

## ANALYSIS

### Public Employees Retirement System 2021 Preliminary Earnings Crediting

---

**Analyst:** John Borden

**Request:** Acknowledge receipt of a report on 2021 preliminary earnings crediting.

**Analysis:** ORS 238.670(5) requires the Public Employees Retirement System (PERS) Board to submit a report to the Legislature on the Board's preliminary plan to credit calendar year earnings of the Oregon Public Employees Retirement Fund (OPERF) to member and employer accounts and other reserves. Under the statute, the Board must provide the report at least 30 days before the Board makes its final earnings crediting decision. The Board is scheduled to make its final 2021 earnings crediting decision on March 28, 2022. Statute gives the PERS Board broad authority to make earnings crediting decisions and, according to the agency, allocations have generally been on a proportional basis for member and employer accounts.

Of note is that the Legislature during the Second Special Session of 2020, enacted HB 4304, which expanded PERS reporting to the Legislature on annual preliminary earnings crediting to include all the agency's funds and adds reporting requirements for investment and administrative expenses.

#### Preliminary Earnings Crediting

On January 31, 2022, the PERS Board approved preliminary *net* earnings crediting for calendar year 2021 of \$16.3 billion (associated *gross* earnings were \$17.7 billion before investment and administrative expenses). Allocating 2021 net earnings will increase reserves subject to crediting from \$83 billion to \$99.3 billion for a 19.6% increase. This is estimated to be \$10.3 billion above the \$6 billion in expected gross earnings based on the assumed earnings rate of 7.2%. OPERF gross Investment Performance of 20.05% exceeded, by 13.4%, the OPERF Assumed Rate of Return of 6.6% that was established by the Oregon Investment Council. Addendum-A show earning history and the assumed rate for the last 25-years.

For perspective, the following table provides statistics for the past eleven years of preliminary earnings crediting reports to the Legislature.

2011-2021 Statistics	Preliminary Earnings Crediting	Preliminary Earnings Return
Average return	\$6,381.36	9.48%
Highest return	\$16,289.20 (2021)	19.62% (2021)
Median return	\$5,794.50	7.36%
Low return	\$83.5 (2018)	0.11% (2018)
Standard Deviation	\$4,576.10	6.23%

Of note is the actual market returns for private equity investments, which comprise over 26.4% of OPERF assets, are reported on a three-month lag as additional time is needed to value these non-public assets and returns. Therefore, the preliminary 2021 earnings crediting rate of return is based on private equity returns through September 30, 2021, rather than December 31, 2021. Private equity returns for the fourth quarter 2021 returns will be reflected in the following year as part of 2022 earnings crediting.

Also, this report does not include the following: (a) an estimated \$26.4 million in earnings crediting above the reported amount due to the crediting associated with member account payouts during the year and earnings required to be credited to employer accounts during the year; and (b) by statute, earnings crediting for anything other than the OPERF, which excludes earnings crediting for various retiree health insurance accounts.

### **Estimated Impact to Unfunded Accrued Liability**

The system-wide Unfunded Accrued Liability (UAL) for calendar year 2020 was \$28 billion before considering pre-paid employer side accounts and \$22.9 billion after considering \$5.1 billion in pre-paid employer side accounts. An actuarial estimate of the impact of the 2021 preliminary earnings on the UAL shows that the UAL may decrease to \$19.7 billion, or by \$8.3 billion, and that the funded status of the system increases to 80%. When \$5.3 billion of pre-paid employer side accounts are considered, the UAL decreases to \$14.4 billion and the funded status increases to 85%.

### **Employer Reserve Accounts and Oregon Public Service Retirement Program**

The preliminary earnings crediting of the employer reserve account is \$7.2 billion for a balance of \$42.6 billion and a return of 20.19%. The preliminary earnings crediting for the employer Oregon Public Service Retirement Program Pension account is \$1.7 billion for a balance of \$10.1 billion and a return of 20.44%.

### **Employee Pension Stability Accounts**

This is the first annual report to include information related to the redirection (starting July 1, 2020) of a portion of employee contributions from an employee's defined contribution plan, the Individual Account Program (IAP), to partially fund prospectively an employee's defined benefit or pension plan ("Employee Pension Stability Account"), if the PERS funded status is less than 90% funded and if an employee's earnings is more than \$3,333/month or approximately \$40,000 per year. Redirected funds will lower or offset the employer contribution resulting in employer savings. The redirect for each benefit plan, which began on July 1, 2020, are as follows: (a) Tier One: 2.5% of eligible salary and wages; (b) Tier Two: 2.5% of eligible salary and wages; and (c) Oregon Public Service Retirement Plan (OPSRP): 0.75% of eligible salary and wages.

The preliminary earnings crediting of the Tier 1/Tier2 Employee Pension Stability Account is \$26.4 million for a balance of \$154.2 million and a return of 20.19%. The preliminary earnings crediting for the Oregon Public Service Retirement Program Employee Pension Stability Account is \$18.2 million for a balance of \$106.9 billion and a return of 20.44%.

### **Side Accounts**

Employers have the option to make voluntary lump-sum payments to PERS that are in addition to the employer's required contribution. With few exceptions (i.e., payment of transition liability), lump-sum payments are deposited into "side accounts," and are used to offset a portion of the contributing employer's future PERS contribution rate, according to an amortization schedule.

The preliminary earnings crediting of various lump-sum employer contributions, or “side accounts,” is \$1.1 billion for a balance of \$6.6 billion and a return of 18.94%.

### **Retiree Benefits**

Upon an individual’s retirement, funds are transferred into a Benefits-in-Force Reserve account, which is used to fund retiree benefit payments. The preliminary earnings crediting for this account is \$3.6 billion for a balance of \$21.6 billion and a return of 20.22%.

### **Member Accounts**

The preliminary earnings crediting for Tier One member regular accounts is \$190.4 million for a balance of \$2.8 billion. Earnings crediting for this account, by statute, was at the 2020 assumed earnings rate of 7.2%. The preliminary earnings crediting for Tier Two regular member accounts was \$192.9 million for a balance of \$1.1 billion and a return of 20.22%. Judge Member Accounts were credited with the assumed earnings rate of 7.2%. Member variable accounts, which are invested in equities, earned 18.84% or 1.35% less than the 20.19% earned on other employer reserve accounts.

### **Tier One Rate Guarantee Reserve**

The Tier One Rate Guarantee Reserve makes up any shortfall between the assumed earnings rate and investment returns for Tier One regular accounts. Since Tier One regular account earnings were above the assumed earnings rate of 7.2%, \$450.1 million was transferred into the Tier One Rate Guarantee Reserve for a balance of \$976.9 million.

