Oregon Public Employees Retirement System

2013-15

Governor's Balanced Budget

**Phase II Agency Presentation
to the Joint Ways & Means Committee
General Government Subcommittee**

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April 23, 2013

PERS Legislatively Approved Budget Historical Comparison

	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15 GBB
Limited:						
Other Funds- Personal Srvcs	39,846,965	46,953,972	50,682,707	52,751,494	56,744,618	60,533,935
Other Funds - Srvcs/Supplies	36,471,820	30,384,327	29,620,738	29,916,870	21,660,024	20,693,968
Other Funds - Capital Outlay	8,972,339	1,033,494	947,701	593,588	927,588	1,393,453
Other Funds	85,291,124	78,371,793	81,251,146	83,261,952	79,332,230	82,621,356
Other Funds Debt Srvc	3,629,282	5,720,950	5,709,200	1,423,075	1,418,600	1,302,850
Total	88,920,406	84,092,743	86,960,346	84,685,027	80,750,830	83,924,206
Permanent Positions	269	264	294	327	332	365
Limited Positions	151	137	100	41	33	3
Total Positions	420	401	394	368	365	368
Non-Limited:						
Other Funds	5,709,547,757	5,646,765,074	6,286,947,122	6,781,885,664	7,434,035,699	9,277,875,000
Other Funds Debt Srvc					3,140,326	
Total	**5,709,547,757**	**5,646,765,074**	**6,286,947,122**	**6,781,885,664**	**7,437,176,025**	**9,277,875,000**
Total Expenditures	**5,798,468,163**	**5,730,857,817**	**6,373,907,468**	**6,866,570,691**	**7,517,926,855**	**9,361,799,206**
% Limited/Total Budget	**1.53%**	**1.47%**	**1.36%**	**1.23%**	**1.07%**	**0.90%**

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Policy Packages Summary

Policy Package 101 – Current Service Delivery Levels: $5,455,428 Other Funds; replace 27 current limited-duration positions with permanent positions; establish three new permanent positions; and increase expenditures to meet current actuarial and audit requirements. These changes would staff agency functions to current service levels, including the three new positions are tied to strategic objectives to maintain services. Actuarial and audit expenditure increases are caused by new national governmental accounting standards that will be imposed during the biennium.

Policy Package 102 – Retiree Health Insurance Program: $803,696 Other Funds; establish three new permanent positions to enhance the program's administrative capabilities and increase the program's actuarial and consulting support to adequately serve its 55,000 members and their dependents and to address the health industry changes on the near horizon.

Policy Package 103 – Infrastructure Maintenance & Enhancement: $1,860,000 Other Funds; maintain and enhance foundational elements of the agency's information infrastructure systems.

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Policy Packages – Quantifying Results

PERS has implemented an outcome-based management system that supports strategic, workforce, and budget development and administration. This implementation included:

- Updating the Agency's mission statement, vision, core values, and core operating principles.

- Mapping and measuring core business processes that directly align with the Agency's key goals and objectives.

- Developing scorecards that measure 84 enterprise-level outcomes or processes; conducting quarterly reviews where those measures not meeting targets are reviewed by agency management to identify areas of concern and drive problem-solving initiatives and process improvements to move those measures back towards targets.

- Coordinate this management system's outcome measures with legislatively-approved Key Performance Measures (KPMs) to assure alignment and progress in tandem with expectations established through those KPMs.

Detailed, targeted performance measures or quantifying results were shown on the scorecards distributed during Phase I of PERS' budget presentation and are listed for policy packages 101, 102, and 103 on pages 151-171 of PERS' Governor's Balanced Budget (GBB).

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PERS Policy Package 101:
Current Service Level Continuation

- Resolves 27 limited duration (LD) positions as permanent full-time positions. The LD positions have been carried over multiple biennia as agency operations have normalized after program changes from 2003 PERS Reform.

- Establishes three new permanent positions to allow the agency to maintain current service metrics as agency transactions continue to grow with increased member counts.

- Increases budget limitation to meet current actuarial and audit requirements.

PERS Oregon Public Employees Retirement System

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PERS Policy Package 102:
Retiree Health Insurance Program

- Establishes three new permanent positions to enhance program administration through increased oversight of customer service, financial, and contract administration functions

- Enhances actuarial and consulting support, including analysis of changes in the healthcare legal environment at the federal and state levels and ensuring proper accounting for the Incurred But Not Reported (IBNR) reserve amount

PERS Oregon Public Employees Retirement System

PERS Policy Package 102:
Retiree Health Insurance Program

Statutory Purpose

ORS 238.410(2): The Public Employees Retirement Board shall conduct a continuing study … of all matters connected with the providing of health care insurance … to eligible persons. The board shall design benefits, devise specifications, invite proposals, analyze carrier responses …, and do acts necessary to award contracts to provide health care insurance, including insurance that provides coverage supplemental to federal Medicare coverage, with emphasis on features based on health care cost containment principles, for eligible persons.

Program Demographics

- 95% of the PHIP members are Medicare plan participants; their average age is 75.
- Revenue sources (per year):
  - $170 million in member-paid premiums
  - $ 55 million in Medicare reimbursements
  - $ 34 million in RHIA and RHIPA subsidies (paid by employers).

