

# BUDGET NARRATIVE

## ***Agency Initiatives***

### **2011-13 Progress Report**

With the combined resources of the agency's base budget and POPs, PERS made significant progress on the objectives set forth in the Six-Year Strategic Outlook and the Key Performance Measures, as well as in the area of business process improvements. Indicators of that progress are discussed below.

Timely and Accurate Payment of PERS Benefits. The Key Performance Measure is to provide 80 percent of initial retirement payments within 45 days of the member's effective retirement date. PERS has made progress toward this measure, attaining a 59 percent rate for the six-month period of January through June 2010. This upward trend from the 2009 calendar year percentage of 23 percent is attributable to process improvements and focused prioritization. The 2009 rate was also reduced as a result of allocating staff resources to the RIMS Conversion Project to test new system functionality, write procedures, and train staff on new tools and processes. The payoff has been the 2010 resulting improvement as new processes and system functionality have improved service delivery on this measure after successfully working through a deployment and transition period. Eligibility determinations have also been streamlined and moved further up the timeline. PERS also made a process improvement by centralizing the processing of all incoming documents, and better utilizing new automation and workflow tools, which has improved the tracking of applications, separations, and information requests. In addition, PERS has established quality assurance procedures to increase accuracy.

High-Quality Customer Service. PERS' Key Performance Measure is to achieve a customer satisfaction rating of "good" or "excellent" from 80 percent of members and employers. The percentage of members rating our service either "good" or "excellent" was 83 percent in 2011; employers' ratings were 78 percent. Adding Retirement Application Assistance Sessions to review retirement applications has reduced the rejection rate to approximately 1 percent compared to a 10 percent rejection rate for applications not reviewed in those sessions. Response times on email and letter inquiries have been reduced to only a few days instead of weeks.

Optimize Effectiveness and Efficiency. PERS strives to deliver high-quality, cost-effective service to members and employers. The successful completion of the *Strunk/Eugene* project and the RIMS Conversion Project will help to stabilize PERS' annual operating expenditures. PERS' member to staff ratio increased to 928:1 in Fiscal Year 2010, up from 848:1 in 2009, continuing the trend of member to staff ratios exceeding the Performance Measure over the last three years. This trend shows PERS has been able to provide services to a greater number of members without significantly increasing its staffing levels. Within our current budget, efficiencies have allowed the agency to process more retirements (Tier One/Two, IAP, and OPSRP Pension), increasing from 13,303 in 2010 to 16,548 in 2011; more membership eligibility reviews (from 17,850 in 2010 to 21,670 in 2011; and more member information requests via emails (from 63,827 in 2010 to 122,388 in 2011).

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Business Process Improvements. The most recent technology improvements implemented in connection with the RIMS Conversion Project continued to expand employer's Web functionality. With the deployment of functionality to the new platform, the Oregon Retirement Information On-line Network (ORION), employers have improved access and are submitting more reports and accomplishing more tasks via the Web interface instead of manually submitting paper documents. Updates to system validation rules continue to enhance the quality of the data submitted. ORION is providing a stronger connection between membership information and benefit payments, thus offering more automated checks and balances. Workflow requirements for cash processing provides greater control over refund processing. Since ORION deployment in 2011, all payments are generated and disbursed through that new system, offering improved audit controls and discontinuing the practice of paper check requests. Lastly, two final initiatives are creating positive expectations: 1) An update to our financial reporting software will move us from antiquated COBOL code to a new SQL environment. This update will allow more efficient data access, the ability to query fresher data, and to efficiently extract selected transactions. 2) A business case is under development to examine current banking processes and costs, study current banking trends and options, and contemplate greater efficiencies and reduced costs for cash management.

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Annual Performance Progress Report (APPR)

Budget Form #107BF04c

## Public Employees Retirement System Annual Performance Progress Report (APPR) for Fiscal Year 2012

Final Submission Date: December 31, 2012

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## PUBLIC EMPLOYEES RETIREMENT SYSTEM

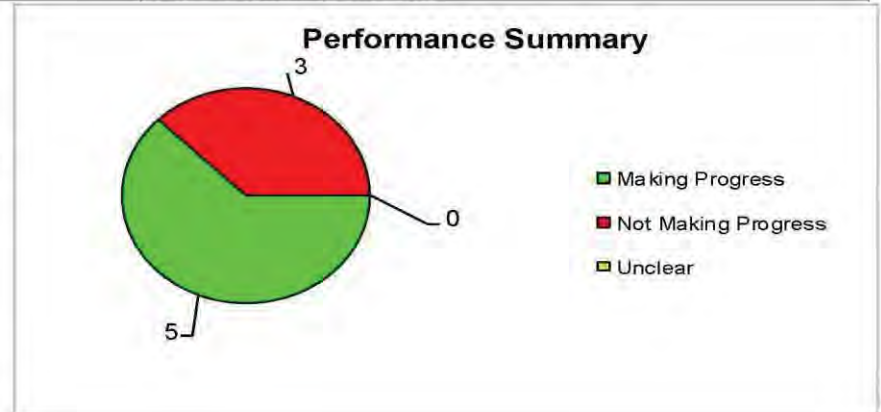
## II. KEY MEASURE ANALYSIS

Agency 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.

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### 1. SCOPE OF REPORT

The Public Employees Retirement System (PERS) provides a full range of retirement services to public employers and public employees throughout the state of Oregon. These services are provided to approximately 900 state and local government entities across the state. The agency administers the Tier One and Tier Two Retirement programs, the Judge's retirement program, the Oregon Public Service Retirement Plan (or OPSRP) Pension Program, the Individual Account Program (IAP), the Oregon Savings Growth Plan (a deferred compensation program), the Public Employee Benefit Equalization Fund (BEF), the Social Security Administration program, and the Retiree Health Insurance program. With the Debt Service program, PERS also administers the financing of projects that were funded by Certificates of Participation.



### 2. THE OREGON CONTEXT

The program operations of PERS have a significant impact on Oregon's economy. PERS administers a retirement plan that covers roughly 10 percent of Oregon's population, and the agency distributes approximately \$3 billion in benefits annually to Oregonians that served in the public sector. This substantial and widespread distribution of benefit payments (some \$250 million each month) is a direct infusion into the Oregon economy.

The Tier One-Tier Two, Judge's, OPSRP, and IAP programs provide retirement services to approximately 211,000 non-retired members and 118,000 retired members and beneficiaries (including CY11 lump sum retirees and withdrawal recipients). The Retiree Health Insurance program serves as a group sponsor, providing health insurance services to more than 50,000 retirees and dependents. With approximately 10 percent of Oregonians directly participating in PERS programs (and many more who are family members and/or beneficiaries of those participants), the importance of delivering high-quality, cost-efficient services is evident.

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## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## II. KEY MEASURE ANALYSIS

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### 3. PERFORMANCE SUMMARY

Five KPMs, Total Benefit Administration Costs (page 6), Member to Staff Ratio (page 8), Accurate Benefit Calculations (page 10), Level of Participation (page 12), and Board of Directors Best Practices (page 19) are making continued progress toward the targets (showing improvements over the previous year's performance). Three KPMs, Timely Retirement Payments (page 4), Customer Service (page 14), and Timely Benefit Estimates (page 17) are not making progress for this period.

### 4. CHALLENGES

There are several key challenges facing the PERS retirement programs. An aging membership, including some 30% of PERS non-retired members who are eligible to retire, increases demands for near-retirement services including the call center, benefit estimates, group presentations, individual sessions, and the website. As a result, the number of retired members and beneficiaries who receive regular, recurring contacts and benefit payments continues to grow. There is increased workload resulting from two additional retirement programs added with PERS reform. PERS now administers four major retirement programs, maintains at least two accounts for each member with a combined annual statement, calculates and pays at least two retirement benefits or two withdrawal benefits, and issues at least two 1099-R statements for each benefit recipient.

PERS operations continued their transition to the Oregon Retirement Information On-line Network (ORION), which replaced the outdated information technology system (RIMS) when the IT conversion project was completed at the start of this fiscal year. Introducing the new technology limited the agency's service levels and resulted in workload backlogs, additional work-arounds, and less efficient utilization of agency resources. By the close of the fiscal year 2012, however, the transition had improved and plans were in place to resolve the resulting backlogs by the end of the calendar year 2012. Service levels in the noted KPMs (Timely Retirement Payments, Customer Service, and Timely Benefit Estimates) should return to making progress in the fiscal year 2013 period.

One challenge impacting the OSGP deferred compensation program is the large number of soon-to-retain and actively retiring baby boomers. The large number of retirements impacts the participation level as those people withdraw or roll their accounts to other institutions. Also, the financial impact of the recent economic downturn and wage reductions is being reflected in the participation rate. Despite these challenges, OSGP is taking steps to keep eligible employees and participants educated about the importance and advantages of participating in this supplemental retirement savings program.

### 5. RESOURCES USED AND EFFICIENCY

For FY2012 PERS expended \$44.3 million in administrative and special project expenditures, and \$3.9 billion in total expenditures (this includes benefit payments). Efficiency measures include KPM #2 - Total Benefit Administration Costs per Member, and KPM #3 - Member to Staff Ratio. The performance in these measures reflects that PERS has achieved cost and staff efficiencies during this period.

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## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## II. KEY MEASURE ANALYSIS

Agency 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.

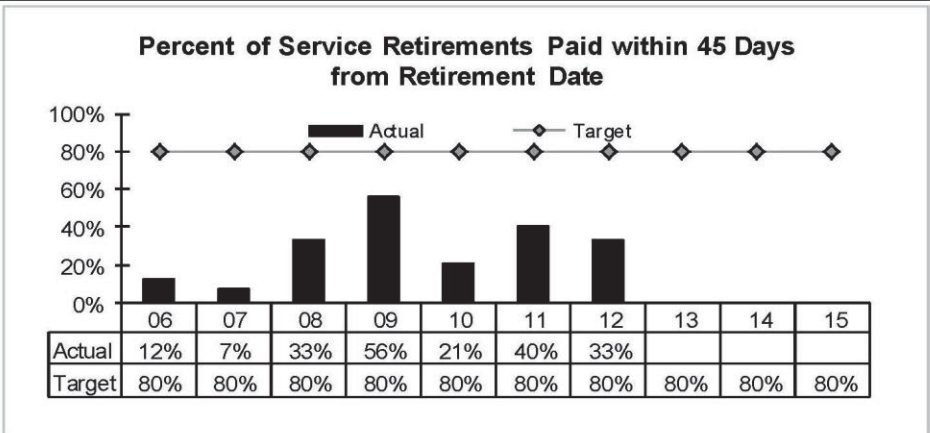
KPM #1	TIMELY RETIREMENT PAYMENTS Percent of initial service retirements paid within 45 days from retirement date	Measure since: 1995
<b>Goal</b>	To deliver retirement benefits effectively and efficiently.	
<b>Oregon Context</b>	Oregon Benchmark #59: Independent Seniors. Encourage member independence and financial well-being into retirement.	
<b>Data source</b>	Benefit Payments Division (BPD) statistics.	
<b>Owner</b>	BPD Administrator Brian Harrington, 503-431-8259	

**1. OUR STRATEGY**

PERS' main priority is delivering benefits to members in an accurate and timely manner. All areas of the agency play a role in this effort, but the Customer Service Division and Benefit Payments Division in particular have been partnering to improve processes and communication to ensure progress is made to reach this performance goal.

**2. ABOUT THE TARGETS**

While statute requires PERS to issue the first benefit payment within 92 days from retirement date, PERS' goal is always to provide the first payment as quickly and accurately as possible. The target of 80% paid within 45 days represents this priority. While this target is ambitious considering pervasive reporting complexities, and the additional programs added in 2003, the goal is still to provide timely and accurate benefits, and PERS believes the goal to be reachable.



**3. HOW WE ARE DOING**

During FY2012, PERS issued 33% of its benefit inceptions within 45 days of the retirement date, down from the 40% performance rate in FY2011. While significant improvements have been made in the processes involved with calculating and issuing pensions (pension inception), the final deployment of a multi-phase IT replacement project occurred early in the fiscal year. The IT system transition during the deployments hampered the progress that has been made with the pension inception processes, and during the first half of the fiscal year (July – December 2011) only 13% of new retirements were issued in 45 days. Performance has markedly improved since then, however, as staff has transitioned to the new system and become more adept at processing benefits under the new processes. For the last half of the fiscal year (January through June), PERS issued 72% of new retirements in 45 days, and PERS expects to continue This improved performance and be back on track toward reaching the targeted 80% of new retirements issued in 45 days.

**4. HOW WE COMPARE**

PERS uses the services of a third-party benchmarking firm (CEM Benchmarking, Inc.) to compare its costs, services, and performance to other public retirement systems. According to CEM Benchmarking, Inc., other systems in PERS' peer group were able to pay 90% of benefit inceptions within one month of the final pay check date in FY2011 versus 15% for PERS. While this is significantly higher than PERS' performance, it is important to note that

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## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## II. KEY MEASURE ANALYSIS

Agency 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.

other systems have less complicated statutory requirements and many have fewer program options than PERS. Moreover, public retirement systems in PERS' peer group issue 67% of their initial benefit payments based on estimates (making corrections and finalizing the benefit later on), rather than issuing finalized benefit payments as PERS strives to produce (PERS issued less than 1% of initial payments based on estimates in FY2011).