### **Individual Account Program**

The preliminary crediting for the Individual Account Program (IAP) was \$1.8 billion for a balance of \$13.1 billion and an average return of 16.26%. On September 20, 2017, an administrative decision by the Oregon Investment Council moved the IAP to a target-date, or age-based, fund solution beginning January 2, 2018. At the time, IAP members were given no choice in investment option selection; however, beginning on January 1, 2021, IAP members have had an investment choice [per HB 4159 (2018) and SB 1049 (2019)]. Under the target-date funds model, IAP accounts are no longer invested exclusively in the OPERF, but are partially invested in a series of funds structured to match the age of the IAP participant; however, beginning in 2020, retired member’s funds that are in distribution status will be invested in the Oregon Short-Term Fund. This change in the IAP investment strategy was undertaken to de-risk members' accounts. IAP and OPERF earnings are expected to deviate from one another with IAP earnings possibly lagging OPERF earnings over time. For the 2021 preliminary earnings crediting, IAP returns of 16.26% underperformed the 20.19% earned on other employer reserve accounts by 3.93%.

### **Contingency Reserve**

When earnings on OPERF equal or exceed the assumed earnings rate, the PERS Board may credit up to 7.2% of earnings to the Contingency Reserve. Statutorily, contingency reserves are limited to pay for: (a) a deficit in the payment of retirement benefits; (b) employer insolvency; and (c) legal expenses. The overfunding of the Contingency Reserve had been an issue for the Legislature beginning with the 2012 earnings crediting report. Reserve funds are not accounted for in actuarial valuations and the deployment of any amount of reserves to member regular accounts and employer accounts would reduce employer rates. In 2017, the Legislature enacted SB 1067 which statutorily limited the maximum balance of the Contingency Reserve to \$50 million resulting in the deployment of \$533.7 million in reserves to various accounts thereby reducing the UAL. The PERS Board credited

\$18 million to this reserve account, which restored the account's balance to \$50 million. The balance was at \$32 million after the deployment of \$18 million for corrections made to member accounts by the "OPSRP IAP First Wage Cleanup Project," that resolved what had been an inconsistent understanding of the treatment of OPSRP IAP contributions on a member's first day of eligibility (January 1, 2004 thru December 31, 2014).

### **Investment Expenses**

The Oregon Investment Council (OIC) is a policymaking body that sets investment policy, asset allocation targets, benchmark return targets, and makes portfolio decisions on investment purchases and sales. The OIC receives advice from outside investment and management consultants, but relies primarily upon the statutory Chief Investment Officer (i.e., State Treasurer) and the State Treasury Investment Program for staffing, including for investment analysis and recommendations.

OIC is responsible for reviewing investment expenses as part of the investment selection process.

Investment expenses are incurred for: (a) investment manager fees; (b) commissions and other fees; (c) investment consultants; and (d) State Treasury expenses. The preliminary earnings crediting for calendar year 2021 are the net of expenses and, as such, are not subject to legislative budgetary control (i.e., expenditure limitation). These expenses totaled \$1.1 billion for calendar year 2021, based on the PERS report. The most current fiscal year investment expense data from the PERS Comprehensive Annual Financial Report for fiscal year 2021 and shows that investment expenses increased by \$153.6 million between Fiscal Year 2020 (\$846.1 million) and 2021 (\$999.7 million) and that Assets under management increased by \$18.5 billion during this period (see Addendum-B).

### **Retirement System Administrative Expenses**

Administrative expenses total \$93.7 million for PERS agency operational expenses and include \$2.5 million for private vendor costs to administer the IAP and \$2.4 million of OST Fees. Expenses are funded with earnings when they are sufficient (ORS 238.601(1)). Agency expenses increased significantly due to the estimated \$40 million in additional administrative expenses the agency projects will be spent on the implementation of SB 1049 (2019).

Earnings from the Variable Account were sufficient to pay for the associated administrative expense. Of note, however, is that if earnings are insufficient to pay for administrative expenses, then those expenses are to come from OPERF earnings (OAR 459-007-0005). Such costs are not recouped in future years when Variable Account earnings exceed expenses.

### **Future Employer Contribution Rates**

Advisory employer contribution rates have been published by the PERS Board for the 2023-25 biennium and are based on 2020 actual earnings crediting. Actual employer specific contribution rates for the 2023-25 biennium will be approved by the PERS Board at their October 2022 board meeting based on the 2021 final earnings crediting.

**Recommendation:** The Legislative Fiscal Office recommends acknowledging receipt of the report.

### Addendum-A

The following addendum summarizes reported calendar year PERS account earnings history from 1997 to 2021.

PERS Investment Earnings History (1997-2021)							
Years	Calendar Year	OPERF	Assumed Rate	Tier 1	Tier 2	Variable	IAP
1	1997	20.42%	8.00%	18.70%	20.42%	28.87%	--
2	1998	15.43%	8.00%	14.10%	13.63%	21.45%	--
3	1999	24.89%	8.00%	11.33%	21.97%	28.83%	--
4	2000	0.63%	8.00%	8.00%	0.54%	-3.24%	--
5	2001	-7.17%	8.00%	8.00%	-6.66%	-11.19%	--
6	2002	-8.93%	8.00%	8.00%	-8.93%	-21.51%	--
7	2003	23.79%	8.00%	8.00%	22.00%	34.68%	--
8	2004	13.80%	8.00%	8.00%	13.27%	13.00%	12.77%
9	2005	13.04%	8.00%	8.00%	18.31%	8.29%	12.80%
10	2006	15.57%	8.00%	8.00%	15.45%	15.61%	14.98%
11	2007	10.22%	8.00%	7.97%	9.47%	1.75%	9.46%
12	2008	-27.18%	8.00%	8.00%	-27.18%	-43.71%	-26.75%
13	2009	19.19%	8.00%	8.00%	19.12%	35.57%	18.47%
14	2010	12.44%	8.00%	8.00%	12.44%	15.17%	12.13%
15	2011	2.21%	8.00%	8.00%	2.21%	-7.80%	2.15%
16	2012	14.29%	8.00%	8.00%	14.68%	18.43%	14.09%
17	2013	15.76%	8.00%	8.00%	15.62%	25.74%	15.59%
18	2014	7.29%	7.75%	7.75%	7.24%	4.29%	7.05%
19	2015	2.21%	7.75%	7.75%	1.87%	-1.61%	1.85%
20	2016	7.10%	7.50%	7.50%	7.12%	8.77%	7.14%
21	2017	15.15%	7.50%	7.50%	15.12%	26.45%	14.45%
22	2018	0.11%	7.20%	7.20%	0.20%	-10.03%	-0.72%
23	2019	13.33%	7.20%	7.20%	13.29%	29.04%	13.20%
24	2020	7.66%	7.20%	7.20%	7.22%	11.71%	8.43%
25	2021	20.05%	7.20%	7.20%	20.22%	18.84%	16.26%
25-year	Average	9.25%	7.81%	8.62%	9.15%	9.90%	--
20-year	Average	8.86%	7.77%	7.76%	8.94%	9.13%	--
15-year	Average	7.99%	7.69%	7.68%	7.91%	8.84%	7.52%
10-year	Average	10.30%	7.53%	7.53%	10.26%	13.16%	9.73%
5-year	Average	11.26%	7.26%	7.26%	11.21%	15.20%	10.32%
3-year	Average	13.68%	7.20%	7.20%	13.58%	19.86%	12.63%

## Addendum-B

The following addendum summarizes reported fiscal year Investment Expenses from 2017 to 2021.

