

# PERS/OPSRP UPDATE

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Conference



# System Overview

# 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 Account:** 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 w/ 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 2.0% P&F	1.67% general 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

\*“P&F” refers to members who meet statutory definitions of “Police” or “Firefighter” as determined by their employer.

# System Membership By Category

## Membership by category

		State Govt.	Local Govt.	School Districts	Total
<b>Tier One</b>	Active	6,181	6,823	8,388	21,392
	Inactive	3,758	4,145	4,510	12,413
<b>Tier Two</b>	Active	9,221	11,592	14,323	35,136
	Inactive	3,539	5,486	6,236	15,261
<b>OPSRP</b>	Active	32,918	38,024	48,527	119,469
	Inactive	4,866	6,384	7,069	18,319
<b>Sub-total</b>	Active	48,320	56,439	71,238	175,997
	Inactive	12,163	16,015	17,815	45,993
<b>Retirements*</b>		42,847	41,184	61,832	145,863
<b>TOTAL</b>					<b>367,853</b>

\*Retirements include beneficiaries, but not members who received total lump-sum retirement or account withdrawal payouts.

State Government: State agencies, universities, judges

Local Government: Cities, counties, special districts, community colleges

Active: Currently working for a PERS-participating employer

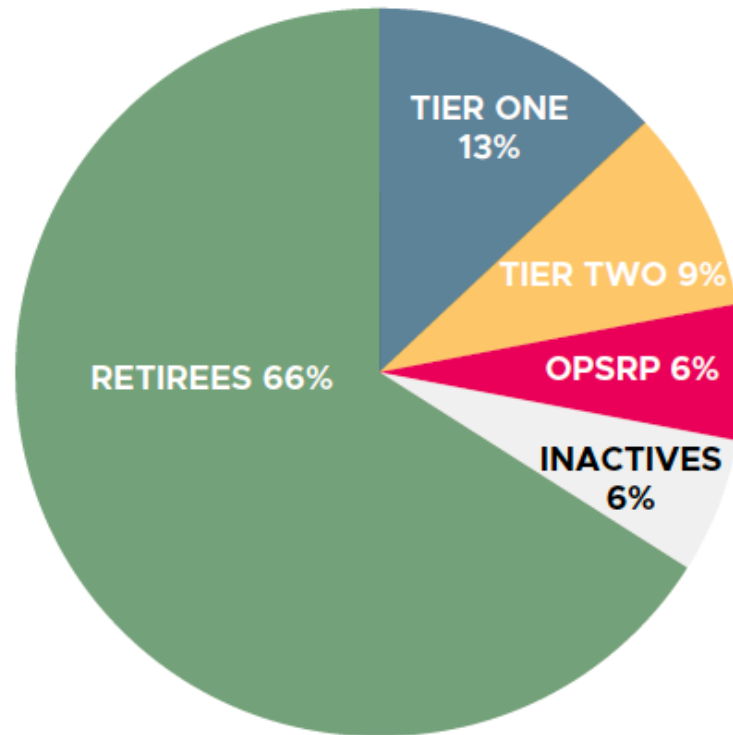
Inactive: Not retired; not currently working for a PERS-participating employer

