

**76th OREGON LEGISLATIVE ASSEMBLY – 2011 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5039-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Eyre Brewer
Carrier – Senate: Sen. Whitsett**

Action: Do Pass as Amended and as Printed A-Engrossed

Vote: 25 – 0 – 0

House – Yeas: Beyer, Buckley, Cowan, Freeman, Garrard, Komp, Kotek, McLane, Nathanson, Nolan, Richardson, G. Smith, Thatcher, Whisnant
– Nays:
– Exc:

Senate – Yeas: Bates, Devlin, Edwards, Girod, Johnson, Monroe, Nelson, Thomsen, Verger, Whitsett, Winters
– Nays:
– Exc:

Prepared By: Blake Johnson, Department of Administrative Services

Reviewed By: Laurie Byerly, Legislative Fiscal Office

Meeting Date: May 27, 2011

Agency
Public Employees Retirement System

Budget Page
I-15

LFO Analysis Page
235

Biennium
2011-13

Budget Summary*

	2009-11	2011-13	2011-13	2011-13	Committee Change from 2009-11 Leg Approved	
	Legislatively Approved Budget (1)	Current Service Level	Governor's Budget	Committee Recommendation	\$ Change	% Change
Other Funds	\$ 83,261,952	\$ 74,463,268	\$ 79,463,054	\$ 76,999,319	\$ (6,262,633)	-7.5%
Other Funds Debt Service	1,423,075	1,418,600	1,418,600	1,418,600	(4,475)	-0.3%
Other Funds Nonlimited	6,476,885,664	7,434,012,310	7,434,012,310	7,434,012,310	957,126,646	+14.8%
Total Funds	6,561,570,691	7,509,894,178	7,514,893,964	7,512,430,229	950,859,538	+14.5%

Position Summary

Authorized Positions	368	325	368	363	-5
Full-time Equivalent (FTE) Positions	363.18	324.50	367.50	363.33	+0.15

(1) Includes adjustments through March 2011.

* Excludes Capital Construction expenditures

Summary of Revenue Changes

Principal revenue sources for the Public Employees Retirement System (PERS) are 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 primarily by revenue transfers from the retirement programs. Revenues to fund administrative activities for deferred compensation programs come largely from participant fees.

Summary of General Government Subcommittee Action

PERS is responsible for administering retirement programs for public employees, including state, school and local government workers. PERS distributes \$2.9 billion in 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 Subcommittee approved a budget of \$78,417,919 Other Funds, \$7,434,012,310 Other Funds Nonlimited, and 363.33 full-time equivalent positions. Other Funds (operational activities) and full-time equivalents were reduced from the 2009-11 legislatively approved budget by 7.4 percent and 1.4 percent respectively, while Other Funds Nonlimited (benefit payments) increased by 14.8 percent. The approved budget includes 335 permanent and 28 limited duration positions.

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 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 Subcommittee approved the Governor's budget request 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 Oregon Public Service Retirement Plan. This program unit is made up entirely of Other Funds Nonlimited. The Subcommittee approved the Governor's budget request for this program unit.

Operations

This program unit reflects operational costs associated with administration of various retirement related plans and programs. The Subcommittee approved modifications to the following packages:

- Package 081 establishes six positions as approved by the May 2010 Legislative Emergency Board to administer the data verification provisions within Senate Bill 897. The Subcommittee approved the package but made the four Retirement Counselor positions limited duration.
- Package 131 has a total of eight components that together convert 29 limited duration positions to permanent and request four new permanent positions. The Subcommittee denied the three new data verification positions, approved the conversion of eight limited duration benefit application intake processing positions to permanent, and approved all the other positions as limited duration instead of permanent.

The Subcommittee discussed concerns over the data verification workload created by Senate Bill 897 (2009 legislation) and the effect on retirement calculation error rates. The agency acknowledged that a large backlog tends to increase staff anxiety which could lead to higher error rates. The agency plans to prioritize verification requests by eligible retirement dates (those closest to retirement will be processed first) in order to minimize the staff's need to rush through the verifications. The agency may come back to the Legislature during the February 2012 session or to the Emergency Board to request additional resources if, with a few months of experience after the July 1, 2011 start up of the verification process, they can demonstrate a need due to higher than anticipated number of member requests or high error rates. In addition, the agency seeing a higher than normal number of retirement applications, so the agency will have to handle that workload as well.

