

# **Oregon Public Employees Retirement System**



**Governor's Balanced Budget  
2013-2015**

# BUDGET NARRATIVE

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# BUDGET NARRATIVE

## CERTIFICATION


I hereby certify that the accompanying summary and detailed statements are true and correct to the best of my knowledge and belief and that the accuracy of all numerical information has been verified.

Oregon Public Employees Retirement System

11410 SW 68<sup>th</sup> Parkway, Tigard, Oregon 97223

AGENCY NAME

AGENCY ADDRESS



Executive Director

SIGNATURE

TITLE

Notice: Requests of those agencies headed by a board or commission must be approved by those bodies of official action and signed by the board or commission chairperson. The requests of other agencies must be approved and signed by the agency director or administrator.

Agency Request

Governor's Recommended

Legislatively Adopted

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# BUDGET NARRATIVE

## Legislative Action

*Oregon Legislative Emergency Board Minutes – May 23, 2012 (PERS-related items)*

### 49. Public Employees Retirement System

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

# BUDGET NARRATIVE

## 52. Legislative Fiscal Office

### LEGISLATIVE FISCAL OFFICE

900 COURT ST. NE, RM. H-178  
SALEM, OR 97301  
(503) 986-1828  
FAX (503) 373-7807



### EMERGENCY BOARD

SEN. PETER COURTNEY, SENATE CO-CHAIR  
REP. BRUCE HANNA, HOUSE CO-CHAIR  
REP. ARNIE ROBLAN, HOUSE CO-CHAIR

### Item #52 Legislative Fiscal Office

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The Presiding Officers and Co-Chairs of the Joint Committee on Ways and Means thank the Legislative Fiscal Office (LFO) staff and the executive branch for their work on the \$28 million in reductions in mid-level management, public affairs positions, contract positions, and advertising expenditures that helped the Legislature to rebalance the 2011-13 budget in the 2012 session. We understand the complexity of this task and the short timeline to accomplish it. We are instructing LFO to continue to monitor the impact of these reductions on agencies, including the Department of Corrections, the Department of Human Services, and the Oregon Health Authority, and to report to the September meeting of the Emergency Board on the implementation of these reductions and any adjustments that might be needed to maintain vital services.

The Presiding Officers and Co-Chairs will be meeting with Emergency Board members, Ways and Means members, and other caucus members at the start of next week to discuss any questions or concerns in the LFO recommendation.



# BUDGET NARRATIVE

Analyst: Rocco, et.al.

## 52. Legislative Fiscal Office

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**Request:** Acknowledge receipt of a report on agency plans to accommodate a combined \$28 million General Fund/Lottery Funds reductions assumed in the rebalanced 2011-13 biennium legislatively approved budget from an effort to restructure state government business operations; approve appropriation transfers and expenditure limitation increases within selected state agencies to clarify organizational changes resulting from the reduction as provided in the attached budget adjustment table; and direct the Legislative Fiscal Office to provide the details of the reductions to the Department of Administrative Services for inclusion in the development of the 2013-15 budget.

**Recommendation:** Approve the request.

**Analysis:** As part of the legislative plan during the 2012 session to rebalance the 2011-13 biennium budget, the Legislative Assembly included a reduction of \$28 million in combined General Fund and Lottery Funds (and \$3.8 million Other Funds) as part of an effort to restructure state government business operations. It was the intent of this budget reduction to make permanent changes to the management of agency programs and services.

To implement this reduction, the personal services budgets of selected state agencies were reduced by targeted amounts. A budget note was approved in the budget report for SB 5701, the 2011-13 budget reconciliation bill passed during the 2012 session, to apply to each agency subject to the management service personal services reduction. The budget note directed the Legislative Fiscal Office (LFO) to work with the selected agencies to reduce the number of middle managers and public affairs positions in state government and to reduce the amount currently planned for advertising and personal services contracts. The affected agencies were directed to report on the status of this effort, with the assistance of LFO, to the Emergency Board in May 2012. Since the reduction affected 26 agencies, LFO has summarized the recommended actions in this analysis by program area. Detailed displays for each program area are attached.

It should be noted that the Emergency Board does not have the authority to reduce agency budgets or to eliminate positions. Since the budget reductions were previously made by the Legislative Assembly during the 2012 session, the recommended actions in certain cases represent transfers of appropriations within the identified agency's budgets with no net change to the agency's total appropriation. Positions recommended for elimination will technically be eliminated in the 2013-15 budget, but will not be filled during the current budget period in order to achieve the identified savings.



## BUDGET NARRATIVE

17	PERS	Management position elimination	300/Ops		70,518		1	0.54	1	1.00	PS	Y	Eliminate Support Services Supervisor 1, effective June 4, 2012; estimated 2013-15 reduction is \$140,377.
18	PERS	Training & Office Supplies reduction related to position eliminated	300/Ops		3,223						S&S	Y	Eliminate Training & Office Supplies related to the position eliminated above; estimated 2013-15 reduction is \$5,975
19	PERS	Personal Services	300/Ops		479,966						PS	Y	Estimated allocation of target; specifics to be determined upon completion of strategic planning/reorganizational work by September 2012.
20	PERS	Services & Supplies	300/Ops		196,293						S&S	Y	Estimated allocation of target; specifics to be determined upon completion of strategic planning/reorganizational work by September 2012.
<b>Agency Total</b>					<b>0</b>	<b>750,000</b>	<b>0</b>	<b>1</b>	<b>0.54</b>	<b>1</b>	<b>1.00</b>		

\_\_\_ Agency Request

X  Governor's Recommended

\_\_\_ Legislatively Adopted

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# BUDGET NARRATIVE

## 2013 Budget Reports

76<sup>th</sup> 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

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**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

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**Agency**

Public Employees Retirement System

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# BUDGET NARRATIVE

## 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.

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\_\_\_ Agency Request

X  Governor's Recommended

\_\_\_ Legislatively Adopted

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## 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.

## BUDGET NARRATIVE

- 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.

# BUDGET NARRATIVE

## 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
<b>SUBCOMMITTEE ADJUSTMENTS (from GRB)</b>									
<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)
<b>TOTAL ADJUSTMENTS</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (2,463,735)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (2,463,735)</b>	<b>(5)</b>	<b>(4.17)</b>
<b>SUBCOMMITTEE RECOMMENDATION *</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 78,417,919</b>	<b>\$ 7,434,012,310</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,512,430,229</b>	<b>363</b>	<b>363.33</b>
% 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

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# BUDGET NARRATIVE

## 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

Print Date: 5/26/2011

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Governor's Recommended

Legislatively Adopted

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# BUDGET NARRATIVE

**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.

Print Date: 5/26/2011

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Legislatively Adopted

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# BUDGET NARRATIVE

76<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2011 Regular Session  
BUDGET REPORT AND MEASURE SUMMARY

MEASURE: HB 2113-B

JOINT COMMITTEE ON WAYS AND MEANS

Carrier – House: Rep. G. Smith  
Carrier – Senate: Sen. Johnson

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**Action:** Do Pass the A-Engrossed Measure as Amended and as Printed B-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:** June 24, 2011

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**Agency**

Public Employees Retirement System (PERS)

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**Biennium**

2011-13

HB 2113-B  
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## BUDGET NARRATIVE

### Budget Summary\*

	2009-11	2011-13	2011-13	2011-13	Committee Change from	
	Legislatively Approved Budget	Current Service Level	Governor's Budget	Committee Recommendation	2009-11 Leg Approved	
					\$ Change	% Change
<u>Public Employees Retirement System</u>						
Other Funds				\$ 475,600	\$ 475,600	

### Summary of Revenue Changes

House Bill 2113 is primarily a housekeeping bill and has no effect on revenues.

### Summary of Capital Construction Subcommittee Action

This measure modifies retirement plan statutes administered by the Public Employees Retirement System (PERS) as follows:

- Resolves statutory conflicts governing retirement plan choices for legislators and conform to federal retirement plan laws. Removes incongruous requirements or incompatible elections, consistent with the repeal of “Break in Service.”
- Amends current statute to include the retirement credit purchases omitted in SB 399 (2009).
- Allows a member to vest in the Oregon Public Service Retirement Plan (OPSRP) pension program and in an Individual Account Program employer account if the member is an active member on or after the date the member reaches normal retirement age.
- Removes statutory sections that were invalidated by the Oregon Supreme Court in the *Strunk* case.
- Allows the Public Employees Retirement Board to offer Roth Individual Retirement Account contributions within the Oregon Growth Savings Plan program
- Changes statutes to prevent dual membership status upon reemployment of a member who withdrew from the Individual Account Program (IAP) but was unable to withdraw from the OPSRP Pension Program. Provides common start date for active membership in both programs upon reemployment.