Public Employees Retirement System - Investment Expenses					
Source: PERS CAFR					
Fiscal Year	2021	2020	2019	2018	2017
<b>Assets Under Management</b>					
Debt Securities Managers	\$ 16,577,911,142	\$ 15,213,720,452	\$ 16,277,259,333	\$ 14,968,539,870	\$ 14,768,509,332
Public Equity Managers	\$ 33,064,101,068	\$ 26,478,003,098	\$ 29,403,270,522	\$ 30,225,870,153	\$ 27,063,910,456
Real Estate Managers	\$ 10,151,288,539	\$ 8,731,171,187	\$ 8,966,132,571	\$ 8,718,684,190	\$ 8,585,785,027
Private Equity Managers	\$ 25,725,638,086	\$ 18,480,372,903	\$ 17,259,957,679	\$ 15,017,344,594	\$ 13,954,350,332
Alternative Equity Managers	\$ 9,647,953,735	\$ 8,209,320,304	\$ 7,218,603,962	\$ 4,138,735,188	\$ 2,948,607,060
Opportunity Portfolio Managers	\$ 2,125,974,636	\$ 1,652,118,971	\$ 1,717,803,743	\$ 1,587,753,762	\$ 1,364,144,854
Total Assets Under Management	\$ 97,292,867,206	\$ 78,764,706,915	\$ 80,843,027,810	\$ 74,656,927,757	\$ 68,685,307,061
Dollar Change	\$ 18,528,160,291	\$ (2,078,320,895)	\$ 6,186,100,053	\$ 5,971,620,696	\$ (2,586,015,042)
Percentage Change	23.5%	-2.6%	8.3%	8.7%	-3.6%
<b>Investment Managers' Fees</b>					
Debt Securities Managers	\$ 17,557,644	\$ 20,468,792	\$ 19,441,705	\$ 22,230,766	\$ 30,560,952
Public Equity Managers	\$ 72,963,272	\$ 60,429,729	\$ 68,037,878	\$ 72,775,356	\$ 72,478,320
Real Estate Managers	\$ 74,324,131	\$ 66,969,188	\$ 65,533,767	\$ 71,653,741	\$ 72,287,039
Private Equity Managers	\$ 240,298,187	\$ 240,246,208	\$ 221,756,053	\$ 231,579,067	\$ 198,093,147
Alternative Equity Managers	\$ 109,486,893	\$ 88,132,992	\$ 78,341,548	\$ 68,760,668	\$ 40,596,887
Opportunity Portfolio Managers	\$ 15,802,353	\$ 13,997,511	\$ 14,993,277	\$ 16,995,422	\$ 15,141,478
	\$ 530,432,480	\$ 490,244,420	\$ 468,104,228	\$ 483,995,020	\$ 429,157,823
<b>Other Investment Service Fees</b>					
Securities Lending			\$ -	\$ -	\$ -
Commissions					
Investment Consultants	\$ 8,824,986	\$ 8,318,966	\$ 10,496,023	\$ 7,489,482	\$ 5,155,437
State Treasury					
Oregon Investment Council					
Oregon Savings Growth Plan					
Commissions and Other Fees	\$ 460,423,737	\$ 347,530,492	\$ 433,208,401	\$ 212,727,035	\$ 119,410,367
Total Other Investment Fees	\$ 469,248,723	\$ 355,849,458	\$ 443,704,424	\$ 220,216,517	\$ 124,565,804
<b>Total Investment Fees</b>	\$ 999,681,203	\$ 846,093,878	\$ 911,808,652	\$ 704,211,537	\$ 553,723,627
Dollar Change	\$ 153,587,325	\$ (65,714,774)	\$ 207,597,115	\$ 150,487,910	\$ 6,200,360
Percentage Change	18.2%	-7.2%	29.5%	27.2%	1.1%



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

Headquarters:

11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

888-320-7377

TTY (503) 603-7766

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

January 31, 2022

The Honorable Senator Elizabeth Steiner-Hayward, Co-Chair  
The Honorable Representative Tawna Sanchez, Co-Chair  
Joint Committee on Ways and Means  
900 Court Street NE  
H-178 State Capitol  
Salem, OR 97301-4048

Dear Co-Chairpersons:

### Nature of the Request

The Public Employees Retirement System (PERS) requests acknowledgement of receipt of this report on the PERS Board's preliminary crediting of 2021 earnings received through investment of the Oregon Public Employees Retirement Fund (OPERF) Regular Account. This report is provided in accordance with ORS 238.670(5), which requires PERS to submit a preliminary earnings crediting report to the appropriate legislative committee at least 30 days prior to the final allocation of earnings to member and employer accounts and other reserves. Final earnings crediting is currently scheduled for the March 28, 2022 PERS Board meeting.

### Agency Action

On January 31, 2022, the PERS Board preliminarily approved the allocation of approximately \$16.3 billion in OPERF Regular Account 2021 earnings to member and employer accounts and other reserves.

In this preliminary action, the Board allocated earnings (net of expenses and other adjustments) at a rate of 20.19% to the Benefits in Force Reserve, 20.19% to Employer Reserves, 20.19% to Tier Two member regular & EPSA accounts, 16.26% to Individual Account Program accounts as a whole, and 20.44% to the OPSRP Pension & EPSA accounts. The Contingency Reserve is \$32 million, and the Board voted to allocate earnings to replenish the reserve to \$50 million.

The Board also preliminarily approved crediting earnings at the 2021 assumed rate of 7.20% to Tier One member regular accounts, as required by ORS 238.255.

### Action Requested

PERS requests the Committee acknowledge receipt of the report.

### Legislation Affected

No legislation is affected by this request.

Sincerely,

Kevin Olineck  
Executive Director

### Attachment

PERS Board Report Item C.6, January 31, 2022



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

Headquarters:

11410 S.W. 68<sup>th</sup> Parkway, Tigard, OR

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

(503) 598-7377

TTY (503) 603-7766

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

January 31, 2022

TO: Members of the PERS Board

FROM: Richard Horsford, Chief Financial Officer  
Amanda Marble, Financial Reporting Manager

SUBJECT: 2021 Preliminary Earnings Crediting and Reserving

### OVERVIEW

- Action: Allocate 2021 preliminary earnings crediting.
- Reason: ORS 238.670(5) requires PERS to submit a preliminary proposal to the appropriate legislative committee at least 30 days before making a final decision on earnings crediting.
- Subject: Crediting earnings for calendar year 2021 to the PERS Fund's accounts and reserves.
- Policy Issue: Is the Contingency Reserve adequately funded?

The PERS Board is charged with crediting the earnings from the PERS Fund each calendar year. Some of those allocations are directed by statute or rule; the balance is at the PERS Board's discretion.