### 5. FACTORS AFFECTING RESULTS

In June 2011 PERS deployed the final phase of its multi-year IT replacement project, but assorted defects still needed to be resolved and staff needed to relate the new functionality to their ongoing production processes. Subsequent releases have corrected critical defects and the capabilities of the new system are better understood. Still, the ongoing resource demands of regression testing to assure new functionality works as designed and that those changes haven't disturbed functionality that had been working continues to need improvement. This ongoing reallocation of staffing resources has impacted retirement processing. In spite of this, the numbers during the second half of FY2012 show that PERS has been making positive improvement towards the goal to process 80% of initial retirements within 45 days.

Other factors that can negatively impact the timeliness of retirement processing include delays in receiving correct final data from employers, applying the eligibility standards to various employment segments, and resolving errors in members' submitted retirement applications. Employers have a benchmark of 30 days following an employee's retirement to send the final data to PERS, a target that is not always reached. With this KPM measuring the standard of retirements processed in 45 days, this leaves a narrow window of time between the employer's timeframe and that of this measure, even when that employer reporting target is hit. Membership data and benefit eligibility have historically not been determined until the time of a retirement or withdrawal, so the member's employment record must be reviewed, verified, and resolved within this span of time.

### 6. WHAT NEEDS TO BE DONE

Correcting the technical issues and utilizing the full capabilities of the new system will help improve performance toward the target of 80%. Subsequent system releases have already corrected some of the technical problems relating to the benefit calculation process. Workarounds are being used in the benefit calculation and payment process until all of the remaining technical issues are resolved, or as benefit calculations that cannot be completed through the system are identified and processed. Although this can cause the process to be less efficient, BPD staff have a good understanding of the functional elements of the new IT system. In addition, staff also better understand the workarounds. This has led to increased confidence and improved results towards processing 80% of new retirements within 45 days.

PERS continues to cleanse and update data earlier in the member's employment, in partnership with employers and via internal process improvements to facilitate more timely and accurate payments after retirement. The Online Member Services functionality that was a part of the final system deployment also allows members to view their account information and has provided increased transparency so members can raise any questions or concerns they have prior to applying for retirement. Positions are being requested in the 2013-15 Agency Request Budget to further improve the member data and benefit eligibility determination process, which will allow the benefit inception process to run more efficiently and quickly.

### 7. ABOUT THE DATA

This measure is based on data for the Oregon Fiscal Year period. For the past several years, the finalization of quarterly data has made it impossible for the final fiscal quarter to be included in the Annual Performance Progress Report that is due by September 30 of each year. Because of this, we had been using the reporting period of April 1-March 31 for the APPR. But new technological advancements and improved query methodologies have allowed us to get this data sooner and we are able to move back to the Oregon Fiscal Year period of July 1-June 30.

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## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## II. KEY MEASURE ANALYSIS

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KPM #2	TOTAL BENEFIT ADMIN COSTS Total benefit administration costs per member	Measure since: 2006
<b>Goal</b>	Reduce administrative costs while maintaining high levels of service to members and employers.	
<b>Oregon Context</b>	Oregon Benchmark #35: Public Management Quality and Benchmark #9c: Cost of Doing Business/ Taxes & Charges. Increase service cost-effectiveness to stakeholders.	
<b>Data source</b>	Budget/personnel statistics, PERS CAFR, PERS membership statistics from actuarial valuation, report from CEM Benchmarking, Inc. comparing PERS to its peers.	
<b>Owner</b>	Fiscal Services Administrator Jon DuFrene, 503-603-7512	

### 1. OUR STRATEGY

PERS strives to deliver high-quality, cost-effective service to members and employers. PERS administrative costs are funded through investment earnings, which PERS works hard to ensure are expended prudently. The challenge is to keep costs per member from growing while in an environment of increasing workload and cost inflation.

### 2. ABOUT THE TARGETS

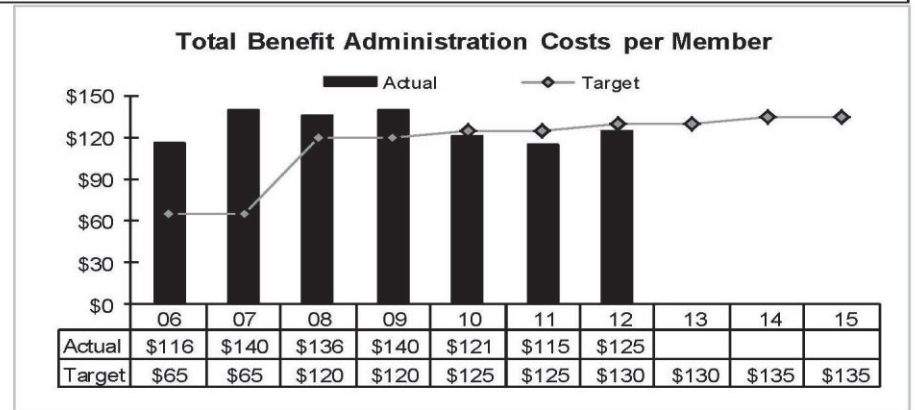
The targets for this measure represent the maximum desired cost per member. The goal is to keep the costs at or below the targeted level. The targets from FY2008 and forward represent a new data structure (total CAFR reported admin expenses per total membership), and all actual data have been updated to the new data structure. The targets for 2009-11 through 2013-15 include minor inflationary increases.

### 3. HOW WE ARE DOING

For FY2012, PERS' cost per member is \$125, up from \$115 in FY2011. Despite this increase, the cost per member remains within target. And over the last three years, the cost per member has decreased by 11%, from the peak cost of \$140 per member in FY2009. In FY2012, PERS administrative costs increased by 9% to \$44.3 million, over the \$40.7 million in FY2011. Coupled with a flat membership growth from last year, this caused the increase in cost per member.

### 4. HOW WE COMPARE

PERS uses the services of a third-party benchmarking firm (CEM Benchmarking, Inc.) to compare its costs, services, and performance to other public retirement systems. CEM Benchmarking makes various adjustments in calculating total cost figures to make comparisons among differing systems more realistic. For this reason, PERS focuses on how it compares to its peers on an individual pension administration activity level rather than the adjusted overall cost figure presented by CEM. Since the 2012 CEM Benchmarking Analysis has not yet been published, these comparisons are based on the 2011 analysis report.





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## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## II. KEY MEASURE ANALYSIS

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For 2011, CEM Benchmarking, Inc. reported that while PERS' costs were higher than its peers for some activities, there were also a number of activities where PERS' costs were lower than those of its peers. When compared to its average peer costs per unit (or member/employer served - direct cost only), PERS spent more for activities such as Withdrawals/Transfers-out (\$125 vs. \$116), Member 1-on-1 Counseling/Application Assistance (\$97 vs. \$76), Call Center (\$8 vs \$6), Employer/Member Data and Billing (\$14 vs. \$5), Services to Employers (\$6 vs. \$2), Major Projects (\$11 vs. \$5), and Support Services (\$107 vs. \$92). On the other hand, PERS spent less per unit or member/employer served than its average peer for activities like Paying Pensions (\$8 vs. \$11), Pension Inceptions (\$120 vs. \$134), Purchases (\$49 vs. \$227), Disability (\$1,632 vs. \$1,777), Mail room/imaging (\$4 vs. \$7), Member Presentations (\$323 vs. \$1,504), Pension Estimates (\$45 vs. \$57), Mass communication (\$2 vs. \$4) and Governance/financial control (\$6 vs. \$7).

### 5. FACTORS AFFECTING RESULTS

FY2012 total administrative costs are up by \$3.6 million from FY2011. One of the main contributing factors is the shift in IT costs due to the completion of our multi-year major IT project. In FY2012 we completed the project and recently finished final project acceptance. With the completion of the project, the IT focus shifted from building the system to maintaining it. While the project costs over the last few years were largely capitalized, and therefore not included in CAFR administrative expenses, the maintenance and enhancement costs are all expensed, and included in administrative expenses. This, along with early prep work on our Strunk/Eugene overpayment recovery project, contributed to the higher overall administrative expenses in FY2012.

### 6. WHAT NEEDS TO BE DONE

PERS' benefit processing workload will increase over the next five to ten years with the inevitable retirement of nearly 70,000 members who are already (or soon will be) eligible to retire. But PERS is committed to limit cost increases in proportion to the workload increase through process and organization efficiencies and improved IT system capabilities. With the policy option packages proposed in the 2013-15 Agency Request Budget, PERS has positioned itself to be staffed, organized, and technologically supported to handle the projected increasing workload with a stable workforce and improved efficiency. The goal is to mitigate potential significant cost increases with continued maintenance and enhancements to the new ORION IT system, continuous process improvements, and staffing productivity gains and efficiencies.

### 7. ABOUT THE DATA

This measure is based on data for the Oregon fiscal year period and the calendar year. The cost per member is calculated by dividing the total fiscal year administrative expenses as reported in the PERS Comprehensive Annual Financial Report (CAFR) by the total membership including all active, inactive, and retired members as reported in the calendar year actuarial valuation (plus qualified non-vested inactive OPSRP members and calendar year lump sum and withdrawal recipients that are not included in the actuarial count).

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## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## II. KEY MEASURE ANALYSIS

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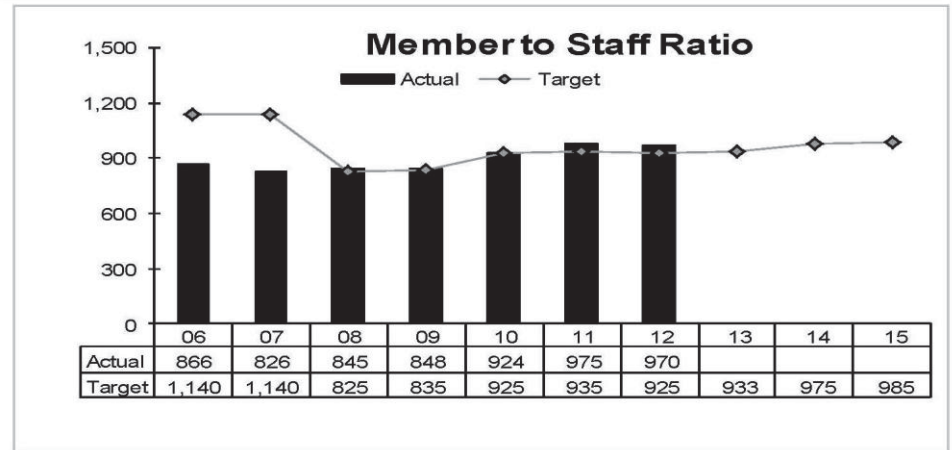
KPM #3	MEMBER TO STAFF RATIO Ratio of members to FTE staff	Measure since: 2006
<b>Goal</b>	Increase productivity of staff to improve service to members and retirees.	
<b>Oregon Context</b>	Oregon Benchmark #35: Public Management Quality. Increase efficiency of service to members.	
<b>Data source</b>	Budget/personnel statistics, PERS membership statistics from actuarial valuation, report from CEM Benchmarking, Inc. comparing PERS to its peers.	
<b>Owner</b>	Fiscal Services Administrator Jon DuFrene, 503-603-7512	

1. **OUR STRATEGY**

PERS aims to deliver high-quality service in a cost-efficient manner. To accomplish this, PERS needs to keep staffing numbers reasonable while continuing to meet statutory obligations and without sacrificing service.

2. **ABOUT THE TARGETS**

The long-range goal is to gradually increase the number of members served per employee through technology enhancements and process improvements to be implemented over the next two biennia. As with the 2011-13 targets, the targets for 2013-15 are based on projected membership levels for that biennium, and the staffing requested with the Agency Request Budget (ARB). The staffing included in the 2013-15 ARB has increased slightly from the previous 2011-13 projected levels due to the Strunk/Eugene overpayment recovery project. The membership levels are up from the previous biennium (when the 2011-13 targets were set), but have remained almost unchanged from FY2011. The goal with this KPM is to be at or above the targeted ratio.



3. **HOW WE ARE DOING**

PERS' member to staff ratio decreased to 970:1 in FY2012, down from 975:1 in FY2011. The staffing is slightly up this year due to the three Limited Duration staff added for the Strunk/Eugene overpayment recovery project. And membership levels are nearly identical to last year. It was discovered that some non-qualified employees were incorrectly included in the counts of OPSRP members in last year's report, but we have additionally included qualified non-vested inactive OPSRP members in the membership counts that are not factored in for actuarial purposes. These members can return to PERS covered employment and become vested at any time, and they have IAP accounts that will need to be paid out at some point regardless of their employment. These two errors were discovered and corrected with this year's membership counts, and they largely offset each other in relation to their impact on the overall membership total. This flat membership growth this year, coupled with the slight staffing increase is the cause for the dip in the member to staff ratio this year.

4. **HOW WE COMPARE**

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## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## II. KEY MEASURE ANALYSIS

Agency 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.

When comparing retirement system peers, PERS' benchmarking consultant, CEM Benchmarking, Inc. uses adjusted staffing and membership criteria that differs from the standard system of measurement presented with this KPM. But comparisons to peers can still be drawn on an individual benefit administration activity level. The 2012 CEM Benchmarking Analysis has not yet been published, so these comparisons are based on the 2011 analysis report. These figures factor in the number of FTE directly involved in each activity (no support or indirect FTE included), and the listed figures represent direct FTE per 10,000 active members and retirees.

