

**75<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2009 Regular Session  
BUDGET REPORT AND MEASURE SUMMARY**

**MEASURE: SB 5539**

**JOINT COMMITTEE ON WAYS AND MEANS**

**Carrier – House: Rep. Nathanson  
Carrier – Senate: Sen. Winters**

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**Action:** Do Pass

**Vote:** 17 – 4 – 1

- House – Yeas: Buckley, D. Edwards, Gilman, Jenson, Komp, Kotek, Nathanson, Shields, G. Smith  
– Nays: Garrard, Richardson  
– Exc: Galizio
- Senate – Yeas: Bates, Carter, Johnson, Monroe, Nelson, Verger, Walker, Winters  
– Nays: Girod, Whitsett  
– Exc:

**Prepared By:** Bill McGee, Department of Administrative Services

**Reviewed By:** Laurie Byerly, Legislative Fiscal Office

**Meeting Date:** March 27, 2009

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**Agency**

Public Employees Retirement System

**Budget Page**

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**LFO Analysis Page**

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**Biennium**

2009-11

## **Budget Summary\***

	<b>2007-09 Legislatively Approved Budget (1)</b>	<b>2009-11 Essential Budget Level</b>	<b>2009-11 Committee Recommendation</b>	<b>Committee Change from 2007-09 Leg. Approved</b>	
				<b>\$ Change</b>	<b>% Change</b>
Other Funds	\$ 81,251,146	\$ 59,408,889	\$ 82,273,645	\$ 1,022,499	1.3 %
Other Funds Debt Service	\$ 5,709,200	\$ 1,423,075	\$ 1,423,075	\$ -4,286,125	-75.1 %
Other Funds Nonlimited	\$ 6,286,947,122	\$ 6,476,885,664	\$ 6,476,885,664	\$ 189,938,542	3.0 %
Total	\$ 6,373,907,468	\$ 6,537,717,628	\$ 6,560,582,384	\$ 186,674,916	2.9 %

## **Position Summary**

Authorized Positions	401	296	362	-39	-9.7 %
Full-time Equivalent (FTE) positions	394.88	295.05	361.55	-33.33	-8.4 %

(1) Includes adjustments through the December 2008 meeting of the Emergency Board

\* Excludes Capital Construction expenditures

## **Summary of Revenue Changes**

Principal revenue sources for the Public Employees Retirement System (PERS) include investment earnings, employer contributions, member contributions and fees. Employee contributions, whether made by employees or by employers on employees' behalf, are credited to members' Individual Account Program (IAP) accounts. Funding for administration of the IAP accounts is drawn from the accounts.

The PERS operating budget is funded from investment earnings. Net earnings, if any, are then distributed to employee, employer and reserve accounts as directed by statute and board crediting decisions. Revenues to fund administrative activities for deferred compensation programs come largely from participant fees.

The Committee modified the 2009-11 beginning balance due to the current economic downturn, the magnitude of which was not anticipated during creation of the Governor's budget. The agency's beginning balance for retirement benefit trust funds, recorded as Nonlimited Other Funds, is now expected to be \$47.1 million, down from the \$66.7 billion expected when revenue projections were developed in spring 2008. The reduction in Other Funds Nonlimited was \$19,590,927,286. The Other Funds beginning balance was increased slightly, by \$93,290, based on updated projections.

## **Summary of Committee Action**

PERS is responsible for administering retirement programs for public employees, including state, school and local government workers. PERS distributes \$2.7 billion in retirement benefits annually. The agency manages a number of programs, including the Tier One and Tier Two Retirement

programs, the Oregon Public Service Retirement Program (OPSRP) and the Individual Account Program (IAP), three health insurance programs, Social Security Administration activities and a deferred compensation program.

The Committee approved a budget of \$83,696,720 Other Funds, \$6,476,885,664 Other Funds Nonlimited, and 361.55 full-time equivalent positions. Other Funds and full-time equivalent were reduced from the 2007-09 Legislatively Approved Budget through December 2008 (LAB) by 3.8 percent and 8.4 percent respectively, while Other Funds Nonlimited were increased by three percent. The approved budget includes 327 permanent and 35 limited duration positions.

The Committee approved seven policy packages for a total of \$22,864,756 Other Funds, 66 positions and 66.50 full-time equivalent. The funding level was approved as requested while 32 of the positions were shifted from permanent to limited duration. A total of 35 limited duration positions are assigned primarily for completion of the converting the agency's retirement administration IT platform from the Retirement Information Management System (RIMS) to a new system (jClarety) and related work-process improvements that will remain untested until the systems conversion is finished. The 31 permanent positions approved support workload increases that have been managed with limited duration positions since the 2003-05 biennium.

