

Oregon Public Employees Retirement System

2015-17

Governor's Budget

Appendix 1 (Part 3 of 4): Progress Reports and Required Reports

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

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Executive Director**

March 16-18, 2015



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Appendix 1: Strategic Plan And Process Improvements, Supporting Documentation, And Required Reports

Appendix 1: Strategic Plan and Process Improvements, Supporting Documentation, and Required Reports

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2013-15 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 the progress made in 2013-15 are discussed on the following pages and include:

- Timely and Accurate Benefit Payments
- High-Quality Customer Service
- Optimized Effectiveness and Efficiency
- Business Process Improvements

2013-15 Progress Report: Timely and Accurate Payments of PERS Benefits

The KPM target is to provide 80% of initial retirement payments within 45 days of the member's effective retirement date. PERS did not make progress toward this measure in FY 2014, decreasing in performance from 70% in 2013 to 61% in 2014. This decrease can mainly be attributed to all-time highs in volume in December 2013. But significant process and system improvements over the last few years has helped to drive performance back up, with 83% of initial retirement payments completed within 45 days of effective retirement date in the final quarter of the fiscal year.

Accuracy has improved as well. The target is to calculate benefits accurately to within \$5 per month 100% of the time. The performance improved to 99% in 2014, up from 98% in 2013. The Benefit Payments Division continues to perform monthly quality assurance sampling of various calculations. The sampling, coupled with IT system improvements has contributed to improved accuracy and timeliness.

2013-15 Progress Report: High-Quality Customer Service

The KPM is to achieve a customer satisfaction rating of “good” or “excellent” from 95% of members and employers. The percentage of members rating our service either “good” or “excellent” was 92% in 2014; employers’ ratings were 89%. Adding Retirement Application Assistance Sessions to review retirement applications has reduced the rejection rate to approximately 1% compared to a 10% 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.

2013-15 Progress Report: Optimize Effectiveness and Efficiency

PERS strives to deliver high-quality, cost-effective service to members and employers. The successful completion of enterprise projects and process efficiencies driven by outcome-based management efforts have helped to stabilize PERS' annual operating expenditures. PERS' cost per member in 2014 was \$120, down from \$125 in 2013.

This trend shows PERS has been able to provide services to a greater number of members without significantly increasing its staffing levels and costs. Within our current budget, efficiencies have allowed the agency to process more retirements (Tier One/Two, IAP, and OPSRP Pension Program), increasing from 15,604 in 2013 to 18,345 in 2014. This improved efficiency will be important moving forward, as nearly 70,000 members are already eligible to retire, which will increase the demand for PERS' services.

2013-15 Progress Report: 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. All payments are generated and disbursed through ORION, 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.

2015-17 Information Technology Related Projects

Project Name	Project Description	Estimated Start Date	Estimated End Date	Project cost to date	Estimated 15-17 Costs	Total project cost	Base or POP	What Program or line of business does the project support?
Technology Maintenance & Enhancements	Technical debt is poor or inefficient software architecture or development within a codebase. Industry best practice recommends budgeting up to 20% of development resources to address technical debt issues. Left unmanaged, technical debt can evolve into significant system issues that may be difficult to resolve. This is an effort to resolve some flawed batch and functionality processes to make better utilization of resource time and quicker fix turnaround for business stakeholders.	7/1/2015	6/1/2017	0	\$3,281,250	\$3,281,250	POP	Support/Maintenance of an agency critical application (jClarety)
Disaster Recovery Infrastructure Upgrades	This proposal is to further develop the agency's Disaster Recovery (DR) and Business Continuity (BC) technology infrastructure in support of the Oregon Retirement Information Online Network (ORION).	7/1/2015	6/1/2017	0	\$1,581,200	\$1,581,200	POP	Support/Maintenance of an agency critical application (jClarety), Business Continuity and Disaster Recovery preparation
Fully Integrating IAP Administration into the PERS ORION System Phase III	This proposal completes the transfer to PERS of all aspects of the Individual Account Program (IAP) administration by January 1, 2017, and eliminates over \$2.2 million in annual costs for an outside third-party administrator (TPA). Phase III is construction and transition phases of the project.	7/1/2015	6/1/2017	\$256,850 (as of 7/1/2014)	\$1,914,399.00	\$2,932,728	POP	Bringing IAP in-house means PERS provides administration over all retirement plans

Audit Response Report

The following reports were completed and / or issued by the Secretary of State or the Joint Legislative Audit Committee in the 2011-2013 biennium and thus far in the 2013-2015 biennium:

FY 2011 Financial Audit

Finding #1:

The System has not established internal controls or evaluated the related third-party administrator's internal controls over the processing and recording of SRHIA fund transactions, which is a critical component of plan administration and financial reporting. Without such controls there is a risk that amounts reported in the System's financial statement are not complete or accurate. Furthermore, there is a risk that the SRHIA fund's activities do not comply with plan or legal provisions and financial reporting requirements.

