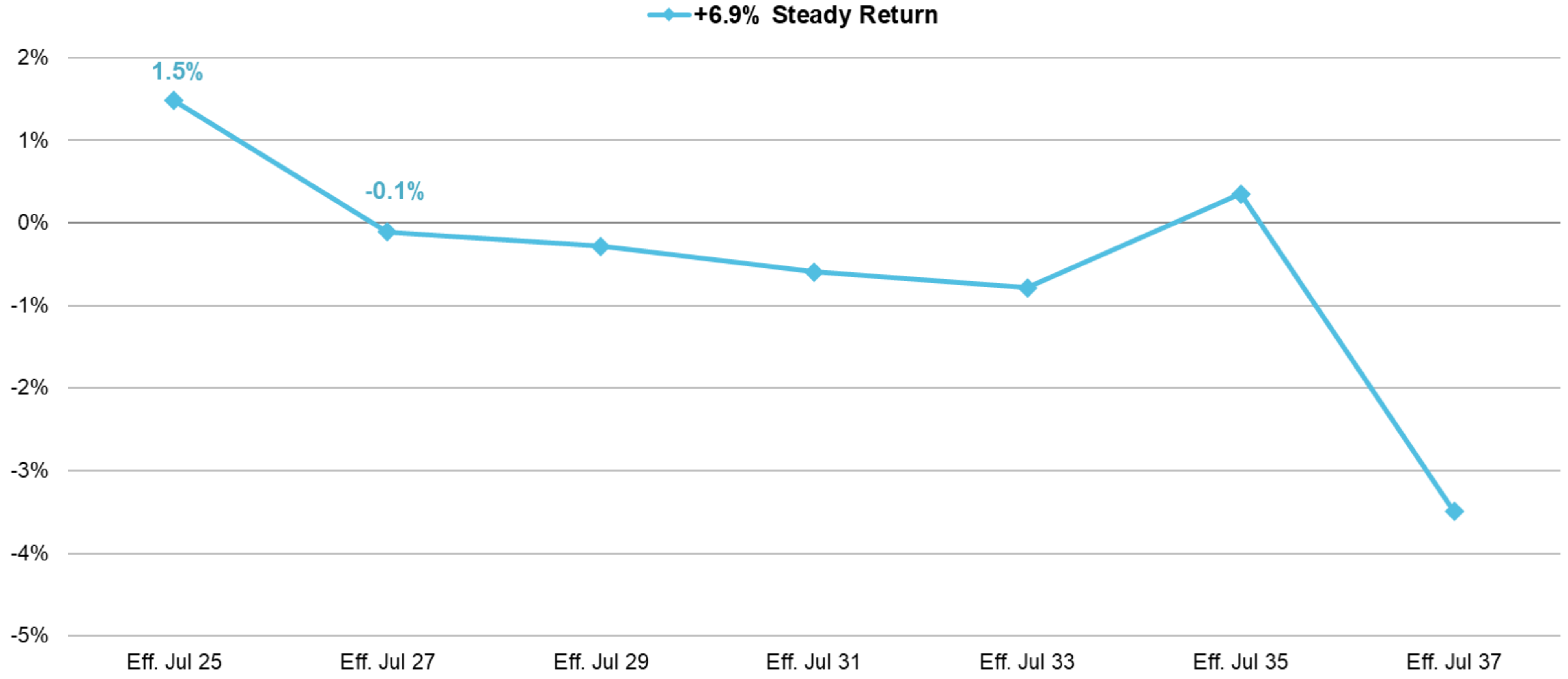


- If future investment returns are near assumption, system average employer collared base pension rates in 2027-29 are projected to be similar to 2025-27 rates
- Blue line: rates decrease as new OPSRP members replace exiting Tier One / Tier Two members
- 2027-29 rates will be based on asset returns through December 31, 2025, along with assumption and methods adopted after the upcoming Experience Study

OREGON PERS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Content provided by Milliman, PERS' actuary.