For Fiscal Year 2011, CEM Benchmarking, Inc. reported that, because of greater system complexity and a greater number of programs administered, PERS is higher staffed (thus serving fewer members per FTE staff) than many of its peers. However, while PERS is higher staffed for some benefit administration activities, there are also activities that PERS is lower staffed. When compared to its peer average, PERS was heavier staffed per 10,000 members versus its peer average for activities like Pension Inceptions (.92 vs .49), Refunds (.61 vs .24), Written Pension Estimates (.24 vs .18), Call Center (.85 vs .74), Employer Data, Money and Services (1.99 vs .67), Governance and Financial Control (.69 vs .61), Information Technology (1.97 vs 1.29), Support Services (11.07 vs 7.3) and Mail Room/Imaging (.84 vs .35). But PERS was lower staffed per 10,000 members versus its peer average for activities like Purchases (.06 vs .2), Disability (.23 vs .25), Member 1-on-1 counseling/application assistance (.17 vs .30), Member Presentations (.07 vs .16) and Building / Utilities (.03 vs .15). PERS was close or equally staffed per 10,000 members to its peer average for activities like Paying Pensions (.25) and Mass Communication (.2).

### 5. FACTORS AFFECTING RESULTS

In considering the peer comparison results listed above, note that PERS was observed to be the second most complex system among 15 other similar sized public retirement systems identified in the CEM Benchmarking, Inc. Benchmarking Analysis for 2011. This complexity is driven by PERS' service to multiple classes of public employees, including part-time employees, the large number of retirement options, multiple retirement benefit calculations, and a number of other benefit add-ons. The complexity has made it difficult to provide enterprise-level, IT-based applications and solutions.

The 2003 PERS Reform legislation contributed to increased staffing by adding two new retirement programs (OPSRP and IAP). PERS grew to an agency of 420 positions in FY 03-05 when the reform legislation implementation began and many permanent and limited duration staff were added. PERS' Agency Request Budget for 2013-15 includes staffing of 370 positions (including staffing for the Strunk/Eugene payment recovery project), a decrease of 12 percent from the FY 03-05 peak staffing.

### 6. WHAT NEEDS TO BE DONE

Demographic research shows that the next five to ten years will see a dramatically increasing number of members who qualify for retirement benefits. While the rising volume of retirements is an issue facing most public pension systems, PERS has also been challenged by transitioning to a newly developed and implemented IT system. This situation is expected to improve as staff adapts to the functionality provided by ORION and the operational demands of statutory changes and program expansions (OPSRP and IAP) are normalized.

In the long term, the improved IT systems will lead to more automated processes, reducing PERS' dependency on staff-intensive desktop applications and allowing the agency to continue to handle increasing workloads with stabilized staffing.

### 7. ABOUT THE DATA

This measure is based on data for the Oregon fiscal year period and the calendar year. The member per staff ratio is calculated by dividing the total customer service membership base by the by total FTE staff per June PICS reports. The customer service membership base includes all active, inactive and retired members per the calendar year actuarial valuation, plus qualified non-vested inactive members and calendar year lump sum and withdrawal recipients.

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## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## II. KEY MEASURE ANALYSIS

Agency 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.

KPM #4	ACCURATE BENEFIT CALCULATIONS Percent of service retirement monthly benefits accurately calculated to within \$5 per month	Measure since: 2006
<b>Goal</b>	Pay the right person the right benefit at the right time.	
<b>Oregon Context</b>	Oregon Benchmark #59: Independent Seniors. Encourage member independence and financial well-being into retirement.	
<b>Data source</b>	Annual internal audit of sample from Benefit Payments Division service retirement calculations	
<b>Owner</b>	BPD Administrator Brian Harrington, 503-431-8259	

### 1. OUR STRATEGY

This is a new KPM for the 2011-13 biennium. Our agency's mission is to pay the right person the right benefit at the right time. Calculating benefits accurately the first time is a key element of achieving this.

### 2. ABOUT THE TARGETS

When this new measure was established during the 2011-13 Budget approval cycle, no targets were attached to it. But our goal is to accurately calculate the service retirement benefits to within \$5 per month 100% of the time. We would like to attach the target of 100% to this measure moving forward.

### 3. HOW WE ARE DOING

In FY2012, initial service retirement benefit calculations were accurate to within \$5 per month 99% of the time. This was within 1% of the 100% targeted performance. While this was the first year for this KPM, the accuracy audit has been performed for the past five years. This year's results show a significant improvement from the 94% accuracy rate in FY2011. In fact, the accuracy rate has climbed steadily from 87% in 2008 (the first year of the accuracy audit).

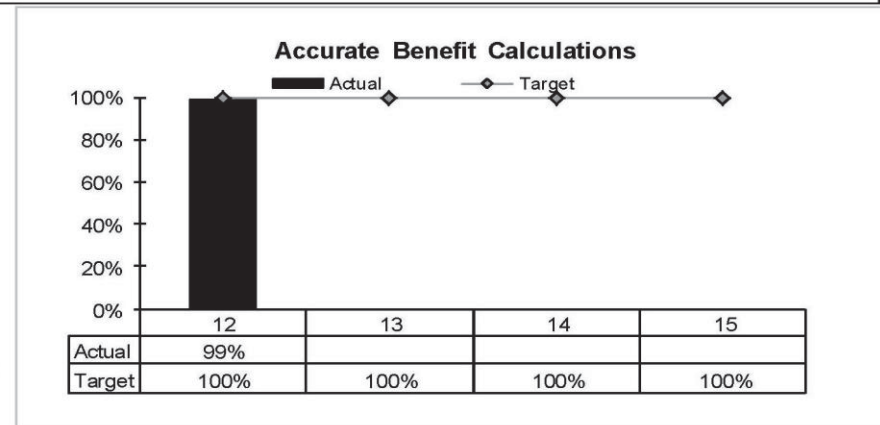
### 4. HOW WE COMPARE

While we do use the services of a third-party benchmarking consultant (CEM Benchmarking, Inc.), the accuracy of benefit calculations is not one of the comparators they use.

### 5. FACTORS AFFECTING RESULTS

The agency has taken considerable efforts to improve the accuracy of benefit calculations. There have been three primary areas of focused improvement in this regard. First is the accuracy audit on which this KPM is based. The annual audit is performed by our internal auditors and began in 2008. Second is regular internal quality assurance sampling of benefit calculations. Operations staff randomly test the benefit calculations to ensure that errors are being found and corrected before the benefit goes out the door. And third, IT system improvements have helped improve the accuracy of the calculations.

### 6. WHAT NEEDS TO BE DONE



# BUDGET NARRATIVE

## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## II. KEY MEASURE ANALYSIS

Agency 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.

The operations units have been vigilant and will continue to be vigilant when it comes to benefit calculation accuracy. The Benefit Payments Division and Customer Service Division continue to partner with one another to ensure ORION (the new IT system) is calculating benefits correctly by following the change request, user acceptance testing, and regression testing process. In addition, operations will continue to perform regular quality assurance sampling.

### 7. ABOUT THE DATA

This measure is based on data for the Oregon fiscal year period. The data is based on a sample audit of the Benefit Payments Division benefit calculations. The audit is conducted by PERS internal audits staff on an annual basis. In this audit, 100 benefit calculations were sampled, consisting of 70 Tier 1/Tier 2 monthly annuity benefits, 10 Tier 1/Tier 2 lump sum benefits (includes lump sum plus annuity), and 20 OPSRP benefits.

# BUDGET NARRATIVE

## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## II. KEY MEASURE ANALYSIS

Agency 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.

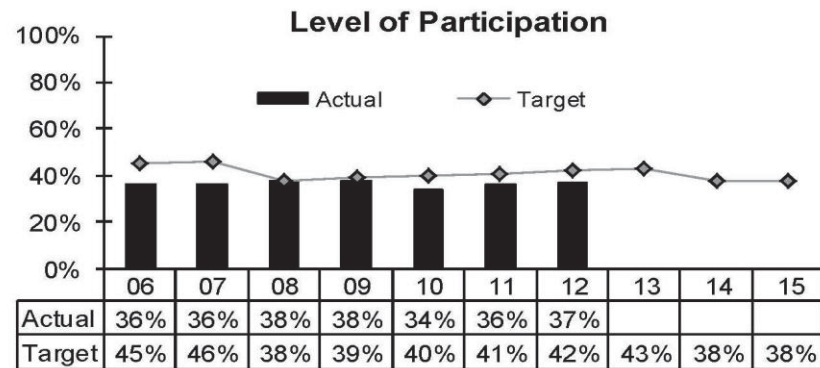
KPM #5	LEVEL OF PARTICIPATION Percent of state employees participating in the deferred compensation program.	Measure since: 2006
<b>Goal</b>	Increase voluntary participation by state employee members in Deferred Compensation Program	
<b>Oregon Context</b>	Encourage member independence and financial well-being into retirement. Has an effect on Oregon Benchmark #59: Independent Seniors.	
<b>Data source</b>	Deferred Compensation records, along with reports from Oregon Savings Growth Plan (OSGP) Third party administrator, ING	
<b>Owner</b>	Deferred Compensation Manager Gay Lynn Bath, 503-378-6425.	

### 1. OUR STRATEGY

PERS' Deferred Compensation program, the Oregon Savings Growth Plan (OSGP), understands that the financial demands on current and future retirees are increasing. So OSGP aims to provide Oregon public employees with another option to help supplement their PERS benefits and help bridge the gap between retirees' financial needs and their PERS benefits. To remain a valued option for PERS members, OSGP's goal is to provide solid investment options and to educate participants about the importance of retirement preparation through participation in this supplemental savings program.

### 2. ABOUT THE TARGETS

The annual target increases in the past have been based on OSGP's goal to gradually increase the participation level by 1% annually. While the participation has been increased by 1% annually over the last couple years, achieving participation in the 40% range is highly unlikely and unachievable. With a large number of employees eligible to retire, an ambitious but achievable goal would be to reach and maintain a participation level of 38%. Considering a national average participation rate of 24% among similar plans, the 38% target still puts OSGP well ahead of its peers. Moving forward we request resetting the targets to 38%.



### 3. HOW WE ARE DOING

State government employee participation in OSGP increased to 37% of active employees in FY2012, up from 36% of active state employees in FY2011.

### 4. HOW WE COMPARE

The National Association of Government Defined Contribution Administrators (NAGDCA) conducts a periodic survey that measures participation in optional state and local government defined contribution plans. In its 2012 survey results, NAGDCA reported that, among the responding state plans, 24% of the eligible employees participated in optional plans like OSGP. So, at 37% participation among Oregon state employees, OSGP is performing ahead of the national average participation rate for similar plans.

### 5. FACTORS AFFECTING RESULTS

Because OSGP is voluntary for state employees, to have both a relatively high rate of penetration and average monthly deferrals reflects that the Deferred Compensation program is both well known and represents an important retirement savings tool for many state employees. Despite this, there are other

# BUDGET NARRATIVE

## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## II. KEY MEASURE ANALYSIS

Agency 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.

factors that potentially limit the participation rates. There are a large number of baby boomer generation employees who are eligible to retire in the near future. Many of these retirees will withdraw their OSGP accounts or roll them into other retirement accounts and the demographics of their replacements (normally younger and lower paid) will create a challenge for increasing participation rates.

The market volatility has kept some employees from enrolling, as they are concerned about risk. Furlough days and step freezes have also impacted employee income levels, and many cannot afford to defer right now. And with high unemployment levels affecting the families of many state employees, there might be less willingness for new eligible employees to participate in an optional program such as the OSGP.

There was a decrease in enrollment for FY2012, with 943 new enrollments, compared to 1,219 during FY2011. This decreased enrollment volume can most likely be attributed to fewer hires in the state, continued furlough days, and increased costs to employees for health insurance. However, the overall participation for state employees as of June 30, 2012 was 37%, an increase of the 36% in FY2011.

### 6. WHAT NEEDS TO BE DONE

Data shows that participation does not often change drastically from year to year, and the participation rate remains difficult to control or impact. And when factoring in the effect that the many upcoming retirements and the poor economic conditions will have on OSGP participation rates, it will be important for OSGP to educate and remind existing and new employees of the benefits of participating in the program.

OSGP staff are doing their best to educate new employees on the values of enrolling in the plan. The OSGP education specialist has increased the number of on-site visits and travels extensively around the state to meet with state employees. Another strategy is for OSGP staff to meet with HR managers to seek their help in communicating to state employees about OSGP. OSGP's third-party consultant, ING, is also helping to get the word out about OSGP. An ING employee works onsite for OSGP and helps with workshops and enrollments, as well as working with OSGP on formulating targeted mailings, videos and webinars to help increase participation. Roth 457 workshops have been added to the workshop schedule as well.

The plan also added a Roth 457 option, which staff believes will increase participation for younger participants who have been requesting a Roth. OSGP will hold its 7th annual open house during National Save for Retirement Week, and during that time period, state employees will receive an email from OSGP inviting them to the open house and explaining the program.