The Subcommittee approved \$475,600 Other Funds for PERS to make one-time system modifications supporting the changes in this bill.

### Summary of Performance Measure Action

There are no performance measures relating to this bill.

# BUDGET NARRATIVE

## DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 2113-B

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			
<u>SUBCOMMITTEE ADJUSTMENTS</u>									
<i>Operations</i>									
<i>Package 840 - HB 2113</i>									
Services and Supplies	\$ 0	\$ 0	\$ 475,600	\$ 0	\$ 0	\$ 0	\$ 475,600	0	0.00
<b>TOTAL ADJUSTMENTS</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 475,600</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 475,600</u>	<u>0</u>	<u>0.00</u>

\*Excludes Capital Construction Expenditures

HB 2113-B  
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Agency Request     
  Governor's Recommended     
  Legislatively Adopted

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# BUDGET NARRATIVE

76<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2011 Regular Session  
BUDGET REPORT AND MEASURE SUMMARY

MEASURE: HB 2456-B

JOINT COMMITTEE ON WAYS AND MEANS

Carrier – House: Rep. G. Smith

Carrier – Senate: Sen. Nelson

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**Action:** Do Pass the A-Engrossed Measure as Amended and as Printed B-Engrossed

**Vote:** 21 – 4 – 0

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

– Nays: Garrard, McLane

– Exc:

Senate – Yeas: Bates, Devlin, Edwards, Girod, Johnson, Monroe, Nelson, Verger, Winters

– Nays: Thomsen, Whitsett

– Exc:

**Prepared By:** Blake Johnson, Department of Administrative Services

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

**Meeting Date:** June 24, 2011

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**Agency**

Public Employees Retirement System (PERS)

**Budget Page**

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**LFO Analysis Page**

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**Biennium**

2011-13

HB 2456-B  
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Budget Page 19



# BUDGET NARRATIVE

## Budget Summary\*

	2009-11	2011-13	2011-13	2011-13	Committee Change from	
	Legislatively Approved Budget	Current Service Level	Governor's Budget	Committee Recommendation	2009-11 Leg Approved	
					\$ Change	% Change
Public Employees Retirement System						
Other Funds				\$ 570,412	570,412	

## Position Summary

Authorized Positions	1
Full-time Equivalent (FTE) Positions	0.75

## Summary of Revenue Changes

House Bill 2456 makes changes to retirement benefits paid by PERS to members who reside in states other than Oregon. This measure has no direct effect on revenues.

## Summary of Capital Construction Subcommittee Action

House Bill 2456 eliminates a benefit for certain Public Employees Retirement System (PERS) retirees who reside out of state. PERS retirees living in Oregon receive an increased benefit to offset Oregon income taxes on their retirement benefits. However, retirees that subsequently move out of state continue to receive the benefit even though they no longer pay taxes to the State of Oregon.

This bill prohibits the increased benefit in these cases, but only for employees retiring on or after January 1, 2012. While this change should reduce some future benefit payments, that reduction is indeterminate and directly tied to member retirement behavior. If the bill does decrease system liabilities, the earliest employer rates would be affected is in the 2015-17 biennium. The bill also allows the Department of Revenue to share taxpayer information with PERS or other public employee retirement plans for the purpose of determining if a payee is ineligible for the increased benefit payment.

A person may challenge the bill by filing a petition with the Oregon Supreme Court within 60 days after the effective date of the bill. The court is required to give priority to this proceeding and may appoint a special master to hear evidence and prepare findings of fact. Potential costs for the Judicial Department associated with these actions are indeterminate and can be addressed by the Legislature when incurred.

The Subcommittee approved \$570,412 Other Funds and one part-time, limited duration Retirement Counselor position (0.75 FTE) to make required system modifications and implement a manual work-around until such modifications are completed.

## Summary of Performance Measure Action

There are no performance measures relating to this bill.

# BUDGET NARRATIVE

## DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 2456-B

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			
<u>SUBCOMMITTEE ADJUSTMENTS</u>									
<i>Operations</i>									
<i>Package 841 - HB 2456</i>									
Personal Services	\$ 0	\$ 0	\$ 125,412	\$ 0	\$ 0	\$ 0	\$ 125,412	1	0.75
Services and Supplies	\$ 0	\$ 0	\$ 445,000	\$ 0	\$ 0	\$ 0	\$ 445,000	0	0.00
 TOTAL ADJUSTMENTS	 \$ 0	 \$ 0	 \$ 570,412	 \$ 0	 \$ 0	 \$ 0	 \$ 570,412	 1	 0.75

\*Excludes Capital Construction Expenditures

HB 2456-B  
Page 1

\_\_\_ Agency Request

X  Governor's Recommended

\_\_\_ Legislatively Adopted

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# BUDGET NARRATIVE

**76<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2011 Regular Session  
BUDGET REPORT AND MEASURE SUMMARY**

**MEASURE: SB 5508-A**

**JOINT COMMITTEE ON WAYS AND MEANS**

**Carrier – House: Rep. Richardson  
Carrier – Senate: Sen. Devlin**

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

**Vote:** 24 – 0 – 1

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, Whitsett, Winters  
 – Nays:  
 – Exc: Verger

**Prepared By:** Sheila Baker, Legislative Fiscal Office

**Reviewed By:** Daron Hill, Legislative Fiscal Office

**Meeting Date:** June 29, 2011

<u>Agency</u>	<u>Budget Page</u>	<u>LFO Analysis Page</u>	<u>Biennium</u>
Emergency Board	L-1	263	2011-13
Various Agencies			2009-11

