# *SAIF Corporation*

*(A Component Unit of the State of Oregon)*

*Financial Statements and Supplementary Schedules as of and for the Years Ended December 31, 2023 and 2022, and Report of Independent Auditors*

# SAIF CORPORATION

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## OVERVIEW OF SAIF CORPORATION FINANCIAL REPORTING (Unaudited)

SAIF Corporation (SAIF) has prepared the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America. As a discrete component unit of the State of Oregon, SAIF is subject to the pronouncements of the Governmental Accounting Standards Board (GASB). Under accounting principles generally accepted in the United States of America as applied to governmental entities, SAIF accounts for its activities as a special purpose government engaged solely in business-type activities. Accordingly, SAIF follows the accrual basis of accounting. Revenues are recognized when earned, regardless of when received, and expenses are recognized when incurred, regardless of when paid.

SAIF also prepares financial statements in conformity with statutory accounting practices, which are prescribed for use in reporting accounting transactions for insurance companies. These practices arise from state laws and from rules adopted by the State Insurance Commissioner and, for Oregon, are the practices promulgated by the National Association of Insurance Commissioners (NAIC). Statutory accounting practices are conservative in nature and are designed to protect policyholders and claimants to ensure, in the event of liquidation, sufficient amounts will have been set aside to provide for the outstanding claims of injured workers and their dependents, whereas generally accepted accounting principles (GAAP) are based on the going-concern concept and recognize revenues when earned and expenses when incurred.

There are significant differences between the statutory statements SAIF prepares for regulatory and management purposes and the accompanying financial statements. They include:

- Statutory accounting requires the majority of invested assets to be recorded at amortized cost, whereas investments are stated at fair value in the accompanying statements with the corresponding change in the fair value for the year recorded as investment income (loss).

- Statutory accounting requires certain assets not readily available for the payment of claims be "nonadmitted" and removed from the statement of net position. Those assets, such as furniture and equipment, are included on the GAAP financial statements.

MOSSADAMS

# Report of Independent Auditors

The Board of Directors of
SAIF Corporation

The Secretary of State Audits Division of
The State of Oregon

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of SAIF Corporation ("SAIF"), a component of the State of Oregon, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the SAIF's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of SAIF as of December 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SAIF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SAIF's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SAIF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SAIF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 17, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section titled, Overview of SAIF Corporation Financial Reporting, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2024 on our consideration of SAIF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SAIF's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SAIF's internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
July 26, 2024

**SAIF CORPORATION**
**Management's Discussion and Analysis**
**December 31, 2023 and 2022**

Management of SAIF Corporation (SAIF) prepares Management's Discussion and Analysis for readers of SAIF's financial statements. This narrative overview and analysis of the financial activities of SAIF is as of and for the years ended December 31, 2023 and 2022. Readers are encouraged to consider this information in conjunction with SAIF's financial statements and notes that follow.

## Financial Statements

This discussion and analysis is intended to serve as an introduction to SAIF's financial statements: the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. The financial statements are designed to provide the readers with an overview of SAIF's financial position and activities.

The Statements of Net Position present information on SAIF's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Assets and liabilities are classified as either current or noncurrent.

The Statements of Revenues, Expenses, and Changes in Net Position are SAIF's income statements. Revenues earned and expenses incurred during the year are classified as either operating or nonoperating.

The Statements of Cash Flows present the changes in SAIF's cash and cash equivalents during the year. These statements are prepared using the direct and indirect method of cash flows. The statements break out the sources and uses of SAIF's cash and cash equivalents into the following categories: operating activities, investing activities, and capital and related financing activities.

## Condensed Financial Information
## (In thousands)

## Condensed Statements of Net Position Information

| | December 31, 2023 | December 31, 2022 | December 31, 2021 | 2022 to 2023 Increase (Decrease) | 2021 to 2022 Increase (Decrease) |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| CURRENT ASSETS: | | | | | |
| Cash and cash equivalents | $ 54,745 | $ 37,228 | $ 76,232 | $ 17,517 | $ (39,004) |
| Investments | 4,280,134 | 4,172,941 | 4,939,096 | 107,193 | (766,155) |
| Securities lending cash collateral | 65,366 | 50,288 | 42,968 | 15,078 | 7,320 |
| Accounts and interest receivable, net | 435,401 | 409,385 | 391,287 | 26,016 | 18,098 |
| Other assets | 1,028 | 942 | 767 | 86 | 175 |
| Total current assets | 4,836,674 | 4,670,784 | 5,450,350 | 165,890 | (779,566) |
| NONCURRENT ASSETS: | | | | | |
| Capital assets, nondepreciable | 41,181 | 32,839 | 14,513 | 8,342 | 18,326 |
| Capital assets, depreciable, net | 105,145 | 106,082 | 108,219 | (937) | (2,137) |
| Net other postemployment benefit (OPEB) asset (RHIA) | 3,710 | 3,362 | 3,390 | 348 | (28) |
| Net OPEB asset (RHIPA) | 1,259 | 810 | 421 | 449 | 389 |
| Total noncurrent assets | 151,295 | 143,093 | 126,543 | 8,202 | 16,550 |
| Total assets | 4,987,969 | 4,813,877 | 5,576,893 | 174,092 | (763,016) |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Related to OPEB | 2,108 | 1,643 | 1,834 | 465 | (191) |
| Related to pensions | 52,475 | 78,232 | 84,213 | (25,757) | (5,981) |
| Total deferred outflows of resources | 54,583 | 79,875 | 86,047 | (25,292) | (6,172) |
| **LIABILITIES** | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Reserve for losses and loss adjustment expenses | 332,453 | 341,566 | 330,671 | (9,113) | 10,895 |
| Unearned premiums | 268,874 | 253,975 | 243,014 | 14,899 | 10,961 |
| Accounts payable | 112,969 | 113,183 | 111,944 | (214) | 1,239 |
| Obligations under securities lending | 65,353 | 50,274 | 42,972 | 15,079 | 7,302 |
| Other liabilities and deposits | 41,213 | 41,737 | 44,142 | (524) | (2,405) |
| Total current liabilities | 820,862 | 800,735 | 772,743 | 20,127 | 27,992 |
| NONCURRENT LIABILITIES: | | | | | |
| Reserve for losses and loss adjustment expenses | 2,178,072 | 2,120,189 | 2,209,155 | 57,883 | (88,966) |
| Total OPEB liability (SAIF) | 9,307 | 9,007 | 8,721 | 300 | 286 |
| Pension related payable | 3,373 | 4,405 | 5,508 | (1,032) | (1,103) |
| Net pension liablility | 72,694 | 72,675 | 44,322 | 19 | 28,353 |
| Lease liabiliities | 10,082 | 5,666 | - | 4,416 | 5,666 |
| Total noncurrent liabilities | 2,273,528 | 2,211,942 | 2,267,706 | 61,586 | (55,764) |
| Total liabilities | 3,094,390 | 3,012,677 | 3,040,449 | 81,713 | (27,772) |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Related to OPEB | 2,623 | 3,063 | 4,407 | (440) | (1,344) |
| Related to pensions | 32,220 | 46,670 | 66,187 | (14,450) | (19,517) |
| Total deferred inflows of resources | 34,843 | 49,733 | 70,594 | (14,890) | (20,861) |
| **NET POSITION** | | | | | |
| Net investment in capital assets | 146,325 | 138,921 | 122,732 | 7,404 | 16,189 |
| Unrestricted | 1,766,994 | 1,692,421 | 2,429,165 | 74,573 | (736,744) |
| Total net position | $ 1,913,319 | $ 1,831,342 | $ 2,551,897 | $ 81,977 | $ (720,555) |

**Condensed Revenues, Expenses, and Changes in Net Position Information**

| | Years Ended December 31, 2023 | 2022 | 2021 | 2022 to 2023 Increase (Decrease) | 2021 to 2022 Increase (Decrease) |
|---|---|---|---|---|---|
| OPERATING REVENUES: | | | | | |
| Premiums earned, net | $ 590,847 | $ 555,377 | $ 538,520 | $ 35,470 | $ 16,857 |
| Other income | 56,849 | 53,374 | 47,308 | 3,475 | 6,066 |
| Total operating revenues | 647,696 | 608,751 | 585,828 | 38,945 | 22,923 |
| OPERATING EXPENSES: | | | | | |
| Net losses and loss adjustment expenses incurred | 542,964 | 392,198 | 506,926 | 150,766 | (114,728) |
| Policyholders' dividends | 134,986 | 74,995 | 210,008 | 59,991 | (135,013) |
| Underwriting expenses | 222,894 | 207,503 | 183,258 | 15,391 | 24,245 |
| Bad debt provision | 1,719 | 1,431 | 2,710 | 288 | (1,279) |
| Other expense | 646 | 334 | - | 312 | 334 |
| Total operating expenses | 903,209 | 676,461 | 902,902 | 226,748 | (226,441) |
| OPERATING LOSS | (255,513) | (67,710) | (317,074) | (187,803) | 249,364 |
| NONOPERATING REVENUES: | | | | | |
| Net investment income (loss) | 337,412 | (652,568) | 120,987 | 989,980 | (773,555) |
| INCREASE (DECREASE) IN NET POSITION | 81,899 | (720,278) | (196,087) | 802,177 | (524,191) |
| NET POSITION—Beginning of year | 1,831,342 | 2,551,897 | 2,747,984 | (720,555) | (196,087) |
| Cumulative effect of change in accounting principles | 78 | (277) | - | 355 | (277) |
| RESTATED—Beginning net position | 1,831,420 | 2,551,620 | 2,747,984 | (720,200) | (196,364) |
| NET POSITION—End of year | $ 1,913,319 | $ 1,831,342 | $ 2,551,897 | $ 81,977 | $ (720,555) |

**Financial position as of December 31, 2023**

At the end of 2023, total assets increased $174.1 million from the prior year, and deferred outflows of resources decreased $25.3 million. Total liabilities increased $81.7 million for the year, deferred inflows of resources decreased $14.9 million, and net position increased $82.0 million.

The current market volatility is reflected in SAIF's investment results. Inflation, interest rates, and geopolitical risks continue to impact SAIF's financial position. Looking ahead to 2024, geopolitical conflicts, inflation, and interest rates keep the markets on edge.

Significant changes include:

***Cash and cash equivalents***—The majority of SAIF's cash accounts consist of short-term investments and money market funds utilized by external investment managers. Cash and cash equivalents of $54.7 million increased $17.5 million from December 31, 2022, to December 31, 2023. This was due to a $16.7 million increase in cash and a $0.8 million increase in the money market fund.

***Investments***—At the end of 2023, investments were $4,280.1 million and were $107.2 million or 2.6 percent higher than at the end of 2022. Investment holdings (principal and cost) decreased $108.8 million for bonds, primarily due to the withdrawal of bond principal to fund the policyholder dividend payment and operations offset by reinvested income. Equity holdings cost remained flat in 2023. Real estate holdings cost increased $1.9 million, as the DWS real estate investment fund had a capital call in the fourth quarter of 2023. At the end of 2023, SAIF had invested $117.5 million in DWS RREEF America REIT II. The final capital commitment of $2.5 million was contributed in January 2024. Market values increased $160.1 million for bonds as SAIF's fixed income portfolio had a positive return of 8.32 percent for 2023. The mark-to-market adjustments for equities increased $93.7 million as the BlackRock MSCI ACWI fund had a positive return of 21.87 percent for the year. Real estate market adjustments decreased $39.6 million as the real estate funds had a negative return of 10.34 percent for the year.

Effective April 24, 2019, the Oregon Investment Council approved a revised asset allocation policy for SAIF Corporation. The allocation reaffirms a 5 percent target allocation to real estate in the form of private or publicly traded funds, allows for an 8 percent combined target allocation to bank loans and private credit, and reduced the target allocation to fixed income holdings from 90 percent to 77 percent. The target allocation to global equities is unchanged at 10 percent. SAIF's asset allocation was in compliance with the asset allocation policy as of December 31, 2023.

***Securities lending cash collateral***—This line item can fluctuate significantly from period to period depending on the amount of investment securities on loan. The amount of securities on loan will vary depending on market conditions and the demand for certain securities in SAIF's portfolio. The balance as of December 31, 2023 was $65.4 million, an increase of $15.1 million from the prior year. A corresponding securities lending liability of $65.4 million was recorded on the statement of net position at December 31, 2023.

***Accounts and interest receivable***—The balance in this line is comprised of investment income receivable, net premiums receivable, accrued retrospective premiums receivable, and other accounts receivable. This balance of $435.4 million increased $26.0 million or 6.4 percent from December 31, 2022 to December 31, 2023.

Accrued investment income of $33.2 million increased $0.1 million or 0.4 percent from December 31, 2022 to December 31, 2023, as interest rates rose during the year.

Premiums receivable of $339.2 million increased $32.9 million or 10.8 percent in 2023, due to new business, higher tier factors, and increased policyholder payrolls. Net written premiums increased 7.5 percent from 2022 to 2023 as decreases in pure premium rates were offset by increases in policyholder payrolls, higher tier factors, and new business. Accrued retrospective premiums decreased $7.0 million or 20.9 percent compared to the prior year due to changes in accrual estimates and the timing of when receivables are collected.

Other accounts receivable of $36.5 million remained flat from 2022 to 2023. Premium assessment due from policyholders increased $1.4 million due primarily to increased premium receivables and increased premium assessment rates. Equity in the assigned risk pool decreased $1.7 million.

***Capital assets*—**Nondepreciable capital assets increased $8.3 million over the prior year, due to investments in the claims system, the registration and profile management (RPM) project phase II and the digital payment platform project, which are in progress and not yet in use. The registration profile management project phase I was placed in service in April 2023. As of December 31, 2023, lease assets net of accumulated depreciation of $13.9 million were included on the statement of net position as depreciable capital assets, due to GASB 87 and the implementation of GASB 96 (see Notes 2 and 6). Lease assets consist primarily of building leases and subscription-based IT arrangements (SBITAs). Depreciable capital assets, net of depreciation decreased $0.9 million over the prior year as depreciation was partially offset by the implementation of GASB 96 and reclassifying software costs for the RPM Phase I project, which went live in April 2023. Software development costs for the claims system, HR core system, RPM Phase I and II project, and digital payment platform project totaled $8.1 million, $0.2 million, $1.1 million, and $1.0 million respectively, for the year ended December 31, 2023.

***Net other postemployment benefit (OPEB) asset (RHIA)***—The balance of $3.7 million increased $0.3 million or 10.3 percent from December 31, 2022 to December 31, 2023. This is an estimate of SAIF's allocated share of the net asset for the Retirement Health Insurance Account (RHIA) due to GASB Statement No. 75 (see Note 12).

***Net OPEB asset (RHIPA)***— This line increased $0.4 million from 2022 to $1.3 million in 2023 due to a change in proportionate share. The balance in this line is an estimate of SAIF's allocated share of the net asset for the Retirement Health Insurance Premium Account (RHIPA) due to GASB Statement No. 75 (see Note 12).

***Deferred outflows of resources*—**The $54.6 million balance in this line is a decrease of $25.3 million over prior year and is related to pensions in accordance with GASB Statement No. 68 and OPEB in accordance with GASB Statement No. 75. The deferred outflows of resources related to pensions was $52.5 million, a decrease of $25.8 million over the prior year. This was primarily due to a decrease of $19.2 million in the differences between employer contributions and employer's proportionate share of system contributions, a $4.9 million decrease in change in PERS assumptions, and $4.0 million decrease in the changes in employer contributions and proportion. These decreases were partially offset by a $1.0 million increase in contributions subsequent to the measurement date and a $1.3 million increase in expected investment earnings (see Note 11). The deferred outflows of resources related to OPEB was $2.1 million, an increase of $0.5 million over the prior year. The balance is based on GASB Statement No. 75 (see Note 12).

***Reserve for losses and loss adjustment expenses*—**The total (current and noncurrent) reserve for losses and loss adjustment expenses (LAE) of $2.5 billion increased $48.8 million or 2.0 percent from the prior year. Loss reserves increased $36.0 million or 1.7 percent and LAE reserves increased $12.8 million or 3.4 percent during

2023. This was driven by newly established reserves for the 2023 accident year, partially offset by paid LAE associated with previously incurred claims and favorable development in prior accident years. The favorable development in unpaid LAE for prior accident years was largely attributable to the decrease in loss reserves. In past years, favorable development was strongly driven by medical claims. However, in 2023 favorable medical claim development slowed due to increasing average medical payment per claim. Subsequently, there was less total favorable reserve development, and the favorable development is evenly spread across all portfolio segments.

***Unearned premiums***—The amount of unearned premium of $268.9 million for 2023 increased $14.9 million or 5.9 percent primarily due to increased premiums written.

***Accounts payable***—The balance in this line of $113.0 million is comprised of commissions payable, reinsurance payable, accrued premium assessment, and other accounts payable. This line decreased $0.2 million from 2022 to 2023. Commissions payable for the current year was $20.2 million, an increase of $1.8 million over prior year due to increased premium levels. Reinsurance payable decreased $0.5 million due to decreased current payables to the assigned risk pool. Premium assessment payable increased $3.7 million due to higher premium levels. Other accounts payable decreased $5.2 million from 2022 to 2023, primarily due to a decrease in policyholder credits from changes in SAIF's invoicing process.