### 7. ABOUT THE DATA

This measure is based on data for the Oregon fiscal year period. The data is provided by OSGP's third-party administrator, ING. Because the available records of certain participating employee groups (Higher Ed, miscellaneous small agencies and participating local government entities) are more difficult to verify, only Oregon State Payroll System (OSPS) employees are factored in this measure. OSPS records are easily verifiable and make for stable comparisons from year to year.

# BUDGET NARRATIVE

## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## II. KEY MEASURE ANALYSIS

Agency 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.

KPM #6	CUSTOMER SERVICE Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information	Measure since: 2006
<b>Goal</b>	To improve customer satisfaction through effective and efficient delivery of retirement benefits.	
<b>Oregon Context</b>	#35: Public Management Quality - Citizen satisfaction with government services.	
<b>Data source</b>	Agency-administered survey (SurveyMonkey.com online tool was used, along with a hard copy provided in the retiree newsletter).	
<b>Owner</b>	Customer Services Division Administrator Yvette Elledge, 503-603-7685	

### 1. OUR STRATEGY

PERS is committed to providing high-quality, cost-effective customer service. The goal is to deliver effective and efficient service to PERS members, employers, and stakeholders. The customer satisfaction surveys help to determine areas of strength and needed improvement. PERS management will make strategic decisions based on the results to place resources and effort where improvement is needed.

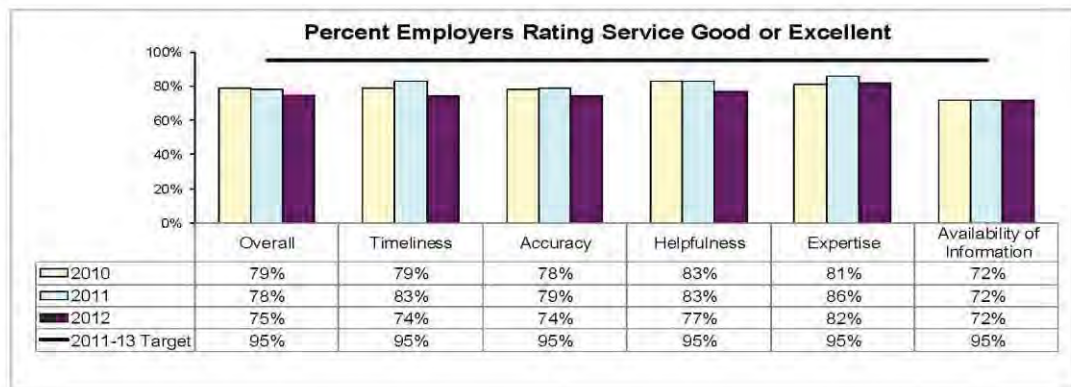
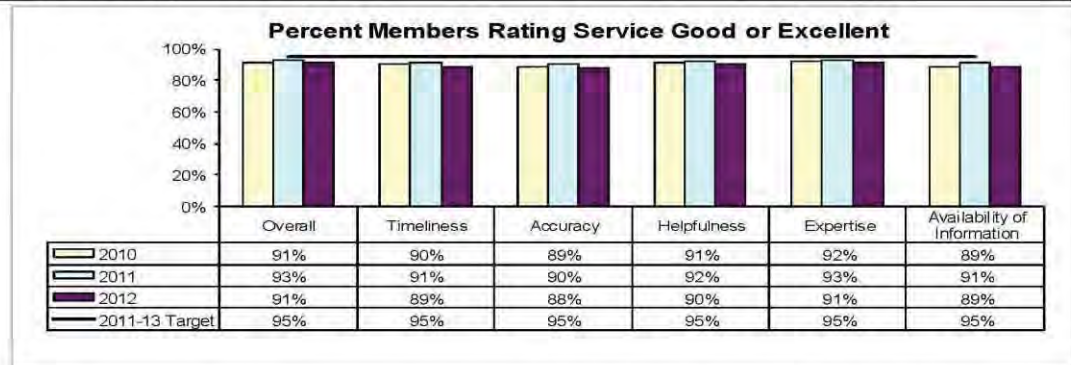
### 2. ABOUT THE TARGETS

The existing goal has been to maintain 80% of customers rating their PERS service as good or excellent. But during the budget process for the 2011-13 biennium, the Legislative Fiscal Office requested PERS to increase the member satisfaction targets to 95% for the 2011-13 biennium.

### 3. HOW WE ARE DOING

For the FY2012 member survey, PERS received slightly lower marks in every category from the 2011 levels. PERS scored between 88% and 91% across the categories, with 91% of members rating PERS overall service as "good" or "excellent." Members rated PERS highest in Expertise (91%), and lowest in Accuracy (88%).

In the FY2012 employer survey, the results reflected decreased ratings across all categories, just as with the





# BUDGET NARRATIVE

## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## II. KEY MEASURE ANALYSIS

Agency 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.

member survey. For the FY2012 employer survey, the employers rated PERS between 72% and 82% “good” or “excellent,” with 75% of employers rating PERS overall service as excellent or good. Employers rated PERS highest in Expertise (82%) and lowest in Availability of Information (72%).

### 4. HOW WE COMPARE

PERS does use the services of a benchmarking consultant (CEM Benchmarking, Inc.), but customer satisfaction ratings in these categories is not one of the comparators. In accessing a sampling of other state agency customer satisfaction results, the average customer service category satisfaction ratings fell between 51% and 96%, with an average across the sample of about 80%. PERS’ member ratings would fall at the high end of that range, while the employer ratings would be close to the sample average.

### 5. FACTORS AFFECTING RESULTS

PERS continues to keep customer service and satisfaction as a major focus in its agency strategies and staff efforts. Member-oriented services such as the one-on-one retirement application assistance program continue to be very successful. PERS has also continued to offer workshops and presentations with individual employers and groups beyond the usual outreach presentations. This effort, along with continued success in its employer advocate program and other training efforts, have helped to bolster customer service to employers.

One factor that may have negatively impacted the member ratings is the project to collect overpayments from 1999 earnings that were restated. Many members noted dissatisfaction at being required to repay PERS based on the erroneous earnings crediting and subsequent litigation that was resolved this year.

### 6. WHAT NEEDS TO BE DONE

PERS solicited comments from the member and employer survey participants and found a few key areas to focus improvement efforts. For the member survey respondents, there were two main areas of desired improvement: Members want to receive an option change sooner in the case of a spouse’s death, and benefit recipients receiving estimated payments want their benefit to be finalized. The Benefit Payments Division and Customer Service Division are working together to process the benefit changes, and their goal is to finish processing all current requests by the end of 2012. There are approximately 200 benefit recipients who are currently receiving estimated payments. The Benefit Payments division anticipates providing a final benefit amount for these recipients by the end of 2012.

In the employer survey, PERS found that there were two main areas of improvements desired by employers: Employers want telephone access to Employer Service Center representatives throughout the business day, and employers requested that PERS process unposted employee records in a timelier manner. While the Employer Call Center is open from 8:30 a.m. to 12:30 p.m. on workdays, employers can also call their designated Employer Service Center representative directly any time during the day. The Employer Call Center hours are half-day in order to allow staff to work directly with their caseloads. But the direct lines for each Employer Service Representative are posted on the PERS website, and we will renew our efforts to communicate with employers about the all-day availability of the service reps. In 2011 there was a new functionality deployed that helped with data accuracy, but necessitated data corrections dating back to 2004. This has prevented some employer records from posting, requiring PERS staff intervention. PERS staff has been working diligently to make the data corrections, and have corrected over 145,000 suspended records from 2011. The goal is to have all of the 2011 suspended records posted by year end.

### 7. ABOUT OUR CUSTOMER SERVICE SURVEY

The member satisfaction survey was conducted by PERS staff using the online SurveyMonkey.com tool and hard copy surveys included in the agency’s *Perspectives* newsletter mailed to retired members. The survey was open from August 1 through August 31, 2012. The population is consumers, since members are end users of PERS services. For the sampling frame, PERS left the survey open to all members (active, inactive and retired). The survey was advertised in the *Perspectives* newsletter (a PERS newsletter sent to all members), which listed the web link to take part in the survey. The survey link was also posted in a prominent location on the PERS website homepage for all members to view. Since PERS left the survey open to the full population of members, the

# BUDGET NARRATIVE

## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## II. KEY MEASURE ANALYSIS

Agency 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.

sampling procedure could be considered a passive census. Out of approximately 350,000 members, PERS received approximately 1,700 responses. There was no weighting involved with the tabulation of results.

The employer survey was also conducted by PERS staff using the online SurveyMonkey.com tool. The survey was open from August 1 through August 31, 2012. The employer population could be considered clients, and for the sampling frame, PERS left the survey open to all employers. The survey link was emailed to all employers, and posted on the employer portion of the PERS website. The sampling procedure would be considered a passive census. Out of approximately 900 employers, PERS received 286 responses. This is more than double the response rate of our 2011 employer survey.

# BUDGET NARRATIVE

## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## II. KEY MEASURE ANALYSIS

Agency 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.

KPM #7	TIMELY BENEFIT ESTIMATES Percent of benefit estimates processed within 30 days	Measure since: 2008
<b>Goal</b>	To prepare and deliver benefit estimates effectively and efficiently.	
<b>Oregon Context</b>	Oregon Benchmark #59: Independent Seniors. Encourage member independence and financial well-being into retirement.	
<b>Data source</b>	Customer Service Division (CSD) statistics	
<b>Owner</b>	Customer Services Division Administrator Yvette Elledge, 503-603-7685	

### 1. OUR STRATEGY

PERS understands that receiving timely and accurate benefit estimates is a crucial component of retirement planning. To make sure members have all available information they need to properly plan for retirement, PERS is focused on providing member benefit estimates within 30 days of a qualified request.

### 2. ABOUT THE TARGETS

PERS' continued goal is to deliver benefit estimates within 30 days at least 95% of the time, and this targeted level of service has been continued through 2011-13, and targeted for 2013-15.

### 3. HOW WE ARE DOING

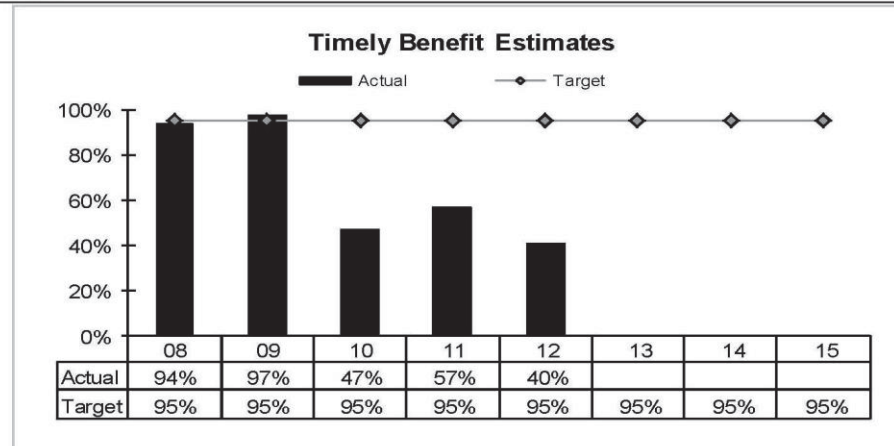
For FY2012, PERS provided member benefit estimates within 30 days 40% of the time. This is a decrease from the FY2011 performance of 57%, showing a regression from the previous year's progress.

### 4. HOW WE COMPARE

Using the services of a third-party benchmarking consultant (CEM Benchmarking, Inc.), PERS is able to compare its performance with that of its peers. According to CEM Benchmarking, Inc., the average rate for preparing benefit estimates among PERS' peers was 9 days in fiscal year 2011 (CEM's 2012 report is not yet published). By comparison, PERS processed its benefit estimates in an average of 35 days during FY2012. But PERS also provides up to 3 different benefit calculations and 15 different benefit option scenarios with each estimate, as compared to an average of only 3 benefit options amongst its peers.

### 5. FACTORS AFFECTING RESULTS

Significant progress has been made in reducing the backlog by 52% from FY2011. The strategy to address the backlog was to prioritize and complete estimates based on a combination of the received date (oldest first) and by the requestor's effective retirement date. While the backlog has been addressed and reduced, addressing it has slowed down the response time on new requests, which is part of the reason why performance of this KPM dipped in FY2012. Over the long term, eliminating the backlog will allow full focus on new requests and help improve the turnaround times.



# BUDGET NARRATIVE

## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## II. KEY MEASURE ANALYSIS

Agency 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.

Continued system upgrades have also affected performance. While the system upgrades will help with process and performance improvements in the long run, the deployments have slowed the benefit estimate processing time significantly for the short term. There are some 100 system change requests involving the estimate process. Until these change requests are put into production, there is a workaround needed to generate the estimate, which has greatly slowed this process.

6. **WHAT NEEDS TO BE DONE**

Completion of the change requests will help to make the estimate process more efficient by reducing the number of workarounds needed to complete estimates. Continued progress in reducing the backlog further will also help in the long run.

7. **ABOUT THE DATA**

This measure is based on data for the Oregon fiscal year period. The data is based on tracked performance statistics provided by the Customer Service Division at PERS.

# BUDGET NARRATIVE

## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## II. KEY MEASURE ANALYSIS

Agency 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.