# BUDGET NARRATIVE

SENATE BILL 5508-A  
ATTACHMENT A: 2011-13 Agency Adjustments

Agency Name	Appropriation Description	Bill Number	Section/ Sub	Fund	General Fund	Lottery Funds	Other Funds	Federal Funds
<b>ADMINISTRATION</b>								
ADVOCACY COMMISSIONS OFFICE	Operating Expenses	HB 5001	01	GF	(229)	-	-	-
DEPT OF ADMIN SERVICES	Mill Creek Debt Service	SB 5502	01-02	GF	(114,267)	-	-	-
DEPT OF ADMIN SERVICES	Operating Expenses	SB 5502	02-01	OF	-	-	(1,039,691)	-
DEPT OF ADMIN SERVICES	Debt Service (Other)	SB 5502	02-05	OF	-	-	(625,330)	-
DEPT OF ADMIN SERVICES	Debt Service - OPB	SB 5502	03-01	LF	-	(311,063)	-	-
DEPT OF ADMIN SERVICES	Debt Service - Tillamook FEMA Match	SB 5502	03-06	LF	-	(559,068)	-	-
DEPT OF ADMIN SERVICES	Debt Service - Lane Transit District EmX	SB 5502	03-07	LF	-	238,158	-	-
OREGON STATE TREASURY	Administrative Expenses - Operations	HB 5048	01-01	OF	-	-	(92,844)	-
OREGON STATE TREASURY	Administrative Expenses - College Savings	HB 5048	01-02	OF	-	-	(3,362)	-
RACING COMMISSION	Operating Expenses	SB 5543	01	OF	-	-	(48,788)	-
PUB EMPLOYEES RETIREMNT SYSTEM	Administrative and operating expenses	HB 5039	01-01	OF	-	-	(34,511)	-
SECRETARY OF STATE	Executive Office, BSD, ISD, HRD	HB 5041	01-01	GF	(249)	-	-	-
SECRETARY OF STATE	Elections Division	HB 5041	01-02	GF	(6,360)	-	-	-
SECRETARY OF STATE	Archives Division	HB 5041	01-03	GF	(404)	-	-	-
SECRETARY OF STATE	Executive Office, BSD, ISD, HRD	HB 5041	02-01	OF	-	-	(2,390)	-
SECRETARY OF STATE	Audits Division	HB 5041	02-03	OF	-	-	(4,419)	-
SECRETARY OF STATE	Archives Division	HB 5041	02-04	OF	-	-	(122)	-
SECRETARY OF STATE	Corporation Division	HB 5041	02-05	OF	-	-	10,191	-
SECRETARY OF STATE	Help America Vote Act	HB 5041	03	FF	-	-	-	(45)
LIQUOR CONTROL COMMISSION	Administrative expenses	SB 5522	01-01	OF	-	-	6,755	-
DEPT OF REVENUE	Administrative Expenses	HB 5040	01	GF	(259,006)	-	-	-
DEPT OF REVENUE	Operating Expenses	HB 5040	02	OF	-	-	(56,229)	-
EMPLOYMENT RELATIONS BOARD	Assessments of agencies transferred to DAS	SB 5510	03	OF	-	-	(1,811)	-
OFFICE OF THE GOVERNOR	Operating Expenses	HB 5025	01	GF	(8,746)	-	-	-
OFFICE OF THE GOVERNOR	Economic Revitalization Team	HB 5025	03	LF	-	(943)	-	-
OFFICE OF THE GOVERNOR	Operating Expenses	HB 5025	04	OF	-	-	(862)	-
GOVERNMENT ETHICS COMMISSION	Other Funds	HB 5024	01	OF	-	-	(1,354)	-
OREGON STATE LIBRARY	Operating Expenses	SB 5521	01	GF	(1,859)	-	-	-
OREGON STATE LIBRARY	Operating Expenses - Assessments	SB 5521	03	OF	-	-	(2,711)	-
OREGON STATE LIBRARY	Operating Expenses - Non-Assessment	SB 5521	02	OF	-	-	(71)	-
OREGON STATE LIBRARY	Operating Expenses	SB 5521	04	FF	-	-	-	(1,776)
<b>CONSUMER AND BUSINESS SERVICES</b>								
STATE BOARD OF ACCOUNTANCY	Operating Expenses	SB 5501	01	OF	-	-	(9,129)	-
TAX PRACTITIONERS BOARD	Operating Expenses	HB 5044	01	OF	-	-	(3,095)	-
CONSTRUCTION CONTRACTOR BOARD	Operating Expenses	HB 5012	01	OF	-	-	(10,154)	-
COUNSELORS AND THERAPISTS BRD	Operating Expenses	HB 5015	01	OF	-	-	1,195	-
PSYCHOLOGISTS EXAMINERS BOARD	Operating Expenses	HB 5038	01	OF	-	-	(42,775)	-
CHIROPRACTIC EXAMINERS BOARD	Operating Expenses	HB 5007	01	OF	-	-	3,255	-
CLINICAL SOCIAL WORKERS BOARD	Operating Expenses	HB 5008	01	OF	-	-	(441)	-
OREGON BOARD OF DENTISTRY	Operating Expenses	HB 5017	01	OF	-	-	(7,473)	-
HEALTH RELATED LICENSING BRDS	State Mortuary and Cemetary Board	HB 5028	02	OF	-	-	10,034	-
HEALTH RELATED LICENSING BRDS	Board of Naturopathic Examiners	HB 5028	03	OF	-	-	11,026	-
HEALTH RELATED LICENSING BRDS	Occupational Therapy Licensing Board	HB 5028	04	OF	-	-	(207)	-
HEALTH RELATED LICENSING BRDS	Board of Medical Imaging	HB 5028	05	OF	-	-	(4,822)	-
HEALTH RELATED LICENSING BRDS	State Board of Examiners for Speech-Language Pathology and Audiology	HB 5028	06	OF	-	-	1,452	-

# BUDGET NARRATIVE

## Public Employees Retirement System

### Agency Summary

#### *Agency Summary*

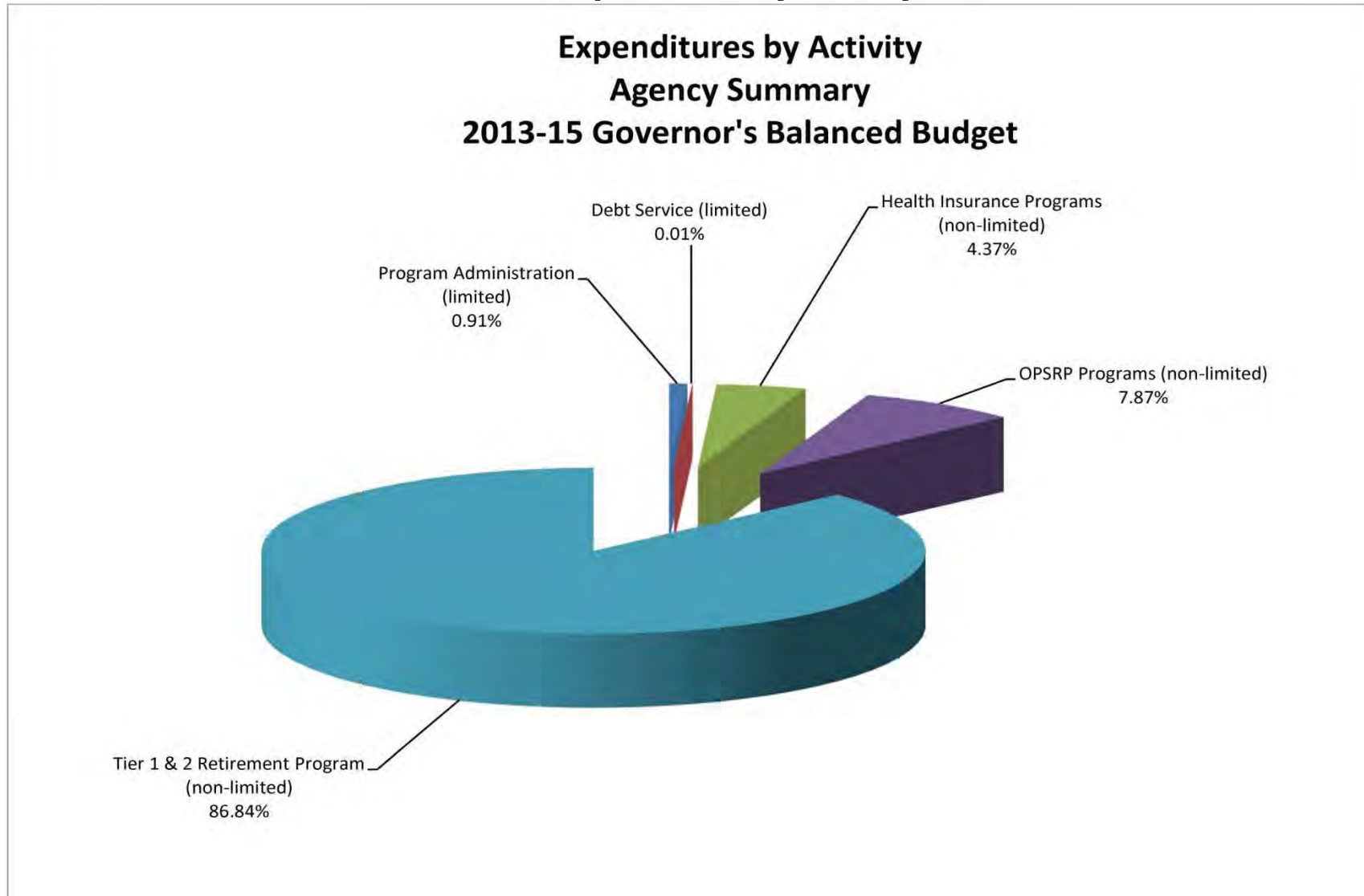
The Public Employees Retirement System (PERS) provides a full range of retirement services to more than 900 public employers and their employees throughout the state of Oregon. These services are provided to all state agencies, universities, and community colleges; all public school districts; and almost all cities, counties, and other local government units. The agency administers the Tier One and Tier Two Retirement programs, Judge Member Retirement Program, Oregon Public Service Retirement Plan Pension Program, Individual Account Program, Oregon Savings Growth Plan (a deferred compensation program), Public Employee Benefit Equalization Fund, Social Security Administration Program, and Retiree Health Insurance Program.