***Obligations under securities lending***—This line item can fluctuate significantly from period to period depending on the amount of investment securities on loan. The amount of securities on loan will vary depending on market conditions and the demand for certain securities in SAIF's portfolio. The balance as of December 31, 2023 was $65.4 million, an increase of $15.1 million from the prior year. A corresponding securities lending cash collateral asset of $65.4 million was recorded on the statement of net position at December 31, 2023.

***Other liabilities and deposits***—The balance in this line of $41.2 million is comprised of accrued retrospective premiums payable, premium deposits, policyholder dividends payable, pension related payable, and other liabilities. This balance decreased $0.5 million from the prior year. A $3.0 million decrease of return premium payable on retrospectively rated policies was largely due to increased loss experience on retrospective policies, and premium deposits decreased $1.0 million over the prior year. Other liabilities increased $3.5 million over the prior year. A $2.8 million increase is due to recognizing the current portion of lease liabilities from the implementation of GASB 96, and a $0.8 million increase in accrued compensated absences were offset by a $0.1 million decrease in federal premium assessments.

***Total OPEB liability (SAIF)***—The $9.3 million balance in this line is the amount of SAIF's OPEB liability under GASB Statement No. 75 (see Note 12). This line increased $0.3 million over the prior year.

***Pension related payable***—Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the State and community colleges were pooled together in the State and Community College Pool (SCCP) (including SAIF), while local government employers participated in the Local Government Rate Pool (LGRP). The unfunded actuarial liability (UAL) attributable to the SCCP at the time the SLGRP was formed is maintained separately from the SLGRP and is reduced by contributions and increased for interest charges at the assumed interest rate, which was 6.90 percent in fiscal year 2023. The $3.4 million balance in this line is the noncurrent portion of the pre-SLGRP pooled liability attributable to SAIF, which is being amortized over the period ending December 31, 2027.

***Net pension liability***—The balance in this line of $72.7 million remained flat from 2022 to 2023. SAIF's net pension liability was allocated by the Oregon Public Employees Retirement System and was based on GASB Statement No. 68 actuarial valuation as of December 31, 2021 (see Note 11).

***Lease liabilities***—The balance in this line of $10.1 million is related to building leases and SBITAs. This includes a $5.5 million liability for SBITAs as SAIF implemented GASB 96 effective December 31, 2023, and a $4.6 million liability for building leases per GASB Statement No. 87 which was implemented as of December 31, 2022 (see Notes 2 and 6).

***Deferred inflows of resources***—The balance in this line of $34.8 million is related to pensions based on GASB Statement No. 68 and OPEB based on GASB Statement No. 75. The $32.2 million balance in this line is related to pensions based on GASB Statement No. 68. The $14.5 million decrease over the prior year is primarily due to lower than expected investment earnings and changes in employer contributions and proportionate share. As of December 31, 2023, SAIF was reported separately from the state agencies proportionate share of the net pension liability (see Note 11). The $2.6 million balance in deferred inflows of resources related to OPEB decreased $0.4 million over prior year (see Note 12).

**Operations - year ended December 31, 2023**

SAIF recorded a net operating loss of $255.5 million for the year ended December 31, 2023, compared to a 2022 net operating loss of $67.7 million.

Significant changes in revenues and expenses include:

***Net premiums earned***—In 2023, net premiums earned were $590.8 million and increased $35.5 million or 6.4 percent compared to 2022. This was driven by higher premium on voluntary guaranteed cost policies as increased payrolls and higher tier factors were partially offset by pure premium rate reductions of 3.2 percent and 5.8 percent for 2023 and 2022, respectively. Net written premium increased 7.5 percent due to the same reasons.

***Other income***—This line increased $3.5 million or 6.5 percent to $56.8 million in 2023. Premium assessment income increased $3.5 million due to rising premium levels. The premium assessment rate remained unchanged at 9.8 percent for 2023.

***Net losses and loss adjustment expenses incurred***—Total net losses and loss adjustment expenses incurred were $542.9 million for the year ended December 31, 2023. Net losses incurred for the current year of $412.7 million increased $109.6 million from 2022, while net LAE incurred of $130.2 million increased $41.2 million for a total net increase of $150.8 million. Net paid losses for 2023 were $15.7 million higher than the prior year, and the change in loss reserves was $93.9 million higher than the prior year due to less favorable reserve development recorded in 2023. This was driven by newly established reserves for the 2023 accident year, partially offset by paid LAE associated with previously incurred claims and favorable development in prior accident years. The favorable development in unpaid LAE for prior accident years was largely attributable to the decrease in loss reserves. In past years, favorable development was strongly driven by medical claims. However, in 2023 favorable medical claim development slowed due to increasing average medical payment per claim. Subsequently, there was less total favorable reserve development, and the favorable development is evenly spread across all portfolio segments. SAIF continues to observe fewer than expected permanent disabling claims and severe COVID-19 disease claims.

***Policyholders' dividends***—Substantially all of SAIF's business is written under various participating plans wherein a dividend may be returned to the policyholder. Dividends may be paid to the extent a surplus is accumulated from premiums, investment gains, and/or loss reserve reductions. In 2023 and 2022, policyholder dividends of $135.0 million and $75.0 million, respectively, were incurred and paid to qualifying policyholders.

***Underwriting expenses***—This line increased $15.4 million or 7.4 percent from the prior year to $222.9 million. Increases in commission expenses as premiums increased, higher employee costs, increased premium assessment expense, and increased software costs make up majority of the increases over prior year.

***Bad debt provision***—This line increased $0.3 million over the prior year, due to write offs assumed from the assigned risk pool.

***Other expense***—This line includes interest expense related to building leases and SBITAs. This line increased $0.3 million over the prior year, due to interest expense on SBITAs from the implementation of GASB 96.

***Net investment income (loss)***—In 2023, SAIF recorded a net investment gain of $337.4 million, due to $214.1 million unrealized increase in the fair value of investments, $163.2 million in interest and dividend income, and $39.9 million in realized losses. In 2022, SAIF recorded a net investment loss of $652.6 million. The increase of $990.0 million over prior year was due primarily to higher returns on bond values as SAIF's fixed income portfolio returned 8.32% in 2023. The change in fair value of investments recorded for 2023 was a positive $214.1 million compared to a negative $760.9 million for 2022. Interest and dividend income earned increased by $23.1 million during 2023 as the Federal Reserve increased short term interest rates. Net realized investment loss was $39.9 million for 2023, compared to a net realized loss of $33.8 million for 2022. For 2023, net realized investment loss was $40.1 million for bonds offset by a $0.2 million gain in equities.

***Cumulative effect of change in accounting principles***—SAIF implemented GASB 96 related to SBITAs for the fiscal year ended December 31, 2023. The net impact of this Statement on SAIF's financials resulted in a restatement of net position, an increase of $78 thousand. See Notes 2 and 6 for additional information.

***Economic Outlook***— The most recent economic forecast from Oregon's state economist expects continued economic growth despite slowing population trends. However, the risk of economic volatility remains high as significant uncertainty remains in the financial markets. Inflation, geopolitical unrest, and interest rate fluctuation could have significant impacts on SAIF's financial position. The 6.7 percent pure premium rate reduction approved for 2024 may off-set premium growth due to new sales and increased policyholder payrolls during 2024.

The 2024 capital budget includes $4.6 million for some large technology projects. The projects include extending our digital offerings and implementing a new claims system.

In 2024, SAIF will continue work on an asset allocation study in partnership with the Oregon State Treasury which is planned to be completed in 2024. SAIF will also continue working towards 3-year and 7-year visions to improve experiences and relationships with policyholders, workers, employees, partners, and the community.

**Financial position as of December 31, 2022**

At the end of 2022, total assets decreased $763.0 million from the prior year, and deferred outflows of resources decreased $6.2 million. Total liabilities decreased $27.8

million for the year, deferred inflows of resources decreased $20.9 million, and net position decreased $720.6 million.

On January 30, 2020, the World Health Organization declared a global health emergency in response to the coronavirus outbreak discovered in China. This pandemic has impacted SAIF's policyholders and injured workers. SAIF has exposure to coronavirus related claims and had over 7,400 coronavirus related claims reported through December 31, 2022. Ultimate losses incurred on COVID claims were $72.9 million. SAIF continues to monitor claims exposure, premium levels, investments, and other operational impacts related to the virus.

The current market volatility is reflected in SAIF's investment results. Inflation, rising interest rates, and geopolitical risks continue to impact SAIF's financial position. Looking ahead to 2023, geopolitical conflicts, rising inflation, and rising interest rates keep the markets on edge. Management has reviewed investment losses in accordance with SAIF's policies.

Significant changes include:

***Cash and cash equivalents***—The majority of SAIF's cash accounts consist of short-term investments and money market funds utilized by external investment managers. Cash and cash equivalents of $37.2 million decreased $39.0 million from December 31, 2021, to December 31, 2022. This was due to a $33.6 million decrease in cash and a $5.4 million decrease in the money market fund.

***Investments***—At the end of 2022, investments were $4,172.9 million and were $766.2 million or 15.5 percent lower than at the end of 2021. Investment holdings (principal and cost) decreased $45.1 million for bonds, primarily due to the withdrawal of bond principal to fund the policyholder dividend payment, real estate investments, and operations. Equity holdings cost remained flat in 2022. Real estate holdings cost increased $39.6 million, largely due to a $30.0 million investment with the DWS real estate investment fund as investments committed after the 2019 asset allocation study continue to be called. At the end of 2022, SAIF had invested $115.0 million in DWS RREEF America REIT II. An additional $5.0 million is currently committed to be invested in the fund. Market values decreased $673.9 million for bonds as SAIF's fixed income portfolio had a negative return of 13.8 percent for 2022. The mark-to-market adjustments for equities decreased $95.1 million as the BlackRock MSCI ACWI fund had a negative return of 18.1 percent for the year. Real estate market adjustments increased $8.1 million as the real estate funds had a positive return of 6.68 percent for the year.

Effective April 24, 2019, the Oregon Investment Council approved a revised asset allocation policy for SAIF Corporation. The allocation reaffirms a 5 percent target allocation to real estate in the form of private or publicly traded funds, allows for an 8 percent combined target allocation to bank loans and private credit, and reduced the target allocation to fixed income holdings from 90 percent to 77 percent. The target allocation to global equities is unchanged at 10 percent. SAIF's asset allocation was in compliance with the asset allocation policy as of December 31, 2022.

***Securities lending cash collateral***—This line item can fluctuate significantly from period to period depending on the amount of investment securities on loan. The amount of securities on loan will vary depending on market conditions and the demand for certain securities in SAIF's portfolio. The balance as of December 31, 2022 was $50.3 million, an increase of $7.3 million from the prior year. A corresponding securities lending liability of $50.3 million was recorded on the statement of net position at December 31, 2022.

***Accounts and interest receivable***—The balance in this line is comprised of investment income receivable, net premiums receivable, accrued retrospective premiums receivable, and other accounts receivable. This balance of $409.4 million increased $18.1 million or 4.6 percent from December 31, 2021 to December 31, 2022.

Accrued investment income of $33.1 million increased $3.8 million or 13.0 percent from December 31, 2021 to December 31, 2022, as interest rates rose during the year.

Premiums receivable of $306.3 million increased $9.5 million or 3.2 percent in 2022, due to new business and increased policyholder payrolls. Net written premiums increased 3.7 percent from 2021 to 2022 as decreases in pure premium rates were offset by increases in policyholder payrolls and new business.

Other accounts receivable of $36.5 million increased $4.8 million from 2021 to 2022. Premium assessment due from policyholders increased $3.5 million due primarily to increased premium receivables and increased premium assessment rates. Funds on deposit with reinsured companies increased $0.5 million as SAIF adjusted the funding structure supporting the other states coverage program. All other changes increased the balance by $0.8 million.

***Capital assets—***Nondepreciable capital assets increased $18.3 million over the prior year, due to investments in the claims system and the registration and profile management (RPM) project, which are in progress and not yet in use. The HR core system project was placed in service in July 2022. As of December 31, 2022, lease assets net of accumulated depreciation of $0.3 million were included on the statement of net position as depreciable capital assets, due to the implementation of GASB 87 (see Notes 2 and 6). Lease assets consist primarily of building leases. Depreciable capital assets, net of depreciation decreased $2.1 million over the prior year as depreciation was partially offset by the implementation of GASB 87 and reclassifying software costs for the HR core system, which went live in July 2022. Software development costs for the claims system, HR core system, and RPM project totaled $18.0 million, $1.9 million, and $0.6 million respectively, for the year ended December 31, 2022.

***Net other postemployment benefit (OPEB) asset (RHIA)***—The balance of $3.4 million remained largely unchanged from 2021 to 2022. This is an estimate of SAIF's allocated share of the net asset for the Retirement Health Insurance Account (RHIA) due to GASB Statement No. 75 (see Note 12).

***Net OPEB asset (RHIPA)***— This line increased $0.4 million from 2021 to $0.8 million in 2022 due to a change in actuarial assumptions. The balance in this line is an estimate of SAIF's allocated share of the net asset for the Retirement Health Insurance Premium Account (RHIPA) due to GASB Statement No. 75 (see Note 12).

***Deferred outflows of resources—***The $79.9 million balance in this line is a decrease of $6.2 million over prior year and is related to pensions in accordance with GASB Statement No. 68 and OPEB in accordance with GASB Statement No. 75. The deferred outflows of resources related to pensions was $78.2 million, a decrease of $6.0 million over the prior year. This was primarily due to a decrease of $19.2 million in the differences between employer contributions and employer's proportionate share of system contributions, and differences between actual and expected investment earnings decreased $0.6 million. These decreases were partially offset by a $13.4 million increase in the changes in employer contributions and proportion. Changes in contributions subsequent to the measurement date and changes in assumptions make up the remaining net increase of $0.4 million over the prior year (see Note 11). The deferred outflows of resources related to OPEB was $1.6 million, a decrease of $0.2 million over the prior year. This was primarily due to a change in assumptions for RHIA, RHIPA, and SAIF OPEB plans. The balance is based on GASB Statement No. 75 (see Note 12).

***Reserve for losses and loss adjustment expenses***—The total (current and noncurrent) reserve for losses and loss adjustment expenses (LAE) of $2.5 billion decreased $78.1 million or 3.1 percent from the prior year. Loss reserves decreased $57.9 million or 2.7 percent and LAE reserves decreased $20.2 million or 5.1 percent during 2022. This was driven by establishing reserves for the 2022 accident year, offset by payments made on previously incurred claims, and favorable development in prior accident years. A significant portion of the favorable development on prior accident years is due to a decrease in estimated ultimate medical claims costs. Estimates of ultimate medical claims costs are based on numerous assumptions, including future increases in medical costs (i.e., medical escalation), the number and types of claims, and how far into the future payments will be made. The reduction in ultimate medical claims costs for 2022 was attributed primarily to permanent disability reserves. The key drivers are continued low average medical payments and lower frequency rates of permanent disabling claims during recent years. The favorable development in unpaid LAE was largely attributable to the decrease in loss reserves. During the year, SAIF changed the year-end reserving process to use data as of September 30, 2022, versus our prior approach to use data as of December 31, 2022. Ultimate loss estimates derived from the September 30th data were reevaluated alongside a comparison between actual and expected emergence during fourth quarter.

***Unearned premiums***—The amount of unearned premium of $254.0 million for 2022 increased $11.0 million or 4.5 percent primarily due to increased premiums written.

***Accounts payable***—The balance in this line of $113.2 million is comprised of commissions payable, reinsurance payable, accrued premium assessment, and other accounts payable. This line increased $1.2 million from 2021 to 2022. Commissions payable for the current year was $18.4 million, an increase of $1.4 million over prior year due to increased premium levels. Reinsurance payable decreased $4.1 million due to decreased current payables to the assigned risk pool. Premium assessment payable increased $2.6 million due to increased assessment rates and higher premium levels. Other accounts payable increased $1.3 million from 2021 to 2022.

***Obligations under securities lending***—This line item can fluctuate significantly from period to period depending on the amount of investment securities on loan. The amount of securities on loan will vary depending on market conditions and the demand for certain securities in SAIF's portfolio. The balance as of December 31, 2022 was $50.3 million, an increase of $7.3 million from the prior year. A corresponding securities lending cash collateral asset of $50.3 million was recorded on the statement of net position at December 31, 2022.

***Other liabilities and deposits***—The balance in this line of $41.7 million is comprised of accrued retrospective premiums payable, premium deposits, policyholder dividends payable, pension related payable, and other liabilities. This balance decreased $2.4 million from the prior year. A $4.3 million decrease of return premium payable on retrospectively rated policies was largely due to increased loss experience on retrospective policies, and premium deposits increased $0.3 million over the prior year. Other liabilities increased $1.6 million over the prior year. A $1.1 million increase is due to recognizing the current portion of lease liabilities from the implementation of GASB 87, and a $0.6 million increase in accrued compensated absences were offset by a $0.1 million decrease in federal premium assessments.

