

# Oregon Public Employees Retirement System

2015-17

Governor's Budget

## Day 3: Earnings Crediting, Required Reports, and Budget Notes

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

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# Table of Contents

<b>Presentation Day One: Overview of PERS – The System</b>	<b>Pages</b>
Presentation Overview	3
What Is PERS?	5
Who Is PERS?	6
System Overview – Benefit Components	7
Who Gets Paid How Much?	8
Where Do They Get Paid?	9
Who Will Get Paid by Member Type?	10
Who Is Eligible To Retire?	11
How Do We Affect System Balance?	12
How Has PERS Been Funded?	13
What Do Employer Contributions Look Like?	14
What Does This Mean for 2015-17 Rates?	15
How Variable Are The Projections?	16
Variable Model Stress Test	17
System Average Base Pension Rates	18
System Average Net Contribution Rates	19
Funded Status Excluding Side Accounts	20
PERS Fund Value At Calendar Year-End	21
What Has The PERS Board Done On The “C”?	22
What’s Been Done To The “B”?	23
The Results	24
What’s Left To Be Decided?	25
Where Does This Leave The System?	26

<b>Presentation Day Two: Overview of PERS – The Agency</b>	<b>Pages</b>
Where Does This Leave The System?	28
PERS Fundamentals Map	29
Agency Mission Statement, Shared Vision, and Core Values & Operating Principles	30
Agency Overview – Fundamentals Drive Alignment	31
Outcome-Based Management System	32
Performance And Outcome Measures	33
“Red” Measures Drive Strategic Plan And Budget Priorities	34
2015-20 Strategic Plan	35
PERS POPs Linked To Strategic Plan	36-37
POP 102 – Phase III	38
PERS POPs Linked To Strategic Plan	39-41
Other Strategic Plan Goals	42-44
PERS Legislatively Approved Budget Historical Comparison	45
Budget Comparison: 2013-15 to 2015-17	46
Major Cost Drivers – PERS Compared To Peers	47
PERS’ Total Relative Complexity	48
PERS Positions And Total Membership	49
PERS Positions And Retirees	50
PERS Positions And Benefit Payments	51
12-Year Operating Budget, Expenditure, And Staffing Trends	52
Policy Packages Summary	53-55

<b>Presentation Day Three: Earnings Crediting, Required Reports, and Budget Notes</b>	<b>Pages</b>
Preliminary 2014 Earnings Crediting	57
Progress On 2013 Budget Directives	58
Central Data Management (POP 103)	59
Storage Area Network (SAN) (POP 103)	60
Bring IAP In-House (Legislative Approval)	61
SB 861 COLA Tier And Supplementary Payment	62
SB 822 Tax Remedy	63
Budget Note Reports For SB 5537 (2013)	64

<b>Appendices</b>	<b>Pages</b>
Appendix 1: Strategic Plan And Process Improvements, Supporting Documentation, And Required Reports	65 (see table of contents on page 66)
Appendix 2: Program Funding Proposals	160 (see table of contents on page 161)
Appendix 3: Other Funds Ending Balances For The 2013-15 & 2015-17 Biennia	202 (see table of contents on page 203)

# Presentation Overview

## Day One: Overview of PERS – The System

- The “Who, What, Where” of PERS Benefits
- System “Balance” and Roles in Funding
- Employer Contributions and Future Projections

## Day Two: Overview of PERS – The Agency

- Mission, Vision, and Core Values and Operating Principles
- Key Goals and Performance Measures Driving Outcome-Based Management
- Strategic Plan Focus Areas Connected to 2015-17 Policy Option Packages

## Day Three: Report on 2013-15 Legislative Priorities and Earnings Crediting

- Progress on Completing 2013-15 Policy Option Packages
- Review of Budget Notes and Reports from 2013-15
- Report on 2014 Preliminary Earnings Crediting

# Earnings Crediting, Required Reports, and Budget Notes

# Preliminary 2014 Earnings Crediting (\$M)

<b>Reserve/Account</b>	<b>Balance Before Crediting</b>	<b>2014 Crediting</b>	<b>Balance After Crediting</b>	<b>2014 Rates</b>
Contingency Reserve	651.1		651.1	N/A
Tier One Member Regular Accounts	5,214.0	404.1	5,618.1	7.75%
Tier One Rate Guarantee Reserve	434.2	5.6	439.8	1.29%
Benefits-In-Force (BIF) Reserve	22,159.2	1,607.4	23,766.6	7.25%
Tier Two Member Regular Accounts	815.2	59.1	874.3	7.25%
Employer Reserves	21,589.4	1,566.1	23,155.5	7.25%
OPSRP Pension Program	1,886.6	134.1	2,020.7	7.10%
Employer Side Accounts	5,452.1	424.6	5,876.7	Various*
IAP Accounts**	6,103.3	422.8	6,526.1	7.09%
<b>Regular Account Total</b>	<b>\$64,305.1</b>	<b>\$4,623.8</b>	<b>\$68,928.9</b>	

\* Side account earnings rates for lump sums on deposit vary depending on when the deposit was made within the calendar year and are not affected by Board reserving or crediting decisions.

\*\* Informational only; not affected by Board reserving or crediting decisions.