# System Liability by Member Category

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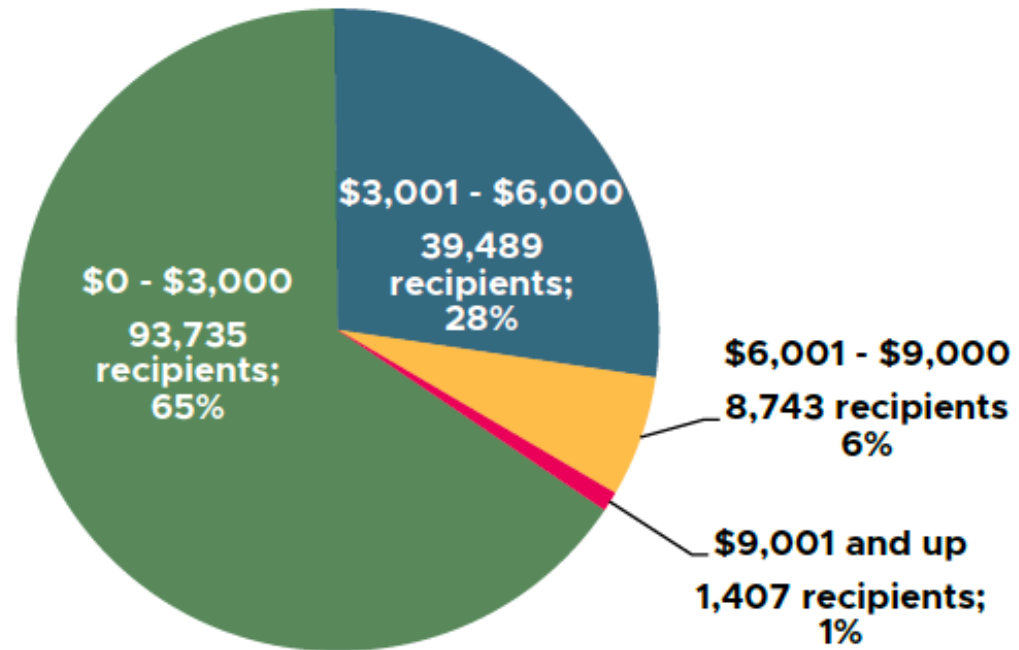
## Actuarial accrued liabilities (as of December 31, 2017)

Approximately 72 percent of PERS' total accrued liability is for members who are no longer working in PERS-covered employment (retired and inactive members).



# Monthly Benefits (as of Jan 1, 2018)

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- Average annual benefit: \$31,097
- Median annual benefit: \$24,692

# PERS Funding Equation

## 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:

$$\begin{array}{ccc} \mathbf{B} & = & \mathbf{C} & + & \mathbf{E} \\ \text{BENEFITS} & & \text{CONTRIBUTIONS} & & \text{EARNINGS} \\ \textit{Present value of} & & \textit{Employer funds to pay} & & \textit{Future returns on} \\ \textit{earned benefits} & & \textit{for pension benefits} & & \textit{investment funds} \\ \text{Set by: Oregon Legislature} & & \text{Set by: PERS Board} & & \text{Managed by: Oregon Investment Council} \end{array}$$

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.

# Valuation Process & Employer Rates

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## Valuation Process and Timeline

- Actuarial valuations are conducted annually
  - Alternate between “rate-setting” and “advisory” valuations
  - The 12/31/2017 valuation is rate-setting
- The Board adopts employer contribution rates developed in rate-setting valuations, and those rates go into effect 18 months subsequent to the valuation date

Valuation Date	Employer Contribution Rates
12/31/2015 →	July 2017 – June 2019
12/31/2017 →	July 2019 – June 2021



# Individual Employer Rates

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
<b>Pension</b>					
Normal cost rate	15.71%	14.68%	20.78%	8.40%	13.03%
Tier 1/Tier 2 UAL rate <sup>1</sup>	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	1.45%	1.45%	1.45%	1.45%	1.45%
Pre-SLGRP pooled liability rate	1.71%	1.71%	1.71%	1.71%	1.71%
Transition liability/(surplus) rate <sup>2</sup>	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief <sup>2</sup>	(7.44%)	(7.44%)	(7.44%)	(7.44%)	(7.44%)
<b>Net pension contribution rate</b>	<b>21.79%</b>	<b>20.76%</b>	<b>26.86%</b>	<b>14.48%</b>	<b>19.11%</b>
<b>Retiree Healthcare</b>					
Normal cost rate	0.18%	0.18%	0.18%	0.00%	0.00%
UAL rate	0.27%	0.27%	0.27%	0.27%	0.27%
<b>Net retiree healthcare rate</b>	<b>0.45%</b>	<b>0.45%</b>	<b>0.45%</b>	<b>0.27%</b>	<b>0.27%</b>
<b>Total net employer contribution rate</b>	<b>22.24%</b>	<b>21.21%</b>	<b>27.31%</b>	<b>14.75%</b>	<b>19.38%</b>