***Total OPEB liability (SAIF)***—The $9.0 million balance in this line is the amount of SAIF's OPEB liability under GASB Statement No. 75 (see Note 12). This line increased $0.3 million over the prior year, primarily due to changes in assumptions.

***Net OPEB liability (RHIPA)***—The balance in this line is the amount allocated by the State of Oregon for the Retirement Health Insurance Premium Account (RHIPA) based on GASB Statement No. 75. This line has a zero balance at December 31, 2022, as changes in assumptions resulted in a net OPEB asset (see Note 12).

***Pension related payable***—Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the State and community colleges were pooled together in the State and Community College Pool (SCCP) (including SAIF), while local government employers participated in the Local Government Rate Pool (LGRP). The unfunded actuarial liability (UAL) attributable to the SCCP at the time the SLGRP was formed is maintained separately from the SLGRP and is reduced by contributions and increased for interest charges at the assumed interest rate, which was 6.90 percent in fiscal year 2022. The $4.4 million balance in this line is the noncurrent portion of the pre-SLGRP pooled liability attributable to SAIF, which is being amortized over the period ending December 31, 2027.

***Net pension liability***—The balance in this line of $72.7 million increased $28.4 million over the prior year. The increase was largely due to lower than expected investment earnings and changes in various actuarial assumptions. As of December 31, 2022, SAIF was reported separately from the state agencies proportionate share of the net pension liability. SAIF's net pension liability was allocated by the Oregon Public Employees Retirement System and was based on GASB Statement No. 68 actuarial valuation as of December 31, 2020 (see Note 11).

***Lease liabilities***—The balance of $5.7 million in this line is due to the implementation of GASB 87. SAIF implemented this Statement effective December 31, 2022 (see Notes 2 and 6).

***Deferred inflows of resources***—The balance in this line of $49.7 million is related to pensions based on GASB Statement No. 68 and OPEB based on GASB Statement No. 75. The $46.7 million balance in this line is related to pensions based on GASB Statement No. 68. The $19.5 million decrease over the prior year is primarily due to lower than expected investment earnings. As of December 31, 2022, SAIF was reported separately from the state agencies proportionate share of the net pension liability (see Note 11). The $3.1 million balance in deferred inflows of resources related to OPEB decreased $1.3 million over prior year mostly due to changes in employer contributions and proportionate share, differences between projected and actual earnings on investments, and changes in assumptions (see Note 12).

**Operations - year ended December 31, 2022**

SAIF recorded a net operating loss of $67.7 million for the year ended December 31, 2022, compared to a 2021 net operating loss of $317.1 million.

Significant changes in revenues and expenses include:

***Net premiums earned***—In 2022, net premiums earned were $555.4 million and increased $16.9 million or 3.1 percent compared to 2021. Premium increases were driven by increases in policyholder payrolls. The increases were partially offset by average pure premium rate reductions of 5.8 percent effective January 1, 2022, and 5.6 percent in 2021, respectively. Net written premium increased 3.7 percent due to the same reasons.

***Other income***—This line increased $6.1 million or 12.8 percent to $53.4 million in 2022. Premium assessment income increased $6.2 million as a result of the increased assessment rates from 9.0 percent to 9.8 percent and increased premium levels. The increase in premium assessment income was offset by a $0.1 million decrease on write off recoveries.

***Net losses and loss adjustment expenses incurred***—Net losses incurred for the current year of $303.1 million decreased $131.3 million from 2021, while net LAE incurred of $89.1 million increased $16.6 million for a total net decrease of $114.7 million. Net paid losses for 2022 were $21.6 million higher than the prior year, and the change in loss reserves was $152.9 million lower than the prior year due to favorable reserve development recorded in 2022. A significant portion of the favorable development on prior accident years is due to a decrease in estimated ultimate medical claims costs. Estimates of ultimate medical claims costs are based on numerous assumptions, including future increases in medical costs (i.e., medical escalation), the number and types of claims, and how far into the future payments will be made. The reduction in ultimate medical claims costs for 2022 was attributed primarily to permanent disability reserves. The key drivers are continued low average medical payments and lower frequency rates of permanent disabling claims during recent years. The increase in net LAE incurred was largely due to increased payroll and benefit costs.

***Policyholders' dividends***—Substantially all of SAIF's business is written under various participating plans wherein a dividend may be returned to the policyholder. Dividends may be paid to the extent a surplus is accumulated from premiums, investment gains, and/or loss reserve reductions. In 2022 and 2021, policyholder dividends of $75.0 million and $210.0 million, respectively, were incurred and paid to qualifying policyholders.

***Underwriting expenses***—This line increased $24.2 million or 13.2 percent from the prior year to $207.5 million. Increases in commission expenses as premiums increased, higher employee costs, increases in the premium assessment expense rate from 9.0 percent to 9.8 percent, credit card fees, consulting fees for various system projects, increased depreciation of software implementation project costs, and increased net pension expense make up the majority of the increases over prior year.

***Bad debt provision***—This line decreased $1.3 million over the prior year, due to results assumed from the assigned risk pool.

***Other expense***—This line includes $0.3 million in interest expense related to building leases due to the implementation of GASB 87.

***Net investment income (loss)***—In 2022 a net investment loss of $652.6 million was recorded compared to a net investment gain of $121.0 million in 2021. The decrease of $773.6 million was due primarily to lower returns on bond values as SAIF's fixed income portfolio declined 13.8% in 2022 and declined 0.5% in 2021. The change in fair value of investments recorded for 2022 was a negative $760.9 million compared to a negative $145.3 million for 2021. Interest and dividend income earned increased by $11.9 million during 2022 as the Federal Reserve increased short term interest rates. Net realized investment loss was $33.8 million for 2022, compared to a net realized gain of $135.5 million for 2021. For 2022, net realized investment loss was $33.9 million for bonds offset by a $0.1 million gain in equities.

***Cumulative effect of change in accounting principles***—SAIF implemented GASB 87 related to Leases for the fiscal year ended December 31, 2022. The net impact of this Statement on SAIF's financials resulted in a restatement of net position, a decrease of $0.3 million. See Notes 2 and 6 for additional information.

**SAIF CORPORATION**

**STATEMENTS OF NET POSITION**
**AS OF DECEMBER 31, 2023 AND 2022**
**(In thousands)**

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 54,745 | $ 37,228 |
| Investments | 4,280,134 | 4,172,941 |
| Securities lending cash collateral | 65,366 | 50,288 |
| Investment income receivable | 33,241 | 33,112 |
| Premiums receivable, net | 339,243 | 306,302 |
| Accrued retrospective premiums receivable | 26,461 | 33,434 |
| Accounts receivable | 36,456 | 36,537 |
| Other assets | 1,028 | 942 |
| Total current assets | 4,836,674 | 4,670,784 |
| NONCURRENT ASSETS: | | |
| Capital assets, nondepreciable | 41,181 | 32,839 |
| Capital assets, depreciable, net | 105,145 | 106,082 |
| Net other postemployment benefit (OPEB) asset (RHIA) | 3,710 | 3,362 |
| Net OPEB asset (RHIPA) | 1,259 | 810 |
| Total noncurrent assets | 151,295 | 143,093 |
| Total assets | 4,987,969 | 4,813,877 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Related to OPEB | 2,108 | 1,643 |
| Related to pensions | 52,475 | 78,232 |
| Total deferred outflows of resources | 54,583 | 79,875 |
| **LIABILITIES** | | |
| CURRENT LIABILITIES: | | |
| Reserve for losses and loss adjustment expenses | 332,453 | 341,566 |
| Unearned premiums | 268,874 | 253,975 |
| Accrued retrospective premiums payable | 9,401 | 12,390 |
| Commissions payable | 20,161 | 18,396 |
| Reinsurance payable | 4,535 | 4,986 |
| Accrued premium assessment payable | 45,426 | 41,728 |
| Premium deposits | 17,325 | 18,327 |
| Accounts payable | 42,847 | 48,073 |
| Obligations under securities lending | 65,353 | 50,274 |
| Pension related payable | 980 | 927 |
| Lease liabilities | 3,895 | 1,114 |
| Other liabilities | 9,612 | 8,979 |
| Total current liabilities | 820,862 | 800,735 |
| NONCURRENT LIABILITIES: | | |
| Reserve for losses and loss adjustment expenses | 2,178,072 | 2,120,189 |
| Total OPEB liability (SAIF) | 9,307 | 9,007 |
| Pension related payable | 3,373 | 4,405 |
| Net pension liability | 72,694 | 72,675 |
| Lease liabilities | 10,082 | 5,666 |
| Total noncurrent liabilities | 2,273,528 | 2,211,942 |
| Total liabilities | 3,094,390 | 3,012,677 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Related to OPEB | 2,623 | 3,063 |
| Related to pensions | 32,220 | 46,670 |
| Total deferred inflows of resources | 34,843 | 49,733 |
| **NET POSITION** | | |
| Net investment in capital assets | 146,325 | 138,921 |
| Unrestricted | 1,766,994 | 1,692,421 |
| Total net position | $ 1,913,319 | $ 1,831,342 |

See notes to financial statements.

**SAIF CORPORATION**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**
**(In thousands)**

| | 2023 | 2022 |
|---|---|---|
| OPERATING REVENUES: | | |
| Premiums earned, net | $ 590,847 | $ 555,377 |
| Other income | 56,849 | 53,374 |
| Total operating revenues | 647,696 | 608,751 |
| OPERATING EXPENSES: | | |
| Net losses and loss adjustment expenses incurred | 542,964 | 392,198 |
| Policyholders' dividends | 134,986 | 74,995 |
| Underwriting expenses | 222,894 | 207,503 |
| Bad debt provision | 1,719 | 1,431 |
| Other expense | 646 | 334 |
| Total operating expenses | 903,209 | 676,461 |
| OPERATING LOSS | (255,513) | (67,710) |
| NONOPERATING REVENUES: | | |
| Investment income (loss) | 346,175 | (645,818) |
| Investment expenses | (8,763) | (6,750) |
| Net investment income | 337,412 | (652,568) |
| INCREASE (DECREASE) IN NET POSITION | 81,899 | (720,278) |
| NET POSITION—Beginning of year | 1,831,342 | 2,551,897 |
| Cumulative effect of change in accounting principles | 78 | (277) |
| RESTATED—Beginning net position | 1,831,420 | 2,551,620 |
| NET POSITION—End of year | $ 1,913,319 | $ 1,831,342 |

See notes to financial statements.

**SAIF CORPORATION**

**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**
**(In thousands)**

| | 2023 | 2022 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Premiums collected, net of reinsurance | $ 575,337 | $ 548,743 |
| Loss and loss adjustment expenses paid | (494,194) | (470,269) |
| Underwriting expenses paid | (222,894) | (207,503) |
| Policyholder dividends paid | (134,986) | (74,995) |
| Other receipts | 76,576 | 76,025 |
| Net cash used in operating activities | (200,161) | (127,999) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of investments | (799,616) | (1,156,469) |
| Proceeds from sales and maturities of investments | 862,013 | 1,114,482 |
| Interest received on investments and cash balances | 167,299 | 151,412 |
| Interest received from securities lending | 2,939 | 1,291 |
| Interest paid for securities lending | (2,638) | (1,132) |
| Net cash provided by investing activities | 229,997 | 109,584 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisition of capital assets | (12,319) | (20,643) |
| Proceeds from disposition of capital assets | - | 54 |
| Net cash used in capital and related financing activities | (12,319) | (20,589) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 17,517 | (39,004) |
| CASH AND CASH EQUIVALENTS—Beginning of year | 37,228 | 76,232 |
| CASH AND CASH EQUIVALENTS—End of year | $ 54,745 | $ 37,228 |

(Continued)

**SAIF CORPORATION**

**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**
**(In thousands)**

| | 2023 | 2022 |
|---|---|---|
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES: | | |
| Operating loss | $ (255,513) | $ (67,710) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation and amortization | 15,872 | 12,460 |
| (Gain)/loss on disposal of capital assets | - | (26) |
| Bad debt provision | 1,719 | 1,431 |
| Net changes in assets: | | |
| Premiums receivable, net | (34,660) | (10,882) |
| Accrued retrospective premiums receivable | 6,972 | (57) |
| Accounts receivable | 81 | (4,774) |
| Net OPEB asset (RHIA) | (348) | 28 |
| Net OPEB asset (RHIPA) | (449) | (389) |
| (Increase)/decrease in deferred outflows of resources: | | |
| Related to OPEB | (465) | 190 |
| Related to pensions | 25,756 | 5,982 |
| Net changes in liabilities: | | |
| Reserve for losses and loss adjustment expenses | 48,769 | (78,070) |
| Unearned premiums | 14,899 | 10,962 |
| Accrued retrospective premiums payable | (2,989) | (4,277) |
| Commissions payable | 1,765 | 1,419 |
| Reinsurance payable | (450) | (4,098) |
| Accrued premium assessment payable | 3,698 | 2,625 |
| Premium deposits | (1,002) | 288 |
| Accounts payable | (4,628) | 931 |
| Pension related payable | (978) | (1,073) |
| Other liabilities | 640 | 433 |
| Total OPEB liability (SAIF) | 300 | 286 |
| Net pension liability | 19 | 28,353 |
| Lease liabillities | (4,280) | (1,170) |
| Increase/(decrease) in deferred inflows of resources: | | |
| Related to OPEB | (439) | (1,344) |
| Related to pensions | (14,450) | (19,517) |
| Total adjustments | 55,352 | (60,289) |
| NET CASH USED IN OPERATING ACTIVITIES | $ (200,161) | $ (127,999) |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES: Investments acquired and sold through tax free and taxable exchange transactions | $ 45,322 | $ 27,251 |
| Tax free restructuring of DWS Real Estate Fund | $ 120,628 | $ - |

See notes to financial statements.

## 1. DESCRIPTION OF BUSINESS & REGULATORY ENVIRONMENT

SAIF Corporation (SAIF) is a public corporation created by an act of the Oregon Legislature. It traces its origins to 1914 when its predecessor organization commenced business.

SAIF is an insurance company authorized to write workers' compensation coverage in Oregon and is a servicing carrier for accounts in the assigned risk pool. SAIF also provides coverage governed by the Longshore and Harbor Workers' Compensation Act, Jones Act, and Federal Employers Liability Law. SAIF partners with Zurich Insurance Group Ltd. (Zurich) and United States Insurance Services (USIS) to provide other states coverage. SAIF's Board of Directors is appointed by the governor of the State of Oregon and consists of Oregon business and community leaders not otherwise in the employ of SAIF. Certain members of SAIF's Board of Directors are SAIF policyholders or are employed by SAIF policyholders. The transactions between SAIF and these policyholders were within SAIF's standard terms and conditions.

SAIF writes business on a direct basis as well as through agents. Premiums written on a direct basis were 16.9 and 17.4 percent of standard premium during 2023 and 2022, respectively. SAIF issues workers' compensation insurance policies to individual Oregon employers including state agencies.

DCBS enforces workers' compensation laws under the Oregon Revised Statutes (ORS). Under the reporting requirements of the DCBS, Oregon Division of Financial Regulation (Insurance Division), SAIF is subject to Risk Based Capital (RBC) requirements of the National Association of Insurance Commissioners (NAIC), which establishes certain amounts of capital and surplus be maintained. SAIF's Company Action Level (CAL) RBC calculated minimum capital and surplus amount was $435.2 million and $391.8 million at December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, the statutory capital and surplus of SAIF exceeded the minimum RBC requirements. While SAIF is not subject to the minimum capital and surplus requirements set forth in ORS 731.554, SAIF uses various benchmarking and risk level techniques to monitor and maintain an adequate level of capital and surplus.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of accounting***—SAIF has prepared the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America for governmental entities. As a discretely presented component unit of the State of Oregon, SAIF is subject to the pronouncements of the Governmental Accounting Standards Board (GASB). Under accounting principles generally accepted in the United States of America as applied to governmental entities, SAIF accounts for its activities as a special purpose government engaged solely in business-type activities. Accordingly, SAIF follows the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, regardless of when received, and expenses are recognized when incurred, regardless of when paid.

***Investments***—SAIF reports investments at fair value on the statement of net position and recognizes the corresponding change in the fair value of investments in the year in which the change occurs as investment income (loss). The fair value of debt and equity securities is determined using recognized pricing services or prices quoted by one or more independent brokers. Equity securities traded on a national exchange are valued at the last reported sales price. Debt securities are valued using evaluated bid prices at December 31, 2023 and 2022. Real estate investments are valued at net asset value (NAV).

***Cash and cash equivalents***—Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less. SAIF places its temporary cash investments with the Oregon Short-Term Fund (OSTF), an external cash and investment pool. SAIF's participation in this fund is involuntary. This fund is not registered with the Securities and Exchange Commission and is not rated. The OSTF is a cash and investment pool that operates as a demand deposit account. As a result, SAIF's investment is not impacted by changes in the market value of the OSTF. By statute, the OSTF may hold securities with maturities no greater than three years. Audited financial statements and monthly compliance summaries, which include information about the OSTF's maturity distribution and credit quality, may be obtained at the Oregon State Treasury's web site: https://www.oregon.gov/treasury/public-financial-services/oregon-short-term-funds/pages/default.aspx. As of December 31, 2023 and 2022, SAIF's balance in the OSTF was $35.5 million and $18.9 million, respectively.