Status: Complete

Accounting for SRHIA has been instituted to reflect the fund as an Enterprise Fund, as recommended by MGO. For ODS transactions, we are tracking the funds on a monthly basis based on the new Minimum Premium Plan Capital Holding fund Model. Each of the funds will have either a monthly or quarterly monitoring and reconciliation process built on projections and actuals. The reporting by BHS will be more robust by demonstrating discrete components of the flow of funds (subsidies, surcharges etc.). This will also aid in the financial accounting for the various required reserves for the Minimum Premium Plan (IBNR, Terminal Liability, Rate Reserves, claims funds etc.) BHS provides a report that incorporates all elements requested by PHIP in order to segregate detail of funds by type, carrier, subsidy/surcharge, carrier total etc. The final component of the report in breaking out the Rx portion of Moda, PacificSource, and Providence has been completed. We are now able to attribute all monies to appropriate carriers in the Rx plans as well.

Audit Response Report (continued)

Finding #2:

We recommend the System establish a process for identifying and properly accounting for new or unique transactions. The process should include formal documentation of the issue, pertinent background information, relevant legal and/or accounting guidance and the conclusions reached. The documentation should be prepared by personnel with sufficient experience and reviewed by appropriate management personnel. Formal documentation will reduce staff and audit inefficiencies and ensure that transactions are properly and consistently reported in the financial statements.

Status: Complete

PERS has begun documenting new accounting treatment by developing policy statements. Previous practice has been to include this information in annual work paper directories. Including this information in a policy statement will provide for a centralized location.

Audit Response Report (continued)

Finding #3:

Management should employ the following processes:

1. Establish more effective review and reconciliation policies and procedures as a customary part of the accounting process.
2. Perform monthly or quarterly reconciliations between OST, the custodian bank, external investment managers and the investment consultant's records. Also establish a formal oversight function for the tasks completed by the investment consultants.
3. Verify that appraised values are properly reflected in the partner's financial statements. For real estate partnerships that were not appraised as of fiscal year-end, appropriate personnel should review the partnerships' June 30 financial information to ensure significant changes in fair value are properly reflected in the partnerships' June 30 financial statements.
4. Reconcile sub ledgers to the G/L. Establish a policy, whereby all sub ledgers are reconciled to the G/L monthly. In addition, appropriate management-level personnel should review the reconciliations for accuracy and document evidence of their review for audit purposes.
5. Investigate and resolve variances timely.

Status: Complete

Audit Response Report (continued)

A. (1&2) Completed. OST modified the review process to ensure that June 30th data is reviewed. This will cause a significant delay in when PERS receives the information needed to complete their financial statement preparation.

B. (3) OST is currently taking a look at improvements that can be made to the reconciliation process. Due to limited OST staffing, many of the reconciliations are performed by 3rd party consultants. OST has completed analysis of middle office functions. Budget was requested in the 2013 legislative session but not approved. OST plans to request additional budget authority from upcoming an E-Board. Due to limited OST staff, this recommendation will not be implemented without additional budget authorization.

C. (4&5) jClarety was not designed to report account balances except at the individual level. Reconciling jClarety to the G/L will require additional research and may require additional system modifications. We will work with our BPO's and ISD to determine a solution and implementation timeline. Monthly pension roll activity reported by jClarety has been reconciled to the G/L since implementation in June of 2011. Daily activity will be reviewed and a methodology will be developed by 6/30/13. Daily reconciliations of the 45901 payments was developed in April 2012 and reconciliations completed from January 2012 to date. Adjustments have been processed on a monthly basis.

FY 2012 Financial Audit

No significant deficiencies or material weaknesses

FY 2013 Financial Audit

No significant deficiencies or material weaknesses

2015-17 Budget Summary

	TOTALS			FUND TYPE				
	POS	FTE	ALL FUNDS	Gen'l Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Federal
2013-15 Legislatively Approved Budget	369	367.23	9,366,028,980			88,153,980		9,277,875,000
2015-17 Base Budget Adjustments:								
Net cost of Position Actions:								
Administrative, Biennialized E-Board, Phase-Out	(8)	(6.23)	186,339			186,339		
Estimated Cost of Merit Increase			(12,100)			(12,100)		
Base Debt Service Adjustment			(801,761,000)					(801,761,000)
Base Nonlimited Adjustment								
Subtotal: 2015-17 Base Budget	361	361.00	8,564,442,219			88,328,219		8,476,114,000
Essential Packages:								
Package No. 010								
Vacancy factor (Increase)/Decrease			92,904			92,904		
Non-PICS Personal Service Increase/(Decrease)			316,782			316,782		
Subtotal			409,686			409,686		
Package No. 021/022								
021 - Phase-In Programs Excl. One-Time Costs			742,123			742,123		
022 - Phase-Out Programs and One-Time Costs			(4,164,450)			(4,164,450)		
Subtotal			(3,422,327)			(3,422,327)		
Package No. 031/032/033								
Cost of Goods & Services Increase/(Decrease)			672,410			672,410		
State Govt. Service Charges Increase/(Decrease)			2,986,878			2,986,878		
Subtotal			3,659,288			3,659,288		
Package No. 060								
Technical Adjustments			70,000			70,000		
Subtotal: 2015-17 Current Service Level	364	364.00	8,565,158,866			89,044,866		8,476,114,000