Staffing Model

Category	PEBB	OEBB	Current PHIP	Governor's Budget
Membership	127,000	170,000	55,000	55,000
Program Staff	21	19	2	5
Member to FTE Ratio	6,048	8,947	27,500	11,000

Program Growth

Quarterly Membership | Medical
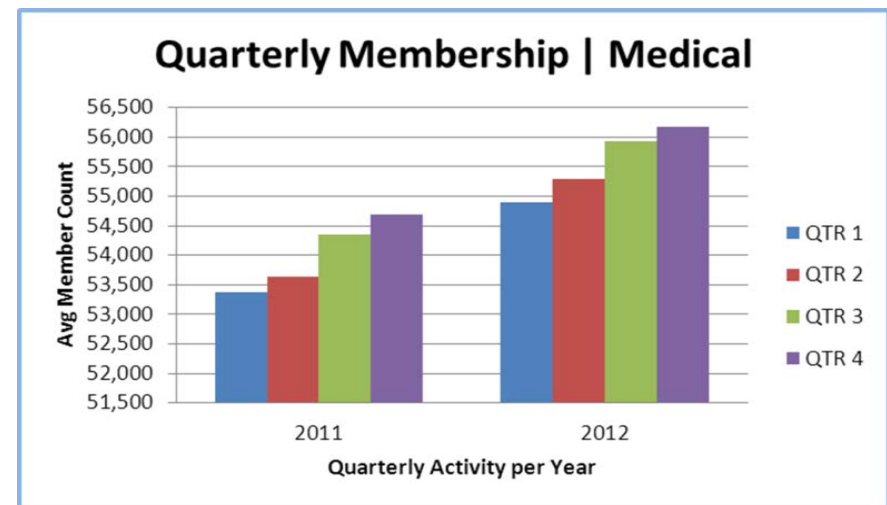
PERS Policy Package 102:
Retiree Health Insurance Program

Effects of Affordable Care Act (ACA) as implemented by CoverOregon

Federal law limits what can be done in a Medicare plan today. Currently, PHIP does not meet the CoverOregon guidelines that would allow us to include our Medicare population:

- PERS' health insurance program does not meet the definition of an "employer" - a key definition to participation in the ACA

- CoverOregon is not scheduled to serve the Medicare community

- CoverOregon provides incremental "group size" increases. Groups greater than 100 will not occur until sometime after 2017

PERS — Oregon Public Employees Retirement System

PERS Policy Package 102:
Retiree Health Insurance Program

Near Term Strategy | 2013-2015

Address four risk areas:

- Program Governance
- Financial Management and Reporting
- Member Eligibility
- Contract Administration

Mid Term Strategy | 2015-2017

- Monitor Affordable Care Act implementation and continue discussions with CoverOregon (as well as PEBB and OEBB) on possible transition
- Monitor impact to CoverOregon if PEBB/OEBB memberships join (currently serving 127,000 and 170,000 respectively)
- Continue PHIP improvements to maintain improved services and program functions

Long Term Strategy | 2017-2019

Consider transition, assuming ACA/CoverOregon provide an available plan option

- Membership transition process with PHIP carriers
- Administration of trust funds (SRHIA, RHIA, and RHIPA)

PERS Policy Package 103: IT Infrastructure

Component	Description	Budget Impact
Data Reporting	Establish a centralized data reporting unit using an enterprise-level reporting tool to deliver menu driven reports with common business rules and definitions, and create re-usable algorithms to ensure consistency while enabling higher level functionality such as predictive analytics.	Other Funds: $460,000
Storage Area Network (SAN)	Current SAN is nearing end-of-life after August 2014 and is configured to maximum capacity (85% of the available storage is used; expect to run out within 18 months). New SAN would support moving toward virtualization, which improves system reliability, recoverability, and responsiveness to business needs, while providing better disaster recovery using disk mirroring to an offsite location.	Other Funds: $500,000
System Maintenance and Enhancement	Further integrate peripheral systems and processes into ORION. Principle strategy would address IAP Administration. If we incorporate IAP payment processing and record keeping wholly in-house, we eliminate ~$2.2M paid per year to an outside vendor while improving staff productivity and member service.	Other Funds: $900,000

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PERS Policy Package 103: IT Infrastructure/M&E Prototype Enhancement – IAP Administration

If POP 103 were approved, one breakthrough strategy those funds could allow to be completed is to change the administration of the Individual Account Program (IAP).

PERS could invest these funds to further integrate the IAP's peripheral systems and processes into ORION. IAP administration is currently managed through a third-party administrator (TPA), with coordination and support from PERS staff using non-integrated tools and, in some cases, hand calculations. The objective of this strategic breakthrough would be to move IAP Administration wholly in-house, eliminating the need for a TPA and fully integrating the IAP into ORION.

Key benefits include:
- Savings of ~$2.2M per year in TPA fees
- Streamline eligibility processing – eligibility rules are unique and outside of TPA's normal process, so PERS staff already determine eligibility and have to upload this data to the TPA
- Streamline annual crediting process – PERS' crediting model is outside of TPA's normal process, so PERS staff already have to calculate the earnings and upload that data to the TPA
- Better customer service –PERS staff are better able to provide complete and integrated answers, where the TPA cannot

A $900,000 investment of Other Funds budget limitation would have a swift recovery and measurably improve member services.

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April 15, 2013 Report on Contingency Reserve Deployment: Prior Board Actions that Reduced Employer Rates in 2013-15

- Deployed $199 million in 2011 to eliminate the remaining 2008 deficit in the Tier One Rate Guarantee Reserve, increasing the assets available for paying benefits.

- Maintained an adequately funded Contingency Reserve that allows any shortfall in the $167 million in overpaid benefit recoveries from the 2003 PERS reforms to be paid through a subsequent transfer from that reserve; as a result, the full $167 million that is to be recovered further reduces employer rates now instead of delaying the effect of any recovery until the overpaid amounts are actually repaid.

- Maintained an adequately funded Contingency Reserve so that this legislature's direction to recalculate the July 1, 2013 employer rates in light of cost containment measures that may be passed can be followed, as the Contingency Reserve is adequately funded to make up for any reduced benefits to be paid under these measures, should a court subsequently overturn them.