Oregon's State Treasurer employs the services of two external investment managers to manage SAIF's fixed income portfolios. The cash balances of the fixed income managers are invested in money market funds with the objective of maximizing current income while maintaining a stable net asset value. The average maturity of the Institutional U.S. Government Money Market Fund as of December 31, 2023 and 2022, was 46 days and 12 days, respectively. The Institutional U.S. Government Money Market Fund had a credit quality rating of AAAm as of December 31, 2023 and 2022. At December 31, 2023 and 2022, SAIF's balance in the Institutional U.S. Government Money Market Fund was $4.1 million and $18.3 million, respectively. As of December 31, 2023, SAIF held $15.0 million in Treasury bills. There were no Treasury bills held as of December 31, 2022.

***Concentrations of credit risk***—Financial instruments, which potentially subject SAIF to concentrations of credit risk, consist principally of temporary cash investments and debt securities. SAIF places its investment securities with financial institutions approved by the State of Oregon and limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to investments in debt securities are limited due to the large number of such investments and their distribution among many different industries and geographic regions. SAIF maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. Financial instruments potentially subjecting SAIF to concentrations of credit risk also consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance thresholds. If any of the financial institutions with whom SAIF does business were to be placed into receivership with the FDIC, SAIF may be unable to access the cash it has on deposit with such institutions. If SAIF was unable to access its cash and cash equivalents as needed, SAIF's financial position and ability to operate its business could be adversely affected. SAIF has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on these cash and cash equivalents.

***Capital assets***—Capital assets are stated at historical cost, less accumulated depreciation. Maintenance, repairs, and minor renovations are charged to expense as costs are incurred. Upon retirement or sale, any resulting gain or loss is recorded as other income.

Costs incurred to develop internal-use computer software and web sites during the application development stage are capitalized if they meet the $1.0 million threshold. Costs incurred during the preliminary project stage and post-implementation/operation stage are expensed as incurred. The predefined capitalization thresholds have changed from those of the prior year after an internal study was complete.

Capital assets are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets as follows:

| | Capitalization Threshold | Useful Life |
|---|---|---|
| Buildings and improvements | All | 15–50 years |
| Furniture, equipment, and automobiles | $25,000 | 3–7 years |
| Operating and nonoperating system software | $1,000,000 | 3-5 years |

SAIF has several capital projects in progress or completed during the years ended December 31, 2023 and 2022. These include a human resource (HR) system, a registration and profile management system phase I, and final costs on a finance and procurement system completed in 2022. A new claims system, a registration and profile management system phase II, and a digital payment project were in progress in 2023. The table below shows the total costs incurred on these projects for the years ended December 31, 2023 and 2022.

The projects costs are displayed in the table below (dollars in thousands):

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Year-to-date | Life-to-date | Year-to-date | Life-to-date |
| Finance and procurement system | $ - | $ 1,954 | $ 12 | $ 1,954 |
| HR core system | $ 162 | $ 3,032 | $ 1,905 | $ 2,870 |
| Claims system | $ 8,175 | $ 36,140 | $ 17,980 | $ 27,965 |
| RPM phase I | $ 380 | $ 950 | $ 570 | $ 570 |
| RPM phase II | $ 720 | $ 720 | $ - | $ - |
| Digital payment | $ 972 | $ 972 | $ - | $ - |

SAIF implemented GASB 87 effective December 31, 2022. Lease assets were calculated beginning with January 1, 2021 information and are capitalized in the following table. Lessee arrangements include Right-of-Use (ROU) lease assets in capital assets and lease liabilities in current and noncurrent long-term liabilities in the statements of net position. SAIF chose to restate the beginning net position as of January 1, 2022, rather than restate 2021 financial statements as the impact was considered immaterial. Refer to Note 2 new accounting pronouncements for additional information on the restated beginning net position and Note 6 for additional lease information.

SAIF implemented GASB 96 effective December 31, 2023. SBITAs were calculated beginning with January 1, 2023, information and are capitalized in the following table. Lessee arrangements include Right-of-Use (ROU) lease assets in capital assets and lease liabilities in current and noncurrent long-term liabilities in the statements of net position. SAIF chose to restate the beginning net position as of January 1, 2023, rather than restate 2022 financial statements as the impact was considered immaterial. Refer to Note 2 new accounting pronouncements for additional information on the restated beginning net position and Note 6 for additional lease information.

Capital assets activity for the years ended December 31, 2023 and 2022, was as follows (dollars in thousands):

| | 2023 | | | |
|---|---|---|---|---|
| | **Beginning Balance** | **Increases** | **Decreases** | **Ending Balance** |
| Land | $ 2,922 | $ - | $ - | $ 2,922 |
| Software in development | 28,902 | 10,409 | (1,469) | 37,842 |
| Capital assets not yet in service | 1,015 | 1,836 | (2,434) | 417 |
| Total nondepreciable capital assets | 32,839 | 12,245 | (3,903) | 41,181 |
| Buildings and improvements | 112,081 | - | - | 112,081 |
| Lease assets-buildings | 8,729 | - | - | 8,729 |
| Lease assets-SBITAs | - | 13,197 | - | 13,197 |
| Furniture, equipment, and automobiles | 8,032 | 1,910 | (12) | 9,930 |
| Data processing software | 44,343 | 1,469 | - | 45,812 |
| Total depreciable capital assets | 173,185 | 16,576 | (12) | 189,749 |
| Total | 206,024 | 28,821 | (3,915) | 230,930 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (25,034) | (3,237) | - | (28,271) |
| Lease assets-buildings | (2,410) | (1,205) | - | (3,615) |
| Lease assets-SBITAs | - | (4,410) | - | (4,410) |
| Furniture, equipment, and automobiles | (6,732) | (1,056) | 12 | (7,776) |
| Data processing software | (32,927) | (7,606) | - | (40,533) |
| Total accumulated depreciation | (67,103) | (17,514) | 12 | (84,605) |
| Capital assets, net | $ 138,921 | $ 11,307 | $ (3,903) | $ 146,325 |

| | 2022 | | | |
|---|---|---|---|---|
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Land | $ 2,922 | $ - | $ - | $ 2,922 |
| Software in development | 10,938 | 20,467 | (2,503) | 28,902 |
| Capital assets not yet in service | 653 | 1,015 | (653) | 1,015 |
| Total nondepreciable capital assets | 14,513 | 21,482 | (3,156) | 32,839 |
| Buildings and improvements | 112,081 | - | - | 112,081 |
| Lease assets-buildings | - | 9,026 | (297) | 8,729 |
| Lease assets-SBITAs | - | - | - | - |
| Furniture, equipment, and automobiles | 7,985 | 175 | (128) | 8,032 |
| Data processing software | 41,840 | 2,503 | - | 44,343 |
| Total depreciable capital assets | 161,906 | 11,704 | (425) | 173,185 |
| Total | 176,419 | 33,186 | (3,581) | 206,024 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (21,797) | (3,237) | - | (25,034) |
| Lease assets-buildings | - | (2,707) | 297 | (2,410) |
| Lease assets-SBITAs | - | - | - | - |
| Furniture, equipment, and automobiles | (6,062) | (770) | 100 | (6,732) |
| Data processing software | (25,828) | (7,099) | - | (32,927) |
| Total accumulated depreciation | (53,687) | (13,813) | 397 | (67,103) |
| Capital assets, net | $ 122,732 | $ 19,373 | $ (3,184) | $ 138,921 |

***Premiums***—Premiums are based on individual employers' reported payroll using predetermined, DCBS-approved insurance rates based on employee risk classifications and are recognized as income on a pro rata basis over the coverage period, which is generally one year. Ceded premiums are recognized consistent with the underlying policies. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums.

Policyholders' premiums due to SAIF are recorded as premiums receivable, net of the allowance for uncollectible accounts of $1.4 million at December 31, 2023 and 2022, respectively. Premiums receivable consists of both billed amounts and unbilled amounts. Unbilled premiums receivable primarily represents premiums recorded as written at the policy inception date and not yet billed, as well as an estimate of the difference between amounts earned ratably on installment-billed policies and the amount billed on the policy. Unbilled premiums receivable also includes estimated billings on payroll reporting policies that were earned but not billed prior to year end. SAIF uses its historical experience to estimate earned but unbilled amounts, which are recorded as premiums receivable. These unbilled amounts are estimates, and while SAIF believes such amounts are reasonable, there can be no assurance the amounts ultimately received will equal the recorded unbilled amounts. The ultimate collectability of the unbilled premiums receivable can be affected by general changes in the economy and the regulatory environment due to the increased time required to determine the billable amount. SAIF considers these factors when estimating the premium receivable for unbilled premiums. Unbilled premiums receivable at December 31, 2023 and 2022, were $330.4 million and $300.7 million, respectively, including unearned premiums of $184.1 million and $178.4 million, respectively, and are included in premiums receivable, net.

Certain policyholders are required to remit deposits based on their credit worthiness. Deposits are generally in the form of cash and are recorded as policyholders' premium deposits. However, policyholders may pledge surety bonds and securities, as well as letters of credit, in lieu of cash deposits. Premium deposits at December 31, 2023 and 2022, were $17.3 million and $18.3 million, respectively.

In addition to its regular premium plans, SAIF offers employers retrospective premium rating plans under which premiums are adjusted annually for up to 10½ years following the plan year based on policyholders' loss experience. Adjustments to the original premiums are paid to or collected from the policyholders six months following the expiration of the policy and annually thereafter for up to 10½ years. The estimate of the net accrued premiums receivable for retrospective rating plans as of December 31, 2023 and 2022, is as follows (dollars in thousands):

| | 2023 | 2022 |
|---|---|---|
| Accrued retrospective premiums receivable | $ 26,461 | $ 33,434 |
| Accrued retrospective premiums payable | (9,401) | (12,390) |
| Net | $ 17,060 | $ 21,044 |

SAIF estimates accrued retrospective premiums receivable and payable by reviewing historical loss and premium development patterns at various stages of maturity and using these historical patterns to arrive at the best estimate of return and additional retrospective premiums on all open retrospectively rated policies. Premiums written on retrospective workers' compensation policies for 2023 and 2022 were $102.3 million and $96.1 million, respectively, or 16.8 percent and 17.0 percent of net premiums written, respectively.

***Reserve for losses and loss adjustment expenses***—The reserve for losses and loss adjustment expenses (LAE) is generally based on past experience. The liability includes provisions for reported claims and claims incurred but not reported.

Management believes the reserve for unpaid losses and LAE at December 31, 2023 and 2022, is a reasonable estimate of net future claim costs and expenses associated with administering claims. Annually, executive leaders review key actuarial assumptions used to estimate this liability and consider the significant uncertainty associated with these estimates in booking the reserve. Actual future claims costs and LAE depend on a number of factors, including, but not limited to, the duration of worker disability, claimant and beneficiary lifespans, medical cost trends, occupational disease exposure, inflation, and other societal, legislative, judicial and economic factors. As a result, the process used to compute the ultimate cost of settling claims and expenses associated with administering claims is necessarily based on estimates. The amount ultimately paid may be higher or lower than these estimates. Adjustments resulting from changes in estimates of these liabilities are charged or credited to operations in the period in which they occur (see Note 4). During 2022, SAIF changed the year-end reserving process to use data as of September 30, 2022, versus our prior approach to use data as of December 31, 2022. Ultimate loss estimates derived from the September 30th data were reevaluated alongside a comparison between actual and expected emergence during fourth quarter. Beginning with the 2023 financial statement, SAIF will use the Appointed Actuary's models and analysis to inform SAIF's recorded liabilities for unpaid claims. When necessary, SAIF adjusted the Appointed Actuary's model assumptions to reflect SAIF's reserving philosophy. Management believes this change in reserving process does not significantly change the ultimate loss estimates.

***Premium deficiency***—Premium deficiency is based upon an estimate of the amount by which the sum of anticipated claims costs, claims adjustment expenses, and maintenance expenses exceeds expected premium income and earnings on investments. At December 31, 2023 and 2022, no reserve for premium deficiency was required to be recorded.

***Policyholders' dividends***—Substantially all of SAIF's business is written under various participating plans wherein a dividend may be returned to the policyholder. Dividends may be paid to the extent that a surplus is accumulated from premiums, investment gains, or loss reserve reductions. In 2023 and 2022, policyholder dividends of $135.0 million and $75.0 million, respectively, were incurred and paid to qualifying policyholders.

***Taxes and assessments***—The Oregon Department of Justice has determined that SAIF is exempt from federal and state income taxes, because it is an integral part of the State of Oregon and, alternatively, exempt under either or both Sections 501(c)(27)(B) and 115(1) of the Internal Revenue Code.

SAIF collects and remits levies on behalf of their policyholders to the Oregon Workers' Compensation Division of DCBS. Such assessments constitute an in-lieu-of-tax relative to premiums. Premium assessments were $54.5 million and $51.0 million for the years ended December 31, 2023 and 2022, respectively. Accrued premium assessment payable totaled $45.4 million and $41.7 million as of December 31, 2023 and 2022, respectively.

***Use of estimates***—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses during the reporting period, and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

***Deferred outflows of resources and deferred inflows of resources***—Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

***New accounting pronouncements***—In June 2017, the GASB issued Statement No. 87, *Leases.* This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. SAIF implemented the requirements of this Statement as of January 1, 2022. See note 6 for additional information. The impact of this statement on SAIF's financials resulted in a restatement of net position. The 2022 beginning net position was restated as follows:

| | **January 1, 2022** |
|---|---|
| Net position, as previously stated | $ 2,551,897 |
| Cumulative effect of change in accounting principle due to GASB 87 implementation | (277) |
| Net position, as restated | $ 2,551,620 |

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

SAIF implemented the requirements of this Statement as of December 31, 2022. There was no significant impact to the financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources. This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information. SAIF implemented the requirements of this Statement as of December 31, 2023. See note 6 for additional information. The impact of this Statement on SAIF's financials resulted in a restatement of net position. The 2023 beginning net position was restated as follows:

| | **January 1, 2023** |
|---|---|
| Net position, as previously stated | $ 1,831,342 |
| Cumulative effect of change in accounting principle due to GASB 96 implementation | 78 |
| Net position, as restated | $ 1,831,420 |

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. This Statement supersedes the remaining provisions of Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances. The Section 457 plan administered by SAIF is a defined contribution plan and not a defined benefit plan as identified in this statement. SAIF implemented the requirements of this Statement as of December 31, 2022. There was no significant impact to the financial statements.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for SAIF's 2023 financial statements. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for SAIF's 2024 financial statements. SAIF is currently evaluating the impact of this Statement on the financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also addresses corrections of errors in previously issued financial statements. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. This Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for SAIF's 2024 financial statements. SAIF is currently evaluating the impact of this Statement on the financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). The requirements of this Statement are effective for SAIF's 2024 financial statements. SAIF is currently evaluating the impact of this Statement on the financial statements.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures.* The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

The requirements of this Statement are effective for SAIF's 2025 financial statements. SAIF is currently evaluating the impact of this Statement on the financial statements.

***Reclassifications***—Certain reclassifications have been made to prior year amounts in order to conform with current year presentation.

## 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

***Cash and cash equivalents***—SAIF's cash is held in demand accounts with the State Treasurer, State Street Bank and Trust Company, and U.S. Bank. The cash held by the State Treasurer is invested in the OSTF, a cash and investment pool that is available for use by all state funds and eligible local governments. Cash equivalents held by State Street Bank and Trust Company consist of $4.1 million in the Institutional U.S. Government Money Market fund and $15.0 million in Treasury bills as of December 31, 2023. There were no Treasury bills held as of December 31, 2022. The Institutional U.S. Government Money Market Fund and the Short-Term Investment Fund are reported at amortized cost, which approximates fair value.

SAIF's cash and cash equivalents totaled $54.7 million and $37.2 million as of December 31, 2023 and 2022, respectively, and are composed of the following (dollars in thousands):

| Cash balances | 2023 | 2022 |
|---|---|---|
| Oregon Short-Term Fund | $ 35,527 | $ 18,869 |
| State Street Bank and Trust Company | - | 28 |
| U.S. Bank | 163 | 77 |
| | 35,690 | 18,974 |
| Cash equivalents | | |
| State Street Bank (Treasury bills) | 14,954 | - |
| State Street Bank (Institutional U.S. Government money market fund) | 4,101 | 18,254 |
| | 19,055 | 18,254 |
| Total cash and cash equivalents | $ 54,745 | $ 37,228 |

***Custodial credit risk for cash and cash equivalents (deposits)***—Custodial credit risk for deposits is the risk that in the event of a bank failure, SAIF will not be able to recover the value of its deposits or collateral securities that are in possession of an outside party. State Treasury demand deposit accounts and investments of the OSTF held in state banks are insured up to the Federal Deposit Insurance (FDIC) amount of $250 thousand. Where balances exceed the FDIC amount, the balances are covered by collateral held in a multiple financial institution collateral pool administered by the Oregon State Treasury in the Public Funds Collateralization Program. As of December 31, 2023, the cash held by both State Street Bank and Trust Company (State Street) and U.S. Bank is in noninterest bearing accounts, is FDIC insured up to $250 thousand, and is uninsured for any balances exceeding that amount.

