

**Senate Bill 5537  
Public Employees Retirement System**

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SB 5537 is the budget bill for the Public Employees Retirement System. PERS administers the retirement plans that cover most of Oregon's public employees. It also administers self-pay health care plans for qualified retirees.

The General Government Subcommittee approved a total budget of \$9.4 billion and 365.73 full time equivalent positions. Over \$9.3 billion of the total is for benefit payments to retirees. The operational portion of the budget is \$82.9 million Other Funds and is a 2.6% increase from the 2011-13 legislatively approved budget.

The budget report includes two budget notes. The first budget note directs PERS to report on the implementation of legislative and administrative actions and final 2013-15 employer contribution rates as well as report quarterly to the Legislative Fiscal Office on of retirement activity. A second budget note directs PERS to report on whether its populations within the PERS Health Insurance Program should be combined with other groups in acquiring healthcare coverage under CoverOregon plans and the Affordable Care Act.

The Subcommittee approved the Commission's key performance measures with updated targets and that during the interim a review of the KPMs be undertaken.

The General Government Subcommittee recommends SB 5537 be amended and reported out do pass, as amended.

**77<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2013 Session  
BUDGET REPORT AND MEASURE SUMMARY**

**JOINT COMMITTEE ON WAYS AND MEANS**

**MEASURE: SB 5537-A**

**Carrier – House: Rep. Gomberg**

**Carrier – Senate: Sen. Whitsett**

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

**Vote:**

House

Yeas:

Nays:

Exc:

Senate

Yeas:

Nays:

Exc:

**Prepared By:** Jim Carbone, Department of Administrative Services

**Reviewed By:** John Borden, Legislative Fiscal Office

**Meeting Date:** June 6, 2013

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Agency

Public Employees Retirement System

Biennium

2013-15

## **Budget Summary**\*

	2011-13 Legislatively Approved Budget <sup>(1)</sup>	2013-15 Current Service Level	2013-15 Committee Recommendation	Committee Change from 2011-13 Leg. Approved	
				\$\$ Change	% Change
Other Funds	\$ 79,332,230	\$ 76,458,784	\$ 81,571,322	\$ 2,239,092	2.8%
Other Funds Debt Service	\$ 1,418,600	\$ 1,302,850	\$ 1,302,850	\$ -115,750	-8.2%
Other Funds Nonlimited	\$ 7,434,035,699	\$ 9,277,875,000	\$ 9,277,875,000	\$ 1,843,839,301	24.8%
Other Funds Debt Service Nonlimited	\$ 3,140,326	\$ 0	\$ 0	\$ -3,140,326	-100.0%
Total	\$ 7,517,926,855	\$ 9,355,636,634	\$ 9,360,749,172	\$ 1,842,822,317	24.5%

## **Position Summary**

Authorized Positions	367	334	367	0
Full-time Equivalent (FTE) positions	365.70	334.00	365.73	0.03

(1) Includes adjustments through December 2012.

\* Excludes Capital Construction expenditures

## **Summary of Revenue Changes**

Revenue sources for the agency include investment earnings, contributions and fees from participating employers and public employees.

## **Summary of General Government Subcommittee Action**

The Public Employee Retirement System agency administers seven programs that provide retirement services for about 900 organizations that, collectively, employ approximately 95 percent of all public school district, state and local government employees in Oregon.

The Subcommittee approved the 2013-15 operations budget of \$81,571,322 Other Funds. In addition, the budget includes \$1,302,850 Other Funds for debt service and \$9,277,875,000 Non-limited Other Funds for benefit payments. The agency's budget is organized into four units:

### **Tier One and Tier Two Plan**

The Tier One and Tier Two programs include employer and member contributions and investment earnings related to Tier One and Tier Two members and employer accounts. Expenditures reflect the retirement payments made to retirees and beneficiaries in these programs. As of January 1, 2004, all member contributions have been directed to the Individual Account Program (IAP). The Tier One and Two programs were closed to new members on August 29, 2003. This program unit is made up entirely of Other Funds, Non-limited expenditures totaling \$8,540,861,000.