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April 15, 2013 Report on Contingency Reserve Deployment: Administrative Concerns and Earnings Crediting

- Deploying Contingency Reserve funds to employer and member accounts outside of our normal contribution and crediting cycle would raise the following concerns:
  - The impact on employers would be insignificant or inconsistent (e.g., employers with contribution rates already at or near 0.00;
  - Any marginal reduction in employer rates would only marginally reduce the amount of the employer rate that is already collared off until 2015-17, and would not reduce rates for 2013-15 without specific direction to do so;
  - Any deployment of additional funds to member accounts would require an ad-hoc, artificial determination of interim crediting rates for those members who retire or withdraw for the rest of the calendar year.

- Deployments outside the standard Contingency Reserve review and crediting practices could be legally challenged as to whether they conflict with the exclusive benefit rule or are otherwise inconsistent with the standard that the Contingency Reserve remain adequately funded, as that expectation has been established by prior court decisions.

- The PERS Board will again consider whether the Contingency Reserve is adequately funded in consideration of system dynamics or projected exposures when the Board allocates earnings for 2013. Any deployment out of the Contingency Reserve from that earnings allocation will count as system assets as of December 31, 2013, which would reduce 2015-17 employer contribution rates to be effective July 1, 2015.

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Appendix:
Supporting Documentation

PERS Policy Package 101:
Current Service Level Continuation

Increases Other Funds by $5,455,428 to continue 27 (twenty-seven) 2011-13 LAB-approved limited duration (LD) positions as permanent full-time positions, establish three new permanent positions, and increase budget limitation to meet current actuarial and audit requirements.

Component	Description	Budget Impact
Continuation of Limited Duration Positions as Permanent Positions	Continues 27 limited duration positions as permanent positions, to maintain current service delivery level. These positions have carried over from prior biennia as new programs have been added through 2003 reform legislation, and subsequent actions have been normalized into core agency functions, including planning and implementing process improvements, managing employers' data, reviewing and validating data, revising and creating business rules, and processing member appeals and contested cases.	27 positions 27.0 FTE Other Funds: $4,378,657
Data Reconciliation – Legacy Data	Establishes two new permanent positions to augment the Data Analysis and Reconstruction Team responsible for analyzing and correcting data errors to allow a correct benefit to be paid in a timely manner.	2 positions 2.0 FTE Other Funds: $277,361

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PERS Policy Package 101: Current Service Level Continuation

Component	Description	Budget Impact
Data Reporting / Analysis and Performance Measurement	Establishes one new permanent position to support data reporting / analysis and performance measurement, including the development and implementation of a consolidated enterprise-wide data dictionary, data repository, data reporting and analysis process, and performance measurement process and schedule.	1 position 1.0 FTE Other Funds: $164,410
GASB Pension Accounting and Reporting Requirements	Addresses costs for increased actuarial work to ensure compliance with ORS 238.660 (8) and generally accepted accounting principles (GAAP), and independent audit of employers' annual financial statements.	Other Funds: $385,000
Secretary of State Audit Requirements	Addresses increased costs for Secretary of State, Audits Division, or their consultants to perform additional work based on revised GASB reporting requirements while auditing PERS' fiscal year-end financial statements.	Other Funds: $250,000

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PERS Policy Package 102:
Retiree Health Insurance Program

Increases Other Funds by $803,696, establishes three permanent positions, and provides budget limitation for actuarial and consulting support.

Component	Description	Impact
Program Administration	Establishes three new permanent positions for administration of retiree health insurance program with current enrollment of some 55,000 members, program administration including oversight of customer service, financial / accounting, and contract administration components, and direct supervision of program staff.	3 positions 3.0 FTE Other funds: $553,696
Actuarial and Consulting Support	Addresses program need for actuarial and consulting support, including analysis of changes in the healthcare legal environment at the federal and state levels (i.e., Affordable Care Act, and Oregon Health Insurance Exchange), and ensuring proper accounting for the Incurred But Not Reported (IBNR) reserve amount.	Other funds: $250,000

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POP 102 – PHIP Background Information

The Oregon PERS Health Insurance Program (PHIP) offers optional medical, dental, and long-term care insurance plans to eligible Tier One/Tier Two retired members, their spouses, and dependents. Upon retirement, these insurance options become a choice available to all PERS retired members. While primarily serving our Medicare-eligible (age 65 and over) population, the PERS Health Insurance Program also offers insurance coverage options for those not yet Medicare eligible.

Active members, their spouses, and dependents are not eligible for the PERS Health Insurance Program. ORS 243.303 requires Oregon public employers to make their active employee group insurance programs available to their retirees and dependents that are not yet Medicare eligible (the rate must be no more than the blended rate for the entire group). Public employers may charge pre-Medicare retirees the entire monthly premium (as state government does) or may choose to subsidize the insurance premium for eligible retirees (as provided in varying degrees by individual school districts and local governments).

PERS administers three statutory trust funds under the Health Insurance Program for eligible Tier One and Tier Two retired members or surviving spouses. The Standard Retiree Health Insurance Account is a pass-through trust where member premium payments are held until being forwarded to the insurance provider. The other two trusts provide premium subsidies. These trusts are known as the Retirement Health Insurance Account (RHIA), serving all qualifying PERS retired members, and the Retiree Health Insurance Premium Account (RHIPA), serving qualifying members who retired from state government. Both trusts are funded from employer contributions on an actuarial basis.