2015-17 Budget Summary (continued)

	TOTALS			FUND TYPE					
	POS	FTE	ALL FUNDS	Gen'l Fund	Lottery Funds	Other Funds	Fed Funds	Nonlimited Other	Federal
2015-17 Current Service Level – Page 1	364	364.00	8,565,158,866			89,044,866		8,476,114,000	
Subtotal Package No. 070 Revenue Shortfalls									
Subtotal: 2015-17 Modified CSL	364	364.00	8,565,158,866			89,044,866		8,476,114,000	
Modified 2015-17 Current Service Level	364	364.00	8,565,158,866			89,044,866		8,476,114,000	
Policy Packages:									
Package No. 090									
Analyst Adjustments			1,076,658,541			(1,150,521)		1,077,809,062	
Package No. 101									
Current Service Metrics	6	6.00	644,083			644,083			
Package No. 102									
Fully Integrating IAP	3	3.00	1,914,399			1,914,399			
Package No. 103									
Enhanced staffing for Data Verification	7	7.00	956,875			956,875			
Package No. 104									
Technology Maintenance and Enhancements			3,281,250			3,281,250			
Package No. 105									
Disaster Recovery Infrastructure Upgrade			1,581,200			1,581,200			
Subtotal Policy Packages	16	16.00	1,085,036,348			7,227,286		1,077,809,062	
2015-17 Governor's Budget	380	380.00	9,650,195,214			96,272,152		9,553,923,062	
Percent Change From 2013-15 Leg. Approved	1.02%	1.03%	1.03%	0.0%	0.0%	1.09%	0.0%	1.02%	0.0%
Percent Change From CSL	1.04%	1.04%	1.12%	0.0%	0.0%	1.08%	0.0%	1.12%	0.0%

10% Budget Reduction Options

- In compliance with ORS 291.216, PERS' 10% Reduction Options are included in the Governor's Budget in the Agency Summary Section.
- PERS administers a single, integrated system of retirement, death, and disability benefit programs for public employees. This system is protected under the Contracts Clause of the Oregon Constitution. As such, budget reductions are based on a strategy that would result in decreased service levels and performance, rather than eliminating programs or functions.
- The identified reduction options total 36 positions and \$8,775,412 against the Current Service Level of \$87,754,116 (10.00%).

Long Term Vacancies (as of 12/31/2014)

Authorization	Position #	Pos Type	Reason Narrative	XREF	Other Funds	Vac 7-11	Vac 12+
000232300	8700104	PF	Recruitment difficulties due to unqualified applicants. Using contractors in interim.	300-04-06-00000	137,520	1	0
000232980	9100131	PF	Filled by rotational WOC	300-03-08-00000	140,136	0	1
000536450	9500120	PF	Being held for future reclass	300-04-06-00000	100,248	0	1
000947760	0710117	PF	Filled by rotational WOC	300-03-07-00000	187,464	0	1
000984510	0911421	PF	Being held for future reclass	300-04-02-00000	54,720	0	1
001039860	1110243	PF	Filled by rotational WOC	300-01-02-00000	147,216	0	1
001187060	1510107	PF	Filled by rotational WOC	300-05-01-00000	99,816	1	0
001187280	1510124	PF	Position used to finance another position	300-07-02-00000	79,968	0	1
001193910	1510133	PF	Being held for future reclass	300-06-00-00000	97,188	0	1

Staffing Ratios and Position Actions

HB 4131

In compliance with HB 4131, PERS has achieved the October 2014 targeted 11:1 non-supervisory to supervisory staffing ratio.

2013-15 Position Actions

There have been 75 new hires.

- 6 are limited duration and 69 are permanent positions.
- 36 of the 75 were hired above step two, based on level of required experience and expertise, market conditions, or established salary if transferring from another state agency.
- There have been no position reclassifications.