## **Budget Note:**

The Public Employees Retirement System (PERS) is directed to report to the Legislative Fiscal Office (LFO) on the Board's implementation of legislation and administrative actions related to 2013-15 employer contribution rates. PERS is to provide LFO with final employer contribution rates for the 2013-15 biennium and with an updated estimate of the amount of system wide savings generated by major employer group (state agencies and university system; school districts; and local governments). PERS is to report quarterly to LFO on retirement applications by major employer group, including inactive member retirements, retirement plan, and benefit calculation methodology. PERS is to provide LFO with an annual report on actual retirement activity, including inactive members, for calendar years 2012, 2013, and 2014.

In addition, the Public Employees Retirement System is directed to work with the Department of Administrative Services and the Legislative Fiscal Office to conduct a review of the agency's Oregon Budget Information Tracking System (ORBITS) budget structure and to incorporate any recommended changes for the 2015-17 budget cycle.

### **Oregon Public Service Retirement Plan**

The 2003 Legislature created the Oregon Public Service Retirement Plan (OPSRP). It is a hybrid retirement program with two components: the Pension Program and the Individual Account Program (IAP). Employers participating in PERS as of August 28, 2003, must participate in OPSRP. This program unit is made up entirely of Other Funds, Non-limited expenditures totaling \$737,014,000.

### **Operations**

The Operations Unit comprises the budget for all administrative activity within the agency. PERS Operations has five divisions: Central Administration, Benefit Payments Division, Fiscal Services Division, Information Services Division, and Customer Services Division. The Subcommittee approved a limited Other Funds budget for this unit totaling \$81,571,322 (367 positions/365.73 FTE). It includes the following adjustments to the current services level:

Package 081, May 2012 E-Board, adds three limited duration positions (3.00 FTE) and \$965,954 Other Funds expenditure limitation. This package continues the limited duration positions that were authorized during the May, 2012 meeting of the Emergency Board. These positions are involved in recovering overpaid benefits in conformance with the Oregon Supreme Court decisions in the *Strunk* and the *City of Eugene* cases. The package also makes permanent budget reductions related to a portion (\$401,763) of the Senate Bill 5701 government restructuring that was initiated in 2012. Package 811 also addresses Senate Bill 5701 changes.

Package 091, Statewide Administrative Savings, eliminates \$1,468,988 Other Funds expenditure limitation. This package is a placeholder for administrative efficiencies in finance, information technology, human resources, accounting, payroll, and procurement expenditures. The Department of Administrative Services will continue to work on details of these reductions with agencies and report back during the 2014 session.

Package 092, PERS Taxation Policy, eliminates \$161,673 Other Funds expenditure limitation. This package reflects the policy change in Senate Bill 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30 percent.

Package 093, Other PERS Adjustments, eliminates \$1,291,845 Other Funds expenditure limitation. This package reflects the policy change in Senate Bill 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2 percent.

An administrative action by the PERS Board, as directed by a budget note in the SB 822 budget report, will reduce state employer contribution rates by up to an additional 1.9 percent. However, no employer rate is reduced below its 2011-13 biennium rate.

Package 101, Current Service Delivery Levels, authorizes 30 positions (29.64 FTE) and \$5,431,929 Other Funds expenditure limitation. This package has four components: (a) the package moves 27 previously classified limited duration positions to permanent full-time status; (b) adds two new permanent full-time positions to enhance work on reconciling data issues on primarily retiree and non-active member accounts; (c) adds one new permanent full-time position to focus on enterprise-wide data consistency, reporting and performance measurement; and (d) adds actuarial (\$385,000) and auditing contract services (\$250,000). Note that the Operations and Policy Analyst 2 position that was originally requested in this package is changed to a Research Analyst 4 classification. The 0.36 FTE reduction in this recommendation accounts for the time that three of the positions will be vacant prior to being hired.