### 2021 PRELIMINARY ALLOCATIONS

The PERS Board's Annual Earnings Crediting rule (see OAR 459-007-0005) directs the crediting to the Judge and Tier Two member regular accounts, as well as the OPSRP Pension Program, Benefits-in-Force, and Employer reserves. Staff recommends the following allocations be adopted preliminarily by the PERS Board:

#### **Non-Discretionary Allocations**

##### **1. Tier One Member Regular Accounts Reserve and Judge Member Accounts**

Credit Tier One member regular accounts and Judge member accounts with the assumed earnings rate (7.20%) in effect during 2021.

**Tier One Rate Guarantee Reserve:** This reserve, established under ORS 238.255(1), is used to fund crediting of the assumed rate to Tier One member regular accounts when earnings are less than the assumed rate. Because earnings on Tier One member regular accounts for 2021 exceed the assumed rate, those excess earnings will be credited to Tier One Rate Guarantee Reserve, resulting in a remaining balance of \$450.9 million.

##### **2. Tier Two Member Regular Accounts**

Credit Tier Two member regular accounts with a proportional share of available PERS Fund Regular Account earnings, which will result in a preliminary rate of 20.22%.

##### **3. Benefits-in-Force and Employer Reserves**

Credit the Benefits-in-Force and Employer Reserves evenly with the remaining available PERS Fund Regular Account earnings, which will result in a preliminary rate of 20.22%.

##### **4. OPSRP Pension Plan Member Accounts**



OPSRP member accounts usually are credited with a proportional share of available PERS Fund Regular Account earnings, which will result in a preliminary rate of 20.47%.

### **EARNINGS ALLOCATIONS DIRECTED BY STATUTE OR RULE**

The following reserves and accounts are allocated earnings by applicable statute or rule. In compliance with these restrictions, the preliminary earnings allocation reflects the following:

- 5. Individual Account Program (IAP):** These member accounts are credited with actual earnings or losses of the PERS Fund Regular Account as required by ORS 238A.350 (1). The overall preliminary IAP earnings for 2021 are 16.26% after deducting IAP expenses. The table below illustrates the IAP earnings by tranche.

<b>Oregon Public Employees Retirement System</b> <b>Preliminary IAP TDF Earnings</b> (All dollar amounts in thousands)				
<b>TDF Fund</b>	<b>Reserves Before Crediting</b>	<b>2021 Crediting</b>	<b>Reserves After Crediting</b>	<b>2021 Rates</b>
<b>RAF Fund</b>	\$ 786,377.3	\$ 110,482.5	\$ 896,859.8	14.04%
<b>2025 Fund</b>	1,458,544.4	208,179.9	1,666,724.3	14.27%
<b>2030 Fund</b>	1,937,387.7	318,321.9	2,255,709.6	16.43%
<b>2035 Fund</b>	2,184,951.0	399,088.0	2,584,039.0	18.26%
<b>2040 Fund</b>	1,876,578.7	346,346.4	2,222,925.1	18.45%
<b>2045 Fund</b>	1,436,085.8	257,456.6	1,693,542.4	17.92%
<b>2050 Fund</b>	777,043.7	131,176.3	908,220.0	16.88%
<b>2055 Fund</b>	320,916.7	48,339.2	369,255.9	15.06%
<b>2060 Fund</b>	86,982.3	10,064.9	97,047.2	11.57%
<b>2065 Fund</b>	17,458.3	2,597.3	20,055.6	14.87%
<b>Total</b>	<b>\$10,882,325.9</b>	<b>\$1,832,053.0</b>	<b>\$12,714,378.9</b>	

In accordance with Senate Bill 1049 (2019), effective July 1, 2020 all currently employed Tier One/Tier Two and OPSRP members earning \$2,500/month or more (\$2,535 in 2021), a portion of their 6 percent monthly IAP contributions will be redirected to an "Employee Pension Stability Account." The Employee Pension Stability Account (EPSA) will be used to pay for part of the member's future pension benefit.

Of note, House Bill 2906 was passed in 2021, increasing the monthly salary threshold to \$3,333, effective January 1, 2022.

For earnings crediting purposes, Tier One/Tier Two member EPSA accounts will be credited with the same rate as Tier Two Regular Member accounts, which will result in a preliminary rate of 20.22%.

For earnings crediting purposes, OPSRP member EPSA accounts will be credited with the same rate as OPSRP Pension Member Accounts, which will result in a preliminary rate of 20.47%.

- 6. Employer Lump Sum Payment Accounts:** These accounts are credited with actual earnings or losses of the PERS Fund Regular Account less administrative expenses, as authorized by ORS 238.225. For 2021, the preliminary crediting rate for the side accounts established before 1/1/2021 is 20.77%. The preliminary crediting rate for new lump sum payment accounts varies depending on the time of payments.
- 7. Health Insurance Accounts:** These accounts are created as part of the PERS Fund and directed by statute to be credited with actual earnings or losses, less the expense related to the administration of the programs (ORS 238.410(7); 238.415(4); 238.420(4)). For 2021, the preliminary crediting rate for these accounts are 21.02% for RHIA, 18.24% for RHIPA, and 0.18% for SRHIA (invested in the Treasury Short-Term Fund).

Oregon Public Employees Retirement System Health Insurance Accounts Preliminary Rates	
Health Insurance Fund	2021
RHIA	21.02%
RHIPA	18.24%
SRHIA *	0.18%

\* Invested in the Treasury Short-Term Fund

- 8. Variable Annuity Account:** This account is credited with earnings and losses on its distinct asset allocation of the PERS Fund. The Variable Annuity Account is only invested in equities and therefore its earnings are discrete from those of the more diversified PERS Fund Regular Account. For 2021, the preliminary Variable Annuity Account earnings is 18.84%.

**Administrative Expenses:** PERS administrative costs are funded by earnings when they are sufficient, as they were in 2021 (ORS 238.610(1)). As directed by House Bill 4155 (2014 Regular Session), the administrative costs to comply with Governmental Accounting Standards Board (GASB) 68 and 75 reporting standards were \$27,238, and will be recovered from earnings on employer's contributions.

Oregon Public Employees Retirement System Calendar Year 2021 Preliminary 2021 Crediting and Reserving Option 1: No Contingency Reserve Funding (All dollar amounts in millions)								
	Reserves Before Crediting	Gross Investment Income (a)	Investment Expense (b)	Administrative Expenses (c)	Other Adjustments <sup>2</sup> (d)	Net 2021 Crediting (a+b+c+d)	Reserves After Crediting	2021 Rates
Tier One Member Regular Accounts	2,644.8	709.7	(46.9)	(3.7)	(468.7)	190.4	2,835.2	7.20%
Tier One Rate Guarantee Reserve	526.8	-	-	-	450.9	450.9	977.7	N/A
Tier Two Member Regular Accounts	953.5	213.4	(14.1)	(1.1)	(5.3)	192.9	1,146.4	20.22%
Benefits In Force Reserve	17,942.9	4,015.0	(265.4)	(20.8)	(100.4)	3,628.4	21,571.3	20.22%
Employer Reserves	35,445.8	7,931.6	(524.2)	(41.1)	(198.4)	7,167.9	42,613.7	20.22%
Tier One/Two Employee Pension Stability Account	127.9	16.5	(1.2)	-	11.1	26.4	154.3	20.22%
OPSRP Pension	8,417.4	1,721.1	(109.8)	(11.5)	123.8	1,723.6	10,141.0	20.47%
OPSRP Employee Pension Stability Account	88.7	10.8	(0.8)	-	8.2	18.2	106.9	20.47%
IAP Accounts, as a whole <sup>1</sup>	11,273.6	2,008.4	(116.5)	(15.3)	(43.2)	1,833.4	13,107.0	16.26%
UAL Lump-Sum Pmt. Side Accounts <sup>1</sup>	5,581.5	1,087.8	(30.5)	(0.2)	-	1,057.1	6,638.6	Various <sup>3</sup>
Contingency Reserve	32.0	-	-	-	-	-	32.0	N/A
<b>Total</b>	<b>\$83,034.9</b>	<b>\$17,714.3</b>	<b>(\$1,109.4)</b>	<b>(\$93.7)</b>	<b>(\$222.0)</b>	<b>\$16,289.2</b>	<b>\$99,324.1</b>	