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POP 102 – PHIP Background Statistics

Program Enrollment (as of February 2013)

Medical Plans (four plans offered)	Totals	Medicare	Non-Medicare
Covered lives	56,323	53,628	2,695
Retirees (or surviving spouses)	45,559	43,939	1,620
Spouses/Dependents	10,764	9,689	1,075
Average age of enrolled retirees	74	75	57

Dental Plans (two plans offered)	33,489
Long Term Care Plan	2,018

Statutory Health Insurance Premium Subsidies

Retirees receiving RHIA (trust fund held by PERS*)	42,173
Retirees receiving RHIPA (trust fund held by PERS**)	1,207
RHIA monthly payment total	$2,530,380
RHIPA monthly payment total	$351,878

Employer rates (effective July 1, 2013):
   RHIA: 0.59%
   RHIPA (state only): 0.27%

Unfunded actuarial liabilities (as of December 31, 2011): $222 million (RHIA); $30 million (RHIPA)

*   The RHIA subsidy is $60 per month for Medicare eligible retirees.
** The RHIPA subsidy is for state government pre-Medicare retirees only and varies depending on the employee's years of state service, from $161.59 (8 years) to $323.18 (30+ years) per month for Plan Year 2013.

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POP 102 – Business Case for PHIP Changes

An external audit of PERS financial statements found significant deficiencies in the PERS Health Insurance Program (PHIP) internal controls over financial reporting. PERS then conducted its own internal review of PHIP, led by its internal audit staff as a consulting engagement. That review led to a risk assessment that identified four risk areas:

1. Program Governance – The current program lacks defined goals and organizational structure. The PHIP governance and program management model do not provide the principles and structure necessary to provide adequate strategic planning and oversight to the program.

2. Fund Management and Reporting – Financial processes and controls are not adequate to manage the various PHIP funds, which have led to the inability to monitor the financial aspects of the program and inaccurate financial reporting

3. Member Eligibility – The program lacks adequate staffing and technical resources. Eligibility processing is not routinely integrated into PERS operations or otherwise structured to minimize determinations, which results in eligibility errors and appeals

4. Contract Administration – The program has an excess of reliance on contractors without checks and balances. Multiple health care providers, Benefit Health Solutions (BHS), and consultants play a role in managing this program; however, there is insufficient oversight which leads to lack of transparency and accountability.

PERS proposed POP 102 to adequately address these risk areas, but this budget request does not represent the only solution. With all the projected changes in the health insurance area, POP 102 may evolve as these solutions are integrated into the broader discussion of Oregon's evolving health insurance picture.

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PERS Policy Package 103:
Infrastructure Maintenance & Enhancement

Increases Other Funds by $1,860,000 to maintain and enhance foundational elements of the agency's infrastructure and information systems.

Component	Description	Budget Impact
Data Reporting	Establishes a centralized, enterprise-level data reporting function, including hardware ($50,000), system software – reporting tools ($150,000), IT professional services for implementation and deployment ($200,000), and ongoing maintenance ($30,000 annually).	Other Funds: $460,000
Storage Area Network	Enhances the agency's business information storage, including hardware ($200,000), software ($125,000), IT professional services for implementation and deployment ($100,000), and ongoing maintenance ($75,000).	Other Funds: $500,000
System Maintenance and Enhancement	Maintains and enhances current capabilities, including hardware ($250,000), software ($40,000), and IT professional services for implementation and deployment ($610,000).	Other Funds: $900,000

PERS Oregon Public Employees Retirement System

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2013-15 Information Technology Initiatives

Data reporting

Current enterprise-level reporting uses a basic data warehouse established to meet limited reporting needs. To respond to increased reporting needs and ORION system complexity, the agency seeks to reduce enterprise-level risks related to improper or inconsistent data reporting by achieving six specific objectives:

1) develop and implement a consistent enterprise-level data dictionary;

2) develop consistent business definitions and programming code;

3) identify and implement an enterprise-level data reporting tool;

4) re-design the current data warehouse to make data access easier and to expand role-based data access;

5) develop and implement standard report templates; and,

6) establish a "center of expertise" to enhance the agency's ability to consistently provide data in an accurately and timely manner.

2013-15 Information Technology Initiatives

Storage Area Network (SAN)

PERS' current production SAN is over six years old, reached the end of IBM's product offering life in August of 2009, and is scheduled to reach IBM's end of product support in August of 2014. While the agency can purchase extended support beyond 2014, the current SAN is configured for maximum data storage capacity and does not provide a viable ongoing solution for PERS, which is increasingly dependent on document/image storage, historical data, and Disaster Recovery/ Business Continuity Planning (DR/BCP). Replacing the current SAN with newer and scalable SAN technology will provide more flexibility for future growth and support all business requirements including DR/BCP solutions.

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2013-15 Information Technology Initiatives

Maintenance and Enhancements

PERS needs to maintain the ORION platform with upgrades, patches, and new components to continue to provide continued high level customer service and responsiveness. These enhancements will be performed by a combination of internal staff and external contractors. The funds will be used to address complex system maintenance and enhancement activities that arise out of system defects, functionality gaps, additional stakeholder needs, new/changed pension plan business rules, and agency business strategy. For example, a prime investment opportunity would be to bring administration of the Individual Account Program in-house, eliminating $2 million in annual costs to a third party administrator. Overall, however, the agency's objective is to ensure that ORION continues as a viable tool to leverage technology in advancing business and operation efficiencies to meet the agency's key goals and service levels.