Biennial change in employer collared base rate
(System average)



At 6.9% steady return, the average employer collared base rate:
- Increases effective July 2035 due to switching off member redirect contributions
- Drops 3%-4% in July 2037 once Tier One/Tier Two funded status exceeds 90%, allowing a decrease in collared UAL rates

Graph provided by Milliman, PERS' actuary.

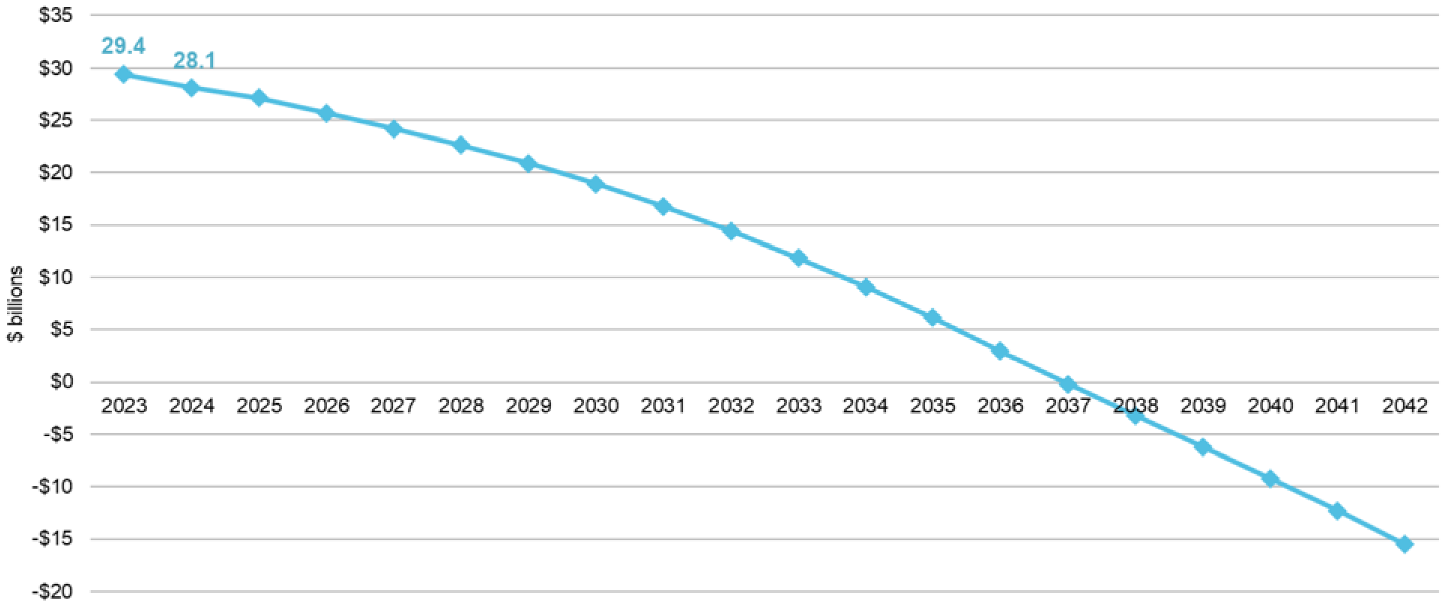
OREGON PERS PUBLIC EMPLOYEES RETIREMENT SYSTEM

System funding level and status

The following projections from the PERS actuaries reflect legislative directives in SB 1049 (2019) that include a one-time re-amortization of the Tier One/Tier Two UAL, creation of new side accounts by participation in the Employer Incentive Fund, and a partial redirection of employee contributions to new Employee Pension Stability Accounts.