PERS New Hires 2013-15

Date Hired /Effec. Date	Position No.	Class	Class Description	Step	Salary	Justification if above Step 2
10/14/2013	1110215	C0841	Retirement Counselor 1	2	2899	
4/3/2014	9500200	C0842	Retirement Counselor 2	1	3077	
2/10/2014	0501108	C0841	Retirement Counselor 1	1	2817	
7/16/2013	9100125	Z0830	Executive Assistant	4	4364	Promotion
11/29/2013	1189702	C0871	Operations & Policy Analyst 2	2	4019	
10/28/2013	1582201	C0870	Operations & Policy Analyst 1	6	4019	Promotion (LD)
11/12/2013	1510128	C0212	Accounting Tech 3	2	2775	Limited Duration
7/15/2013	1510117	C0841	Retirement Counselor 1	6	3607	Transfer in
9/1/2014	9500110	C0108	Administrative Specialist 2	7	3607	Transfer in
10/1/2014	9100103	C0841	Retirement Counselor 1	1	2873	
1/6/2014	9900150	C0323	Public Service Representative 3	1	2360	
5/12/2014	0137290	C1218	Accountant 4	7	5961	Specialized Skill (CA
7/1/2013	9100114	C1488	Info. Systems Specialist 8	8	7240	Temp to Perm
4/1/2014	1542014	C5247	Compliance Specialist 2	3	3896	Temp to Perm (LD)
9/16/2013	8700208	C0842	Retirement Counselor 2	2	3177	
1/1/2014	9700200	C0871	Operations & Policy Analyst 2	9	5688	Lateral Transfer
9/30/2013	0911310	C0841	Retirement Counselor 1	2	2899	
12/16/2013	1510202	C0438	Procurement & Contract Speciaist 3	9	6255	Transfer in
8/1/2013	8700110	C0855	Project Manager 2	1	4210	
7/1/2014	1110607	C0870	Operations & Policy Analyst 1	2	3382	
7/7/2014	8900400	X1320	HR Analyst 1	3	3838	
4/1/2014	1582202	C0841	Retirement Counselor 1	1	2817	Limited Duration
10/14/2013	1510128	C0212	Accounting Tech 3	2	2775	
10/1/2013	9100100	C0860	Program Analyst 1	9	4628	Promotion

PERS New Hires 2013-15 (continued)

Date Hired /Effec. Date	Position No.	Class	Class Description	Step	Salary	Justification if above Step 2
2/10/2014	1586108	C0841	Retirement Counselor 1	1	2817	Limited Duration
9/23/2013	1313128	C0104	Office Specialist 2	2	2352	
7/10/2013	1510110	C0841	Retirement Counselor 1	1	2775	
8/5/2013	1510111	C0841	Retirement Counselor 1	3	3032	Promotion
1/13/2014	1313134	C0842	Retirement Counselor 2	2	3225	
8/12/2013	9900210	C1487	Info. Systems Specialist 7	5	5786	Promotion
2/10/2014	0137280	C0841	Retirement Counselor 1	1	2817	
10/14/2013	1110201	C0841	Retirement Counselor 1	1	2775	
12/2/2013	1510131	C0842	Retirement Counselor 2	3	3382	Promotion
2/10/2014	1586107	C0841	Retirement Counselor 1	1	2817	Limited Duration
11/21/2013	0137340	Z7010	Principle Exec. Manager F	9	8613	Promotion
10/14/2013	0137360	C0841	Retirement Counselor 1	1	2775	
2/10/2014	9100117	C0841	Retirement Counselor 1	1	2817	
10/20/2014	9900431	C1484	Info. Systems Specialist 4	1	3770	
12/29/2014	9900437	C0118	Executive Support Specialist 1	3	2756	Condition of Employ
9/10/2013	0501109	C0841	Retirement Counselor 1	1	2775	
12/2/2013	1510203	C1217	Accountant 3	2	4079	
9/8/2014	0137500	C1486	Info. Systems Specialist 6	9	6507	Market demand
1/2/2014	0137510	Z7010	Principle Exec. Manager F - Info. Sys.	8	9629	Promotion
2/10/2014	1110205	C0842	Retirement Counselor 2	1	3077	
7/15/2013	0137190	C0841	Retirement Counselor 1	3	3139	Transfer in
8/1/2014	1110215	C0841	Retirement Counselor 1	1	2873	
2/10/2014	1586106	C0841	Retirement Counselor 1	1	2817	Limited Duration
9/2/2014	8700110	C0855	Project Manager 2	9	6380	Transfer in
8/26/2013	0137170	C0841	Retirement Counselor 1	2	2899	