- Package 132 extends the use of leased office space, covers costs for new software, provides for the purchase of a backup generator and the implementation of a disaster recovery strategy, and requests the conversion of three limited duration positions to permanent and the establishment of one new permanent position. The Subcommittee denied the new position in production control, denied the conversion of two limited duration positions for system development and support, and approved all the other package components.

- Package 133 would fund the reclassification of 20 positions within the Information Services Division for the higher level of planning, analysis and design required for the planned implementation of a new 24 hour Online Member Services system. The Subcommittee approved the reclassification of 12 Office Assistant 2 positions to Office Specialist 1, but denied the reclassification of the eight Information Systems Specialist positions.
- Package 134 provides funding to make system changes in response to the PERS Board sponsored housekeeping measure – House Bill 2113. The Subcommittee denied this package as the bill is currently in the Joint Committee on Ways and Means and can be amended to include the appropriate level of expenditure limitation.
- Package 136 is a placeholder for PERS Board sponsored House Bill 2114, which at the time requested had an indeterminate fiscal impact. The Subcommittee denied the package because the bill in its current form is not expected to have a fiscal impact. The bill is currently in the Joint Committee on Ways and Means and can be amended to address a fiscal impact, if necessary.

The Subcommittee also approved the following additional packages:

- Package 801 implements a statewide reduction action, which is a 6.5 percent reduction from total Services and Supplies expenditures included in the Governor’s budget.
- Package 802 eliminates one permanent part-time Electronic Publishing Design Specialist 2 position, which has been vacant for an extended period of time.

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 Subcommittee approved the requested budget for this program.

Summary of Performance Measure Action

See attached Legislatively Adopted 2011-13 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 5039-A

Public Employees Retirement System
Blake Johnson -- (503) 378-3195

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2009-11 Legislatively Approved Budget at March 2011 * \$	0 \$	0 \$	84,685,027 \$	6,476,885,664 \$	0 \$	0 \$	6,561,570,691	368	363.18
2011-13 ORBITS printed Current Service Level (CSL)* \$	0 \$	0 \$	75,881,868 \$	7,434,012,310 \$	0 \$	0 \$	7,509,894,178	325	324.50
2011-13 Governor's Recommended Budget* \$	0 \$	0 \$	80,881,654 \$	7,434,012,310 \$	0 \$	0 \$	7,514,893,964	368	367.50
<u>SUBCOMMITTEE ADJUSTMENTS (from GRB)</u>									
<i>Operations</i>									
Package 131: Business Enterprise-Core Business Functions									
Personal Services	\$ 0	\$ 0	\$ (305,799)	\$ 0	\$ 0	\$ 0	\$ (305,799)	(3)	(3.00)
Services and Supplies	\$ 0	\$ 0	\$ (15,000)	\$ 0	\$ 0	\$ 0	\$ (15,000)	0	0.00
Package 132: Infrastructure Maintenance & Enhancement									
Personal Services	\$ 0	\$ 0	\$ (131,019)	\$ 0	\$ 0	\$ 0	\$ (131,019)	(1)	(1.00)
Services and Supplies	\$ 0	\$ 0	\$ (3,000)	\$ 0	\$ 0	\$ 0	\$ (3,000)	0	0.00
Package 133: Position Reclass/Realignment									
Personal Services	\$ 0	\$ 0	\$ (121,715)	\$ 0	\$ 0	\$ 0	\$ (121,715)	0	0.00
Package 134: Legislative Concept: PERS Housekeeping Bill									
Services and Supplies	\$ 0	\$ 0	\$ (475,600)	\$ 0	\$ 0	\$ 0	\$ (475,600)	0	0.00
Package 136: Legislative Concept: OPSRP Pension Withdrawal Restrictions									
Services and Supplies	\$ 0	\$ 0	\$ (1)	\$ 0	\$ 0	\$ 0	\$ (1)	0	0.00
Package 801: Targeted Statewide Adjustments									
Services and Supplies	\$ 0	\$ 0	\$ (1,398,249)	\$ 0	\$ 0	\$ 0	\$ (1,398,249)	0	0.00
Package 802: Vacant Position Savings									
Personal Services	\$ 0	\$ 0	\$ (13,352)	\$ 0	\$ 0	\$ 0	\$ (13,352)	(1)	(0.17)
TOTAL ADJUSTMENTS	\$ 0	\$ 0	\$ (2,463,735)	\$ 0	\$ 0	\$ 0	\$ (2,463,735)	(5)	(4.17)
SUBCOMMITTEE RECOMMENDATION *	\$ 0	\$ 0	\$ 78,417,919	\$ 7,434,012,310	\$ 0	\$ 0	\$ 7,512,430,229	363	363.33
% Change from 2009-11 Leg Approved Budget	0.0%	0.0%	-7.4%	14.8%	0.0%	0.0%	14.5%	-1.4%	0.0%
% Change from 2011-13 Current Service Level	0.0%	0.0%	3.3%	0.0%	0.0%	0.0%	0.0%	11.7%	12.0%
% Change from 2011-13 Gov's Recommended Budget	0.0%	0.0%	-3.0%	0.0%	0.0%	0.0%	0.0%	-1.4%	-1.1%