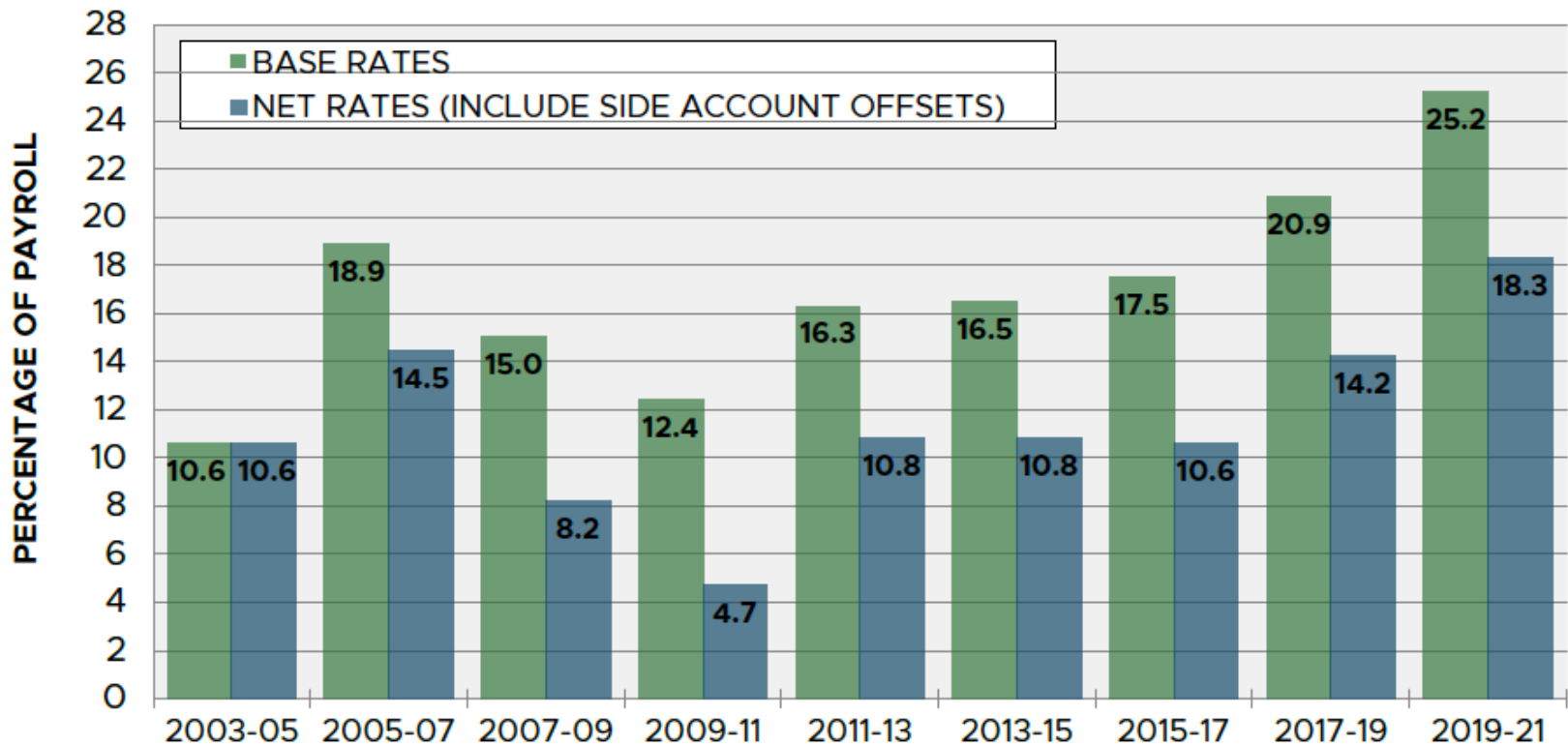
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# Sources of Pressure for Legislative Change