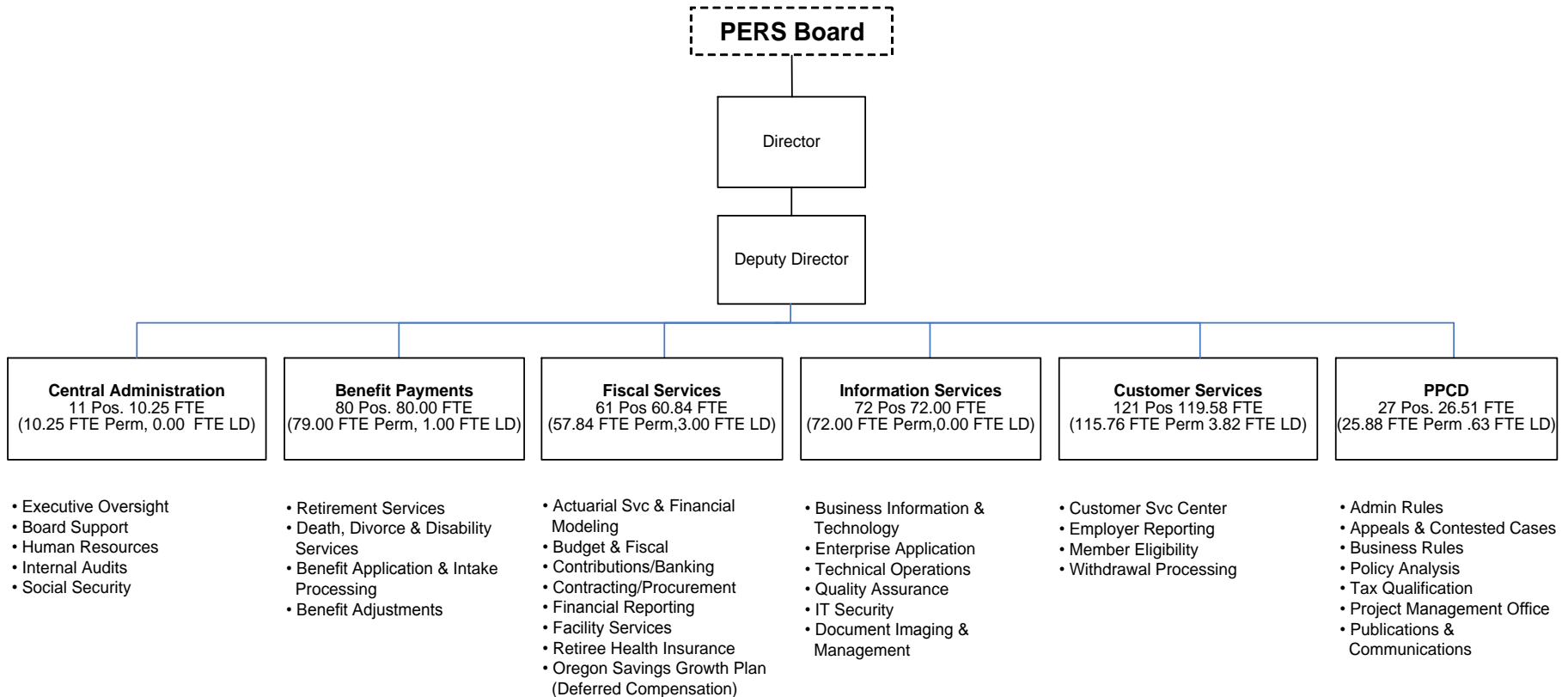
PERS New Hires 2013-15 (continued)

Date Hired /Effec. Date	Position No.	Class	Class Description	Step	Salary	Justification if above Step 2
2/10/2014	0110505	C0841	Retirement Counselor 1	1	2817	
11/20/2013	9900310	C0842	Retirement Counselor 2	2	3177	
2/10/2014	0137460	C0841	Retirement Counselor 1	2	2942	
3/4/2014	8700101	X7008	Principle Exec. Manager F - Info. Sys.	8	8742	Market demand
4/7/2014	9100112	C0118	Executive Support Sepcialist 1	4	2873	Transfer in
7/1/2013	0398200	C1488	Info. Systems Specialist 8	7	6915	Market demand
7/10/2013	1510108	C0841	Retirement Counselor 1	2	3001	
2/10/2014	1110240	C0841	Retirement Counselor 1	6	3536	Rehired
10/25/2013	0137070	C0104	Office Specialist 2	1	2280	
5/27/2014	0507015	C0104	Office Specialist 2	5	2702	Transfer in
10/28/2013	0301052	C5247	Compliance Specialist 2	4	4019	Legal skills
8/1/2013	9100128	C0855	Project Manager 2	4	5028	Promotion
10/9/2013	0911303	C0842	Retirement Counselor 2	1	3032	
11/18/2013	0137130	C0104	Office Specialist 2	8	3032	Promotion in
10/28/2013	0911307	C0841	Retirement Counselor 1	3	3139	Temp to Perm
1/13/2014	9100109	C0108	Administrative Specialist 2	8	3781	Transfer in
8/12/2013	0508406	C1486	Info. Systems Specialist 6	8	6001	Market demand
3/17/2014	8900217	X0872	Operations & Policy Analyst 3	8	6861	Transfer in
6/5/2014	1510122	C0842	Retirement Counselor 2	4	3536	Promotion
3/24/2014	1110220	C0871	Operations & Policy Analyst 2	2	4079	
11/10/2014	0137060	C1216	Accountant 2	4	3781	Condition of Employ
12/2/2013	1306141	C0870	Operations & Policy Analyst 1	5	3974	Promotion
2/10/2014	1586105	C0841	Retirement Counselor 1	1	2817	Limited Duration
10/7/2013	8700205	C0871	Operations & Policy Analyst 2	1	3838	
7/14/2014	0137560	Z0119	Executive Support Specialist 2	8	4030	Transfer in
10/21/2013	1510120	C0841	Retirement Counselor 1	2	2899	