*Excludes Capital Construction Expenditures

Legislatively Approved 2011-2013 Key Performance Measures

Agency: PUBLIC EMPLOYEES RETIREMENT SYSTEM, OREGON

Mission: We are a well-respected organization that serves its members by enabling informed retirement and health benefit decisions and delivering retirement and health benefits effectively and efficiently.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2012	Target 2013
1 - TIMELY RETIREMENT PAYMENTS: Percent of initial service retirements paid within 45 days from retirement date.		Approved KPM	21.00	80.00	80.00
2 - TOTAL BENEFIT ADMIN COSTS: Total benefit administration costs per member.		Approved KPM	121.00	130.00	130.00
3 - MEMBER TO STAFF RATIO: Ratio of members to FTE staff.		Approved KPM	924.00	925.00	933.00
4 - ACCURATE BENEFIT CALCULATIONS: Percent of service retirement monthly benefits accurately calculated to within \$5 per month.		Approved KPM			
5 - LEVEL OF PARTICIPATION: Percent of state employees participating in the deferred compensation program.		Approved KPM	34.00	42.00	43.00
6 - CUSTOMER SERVICE- Percent of member customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.		Approved KPM		95.00	95.00
6 - CUSTOMER SERVICE- Percent of member customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Accuracy	Approved KPM	89.00	95.00	95.00
6 - CUSTOMER SERVICE- Percent of member customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Availability of Information	Approved KPM	89.00	95.00	95.00
6 - CUSTOMER SERVICE- Percent of member customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Expertise	Approved KPM	92.00	95.00	95.00

Agency: PUBLIC EMPLOYEES RETIREMENT SYSTEM, OREGON

Mission: We are a well-respected organization that serves its members by enabling informed retirement and health benefit decisions and delivering retirement and health benefits effectively and efficiently.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2012	Target 2013
6 - CUSTOMER SERVICE- Percent of member customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Helpfulness	Approved KPM	91.00	95.00	95.00
6 - CUSTOMER SERVICE- Percent of member customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Overall	Approved KPM	91.00	95.00	95.00
6 - CUSTOMER SERVICE- Percent of member customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Timeliness	Approved KPM	90.00	95.00	95.00
7 - TIMELY BENEFIT ESTIMATES: Percent of benefit estimates processed within 30 days.		Approved KPM	47.00	95.00	95.00
8 - BOARD OF DIRECTORS BEST PRACTICES: Percent of total best practices criteria met by the PERS board.		Approved KPM	100.00	100.00	100.00
4 - AVERAGE DOLLARS DEFERRED: Average monthly deferral per state employee deferred compensation participant		Legislative Delete	383.00		

LFO Recommendation:

Approve the Key Performance Measures as proposed by the Public Employees Retirement System, with the following modification:
Increase 2012 and 2013 targets for KPM #6 - Customer Service from 80 to 95.

Sub-Committee Action:

The Subcommittee approved the Legislative Fiscal Office recommendation.