# BUDGET NARRATIVE

## Budget Summary Graphics

### PERS Expenditures by Activity



\_\_\_ Agency Request

X Governor's Recommended

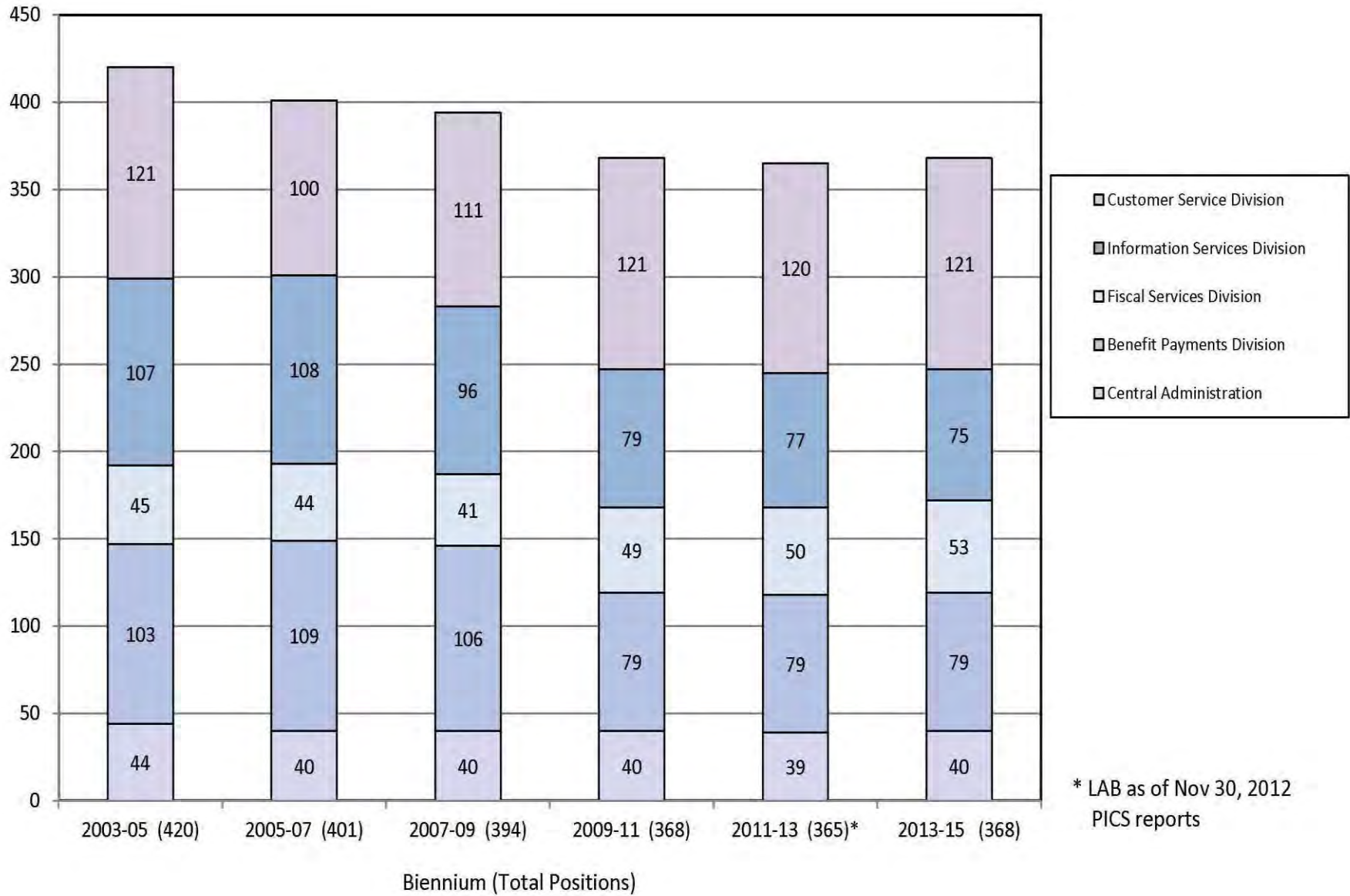
\_\_\_ Legislatively Adopted

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## BUDGET NARRATIVE

### PERS Expenditure and Position Number Comparison



\_\_\_ Agency Request

X Governor's Recommended

\_\_\_ Legislatively Adopted

## BUDGET NARRATIVE

The following table shows the agency’s budget as a percentage of the historical and projected \*PERS Fund balance over the time periods shown (also known as a “basis point” comparison):

### PERS Budget / PERF Comparison

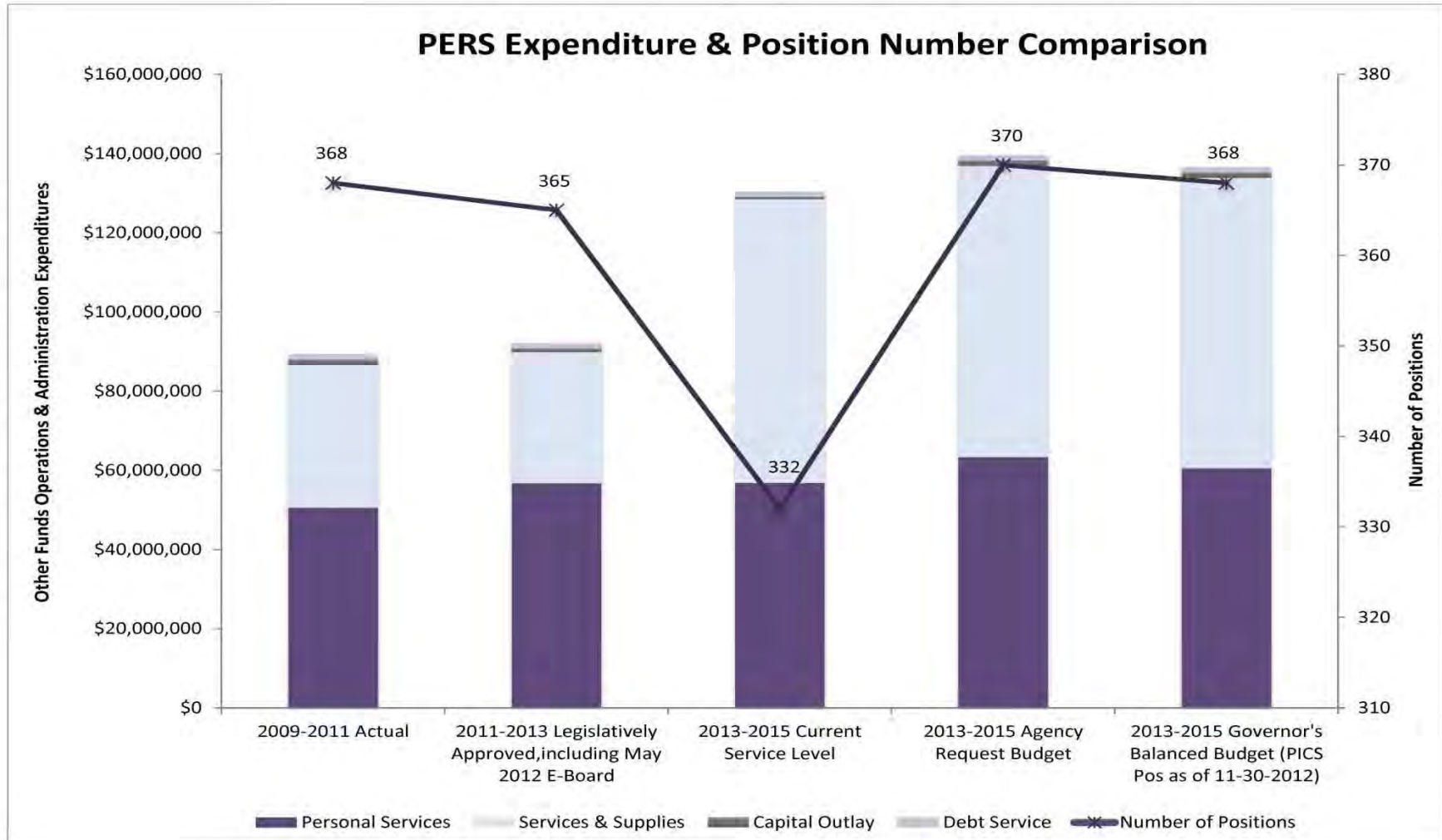
PERS Budget/PERF Comparison						
Biennium	Legislatively Approved Limited Budget	Fiscal Year Ended June 30th	Limited Budget	PERF Balance	Percent	
2005-2007	\$ 81,703,709	2006	\$ 40,851,855	\$ 56,554,878,450	0.0722%	
		2007	\$ 40,851,854	\$ 66,009,334,073	0.0619%	
2007-2009	\$ 86,960,346	2008	\$ 43,480,173	\$ 61,409,698,133	0.0708%	
		2009	\$ 43,480,173	\$ 46,043,394,714	0.0944%	
2009-2011	\$ 84,685,027	2010	\$ 42,342,514	\$ 51,747,943,735	0.0818%	
		2011	\$ 42,342,513	\$ 61,189,774,807	0.0692%	
2011-2013	\$ 80,750,830	2012	\$ 40,375,415	\$ 59,456,250,160	0.0679%	
		2013	\$ 40,375,415	\$ 61,859,320,000	0.0653%	
2013-2015	GBB	2014	\$ 41,962,103	\$ 64,789,970,000	0.0648%	
	\$ 83,924,206		2015	\$ 41,962,103	\$ 67,798,620,000	0.0619%

Although the agency’s 2013-15 budget request is a small increase in absolute dollars over the previous biennium, it still represents a stable percentage of the PERS fund.