KPM #8	BEST PRACTICES: Percent of best practices met by Board/Commission.	Measure since: 2008
<b>Goal</b>	To achieve best practices in governance of PERS	
<b>Oregon Context</b>	#35: Public Management Quality - Citizen satisfaction with government services.	
<b>Data source</b>	Biennial self-administered survey.	
<b>Owner</b>	Executive Director Paul Cleary, 503-603-7711	

### 1. OUR STRATEGY

The PERS Board is committed to working with the Executive Director and the Executive Management team to implement best practices in the governance of agency operations. In its initial self-assessment in 2008, the Board considered the 15 DAS-assigned best practices criteria and added 3 additional criteria they felt would also be beneficial to consider. These additional criteria are not scored for purposes of this KPM. This format will continue to be applied each biennium.

### 2. ABOUT THE TARGETS

The PERS Board's goal is to meet 100% of the best practices criteria for this measure.

### 3. HOW WE ARE DOING

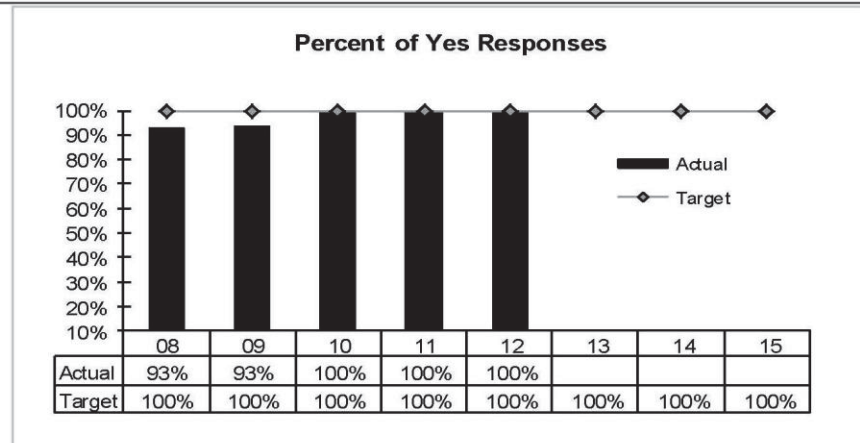
The PERS Board completed the self-assessment survey process using the online SurveyMonkey.com tool in September 2012. The results were presented at their September 28, 2012 public board meeting. Continuing the approach first used in 2008 and 2009, the Board assessed their Fiscal Year 2012 performance in three categories: fully meets, meets but needs improvement, or does not meet. For KPM purposes, the Board concluded that the "meets but needs improvement" and the "meets" responses would be rated as a "yes" for this KPM. The results of the survey showed the Board had satisfactorily met all 15 best practices criteria.

### 4. HOW WE COMPARE

In past samplings of the Annual Performance Progress Reports of other similar state agency boards, the scores generally fell between 87% and 100%, with an average of about 98%. The PERS Board is in line with this scoring with a 100% rating in FY2012.

### 5. FACTORS AFFECTING RESULTS

The PERS Board recognizes the importance of providing strategic guidance, budget and financial control, customer service emphasis, regular communications with stakeholders, and maintaining agency focus on cost effective and efficient operations. This emphasis has resulted in increased attention at the staff level on operational best practices, which takes on increasing importance in periods of economic stress. The Board and agency management will continue to support this best practices focus through their activities and discussions at Board and Audit Committee meetings.



# BUDGET NARRATIVE

## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## II. KEY MEASURE ANALYSIS

Agency 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.

### 6. WHAT NEEDS TO BE DONE

While the PERS Board did realize a 100% rating for Fiscal Year 2012, there were a couple of criteria that received votes of “meets but needs improvement.” Criteria 13, “the Board coordinates with others where responsibilities overlap” received a single “meets but needs improvement” vote, while Criteria 14, “Board members identify and attend appropriate training sessions,” received two “meets but needs improvement” votes. The PERS Board will work to maintain and enhance their overall performance on these best practices criteria whenever possible. PERS staff can assist the Board in this endeavor by communicating and sharing training opportunities with the Board on topics such as governance and benefit administration. The Chair of the Board will work with the Executive Director to identify specific areas of improvement and possible courses of action to make those improvements. At the same time, the Board will continue to focus on their full range of governance responsibilities and regularly review and implement all the identified Board best practices.

### 7. ABOUT THE DATA

This measure is based on results for Fiscal Year 2012. The PERS Board completed the self-assessment in September 2012.

# BUDGET NARRATIVE

## PUBLIC EMPLOYEES RETIREMENT SYSTEM

## III. USING PERFORMANCE DATA

Agency 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.

Contact: Matthew Rickard, Budget Analyst	Phone: (503) 603-7576
Alternate: Kyle Knoll, Budget Officer	Phone: (503) 603-7568

The following questions indicate how performance measures and data are used for management and accountability purposes.	
<b>1 INCLUSIVITY</b> Describe the involvement of the following groups in the development of the agency's performance measures.	<ul style="list-style-type: none"> <li>Staff: The 2011-13 approved KPMs were developed by PERS staff and executive management and reviewed by the PERS Board.</li> <li>Elected Officials: Elected officials have reviewed and approved the 2011-13 KPMs and targets as a part of the Ways and Means process.</li> <li>Stakeholders: Staff met with key management and stakeholders to determine how each measured success. The KPMs were then formed using strict selection criteria to ensure accuracy, longevity, and applicability to each program.</li> <li>Citizens: While citizens are not involved in the KPM formation process, the annual results are posted on the DAS Budget and Management KPM and PERS websites for the general public to view.</li> </ul>
<b>2 MANAGING FOR RESULTS</b> How are performance measures used for management of the agency? What changes have been made in the past year?	The results are used to gauge PERS' progress versus previous performance, as well as its peers. PERS has recently implemented a new management system approach. This new system based on the NOW Management design uses enterprise level process and outcome measure scorecards that are presented on a quarterly basis. Performance results are also used in the formation of business plans and in development of the agency's biennial budget. The agency's six-year strategic plan and two-year tactical plan are also linked to the performance measures to guide longer-term management of the agency. One positive effect of analyzing the previous results involves the improved focus on customer service, and the resulting higher member and employer ratings each year.
<b>3 STAFF TRAINING</b> What training has staff had in the past year on the practical value and use of performance measures?	In the KPM formulation process, meetings with managers and stakeholders have taken place to educate them on the KPM process and to help them understand how the measures can be useful in program and agency management. Staff working directly with the KPMs also have attended statewide KPM trainings and participated in most of the KPM informational meetings.
<b>4 COMMUNICATING RESULTS</b> How does the agency communicate performance results to each of the following audiences and for what purpose?	<ul style="list-style-type: none"> <li>Staff: Results are posted on PERS' internal network, included along with sectional budget execution reports for managers, posted on the PERS website for general staff, and reviewed by the PERS Board.</li> <li>Elected Officials: Results are communicated through the Annual Performance Progress Report and as part of the agency's biennial budget request.</li> <li>Stakeholders: Results are reported directly to the PERS Board and posted on the PERS website for other stakeholders.</li> <li>Citizens: The results are posted on the DAS website and the PERS website.</li> </ul>

# BUDGET NARRATIVE

## Summary of 2013-15 Biennium Budget

### Summary of 2013-15 Biennium Budget

Public Employees Retirement System, Oregon  
 Public Employees Retirement System, Oregon  
 2013-15 Biennium

Governor's Budget  
 Cross Reference Number: 45900-000-00-00-00000

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

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# BUDGET NARRATIVE

## Summary of 2013-15 Biennium Budget

Public Employees Retirement System, Oregon  
 Public Employees Retirement System, Oregon  
 2013-15 Biennium

Governor's Budget  
 Cross Reference Number: 45900-000-00-00-00000

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

# BUDGET NARRATIVE

## Summary of 2013-15 Biennium Budget

Public Employees Retirement System, Oregon  
 Public Employees Retirement System, Oregon  
 2013-15 Biennium

Governor's Budget  
 Cross Reference Number: 45900-000-00-00-00000

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

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# BUDGET NARRATIVE

## Summary of 2013-15 Biennium Budget

**Public Employees Retirement System, Oregon**  
**Tier One and Tier Two Plan**  
**2013-15 Biennium**

**Governor's Budget**  
**Cross Reference Number: 45900-100-00-00-00000**

Description	Positions	Full-Time Equivalent (FTE)	ALL FUNDS	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds
2011-13 Leg Adopted Budget	-	-	7,225,836,810	-	-	-	-	7,225,836,810	-
2011-13 Emergency Boards	-	-	-	-	-	-	-	-	-
<b>2011-13 Leg Approved Budget</b>	-	-	<b>7,225,836,810</b>	-	-	-	-	<b>7,225,836,810</b>	-
<b>2013-15 Base Budget Adjustments</b>									
Net Cost of Position Actions									
Administrative Biennialized E-Board, Phase-Out	-	-	-	-	-	-	-	-	-
Estimated Cost of Merit Increase	-	-	-	-	-	-	-	-	-
Base Debt Service Adjustment	-	-	-	-	-	-	-	-	-
Base Nonlimited Adjustment	-	-	1,315,024,190	-	-	-	-	1,315,024,190	-
Capital Construction	-	-	-	-	-	-	-	-	-
<b>Subtotal 2013-15 Base Budget</b>	-	-	<b>8,540,861,000</b>	-	-	-	-	<b>8,540,861,000</b>	-
020 - Phase In / Out Pgm & One-time Cost									
021 - Phase-in	-	-	-	-	-	-	-	-	-
022 - Phase-out Pgm & One-time Costs	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	-	-	-	-	-	-	-	-	-
040 - Mandated Caseload									
040 - Mandated Caseload	-	-	-	-	-	-	-	-	-
050 - Fundshifts and Revenue Reductions									
050 - Fundshifts	-	-	-	-	-	-	-	-	-
060 - Technical Adjustments									
060 - Technical Adjustments	-	-	-	-	-	-	-	-	-
<b>Subtotal: 2013-15 Current Service Level</b>	-	-	<b>8,540,861,000</b>	-	-	-	-	<b>8,540,861,000</b>	-

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\_\_\_ Agency Request

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# BUDGET NARRATIVE

## Summary of 2013-15 Biennium Budget

Public Employees Retirement System, Oregon  
 Tier One and Tier Two Plan  
 2013-15 Biennium

Governor's Budget  
 Cross Reference Number: 45900-100-00-00-00000

Description	Positions	Full-Time Equivalent (FTE)	ALL FUNDS	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds
<b>Subtotal: 2013-15 Current Service Level</b>	-	-	8,540,861,000	-	-	-	-	8,540,861,000	-
070 - Revenue Reductions/Shortfall									
070 - Revenue Shortfalls	-	-	-	-	-	-	-	-	-
<b>Modified 2013-15 Current Service Level</b>	-	-	8,540,861,000	-	-	-	-	8,540,861,000	-
080 - E-Boards									
081 - May 2012 E-Board	-	-	-	-	-	-	-	-	-
082 - September 2012 E-Board	-	-	-	-	-	-	-	-	-
083 - December 2012 E-Board	-	-	-	-	-	-	-	-	-
<b>Subtotal Emergency Board Packages</b>	-	-	-	-	-	-	-	-	-
Policy Packages									
090 - Analyst Adjustments	-	-	-	-	-	-	-	-	-
091 - Statewide Administrative Savings	-	-	-	-	-	-	-	-	-
092 - PERS Taxation Policy	-	-	-	-	-	-	-	-	-
093 - Other PERS Adjustments	-	-	-	-	-	-	-	-	-
101 - Current Service Delivery Levels	-	-	-	-	-	-	-	-	-
102 - Retiree Health Insurance Program	-	-	-	-	-	-	-	-	-
103 - Infrastructure Maintenance & Enhancement	-	-	-	-	-	-	-	-	-
<b>Subtotal Policy Packages</b>	-	-	-	-	-	-	-	-	-
<b>Total 2013-15 Governor's Budget</b>	-	-	8,540,861,000	-	-	-	-	8,540,861,000	-
Percentage Change From 2011-13 Leg Approved Budget	-	-	18.20%	-	-	-	-	18.20%	-
Percentage Change From 2013-15 Current Service Level	-	-	-	-	-	-	-	-	-