UAL (Unfunded Actuarial Liability) Excluding Side Accounts

Steady 6.9% return scenario



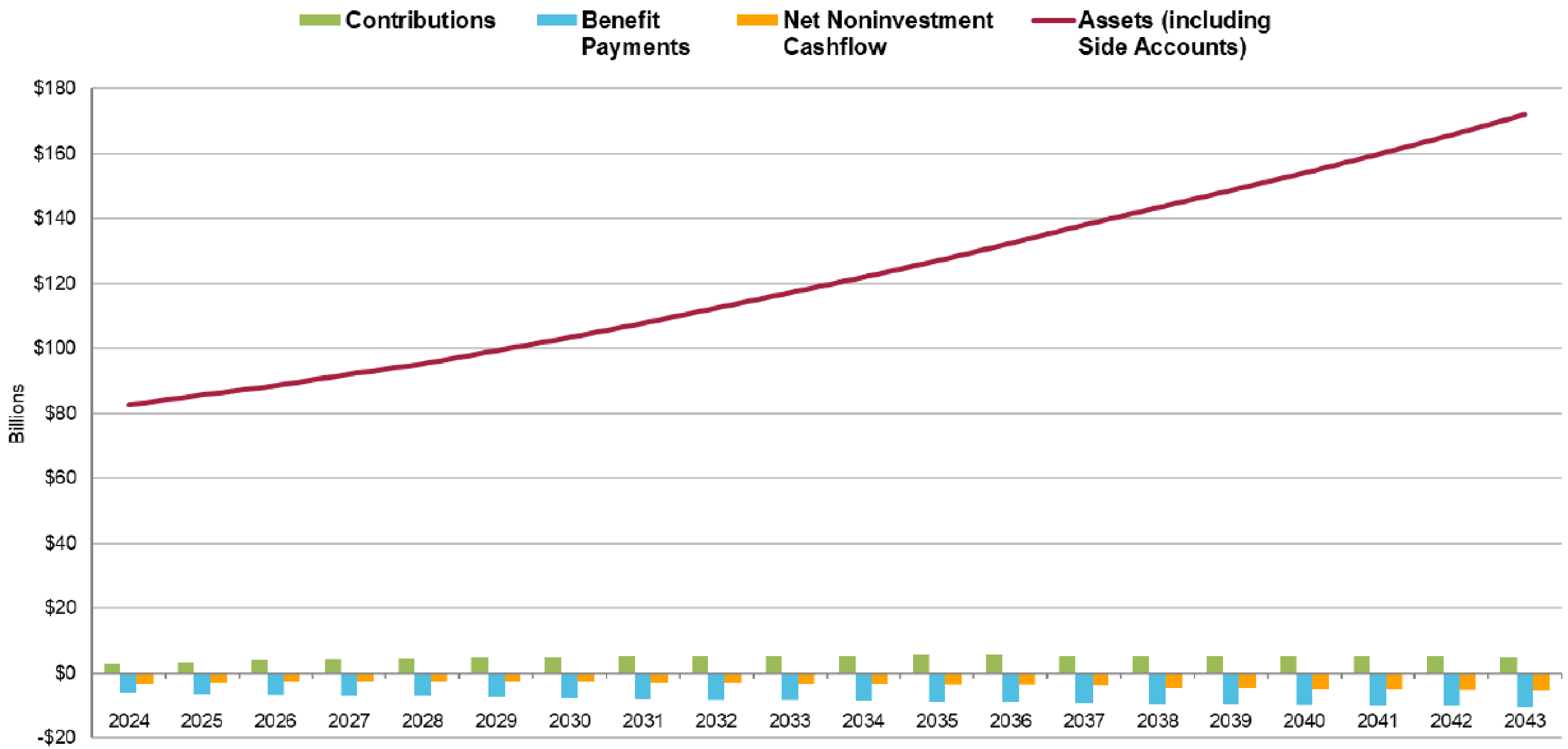
- 2024 UAL decreases due to estimated year-end 2024 investment returns and contributions
- At steady +6.9% return, UAL declines steadily, reaching $0 at year-end 2037

Graph provided by Milliman, PERS' actuary.