# System-Wide Average Employer Rates

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System-wide average employer contribution rates as a percent of covered salary (net rates include side account offsets)



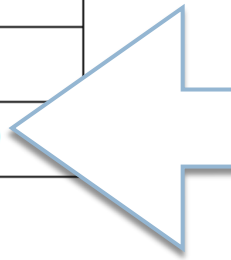
# 2019-21 Rate Increase

## 2019-21 employer contribution rate increase projections (2017 Valuation Data)

(\$ millions)	Projected 2017-19 Payroll*	(A) Projected 2017-19 Contribution	Projected 2019-21 Payroll*	(B) Projected 2019-21 Contribution**	(B) - (A) Projected Contribution Increase
<b>State Agencies</b>	\$5,920	\$820	\$6,350	\$1,125	\$305
<b>School Districts</b>	\$6,630	\$925	\$7,100	\$1,300	\$375
<b>All Others</b>	<u>\$7,650</u>	<u>\$1,130</u>	<u>\$8,200</u>	<u>\$1,540</u>	<u>\$410</u>
<b>Total</b>	<b>\$20,200</b>	<b>\$2,875</b>	<b>\$21,650</b>	<b>\$3,965</b>	<b>\$1,090</b>

\*Assumes payroll growth at 3.5% annually based on 12/31/2017 active member census, reflecting proportional payroll composition (Tier One/Tier Two vs. OPSRP) as of 12/31/2017.

\*\*Collared net rates are used to project 2019-21 employer contributions.