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Information Technology-Related Projects: Data Reporting

(THAT EQUAL OR EXCEED $150,000)

Agency Name:	PUBLIC EMPLOYEES RETIREMENT SYSTEM		
Project Name:	DATA REPORTING		
Mandated Project?	Yes X No		By: Legislature, Federal Gov, Other (identify it)
Budget?	Base X POP		Which agency or state plans or goals does it align with and/or support?
Project Purpose	Routine Lifecycle Replacement Upgrade/Enhance Existing System X New System		
Project Status	X Concept Stage Planning Stage Ready to Implement Continuation of Existing Project		
SDC Involvement	X None Minor Active Participating Partner		
Estimate SDC Costs	$ 0 Preliminary Estimate Project Design Estimate		

Project Description:
Current enterprise-level reporting uses a basic data warehouse established to meet limited reporting needs. To respond to increased reporting needs and ORION system complexity, the agency seeks to reduce enterprise-level risks related to improper or inconsistent data reporting with the achievement of six specific objectives: 1) develop and implement a consistent enterprise-level data dictionary; 2) develop consistent business definitions and programming code; 3) identify and implement an enterprise-level data reporting tool; 4) re-design the current data warehouse to make data access easier and to expand role-based data access; 5) develop and implement standard report templates; and, 6) establish a "center of expertise" to enhance the agency's ability to consistently provide data in an accurately and timely manner.

Cost Summary

Total estimated cost by fund (13-15):	General Fund	Lottery Funds	Other Funds	Non-Limited	Federal Funds	Non-Limited	Total Funds
	$	$	$460,000	$	$	$	$460,000
Total estimated cost by fund (all biennia):	$	$	$460,000	$	$	$	$460,000

Estimated Cost by category (13-15):	Personal Services	Services & Supplies	Capital Outlay	Special Payments	Debt Service
		$260,000	$200,000	$	$
Estimated Cost by category (all biennia):		$260,000	$200,000	$	$

				Positions: Internal	
Expected Start Date:	7/1/2013			Contractor	Various
Expected Completion Date:	6/30/2015			FTE:	

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Information Technology-Related Projects

Definitions:

Project Purpose:
- Routine Lifecycle Replacement—Normal and regularly scheduled, part of the normal planned lifecycle replacement cycle
- Upgrading or Enhancing an Existing System—Change to an existing information system that results in improvements in functionality or enables the system to continue being supported by the vendor. Improved functionality enables the system to perform new tasks.
- New System—Developing or acquiring and using a new information system

Project Status
- Concept Stage - Determining the feasibility and benefits of the project. The Agency may or may not move forward with the project upon completion of this stage.
- Planning Stage - Project is in the planning stages and will move forward at some point in time upon receipt of legislative approval/funding
- Ready to Implement - The planning is near final stage and this project will be implemented upon receipt of legislative approval/funding
- Continuation of Existing Project - Project covers more than a single biennium. This funding request represents the portion of the project still to complete.

State Data Center (SDC) Involvement
- None—Project does not have an impact on the SDC
- Minor—SDC involvement is expected to be minimal (e.g. less than 8 hours of work)
- Active—Will need to have specific actions taken by the SDC in order to complete project that will require SDC involvement (e.g. between 8 and 80 hours)
- Participating Partner—Will need to work with SDC for significant time to insure that the project can move into production. SDC time greater than 80 hours. Examples may include SDC architecture and provisioning work.

Estimate SDC Costs
- Preliminary Estimate - Rough Order of Magnitude estimate based on high level project information available at the current stage in the project's lifecycle
- Project Design Estimate – Cost estimate based on detailed project information (i.e. cost estimate provided after some level of architecture and design work between the agency and the SDC has been completed)

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Information Technology-Related Projects: Storage Area Network (SAN)

(THAT EQUAL OR EXCEED $150,000)							
Agency Name:	PUBLIC EMPLOYEES RETIREMENT SYSTEM						
Project Name:	STORAGE AREA NETWORK (SAN)						
Mandated Project?	Yes X No			By: Legislature, Federal Gov, Other (identify it)			
Budget?	Base X POP			Which agency or state plans or goals does it align with and/or support?			
Project Purpose	X Routine Lifecycle Replacement Upgrade/Enhance Existing System New System						
Project Status	X Concept Stage Planning Stage Ready to Implement Continuation of Existing Project						
SDC Involvement	X None Minor Active Participating Partner						
Estimate SDC Costs	$ 0 Preliminary Estimate Project Design Estimate						

Project Description:

PERS' current production SAN is over six years old, reached the end of IBM's product offering life in August of 2009, and is scheduled to reach IBM's end of product support in August of 2014. While the agency has the option of purchasing extended support beyond 2014, the current SAN is configured for maximum data storage capacity and does not provide a viable ongoing solution for PERS, which is increasingly dependent on document/image storage, historical data, Disaster Recovery/Business Continuity Planning (DR/BCP). Replacing the current SAN with newer and scalable SAN technology will provide more flexibility for future growth and support all business requirements including DR/BCP solutions.

Cost Summary							
Total estimated cost by fund (13-15):	General Fund	Lottery Funds	Other Funds	Non-Limited	Federal Funds	Non-Limited	Total Funds
	$	$	$500,000	$	$	$	$500,000
Total estimated cost by fund (all biennia):	$	$	$500,000	$	$	$	$500,000

Estimated Cost by category (13-15):	Personal Services		Services & Supplies	Capital Outlay	Special Payments		Debt Service
	$		$175,000	$325,000	$		$
Estimated Cost by category (all biennia):	$		$175,000	$325,000	$		$

					Positions: Internal	
Expected Start Date:	7/1/2013			Contractor	Various	
Expected Completion Date:	6/30/214			FTE:		

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Information Technology-Related Projects

Definitions:

Project Purpose:
- Routine Lifecycle Replacement—Normal and regularly scheduled, part of the normal planned lifecycle replacement cycle
- Upgrading or Enhancing an Existing System—Change to an existing information system that results in improvements in functionality or enables the system to continue being supported by the vendor. Improved functionality enables the system to perform new tasks.
- New System—Developing or acquiring and using a new information system

Project Status
- <u>Concept Stage -</u> Determining the feasibility and benefits of the project. The Agency may or may not move forward with the project upon completion of this stage.
- <u>Planning Stage -</u> Project is in the planning stages and will move forward at some point in time upon receipt of legislative approval/funding
- <u>Ready to Implement -</u> The planning is near final stage and this project will be implemented upon receipt of legislative approval/funding
- <u>Continuation of Existing Project -</u> Project covers more than a single biennium. This funding request represents the portion of the project still to complete.