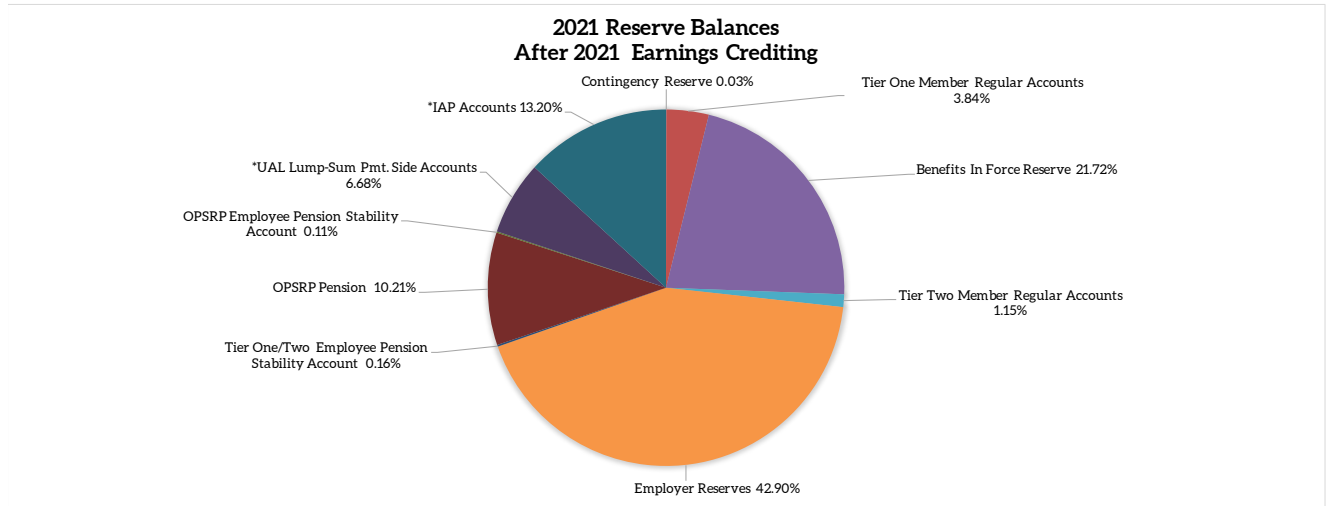
<sup>1</sup> Informational only. Not affected by Board reserving or crediting decisions.

IAP accounts receiving installments have already received 2021 earnings.

<sup>2</sup> Primarily due to Tier One Rate Guarantee Reserve transfer of the Tier One member regular account excess earnings, defined benefit commingled earnings transfer, and the earnings credited to mid-year retirements.

<sup>3</sup> The preliminary earnings rate for the pre-2021 Side Accounts is 20.77%

Note: The actual market returns for private equity investments are reported on a three-month lag as additional time is needed to value these non-public assets and returns. Private equity returns for the fourth quarter will be reflected in the following year earnings crediting.



\*Informational only. Not affected by Board reserving or crediting decisions.  
IAP accounts receiving installments have already received 2021 earnings.

## POLICY ISSUE

- *Is the Contingency Reserve adequately funded?*

ORS 238.670 (1) limits the PERS Board's crediting of funds to the Contingency Reserve; specifically, "...the board may not credit further amounts to the reserve account if the amounts in the reserve account exceed \$50 million."

The current balance of the Contingency Reserve is \$32,001,041.65 million, with \$2.5 million earmarked for resolving employer insolvencies. The staff recommends an additional allocation at this time of \$17,998,958.35 to replenish the fund for the corrections made to member accounts by the OPSRP IAP First Wage Cleanup Project.

**OPSRP IAP First Wage Cleanup Project:** Between January 1, 2004 through December 31, 2014, employers' inconsistent understanding of when OPSRP IAP contributions were due for new OPSRP members resulted in some members not receiving IAP contributions for their first eligible pay date. At the November 18, 2016 board meeting, the board approved the EAG's request to use the Contingency Reserve to fund the approximate \$21,809,890 cost associated with correcting the Contribution Start Date (CSD) for members during the period from 2004 through 2014.

Data Services completed their research and analysis in December 2021, and the anticipated amount needed from the contingency reserve of \$17,998,958.35 was moved to fund the processing of member account corrections.

<b>Oregon Public Employees Retirement System</b> <b>Calendar Year 2021</b> <b>Preliminary 2021 Crediting and Reserving</b> <b>Option 2: Contingency Reserve Funding</b> <b>(All dollar amounts in millions)</b>								
	Reserves Before Crediting	Gross Investment Income (a)	Investment Expense (b)	Administrative Expenses (c)	Other Adjustments <sup>2</sup> (d)	Net 2021 Crediting (a+b+c+d)	Reserves After Crediting	2021 Rates
Tier One Member Regular Accounts	2,644.8	709.7	(46.9)	(3.7)	(468.7)	190.4	2,835.2	7.20%
Tier One Rate Guarantee Reserve	526.8	-	-	-	450.1	450.1	976.9	N/A
Tier Two Member Regular Accounts	953.5	213.4	(14.1)	(1.1)	(5.6)	192.6	1,146.1	20.19%
Benefits In Force Reserve	17,942.9	4,015.0	(265.4)	(20.8)	(105.3)	3,623.5	21,566.4	20.19%
Employer Reserves	35,445.8	7,931.6	(524.2)	(41.1)	(208.1)	7,158.2	42,604.0	20.19%
Tier One/Two Employee Pension Stability Account	127.9	16.5	(1.2)	-	11.0	26.3	154.2	20.19%
OPSRP Pension	8,417.4	1,721.1	(109.8)	(11.5)	121.5	1,721.3	10,138.7	20.44%
OPSRP Employee Pension Stability Account	88.7	10.8	(0.8)	-	8.2	18.2	106.9	20.44%
IAP Accounts, as a whole <sup>1</sup>	11,273.6	2,008.4	(116.5)	(15.3)	(43.2)	1,833.4	13,107.0	16.26%
UAL Lump-Sum Pmt. Side Accounts <sup>1</sup>	5,581.5	1,087.8	(30.5)	(0.2)	-	1,057.1	6,638.6	Various <sup>3</sup>
Contingency Reserve	32.0	-	-	-	18.0	18.0	50.0	N/A
<b>Total</b>	<b>\$83,034.9</b>	<b>\$17,714.3</b>	<b>(\$1,109.4)</b>	<b>(\$93.7)</b>	<b>(\$222.1)</b>	<b>\$16,289.1</b>	<b>\$99,324.0</b>	