## BUDGET NARRATIVE

Similarly, the following graph shows the agency's staffing levels by division over previous biennia. As detailed, total staffing peaked in the 2003-05 biennium at 420 positions and has been declining since then. The Governor's Balanced Budget (GBB) for 2013-15 shows a slight increase in staffing which the agency feels is necessary to maintain its current service levels and make improvements towards its key performance measurement targets.

### Divisional Position Totals by Biennium



\_\_\_ Agency Request

X Governor's Recommended

\_\_\_ Legislatively Adopted

# BUDGET NARRATIVE

## Mission Statement and Statutory Authority

### Mission Statement

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

### Core Values

**Integrity** - Inspiring trust through transparency and accountability

**Innovation** - Empowering change through collaborative teamwork

**Simplicity** - Reducing barriers through clear communication and streamlined processes

### Core Operating Principles

**Member Service** - Enabling our diverse membership to make informed decisions

**Data Integrity** - Partnering with employers and members to ensure timely and reliable information

**Information Security** - Constantly vigilant to safeguard confidential information

The Public Employees Retirement System (PERS) was created by the 1945 Oregon Legislature and commenced operation July 1, 1946. Statutory references for the agency are:

- Tier One and Tier Two Member Retirement Programs
  - ORS 237.950 to 237.980, 238.005 to 238.480, and 238.600 to 238.750
- Retiree Health Insurance Program
  - ORS 238.410 to 238.420
- Judge Member Retirement Program
  - ORS 238.500 to 238.585
- Oregon Public Service Retirement Plan (OPSRP) Pension Program
  - ORS 238A.005 to 238A.475
- Individual Account Program (IAP)
  - ORS 238A.300 to 238A.475
- Deferred Compensation Program
  - ORS 243.401 to 243.507
- Public Employee Benefit Equalization Fund
  - ORS 238.485 to 238.492

\_\_\_ Agency Request

X  Governor's Recommended

\_\_\_ Legislatively Adopted

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## BUDGET NARRATIVE

- Social Security Administration Program
  - ORS 237.410 to 237.515

Oregon Administrative Rules (Chapter 459) govern the implementation of PERS' statutory responsibilities.

# BUDGET NARRATIVE

## Agency Strategic Plans

### Long-Term Plan

#### PERS' 2011-15 Strategic Outcomes, Strategies, and Key Indicators:

PERS is developing and implementing an outcome-based management system that drives improvements to daily operations and work processes. The system provides a framework to engage employees in personal and organizational planning that is directly aligned with the agency's mission, vision, and core values and operating principles. We are integrating problem-solving and decision-making tools that depend on active engagement from front-line staff with the most direct connection with our members and stakeholders.

The management system's progress towards success will be measured against six key goals:

1. Collaborative and transparent leadership,
2. Engaged and empowered workforce,
3. Efficient, effective, adaptable organization,
4. Engaged and educated stakeholders,
5. Timely and accurate service, and
6. Trusted and credible agency.

Progress on these goals will be monitored through Outcome Measures that, collectively, define the areas where measurable improvements are already occurring, or are needed to advance these goals. The agency's core functions are separated between six operating processes and six supporting processes. Each process has been assigned an owner, who is responsible for Process Measures that are actively tracked through Quarterly Target Reviews to review our progress and identify areas for improvement. These operating and supporting processes, with their associated process measures, are shown in the tables below.



## BUDGET NARRATIVE

### OPERATING PROCESSES

CORE PROCESSES	Collecting Member Data	Collecting Contributions	Assessing Benefit Eligibility	Processing Benefit Applications	Calculating Benefits	Paying Benefits
	<ol style="list-style-type: none"> <li>1. Receiving member data</li> <li>2. Analyzing member data</li> <li>3. Reconciling member data</li> <li>4. Correcting member data</li> <li>5. Maintaining member data</li> <li>6. Auditing member data</li> <li>7. Archiving and imaging member data</li> </ol>	<ol style="list-style-type: none"> <li>1. Creating and maintaining employers</li> <li>2. Establishing an employer rate</li> <li>3. Generating an employer invoice</li> <li>4. Receiving employer contributions</li> <li>5. Posting contributions to invoices</li> <li>6. Crediting contributions to the general ledger</li> <li>7. Reconciling contributions submitted to State Treasury</li> <li>8. Collecting on delinquent employer invoices</li> <li>9. Receiving member purchases</li> <li>10. Collecting supplemental benefit member contributions</li> </ol>	<ol style="list-style-type: none"> <li>1. Reviewing beneficiary designations for pre-and post-retirement death benefits</li> <li>2. Requesting and reviewing divorce decrees</li> <li>3. Determining eligibility for disability</li> <li>4. Completing estimate requests</li> <li>5. Completing data verification requests</li> <li>6. Reviewing account for pre-benefit eligibility</li> <li>7. Determining eligibility for PERS Health Insurance Program</li> </ol>	<ol style="list-style-type: none"> <li>1. Receiving benefit application</li> <li>2. Reviewing benefit application</li> <li>3. Entering application data</li> <li>4. Corresponding with applicant and Employer</li> <li>5. Processing “just in time” eligibility review</li> <li>6. Initiating the benefit calculation process</li> </ol>	<ol style="list-style-type: none"> <li>1. Reviewing account</li> <li>2. Calculating initial benefit (service, death, divorce, disability, withdrawals)</li> <li>3. Recalculating benefit after an estimated benefit or when an adjusted or retroactive benefit is due</li> <li>4. Validating benefit calculations</li> <li>5. Initiating the payment benefits process</li> </ol>	<ol style="list-style-type: none"> <li>1. Ensuring cash is available to fund benefit payments.</li> <li>2. Creating and transmitting payment files</li> <li>3. Processing manual checks</li> <li>4. Validating payment files</li> <li>5. Processing returns/cancels</li> <li>6. Maintaining payee information</li> <li>7. Maintaining deductions</li> <li>8. Ensuring tax reporting</li> </ol>

## BUDGET NARRATIVE

CORE PROCESSES	Collecting Member Data	Collecting Contributions	Assessing Benefit Eligibility	Processing Benefit Applications	Calculating Benefits	Paying Benefits
PROCESS MEASURES	<ul style="list-style-type: none"> <li>• % reports received vs. expected</li> <li>• % of returned bulk mail</li> <li>• % of employer reports received are complete and accurate</li> <li>• % of member data forms processed within 30 days</li> <li>• % of employer reports received within three business days of reporting cycle</li> </ul>	<ul style="list-style-type: none"> <li>• % of IAP contributions posted that are due</li> <li>• % of employers that rate the employer statement as good or excellent</li> <li>• % of total employers utilizing the Automated Clearing House</li> <li>• # of invoices outstanding more than 30 days</li> <li>• % of member purchases posted within 14 days of receipt</li> </ul>	<ul style="list-style-type: none"> <li>• % of disability and divorce determinations completed within 180 and 90 days respectively</li> <li>• % of appeals that are upheld compared to total # of eligibility, disability, and divorce appeals filed</li> <li>• % of estimates completed within 30 days of receipt</li> <li>• % of data verification requests completed within 180 days from receipt</li> </ul>	<ul style="list-style-type: none"> <li>• % of applications completed by the eligibility team within 30 days of effective retirement</li> <li>• % of estimated payments per month</li> <li>• % of applications returned or rejected to the applicant</li> <li>• % of applications with two or more requests made to an applicant or employer for information</li> <li>• % of non-canceled applications completed and ready for calculation within 30 days of the effective date</li> <li>• % of non-canceled applications completed and ready for calculation within five business days of all required documents received</li> <li>• % of non-canceled applications completed and ready for calculation within 60 days of the effective date</li> </ul>	<ul style="list-style-type: none"> <li>• # of calculations completed per FTE</li> <li>• % of sample calculations that are within plus or minus \$5</li> <li>• % of calculations completed within 15 calendar days from completed application date</li> </ul>	<ul style="list-style-type: none"> <li>• # of manual checks processed</li> <li>• % of electronic payments over total payments</li> <li>• Average # of days to resolve returned payments</li> <li>• # of exceptions not cleared prior to pension lock</li> <li>• % of tax reports completed by Federal and State deadline</li> </ul>