### Tier One and Tier Two Plan

The Tier One and Tier Two Plan program unit accounts for employer contributions and interest earnings related to those retirement plans. It also reflects the retirement payments made to Tier One and Tier Two retirees, as well as activity related to the agency's health insurance programs. As a result of statutory changes to the Tier One and Tier Two plans, this program unit no longer includes employee contributions as those are directed to the IAP. This program unit is made up entirely of Other Funds Nonlimited. The Committee approved the budget requested for this program unit.

### Oregon Public Service Retirement Plan

This program accounts for employee contributions into the IAP, including contributions made by employers on behalf of employees. It also reflects employer contributions for the defined benefit portion of the OPSRP plan. This program unit is made up entirely of Other Funds Nonlimited. The Committee approved the budget requested for this program unit.

### Operations

This program unit includes the operational costs associated with administration of the agency's various retirement related plans and programs. The Committee approved all seven policy packages at the funding level requested but shifted 32 positions from permanent to limited duration. Specific actions are as follows:

- Package 101 establishes five positions to institutionalize the agency's Business Process Owners team. This team, which is primarily tasked with developing effective and efficient cross-functional business processes, has previously been supported with limited duration positions. The package is targeted at taking full advantage of investments in the agency's new information technology system (jClarety), achieving strategic plan objectives, meeting key performance measures and continuous process improvements. The Committee approved all five

positions as limited duration rather than permanent. The full cost of this package will phase-out in the 2011-13 Essential Budget Level (EBL).

- Package 102 adds 44 positions to meet ongoing business needs for the following purposes: business rule development and maintenance; centralized intake for all retirement documents; increased timeliness of eligibility determinations and employer invoicing; development and maintenance of contracts and procurement; program services for IAP and OPSRP; support for current service levels and increasing retirement volume; retirement application process follow-up; call center support; processing of appeals and reviews of agency determinations, legislative analysis and research support; and human resources support.

The Committee approved 21 positions (21.50 full-time equivalent) as permanent, at a total cost of \$2,980,908 Other Funds. These positions and related costs are workload-related due to plan complexity and member demographics and will allow the agency to meet ongoing needs with a consistent level of resources.

An additional 23 positions (23.00 full-time equivalent) were approved as limited duration, at a cost of \$2,898,824 Other Funds. The positions are tied to yet-to-be proven process improvement initiatives. These positions and associated costs will phase-out in the 2011-13 EBL.

- Package 103 extends the use of leased office space, funds building maintenance, covers software licensing costs and pays for periodic replacement of computer hardware. The Committee approved two document imaging positions as limited duration rather than permanent, approved a limited duration mail and supplies support position as requested, and approved \$1,960,513 Other Funds for information technology maintenance agreements, service charges and lifecycle equipment replacement on a permanent basis. Funding for the three limited duration positions and costs related to the leased 72<sup>nd</sup> Avenue facility, totaling \$1,177,680 Other Funds, were approved on a one-time basis and will phase-out in the 2011-13 EBL.
- Package 104 funds completion of the RIMS conversion project, scheduled for June 2010. The package includes support for contract services, post-conversion system maintenance, data migration, data preparation, data quality and integrity review and enterprise application support. The Committee approved all four positions as limited duration; three had been requested as permanent. Funds for post-conversion system maintenance and enhancement (\$700,000 Other Funds) and data migration and preparation (\$720,000) were approved as permanent. The positions and remaining \$8,294,912 were approved as one-time costs and will phase-out in the 2011-13 EBL.
- Package 105 provides funding for additional actuarial services, an actuarial audit, an internal audit peer review and standardized financial reporting software; the package was approved as requested. Costs for the actuarial audit (\$110,000 Other Funds) were approved on a one-time basis and will phase out in the 2011-13 EBL. The remaining \$645,000 Other Funds were approved as permanent. No positions are included in this package.
- Package 106 adds 10 permanent positions to provide technical support for agency operations involving reporting, data bridging, or transactions that, because of their complex or unique nature, must be researched, calculated and processed manually. The package was approved as requested.

- Package 107 continues funding for outside legal counsel for fiduciary, federal tax plan compliance and litigation issues for which the Department of Justice cannot represent the agency. The Committee approved the request as submitted on a permanent basis. No positions are included in the package.

### Debt Service

This program includes debt service on Certificates of Participation sold to finance construction of the PERS headquarters building in Tigard and replacement of the RIMS legacy information system. The Committee approved the requested budget for this program.

### **Summary of Performance Measure Action**

The Committee approved performance measures as submitted by the agency. See attached Legislatively Adopted 2009-11 Key Performance Measures form.