State Data Center (SDC) Involvement
- None—Project does not have an impact on the SDC
- Minor—SDC involvement is expected to be minimal (e.g. less than 8 hours of work)
- Active—Will need to have specific actions taken by the SDC in order to complete project that will require SDC involvement (e.g. between 8 and 80 hours)
- Participating Partner—Will need to work with SDC for significant time to insure that the project can move into production. SDC time greater than 80 hours. Examples may include SDC architecture and provisioning work.

Estimate SDC Costs
- Preliminary Estimate - Rough Order of Magnitude estimate based on high level project information available at the current stage in the project's lifecycle
- Project Design Estimate – Cost estimate based on detailed project information (i.e. cost estimate provided after some level of architecture and design work between the agency and the SDC has been completed)

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Information Technology-Related Projects: Maintenance and Enhancements

(THAT <u>EQUAL</u> OR <u>EXCEED</u> $150,000)							

Agency Name:	PUBLIC EMPLOYEES RETIREMENT SYSTEM
Project Name:	MAINTENANCE AND ENHANCEMENTS

Mandated Project?	Yes X No		By: Legislature, Federal Gov, Other (identify it)	
Budget?	Base X POP		Which agency or state plans or goals does it align with and/or support?	

Project Purpose	Routine Lifecycle Replacement X Upgrade/Enhance Existing System New System
Project Status	Concept Stage X Planning Stage Ready to Implement Continuation of Existing Project
SDC Involvement	X None Minor Active Participating Partner
Estimate SDC Costs	$ 0 Preliminary Estimate Project Design Estimate

Project Description:
PERS needs to maintain the ORION platform with upgrades, patches, and new components in order to continue to provide a continued high level of customer service and responsiveness. These enhancements will be performed by a combination of internal staff and external contractors. The funds requested will be used to address complex system maintenance and enhancement activities that arise out of system defects, functionality gaps, additional stakeholder needs, new/changed pension plan business rules, and agency business strategy. and the overall objective is to ensure that ORION continues to meet the business and operation needs of the agency and enables staff to meet agency goals and service levels.

Cost Summary

Total estimated cost by fund (13-15):	General Fund	Lottery Funds	Other Funds	Non-Limited	Federal Funds	Non-Limited	Total Funds
	$	$	$900,000	$	$	$	$900,000
Total estimated cost by fund (all biennia):	$	$	$1,300,000	$	$	$	$1,300,000

Estimated Cost by category (13-15):	Personal Services		Services & Supplies	Capital Outlay	Special Payments	Debt Service	
			$610,000	$290,000	$	$	
Estimated Cost by category (all biennia):			$610,000	$690,000	$	$	

				Positions: Internal	
Expected Start Date:	07/01/13			Contractor	Various
Expected Completion Date:	06/30/15			FTE:	

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Information Technology-Related Projects

Definitions:

Project Purpose:
- Routine Lifecycle Replacement—Normal and regularly scheduled, part of the normal planned lifecycle replacement cycle
- Upgrading or Enhancing an Existing System—Change to an existing information system that results in improvements in functionality or enables the system to continue being supported by the vendor. Improved functionality enables the system to perform new tasks.
- New System—Developing or acquiring and using a new information system

Project Status
- Concept Stage - Determining the feasibility and benefits of the project. The Agency may or may not move forward with the project upon completion of this stage.
- Planning Stage - Project is in the planning stages and will move forward at some point in time upon receipt of legislative approval/funding
- Ready to Implement - The planning is near final stage and this project will be implemented upon receipt of legislative approval/funding
- Continuation of Existing Project - Project covers more than a single biennium. This funding request represents the portion of the project still to complete.

State Data Center (SDC) Involvement
- None—Project does not have an impact on the SDC
- Minor—SDC involvement is expected to be minimal (e.g. less than 8 hours of work)
- Active—Will need to have specific actions taken by the SDC in order to complete project that will require SDC involvement (e.g. between 8 and 80 hours)
- Participating Partner—Will need to work with SDC for significant time to insure that the project can move into production. SDC time greater than 80 hours. Examples may include SDC architecture and provisioning work.

Estimate SDC Costs
- Preliminary Estimate - Rough Order of Magnitude estimate based on high level project information available at the current stage in the project's lifecycle
- Project Design Estimate – Cost estimate based on detailed project information (i.e. cost estimate provided after some level of architecture and design work between the agency and the SDC has been completed)

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PERS Oregon Public Employees Retirement System

2013-15 Budget Summary

Description	Positions	Full-Time Equivalent (FTE)	ALL FUNDS	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds
2011-13 Leg Adopted Budget	364	364.08	7,513,441,730	-	-	79,429,420	-	7,434,012,310	-
2011-13 Emergency Boards	-	-	(750,000)	-	-	(750,000)	-	-	-
2011-13 Leg Approved Budget	364	364.08	7,512,691,730	-	-	78,679,420	-	7,434,012,310	-
2013-15 Base Budget Adjustments									
Net Cost of Position Actions									
Administrative Biennialized E-Board, Phase-Out	(30)	(30.08)	988,156	-	-	988,156	-	-	-
Estimated Cost of Merit Increase			-	-	-	-	-	-	-
Base Debt Service Adjustment			(115,750)	-	-	(115,750)	-	-	-
Base Nonlimited Adjustment			1,843,862,690	-	-	-	-	1,843,862,690	-
Capital Construction			-	-	-	-	-	-	-
Subtotal 2013-15 Base Budget	334	334.00	9,357,426,826	-	-	79,551,826	-	9,277,875,000	-
Essential Packages									
010 - Non-PICS Pers Svc/Vacancy Factor									
Vacancy Factor (Increase)/Decrease	-	-	(216,207)	-	-	(216,207)	-	-	-
Non-PICS Personal Service Increase/(Decrease)	-	-	262,181	-	-	262,181	-	-	-
Subtotal	-	-	45,974	-	-	45,974	-	-	-
020 - Phase In / Out Pgm & One-time Cost									
021 - Phase-In	-	-	559,232	-	-	559,232	-	-	-
022 - Phase-out Pgm & One-time Costs	-	-	(2,033,919)	-	-	(2,033,919)	-	-	-
Subtotal	-	-	(1,474,687)	-	-	(1,474,687)	-	-	-
030 - Inflation & Price List Adjustments									
Cost of Goods & Services Increase/(Decrease)	-	-	682,786	-	-	682,786	-	-	-
State Gov't & Services Charges Increase/(Decrease)			(1,044,265)	-	-	(1,044,265)	-	-	-