***Investments***—SAIF's investment policies are governed by statute and the Oregon Investment Council (Council). The State Treasurer (Treasurer) is the investment officer for the Council and is responsible for the funds on deposit in the State Treasury. In accordance with ORS 293.726, the investment funds are required to be invested, and the investments of those funds managed, as a prudent investor would do, exercising reasonable care, skill, and caution. While the Treasurer is authorized to use demand deposit accounts and fixed income investments, equity investment transactions must be directed by external investment managers that are under contract with the Council. Equity investments are limited to not more than 50 percent of the monies contributed to the Industrial Accident Fund (SAIF Corporation). However, SAIF's adopted investment policy as approved by the Council limits equity holdings to a range of 7 percent to 13 percent of the market value of invested assets with a target allocation of 10 percent.

Effective April 24, 2019, the Oregon Investment Council approved a revised asset allocation policy for SAIF Corporation. The allocation allows for a 5 percent target allocation to real estate in the form of private or publicly traded funds, allows for an 8 percent combined target allocation to bank loans and private credit, and reduced the target allocation to fixed income holdings from 90 percent to 77 percent. The target allocation to global equities of 10 percent remains unchanged.

Bond, mortgage-backed, asset-backed, and equity security transactions are recorded on a trade-date basis, generally three business days prior to the settlement date. However, the number of days between trade and settlement dates for mortgage-backed securities can be up to 30 days or longer, depending on the security. Due from brokers for security sales at December 31, 2023 and 2022, were $1.0 million and $0.9 million, respectively. Due to brokers for security purchases at December 31, 2023 and 2022, were none and $7 thousand, respectively.

***Interest rate risk***—Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. SAIF's policy for fixed income investments provides that a duration target be used to manage interest rate risk. The policy calls for the portfolio duration to be within 20 percent of the benchmark duration. The benchmark duration as of December 31, 2023, was 6.12 years, with an acceptable range of 4.89 to 7.34 years. As of that date, the fixed income portfolio's duration was 6.46 years.

The following 2023 maturity distribution schedule includes $1.0 billion in interest-rate sensitive securities. As of December 31, 2023, SAIF held $425.4 million of U.S. federal agency mortgage-backed securities and $322.6 million of collateralized mortgage obligations (CMOs). These securities are based on cash flows from principal and interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. As of December 31, 2023, SAIF held $235.1 million of asset-backed securities which consisted primarily of collateralized loan obligations (CLOs), equipment loan and lease receivables, student and automobile loans, and other mortgage loans. The value of these securities can be volatile as interest rates fluctuate. Additional risk inherent with these securities is the unpredictability of default on loans that are the collateral for the debt.

The following schedule represents the fixed income investments by maturity date as of December 31, 2023 and 2022, using the segmented time distribution method. Expected maturities will differ from contractual maturities, because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties (dollars in thousands):

| 2023 | Less Than 1 Year | 1–5 Years | 6–10 Years | More Than 10 Years | Fair Value |
|---|---|---|---|---|---|
| Bonds: | | | | | |
| U.S. Treasury obligations | $ 4,102 | $ 99,322 | $ 16,005 | $ 207,932 | $ 327,361 |
| U.S. federal agency mortgage securities | 32,800 | 110,514 | 103,121 | 178,915 | 425,350 |
| U.S. federal agency debt | - | - | - | 1,417 | 1,417 |
| Corporate bonds | 15,574 | 491,217 | 569,436 | 664,131 | 1,740,358 |
| Municipal bonds | 1,022 | 3,381 | 3,149 | 35,647 | 43,199 |
| Collateralized mortgage obligations | 93,662 | 101,514 | 91,371 | 36,062 | 322,609 |
| Asset-backed securities | 39,166 | 160,555 | 32,158 | 3,181 | 235,060 |
| International debt securities | 1,079 | 167,770 | 142,660 | 92,533 | 404,042 |
| Total bonds | $ 187,405 | $ 1,134,273 | $ 957,900 | $ 1,219,818 | $ 3,499,396 |
| Equity securities: | | | | | |
| BlackRock MSCI ACWI IMI index fund | | | | | $ 521,906 |
| Total equity securities | | | | | 521,906 |
| Real estate open ended funds: | | | | | |
| Morgan Stanley Prime Property Fund LLC | | | | | $ 141,353 |
| DWS RREEF America II LP | | | | | 117,479 |
| Total real estate | | | | | 258,832 |
| Total investments | | | | | $ 4,280,134 |

| 2022 | Less Than 1 Year | 1–5 Years | 6–10 Years | More Than 10 Years | Fair Value |
|---|---|---|---|---|---|
| Bonds: | | | | | |
| U.S. Treasury obligations | $ 7,801 | $ 46,859 | $ 111,803 | $ 155,748 | $ 322,211 |
| U.S. federal agency mortgage securities | 50,120 | 128,151 | 77,585 | 86,609 | 342,465 |
| U.S. federal agency debt | - | - | - | 1,389 | 1,389 |
| Corporate bonds | 20,476 | 425,448 | 616,995 | 674,001 | 1,736,920 |
| Municipal bonds | - | 4,319 | 2,803 | 34,901 | 42,023 |
| Collateralized mortgage obligations | 102,461 | 139,505 | 59,197 | 20,160 | 321,323 |
| Asset-backed securities | 30,837 | 149,702 | 75,204 | 6,033 | 261,776 |
| International debt securities | 19,801 | 160,967 | 135,218 | 104,032 | 420,018 |
| Total bonds | $ 231,496 | $ 1,054,951 | $ 1,078,805 | $ 1,082,873 | $ 3,448,125 |
| Equity securities: | | | | | |
| BlackRock MSCI ACWI IMI index fund | | | | | $ 428,252 |
| Total equity securities | | | | | 428,252 |
| Real estate open ended funds: | | | | | |
| Morgan Stanley Prime Property Fund LLC | | | | | $ 156,205 |
| DWS RREEF America II LP | | | | | 140,359 |
| Total real estate | | | | | 296,564 |
| Total investments | | | | | $ 4,172,941 |

***Credit risk***—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SAIF's credit risk policy is to maintain a well-diversified investment portfolio. Fixed income holdings shall be the largest component of the portfolio. The policy seeks to maintain an overall fixed income portfolio quality of at least "A" or higher. The majority of SAIF's debt securities as of December 31, 2023 and 2022, were rated by Moody's and Standard & Poor's, which are credit rating providers. The following schedule represents the ratings of debt securities by investment type as of December 31, 2023 and 2022, using either Moody's or Standard & Poor's rating scale (dollars in thousands):

| 2023 | Quality Ratings | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **AAA** | **AA** | **A** | **BBB** | **BB** | **B** | **CCC** | **CC** | **C** | **D** | **Unrated** | **Fair Value** |
| Bonds: | | | | | | | | | | | | |
| U.S. Treasury obligations | $ - | $ 327,361 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 327,361 |
| U.S. federal agency mortgage securities | - | 425,350 | - | - | - | - | - | - | - | - | - | 425,350 |
| U.S. federal agency debt | - | 1,417 | - | - | - | - | - | - | - | - | - | 1,417 |
| Corporate bonds | 19,398 | 105,970 | 562,493 | 923,947 | 115,585 | 12,615 | - | - | - | - | 350 | 1,740,358 |
| Municipal bonds | 2,017 | 28,292 | 6,731 | - | 6,159 | - | - | - | - | - | - | 43,199 |
| Collateralized mortgage obligations | 40,045 | 234,886 | 19,847 | 12,163 | 9,496 | 6,172 | - | - | - | - | - | 322,609 |
| Asset-backed securities | 57,908 | 99,438 | 40,891 | 28,455 | 1,522 | - | - | - | - | - | 6,846 | 235,060 |
| International debt securities | - | 2,068 | 164,356 | 190,199 | 38,251 | 9,168 | - | - | - | - | - | 404,042 |
| Total bonds | $ 119,368 | $ 1,224,782 | $ 794,318 | $ 1,154,764 | $ 171,013 | $ 27,955 | $ - | $ - | $ - | $ - | $ 7,196 | $ 3,499,396 |

| 2022 | Quality Ratings | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **AAA** | **AA** | **A** | **BBB** | **BB** | **B** | **CCC** | **CC** | **C** | **D** | **Unrated** | **Fair Value** |
| Bonds: | | | | | | | | | | | | |
| U.S. Treasury obligations | $ - | $ 322,211 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 322,211 |
| U.S. federal agency mortgage securities | - | 342,465 | - | - | - | - | - | - | - | - | - | 342,465 |
| U.S. federal agency debt | - | 1,389 | - | - | - | - | - | - | - | - | - | 1,389 |
| Corporate bonds | 28,799 | 111,119 | 462,760 | 1,010,139 | 85,987 | 12,870 | - | - | - | - | 25,246 | 1,736,920 |
| Municipal bonds | 1,824 | 27,475 | 7,160 | - | 5,564 | - | - | - | - | - | - | 42,023 |
| Collateralized mortgage obligations | 41,552 | 110,107 | 6,948 | 18,167 | - | 640 | - | - | - | - | 143,909 | 321,323 |
| Asset-backed securities | 69,454 | 18,635 | 20,782 | 16,387 | 1,507 | - | - | - | - | - | 135,011 | 261,776 |
| International debt securities | - | 1,976 | 138,889 | 226,091 | 43,294 | 940 | - | - | - | - | 8,828 | 420,018 |
| Total bonds | $ 141,629 | $ 935,377 | $ 636,539 | $ 1,270,784 | $ 136,352 | $ 14,450 | $ - | $ - | $ - | $ - | $ 312,994 | $ 3,448,125 |

***Concentration of credit risk***—Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. SAIF's investment policy places limitations on the amount that may be invested in any one issuer. The following specific limitations reflect, in part, the Oregon Investment Council's current investment philosophy regarding diversification.

- No fixed income investment in any one issue shall be in excess of 5 percent of the outstanding fixed income obligations of the issuer.

- Issuer level restrictions shall not apply to U.S. government and agency obligations, including agency-backed mortgages (no limit) and private mortgage-backed and asset-backed securities, which shall be limited to 10 percent per issuer.

- Obligations of other national governments are limited to 10 percent per issuer.

As of December 31, 2023 and 2022, SAIF did not have a concentration of credit risk in any one issuer that exceeded the policy outlined above.

***Fair value measurement***— Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – Quoted prices in active markets for identical assets and liabilities: This category, for items measured at fair value on a recurring basis, includes hybrid securities and exchange-traded common stocks. The estimated fair value of the equity securities within this category are based on quoted prices in active markets and are thus classified as Level 1.

Level 2 – Significant other observable inputs: This category, for items measured at fair value on a recurring basis, includes bonds and common stocks which are not exchange-traded. The estimated fair values of some of these items were determined by independent pricing services using observable inputs. Others were based on quotes from markets which were not considered actively traded.

Level 3 – Significant unobservable inputs: This category, for items measured at fair value where there is no independent pricing source available, includes bonds, common stocks, and other invested assets. The estimated fair values of these items were determined by SAIF's investment managers' own assumptions using unobservable inputs.

Bonds categorized as Level 2 were valued using a market approach. These valuations were determined to be Level 2 valuations as quoted market prices for similar instruments in an active market were utilized. This was accomplished by the use of matrix pricing. Matrix pricing takes quoted prices of bonds with similar features and applies analytic methods to determine the fair value of bonds held. Features that are inputs into the analysis include duration, credit quality, tax status, and call and sinking fund features.

Common stocks categorized as Level 2 were valued using a market approach. These valuations were determined to be Level 2 valuations because quoted market prices for identical instruments trading in an inactive market were utilized. When an equity instrument is illiquid due to limited trading activity, the use of quoted market prices for identical instruments was determined by SAIF to be the most reliable method to determine fair value.

At the end of 2023, SAIF had invested $117.5 million in DWS RREEF America II LP fund. As of December 31, 2023, SAIF had unfunded commitments of $2.5 million to be invested in the fund, subject to capital calls by the fund. On January 2, 2024, SAIF invested the remaining $2.5 million in the fund. A total of $120.0 million was invested in Morgan Stanley Prime Property Fund, LLC, which was funded completely in 2020. Both funds are open-ended real estate funds that permit quarterly redemption of shares, subject to certain requirements being met. The funds are valued using net asset value (NAV). The funds are expected to be held for the long term and generate a cash flow that will represent a significant component of the total return.

The following schedule represents the fair value measurement of SAIF's debt securities by investment type, equity securities, and real estate funds as of December 31, 2023 and 2022 (dollars in thousands):

| **2023** | **Level 1** | **Level 2** | **Level 3** | **Net Asset Value (NAV)** | **Total** |
|---|---|---|---|---|---|
| Bonds: | | | | | |
| U.S. Treasury obligations | $ - | $ 327,361 | $ - | $ - | $ 327,361 |
| U.S. federal agency mortgage securities | - | 425,350 | - | - | 425,350 |
| U.S. federal agency debt | - | 1,417 | - | - | 1,417 |
| Corporate bonds | 2,140 | 1,737,868 | - | - | 1,740,008 |
| Municipal bonds | - | 43,199 | - | - | 43,199 |
| Collateralized mortgage obligations | - | 322,609 | - | - | 322,609 |
| Asset-backed securities | - | 235,060 | - | - | 235,060 |
| International debt securities | - | 404,042 | - | - | 404,042 |
| Total bonds | 2,140 | 3,496,906 | - | - | 3,499,046 |
| Equity securities: | | | | | |
| BlackRock MSCI ACWI IMI index fund | - | 521,906 | - | - | 521,906 |
| Total equity securities | - | 521,906 | - | - | 521,906 |
| Real estate open ended funds: | | | | | |
| Morgan Stanley Prime Property Fund LLC | - | - | - | 141,353 | 141,353 |
| DWS RREEF America II LP | - | - | - | 117,479 | 117,479 |
| Total real estate funds | - | - | - | 258,832 | 258,832 |
| Total investments by fair value level | $ 2,140 | $ 4,018,812 | $ - | $ 258,832 | $ 4,279,784 |
| Other investments: | | | | | |
| *Nonnegotiable certificates of deposit | | | | | 350 |
| Total investments | | | | | $ 4,280,134 |

*Nonnegotiable certificates of deposit are exempt from fair value reporting under GASB 72.

| 2022 | Level 1 | Level 2 | Level 3 | Net Asset Value (NAV) | Total |
|---|---|---|---|---|---|
| Bonds: | | | | | |
| U.S. Treasury obligations | $ - | $ 322,211 | $ - | $ - | $ 322,211 |
| U.S. federal agency mortgage securities | - | 342,465 | - | - | 342,465 |
| U.S. federal agency debt | - | 1,389 | - | - | 1,389 |
| Corporate bonds | 2,130 | 1,734,440 | - | - | 1,736,570 |
| Municipal bonds | - | 42,023 | - | - | 42,023 |
| Collateralized mortgage obligations | - | 321,323 | - | - | 321,323 |
| Asset-backed securities | - | 261,776 | - | - | 261,776 |
| International debt securities | - | 420,018 | - | - | 420,018 |
| Total bonds | 2,130 | 3,445,645 | - | - | 3,447,775 |
| Equity securities: | | | | | |
| BlackRock MSCI ACWI IMI index fund | - | 428,252 | - | - | 428,252 |
| Total equity securities | - | 428,252 | - | - | 428,252 |
| Real estate open ended funds: | | | | | |
| Morgan Stanley Prime Property Fund LLC | - | - | - | 156,205 | 156,205 |
| DWS RREEF America II LP | - | - | - | 140,359 | 140,359 |
| Total real estate fund | - | - | - | 296,564 | 296,564 |
| Total investments by fair value level | $ 2,130 | $ 3,873,897 | $ - | $ 296,564 | $ 4,172,591 |
| Other investments: | | | | | |
| *Nonnegotiable certificates of deposit | | | | | 350 |
| Total investments | | | | | $ 4,172,941 |

*Nonnegotiable certificates of deposit are exempt from fair value reporting under GASB 72.

***Securities on deposit***—U.S. Treasury obligations with a fair value of $8.4 million and $7.8 million were on deposit with the Federal Reserve as required by the U.S. Department of Labor under the Longshore and Harbor Workers' Compensation Act as of December 31, 2023 and 2022, respectively. Certificates of deposit with a fair value of $350 thousand were on deposit at U.S. Bank as required by DCBS at December 31, 2023 and 2022. U.S. Treasury obligations with a fair value of $49.2 million and $42.9 million were on deposit with Wilmington Trust for loss payments with Zurich, a reinsurer for other states coverage, as of December 31, 2023 and 2022, respectively.

***Securities lending***—In accordance with state investment policies, SAIF participates in securities lending transactions. The Oregon State Treasury has, through a Securities Lending Agreement, authorized State Street to lend SAIF's securities to broker-dealers and banks pursuant to a form of loan agreement. Both SAIF and the borrowers maintain the right to terminate all securities lending transactions on demand. There have been no significant violations of the provisions of securities lending agreements.

