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# MEMORANDUM

Legislative Fiscal Office  
900 Court St. NE, Room H-178  
Salem, Oregon 97301  
Phone 503-986-1828  
FAX 503-373-7807

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**To:** *General Government Subcommittee*

**From:** *John Borden, Legislative Fiscal Office  
(503) 986-1842*

**Date:** *March 4, 2013*

**Subject:** *Public Employees Retirement System – SB 5537 – Budget  
Presentation*

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The budget for the Public Employees Retirement System is scheduled to begin public hearings on March 4th – 6th. Public testimony is schedule for March 6th.

- March 4<sup>th</sup> – PERS system Overview
- March 5<sup>th</sup> – PERS agency budget overview
- March 6<sup>th</sup> - 2012 investment crediting report; Department of Administrative Services overview; and public testimony.

Materials for the hearing(s) are available through the Oregon Legislative Information System (OLIS) and include the following:

1. Agenda(s)
2. LFO Memorandum [this document]
3. SB 5537\_LFO Budget Review\_PERS
4. SB 5537\_PERS Budget Presentation
5. SB 5537\_PERS Governor's Budget document
6. SB 5537\_CFO PERS Presentation
7. 2012 Investment Earnings Crediting Report
8. 2013-15 LFO PERS Budget Brief

Additional information, including past budget notes and audits for the current biennium are noted below.

## 2011-13 Budget Notes

- None

## 2011-13 Emergency Board Actions

- Item #49 -May 23, 2012- Established an Other Funds expenditure limitation for the Public Employees Retirement System in the amount of \$2,071,410 and authorized the establishment of three limited duration positions (1.62 FTE) for recovering overpaid retirement benefits.

- Item # 52 – May 23, 2012 – Statewide Restructuring of Government - In the short-term, the Public Employees Retirement System will primarily manage its \$750,000 Other Funds target through managing vacancies and general spending on services and supplies. The agency is currently in the middle of a strategic planning effort that will drive the realignment of business processes and organizational structures/relationships. This work, which is designed to establish a budget framework that supports outcome based budgeting, is also expected to result in operational efficiencies and improve management/staff ratios. One supervisory management position has already been identified (and is recommended) for permanent elimination. Specific additional position actions, including abolishing positions and changing supervisory responsibilities, are indeterminate but expected to be needed once the reorganizational plan is completed. That plan should be completed by September 2012 and will be incorporated into the agency's 2013-15 budget request.

#### 2012 Legislative Actions

- SB 5701 (2012) - The agency's personal services budget was reduced by \$750,000 Other Funds to capture the agency's share of the statewide effort to restructure state government business operations and management of agency programs.

#### 2011-13 Audits

- The annual audit of the PERS Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011, was issued in December 2011 by the CPA firm, Macias, Gini, & O'Connell, LLP (MGO), under contract with the Secretary of State Audits Division (OAD). One material weakness and two significant deficiencies were identified. The auditors also identified additional observations of lesser significance for management's consideration. PERS management is working on the resolving this matters, some of which require partnering with the Oregon State Treasury to resolve. PERS has been audited by MGO under a contract with SOS for the last two fiscal years. Prior to that, SOS staff conducted the audits each year.
- There were no other SOS audits for Performance Audits, Contract Audits, information Technology Audits.

Please let me know if you need any additional information.

Thank you.