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PERS
Oregon Public Employees Retirement System

2013-15 Budget Summary (continued)

Description	Positions	Full-Time Equivalent (FTE)	ALL FUNDS	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds
Subtotal	-	-	(361,479)	-	-	(361,479)	-	-	-
040 - Mandated Caseload									
040 - Mandated Caseload	-	-	-	-	-	-	-	-	-
050 - Fundshifts and Revenue Reductions									
050 - Fundshifts	-	-	-	-	-	-	-	-	-
060 - Technical Adjustments									
060 - Technical Adjustments	-	-	-	-	-	-	-	-	-
Subtotal: 2013-15 Current Service Level	**334**	**334.00**	**9,355,636,634**	**-**	**-**	**77,761,634**	**-**	**9,277,875,000**	**-**

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2013-15 Budget Summary (continued)

Description	Positions	Full-Time Equivalent (FTE)	ALL FUNDS	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds
Subtotal: 2013-15 Current Service Level	334	334.00	9,355,636,634	-	-	77,761,634	-	9,277,875,000	-
070 - Revenue Reductions/Shortfall									
070 - Revenue Shortfalls	-	-	-	-	-	-	-	-	-
Modified 2013-15 Current Service Level	334	334.00	9,355,636,634	-	-	77,761,634	-	9,277,875,000	-
080 - E-Boards									
081 - May 2012 E-Board	3	3.00	965,954	-	-	965,954	-	-	-
082 - September 2012 E-Board	-	-	-	-	-	-	-	-	-
083 - December 2012 E-Board	-	-	-	-	-	-	-	-	-
Subtotal Emergency Board Packages	3	3.00	965,954	-	-	965,954	-	-	-
Policy Packages									
090 - Analyst Adjustments	-	-	-	-	-	-	-	-	-
091 - Statewide Administrative Savings	-	-	(1,468,988)	-	-	(1,468,988)	-	-	-
092 - PERS Taxation Policy	-	-	(161,673)	-	-	(161,673)	-	-	-
093 - Other PERS Adjustments	-	-	(1,291,845)	-	-	(1,291,845)	-	-	-
101 - Current Service Delivery Levels	30	30.00	5,455,428	-	-	5,455,428	-	-	-
102 - Retiree Health Insurance Program	3	3.00	803,696	-	-	803,696	-	-	-
103 - Infrastructure Maintenance & Enhancement	-	-	1,860,000	-	-	1,860,000	-	-	-
Subtotal Policy Packages	33	33.00	5,196,618	-	-	5,196,618	-	-	-
Total 2013-15 Governor's Budget	370	370.00	9,361,799,206	-	-	83,924,206	-	9,277,875,000	-
Percentage Change From 2011-13 Leg Approved Budget	1.60%	1.60%	24.60%	-	-	6.70%	-	24.80%	-
Percentage Change From 2013-15 Current Service Level	10.80%	10.80%	0.10%	-	-	7.90%	-	-	-

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10% Budget Reduction Options

- In compliance with ORS 291.216, PERS' 10% Reduction Options are included in the Governor's Balanced Budget in the Agency Summary Section.

- PERS administers a single, integrated system of retirement, death, and disability benefit programs for public employees. This system is protected under the Contracts Clause of the Oregon Constitution. As such, budget reductions are based on a strategy that would result in decreased service levels and performance, rather that eliminating programs or functions.

- The identified reduction options total 37 positions and $7,695,351 against the Current Service Level of $76,458,784 (10.06%).

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PERS Position Vacancies – March 2013

As shown in the agency's March 2013 quarterly vacancy report, PERS currently has 9 vacant positions.

- Four positions have been vacant for 7-11 months. One of the positions is in the recruitment process, two are vacant pending reclassification actions, and permanent financing for one position is being used to fund an alternative position (double-fill, contracted, or temporary employee).
- Five positions have been vacant for more than 12 months. One of the positions is in the recruitment process, two are vacant pending reclassification actions, and permanent financing for two positions is being used to fund alternative positions (double-fills, contracted or temporary employees).