During 2023 and 2022, State Street loaned SAIF's fixed income securities and received cash and noncash collateral denominated in U.S. dollars. Borrowers were required to deliver collateral for each loan equal to at least 102 percent of the fair value of the loaned security. SAIF did not impose any restrictions on the amount of the loans State Street made on its behalf. Securities received as collateral may not be sold or pledged by SAIF, except in the event of borrower default. SAIF was fully indemnified by State Street against losses due to borrower default, and there were no losses during the year from the failure of borrowers to return loaned securities.

Cash collateral received for securities loaned is invested in the State Street Bank and Trust Company Oregon Short-Term Investment Fund (the Fund), an "external investment pool" for purposes of GASB Statement No. 31. SAIF's participation in the Fund is voluntary. The fair value of investments held by the Fund is based upon valuations provided by a recognized pricing service. The fair value of SAIF's reinvested cash collateral is determined using the NAV (net asset value) per share of the Fund. The Fund is not registered with the Securities and Exchange Commission, but the custodial agent is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. No income from the Fund was assigned to another fund by the custodial agent during 2023 and 2022. At December 31, 2023 and 2022, the Fund had an average life-final maturity of 88 days and 81 days, respectively.

The cash collateral held at December 31, 2023 and 2022, was $65.4 million and $50.3 million, respectively. There were no securities received as collateral as of December 31, 2023. As of December 31, 2022, SAIF held $0.9 million in securities received as collateral. At December 31, 2023 and 2022, the fair value, including accrued investment income related to the securities on loan, was $64.0 million and $50.1 million, respectively. For 2023 and 2022, securities lending income was $3.0 million and $1.3 million and securities lending expense was $2.6 million and $1.1 million, respectively.

## 4. RESERVE FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

SAIF has established a reserve for both reported and unreported insured events, which includes estimates of future payments of losses and related LAE. In estimating the reserve for losses and LAE, SAIF considers prior experience, industry information, currently recognized trends affecting data specific to SAIF, and other factors relating to workers' compensation insurance underwritten by SAIF. During 2022, SAIF changed the year-end reserving process to use data as of September 30, 2022, versus our prior approach to use data as of December 31, 2022. Ultimate loss estimates derived from the September 30th data were reevaluated alongside a comparison between actual and expected emergence during fourth quarter. Beginning with the 2023 financial statement, SAIF will use the Appointed Actuary's models and analysis to inform SAIF's recorded liabilities for unpaid claims. When necessary, SAIF adjusted the Appointed Actuary's model assumptions to reflect SAIF's reserving philosophy.

The following table provides a reconciliation of the beginning and ending reserve for losses and LAE at December 31, 2023 and 2022 (dollars in thousands):

| | 2023 | 2022 |
|---|---|---|
| Gross reserve for losses and loss adjustment expenses—beginning of year | $ 2,529,420 | $ 2,613,786 |
| Less reinsurance recoverable—beginning of year | (67,665) | (73,960) |
| Net reserve for losses and loss adjustment expenses—beginning of year | 2,461,755 | 2,539,826 |
| Incurred losses and loss adjustment expenses: | | |
| Provision for insured events of the current year | 644,022 | 634,613 |
| Provision for insured events of prior years | (101,058) | (242,415) |
| Total incurred losses | 542,964 | 392,198 |
| Loss and loss adjustment expense payments attributable to: | | |
| Insured events of the current year | 195,601 | 170,718 |
| Insured events of prior years | 298,593 | 299,551 |
| Total payments | 494,194 | 470,269 |
| Net reserve for losses and loss adjustment expenses—end of year | 2,510,525 | 2,461,755 |
| Plus reinsurance recoverable—end of year | 72,108 | 67,665 |
| Gross reserve for losses and loss adjustment expenses—end of year | $ 2,582,633 | $ 2,529,420 |

The net reserve for losses and LAE increased $48.8 million in 2023, which was net of favorable loss development of $101.1 million. Loss reserves increased $36.0 million as compared to the prior year. This was driven by establishing reserves for the 2023 accident year, offset by payments made on previously incurred claims, and favorable development in prior accident years. In past years, favorable development was strongly driven by medical claims. However, in 2023 favorable medical claim development slowed due to increasing average medical payment per claim. Subsequently, there was less total favorable reserve development, and the favorable development is even spread across all portfolio segments.

- Projected ultimate medical claims costs reduced primarily due to fewer than expected permanent partial disability (PPD) claims and favorable average medical cost per claim. Although medical costs have emerged more favorably than expected, medical escalation is increasing, partially due to changes in the Oregon medical fee schedule.
- Projected ultimate indemnity claim costs reduced primarily due to favorable frequency rates for permanent disabling and fatal claims.
- Projected ultimate COVID-19 claim costs reduced due to fewer than expected severe claims as well as overall favorable frequency trends.

LAE reserves increased $12.8 million in 2023. This was driven by newly established reserves for the 2023 accident year, partially offset by paid LAE associated with previously incurred claims and favorable development in prior accident years. The favorable development in unpaid LAE for prior accident years was largely attributable to the decrease in loss reserves.

The net reserve for losses and LAE decreased $78.1 million in 2022, which was net of favorable loss development of $242.4 million. Loss reserves decreased $57.9 million as compared to the prior year. This was driven by establishing reserves for the 2022 accident year, offset by payments made on previously incurred claims, and favorable development in prior accident years. A significant portion of the favorable development on prior accident years is due to a decrease in estimated ultimate medical claims costs. Estimates of ultimate medical claims costs are based on numerous assumptions, including future increases in medical costs (i.e., medical escalation), the number and types of claims, and how far into the future payments will be made. The reduction in ultimate medical claims costs for 2022 was attributed primarily to permanent disability reserves. The key drivers are continued low average medical payments and lower frequency rates of permanent disabling claims during recent years.

LAE reserves decreased $20.2 million in 2022. This was driven by paid LAE associated with previously incurred claims and favorable development in prior accident years, offset by newly established reserves for the 2022 accident year. The favorable development in unpaid LAE was largely attributable to the decrease in loss reserves.

SAIF discounts the indemnity case reserves for workers' compensation claims on a tabular basis using the 2007 United States Life Tables, the 1997 United States of America Railroad Retirement Board Remarriage Table, and a discount rate of 3.5 percent. For federal claims, SAIF uses the 1999 United States Life Tables and a discount rate of 3.5 percent. SAIF does not discount any incurred but not reported (IBNR) reserves, any medical reserves, or any LAE reserves, except for assumed IBNR reserves reported by the National Workers Compensation Reinsurance Pool. Net reserves subject to tabular discounting were $209.2 million and $202.9 million for 2023 and 2022, respectively. The discounts were $106.0 million and $102.6 million as of December 31, 2023 and 2022, respectively.

Anticipated salvage and subrogation of $54.7 million and $53.1 million was included as a reduction of the reserve for losses and LAE at December 31, 2023 and 2022, respectively.

SAIF's exposure to asbestos claims arose from the sale of workers' compensation policies. Reserves of $12.6 million and $11.9 million for losses and LAE are related to asbestos claims as of December 31, 2023 and 2022, respectively. Amounts paid for asbestos-related claims were $841 thousand and $414 thousand for the years ended December 31, 2023 and 2022, respectively.

## 5. REINSURANCE

In the ordinary course of business, SAIF cedes premiums for purposes of risk diversification and limiting maximum loss exposure from catastrophic events through contractual agreements with reinsurers. If such assuming reinsurers are unable to meet the obligations assumed under these reinsurance agreements, SAIF would be liable to pay the obligation. To minimize its exposure to significant losses from reinsurer insolvencies, SAIF evaluates the financial condition of its reinsurers and monitors concentration of credit risk.

SAIF maintains reinsurance protection which provides $160 million of coverage per occurrence in excess of a $35 million retention, with a $15 million limit on any one life. The Terrorism Risk Insurance Act provides coverage for certified domestic and foreign terrorist events that are nuclear, biological, chemical, or radiological in nature, which are excluded from the reinsurance contract. During 2023, SAIF had reinsurance protection for 80 percent of losses in excess of 20 percent of 2022 direct earned premium for acts of foreign and domestic terrorism through the Terrorism Risk Insurance Program Reauthorization Act.

The following amounts have been deducted in the accompanying financial statements as a result of reinsurance ceded, excluding balances ceded to the Oregon Workers' Compensation Insurance Plan, for 2023 and 2022 (dollars in thousands):

| | 2023 | 2022 |
|---|---|---|
| Reserve for losses and loss adjustment expenses | $ 22,400 | $ 13,816 |
| Premiums earned | 2,170 | 2,132 |
| Losses and loss adjustment expenses incurred | 8,769 | (31) |

Of the $22.4 million and $13.8 million recoverable, SAIF had a reinsurance recoverable from an individual reinsurer of $15.0 million and $8.3 million, respectively as of December 31, 2023 and 2022. SAIF did not commute ceded reinsurance in 2023 and 2022.

SAIF partners with Zurich and USIS to provide other states coverage. Zurich issues policies covering the non-Oregon operation of SAIF's customers and manages claims arising from those policies. SAIF reinsures those policies in full. USIS, a broker licensed in all fifty states, provides marketing and administrative services.

The following amounts are included in the accompanying financial statements as a result of participation in other states coverage in 2023 and 2022 (dollars in thousands):

| **Other States Coverage** | 2023 | 2022 |
|---|---|---|
| Assumed: | | |
| Reserve for losses and loss adjustment expenses | $ 43,657 | $ 38,746 |
| Unearned premiums | 9,564 | 9,538 |
| Premiums written | 24,305 | 21,655 |
| Premiums earned | 24,279 | 21,134 |
| Losses and loss adjustment expenses incurred | 17,331 | 17,270 |
| Commission expense | 4,464 | 3,764 |

SAIF is authorized to write business on behalf of the Oregon Workers' Compensation Insurance Plan (the Plan), administered by the National Council on Compensation Insurance through the National Workers' Compensation Reinsurance Pool (NWCRP). The Plan provides a guaranteed source of workers' compensation insurance for employers unable to obtain coverage because of unstable financial conditions, poor loss experience, or the inherently dangerous nature of the work. SAIF cedes such business to the Plan. In addition, SAIF is required to assume its share of premiums and losses from the Plan based on SAIF's voluntary market share.

The following amounts are included in the accompanying financial statements as a result of participation in the Plan in 2023 and 2022 (dollars in thousands):

| **NWCRP** | **2023** | **2022** |
|---|---|---|
| Assumed: | | |
| Reserve for losses and loss adjustment expenses | $ 90,633 | $ 96,309 |
| Unearned premiums | 4,149 | 4,821 |
| Premiums written | 14,367 | 19,597 |
| Premiums earned | 15,039 | 17,956 |
| Losses and loss adjustment expenses incurred | 3,497 | 18,087 |
| Commission expense | 4,287 | 6,197 |
| Ceded: | | |
| Reserve for losses and loss adjustment expenses | $ 49,707 | $ 53,850 |
| Unearned premiums | 3,875 | 4,602 |
| Premiums written | 9,689 | 11,485 |
| Premiums earned | 10,415 | 11,481 |
| Losses and loss adjustment expenses incurred | 1,659 | 163 |
| Commission expense | 2,997 | 4,375 |

## 6. LEASE COMMITMENTS AND SUBSCRIPTION BASED TECHNOLOGY AGREEMENTS

SAIF is a lessee for various noncancelable leases of buildings in multiple locations and subscription IT arrangements that expire during various years through 2030. For leases and subscriptions with a maximum possible term of 12 months or less at commencement, SAIF recognizes expense based on the provisions of the lease contract and SBITA. SAIF considers lease contracts and SBITAs with an initial lease asset value of $250,000 or less to be immaterial, and therefore excludes them as a capital lease from the financial statements.

SAIF uses an estimated incremental borrowing rate of 4.5 percent as the discount rate for leases/SBITAs unless the rate that the lessor charges is known. The current incremental borrowing rate was determined to represent the approximate cost of capital for SAIF. SAIF monitors changes in circumstances that may require remeasurement of a lease/SBITA. When certain changes occur that are expected to significantly affect the amount of the lease/SBITA liability, the liability is remeasured, and a corresponding adjustment is made to the lease/SBITA asset, respectively.

In accordance with GASB Statement No. 87, at lease commencement, SAIF initially measures the lease liability as the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into depreciation expense on a straight-line basis over the lease term.

In accordance with GASB Statement No. 96, at subscription commencement, SAIF initially measures the subscription liability as the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of lease payments made. The subscription IT asset is initially measured as the initial amount of the subscription liability, less any vendor incentives received at or before the subscription commencement date. Subsequently, the subscription IT asset is amortized into depreciation expense on a straight-line basis over the subscription term.

SAIF's future annual lease payments for buildings as of December 31, 2023, are as follows (dollars in thousands):

| Years ending December 31, | Principal | Interest | Total Payment |
|---|---|---|---|
| 2024 | 1,078 | 234 | 1,312 |
| 2025 | 984 | 187 | 1,170 |
| 2026 | 896 | 146 | 1,042 |
| 2027 | 966 | 104 | 1,070 |
| 2028 - 2029 | 1,780 | 71 | 1,851 |
| Total | $ 5,704 | $ 742 | $ 6,446 |

SAIF's future annual lease payments for subscriptions as of December 31, 2023, are as follows (dollars in thousands):

| Years ending December 31, | Principal | Interest | Total Payment |
|---|---|---|---|
| 2024 | 2,784 | 374 | 3,158 |
| 2025 | 2,005 | 249 | 2,254 |
| 2026 | 917 | 158 | 1,075 |
| 2027 | 958 | 117 | 1,076 |
| 2028 - 2030 | 1,646 | 118 | 1,764 |
| Total | $ 8,311 | $ 1,016 | $ 9,327 |

## 7. RISK MANAGEMENT

The State of Oregon administers property and casualty insurance programs covering state government agencies through its Insurance Fund, an internal service fund. The Insurance Fund, established by ORS 278.425, is used to provide both self-insurance and commercial insurance coverage for State of Oregon agencies. The Insurance Fund services claims for: direct physical loss or damage to state property; tort liability claims brought against the state, its officers, employees, or agents; and employees, elected officials, and members of commissions and boards for faithful performance. The Insurance Fund is backed by a commercial excess property policy with limits of $425 million and a blanket commercial excess bond with limits of $4.6 million.

SAIF participates in the Insurance Fund. The cost of servicing insurance claims and payments is covered by charging an assessment to each participating state entity based on its share of services provided in a prior period. The total statewide assessment of each type of coverage is based on independent biennial actuarial forecasts and administrative expenses, less any available fund balance of the Insurance Fund from the prior biennium. In addition, SAIF can elect to purchase additional coverage, including cyber insurance, through the fund. SAIF carried cyber insurance through March 31, 2022 at which point SAIF chose to self-insure. SAIF's assessment was $0.4 million for the years ended December 31, 2023 and 2022.

SAIF is self-insured for workers' compensation insurance. SAIF's employees do not participate in the State of Oregon's health insurance plans. SAIF is also self-funded for one health and one dental insurance option offered to its employees.

## 8. CONTINGENCIES

SAIF has entered into structured settlements wherein SAIF has purchased annuities for which the claimant is payee, but for which SAIF is contingently liable. The amount of the contingent liability is the amount of the liability due to the various claimants that has been offset by the purchase of the annuity. Contingent liabilities arising from these settlements were $1.6 million and $1.8 million at December 31, 2023 and 2022, respectively.

During the normal course of business, SAIF becomes involved in litigation arising out of matters incident to the conduct of its insurance operations. SAIF is represented in these actions by the Oregon Department of Justice. Some of these potential liabilities become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability would be recorded on SAIF's financial statements. Management believes that these matters do not materially impact the financial statements.

SAIF had unfunded commitments of $2.5 million to be invested in DWS RREEF America II LP fund, subject to capital calls by the fund, as of December 31, 2023. On January 2, 2024, SAIF invested the remaining $2.5 million in the fund.

## 9. SUBSEQUENT EVENTS

Subsequent events have been considered through July 26, 2024, which is the date the financial statements were available to be issued.

## 10. DEFERRED COMPENSATION PLAN

SAIF provides a deferred compensation plan, authorized under and consistent with Internal Revenue Code Section 457(b), as a benefit available to eligible employees. As a tax-advantaged retirement savings vehicle, the plan authorizes the employee to execute an individual agreement with the plan's record keeper, Empower Retirement. Participants cannot receive the funds until certain circumstances are met. Funds withheld from employee compensation and remitted to the plan may be invested by the employee in a variety of mutual funds, collective investment trusts, and other offerings selected by SAIF's Deferred Compensation Plan Committee. Plan assets are generally held in a trust account with Great-West Trust Company, LLC and administered by Empower Retirement for the exclusive benefit of the participants and their beneficiary(ies). Participants' rights under the plan are equal to the fair market value (or book value in the case of stable value option) of their deferred compensation plan account. SAIF has no rights to participant funds and does not perform the investing function for the participant, except in the instance where a participant fails to make an affirmative investment election. SAIF's primary fiduciary responsibilities for the plan extends to selection and monitoring of the investment options that are made available to the participants as well as the monitoring of plan service providers. Thus, plan assets and any related liability to plan participants have been excluded from the financial statements.