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

Cash flow and asset balance analysis

Current rate setting structure with 6.9% assumed return

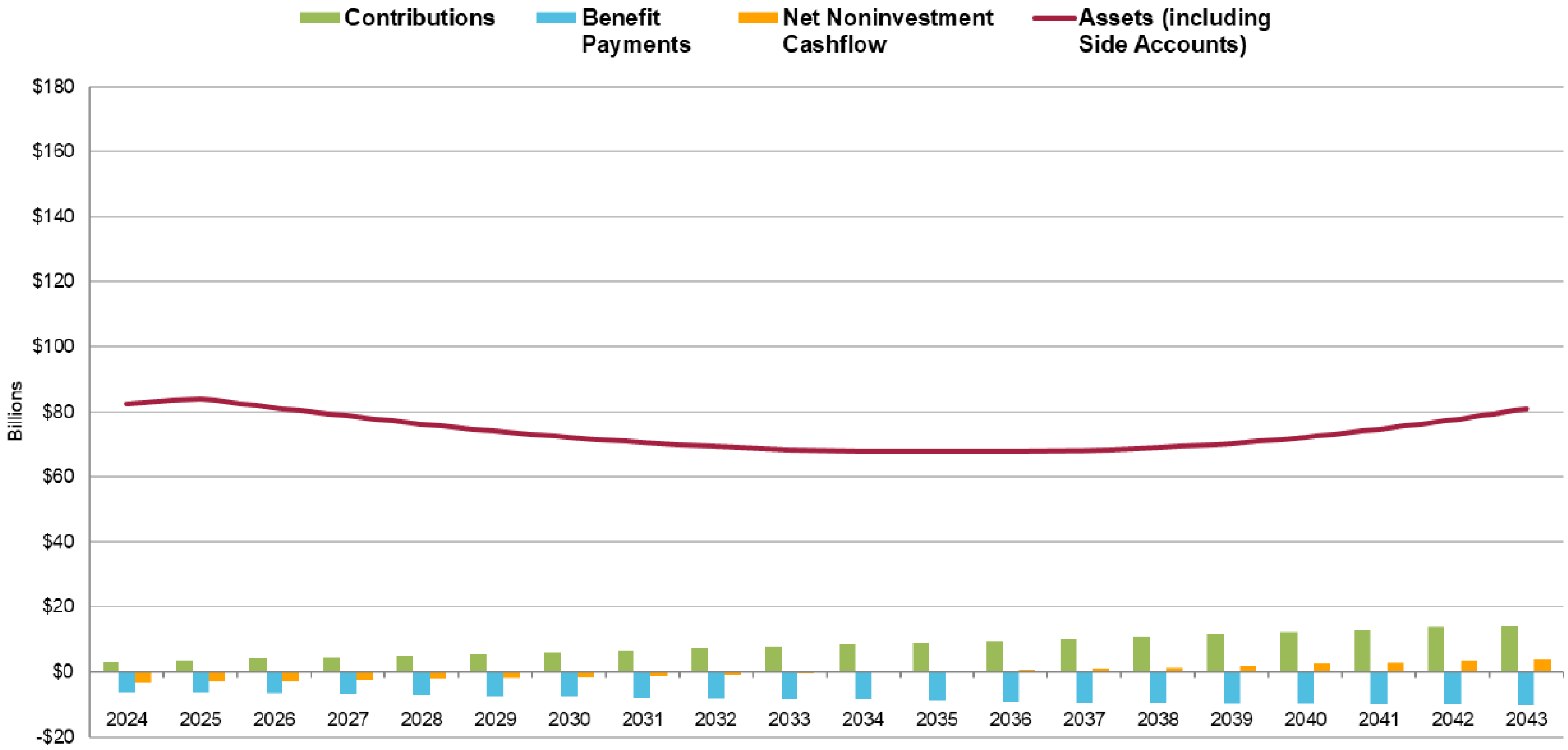


Graph provided by Milliman, PERS' actuary.