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# BUDGET NARRATIVE

## Summary of 2013-15 Biennium Budget

**Public Employees Retirement System, Oregon  
Oregon Public Service Retirement Plan  
2013-15 Biennium**

**Governor's Budget  
Cross Reference Number: 45900-200-00-00-00000**

<i>Description</i>	<i>Positions</i>	<i>Full-Time Equivalent (FTE)</i>	<i>ALL FUNDS</i>	<i>General Fund</i>	<i>Lottery Funds</i>	<i>Other Funds</i>	<i>Federal Funds</i>	<i>Nonlimited Other Funds</i>	<i>Nonlimited Federal Funds</i>
2011-13 Leg Adopted Budget	-	-	208,175,500	-	-	-	-	208,175,500	-
2011-13 Emergency Boards	-	-	-	-	-	-	-	-	-
<b>2011-13 Leg Approved Budget</b>	-	-	<b>208,175,500</b>	-	-	-	-	<b>208,175,500</b>	-
<b>2013-15 Base Budget Adjustments</b>									
Net Cost of Position Actions									
Administrative Biennialized E-Board, Phase-Out	-	-	-	-	-	-	-	-	-
Estimated Cost of Merit Increase	-	-	-	-	-	-	-	-	-
Base Debt Service Adjustment	-	-	-	-	-	-	-	-	-
Base Nonlimited Adjustment	-	-	528,838,500	-	-	-	-	528,838,500	-
Capital Construction	-	-	-	-	-	-	-	-	-
<b>Subtotal 2013-15 Base Budget</b>	-	-	<b>737,014,000</b>	-	-	-	-	<b>737,014,000</b>	-
020 - Phase In / Out Pgm & One-time Cost									
021 - Phase-in	-	-	-	-	-	-	-	-	-
022 - Phase-out Pgm & One-time Costs	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	-	-	-	-	-	-	-	-	-
040 - Mandated Caseload									
040 - Mandated Caseload	-	-	-	-	-	-	-	-	-
050 - Fundshifts and Revenue Reductions									
050 - Fundshifts	-	-	-	-	-	-	-	-	-
060 - Technical Adjustments									
060 - Technical Adjustments	-	-	-	-	-	-	-	-	-
<b>Subtotal: 2013-15 Current Service Level</b>	-	-	<b>737,014,000</b>	-	-	-	-	<b>737,014,000</b>	-

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# BUDGET NARRATIVE

## Summary of 2013-15 Biennium Budget

Public Employees Retirement System, Oregon  
Oregon Public Service Retirement Plan  
2013-15 Biennium

Governor's Budget  
Cross Reference Number: 45900-200-00-00-00000

Description	Positions	Full-Time Equivalent (FTE)	ALL FUNDS	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds
<b>Subtotal: 2013-15 Current Service Level</b>	-	-	737,014,000	-	-	-	-	737,014,000	-
070 - Revenue Reductions/Shortfall									
070 - Revenue Shortfalls	-	-	-	-	-	-	-	-	-
<b>Modified 2013-15 Current Service Level</b>	-	-	737,014,000	-	-	-	-	737,014,000	-
080 - E-Boards									
081 - May 2012 E-Board	-	-	-	-	-	-	-	-	-
082 - September 2012 E-Board	-	-	-	-	-	-	-	-	-
083 - December 2012 E-Board	-	-	-	-	-	-	-	-	-
<b>Subtotal Emergency Board Packages</b>	-	-	-	-	-	-	-	-	-
Policy Packages									
090 - Analyst Adjustments	-	-	-	-	-	-	-	-	-
091 - Statewide Administrative Savings	-	-	-	-	-	-	-	-	-
092 - PERS Taxation Policy	-	-	-	-	-	-	-	-	-
093 - Other PERS Adjustments	-	-	-	-	-	-	-	-	-
101 - Current Service Delivery Levels	-	-	-	-	-	-	-	-	-
102 - Retiree Health Insurance Program	-	-	-	-	-	-	-	-	-
103 - Infrastructure Maintenance & Enhancement	-	-	-	-	-	-	-	-	-
<b>Subtotal Policy Packages</b>	-	-	-	-	-	-	-	-	-
<b>Total 2013-15 Governor's Budget</b>	-	-	737,014,000	-	-	-	-	737,014,000	-
Percentage Change From 2011-13 Leg Approved Budget	-	-	254.00%	-	-	-	-	254.00%	-
Percentage Change From 2013-15 Current Service Level	-	-	-	-	-	-	-	-	-

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# BUDGET NARRATIVE

## Summary of 2013-15 Biennium Budget

**Public Employees Retirement System, Oregon**  
**Operations**  
**2013-15 Biennium**

**Governor's Budget**  
**Cross Reference Number: 45900-300-00-00-00000**

Description	Positions	Full-Time Equivalent (FTE)	ALL FUNDS	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds
2011-13 Leg Adopted Budget	364	364.08	78,010,820	-	-	78,010,820	-	-	-
2011-13 Emergency Boards	-	-	(750,000)	-	-	(750,000)	-	-	-
<b>2011-13 Leg Approved Budget</b>	<b>364</b>	<b>364.08</b>	<b>77,260,820</b>	<b>-</b>	<b>-</b>	<b>77,260,820</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2013-15 Base Budget Adjustments</b>									
Net Cost of Position Actions									
Administrative Biennialized E-Board, Phase-Out	(30)	(30.08)	988,156	-	-	988,156	-	-	-
Estimated Cost of Merit Increase	-	-	-	-	-	-	-	-	-
Base Debt Service Adjustment	-	-	-	-	-	-	-	-	-
Base Nonlimited Adjustment	-	-	-	-	-	-	-	-	-
Capital Construction	-	-	-	-	-	-	-	-	-
<b>Subtotal 2013-15 Base Budget</b>	<b>334</b>	<b>334.00</b>	<b>78,248,976</b>	<b>-</b>	<b>-</b>	<b>78,248,976</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Essential Packages</b>									
010 - Non-PICS Pers Svc/Vacancy Factor									
Vacancy Factor (Increase)/Decrease	-	-	(216,207)	-	-	(216,207)	-	-	-
Non-PICS Personal Service Increase/(Decrease)	-	-	262,181	-	-	262,181	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>45,974</b>	<b>-</b>	<b>-</b>	<b>45,974</b>	<b>-</b>	<b>-</b>	<b>-</b>
020 - Phase In / Out Pgm & One-time Cost									
021 - Phase-in	-	-	559,232	-	-	559,232	-	-	-
022 - Phase-out Pgm & One-time Costs	-	-	(2,033,919)	-	-	(2,033,919)	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>(1,474,687)</b>	<b>-</b>	<b>-</b>	<b>(1,474,687)</b>	<b>-</b>	<b>-</b>	<b>-</b>
030 - Inflation & Price List Adjustments									
Cost of Goods & Services Increase/(Decrease)	-	-	682,786	-	-	682,786	-	-	-
State Gov't & Services Charges Increase/(Decrease)	-	-	(1,044,265)	-	-	(1,044,265)	-	-	-
<div style="display: flex; justify-content: space-between;"> <span>12/28/12 8:56 AM</span> <span>Page 8 of 12</span> <span>BDV104 - Biennial Budget Summary BDV104</span> </div>									

\_\_\_ Agency Request

  X   Governor's Recommended

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# BUDGET NARRATIVE

## Summary of 2013-15 Biennium Budget

Public Employees Retirement System, Oregon  
 Operations  
 2013-15 Biennium

Governor's Budget  
 Cross Reference Number: 45900-300-00-00000

<i>Description</i>	<i>Positions</i>	<i>Full-Time Equivalent (FTE)</i>	<i>ALL FUNDS</i>	<i>General Fund</i>	<i>Lottery Funds</i>	<i>Other Funds</i>	<i>Federal Funds</i>	<i>Nonlimited Other Funds</i>	<i>Nonlimited Federal Funds</i>
<b>Subtotal</b>	-	-	(361,479)	-	-	(361,479)	-	-	-
040 - Mandated Caseload									
040 - Mandated Caseload	-	-	-	-	-	-	-	-	-
050 - Fundshifts and Revenue Reductions									
050 - Fundshifts	-	-	-	-	-	-	-	-	-
060 - Technical Adjustments									
060 - Technical Adjustments	-	-	-	-	-	-	-	-	-
<b>Subtotal: 2013-15 Current Service Level</b>	<b>334</b>	<b>334.00</b>	<b>76,458,784</b>	-	-	<b>76,458,784</b>	-	-	-

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# BUDGET NARRATIVE

## Summary of 2013-15 Biennium Budget

**Public Employees Retirement System, Oregon  
Operations  
2013-15 Biennium**

**Governor's Budget  
Cross Reference Number: 45900-300-00-00000**

Description	Positions	Full-Time Equivalent (FTE)	ALL FUNDS	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds
<b>Subtotal: 2013-15 Current Service Level</b>	<b>334</b>	<b>334.00</b>	<b>76,458,784</b>	-	-	<b>76,458,784</b>	-	-	-
070 - Revenue Reductions/Shortfall									
070 - Revenue Shortfalls	-	-	-	-	-	-	-	-	-
<b>Modified 2013-15 Current Service Level</b>	<b>334</b>	<b>334.00</b>	<b>76,458,784</b>	-	-	<b>76,458,784</b>	-	-	-
080 - E-Boards									
081 - May 2012 E-Board	3	3.00	965,954	-	-	965,954	-	-	-
082 - September 2012 E-Board	-	-	-	-	-	-	-	-	-
083 - December 2012 E-Board	-	-	-	-	-	-	-	-	-
<b>Subtotal Emergency Board Packages</b>	<b>3</b>	<b>3.00</b>	<b>965,954</b>	-	-	<b>965,954</b>	-	-	-
Policy Packages									
090 - Analyst Adjustments	-	-	-	-	-	-	-	-	-
091 - Statewide Administrative Savings	-	-	(1,468,988)	-	-	(1,468,988)	-	-	-
092 - PERS Taxation Policy	-	-	(161,673)	-	-	(161,673)	-	-	-
093 - Other PERS Adjustments	-	-	(1,291,845)	-	-	(1,291,845)	-	-	-
101 - Current Service Delivery Levels	30	30.00	5,455,428	-	-	5,455,428	-	-	-
102 - Retiree Health Insurance Program	3	3.00	803,696	-	-	803,696	-	-	-
103 - Infrastructure Maintenance & Enhancement	-	-	1,860,000	-	-	1,860,000	-	-	-
<b>Subtotal Policy Packages</b>	<b>33</b>	<b>33.00</b>	<b>5,196,618</b>	-	-	<b>5,196,618</b>	-	-	-
<b>Total 2013-15 Governor's Budget</b>	<b>370</b>	<b>370.00</b>	<b>82,621,356</b>	-	-	<b>82,621,356</b>	-	-	-
Percentage Change From 2011-13 Leg Approved Budget	1.60%	1.60%	6.90%	-	-	6.90%	-	-	-
Percentage Change From 2013-15 Current Service Level	10.80%	10.80%	8.10%	-	-	8.10%	-	-	-

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# BUDGET NARRATIVE

## Summary of 2013-15 Biennium Budget

**Public Employees Retirement System, Oregon**  
**Debt Service**  
**2013-15 Biennium**

**Governor's Budget**  
**Cross Reference Number: 45900-400-00-00-00000**

<i>Description</i>	<i>Positions</i>	<i>Full-Time Equivalent (FTE)</i>	<i>ALL FUNDS</i>	<i>General Fund</i>	<i>Lottery Funds</i>	<i>Other Funds</i>	<i>Federal Funds</i>	<i>Nonlimited Other Funds</i>	<i>Nonlimited Federal Funds</i>
2011-13 Leg Adopted Budget	-	-	1,418,600	-	-	1,418,600	-	-	-
2011-13 Emergency Boards	-	-	-	-	-	-	-	-	-
<b>2011-13 Leg Approved Budget</b>	-	-	<b>1,418,600</b>	-	-	<b>1,418,600</b>	-	-	-
<b>2013-15 Base Budget Adjustments</b>									
Net Cost of Position Actions									
Administrative Biennialized E-Board, Phase-Out	-	-	-	-	-	-	-	-	-
Estimated Cost of Merit Increase	-	-	-	-	-	-	-	-	-
Base Debt Service Adjustment	-	-	(115,750)	-	-	(115,750)	-	-	-
Base Nonlimited Adjustment	-	-	-	-	-	-	-	-	-
Capital Construction	-	-	-	-	-	-	-	-	-
<b>Subtotal 2013-15 Base Budget</b>	-	-	<b>1,302,850</b>	-	-	<b>1,302,850</b>	-	-	-
020 - Phase In / Out Pgm & One-time Cost									
021 - Phase-in	-	-	-	-	-	-	-	-	-
022 - Phase-out Pgm & One-time Costs	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	-	-	-	-	-	-	-	-	-
040 - Mandated Caseload									
040 - Mandated Caseload	-	-	-	-	-	-	-	-	-
050 - Fundshifts and Revenue Reductions									
050 - Fundshifts	-	-	-	-	-	-	-	-	-
060 - Technical Adjustments									
060 - Technical Adjustments	-	-	-	-	-	-	-	-	-
<b>Subtotal: 2013-15 Current Service Level</b>	-	-	<b>1,302,850</b>	-	-	<b>1,302,850</b>	-	-	-

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# BUDGET NARRATIVE

## Summary of 2013-15 Biennium Budget

Public Employees Retirement System, Oregon  
 Debt Service  
 2013-15 Biennium

Governor's Budget  
 Cross Reference Number: 45900-400-00-00-00000

Description	Positions	Full-Time Equivalent (FTE)	ALL FUNDS	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds
<b>Subtotal: 2013-15 Current Service Level</b>	-	-	1,302,850	-	-	1,302,850	-	-	-
070 - Revenue Reductions/Shortfall									
070 - Revenue Shortfalls	-	-	-	-	-	-	-	-	-
<b>Modified 2013-15 Current Service Level</b>	-	-	1,302,850	-	-	1,302,850	-	-	-
080 - E-Boards									
081 - May 2012 E-Board	-	-	-	-	-	-	-	-	-
082 - September 2012 E-Board	-	-	-	-	-	-	-	-	-
083 - December 2012 E-Board	-	-	-	-	-	-	-	-	-
<b>Subtotal Emergency Board Packages</b>	-	-	-	-	-	-	-	-	-
Policy Packages									
090 - Analyst Adjustments	-	-	-	-	-	-	-	-	-
091 - Statewide Administrative Savings	-	-	-	-	-	-	-	-	-
092 - PERS Taxation Policy	-	-	-	-	-	-	-	-	-
093 - Other PERS Adjustments	-	-	-	-	-	-	-	-	-
101 - Current Service Delivery Levels	-	-	-	-	-	-	-	-	-
102 - Retiree Health Insurance Program	-	-	-	-	-	-	-	-	-
103 - Infrastructure Maintenance & Enhancement	-	-	-	-	-	-	-	-	-
<b>Subtotal Policy Packages</b>	-	-	-	-	-	-	-	-	-
<b>Total 2013-15 Governor's Budget</b>	-	-	1,302,850	-	-	1,302,850	-	-	-