## 11. RETIREMENT PLAN

***Plan* descriptions—**SAIF's employees hired prior to August 29, 2003, participate in the Oregon Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. The PERS Board of Trustees under the guidelines of ORS

Chapter 238 administers PERS. The PERS retirement allowance, payable monthly for life, may be selected from multiple retirement benefit options. Options include survivorship benefits, non-survivorship benefits, and lump-sum benefits. The basic benefit formula is 1.67 percent of a member's final average salary multiplied by the member's number of years of service. Benefits may also be calculated under either a money match or an annuity-plus-pension computation if a greater benefit results. PERS also provides death and disability benefits. A copy of the Oregon Public Employees' Retirement System annual financial report may be obtained by writing to PERS, Fiscal Services Division, PO Box 23700, Tigard, Oregon 97281-3700. The report may also be accessed online at: http://www.oregon.gov/PERS/pages/financials/actuarial-financial-information.aspx.

On December 30, 2019, SAIF funded a PERS side account totaling $97.0 million which represented approximately 90 percent of SAIF's unfunded actuarial liability based on a preliminary actuarial valuation from PERS. This side account does not impact employee benefits received under PERS; instead, it represents a prepayment of SAIF's on-going contributions. SAIF will see the benefit of lower contribution rates over 16 years as the account is amortized. As of December 31, 2023, SAIF received rate relief of 10.27 percent of each covered employee's salary for its otherwise required pension contribution rates. The balance is factored into the calculation of the net pension liability and deferred outflows of resources as a difference between employer contributions and employer's proportionate share on the statement of net position.

Beginning January 1, 2004, all covered employees are required by state statute to contribute 6.00 percent of their salary to the Individual Account Program (IAP), a defined contribution plan. Current law permits employers to pay employees' contributions to PERS, which SAIF has elected to do. Additionally, SAIF is required by statute to contribute a percentage of each covered employee's salary to fund the PERS program. Beginning on July 1, 2020, certain amounts of the IAP contributions are "redirected" under Oregon statute from employee accounts to fund the pension UAL. This provision remains in effect until the pension reaches a certain funded status.

As of December 31, 2023, SAIF contributes 21.78 percent of each employee's covered salary to the PERS program. This contribution is the minimum contribution required for future periods. For the required contributions, 10.27 percent of employees' salaries is covered by the side account rate relief, and SAIF contributes the remaining 11.51 percent of salary. Rates are subject to change as a result of subsequent actuarial valuations.

SAIF employees hired on or after August 29, 2003, participate in the Oregon Public Service Retirement Plan (OPSRP) after completing six months of service. OPSRP is a hybrid pension plan (cost-sharing multiple-employer plan) administered by the PERS Board of Trustees under the guidelines of ORS Chapter 238A with two components: the Pension Program (defined benefit) and the IAP (defined contribution). As of December 31, 2023, SAIF contributes 18.28 percent of each covered employee's salary to the Pension Program and 6.00 percent to the IAP. This contribution is the minimum contribution required for future periods. For the required OPSRP Pension Program contributions, 10.27 percent of employee's salaries is covered by the side account rate relief, and SAIF contributes the remaining 8.01 percent of salary. Rates are subject to change as a result of subsequent actuarial valuations.

SAIF participates, along with other State of Oregon agencies, in paying the debt service for State of Oregon general obligation bonds issued in October 2003 to reduce an unfunded PERS liability. The bonds are scheduled to mature 25 years after the date of issuance. Currently, the repayment rate is 4.80 percent of payroll each month. The payment rate is recalculated periodically, as needed.

The total amount contributed by SAIF for all plans (including RHIA and RHIPA plans discussed in Note 12) for the years ended December 31, 2023 and 2022, consist of the following (dollars in thousands):

| | 2023 | 2022 |
|---|---|---|
| Employer contributions: | | |
| Debt service | $ 5,914 | $ 5,261 |
| PERS-Pension Program | 6,054 | 5,969 |
| OPSRP-Pension Program | 14,428 | 11,573 |
| Total employer contributions | 26,396 | 22,803 |
| PERS side account rate relief: | (10,904) | (9,215) |
| Net employer contributions | 15,492 | 13,588 |
| Employee contributions paid by SAIF: | | |
| PERS-IAP | 1,615 | 1,621 |
| OPSRP-IAP | 4,870 | 4,016 |
| Total employee contributions | 6,485 | 5,637 |
| Total contributions | $21,977 | $19,225 |

For the years ended December 31, 2023 and 2022, SAIF's employer contributions were equal to the annual required contributions. SAIF's contributions were less than 5.00 percent of each plan's total contributions. There are no funding improvement or rehabilitation plans implemented or pending for any of the plans SAIF participates in. SAIF did not pay any surcharges during the year ended December 31, 2023. SAIF is a funder of last resort, embodied in the scheme of ORS Chapter 238, along with every other employer in PERS. PERS' board from time to time will evaluate the liabilities of PERS and set the amount of contributions to be made by SAIF to ensure that those liabilities will be funded no more than 40 years after the date on which the determination is made.

***Net pension liability—***At December 31, 2023, SAIF reported a liability of $72.7 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. At December 31, 2023, SAIF's proportionate share was 0.39 percent of the statewide pension plan.

For the year ended December 31, 2023, SAIF recorded pension expense of $11.3 million. At December 31, 2023, SAIF reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 3,555 | $ 288 |
| Changes in assumptions | 6,458 | 48 |
| Net difference between projected and actual earnings on investments | 1,306 | - |
| Changes in proportionate share | 11,263 | 23,463 |
| Differences between employer contributions and employer's proportionate share of system contributions | 25,672 | 8,420 |
| Total (prior to post-measurement date contributions) | 48,254 | 32,219 |
| Net deferred outflows (inflows) of resources before contributions subsequent to the measurement date | 16,035 | - |
| Contributions subsequent to the measurement date | 4,221 | - |
| Net deferred outflows (inflows) of resources | $ 20,256 | $ - |

The $4.2 million reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows (in thousands):

| Year ending December 31, | Deferred Outflows (Inflows) of Resources (Prior to Post-Measurement Date Contributions) |
|---|---|
| 2024 | $ 9,895 |
| 2025 | (55) |
| 2026 | 6,336 |
| 2027 | 684 |
| 2028 | (825) |
| Total | $ 16,035 |

***Actuarial methods and assumptions—***The following methods and assumptions were used in the development of the total pension liability:

| | |
|---|---|
| Valuation date | December 31, 2021 |
| Measurement date | June 30, 2023 |
| Experience study | 2020, published July 20, 2021 |
| Actuarial assumptions: | |
| Actuarial cost method | Entry age normal |
| Inflation rate | 2.40 percent |
| Long-term expected rate of return | 6.90 percent |
| Discount rate | 6.90 percent |
| Projected salary increases | 3.40 percent |
| Cost of living adjustments (COLA) | Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* decision; blend based on service. |
| Mortality | ***Healthy retirees and beneficiaries:*** Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. ***Active members:*** Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. ***Disabled retirees:*** Pub-2010 Disabled Retiree, sex distinct, generational with with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. |

***Long-term expected rate of return—***To develop an analytical basis for the selection of the long-term expected rate of return assumption, in January 2023 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The following table shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation:

| Long-Term Expected Rate of Return[1]<br>Asset Class | Target Allocation | Annual Arithmetic Return[2] | 20-Year Annualized Geometric Mean | Annual Standard Deviation |
|---|---|---|---|---|
| Global equity | 27.50 % | 8.57 % | 7.07 % | 17.99 % |
| Private equity | 25.50 | 12.89 | 8.83 | 30.00 |
| Core fixed income | 25.00 | 4.59 | 4.50 | 4.22 |
| Real estate | 12.25 | 6.90 | 5.83 | 15.13 |
| Master limited partnerships | 0.75 | 9.41 | 6.02 | 27.04 |
| Infrastructure | 1.50 | 7.88 | 6.51 | 17.11 |
| Hedge fund of funds - multistrategy | 1.25 | 6.81 | 6.27 | 9.04 |
| Hedge fund equity - hedge | 0.63 | 7.39 | 6.48 | 12.04 |
| Hedge fund - macro | 5.62 | 5.44 | 4.83 | 7.49 |
| Assumed inflation - mean | | | 2.35 % | 1.41 % |

[1]Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, including revisions adopted at the OIC meeting on January 25, 2023.

[2]The arithmetic mean is a component that goes into calculating the geometric mean. Expected rates of return are presented using the geometric mean, which the Board uses in setting the discount rate.

The OIC's description of each asset class was used to map the target allocation to the asset classes. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

***Discount rate—***The discount rate used to measure the total pension liability was 6.90 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that the contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability (asset) calculated using the discount rate of 6.90 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percent lower (5.90 percent) or one percent higher (7.90 percent) than the current rate (in millions):

| Net Pension Liability (Asset) | 1% Decrease (5.90%) | Discount Rate (6.90%) | 1% Increase (7.90%) |
|---|---|---|---|
| Defined Benefit Pension Plan | $ 120.1 | $ 72.7 | $ 33.0 |

***Pension plan fiduciary net position—***Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

***Pension related payable—***Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the State and community colleges were pooled together in the State and Community College Pool (SCCP), while local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP, effective January 1, 2002. The unfunded actuarial liability (UAL) attributable to the SCCP at the time the

SLGRP was formed is maintained separately from the SLGRP and is reduced by contributions and increased for interest charges at the assumed interest rate, which was 6.90 percent in fiscal year 2023. The pre-SLGRP pooled liability attributable to SAIF is being amortized over the period ending December 31, 2027. SAIF is being assessed an employer contribution rate of 1.33 percent of covered payroll for payment of this liability. The outstanding pre-SLGRP pooled liability as of December 31, 2023 for SAIF is $4.4 million, of which $1.0 million is recorded as the current portion and is reported in the accompanying financial statements as pension related payable.

SAIF's future principal and interest payments on pension-related debt at December 31, 2023, are as follows (dollars in thousands):

| Years ending December 31: | Principal | Interest |
|---|---|---|
| 2024 | $ 980 | $ 284 |
| 2025 | 1,049 | 215 |
| 2026 | 1,123 | 141 |
| 2027 | 1,202 | 63 |
| Total | $ 4,354 | $ 703 |

## 12. OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB)

SAIF administers a single-employer defined benefit healthcare plan for qualified employees and postemployment healthcare for retiring employees eligible to receive medical coverage. Additionally, for eligible PERS members, PERS administers the Retirement Health Insurance Account (RHIA), a cost-sharing, multiple-employer defined-benefit OPEB plan, and the Retirement Health Insurance Premium Account (RHIPA), a single-employer plan with the State of Oregon as the employer.

***Plan administered by SAIF***

***Plan description***—SAIF employees retiring under Oregon PERS are eligible to receive medical coverage for self and eligible dependents until age 65. Retirees must pay the premium for the coverage elected. Premiums for coverage are identical for active and retired employees, except to the extent that SAIF pays all or a portion of its active employees' premiums. Participating retirees pay their own monthly premiums based on a blended premium rate since retirees are pooled together with active employees for insurance rating purposes. Benefit provisions are established by SAIF. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

***Funding policy***—SAIF's funding policy provides for contributions at amounts sufficient to fund benefits on a pay-as-you-go basis. For the years ended December 31, 2023 and 2022, respectively, retired plan members contributed $684 thousand and $776 thousand through their required contributions, and the required contribution rate per retired member was an average of $1,005 and $999 per month.

***Employees covered by benefit terms***—As of the actuarial valuation date of January 1, 2023, the following employees were covered by the benefit terms:

| | **January 1, 2023** |
|---|---|
| Active employees | 1,081 |
| Retired members and others receiving benefits | 68 |
| Total participants | 1,149 |

***Benefit payments***—Benefit payments made for the fiscal year ended December 31, 2023 was $420 thousand.

***Total OPEB liability—***SAIF's total OPEB liability was determined in accordance with the parameters of GASB Statement No. 75. The total OPEB liability was calculated using the entry age normal actuarial cost allocation method. In addition, GASB Statement No. 75 requires that the allocation of costs for accounting purposes be made as a level percentage of employees' projected pay, including future anticipated pay increases. The total OPEB liability was determined by an actuarial valuation as of January 1, 2023, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date (in thousands):

| | **December 31, 2023** | **December 31, 2022** |
|---|---|---|
| Total OPEB liability | $9,307 | $9,007 |
| Covered payroll | $115,613 | $110,788 |
| Total OPEB liability as a % of covered payroll | 8.1% | 8.1% |
| Discount rate | 3.72% | 2.06% |

***Actuarial methods and assumptions***—The total OPEB liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | January 1, 2023 | January 1, 2021 |
|---|---|---|
| Valuation date | January 1, 2023 | January 1, 2021 |
| Measurement date | December 31, 2022 | December 31, 2021 |
| Inflation | 2.40% | 2.40% |
| Projected Salary Growth | 3.40% | 3.40% |
| Mortality Rates | Post-retirement mortality uses the Pub-2010 retiree mortality tables, sex distinct, for general employees, set back one year for males, no set back for females. Pre-retirement mortality uses 115% for males and 125% for females of the Pub-2010 employee mortality tables, sex distinct, for general employees, set back one year for males, no set back for females. Mortality is projected on a generational basis using the Unisex Social Security Data Scale. | Post-retirement mortality uses the Pub-2010 retiree mortality tables, sex distinct, for general employees, set back one year for males, no set back for females. Pre-retirement mortality uses 115% for males and 125% for females of the Pub-2010 employee mortality tables, sex distinct, for general employees, set back one year for males, no set back for females. Mortality is projected on a generational basis using the Unisex Social Security Data Scale. |
| Actuarial cost method | Individual Entry Age Normal Level Percent of Pay | Individual Entry Age Normal Level Percent of Pay |

Health Care Cost Trend

| Year | Pre-65 Trend |
|---|---|
| 2023 | 6.50% |
| 2024 | 6.75 |
| 2025 | 6.25 |
| 2026 | 5.50 |
| 2027 | 5.00 |
| 2028-2029 | 4.75 |
| 2030-2031 | 4.50 |
| 2032-2066 | 4.25 |
| 2067-2072 | 4.00 |
| 2073+ | 3.75 |

Health care cost trend affects both the projected health care costs as well as the projected health care premiums.

***Change in total OPEB liability***—At December 31, 2023, SAIF's change in total OPEB liability is as follows (in thousands):

| | Total OPEB Liability |
|---|---|
| Balance as of December 31, 2022 | $ 9,007 |
| Changes for the year: | |
| Service cost | 493 |
| Interest on total OPEB liability | 191 |
| Effect of changes to benefit terms | - |
| Effect of economic/demographic gains or loss | 887 |
| Effect of assumptions changes or inputs | (851) |
| Benefit payments | (420) |
| Balance as of December 31, 2023 | $ 9,307 |

***Discount rate***—The following presents the total OPEB liability of the Plan, calculated using the discount rate of 3.72 percent, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.72 percent) or one percentage point higher (4.72 percent) than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumption (in thousands):

| | 1% Decrease (2.72%) | Discount Rate (3.72%) | 1% Increase (4.72%) |
|---|---|---|---|
| Total OPEB liability | $9,953 | $9,307 | $8,703 |

| | 1% Decrease | Assumed Healthcare Trend Rate | 1% Increase |
|---|---|---|---|
| Total OPEB liability | $8,517 | $9,307 | $10,221 |

The discount rate was based on the Bond Buyer 20-Year General Obligation Bond Index.

***OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB***—For the year ended December 31, 2023, SAIF recognized a negative OPEB expense of $187 thousand. At December 31, 2023, the deferred outflows and inflows of resources related to OPEB were as follows (in thousands):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 601 | $ 817 |
| Changes of assumptions or inputs | 1,306 | 545 |
| Contributions made subsequent to measurement date | 611 | - |
| Total as of December 31, 2023 | $ 2,518 | $ 1,362 |

The contributions made subsequent to the measurement date of $611 thousand will be recognized as a reduction in the total OPEB liability during the year ending December 31, 2024.

Other amounts currently reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

| | |
|---|---|
| Years ending December 31: | |
| 2024 | $ (281) |
| 2025 | (171) |
| 2026 | (24) |
| 2027 | (84) |
| 2028 | 10 |
| Thereafter | 5 |
| Total | $ (545) |

***Plans administered by the Public Employees Retirement System (PERS)***

***Plan descriptions***—The Retirement Health Insurance Account (RHIA), administered by PERS, is a cost-sharing, multiple employer OPEB plan. The plan authorizes a payment of up to $60 toward the monthly cost of health insurance for eligible PERS members. To be eligible the PERS member must have eight or more years of qualifying service in PERS at the time of retirement, receive both Medicare parts A and B coverage, and enroll in a PERS-sponsored health plan. The coverage also extends to members receiving a disability allowance as if the member had at least eight years of creditable service. A surviving spouse or dependent of a deceased PERS retiree is eligible if he or she is receiving a retirement benefit or allowance from PERS or was insured at the time of the member's death and the member retired before May 1, 1991. The plan is closed to entrants hired on or after August 29, 2003. The RHIA plan and benefit amount is established by ORS 238.420. There are no automatic or ad-hoc adjustments to the benefit amount in the statute.