Public Employees Retirement System 2013-15 Legislatively Approved Budget

372 Positions

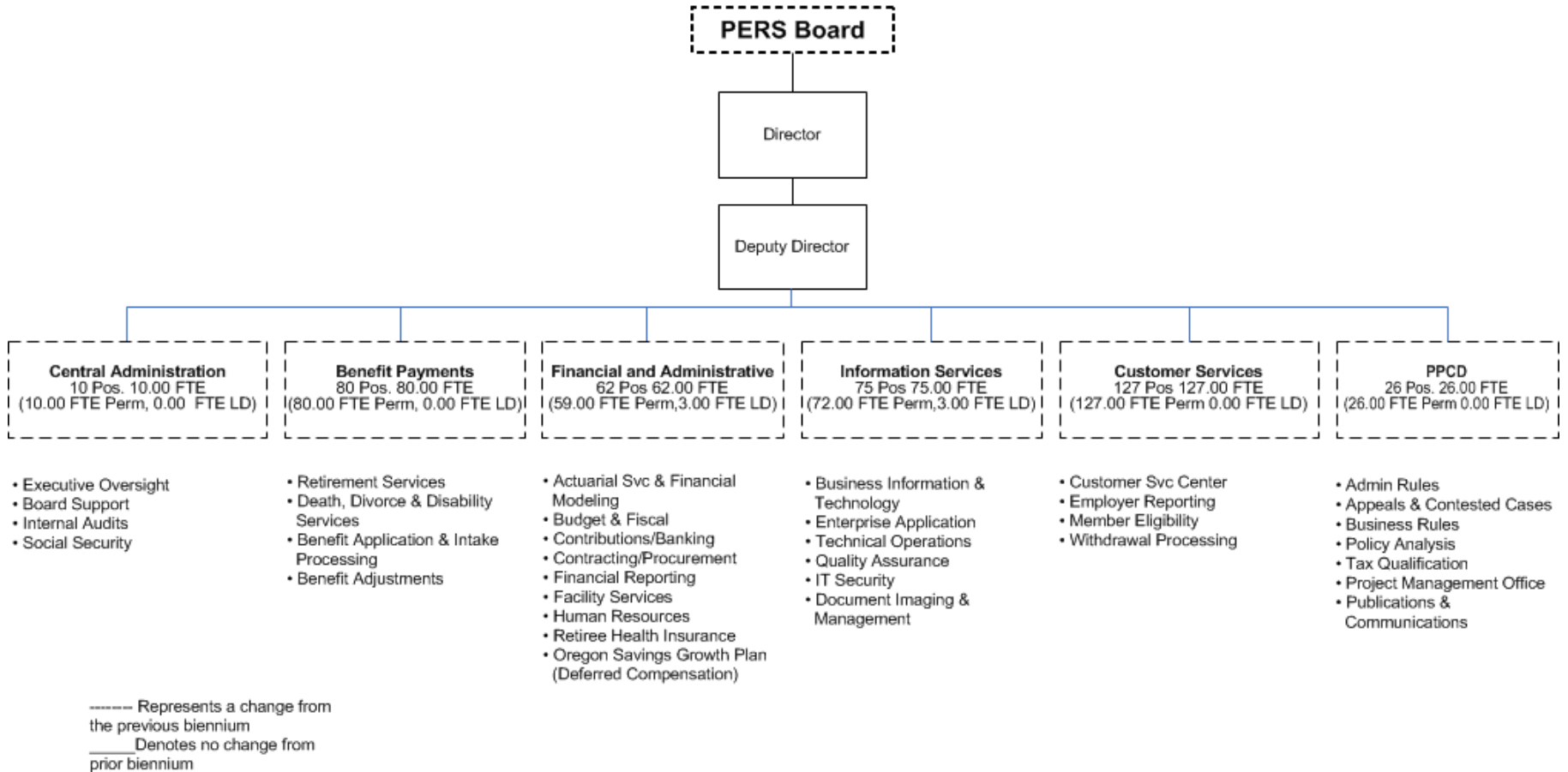
369.18 FTE



Public Employees Retirement System 2015-17 Governor's Budget

380 Positions

380.00 FTE





Oregon

John A. Kitzhaber, M.D., Governor

Public Employees Retirement System

Headquarters:
11410 S.W. 68th Parkway, Tigard, OR
P.O. Box 23700
Mailing Address:
Tigard, OR 97281-3700
(503) 598-7377
TTY (503) 603-7766
<http://oregon.gov/pers>

To: Ken Rocco, Legislative Fiscal Officer
From: Paul R. Cleary, Executive Director
Re: Senate Bill 5537 Budget Note
Date: August 13, 2013

A budget note in Senate Bill 5537 (2013) requires PERS to report to the Legislative Fiscal Office on the Board's implementation of legislation and administrative actions related to 2013-15 contribution rates. At its May 31, 2013 meeting, the Board approved the approach for adjusting employer rates, and the recalculated rates were distributed to employers in mid-June. As directed by the budget note, we are providing the final 2013-15 employer rates that reflect legislative direction in Senate Bill 822 (2013).