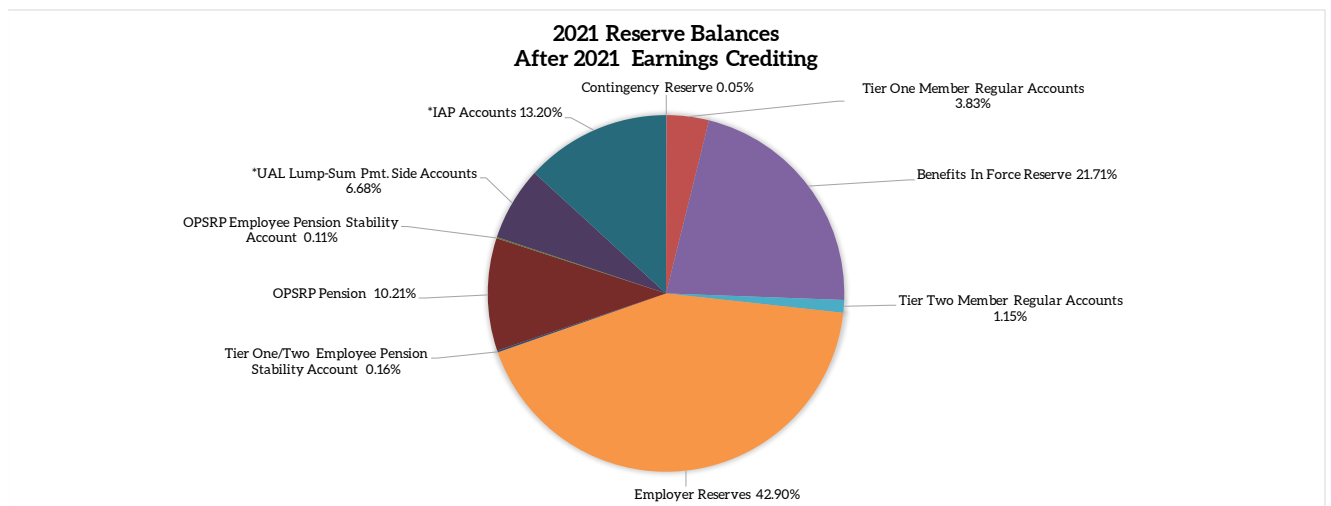
<sup>1</sup> Informational only. Not affected by Board reserving or crediting decisions.

IAP accounts receiving installments have already received 2021 earnings.

<sup>2</sup> Primarily due to Tier One Rate Guarantee Reserve transfer of the Tier One member regular account excess earnings, Contingency Reserve funding, defined benefit commingled earnings transfer, and the earnings credited to mid-year retirements.

<sup>3</sup> The preliminary earnings rate for the pre-2021 Side Accounts is 20.77%

Note: The actual market returns for private equity investments are reported on a three-month lag as additional time is needed to value these non-public assets and returns. Private equity returns for the fourth quarter will be reflected in the following year earnings crediting.



\*Informational only. Not affected by Board reserving or crediting decisions.

IAP accounts receiving installments have already received 2021 earnings.

## BOARD ACTION – PRELIMINARY EARNINGS CREDITING

The PERS Board's options for 2021 preliminary earnings crediting include:

1. Pass a motion to “adopt the preliminary crediting of earnings as presented for calendar year 2021, subject to final adoption at the March 28, 2022 PERS Board meeting.”
2. Pass a motion to “adopt the preliminary crediting of earnings for calendar year 2021, subject to final adoption at the March 28, 2022 PERS Board meeting, and allocating a stated amount of 2021 earnings to fully fund the Contingency Reserve.
3. Pass a motion preliminarily allocating 2021 earnings in an alternative proportion, subject to final adoption at the March 28, 2022 PERS Board meeting.

### STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #2.

### NEXT STEPS

Preliminary Earnings Crediting: Once the board makes its preliminary allocation, staff will prepare and present the required report to the Joint Legislative Committee on Ways and Means. Any comments received from the committee will be presented to the PERS Board prior to the final crediting decision at its meeting on March 28, 2022.

This preliminary action and the resulting report to the Legislature do not prohibit the PERS Board from changing its final decision, such as if new information becomes available. If the board makes a significant change from its preliminary decision, staff will report the board's actions to the Legislature.

C.6. Attachment 1: ORS 238.670 – Reserve Accounts in Fund

C.6. Attachment 2: OAR 459-007-0005 – Annual Earnings Crediting Rule

C.6. Attachment 3: EAG Board Request to fund the CSD Corrections with the Contingency Reserve, with a copy of the Board minutes reflecting approval Board approval

**238.670 Reserve accounts in fund.**

(1) At the close of each calendar year in which the earnings on the Public Employees Retirement Fund equal or exceed the assumed interest rate established by the Public Employees Retirement Board under ORS 238.255, the board shall set aside, out of interest and other income received through investment of the Public Employees Retirement Fund during that calendar year, such part of the income as the board may deem advisable, not exceeding seven and one-half percent of the combined total of such income, which moneys so segregated shall remain in the fund and constitute therein a reserve account. The board shall continue to credit the reserve account in the manner required by this subsection until the board determines that the reserve account is adequately funded for the purposes specified in this subsection, but the board may not credit further amounts to the reserve account if the amounts in the reserve account exceed \$50 million. Such reserve account shall be maintained and used by the board to prevent any deficit of moneys available for the payment of retirement allowances, due to interest fluctuations, changes in mortality rate or, except as provided in subsection (3) or (4) of this section, other contingency. In addition, the reserve account may be used by the board for the following purposes:

(a) To prevent any deficit in the fund by reason of the insolvency of a participating public employer. Reserves under this paragraph may be funded only from the earnings on employer contributions made under ORS 238.225.

(b) To pay any legal expenses or judgments that do not arise in the ordinary course of adjudicating an individual member's benefits or an individual employer's liabilities.

(2) At the close of each calendar year, the board shall set aside, out of interest and other income received during the calendar year, after deducting the amounts provided by law and to the extent that such income is available, a sufficient amount to credit to the reserves for pension accounts and annuities varying percentage amounts adopted by the board as a result of periodic actuarial investigations. If total income available for distribution exceeds those percentages of the total accumulated contributions of employees and employers, the reserves for pensions and annuities shall participate in such excess.

(3) The board may set aside, out of interest and other income received through investment of the fund, such part of the income as the board considers necessary, which moneys so segregated shall remain in the fund and constitute one or more reserve accounts. Such reserve accounts shall be maintained and used by the board to offset gains and losses of invested capital. The board, from time to time, may cause to be transferred from the reserve account provided for in subsection (1) of this section to a reserve account provided for in this subsection such amount as the board determines to be unnecessary for the purposes set forth in subsection (1) of this section and to be necessary for the purposes set forth in this subsection.