## BUDGET NARRATIVE

### SUPPORTING PROCESSES

CORE PROCESSES	Communicating Externally & Internally	Managing Compliance & Risk	Leveraging Technology	Managing Organizational Finances & Resources	Managing & Developing the Workforce	Strategic & Operational Planning
	<ol style="list-style-type: none"> <li>1. Developing communications strategy</li> <li>2. Generating and responding to correspondence</li> <li>3. Generating and responding to phone calls</li> <li>4. Creating and making presentations</li> <li>5. Creating and maintaining publications and forms</li> <li>6. Maintaining electronic &amp; social media</li> <li>7. Communicating with Legislators and interest groups</li> <li>8. Responding to media and public records requests</li> <li>9. Communicating with agency staff</li> </ol>	<ol style="list-style-type: none"> <li>1. Providing policy advice to employees</li> <li>2. Resolving disputes</li> <li>3. Managing legal services</li> <li>4. Maintaining tax qualified status</li> <li>5. Managing strategic relationships</li> <li>6. Conducting enterprise risk management efforts</li> <li>7. Managing audit services</li> </ol>	<ol style="list-style-type: none"> <li>1. Developing IT strategy and roadmap to meet agency technology needs</li> <li>2. Ensuring system availability and performance</li> <li>3. Delivering HelpDesk/desktop support</li> <li>4. Maintaining applications and systems</li> <li>5. Enhancing applications and systems</li> <li>6. Implementing new applications and systems</li> <li>7. Ensuring system security</li> </ol>	<ol style="list-style-type: none"> <li>1. Administering accounting and payroll services</li> <li>2. Managing funds and investments</li> <li>3. Administering budget and finance operations</li> <li>4. Developing and managing contracts and agreements</li> <li>5. Maintaining and managing facilities and equipment</li> <li>6. Managing actuarial services</li> </ol>	<ol style="list-style-type: none"> <li>1. Assessing employee needs</li> <li>2. Recruiting/onboarding</li> <li>3. Developing employees</li> <li>4. Managing performance</li> <li>5. Classifying and compensating</li> <li>6. Bargaining and administering CBA's, HRSD policies, and employment laws</li> <li>7. Responding to employee claims</li> <li>8. Managing personnel records</li> <li>9. Retaining employees</li> <li>10. Separating employees</li> <li>11. Planning succession</li> <li>12. Managing cultural competency</li> <li>13. Leveraging contractors</li> </ol>	<ol style="list-style-type: none"> <li>1. Nurturing the agency's mission, values, and core operating principles</li> <li>2. Developing and maintaining the agency's strategic plan</li> <li>3. Ensuring budget development and execution support agency strategic plan</li> <li>4. Prioritizing and managing the completion of projects and breakthroughs</li> <li>5. Conducting quarterly target reviews of agency scorecards and making adjustments</li> <li>6. Facilitating the implementation of new legal and policy mandates</li> </ol>

## BUDGET NARRATIVE

CORE PROCESSES	Communicating Externally & Internally	Managing Compliance & Risk	Leveraging Technology	Managing Organizational Finances & Resources	Managing & Developing the Workforce	Strategic & Operational Planning
PROCESS MEASURES	<ul style="list-style-type: none"> <li>• # of emails to PERS Board email box with complaints</li> <li>• % who rate forms as easily understandable</li> <li>• % of media coverage events with neutral or positive mentions</li> <li>• % rating satisfaction as good or excellent</li> <li>• Average length of wait before caller reaches live person</li> <li>• % of correspondence responded to within 10 days of receipt</li> <li>• % of public records requests responded to with a cost estimate within 14 days of receipt</li> </ul>	<ul style="list-style-type: none"> <li>• % of operating budget expended for attorney and administrative hearing fees and risk management premiums</li> <li>• # of Member and Employer appeals and contested case matters, employment disputes, litigation disputes, notices of dispute and risk management claims</li> <li>• % of staff determinations that are reversed on appeal</li> <li>• % of high risk audit findings resolved within committed time period</li> </ul>	<ul style="list-style-type: none"> <li>• # of business days in a month ORION systems are not available within the standard service window</li> <li>• % of time systems are available during the service window</li> <li>• % of survey respondents indicating satisfaction with our technology</li> <li>• # domains in the Information Security Business Risk Assessment report that meet agency goal</li> <li>• # of batch incidents/abends in a month</li> <li>• % of Change Requests scheduled for a release that are actually deployed</li> <li>• # of instances where system status change is not mitigated within four hours</li> <li>• % of HelpDesk Tickets resolved within the Service Level Agreement</li> </ul>	<ul style="list-style-type: none"> <li>• % of months with no interest cost incurred due to borrowing</li> <li>• % of accounts receivable dollars collected (based on total dollars of accounts receivable)</li> <li>• % of actuarial services milestones met (e.g., experience studies, valuations, CAFR data, employer rates updated in jClarety, economic impact report)</li> <li>• % of invoices with payments released for payment within 20 business days of receipt by Accounts Payable</li> </ul>	<ul style="list-style-type: none"> <li>• % of employees' annual development plans created</li> <li>• % of employees receiving corrective action for violations</li> <li>• % of employees completing trial service</li> <li>• % of data fields entered correctly into the personnel database (PPDB)</li> <li>• % of employees evaluated overall performance rating "meets expectations"</li> <li>• % of performance evaluations completed by due date</li> </ul>	<ul style="list-style-type: none"> <li>• % of outcome and process measures with new or current data reported for that quarter</li> <li>• % of employees that rate mission relevance as high</li> <li>• Net # of measures that improve per each quarterly target review (QTR)</li> <li>• # of breakthroughs on schedule</li> <li>• # of problem solving initiatives in process</li> </ul>

## BUDGET NARRATIVE

### 2013-15 Short-Term Plan

#### ***Agency Programs***

The program operations of PERS have a significant impact on Oregon's economy. PERS provides retirement services to roughly 10 percent of Oregon's population, and the agency distributes approximately \$2.8 billion in benefits annually to Oregonians who served in the public sector and their beneficiaries. The specific programs administered by PERS are described below:

#### **Tier One and Tier Two Programs**

The Tier One/Tier Two programs are statutorily created programs, the administration of which is funded with Other Fund revenues that provide retirement, death, and disability benefits to approximately 140,000 non-retired members and approximately 120,000 retired members and beneficiaries. Active Tier One/Tier Two membership will decline over time as the program is now closed to new members. However, due to the aging demographics of the Tier One/Tier Two membership, agency retirement workloads will increase dramatically over the next 10 to 15 years. Over 70,000 Tier One/Tier Two members are currently eligible to retire by virtue of age or years of service.

The Tier One/Tier Two Programs services include:

- Maintaining demographic and employment data throughout a member's career that will form the basis for benefit eligibility and calculations, tracking account balances and earnings crediting for member contributions to the regular and variable annuity accounts, and generating annual member account statements.
- Providing information to members regarding retirement, disability, and death benefits; providing benefit estimates and explaining plan options for members and beneficiaries. PERS projects that minimally 12,000 - 16,000 members will retire during the next biennium.
- Calculating and paying withdrawal, retirement, death, disability, and excess benefits.



## BUDGET NARRATIVE

### Retiree Health Insurance Programs

PERS serves as a group sponsor, providing health insurance services to approximately 56,000 retired members and dependents. PERS designs benefits, devises specifications, analyzes carrier responses, and awards contracts based on care quality and cost containment. PERS uses a third-party administrator to provide these services directly to members. The PERS Health Insurance Program is comprised of the following three statutorily-mandated activities:

#### Retirement Health Insurance Account (RHIA)

This program provides a \$60 per month subsidy to help offset the cost of insurance premiums in PERS-sponsored health insurance plans for eligible retirees enrolled in Medicare Parts A and B. All PERS employers fund this subsidy through contributions. Approximately 40,000 retirees receive this subsidy, for which PERS issues approximately \$28.5 million in premium subsidies annually.

#### Retiree Health Insurance Premium Account (RHIPA)

This program subsidizes the cost of insurance premiums in PERS-sponsored health insurance plans for those who retired directly from state of Oregon employment but are not yet Medicare eligible and are not enrolled in the state employee health insurance retiree plans sponsored by Public Employees Benefit Board. The subsidy, which is funded by the state of Oregon through its contribution rate, is based on the number of years the retired member was employed in state service. PERS issues approximately \$2.5 million in premium subsidies annually to about 1,100 retirees.

#### Standard Retiree Health Insurance Account (SRHIA)

SRHIA covers all administrative services related to the PERS Health Insurance Program that are not specific to RHIA and RHIPA. This program encompasses such health insurance-related administrative activities as premium transfers of approximately \$120 million per year, third-party administrative agreements, and consultant services. Member fees and earnings on dollars held by SRHIA fund this activity.