OREGON PERS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Cash flow and asset balance analysis

Current rate setting structure and 0% assumed return



Graph provided by Milliman, PERS' actuary.

OREGON PERS PUBLIC EMPLOYEES RETIREMENT SYSTEM

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PUBLIC EMPLOYEES RETIREMENT SYSTEM

Thank you.

Appendix

- PERS Board constitution, membership and duties, and authority.
- Additional resources.

Constitution of the PERS Board
(Oregon Revised Statutes Chapter 238.640)

Five members are appointed by the Governor and confirmed by the Senate. The 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

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

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 PERS 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 PERS Board meets six times per year (bimonthly) 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 agency 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 Outcome-Based Management System on a semi-annual basis to ensure the administration of the agency meets its objectives.

The Audit and Risk Committee meets three times per year to accomplish the following:

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

History of key PERS benefit enhancements, caps, and reductions by year

Year	Category	Action	Affected Members
1945	Administrative	The Public Employees Retirement System is signed into law and begins business July 1, 1946, as a money match retirement plan	All
1947	Retirement Age/Vesting	Requirement for employees to serve a six-month waiting period before becoming PERS members begins	All
1953	Administrative	By law, the PERS plan is terminated and immediately reopened the next day, allowing public employers to provide Social Security coverage	All
1967	Investment Risk Allocation	Legislature passes a bill that allows PERS to invest up to 10% of the retirement fund in common stock, creates the Oregon Investment Council, and establishes a defined benefit formula for employer-funded retirement benefits (formula plus annuity)	All
1969	Investment Risk Allocation	Participation in variable account program begins	All
1972	Cost-of-living adjustment (COLA)	Implemented *ad hoc* COLA increase (12% to 25% benefit increase)	Existing retirees
1972	Cost-of-living adjustment	Initiated an annual COLA with a 1.5% cap	All retirees
1973	Benefit Calculation/Formula	Increased Formula Plus Annuity pension factors (General Service: .67 to 1.00; Police and Fire: 0.92 to 1.35)	Tier One
1973	Cost-of-living adjustment	Annual COLA cap raised from 1.5% to 2%	All retirees

Key: Benefit enhancement | Benefit cap or reduction

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

History of key PERS benefit enhancements, caps, and reductions by year

Year	Category	Action	Affected Members
1973	Cost-of-living adjustment	Capped COLA at actual inflation rate or 2%, whichever is less	All retirees
1973	Final Average Salary	Added accrued sick leave to retirement benefit calculation for participating employers	Tier One/Tier Two
1974	Cost-of-living adjustment	Implemented *ad hoc* increase (0% to 25% benefit increase)	Existing retirees
1975	Investment Risk Allocation	Initiated member account assumed rate guarantee	Tier One
1975	Investment Risk Allocation	Increased assumed earnings rate from 5.5% to 7%	Tier One
1975	Investment Risk Allocation	Credited member regular accounts with more than the assumed earnings rate*	Tier One
1976	Investment Risk Allocation	Gain Loss Reserve established to "self-fund" assumed earnings rate crediting	Tier One
1979	Administrative	Employers allowed to "pick up" member 6% contribution	All
1979	Investment Risk Allocation	Increased assumed earnings rate from 7% to 7.5%	Tier One
1981	Benefit Calculation/Formula	Added Full Formula benefit calculation method	All
1981	Benefit Calculation/Formula	Consolidated member contributions from 1% to 7% salary-based sliding scale to universal 6%	All
1981	Benefit Calculation/Formula	Eliminated Formula Plus Annuity benefit calculation method	Tier One
1981	Cost-of-living adjustment	Implemented *ad hoc* COLA increase (4% to 11.4% benefit increase)	Existing retirees