# Progress on 2013-15 Budget Directives

- Central Data Management (POP 103)
- Storage Area Network (POP 103)
- Bring IAP In-House (Phase I and II)
- SB 861 COLA Tier and Supplementary Payment
- SB 822 Tax Remedy

# Central Data Management (POP 103)

Purpose: establish a permanent, centralized reporting function, which includes the appropriate staffing and tools to ensure consistent and timely data and information reporting across all agency functions.

1. Select and implement an enterprise-level reporting tool
2. Develop a consistent set of definitions and algorithms, including programming and reporting code, for appropriate staff to use to access, extract, and report on agency data and information.
3. Develop a consistent data dictionary that all agency staff can refer to in their daily use of system data and information.
4. Redesign the agency's data warehouse to provide better access to data and implement role based access to the information and reports contained in it.

\$460,000 Original POP Allocation  
(\$ 71,594) Actual Expenses (as of 12/31/2014)  
(\$315,615) Projected Expenses  
\$ 72,791 Remaining Budget

# Storage Area Network (SAN) (POP 103)

Purpose: replacement the old SAN to keep up with the rapid growth of business production data and provide options/solutions for future business requirements. Other agency strategic objectives met were:

1. Provide an extended service window for members and employers
2. Improve application performance by providing high speed data storage and access
3. Provide SAN capacity for new applications such as the Individual Account Program
4. Increase efficiency by providing more SAN space for server virtualization and, potentially, desktop virtualization (Ties to 2015-17 POP 105)
5. Reduce energy consumption through increased server virtualization
6. Improve business continuity and disaster recovery ability (Ties to 2015-17 POP 105)

\$500,000 Original POP Allocation

(\$478,553) Actual Expenses (Project Completed)

\$ 21,447 Remaining Balance



# Bring IAP In-House (Legislative Approval)

This proposal was to complete the Phase II work necessary to develop functionality to administer all aspects of the Individual Account Program (IAP) by PERS and eliminate the use of an outside third-party administrator. Completion of Phase II is a predicate for the final Phase III, which is the subject of POP 102 in the agency's 2015-17 budget request.

- Phase I** (completed): Prototype proof of concept for an ESB solution
- Phase II** (completed): System architecture built; user interface designed; and system requirements documented
- Phase III** (to be completed): Construction of production solution; testing; deployment; and transition from TPA

\$326,108 Original POP Allocation (unscheduled)  
\$392,642 Remaining Allocation to be re-scheduled  
\$718,750 IAP Phase II Dollars

(\$415,228) Actual Expenses (through 12/31/2014)  
(\$274,612) Projected Expenses  
\$ 28,910 Remaining Budget

# SB 861 COLA Tier and Supplementary Payment

Purpose: The legislature appropriated budget authority to support the fiscal impact of both SB 822 and 861, which we used to develop and deploy the following new capabilities to our systems in light of the new tiered COLA and supplementary payments:

1. Modify batch process to allow for customized COLA percentages according to retirement income.
2. Modified the calculation and recalculation processes for COLA benefits
3. Created a batch process to pay supplementary payments for eligible retirees
4. Created new General Ledger accounting records to track new payment type
5. Created functionality to review and handle payment processing, returns, refunds, etc.
6. Updated 1099Rs to include supplementary payments

\$490,500 Approved Budget Dollars  
(\$327,072) Actual Expenses (through 12/31/2014)  
(\$159,767) Projected Expenses  
\$ 3,661 Remaining Budget

# SB 822 Tax Remedy

Senate Bill 822 modifies the cost-of-living adjustment and supplementary tax remedy payments for non-Oregon residents under the Public Employees Retirement System and directs the PERS Board to recalculate employer contribution rates for the 2013-15 biennium.

1. Created a batch process to adjust Tax Remedy benefits for benefit recipients
2. Create batch job to use DOR records to flag for residency or non-residency
3. Added processing logic to allow residency to affect Tax Remedy benefits in retirement/death benefits/withdrawal calculations and re-calculations

\$425,000 Approved Budget Dollars

(\$270,480) Actual Expenses (through 12/31/2014)

\$154,520 Remaining Budget

# Budget Note Reports for SB 5537 (2013)

## **Impact of legislative action on 2013-15 Employer Rates**

In August 2013, we reported to LFO on the impact that SB 822 (2013) had on 2013-15 employer contribution rates, as that bill directed the PERS Board to adjust those rates after the bill passed. The bill's benefit cost reductions (tiered COLA and eliminating tax remedy for out-of-state residents) reduced employer rates by 2.5% of payroll. The Board was also directed to further reduce rates by up to 1.9% of covered payroll. These actions translated into system-wide biennial savings of approximately \$790M when applied to the projected \$18.4B payroll for the 2013-15 biennium.

## **PERS Health Insurance Program (PHIP) members and Cover Oregon opportunities**

PHIP staff evaluated the feasibility of moving the PHIP population to Cover Oregon and reported to LFO that the Affordable Care Act (ACA) does not provide Medicare-related coverage, which comprises 95.4% (56,621) of PHIP members. Also, a 2014 survey showed 97% of respondents were satisfied with PHIP.

## **Quarterly and Annual Retirement Activity**

We report retirement activity to LFO on a quarterly basis by major employer group, plan membership, and benefit calculation. Highlights and trends are identified and we include a quarterly report on members eligible to retire. A comparison of 2012, 2013, and 2014 retirement data was recently provided to LFO.