# 2018 Poor Investment Year

Returns for periods ending NOV-2018

Oregon Public Employees Retirement Fund

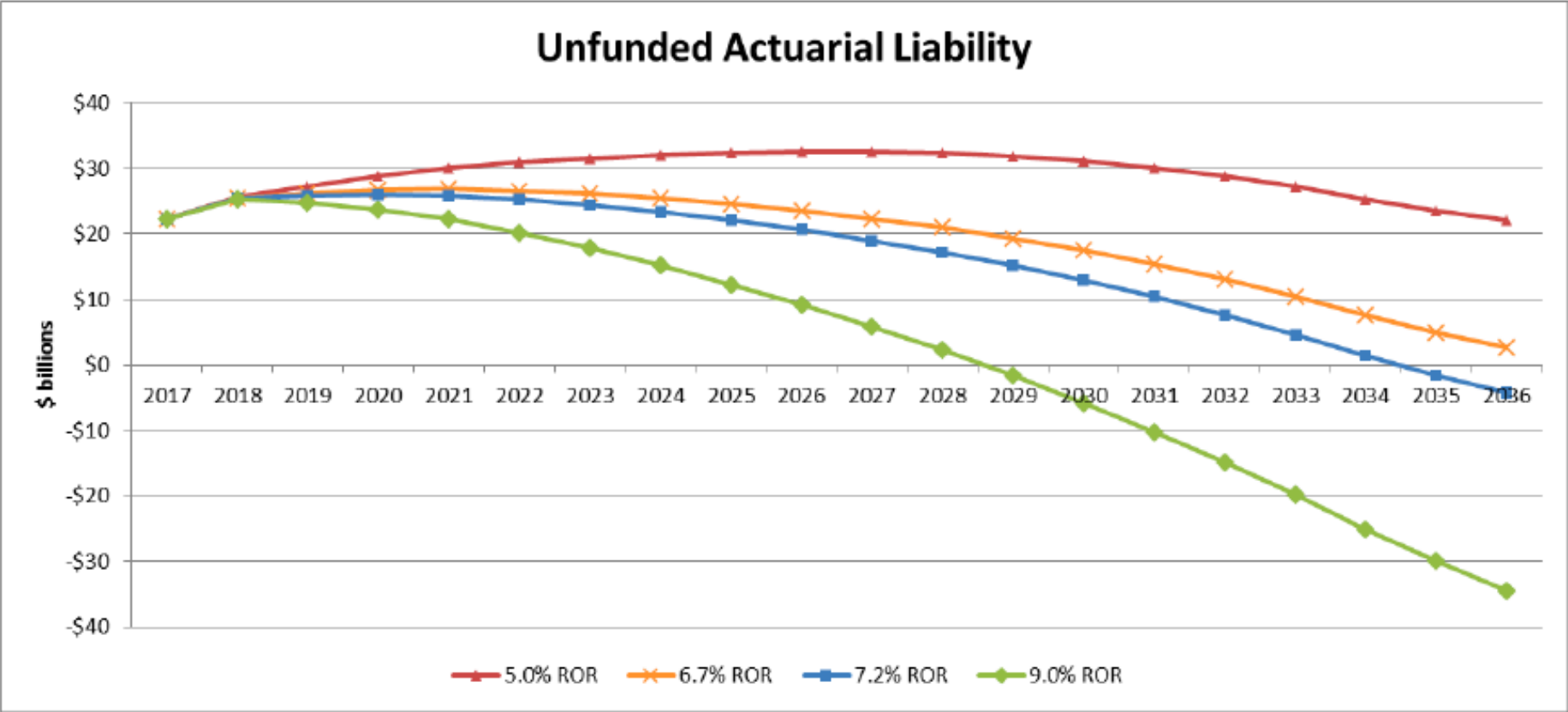
OPERF	Regular Account				Year-To-Date <sup>3</sup>
	Policy <sup>1</sup>	Target <sup>1</sup>	\$ Thousands <sup>2</sup>	Actual	
Public Equity	32.5-42.5%	37.5%	\$ 25,562,073	34.6%	(3.42)
Private Equity	13.5-21.5%	17.5%	\$ 15,912,520	21.6%	16.56
<b>Total Equity</b>	<b>50.0-60.0%</b>	<b>55.0%</b>	<b>\$ 41,474,593</b>	<b>56.2%</b>	
Opportunity Portfolio	0-3%	0%	\$ 1,628,381	2.2%	6.60
<b>Total Fixed</b>	<b>15-25%</b>	<b>20.0%</b>	<b>\$ 15,769,985</b>	<b>21.4%</b>	<b>(0.86)</b>
Real Estate	9.5-15.5%	12.5%	\$ 8,116,985	11.0%	8.32
Alternative Investments	0-12.5%	12.5%	\$ 6,709,067	9.1%	(1.74)
Cash w/Overlay	0-3%	0%	\$ 113,378	0.2%	1.76
<b>TOTAL OPERF Regular Account</b>		<b>100.0%</b>	<b>\$ 73,812,389</b>	<b>100.0%</b>	<b>2.68</b>



# UAL (Unfunded Actuarial Liability)

## Current Rate Setting Structure

UAL in dollar terms increases at 12/31/2018 to reflect estimated 2018 underperformance. At a 7.2% actual return, UAL then grows slightly, before declining and being fully amortized by 2035.



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# Post-*Moro* Case Legal Analysis

# Key Points from the *Moro* Case

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Retirees and “benefits attributable to past service” are fully protected.

The Supreme Court’s approach for protecting “benefits attributable to past service” is different and stronger than the private-sector approach to protection of accrued benefits.

There are also still some parts of Tier 1&2 that are “irrevocable” and not subject to prospective change (what those are only Supreme Court knows).

The Court reiterated its position from the *Strunk* case that Oregon must address its tax/revenue issues before it can argue “too poor to pay” to the courts.