Key: Benefit enhancement | Benefit cap or reduction

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

History of key PERS benefit enhancements, caps, and reductions by year

Year	Category	Action	Affected Members
1985	Cost-of-living adjustment	Implemented *ad hoc* COLA increase (3% to 7.28% benefit increase)	Existing retirees
1985	Benefit Calculation/Formula	Added benefit option to allow lump-sum payment of member account	All
1987	Benefit Calculation/Formula	Members allowed to purchase six-month waiting period	All
1987	Benefit Calculation/Formula	New retirement benefit payout options added	All
1989	Cost-of-living adjustment	Implemented *ad hoc* COLA increase (0% to 25% benefit increase)	Existing retirees
1989	Investment Risk Allocation	Increased assumed earnings rate from 7.5% to 8%	Tier One
1989	Retiree Health Benefits	Established Medicare and state employee pre-Medicare insurance premium subsidies	Tier One/Tier Two
1989	Retiree Health Benefits	Capped Medicare premium subsidy at $60 per month	Tier One/Tier Two
1989	Retirement Age/Vesting	Added "30 years of service" retirement regardless of age	Tier One/Tier Two

Key: Benefit enhancement | Benefit cap or reduction

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

History of key PERS benefit enhancements, caps, and reductions by year

Year	Category	Action	Affected Members
1991	Benefit Calculation/Formula	Imposed state income tax on PERS benefits	All
1991	Benefit Calculation/Formula	Established service time-based state income tax offset benefit of between 1% to 4% (SB 656)	Tier One
1993	Administrative	Divorced spouses entitled to separate account from member's	All
1995	Benefit Calculation/Formula	Established state income tax offset benefit for pre-1991 service time (HB 3349)	Tier One
1995	Benefit Calculation/Formula	Eliminated tax remedy for anyone hired after July 14, 1995	All new hires
1996	Final Average Salary	Excluded lump-sum vacation payouts from final average salary	Tier Two
1996	Investment Risk Allocation	Eliminated guaranteed return on regular accounts for new members	Tier Two
1996	Retirement Age/Vesting	Increased normal retirement age for new members from 58 to 60 (General Service)	Tier Two
1997	Administrative	Married members must provide proof of spousal consent for retirement option choice	All

Key: Benefit enhancement | Benefit cap or reduction

History of key PERS benefit enhancements, caps, and reductions by year

Year	Category	Action	Affected Members
1997	Administrative	Reemployed retirees can work up to 1,040 hours for a PERS-covered employer without loss of benefits (up from 600 hours)	All
1997	Benefit Calculation/Formula	Out-of-state teaching service and some military purchases allowed	All
1999	Benefit Calculation/Formula	Locked in existing actuarial equivalency factor tables	Tier One
2000	Investment Risk Allocation	Eliminated "Last Known Rate" member account crediting guarantee	Tier One
2003	Benefit Calculation/Formula	Decreased Full Formula benefit pension factor (General Service: 1.67% to 1.5%; Police and Fire 2% to 1.8%)	OPSRP
2003	Benefit Calculation/Formula	Eliminated Money Match benefit calculation method	OPSRP
2003	Benefit Calculation/Formula	Redirected member contributions to freeze Money Match (MM) benefit levels	Prospective MM retirees
2003	Benefit Calculation/Formula	Required regularly updated mortality assumptions and actuarial factors	All
2003	Cost-of-living adjustment	Prorated first year COLA	OPSRP
2003	Cost-of-living adjustment	Eliminated COLA "bank" carryover	OPSRP