### Judge Member Retirement Program

PERS administers a separate retirement program for all judges of the Oregon Circuit Courts, Court of Appeals, and Supreme Court. This formula-based benefit has a different contribution and payment structure than the Tier One/Tier Two Programs. All judges, as employees of the state of Oregon, have 7 percent of their salary contributed to an account to fund a benefit payable for the judge's life starting no earlier than age 60. The benefit is capped at 75 percent of the judge's final average salary.

## BUDGET NARRATIVE

### **Benefit Equalization Fund (BEF)**

The Legislature created the Benefit Equalization Fund (BEF) in 1997 as permitted by the Internal Revenue Service (IRS) to allow a full payment of PERS retirement benefits to recipients whose benefits would otherwise be capped by Internal Revenue Code (IRC) Section 415, which limits contributions and benefits in a tax-qualified plan. The BEF pays the amount of PERS benefits earned by these few members (approximately 100 each year) over and above the IRS limits. The BEF began paying members affected by IRC 415 in 1998 and issues benefits of approximately \$1.4 million per year. Benefit changes for new retirees related to PERS reforms, combined with periodic adjustments to the IRC 415 cap, will slow the growth of and eventually shrink the BEF. Fees are assessed to employers with members paid from the BEF to fund those benefits.

### **Social Security Administration (SSA)**

PERS has the statutorily mandated responsibility to administer federal Social Security Administration (SSA) programs to over 1,000 Oregon public employers. The scope of that responsibility involves facilitating employer education, assisting with SSA coverage referendums, and other ancillary duties. Annual fees assessed to participating employers fund the State's SSA service.

### **Deferred Compensation Program**

The Deferred Compensation Program administered by PERS provides the opportunity for public employees to voluntarily save additional funds to supplement their retirement benefits. This program is also known as the Oregon Savings Growth Plan (OSGP) and is available to all state employees and those school districts and local government employers that choose to offer the program.

This program benefits participants by providing an incentive for saving additional funds to be used at retirement while reducing current taxable income. It presently serves approximately 23,000 current and former state, school district, and local government employees. Plan assets were valued at approximately \$1.24 billion as of June 2010.

A third-party administrator provides OSGP record keeping and investment account services. Investment alternatives are selected with assistance of Oregon State Treasury staff with oversight from the Oregon Investment Council (OIC). Agency staff manage the third-party administrator's contracts, provide plan enrollment and educational support, monitor participant satisfaction, and assist participants with issues irresolvable by the third-party administrator. Member contributions and related earnings fund OSGP's administration.

In 1997, the Legislative Assembly authorized PERS to extend deferred compensation services to local government employees through its third-party agreement. PERS responsibilities are to coordinate local government applications and to provide information about the program to local public employers. Employers work with the OSGP staff to resolve any administrative issues, but send contributions and contribution reports directly to the third party administrator.

## BUDGET NARRATIVE

### **Oregon Public Service Retirement Plan (OPSRP)**

The Oregon Public Service Retirement Plan (OPSRP) authorized by the 2003 Legislature (codified as ORS Chapter 238A) and financed with Other Funds, provides both individual account-based and pension benefit programs. Employees hired by PERS-participating employers in qualifying positions on or after August 29, 2003, participate in the OPSRP Pension Program. As of December 31, 2011, the OPSRP Pension Program had approximately 84,000 members. All Tier One, Tier Two, and OPSRP members who made contributions after January 1, 2004, also participate in the OPSRP Individual Account Program (IAP), with 226,327 IAP active accounts as of December 31, 2011.

#### OPSRP Individual Account Program

The Individual Account Program (IAP) requires all active PERS members in qualifying positions to contribute 6 percent of their salary into a supplemental retirement savings account invested as part of the Oregon Public Employees Retirement Fund (OPERF) regular account under the oversight of the Oregon Investment Council (OIC). The IAP became effective January 1, 2004. Under 2003 PERS Reform, employee contributions from Tier One/Tier Two members were also directed into this separate IAP effective January 1, 2004.

At retirement, members can choose to receive their IAP account balance in a lump-sum payment or in equal installments over a 5-, 10-, 15-, or 20-year period or over the member's anticipated life span. A third-party administrator provides record keeping services. Member contributions and earnings on those contributions fund the administrative costs related to the IAP. Under the IAP, there is no guarantee of a particular investment return or retirement amount. Members make contributions that are invested and subject to market fluctuation. Employers may or may not also make contributions. When a member retires, he or she receives the accumulated contributions and any earnings or losses that accrue. Approximately \$182 million in IAP benefit payments were issued during FY 2012.

#### OPSRP Pension Program

The OPSRP Pension Program is solely funded by employer contributions and associated earnings. Employees who started work with a participating public employer in a qualifying position on or after August 29, 2003, participate in the OPSRP Pension Program. An employee becomes fully vested into the program upon working five consecutive years in a qualifying position. Members' retirement benefits are based on their final average salary, length of service, and type of service (general vs. police/fire).

# BUDGET NARRATIVE

## Debt Service

### Overview

This program accounts for debt service payments on Certificates of Participation (COP) issued to finance the PERS headquarters building construction.

On April 4, 2012 the Department of Administrative Services (DAS) partially refunded Oregon Public Retirement System Certificate of Participation Series 2002, Series B to achieve debt savings, and 2012 Series K Article XI-Q Bonds was issued in order to refund the old debt. Under the new debt schedule, PERS is to make the principle payment of \$1,110,000 Other Funds and interest payments of \$192,850. The remaining balance is \$1.2 million as of May 2015 and will be fully paid by May 2017.

### Base Budget Adjustments

This is a decrease of \$115,750 in Other Funds Limitation debt service. The debt service adjustment is made in accordance with budget instructions and based on established repayment schedules provided by DAS.

## BUDGET NARRATIVE

### ***Environmental Factors***

The primary environmental factors affecting PERS can be summarized in three specific issue areas:

- Increases to the agency workload from an aging member population, with over 70,000 members eligible to retire as of June 30, 2012.
- Complex and evolving service delivery requirements caused by retirement program changes and new benefit structures.
- Program administration complexities resulting from systemic plan dynamics like serial plan changes, eligibility screens, litigation, and niche-plan customization.

These combined factors present unique challenges PERS continues to address by stabilizing and improving operations, resolving accumulated workloads, and permanently implementing changes resulting from legislation and other plan amendments.

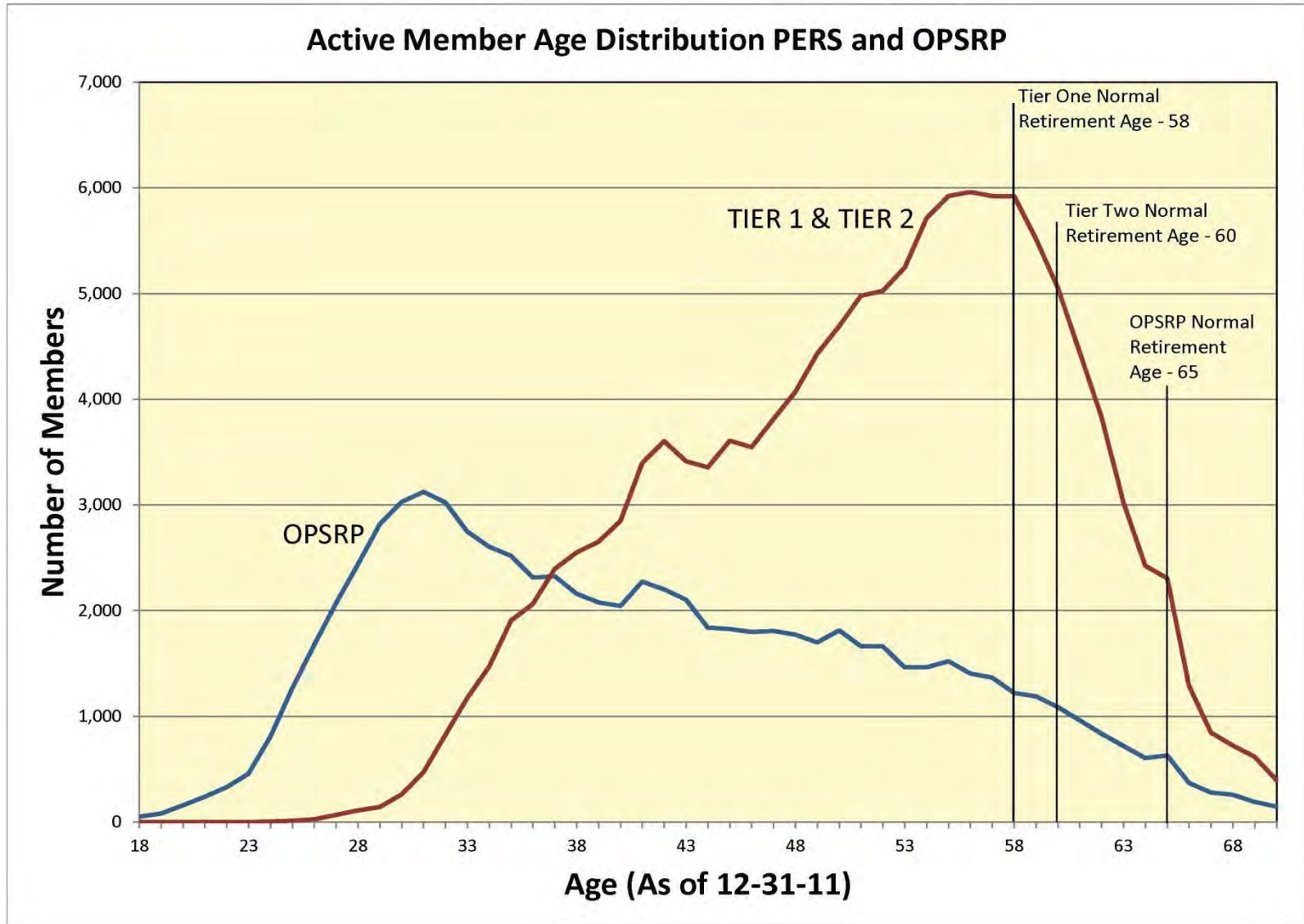
### **Aging of PERS Membership and Participants**