# Potential Legislative Changes

# Move all to 401K

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This proposal would end the T1, T2, & OPSRP pension plans

Give all active members and new hires only a 401k type plan with a 10 percent match

BUT see info in this [Report from the NPPC](#).

# OBC Proposal-No more DB & DC

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Employees would have the choice of a pension plan (with the employee making a 6 percent contribution) OR

An expanded individual account, with employers making a 6 percent contribution to match employees' 6 percent contribution (which some employers would continue to pick up).

BUT not both

# OBC Proposal -Retirees Work

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Get rid of the 1,040-hour limit on post retirement employment per year.

Employees 55 years and older will have option of retiring now, starting their benefit, and returning to work full time.

Employers, would continue making pension contributions while the retired individual was employed, but the money would be used to pay down the employers' unfunded liability.

This plan could sunset after a few years.

# OBC Proposal- Employee Cost Sharing

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Tier 1 and 2 employees make a pension contribution of 6 percent of pay.

OPSRP employees, make a 3 percent contribution to the pension fund.

# SB 1067 (2015)-Risk Sharing

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Creates a risk-sharing account in IAP for all Tier 1, 2, and OPSRP members

July 1, 2018 – 1% of 6% to IAP goes into “risk-sharing” account

July 1, 2019 – 2% of 6% to IAP goes into “risk-sharing account

Effective July 1, 2021 and every two years thereafter, as follows:

If the OPSRP pension funding rate is  $\leq 8\%$ , then 0%

If the OPSRP pension funding rate  $> 8\%$  but  $\leq 10\%$ , then the amount in excess of 8%

If the pension funding rate is  $>10\%$  but  $\leq 12\%$ , then 2%

If the pension funding rate is  $>12\%$ , then 2% plus 50% of the amount  $>12\%$

Cannot be increased more than 1% for any two-year period and may not exceed 4% at any time. No limit on decrease in any two-year period.

# Estimated Effect of Potential Legislative Concepts

<b>Concepts</b> (If concepts are implemented together, the resulting effect would not be the cumulative amount of each concept because interactions between the various benefit modifications would produce a reduction in liability and uncollared contribution rate of smaller magnitude than the sum of the reductions)	<b>12-31-15 Total Liability (\$B)</b>	<b>12-31-15 Accrued Liability (\$B)</b>	<b>2017-19 Uncollared Base Pension Employer Contribution Rates (% of Payroll)</b>		
			<b>Normal Cost (%)</b>	<b>UAL (%)</b>	<b>Total (%)</b>
12-31-15 Pension Valuation Results	83.8	76.2	11.79	17.29	29.08
\$100,000 Limit on Final Average Salary	(3.3)	(2.0)	(1.30)	(1.55)	(2.85)
5-Year Final Average Salary	(0.7)	(0.5)	(0.25)	(0.40)	(0.65)
1.00%/1.20% Multipliers	(2.8)	(1.8)	(1.20)	(1.35)	(2.55)
0.25%/0.30% Multipliers	(6.5)	(4.0)	(2.85)	(3.0)	(5.85)
Change in Money Match Interest Rate	(0.9)	(0.8)	(0.20)	(0.60)	(0.80)
Halving Sick Leave & Vacation Payouts	(0.35)	(0.3)	(0.08)	(0.22)	(0.30)
Eliminate Sick Leave & Vacation Payouts	(0.7)	(0.6)	(0.15)	(0.45)	(0.60)
Redirecting Member Contributions	(0.0)	(0.0)	(6.00)	(0.0)	(6.00)