2013-15 Employer Rates

In Senate Bill 822, legislators reduced the cost of living adjustment (COLA) and eliminated the tax remedy benefit for recipients who do not pay Oregon state income taxes due to residing outside of Oregon. These liability reductions translated into a 2.5% of payroll employer rate reduction. A budget note to Senate Bill 822 also directed the Board to take additional administrative action to further reduce each employer's rate by up to an additional 1.9% of covered payroll to mitigate rate increases for the 2013-15 biennium.

Prior to implementation of the rate deferral provision of the budget note, some employers' scheduled 2013-15 contribution rates were less than 4.4% of payroll higher than their 2011-13 contribution rates. For those employers, the PERS actuary, Milliman, recommended against providing the full 1.9% deferral proposed in the budget note which could have reduced their 2013-15 rates below 2011-13 levels. Instead, Milliman recommended limiting the additional 1.9% rate deferral so no employer's base rate (normal cost plus unfunded actuarial liability amortization, excluding side account offsets and retiree healthcare costs) would be reduced below their 2011-13 base rate. The Board approved the Milliman recommendation as it provided an actuarially sound method of adjusting employer rates consistent with the budget note directions.

After applying this constraint, the final system-wide average base rate reduction was 4.28% of covered payroll. This translates into system-wide biennial savings of approximately \$790 million when applied to the projected \$18.4 billion payroll for the 2013-15 biennium. These compare to our earlier SB 822-related unconstrained estimates of a 4.4% system-wide average rate reduction, and \$810 million in biennial savings.

A report of the new employer rates is attached, and an electronic version is available here:

http://www.oregon.gov/pers/Pages/2013-15_employer_Rate_summary.aspx

Quarterly and Annual Retirement Activity

A budget note in Senate Bill 5537 also directs PERS to report quarterly and annually on retirement applications and activity. Those reports are forthcoming.

I hope this information is helpful. Thank you for your continued interest in PERS. Please let me know if you have additional questions.

cc: John Borden, James Carbone, George Naughton



Members Eligible to Retire by Tier
For Period End: 12/31/2014

CATEGORY	***** ** ACTIVE MEMBERS ** *****						***** ** DORMANT / INACTIVE MEMBERS ** *****						***** ** TOTAL MEMBERS ** *****						
	Actuarial Group	Active P & F	Active General service	Active Judges	Active Eligible to Retire	Total Active Members	% Active Category	Inactive P & F	Inactive General service	Inactive Judges	Inactive Eligible to Retire	Total Inactive Members	% Not Active Category	P & F	General service	Judge	Total Eligible to Retire	Total Members	% Total Members Eligible
(1) TIER-1																			
STATE	752	5,201	0	5,953	9,482	62.78%	143	2,774	0	2,917	4,629	63.02%	1,349	12,762	0	8,870	14,111	62.86%	
SCHOOL	10	7,566	0	7,576	14,111	53.69%	4	2,994	0	2,998	4,819	62.21%	19	18,911	0	10,574	18,930	55.86%	
LOCAL GOVT	1,164	5,080	0	6,244	10,901	57.28%	249	2,274	0	2,523	4,374	57.68%	2,557	12,718	0	8,767	15,275	57.39%	
JUDGES	0	0	45	45	75	60.00%	0	0	3	3	4	75.00%	0	0	79	48	79	60.76%	
CMM COLLEGE	0	1,056	0	1,056	1,561	67.65%	0	502	0	502	734	68.39%	0	2,295	0	1,558	2,295	67.89%	
TIER-1 Totals:	1,926	18,903	45	20,874	36,130	57.77%	396	8,544	3	8,943	14,560	61.42%	3,925	46,686	79	29,817	50,690	58.82%	
(2) TIER-2																			
STATE	756	2,963	0	3,719	10,580	35.15%	104	893	0	997	2,958	33.71%	2,151	11,387	0	4,716	13,538	34.84%	
SCHOOL	12	5,628	0	5,640	18,375	30.69%	6	1,472	0	1,478	4,428	33.38%	28	22,775	0	7,118	22,803	31.22%	
LOCAL GOVT	407	3,551	0	3,958	13,365	29.61%	65	1,218	0	1,283	4,093	31.35%	3,094	14,364	0	5,241	17,458	30.02%	
JUDGES	0	0	39	39	117	33.33%	0	0	1	1	2	50.00%	0	0	119	40	119	33.61%	
CMM COLLEGE	0	944	0	944	2,204	42.83%	0	312	0	312	738	42.28%	0	2,942	0	1,256	2,942	42.69%	
TIER-2 Totals:	1,175	13,086	39	14,300	44,641	32.03%	175	3,895	1	4,071	12,219	33.32%	5,273	51,468	119	18,371	56,860	32.31%	
(3) OPSRP																			
STATE	533	3,523	0	4,056	23,309	17.40%	53	554	0	607	2,412	25.17%	2,746	22,975	0	4,663	25,721	18.13%	
SCHOOL	10	6,031	0	6,041	34,961	17.28%	1	1,324	0	1,325	3,471	38.17%	26	38,406	0	7,366	38,432	19.17%	
LOCAL GOVT	225	4,029	0	4,254	27,992	15.20%	47	881	0	928	3,303	28.10%	4,301	26,994	0	5,182	31,295	16.56%	
CMM COLLEGE	0	1,487	0	1,487	5,383	27.62%	0	419	0	419	694	60.37%	0	6,077	0	1,906	6,077	31.36%	
OPSRP Totals:	768	15,070	0	15,838	91,645	17.28%	101	3,178	0	3,279	9,880	33.19%	7,073	94,452	0	19,117	101,525	18.83%	