The other plan administered by PERS is the Retiree Health Insurance Premium Account (RHIPA). This plan is a single employer plan with the State of Oregon as the single employer. As authorized by ORS 238.415, retirees receive payment for the average difference between the health insurance premiums paid by retired state employees and the premiums paid by active state employees. The average amount is determined by PERS Board on or before January 1 of each year. This plan is closed to entrants hired on or after August 29, 2003.

Retirees are eligible for the RHIPA plan if they have eight or more years of qualifying service but are not eligible for federal Medicare coverage. Retirees receiving a disability pension are also eligible if the pension was calculated as if they had eight or more years of qualifying service and are not receiving federal Medicare coverage. A surviving spouse or dependent of a retired state employee is eligible if he or she is receiving a retirement benefit from PERS or was insured at the time the member died and the member retired on or after September 29, 1991.

***Funding policy***—Both plans are required by statute to be funded through employer contributions actuarially necessary to fund the liabilities of the plan. Employer contribution levels must be established by the PERS Board using the same actuarial assumptions it uses to determine employer contribution rates for PERS fund. Contribution rates for the fiscal year ended December 31, 2023, were effective July 1, 2023, and based on the December 31, 2021 valuation. The rates are a percentage of covered payroll and vary by the retirement plan of the participant. The contribution rates and amounts contributed during the year ended December 31, 2023 are shown in the following table (in thousands):

| | **RHIA** | | **RHIPA** | |
|---|---|---|---|---|
| | PERS Tier 1/Tier 2 | OPSRP | PERS Tier 1/Tier 2 | OPSRP |
| Total required rate 1/1-6/30 | 0.05% | 0.00% | 0.28% | 0.17% |
| Total required rate 7/1-12/31 | 0.00% | 0.00% | 0.00% | 0.00% |
| Amounts contributed | $ 8 | $ - | $ 43 | $ 71 |

***Net OPEB Asset (RHIA)***—At December 31, 2023, SAIF reported an asset of $3.7 million for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2021. At December 31, 2023, SAIF's proportionate share was 1.00 percent of the statewide pension plan, and 2.95 percent of employer state agencies, and was estimated by SAIF based on prior year allocations.

***Net OPEB Asset (RHIPA)***—At December 31, 2023, SAIF reported a net OPEB asset of $1.3 million. The net OPEB asset was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2021. At December 31, 2023, SAIF's proportionate share was 2.86 percent of employer state agencies, and was estimated by SAIF based on prior year allocations.

***OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB***—For the year ended December 31, 2023, SAIF recognized OPEB expense of a negative $0.8 million for the RHIA plan and a negative $0.4 million for the RHIPA plan. The deferred outflows and inflows of resources for the two plans were as follows (in thousands):

| | RHIA | | RHIPA | |
|---|---|---|---|---|
| | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
| Differences between expected and actual experience | $ - | $ 93 | $ - | $ 264 |
| Changes in assumptions | - | 40 | 18 | 304 |
| Net difference between projected and actual earnings on investments | 11 | - | 26 | - |
| Changes in proportion and differences between fund contributions and proportionate share of contributions | 81 | 16 | - | - |
| Total (prior to post-measurement date contributions) | 92 | 149 | 44 | 568 |
| Net deferred outflow/(inflow) of resources before contributions subsequent to measurement date | - | (57) | - | (524) |
| Contributions subsequent to the measurement date | - | - | - | - |
| Net deferred outflow/(inflow) of resources | | $ (57) | | $ (524) |

The were no contributions made subsequent to the measurement date for RHIA and RHIPA as of December 31, 2023, as both plans were fully funded. Other amounts reported as deferred outflows or inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

| Fiscal Years Ending December 31 | RHIA | RHIPA |
|---|---|---|
| 2024 | $ (100) | $ (130) |
| 2025 | (143) | (131) |
| 2026 | 137 | (136) |
| 2027 | 49 | (62) |
| 2028 | - | (59) |
| Thereafter | - | (6) |
| Total | $ (57) | $ (524) |

***Actuarial methods and assumptions***—The following methods and assumptions were used in the development of the total OPEB liability:

| | RHIA | RHIPA |
|---|---|---|
| Valuation date | December 31, 2021 | December 31, 2021 |
| Measurement date | June 30, 2023 | June 30, 2023 |
| Experience study | 2020, published July 20, 2021 | 2020, published July 20, 2021 |
| Actuarial assumptions: | | |
| Actuarial cost method | Entry age normal | Entry age normal |
| Inflation rate | 2.40 percent | 2.40 percent |
| Long-term expected rate of return | 6.90 percent | 6.90 percent |
| Discount rate | 6.90 percent | 6.90 percent |
| Projected salary increases | 3.40 percent | 3.40 percent |
| Retiree healthcare participation | Healthy retirees: 27.5%<br>Disabled retirees: 15.0% | 8-14 Years of Service: 10.0%<br>15-19 Years of Service: 11.0%<br>20-24 Years of Service: 14.0%<br>25-29 Years of Service: 22.0%<br>30+ Years of Service: 27.0% |
| Healthcare cost trend rate | Not applicable | Applied at beginning of plan year, starting with 5.9% for 2021, decreasing to 4.7% for 2028, increasing to 4.8% for 2037, increasing to 4.9% for 2046, and decreasing to an ultimate rate rate of 3.9% for 2074 and beyond. |
| Mortality | Healthy retirees and beneficiaries:<br>Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.<br>Active members:<br>Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.<br>Disabled retirees:<br>Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. | Healthy retirees and beneficiaries:<br>Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.<br>Active members:<br>Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.<br>Disabled retirees:<br>Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. |

***Long-term expected rate of return—***To develop an analytical basis for the selection of the long-term expected rate of return assumptions, in January 2023 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The following table shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation for both RHIA and RHIPA:

| **Long-Term Expected Rate of Return[1]** Asset Class | Target Allocation | Annual Arithmetic Return[2] | 20-Year Annualized Geometric Mean | Annual Standard Deviation |
|---|---|---|---|---|
| Global equity | 27.50 % | 8.57 % | 7.07 % | 17.99 % |
| Private equity | 25.50 | 12.89 | 8.83 | 30.00 |
| Core fixed income | 25.00 | 4.59 | 4.50 | 4.22 |
| Real estate | 12.25 | 6.90 | 5.83 | 15.13 |
| Master limited partnerships | 0.75 | 9.41 | 6.02 | 27.04 |
| Infrastructure | 1.50 | 7.88 | 6.51 | 17.11 |
| Hedge fund of funds - multistrategy | 1.25 | 6.81 | 6.27 | 9.04 |
| Hedge fund equity - hedge | 0.63 | 7.39 | 6.48 | 12.04 |
| Hedge fund - macro | 5.62 | 5.44 | 4.83 | 7.49 |
| Assumed inflation - mean | | | 2.35 % | 1.41 % |

[1]Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, including revisions adopted at the OIC meeting on January 25, 2023.

[2]The arithmetic mean is a component that goes into calculating the geometric mean. Expected rates of return are presented using the geometric mean, which the Board uses in setting the discount rate.

Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

***Discount rate—***The discount rate used to measure the total OPEB liability was 6.90 percent for both RHIA and RHIPA plans. The projection of cash flows used to determine the discount rate assumed that the contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA and RHIPA plans' fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA and RHIPA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the net OPEB liability (asset) for the RHIA and RHIPA plans calculated using the discount rate of 6.90 percent, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percent lower (5.90 percent) or one percent higher (7.90 percent) than the current rate (in thousands):

| **Employers' Net OPEB Liability/(Asset)** | **1% Decrease (5.90%)** | **Current Discount Rate (6.90%)** | **1% Increase (7.90%)** |
|---|---|---|---|
| OPEB - RHIA | $ (3,373) | $ (3,710) | $ (4,000) |
| OPEB - RHIPA | $ (1,183) | $ (1,259) | $ (1,332) |

The following table presents the net OPEB liability (asset) for the RHIA and RHIPA plans calculated using the assumed healthcare cost trend rate, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate (in thousands):

| Employers' Net OPEB Liability/(Asset) | 1% Decrease | Assumed Healthcare Trend Rate | 1% Increase |
|---|---|---|---|
| OPEB - RHIA | $ (3,710) | $ (3,710) | $ (3,710) |
| OPEB - RHIPA | $ (1,363) | $ (1,259) | $ (1,143) |

***RHIA and RHIPA plans' fiduciary net position—***Detailed information about the RHIA and RHIPA's fiduciary net position is available in the separately issued PERS financial report.

(Unaudited)

**REQUIRED SUPPLEMENTARY INFORMATION**

**DEFINED BENEFIT PENSION PLAN**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

Last 10 Fiscal Years

(In thousands)

The Schedule of the Proportionate Share of the Net Pension Liability (Asset) presents multi-year trend information comparing the proportionate share of the net pension liability (asset) to covered payroll.

**Schedule of the Proportionate Share of the Net Pension Liability (Asset)**

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Proportion of the net pension liability (asset) | 0.39% | 0.47% | 0.37% | 0.38% | 0.72% |
| Proportionate share of the net pension liability (asset) | $ 72,694 | $ 72,674 | $ 44,322 | $ 82,928 | $124,823 |
| Covered payroll | $115,613 | $110,788 | $ 96,427 | $ 91,190 | $ 86,110 |
| Employer net pension liability (asset) as a percentage of covered payroll | 62.9% | 65.6% | 46.0% | 90.9% | 145.0% |
| Plan fiduciary net position as a percentage of the total pension liability | 81.7% | 84.5% | 87.6% | 75.8% | 80.2% |

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Proportion of the net pension liability (asset) | 0.59% | 0.68% | 0.62% | 0.60% | (0.54%) |
| Proportionate share of the net pension liability (asset) | $ 90,082 | $ 91,953 | $ 93,594 | $ 34,187 | $ (12,351) |
| Covered payroll | $ 81,426 | $ 77,158 | $ 72,940 | $ 68,447 | $ 65,145 |
| Employer net pension liability (asset) as a percentage of covered payroll | 110.6% | 119.2% | 128.3% | 49.9% | (18.9%) |
| Plan fiduciary net position as a percentage of the total pension liability | 82.1% | 83.1% | 80.5% | 91.9% | 103.6% |

(Unaudited)

**REQUIRED SUPPLEMENTARY INFORMATION**
**DEFINED BENEFIT PENSION PLAN**
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Last 10 Fiscal Years
(In thousands)

The Schedule of Employer Contributions presents multi-year trend information comparing the actual contributions to the contractually required contributions.

**Schedule of Employer Contributions**

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Contractually required contributions | $ 9,454 | $ 8,126 | $ 6,787 | $ 5,615 | $ 12,217 |
| Contributions in relation to the contractually required contributions | (9,454) | (8,126) | (6,787) | (5,615) | (12,217) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 115,613 | $ 110,788 | $ 96,427 | $ 91,190 | $ 86,110 |
| Contributions as a percentage of covered payroll | 8.2% | 7.3% | 7.0% | 6.2% | 14.2% |

| Contractually required contributions | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Contributions in relation to the contractually required contributions | $ 10,162 | $ 8,985 | $ 7,340 | $ 6,541 | $ 5,778 |
| Contribution deficiency (excess) | (10,162) | (8,985) | (7,340) | (6,541) | (5,778) |
| Covered payroll | $ - | $ - | $ - | $ - | $ - |
| Contributions as a percentage of covered payroll | $ 81,426 | $ 77,158 | $ 72,940 | $ 68,447 | $ 65,145 |
| | 12.5% | 11.6% | 10.1% | 9.6% | 8.9% |

(Unaudited)

**REQUIRED SUPPLEMENTARY INFORMATION**

**POSTEMPLOYMENT HEALTHCARE BENEFIT PLAN (SAIF)**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

Last 10 Fiscal Years*

(In thousands)

The Schedule of Changes in Total OPEB Liability and Related Ratios presents multi-year trend information comparing the proportionate share of the total OPEB liability to covered payroll.

## Schedule of Changes in Total OPEB Liability and Related Ratios

| | Fiscal year ended December 31 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Total OPEB Liability** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** |
| Service cost | $ 493 | $ 478 | $ 474 | $ 378 | $ 449 | $ 408 | N/A |
| Interest on total OPEB liability | 191 | 191 | 259 | 342 | 354 | 369 | N/A |
| Effect of changes to benefit terms | - | - | - | - | - | - | N/A |
| Effect of economic/demographic gains or (losses) | 887 | - | (1,063) | - | 225 | - | N/A |
| Effect of assumption changes or inputs | (851) | 38 | 334 | 784 | (2,371) | 263 | N/A |
| Benefit payments | (420) | (421) | (491) | (522) | (531) | (617) | N/A |
| Net change in total OPEB liability | 300 | 286 | (487) | 982 | (1,874) | 423 | N/A |
| Total OPEB liability, beginning | 9,007 | 8,721 | 9,208 | 8,226 | 10,100 | 9,677 | N/A |
| Total OPEB liability, ending | $ 9,307 | $ 9,007 | $ 8,721 | $ 9,208 | $ 8,226 | $10,100 | $ 9,677 |
| Covered payroll | $115,613 | $110,788 | $96,427 | $91,190 | $86,110 | $81,426 | N/A |
| Total OPEB liability as a % of covered payroll | 8.1% | 8.1% | 9.0% | 10.1% | 9.6% | 12.4% | N/A |

*10-year trend information specific to SAIF Corporation will be presented prospectively.

(Unaudited)

**REQUIRED SUPPLEMENTARY INFORMATION**
**POSTEMPLOYMENT HEALTHCARE BENEFIT PLAN**
**RETIREE HEALTH INSURANCE ACCOUNT (RHIA)**
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)**
**AND EMPLOYER CONTRIBUTIONS**

Last 10 Fiscal Years*
(In thousands)

The Schedule of the Proportionate Share of the Net OPEB Liability (Asset) and the Schedule of Employer Contributions present multi-year trend information comparing the proportionate share of the net OPEB liability (asset) to covered payroll, and the actual contributions to the contractually required contributions.

**Schedule of the Proportionate Share of the Net OPEB Liability (Asset)**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| Proportion of the net OPEB liability (asset) | 1.00% | 1.10% | 0.75% | 2.95% | 0.75% | 0.71% |
| Proportionate share of the net OPEB liability (asset) | $ (3,710) | $ (3,362) | $ (3,390) | $ (6,019) | $ (1,456) | $ (794) |
| Covered payroll | $115,613 | $110,788 | $ 96,427 | $ 91,190 | $ 86,110 | $ 81,426 |
| Employer net OPEB liability (asset) as a percentage of covered payroll | (3.2%) | (3.0%) | (3.5%) | (6.6%) | (1.7%) | (1.0%) |
| Plan fiduciary net position as a percentage of the total OPEB liability | 201.6% | 194.6% | 183.9% | 150.1% | 144.4% | 124.0% |

**Schedule of Employer Contributions**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| Contractually required contributions | $ 8 | $ 14 | $ 17 | $ 19 | $ 207 | $ 360 |
| Contributions in relation to the contractually required contributions | (8) | (14) | (17) | (19) | (207) | (360) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $115,613 | $110,788 | $ 96,427 | $ 91,190 | $ 86,110 | $ 81,426 |
| Contributions as a percentage of covered payroll | 0.01% | 0.01% | 0.02% | 0.02% | 0.24% | 0.44% |

(Unaudited)

**REQUIRED SUPPLEMENTARY INFORMATION**
**POSTEMPLOYMENT HEALTHCARE BENEFIT PLAN**
**RETIREE HEALTH INSURANCE PREMIUM ACCOUNT (RHIPA)**
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)**
**AND EMPLOYER CONTRIBUTIONS**

Last 10 Fiscal Years*
(In thousands)

The Schedule of the Proportionate Share of the Net OPEB Liability (Asset) and the Schedule of Employer Contributions present multi-year trend information comparing the proportionate share of the net OPEB liability (asset) to covered payroll, and the actual contributions to the contractually required contributions.

**Schedule of the Proportionate Share of the Net OPEB Liability (Asset)**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| Proportion of the net OPEB liability (asset) | 2.86% | 2.37% | 2.72% | 2.72% | 2.43% | 2.27% |
| Proportionate share of the net OPEB liability (asset) | $ (1,259) | $ (810) | $ (421) | $ 271 | $ 615 | $ 803 |
| Covered payroll | $115,613 | $110,788 | $ 96,427 | $ 91,190 | $ 86,110 | $ 81,426 |
| Employer net OPEB liability (asset) as a percentage of covered payroll | (1.1%) | (0.7%) | (0.4%) | 0.3% | 0.7% | 1.0% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 193.2% | 169.7% | 124.6% | 84.5% | 64.9% | 49.8% |

**Schedule of Employer Contributions**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| Contractually required contributions | $ 114 | $ 192 | $ 238 | $ 273 | $ 309 | $ 335 |
| Contributions in relation to the contractually required contributions | (114) | (192) | (238) | (273) | (309) | (335) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $115,613 | $110,788 | $ 96,427 | $ 91,190 | $ 86,110 | $ 81,426 |
| Contributions as a percentage of covered payroll | 0.10% | 0.17% | 0.25% | 0.30% | 0.36% | 0.41% |