(4) The board may provide for amortizing gains and losses of invested capital in such instances as the board determines that amortization is preferable to a reserve account provided for in subsection (3) of this section.

(5) At least 30 days before crediting any interest and other income received through investment of the Public Employees Retirement Fund to any reserve account in the fund, the board shall submit a preliminary proposal for crediting to the appropriate legislative review agency, as

defined in ORS 291.371(1), for its review and comment. [Formerly 237.281; 2001 c.945 §5; 2017 c.746 §11]

**OAR 459-007-0005****Annual Earnings Crediting**

(1) For purposes of this rule, “remaining earnings” means earnings available for distribution to a particular account or reserve after deduction of amounts required or authorized by law for other purposes.

(2) Except as otherwise specified in this division, earnings on all accounts and reserves in the Fund shall be credited as of December 31 of each calendar year in the manner specified in this rule.

(3) Health insurance accounts. All earnings attributable to the Standard Retiree Health Insurance Account (SRHIA), Retiree Health Insurance Premium Account (RHIPA) or Retirement Health Insurance Account (RHIA) shall be credited to the account from which they were derived, less administrative expenses incurred by each account, as provided in ORS 238.410, 238.415 and 238.420, respectively.

(4) Employer lump sum payments. All earnings or losses attributable to the employer lump sum payment accounts established under ORS 238.229 shall be credited to the accounts from which they were derived.

(5) Member variable accounts. Earnings on the Variable Annuity Account shall first be used to pay a pro rata share of administrative expenses in accordance with ORS 238.260(6). If the annual earnings from the Variable Annuity Account are insufficient to pay for the pro rata share of administrative expenses, those administrative expenses shall be paid from earnings on other accounts within the Public Employees Retirement Fund (PERF), if available. If earnings from those accounts within the PERF are insufficient to pay for the administrative expenses, those expenses shall be paid from employer accounts as required by ORS 238.610. All remaining earnings or losses attributable to the Variable Annuity Account shall be credited to the participants of that account, as provided under 238.260(6) and (7)(b).

(6) Individual Account Program accounts. Earnings on the Individual Account Program accounts established under ORS 238A.350 shall first be used to pay a pro rata share of administrative expenses in accordance with ORS 238A.350(1). Losses on Individual Account Program target date funds shall be increased by a pro rata share of administrative expenses. After administrative expenses, each Individual Account Program account established under ORS 238A.350 shall be credited with the earnings or losses of the specific target date fund to which the account is allocated, except for account balances allocated to the retirement installments fund, which shall be credited with earnings or losses on a monthly basis.

(7) Administrative expenses. Earnings attributable to Tier One regular accounts, the Tier One Rate Guarantee Reserve, Tier Two member regular accounts, judge member regular accounts, the OPSRP Pension Program reserve, Employee Pension Stability Accounts, employer contribution accounts, the Contingency Reserve, the Benefits-in-Force Reserve, and the Capital Preservation Reserve shall first be used to pay the system’s remaining administrative expenses under ORS 238.610.

(8) Contingency Reserve.

(a) In any year in which total earnings on the Fund equal or exceed the assumed rate, an amount not exceeding seven and one-half percent of remaining earnings attributable to Tier One regular accounts, the Tier One Rate Guarantee Reserve, Tier Two regular accounts, judge member regular accounts, the OPSRP Pension Program reserve, Employee Pension Stability Accounts, the Benefits-in-Force Reserve, employer contribution accounts, the Capital Preservation Reserve and the Contingency Reserve shall be credited to the Contingency Reserve to the level at which the board determines it is adequately funded for the purposes specified in ORS 238.670(1).



(b) The portion of the Contingency Reserve allowed under ORS 238.670(1)(a) for use in preventing a deficit in the fund due to employer insolvency may only be credited using earnings attributable to employer contribution accounts.

(9) Tier One Member Rate Guarantee Reserve. All remaining earnings attributable to Tier One regular accounts, the Tier One Member Rate Guarantee Reserve, judge member regular accounts, the Benefits-in-Force Reserve, and the Contingency Reserve may be credited to the Tier One Member Rate Guarantee Reserve established under ORS 238.255(1).

(10) Capital Preservation Reserve. Remaining earnings attributable to the Tier Two member regular accounts, judge member regular accounts, OPSRP Pension Program reserve, Employee Pension Stability Accounts, employer contribution accounts, the Benefits-in-Force Reserve, the Contingency Reserve and the Capital Preservation Reserve may be credited from those sources to one or more reserve accounts that may be established under ORS 238.670(3) to offset gains and losses of invested capital.

(11) Tier One regular accounts. All remaining earnings attributable to Tier One regular accounts and the Tier One Rate Guarantee Reserve shall be credited to Tier One member regular accounts at the assumed rate in any year in which the conditions set out in ORS 238.255 have not been met. Crediting under this subsection shall be funded first by all remaining earnings attributable to Tier One regular accounts and the Tier One Rate Guarantee Reserve, then moneys in the Tier One Rate Guarantee Reserve.

(12) Judge member regular accounts. All remaining earnings attributable to judge member regular accounts shall be credited to all active and inactive judge member regular accounts at the judge member rate. Crediting under this subsection shall be funded first by all remaining earnings attributable to the judge member regular accounts and the Tier One Rate Guarantee Reserve, then moneys in the Tier One Rate Guarantee Reserve.

(13) Tier Two member regular accounts. All remaining earnings or losses attributable to Tier Two member regular accounts shall be credited to all active and inactive Tier Two member regular accounts under ORS 238.250.

(14) Employee Pension Stability Account (EPSA). All remaining earnings or losses attributable to the EPSAs shall be credited to all active and inactive EPSAs under ORS 238A.353. For administrative expenses:

(a) EPSA accounts of Tier One and Tier Two members will be treated as Tier Two funds.

(b) EPSA accounts of OPSRP members will be treated as OPSRP Pension Program Reserve funds.

(15) OPSRP Pension Program Reserve. Remaining earnings attributable to the OPSRP Pension Program Reserve, the Contingency Reserve, and the Capital Preservation Reserve may be used to credit the OPSRP Pension Program reserve.

(16) Benefits-in-Force Reserve. Remaining earnings attributable to the Benefits-in-Force Reserve, the Contingency Reserve, the Capital Preservation Reserve, and employer contribution accounts, in that order, shall be used, to the extent available, to credit the Benefits-in-Force Reserve with earnings up to the assumed rate for that calendar year in accordance with ORS 238.670(2).

(17) Employer contribution accounts. All remaining earnings attributable to employer contribution accounts shall be credited to employer contribution accounts.

(18) Remaining earnings. Any remaining earnings shall be credited to accounts and reserves in the Fund at the board's discretion.