Percentage Change From 2011-13 Leg Approved Budget	-	-	-8.20%	-	-	-8.20%	-	-	-
Percentage Change From 2013-15 Current Service Level	-	-	-	-	-	-	-	-	-

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# BUDGET NARRATIVE

## Program Prioritization for 2013-15

### PROGRAM PRIORITIZATION FOR 2013-15

Priority (ranked with highest priority first)		Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program Activity Code	QF	LF	QF	NL-QF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Not an Enhanced Program (Y/N)	Included as Reduction Option (Y/N)	Legal Req. Code (C, F, M, FO, PA, N)	Legal Ordinance	Explain What is Mandatory (for C, FM, and FO Only)	Comments on Proposed Changes to CSL Included in Agency Request		
1	1	PERB	CS125B	The One and The Two Programs	PERM #1: 3, 5, 6, 7 & 8	4				8,152,200,000			\$ 8,152,200,000					N	C	Article 1	See below	No Changes to CSL	
1	1	PERB	CS125B-JAP	Individual Account Program	PERM #1: 2, 3, 4, 6, 7 & 8	4				710,500,000			\$ 710,500,000					N	C	Article 1	See below	No Changes to CSL	
1	1	PERB	CS125B-CB	Pension Program	PERM #1: 2, 3, 4, 6, 7 & 8	4				16,814,000			\$ 16,814,000					N	C	Article 1	See below	No Changes to CSL	
			CS125B-JAP	Third Party Administration	PERM #1: 2, 3, 4, 6, 7 & 8	4				8,700,000			\$ 8,700,000					Y	B	ORS 239 A		No Changes to CSL	
			Admin	Claims Administration	PERM #1: 2, 3, 4, 6, 7 & 8	4				9,881,848			\$ 9,881,848	22	22.00			Y	B	ORS 237, 238, & 239A		OSB Policy Pkg. 081	
			BPO	Benefit Payments Division	PERM #1: 2, 3, 4, 6, 7 & 8	4				12,428,802			\$ 12,428,802	79	79.00			Y	B	ORS 237, 238, & 239A		OSB Policy Pkg. 081 & 101	
			FSD	Financial Services Division	PERM #1: 2, 3, 4, 6, 7 & 8	4				11,908,201			\$ 11,908,201	30	31.75			Y	B	ORS 237, 238, & 239A		OSB Policy Pkg. 081	
			RO	Information Services Division	PERM #1: 2, 3, 4, 6, 7 & 8	4				22,956,116			\$ 22,956,116	75	75.00			Y	B	ORS 237, 238, & 239A		OSB Policy Pkg. 091, *014-103	
			CRD	Customer Services Division	PERM #1: 2, 3, 4, 6, 7 & 8	4				16,903,948			\$ 16,903,948	100	100.00			Y	B	ORS 237, 238, & 239A		OSB Policy Pkg. 081 & 101	
			PLAD	Policy Planning Legislative Analysis Division	PERM #1: 2, 3, 4, 6, 7 & 8	4				4,282,110			\$ 4,282,110	12	12.00			Y	B	ORS 237, 238, & 239A		OSB Policy Pkg. 081 & 101	
										72,885,221			\$ 8,982,079,221	222	278.75								

#### 7. Primary Purpose Program/Activity Exists

- 1 Civil Justice
- 2 Community Development
- 3 Consumer Protection
- 4 Administrative Functions
- 5 Criminal Justice
- 6 Economic Development
- 7 Education & Skill Development
- 8 Emergency Services
- 9 Environmental Protection
- 10 Health Care
- 11 Housing, Mortgage, or Code
- 12 Social Support

#### 18. Legal Requirement Code

- C Constitutional
- D Debt Service
- FM Federal - Mandatory
- FO Federal - Optional (must you choose to participate, certain requirements exist)
- S Statutory

Within each Program/Division area, projects are ranked by priority (1-10) (highest to lowest) by total budget need to OSBTS.

#### Document criteria used to prioritize activities:

PERB administers a single integrated system of retirement, disability and death benefits for employees of public employers throughout Oregon. Business processes, service delivery and support functions for the Retirement, Disability and Death Program are integrated across the divisions (detailed cross references) of the agency. Oregon courts have established that members have a contract right to these benefit programs and, as such, those rights cannot be impaired by law, in accordance with the Oregon Constitution's Article 1. The Retirement, Disability and Death Program is the agency's top priority.

The program frees public employers from the administrative burden of administering individual retirement plans. Economy of scale savings produced. Single plan across the state provides mobility for trained public servants. Provides the Oregon legislature with the ability to influence public pension policy on a statewide basis.

ORS 237, 238, 239A To ensure the PERB retirement plan remains in compliance with federally mandated pension plan standards, ORS 238.630(3)(g) directs the PERB Board, "shall adopt rules and take all actions necessary to maintain qualifications of the Public Employees Retirement System and the Public Employees Retirement Fund as a qualified governmental retirement plan and trust under the Internal Revenue Code and under regulations adopted pursuant to the Internal Revenue Code. Rules under this paragraph may impose limits on contributions to the system, limits on benefits payable from the system and other limitations or procedures required or imposed under federal law or regulation for the purpose of qualification of the Public Employees Retirement System and Public Employees Retirement Fund under the Internal Revenue Code as a governmental plan and trust."

2013-15

Program 1

107BF23

\_\_\_ Agency Request

X Governor's Recommended

\_\_\_ Legislatively Adopted

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2013-15

107BF02

# BUDGET NARRATIVE

## PROGRAM PRIORITIZATION FOR 2013-15

Public Employees Retirement System																			Agency Number: 45900			
2013-15 Biennium																						
PERS Retiree Health Insurance Program																						
Program/Division Priorities for 2013-15 Biennium																						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	
Priority (ranked with highest priority first)	Agency Initiatives	Program or Activity Initiatives	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program/ Activity Code	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	New or Enhanced Program (Y/N)	Included as Reduction Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Station	Explain What is Mandatory (for C, FM, and FO Only)	Comments on Proposed Changes to CSL Included in Agency Request		
Agcy	Prgr/Div																					
2	2	PERS	RHIA	Retirement Health Insurance Account	KPM # 2, 3, 0 & 0	4			62,500,000			\$ 62,500,000				N	S	ORS 238.420		No Changes to CSL -		
2	2	PERS	RHIFA	Retirement Health Insurance Premium Account	KPM # 2, 3, 0 & 0	4			8,000,000			\$ 8,000,000				N	S	ORS 238.415		No Changes to CSL -		
2	2	PERS	SRHIA	Standard Retiree Health Insurance Account	KPM # 2, 3, 0 & 0	4			290,200,000			\$ 290,200,000				N	S	ORS 238.410		No Changes to CSL -		
			Adm'n	Third Party Administration	KPM # 2, 3, 0 & 0	4			\$7,001,000			\$ 7,001,000				N	S	ORS 237.230 & 239A		No Changes to CSL -		
			FSD	Fiscal Services Division	KPM # 2, 3, 0 & 0	4			1,200,403			\$ 1,200,403	2	4.00		Y	S	ORS 237.230 & 239A		GSB Policy Pkg. 102		
									1,200,403			\$ 1,200,403										
									409,661,000			\$ 409,661,000										

**7. Primary Purpose Program/Activity Exists**

1. Civil Justice
2. Community Development
3. Consumer Protection
4. Administrative Function
5. Criminal Justice
6. Economic Development
7. Education & Skill Development
8. Emergency Services
9. Environmental Protection
10. Public Health
11. Recreation, Heritage, or Cultural
12. Social Support

**19. Legal Requirement Code**

- C Constitutional
- D Debt Service
- FM Federal - Mandatory
- FO Federal - Optional (once you choose to participate, certain requirements exist)
- S Statutory

Within each Program/Division area, prioritize gain Budget Program List (Activities) by detail budget level in DRB/ITS

**Document criteria used to prioritize activities:**

The PERS Retiree Health Insurance Programs provide health care insurance protection to eligible members. A Medicare health insurance supplement is also provided. Business processes, service delivery and support functions for the Retiree Health Insurance Program are integrated across the divisions (detailed cross references) of the agency. The Health Insurance Program is the agency's second priority.

This program frees public employers from the administrative burden of administering individual retirement plans with specialized health insurance rules. Economy of scale savings produced. Single plan across the state provides mobility for trained public servants. Provides the Oregon Legislature with the ability to influence public employee health insurance policy on a statewide basis.

ORS 238.410, 415, 420 To ensure the Health Insurance plan remains in compliance with federally mandated pension plan standards ORS 238.630(2)(g) directs the PERS Board, "Shall adopt rules and take all actions necessary to maintain qualification of the Public Employees Retirement System and the Public Employees Retirement Fund as a qualified governmental retirement plan and trust under the Internal Revenue Code and under regulations adopted pursuant to the Internal Revenue Code. Rules under this paragraph may impose limits on contributions to the system, limits on benefits payable from the system and other limitations or procedures required or imposed under federal law or regulation for the purpose of qualification of the Public Employees Retirement System and Public Employees Retirement Fund under the Internal Revenue Code as a governmental plan and trust."

2013-15

Program 2

107BF23

\_\_\_ Agency Request

X  Governor's Recommended

\_\_\_ Legislatively Adopted

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2013-15

107BF02

## BUDGET NARRATIVE

### PROGRAM PRIORITIZATION FOR 2013-15

Public Employees Retirement System																			Agency Number:		45900	
2013-15 Biennium																						
Debt Service Program																						
Program/Division Priorities for 2011-13 Biennium																						
Program/Division Priorities for 2011-13 Biennium																						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program- Activity Code	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	New or Enhanced Program (Y/N)	Included as Reduction Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Explain What is Mandatory (for C, FM, and FO Only)	Comments on Proposed Changes to CSL Included in Agency Request		
Agcy	Prgm/ Div																					
		PERS	Debt Service	KPM # 2	4			1,302,850				\$ 1,302,850				N	D				No Changes to CSL	
												\$ -										
												\$ -										
												\$ -										
												\$ -										
												\$ -										
												\$ -										
												\$ -										
												\$ -										
								1,302,850				\$ 1,302,850	0	0.00								

- 7. Primary Purpose Program/Activity Exists**
- 1 Civil Justice
  - 2 Community Development
  - 3 Consumer Protection
  - 4 Administrative Function
  - 5 Criminal Justice
  - 6 Economic Development
  - 7 Education & Skill Development
  - 8 Emergency Services
  - 9 Environmental Protection
  - 10 Public Health
  - 11 Recreation, Heritage, or Cultural
  - 12 Social Support

- 19. Legal Requirement Code**
- Constitutional
  - Debt Service
  - FM Federal - Mandatory
  - FO Federal - Optional (once you choose to participate, certain requirements exist)
  - S Statutory

Within each Program/Division area, prioritize each Budget Program Unit (Activities) by detail budget level in ORBITs.

**Document criteria used to prioritize activities:**

The debt service for the Public Employee Retirement Program is repayment for the PERS Headquarters Building located in Tigard.

The amount of debt service included in the agency's budget is taken from debt schedules produced by the Department of Administrative Services (DAS) and is not a discretionary budget item for PERS. As such, information is provided for budget disclosure rather than prioritization purposes.

# BUDGET NARRATIVE

## PROGRAM PRIORITIZATION FOR 2013-15

Public Employees Retirement System																			Agency Number: 48900			
2013-15 Biennium																						
Social Security Coverage Program																						
Program/Division Priorities for 2011-13 Biennium																						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program/Activity Code	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	New or Enhanced Program (Y/N)	Included as Reduction Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Explain What is Mandatory (for C, FM, and FO Only)	Comments on Proposed Changes to CSL Included in Agency Request		
Agcy	Prgm/Div																					
4	4	RD/RS	Admin	Central Administration	KPM # 2, 3 & 8	4		176,133				\$ 176,133	1	1.00		Y	FM	Fed Reg Title 20, 404.1204	See below	No Changes to CSL -		
4	4	PERE	FSD	Fiscal Services Division	KPM # 2, 3 & 8	4		183,223				\$ 183,223		0.25		N	FM	Fed Reg Title 20, 404.1204	See below	No Changes to CSL -		
												\$ -										
												\$ -										
												\$ -										
												\$ -										
												\$ -										
								359,356				\$ 359,356	1	1.25								

**7. Primary Purpose Program/Activity Exists**

- 1 Civil Justice
- 2 Community Development
- 3 Consumer Protection
- 4 Administrative Function
- 5 Criminal Justice
- 6 Economic Development
- 7 Education & Skill Development
- 8 Emergency Services
- 9 Environmental Protection
- 10 Public Health
- 11 Recreation, Heritage, or Cultural
- 12 Social Support

**19. Legal Requirement Code**

- C Constitutional
- D Debt Service
- FM Federal - Mandatory
- FO Federal - Optional (once you choose to participate, certain requirements exist)
- S Statutory

Within each Program/Division area, prioritize each Budget Program Unit (Activities) by detail budget level in ORBITs

**Document criteria used to prioritize activities:**

**Federal Regulations, Title 20, 404.1204** The Social Security Coverage Program is a federally mandated program to assist public employers who wish to voluntarily join the Social Security Old Age and Survivorship Program. The State is required to maintain a single point of contact for the federal program. PERS is the established state level contact. The program is the agency's fourth budget priority.