Package 102, Retiree Health Insurance, adds three permanent, full-time positions (2.84 FTE) and \$760,879 Other Funds expenditure limitation. This package (a) increases the management and financial oversight of the Retiree Health Insurance Program; and (b) adds consulting and actuarial contract services for the program. The positions include a Principle Executive Manager D, a Procurement and Contract Specialist 3, and an Accountant 3. This package is funded by revenue transfers from retirement programs. The 0.16 FTE reduction in this recommendation accounts for the time that two of the positions will be vacant prior to being hired.

**Budget Note:**

PERS is directed to review the healthcare insurance marketplace and report back to the Joint Committee on Ways and Means during the 2015 session on whether the pre-Medicare population within the PERS Health Insurance Program should be combined with other groups in acquiring healthcare coverage under the Cover Oregon plans and whether the Affordable Care Act or Cover Oregon could provide coverage for the Medicare Plan policy holders under the PERS Health Insurance Program.

Package 103, Infrastructure Maintenance and Enhancement, adds \$1,260,000 Other Funds expenditure limitation. This package has three information technology components related to the agency's Oregon Retirement Information On-line Network (ORION): (a) enterprise-level data reporting (\$460,000); (b) replacement of the agency's production storage area network (\$500,000); and (c) system development to add functionality for select services and for the development and deployment of a module to administer the Individual Account Program, which is currently outsourced by a third party administrator (\$300,000).

This package is a one-time expenditure and is to be phased-out of the agency's 2015-17 budget.

PERS is directed to submit to the Joint Committee on Ways and Means during the Legislative session in 2014 a fully developed business case for bringing the administration of the Individual Account Program in-house.

Package 811, Compliance Plan for Senate Bill 5701 (2012), reflects the final restructuring changes that were initiated by the Emergency Board in May of 2012. The package reduces Other Funds expenditure limitation by \$383,718 and eliminates three positions (3.75 FTE): two Data Entry Operators and one Information support Specialist 6. It also phases out one Policy Analyst 2 on January 1, 2014.

### **Debt Service**

The Debt Service budget unit accounts for debt service payments on 2012 Series K Article XI-Q Bond that replaced the Certificates of Participation (COPs) that were previously issued to finance the PERS headquarters building construction. This debt will be fully paid by May 2017. The Subcommittee approved an Other Funds expenditure limitation of \$1,302,850 for this budget unit.

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

See attached Legislatively Adopted 2013-15 Key Performance Measures form.

# DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

SB 5537-A

Public Employees Retirement System  
 Jim Carbone - 503-378-3619

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2011-13 Legislatively Approved Budget at Dec 2012 *	\$ 0	\$ 0	\$ 80,750,830	\$ 7,437,176,025	\$ 0	\$ 0	\$ 7,517,926,855	367	365.70
2013-15 ORBITS printed Current Service Level (CSL)*	\$ 0	\$ 0	\$ 77,761,634	\$ 9,277,875,000	\$ 0	\$ 0	\$ 9,355,636,634	334	334.00
<b>SUBCOMMITTEE ADJUSTMENTS (from CSL)</b>									
<b>SCR 300 - Operations</b>									
Package 081: May 2012 E-Board									
Personal Services	\$ 0	\$ 0	\$ 1,096,266	\$ 0	\$ 0	\$ 0	\$ 1,096,266	3	3.00
Services & Supplies	\$ 0	\$ 0	\$ (130,312)	\$ 0	\$ 0	\$ 0	\$ (130,312)		
Package 091: Administrative Savings									
Personal Services	\$ 0	\$ 0	\$ (1,087,051)	\$ 0	\$ 0	\$ 0	\$ (1,087,051)	0	0.00
Services & Supplies	\$ 0	\$ 0	\$ (352,557)	\$ 0	\$ 0	\$ 0	\$ (352,557)		
Capital Outlay	\$ 0	\$ 0	\$ (29,380)	\$ 0	\$ 0	\$ 0	\$ (29,380)		
Package 092: PERS Taxation Policy									
Personal Services	\$ 0	\$ 0	\$ (161,673)	\$ 0	\$ 0	\$ 0	\$ (161,673)	0	0.00
Package 093: Other PERS Adjustments									
Personal Services	\$ 0	\$ 0	\$ (1,291,845)	\$ 0	\$ 0	\$ 0	\$ (1,291,845)	0	0.00
Package 101: CSL Delivery Levels									
Personal Services	\$ 0	\$ 0	\$ 4,595,929	\$ 0	\$ 0	\$ 0	\$ 4,595,929	30	29.64
Services & Supplies	\$ 0	\$ 0	\$ 836,000	\$ 0	\$ 0	\$ 0	\$ 836,000		
Package 102: Retiree Health Insurance									
Personal Services	\$ 0	\$ 0	\$ 476,829	\$ 0	\$ 0	\$ 0	\$ 476,829	3	2.84
Services & Supplies	\$ 0	\$ 0	\$ 284,050	\$ 0	\$ 0	\$ 0	\$ 284,050		
Package 103: Infrastructure Maintenance/Enhance									
Services & Supplies	\$ 0	\$ 0	\$ 585,000	\$ 0	\$ 0	\$ 0	\$ 585,000	0	0.00
Capital Outlay	\$ 0	\$ 0	\$ 675,000	\$ 0	\$ 0	\$ 0	\$ 675,000		
Package 811: Compliance Plan for SB 5701 (2012)									
Personal Services	\$ 0	\$ 0	\$ (383,718)	\$ 0	\$ 0	\$ 0	\$ (383,718)	-3	-3.75
<b>TOTAL ADJUSTMENTS</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,112,538</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,112,538</b>	<b>33</b>	<b>31.73</b>
<b>SUBCOMMITTEE RECOMMENDATION *</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 82,874,172</b>	<b>\$ 9,277,875,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 9,360,749,172</b>	<b>367</b>	<b>365.73</b>
% Change from 2011-13 Leg Approved Budget	0.0%	0.0%	2.6%	24.7%	0.0%	0.0%	24.5%	0.0%	0.0%
% Change from 2013-15 Current Service Level	0.0%	0.0%	6.6%	0.0%	0.0%	0.0%	0.1%	9.9%	9.5%

## Legislatively Approved 2013-2015 Key Performance Measures

**Agency:** PUBLIC EMPLOYEES RETIREMENT SYSTEM, OREGON

Mission: We serve the people of Oregon by administering public employee benefit trusts to pay the right person the right benefit at the right time.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2014	Target 2015
1 - TIMELY RETIREMENT PAYMENTS: Percent of initial service retirements paid within 45 days from retirement date.		Approved KPM	33.00	80.00	80.00
2 - TOTAL BENEFIT ADMIN COSTS: Total benefit administration costs per member.		Approved KPM	125.00	135.00	135.00
3 - MEMBER TO STAFF RATIO: Ratio of members to FTE staff.		Approved KPM	970.00	975.00	985.00
4 - ACCURATE BENEFIT CALCULATIONS: Percent of service retirement monthly benefits accurately calculated to within \$5 per month.		Approved KPM	99.00	100.00	100.00
5 - LEVEL OF PARTICIPATION: Percent of state employees participating in the deferred compensation program.		Approved KPM	37.00	38.00	38.00
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	88.00	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	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.	Helpfulness	Approved KPM	90.00	95.00	95.00



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<b>Legislatively Proposed KPMs</b>	<b>Customer Service Category</b>	<b>Agency Request</b>	<b>Most Current Result</b>	<b>Target 2014</b>	<b>Target 2015</b>
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	89.00	95.00	95.00
7 - TIMELY BENEFIT ESTIMATES: Percent of benefit estimates processed within 30 days.		Approved KPM	40.00	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

**LFO Recommendation:**

The Legislative Fiscal Office recommends approval of the proposed Key Performance Measures and targets with direction that the agency will work with the Department of Administrative Service and the Legislative Fiscal Office to conduct a review of existing KPMs and targets.

**Sub-Committee Action:**

The General Government Subcommittee adopted the Legislative Fiscal Office recommendation.

SB 5537-1  
(LC 9537)  
6/3/13 (TR/ps)

**PROPOSED AMENDMENTS TO  
SENATE BILL 5537**

1 In line 11 of the printed bill, delete "\$82,621,356" and insert  
2 "\$81,571,322".

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