Key: Benefit enhancement | Benefit cap or reduction

OREGON PERS PUBLIC EMPLOYEES RETIREMENT SYSTEM

History of key PERS benefit enhancements, caps, and reductions by year

Year	Category	Action	Affected Members
2003	Final Average Salary	Eliminated lump-sum vacation payouts from subject salary	OPSRP
2003	Final Average Salary	Eliminated accumulated sick leave from final average salary	OPSRP
2003	Investment Risk Allocation	Required members to self-fund guaranteed return on member accounts	Tier One
2013	Cost-of-living adjustment	1.5% in 2013; COLA in 2014 and beyond is 1.25% on the first $60,000 of an annual benefit; 0.15% on amounts above $60,000	All
2013	Supplementary Payments	Annual supplementary payments of 0.25% to all benefit recipients (up to $150) through 2019. Second annual supplementary payment of 0.25% through 2019 if benefit is $20,000 or less annually	Retirees
2013	Benefit Calculation/Formula	Eliminated any tax remedy for retirees who do not pay income taxes in Oregon because they are not residents of Oregon	Tier One
2014	Investment Risk Allocation	Decreased assumed earnings rate from 8.0% to 7.75%	Tier One
2015	Supplementary Payments	Supplementary payments invalidated by Oregon Supreme Court	Retirees

Key: Benefit enhancement | Benefit cap or reduction

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

History of key PERS benefit enhancements, caps, and reductions by year

Year	Category	Action	Affected Members
2015	Cost-of-living adjustment	Annual COLA of up to 2% restored for service time accrued before October 1, 2013. COLA for service time after that date uses a lower rate. Service time accrued in both periods is "blended"	All
2016	Investment Risk Allocation	Decreased assumed earnings rate from 7.75% to 7.50%	Tier One
2017	Investment Risk Allocation	Decreased assumed earnings rate from 7.50% to 7.20%	Tier One
2017	Investment Risk Allocation	Oregon Investment Council changes IAP investment strategy to Target-Date Funds, intended to reduce investment risk and volatility as members age	All
2019	Administrative	Note: Senate Bill 1049 made substantial changes to benefit administration, details of which can be found on our SB 1049 webpage	All
2019	Administrative	Alternate method to calculate death benefit for certain Tier One/Tier Two members who die before retirement	Tier One/Tier Two
2019	Benefit Calculation/Formula	Reduces member contributions to IAP. Establishes limit on salary used for benefit calculations	All
2021	Investment Risk Allocation	Decreased assumed earnings rate from 7.20% to 6.90%	Tier One

Key: Benefit enhancement | Benefit cap or reduction

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

History of key PERS benefit enhancements, caps, and reductions by year

Year	Category	Action	Affected Members
2021	Benefit Calculation/ Formula	Changed definition of salary to include income that is or would be taxable under Oregon state income tax	OPSRP
2021	Benefit Calculation/ Formula	Increased death benefits from 50% of actuarially determined value to 100%	All
2024	Retirement Age/ Benefit Calculation	House Bill (HB) 4045 decreased OPSRP Police and Firefighter normal retirement age for members with less than 25 years of service from 60 to 55. Created new OPSRP member classification — Hazardous Position — with increased benefits above General Service members. Effective January 1, 2030	OPSRP

Key: Benefit enhancement | Benefit cap or reduction

Additional Resources

Agency 2025-2027 Governor's Recommended Budget
https://www.oregon.gov/pers/Documents/Financials/Budgets/25-27-Budget.pdf

Milliman December 31, 2023, System Valuation
Annual actuarial report of the system assets and liabilities
https://www.oregon.gov/pers/Documents/Financials/Actuarial/2024/12312023-Actuarial-Valuation.pdf

Annual Comprehensive Financial Report (ACFR) – Fiscal Year End June 30, 2024
Report of all funds over which the PERS Board exercises authority
https://www.oregon.gov/pers/Documents/Financials/ACFR/2024-ACFR.pdf

PERS by the Numbers – Updated December 2024
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 Popular Annual Financial Report
Summary is designed to give members, employers, and the public a concise overview of Oregon PERS' financial health.
https://www.oregon.gov/pers/Documents/Financials/PAFR/PERS_PAFR_24.pdf

PERS Economic Impact Study 2024
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