Membership and participant demographics indicate the demand for PERS services will continue to increase. PERS is funded at the Current Service Level (CSL) to process a baseline of 6,000 retirements per year. The demographic trend of increasing retirees is expected to continue before leveling out at approximately 9,000 retirements per year. In 2003, retirements spiked to over 12,000 due to benefit changes brought on by the 2003 reforms. As of June 30, 2012, approximately 70,000 members (about 33 percent of all active and inactive members) were eligible for immediate retirement.

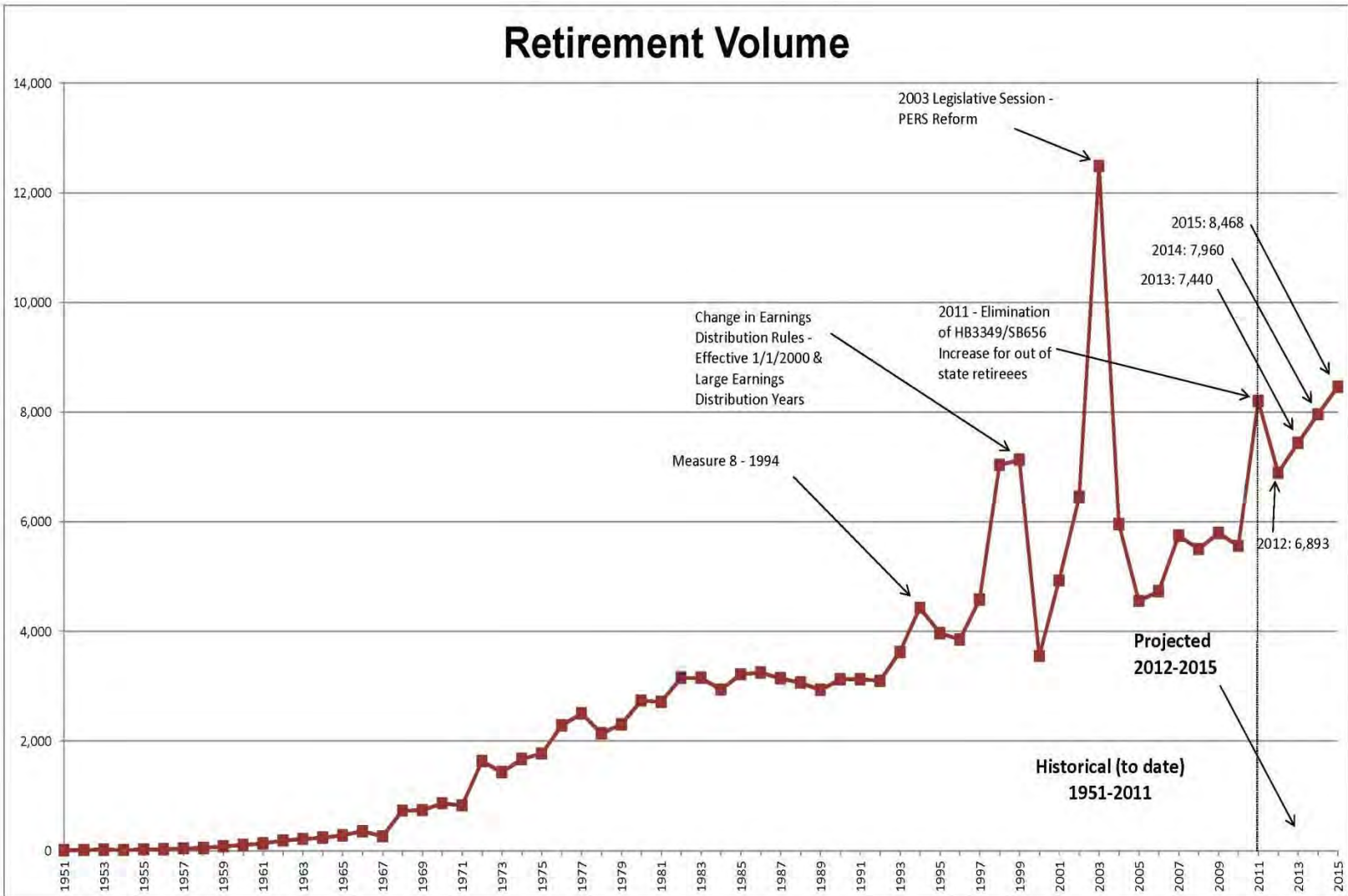
Member retirements typically impact other activities and services. As a member approaches retirement, requests for estimates and retirement information increase significantly. The retirement process itself triggers significant data compilation and verification to support the benefit calculation and resulting notice of entitlement. Data is also needed to resolve any subsequent appeals or contests of benefits. In addition, many retiring members choose to participate in PERS' Health Insurance Program. The newly hired replacement employee must then be established on PERS' database under Oregon Public Service Retirement Plan (OPSRP), where management of their service data and Individual Account Program (IAP) begins. All these activities are volume driven and compose a major part of PERS' services and related operational demands. Finally, the continually growing number of living retired members represents an ever increasing workload for PERS in terms of the pension roll, cost-of-living adjustments (COLAs), mailing address and bank account changes, and tax withholding and reporting.



# BUDGET NARRATIVE



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### Complex and Evolving Service Delivery Requirements

PERS statutes have evolved over the past 67 years and now encompass more than 100 pages. The context, terms, and relationships between statutes have become more intertwined. In 2003, the legislature made broad, sweeping changes to the current PERS retirement system by adding the new OPSRP Pension and IAP Programs. The sum of the changes mandated in 2003 had a major effect on PERS programs and benefit structures and created multiple special projects. PERS found both its administration and infrastructure inadequate to meet the reasonable expectations of stakeholders. The intricacy and volume of changes to PERS' statutes also led to serial litigation from both employers and members, continued acceleration in the number of contested cases, and delays in providing even the most basic services to PERS members. The 2005 legislative session brought minor changes and refinements, but the 2007 legislative session brought both significant challenges and opportunities for improved services as some elements of the PERS reforms were modified and further refined. In the 2009 and 2010 sessions, changes continued as one bill created an entirely new process (allowing members to request a retirement data verification) and another required fundamental changes to an existing process (allowing purchases using pre-tax funds). A key change from the 2011 legislative session prohibits PERS from paying an increased tax remedy benefit if a person is not a resident of Oregon or not subject to Oregon personal income tax for those eligible members who retire on or after January 1, 2012.

Federal law and regulation changes, along with court decisions, continue to reshape and refine the agency's ground rules, requiring increased flexibility and adaptability from PERS at the administrative level and throughout its business processes and systems.

## BUDGET NARRATIVE

### Program Administration Complexities

With its legislatively approved staffing and budget resources, PERS provides a variety of retirement services to approximately 330,000 members (Tier One, Tier Two, and OPSRP) and beneficiaries, and approximately 900 public employers. The agency augments staff-provided services through the use of various information technology platforms and uses third-party administrators for Retiree Health Insurance, the Individual Account and Deferred Compensation Programs. The agency is completing an upgrade to its technology system, but that system's useful life and scope is greatly challenged by the frequent revisions to the Tier One/Tier Two, OPSRP Pension Program, and IAP.