**ORS 237.412** This program allows public employers to deal with a local state representative providing a direct channel for information to the federal program administrators. PERS staff allow public employers better opportunity to resolve reporting issues before escalating to federal intervention.

A total of approximately 3,000 public employers are directly benefited by having a venue for making a voluntary election into the Social Security Old Age and Survivorship program, while also having a direct local venue for program clarification.

NOTE: This program is solely funded by an administrative charge to participating employers.

2013-15

Program 4

107BF23

\_\_\_ Agency Request

X  Governor's Recommended

\_\_\_ Legislatively Adopted

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# BUDGET NARRATIVE

## PROGRAM PRIORITIZATION FOR 2013-15

Public Employees Retirement System																			Agency Number: 46900			
Debt Service Program																						
Program/Division Priorities for 2011-13 Biennium																						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program- Activity Code	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	New or Enhanced Program (Y/N)	Included as Reduction Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Explain What is Mandatory (for C, FM, and FO Only)	Comments on Proposed Changes to CSL Included in Agency Request		
		PERS	Debt Service	KPM # 2	4			1,302,650				\$ 1,302,650					N	D			No Changes to CSL.	
												\$ -										
												\$ -										
												\$ -										
												\$ -										
												\$ -										
												\$ -										
												\$ -										
												\$ -										
								1,302,650				\$ 1,302,650	0	0.00								

**7. Primary Purpose Program/Activity Exists**

- 1 Civil Justice
- 2 Community Development
- 3 Consumer Protection
- 4 Administrative Function
- 5 Criminal Justice
- 6 Economic Development
- 7 Education & Skill Development
- 8 Emergency Services
- 9 Environmental Protection
- 10 Public Health
- 11 Recreation, Heritage, or Cultural
- 12 Social Support

**19. Legal Requirement Code**

- C Constitutional
- D Debt Service
- FM Federal - Mandatory
- FO Federal - Optional (once you choose to participate, certain requirements exist)
- S Statutory

Within each Program/Division area, prioritize each Budget Program Unit (Activities) by detail budget level in ORBITS

**Document criteria used to prioritize activities:**

The debt service for the Public Employee Retirement Program is repayment for the PERS Headquarters Building located in Tigard.

The amount of debt service included in the agency's budget is taken from debt schedules produced by the Department of Administrative Services (DAS) and is not a discretionary budget item for PERS. As such, information is provided for budget disclosure rather than prioritization purposes.

2013-15

Program 5

107BF23

\_\_\_ Agency Request

X  Governor's Recommended

\_\_\_ Legislatively Adopted

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# BUDGET NARRATIVE

## PROGRAM PRIORITIZATION FOR 2013-15

Public Employees Retirement System																			Agency Number: 46600				
2013-15 Biennium																							
Agency-Wide Priorities for 2013-15 Biennium																							
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22		
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program-Activity Code	GF	LF		OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	New or Enhanced Program (Y/N)	Included as Reducible Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Explain What is Mandatory (for C, FM, and FO Only)	Comments on Proposed Changes to CGL Included in Agency Request		
Agcy	Prgrm/ Div																						
1	1	PERS	Retirement, Death & Disability Program	KPM #1, 2, 3, 4, 6, 7 & 8	4				72,855,221	8,869,214,000			\$ 8,942,070,221	322	318.75		Y	C	Article 1		GBB Policy Pkg. 081, 101 & 103		
2	2	PERS	PERS Retiree Health Insurance Program	KPM #2, 3, 6 & 8	4				1,200,403	408,961,000			\$ 409,861,403	2	4.00		Y	S	CRS 298.410-416, & 420		GBB Policy Pkg. 102		
3	9	PERS	OSOP Deferred Compensation Program	KPM # 2, 3, 5 & 6	4				2,033,804				\$ 2,033,804	9	10.00		Y	B	CRS 243.401-243.507		No Changes to CGL -		
4	4	PERS	Social Security Coverage Program	KPM # 2, 3, 5 & 6	4				356,366				\$ 356,366	1	1.25		Y	FM	Fed Reg Title 20, 404 1204		No Changes to CGL -		
			Debit Service	KPM # 2	4				1,302,850				\$ 1,302,850	0	0.00		N	D			No Changes to CGL -		
													\$ -										
													\$ -										
													\$ -										
													\$ -										
													\$ -										
									77,761,634	9,277,875,000			\$ 9,355,636,634	334	334.00								

**7. Primary Purpose Program/Activity Exists**

- Civil Justice
- Community Development
- Consumer Protection
- Administrative Function
- Criminal Justice
- Economic Development
- Education & Skill Development
- Emergency Services
- Environmental Protection
- Public Health
- Recreation, Heritage, or Cultural
- Social Support

**19. Legal Requirement Code**

- C Constitutional
- D Debt Service
- FM Federal - Mandatory
- FO Federal - Optional (once you choose to participate, certain requirements exist)
- S Statutory

Prioritize each program activity for the Agency as a whole

**Document criteria used to prioritize activities:**

See criteria discussion at the Program/Activity priorities level.

2013-15

Agency-Wide

107BF23

Agency Request

Governor's Recommended

Legislatively Adopted

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107BF02

## BUDGET NARRATIVE

### 10% REDUCTIONS OPTIONS (ORS 291-216)

#### 10% REDUCTIONS OPTIONS (ORS 291-216)

ACTIVITY OR PROGRAM	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
1. Eliminate toll-free telephone line	Eliminates toll-free telephone line, requiring members, employers and retirees outside of the Portland area to personally incur long-distance charges for contacting PERS by telephone. (Amount based on 160,000 calls averaging 10 minutes per call, at \$.06 per minute)	\$96,000 Other Funds	Toll-free telephone line is provided to facilitate customer service for statewide population of members, employers and retirees. Eliminating the toll-free number will not change the nature of the service customers receive, but will hamper customer access to that service, challenging this Agency's Key Performance Measure (KPM) #6 - 80% of customers rating service as "good" or "excellent."
2. Eliminate printed newsletter for active members	Eliminates publication and mailing of Agency newsletter to active PERS members	\$35,000 Other Funds	Eliminates a cost-effective communication tool that pushes information to active members in furtherance of this Agency's KPM #6 - Customer Service. The Newsletter would continue to be available on the PERS website for those active members with Internet access.
3. Reduce employee overtime, and use of temporary staffing	Reduces overtime and use of temporary staffing by 50% supporting Customer Services program.	\$165,226 Other Funds	Increases time needed for work completion and response time to the Agency's customers and business lines, hindering the Agency's ability to achieve KPM #6 - Customer Service.

2013-15

208BF17

Agency Request

Governor's Recommended

Legislatively Adopted

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## BUDGET NARRATIVE

### 10% REDUCTIONS OPTIONS (ORS 291-216)

ACTIVITY OR PROGRAM	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
4. Reduce AG fees	Limits legal sufficiency review to contracts over \$150,000 (per OAR 137-045-0030 requirements), and decreases litigation support.	\$150,000 Other Funds	Decreased legal sufficiency review and DOJ litigation support will increase risk to the Agency. Staff will provide policy direction and contract services without complete resolution of legal issues, or in a less timely manner, resulting in reduced Customer Service (KPM #6), and making achievement of KPM #8 (meeting 100% of Board Best Practice criteria) less likely.
5. Reduce IT contracting budget and professional services.	Reduces IT contracting budget and professional services for Agency projects by 50%.	\$939,255 Other Funds	Decreases the Agency's timeliness and efficiency in implementing IT modifications, such as in response to legislative changes or process improvements, increasing Total Benefit Admin. Costs (KPM #2), and hindering achievement of KPM #8 - Board Best Practices.,
6. Reduce IT systems and equipment upgrades	Reduces system modifications / upgrades, scheduled replacement of IT hardware, software and ancillary equipment.	\$287,166 Other Funds	Increases risk of failed network and desktop equipment, and service delays, hindering the Agency's ability to achieve KPM #6 – Customer Service.

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Agency Request

Governor's Recommended

Legislatively Adopted

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## BUDGET NARRATIVE

### 10% REDUCTIONS OPTIONS (ORS 291-216)

ACTIVITY OR PROGRAM	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
7. Reduce Information Technology training plan	Eliminates training not related to support and maintenance of jClarety.	\$84,671 Other Funds	Reduces consistent and up-to-date training, increasing the risk of inconsistent or inaccurate Agency processes. Impedes progress on KPM #8 - Board Best Practices.
8. Reduce office supplies (S&S)	Reduces office supplies support to all divisions and sections.	\$50,000 Other Funds	Challenges the Agency's ability to meet customers and business lines' needs, hindering the Agency's ability to achieve KPM #6 - Customer Service.
9. Reduce expert witness and Independent Medical Exam (IME) support	Reduces professional services expert witness and IME contract budget for disability claim review / determination.	\$153,522 Other Funds	Forces Agency to be more reliant on member's medical evaluations instead of independent reviews, leading to increased potential for fraud or abuse. Inconsistent with KPM #8 - Board Best Practices.
10. Reduce centrally coordinated mail services and supply ordering/delivery	Eliminates position supporting mail services, supply ordering and delivery. (1 position - 1.00 FTE)	\$114,803 Other Funds	Decreases mail and supply delivery, increases Agency response time to customer correspondence, and increases risk of inconsistent ordering practices and outcomes. Hinders the Agency's ability to achieve KPM #1 - 80% of initial benefit payment within 45 days, KPM #7 - 95% of benefit estimates within 30 days, and KPM #6 - Customer Service.

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Agency Request

Governor's Recommended

Legislatively Adopted

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## BUDGET NARRATIVE

### 10% REDUCTIONS OPTIONS (ORS 291-216)

ACTIVITY OR PROGRAM	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
11. Reduce Agency training support	Eliminates 1 position responsible for coordination and delivery of training plans and materials. (1 position - 1.00 FTE)	\$153,861 Other Funds	Reduces consistent and up-to-date training, increasing the risk of inconsistent or inaccurate Agency processes. Impedes progress on KPM #8 - Board Best Practices.
12. Reduce disability program support	Eliminates 2 positions processing IME documentation and disability claims (2 position – 2.00 FTE)	\$248,096 Other Funds	Increases risk of inappropriate claim determinations, and costs that could lead to benefit fraud or abuse, as well as increasing the time needed for disability claim processing. Hinders the Agency's ability to achieve KPM #1 - Timely Retirement Payments, KPM #6 - Customer Service, and KPM #7 - Timely Benefit Estimates.
13. Reduce divorce section program support	Eliminates 1 position processing divorce decrees. (1 position – 1.00 FTE)	\$143,614 Other Funds	Increases time needed for disability claim processing and customer response time, hindering the Agency's ability to achieve KPM #1 - Timely Retirement Payments, KPM #6 - Customer Service, and KPM #7 - Timely Benefit Estimates.

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Agency Request

Governor's Recommended

Legislatively Adopted

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## BUDGET NARRATIVE

### 10% REDUCTIONS OPTIONS (ORS 291-216)

ACTIVITY OR PROGRAM	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
14. Eliminate Health Insurance Program administrative support	Eliminates 1 position providing administrative support to Health Insurance Program Manager. (1 position – 1.00 FTE)	\$125,644 Other Funds	Increases response time to the Agency’s customers and business lines, hindering the Agency’s ability to achieve KPM #1 - Timely Retirement Payments, and KPM #6 - Customer Service.
15. Eliminate Customer Services Division administrative support	Eliminates 2 positions providing administrative support for Customer Services Division. (2 positions – 2.00 FTE)	\$217,687 Other Funds	Increases time needed for work completion and response time to the Agency’s customers and business lines, hindering the Agency’s ability to achieve KPM #6 - Customer Service.
16. Eliminate Fiscal Services Division executive support	Eliminates 1 position providing executive support to Chief Financial Officer, Fiscal Services Division managers and staff. (1 positions – 1.00 FTE)	\$118,365 Other Funds	Increases time needed for work completion and response time to the Agency’s customers and business lines, hindering the Agency’s ability to achieve KPM #6 – Customer Service.
17. Eliminate Deputy Director executive support	Eliminates 1 position providing executive support to Deputy Director. (1 position – 1.00 FTE)	\$147,994 Other Funds	Increases time needed for work completion and response time to the Agency’s customers and business lines, hindering the Agency’s ability to achieve KPM #6 - Customer Service.

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208BF17

Agency Request

Governor’s Recommended

Legislatively Adopted

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