# Member Impact of IAP Diversion

Jennifer Gould: Portland Public Health Nurse

Cut her IAP 51% and overall retirement 43%

Brandon Silence: Salem Firefighter

Cut his IAP 48% and overall retirement 41%

Travis Overlay: Bend High School Teacher

Cut his IAP 75% and overall retirement 28%





# Bargaining Strategies

# Model Trigger Language-IAP

## Diversion

If by reason of legislative action, order of any court of competent jurisdiction or ballot measure (initiative or referral), the employer or employees are prohibited from submitting any portion of the 6% employee contribution to the individual employee account in the Individual Account Program (IAP)(ORS 238A.300 – 238A.415) or any portion of that 6% employee contribution is diverted from the individual employee account in the IAP to some other account or for some other, including but not limited to payment for the PERS or OPSRP pension benefit, then on the first payroll period following the effective date of the change, pursuant to ORS 238A.340, the employer agrees to increase employer contributions to the IAP for each of its employees who are PERS Tier 1, Tier 2, or OPSRP members in a whole number amount equal to the percentage of employee contribution no longer submitted to or being diverted from each such employee's individual employee account but no greater than 6% of salary. If by reason of legislative action, by order of any court of competent jurisdiction or ballot measure (initiative or referral), the employer is unable to make such employer contributions pursuant to ORS 238A.340 sufficient to offset the loss of employee contributions to the individual employee account, then the parties will bargain the impact of that change.

# Model Language - Out of Pick-Up

On the first payroll period commencing 30 days from the effective date of this Agreement, the employer shall increase the wages of employees who are PERS Tier 1, Tier 2, or OPSRP members by \_\_\_\_% and such employees shall pay the 6% of wages to PERS as employee contributions to their Individual Account Program (IAP) account (ORS 238A.300-238A.415). The 6% wage increase shall not apply to any employee who is not a member of OPSRP by reason of insufficient service and shall commence once they have completed their waiting period and become an OPSRP member. The employer shall take action and make an election to treat any required employee contribution of 6% of wages to the IAP account by such employees as “picked up” by the employer for the limited purpose of Section 414(h)(2) of the Internal Revenue Code and any related federal or state tax provisions. For all other purposes, the contribution shall be considered to have been made by the employee, and payment by the employee of the 6% contribution through payroll deduction shall be mandatory for all such employees. The payroll deduction amounts shall be reported to PERS as Member Paid Pre-Tax (MPPT) contributions via a before-tax reduction in salary, included in final average salary under 238A.005(17)(b)(F) and ORS 238.005(9) and (26)(a). The taxable wages of such employees on their W-2 forms for federal or state income tax purposes will not include this 6% employee contribution.



# Where to Go for Additional Info




# Online Member Services (OMS)

OMS Login


- OMS Login
- OMS Info
- Password Reset
- IAP Login
- IAP Disbursement Forecaster
- Benefit Estimates
- News

Call 888-320-7377 to talk with a PERS Member Services representative (M-F, 8:30 a.m. - 5 p.m.). Email [Member Services](#).


If you [signed up](#) for GovDelivery, PERS' [email communication tool](#), information will come from [OregonPERS@public.govdelivery.com](mailto:OregonPERS@public.govdelivery.com).



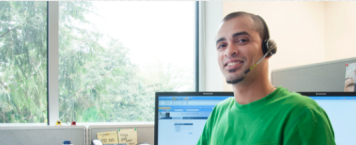
Active/Inactive Member Information



Retired Member Information



Employer Information



Get Help

## PERS by the Numbers (2018)

PERS is pleased to share the refreshed, updated version of [PERS by the Numbers](#), a collection of the most recent data and information about the administration of PERS. This document was updated in October 2018.

[View PERS by the Numbers](#)

## Senate Bill 1566: Employer Rate Relief Programs

[Senate Bill 1566](#) (2018) relates to employer contribution rates to PERS. [Read more](#) about the Employer Rate Relief Programs from SB 1566 and [sign up for GovDelivery emails on this topic](#) to receive additional information in the future.

# Additional Helpful Information

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[PERS By the Numbers](#)

[PERS Board Orientation Handbook](#)

[Target Date Fund Information](#)

[IAP Member Choice Implementation Delayed](#)

[Keep Oregon's Promise](#)