**Statutory/Other Authority:** ORS 238.650 & 238A.450

**Statutes/Other Implemented:** ORS 238 & 238A.350

**History:**

PERS 9-2020, amend filed 06/23/2020, effective 06/23/2020

PERS 9-2019, amend filed 12/06/2019, effective 12/06/2019

PERS 2-2018, amend filed 02/02/2018, effective 02/02/2018

PERS 7-2017, temporary amend filed 12/01/2017, effective 12/01/2017 through 05/29/2018

PERS 9-2012, f. & cert. ef. 5-24-12

PERS 4-2009, f. & cert. ef. 4-6-09

PERS 1-2006, f. & cert. ef. 2-1-06

PERS 18-2005(Temp), f. & cert. ef. 10-26-05 thru 4-19-06

PERS 8-2004, f. & cert. ef. 4-15-04

# Employer Advisory Group

---

November 4, 2016

Chair Thomas and Members of the PERS Board,

The Employer Advisory Group is requesting the PERS Board approve the use of the Contingency Reserve to fund the costs associated with correcting the Contribution Start Date (CSD) for members during the period from 2004 to 2014.

## Background

In 2014, through an internal audit, PERS staff became aware of the fact that errors and inconsistencies existed in the employers' calculation of eligible wages subject to PERS contributions following the CSD for new OPSRP members since the OPSRP program's inception in 2004. PERS staff and the PERS Employer Advisory Group request the errors and inconsistencies be corrected so that contributions for employees are accurate and consistently calculated.

To that end, the PERS Employer Advisory Group has been working with PERS staff for nearly two years to understand and reconcile the variances in how employee contributions were treated following each new employee's designated CSD. This has been a complex issue to unravel, which impacts 71% of PERS employers representing more than 56,000 members. The State of Oregon alone accounts for nearly half of the total amount outstanding.

During the past two years PERS staff has worked diligently to increase the accuracy of the projected costs associated with correcting these errors and inconsistencies. At this time, the population of members has been split into two groups. Group A are those who are known to have incorrect first month contributions. Group B will require additional research, likely on an individual-by-individual basis. Cost estimates to align all members' CSD data are:

	IAP	Employer	Prior Earnings	Total Cost
Population A	\$3,120,430	\$3,965,627	\$3,017,322	\$10,103,380
Population B	3,527,264	4,311,336	3,867,911	11,706,510
Total	\$6,647,694	\$8,276,963	\$6,885,233	\$21,809,890

Members of the Employer Advisory Group are unanimous in requesting that the Board approve the use of the Contingency Reserve for the following reasons:

- In 2014, following the audit, PERS staff revised their initial 2004 interpretation of the statute that defines the CSD for new OPSRP members. This new interpretation, which is now being retroactively implemented to 2004, is a significant element of the 21.8 million dollar estimated cost.
- Between 2004 and 2014, PERS staff gave inconsistent direction to employers for whether the first remittance following CSD was based on earned-when-earned or earned-when-paid.

- Most employers followed the directions that were given by PERS staff, which led to many employers reporting information and making payments which have now been determined to be in error. Some employers were given directions that match the current interpretation of the first remittance based on CSD and pay dates.
- Some employers did not follow the directions given by staff, which resulted in the employer contributing “correctly” as later re-interpreted by PERS staff.
- For employers who are member paid, and where the employee is no longer working, the employer must try to collect the amounts from the former employee, or, in essence, pay the member contribution and overpay the former employee; neither alternative is acceptable.
- Several large State of Oregon employers have experienced resistance from the Federal Government when submitting PERS invoices related to older year adjustments for federal reimbursement.

Representatives of the Employer Advisory Group will be at the November 18 meeting to respond to any questions the Board may have.

**Members of the Employer Advisory Group:**

Rob Bovett, Association of Oregon Counties  
 Ralph Wyatt, Linn County  
 Jeff White, Marion County  
 Nancy Brewer, City of Corvallis  
 Celia Heron, City of Portland  
 Rich McDonald, Chemeketa Community College  
 Dave Henderson, Linn-Benton Community College  
 Jim Langstraat, Portland Community College  
 Lori Sattenspiel, Oregon School Boards Association  
 Michelle Morrison, Hillsboro School District  
 David Moore, Tigard-Tualatin School District  
 Hasina Squires, Special Districts  
 Debra Grabler, Tualatin Valley Fire and Rescue  
 Shauna Tobiasson, State of Oregon, Department of Administrative Services  
 Trudy Vidal, State of Oregon, Department of Administrative Services  
 Donna Chastain, Oregon State University  
 Kerry Gilbreth, Portland State University  
 Heather Mercer, Western Oregon University

extensive research. There is still ample budget left in the duration of this project. Most of the necessary programming has been completed.

No Board action was required.

## C.2. LEGISLATIVE ADVISORY COMMITTEE AND LEGISLATIVE UPDATE

Senior Policy Director Marjorie Taylor presented.

Two new appointments have been proposed to fill vacancies on the Legislative Advisory Committee - Ed Edwards for Oregon School Employees Association and Lori Sattenspiel for Oregon School Boards Association.

Furnstahl moved to approve the recommended appointments. West seconded the motion. The motion passed unanimously.

In addition, Taylor presented policy papers on several issues which PERS anticipates will be discussed during the upcoming legislative session. Also included in the Board meeting materials were the actuarial analyses of the legislative proposals developed for the PERS Solutions Work Group by the Board's actuary, Milliman.

## C.3. 2017-19 EMPLOYER RATES FOR JACKSON AND JOSEPHINE COUNTIES

Assistant Chief Administration Officer Mary Dunn presented. She reviewed the matter which was continued from the September Board meeting regarding the transitional liability assessed to Jackson and Josephine counties as well as past practices for how this type of issue has historically been addressed.

West moved to adopt the 2017-19 individual contribution rates for Jackson and Josephine County as presented by the PERS actuary on September 30, 2016. Gema seconded the motion. The motion passed unanimously.

## C.4. OPSRP CONTRIBUTION START DATE

Elledge-Rhodes introduced Nancy Brewer of the City of Corvallis and Jeff White of Marion County. Brewer and White presented on behalf of the Employer Advisory Group (EAG). The EAG has submitted a request to the Board to approve the use of the Contingency Reserve to fund the costs associated with correcting the Contribution Start Date (CSD) for members during the period of 2004-2014. Greg Hartman of the PERS Coalition came forward and expressed opposition to the use of these funds for this purpose. He explained that this a premature decision and a policy should be established on when the Contingency Reserve will be used.

Buckley asked about the history of the CSD issue. Rodeman reviewed the changes to the system that gave rise to the varying compliance issues among employers. Elledge-Rhodes reviewed the administrative process which will need to be undertaken to clean up the data.

West noted that he agrees that a policy or guidelines for how the Contingency Reserve is used needs to be addressed.

Gema moved to use the Contingency Reserve as requested. Furnstahl seconded the motion. West opposed the motion. The motion passed 4-1.

## C.5. ACTUARIAL FINANCIAL MODELING

Matt Larrabee and Scott Preppernau of Milliman presented long-term financial modeling projections reflecting published investment results through September 30, 2016. No Board action was required.

Thomas adjourned the Board meeting at 2:50 PM.