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PERS New Hires 2011-13

EFF DATE	AGY TRNSFR	CLASS	CLASS DESC	SALARY	STEP
Jul-11		C0104	OFFICE SPECIALIST 2	2214	01
Jul-11		C0104	OFFICE SPECIALIST 2	2284	02
Aug-11		C1487	INFO SYSTEMS SPECIALIST 7	5619	05
Aug-11		C0841	RETIREMENT COUNSELOR 1	2695	01
Aug-11	-	C0323	PUBLIC SERVICE REP 3	2214	01
Aug-11		C1484	INFO SYSTEMS SPECIALIST 4	3873	03
Aug-11		C0842	RETIREMENT COUNSELOR 2	2945	01
Aug-11		C0842	RETIREMENT COUNSELOR 2	3086	02
Aug-11		C0323	PSR3	2214	01
Sep-11		C1488	INFO SYSTEMS SPECIALIST 8	7032	08
Oct-11		C0841	RETIREMENT COUNSELOR 1	2816	02
Oct-11	T	X7002	PRINCIPAL EXECUTIVE/MANAGER B	3672	01
Oct-11	T	X5617	INTERNAL AUDITOR 2	5957	08
Nov-11	-	C0211	ACCOUNTING TECHNICIAN 2	2473	02
Nov-11	-	C1487	INFO SYSTEMS SPECIALIST 7	6160	07
Nov-11	-	C0841	RETIREMENT COUNSELOR 1	2816	02
Dec-11	-	C0841	RETIREMENT COUNSELOR 1	2858	02
Dec-11	-	C1485	INFO SYSTEMS SPECIALIST 5	5279	07
Mar-12	-	C0118	EXECUTIVE SUPPORT SPECIALIST 1	2510	02
Apr-12	-	C0104	OFFICE SPECIALIST 2	2318	02
Apr-12	-	C1486	INFO SYSTEMS SPECIALIST 6	5393	06
May-12	-	C0841	RETIREMENT COUNSELOR 1	2735	01
May-12	T	C1486	INFO SYSTEMS SPECIALIST 6	5393	06
May-12	T	C0841	RETIREMENT COUNSELOR 1	2858	02

Limited Duration Positions

Hired above step 2

T - Agency Transfers

EFF DATE	AGY TRNSFR	CLASS	CLASS DESC	SALARY	STEP
Jun-12	-	C0104	OFFICE SPECIALIST 2	2318	02
Jun-12	-	C0405	MAIL SERVICES ASSISTANT	1945	02
Jun-12	-	C0104	OFFICE SPECIALIST 2	2318	02
Jul-12	-	X0872	OPERATIONS & POLICY ANALYST 3	5487	04
Jul-12	-	C0212	ACCOUNTING TECHNICIAN 3	2735	02
Jul-12	T	C0212	ACCOUNTING TECHNICIAN 3	2624	01
Aug-12	-	C0104	OFFICE SPECIALIST 2	2247	01
Aug-12	-	C1484	INFO SYSTEMS SPECIALIST 4	3758	02
Aug-12	-	X7002	PRINCIPAL EXECUTIVE/MANAGER B	3913	02
Aug-12	-	C0104	OFFICE SPECIALIST 2	2247	01
Aug-12	T	C0212	ACCOUNTING TECHNICIAN 3	2624	01
Sep-12	T	X0873	OPERATIONS & POLICY ANALYST 4	7332	08
Sep-12	T	C0841	RETIREMENT COUNSELOR 1	3132	04
Oct-12	T	C0841	RETIREMENT COUNSELOR 1	2735	01
Nov-12	T	C0107	ADMINISTRATIVE SPECIALIST 1	2416	01
Dec-12	-	C0842	RETIREMENT COUNSELOR 2	3132	02
Dec-12	-	C5110	REVENUE AGENT 1	2510	02
Dec-12	-	C5110	REVENUE AGENT 1	2510	02
Dec-12	T	C0103	OFFICE SPECIALIST 1	2046	01
Dec-12	-	C0103	OFFICE SPECIALIST 1	2083	02
Jan-13	T	C1338	TRAIN/DEV SPECIALIST 1	3177	01
Jan-13	T	X0863	PROGRAM ANALYST 4	6134	05
Jan-13	T	C5110	REVENUE AGENT 1	2546	02
Jan-13		C0323	PSR3	2352	02

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PERS 2011-13 Position Reclassifications

		Previous Classification					Current Classification			
Date	**Class**	**Name**	**Range**	**Step**	**Salary**	**Class**	**Name**	**Range**	**Step**	**Salary**
Oct-11	C1484	Info. Sys. Specialist 4	25I	8	$4,875.00	C1486	Info. Sys. Specialist 6	29I	6	$5,393.00
Oct-11	C0870	Ops. & Policy Analyst 1	23	9	$4,495.00	C5247	Compliance Specialist 2	25	6	$4,350.00
Oct-11	C1485	Info. Sys. Specialist 5	28I	5	$4,745.00	C1486	Info. Sys. Specialist 6	29I	4	$4,846.00
Oct-11	X0855	Project Manager 2	29	3	$4,906.00	X7006	Princ. Exec. Mgr. D	31X	3	$5,151.00
Oct-11	C1484	Info. Sys. Specialist 4	25I	6	$4,446.00	C1485	Info. Sys. Specialist 5	28I	4	$4,530.00
Oct-11	C1484	Info. Sys. Specialist 4	25I	9	$5,105.00	C1486	Info. Sys. Specialist 6	29I	6	$5,393.00
Oct-11	C1484	Info. Sys. Specialist 4	25I	8	$4,875.00	C1486	Info. Sys. Specialist 6	29I	5	$5,151.00
Oct-11	C0107	Admin. Specialist 1	17	9	$3,383.00	C0104	Office Specialist 2	15	2	$2,318.00
Oct-11	C1484	Info. Sys. Specialist 4	25I	8	$4,875.00	C1486	Info. Sys. Specialist 6	29I	5	$5,151.00
Dec-12	C0842	Retirement Counselor 2	22	4	$3,783.00	C0871	Oper. & Policy Analyst 2	27	2	$3,962.00
Jan-13	X1319	HR Assistant	18	8	$3,781.00	X1320	HR Analyst 1	23	4	$3,970.00
Feb-13	X1339	Training/Devel Spec 2	27	7	$5,761.35	X0872	Oper. & Policy Analyst 3	30	7	$5,873.00

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