Total Eligible by Actuarial Group

STATE	2,041	11,687	0	13,728	43,371	31.65%	300	4,221	0	4,521	9,999	45.21%	6,246	47,124	0	18,249	53,370	34.19%
SCHOOL	32	19,225	0	19,257	67,447	28.55%	11	5,790	0	5,801	12,718	45.61%	73	80,092	0	25,058	80,165	31.26%
LOCAL GOVT	1,796	12,660	0	14,456	52,258	27.66%	361	4,373	0	4,734	11,770	40.22%	9,952	54,076	0	19,190	64,028	29.97%
JUDGES	0	0	84	84	192	43.75%	0	0	4	4	6	66.67%	0	0	198	88	198	44.44%
CMM COLLEGE	0	3,487	0	3,487	9,148	38.12%	0	1,233	0	1,233	2,166	56.93%	0	11,314	0	4,720	11,314	41.72%
Grand Totals:	3,869	47,059	84	51,012	172,416	29.59%	672	15,617	4	16,293	36,659	44.44%	16,271	192,606	198	67,305	209,075	32.19%

Total Member Count: 209,075



Oregon

John A. Kitzhaber, M.D., Governor

Public Employees Retirement System

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January 16, 2015

TO: Joint Committee on Ways & Means, Subcommittee on General Government
FROM: Steven Patrick Rodeman, Executive Director
SUBJECT: Senate Bill 5537(2013) – Budget Note on PERS Health Insurance Program

The following budget note was included with SB 5537 (2013):

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

OVERVIEW OF PHIP

The PERS Health Insurance Program (PHIP) offers health, dental, and long-term care insurance coverage for eligible PERS retired members, as well as their spouses, and dependents. PHIP provides high quality, comprehensive coverage at the most cost-effective rates available to the program. ORS 238.410 further directs PERS to continually study and investigate all matters connected with providing health care insurance to eligible members. PHIP provides coverage for those members not yet eligible for federal Medicare, and Medicare-related coverage for those members enrolled in the federal program. The average age of enrollees in our pre-Medicare coverage is 57, and for those in our Medicare-related coverage have an average age of 75.

Our members value stability of premium amounts, coverage, and carriers. Program enrollment (as of November 2014) is shown in the chart below:

Medical Plan

Retired Members		Total Plan Membership (with spouses and dependents)	
Non-Medicare	Medicare	Total Membership	Non-Medicare Medicare
1,641	46,409	48,050	2,720 56,621
			Total Membership
			59,341

Dental Plan

Retired Members		Total Plan Membership (with spouses and dependents)	
Non-Medicare	Medicare	Total Membership	Non-Medicare Medicare
1,160	27,811	28,971	1,476 34,659
			Total Membership
			36,135

PHIP AND THE ACA

According to the U.S. Department of Health & Human Services, the Affordable Care Act (ACA) was enacted with the goals of increasing the quality and affordability of health insurance, lowering the uninsured rate by expanding public and private insurance coverage, and reducing the costs of healthcare.

The ACA is focused on individual and employer-sponsored coverage. PHIP does not qualify as employer-sponsored coverage; rather, PHIP is a “Retiree” Group Plan, and as such, cannot provide coverage within the ACA.

A small group of PHIP members (2,720 or 4.6%) receive pre-Medicare coverage. These members could seek individual coverage under the ACA or Cover Oregon, or in fact from any commercially-available health plan. In deciding whether to enroll with PHIP or another provider, members who retired directly from service with the state of Oregon need to consider that the PERS Retiree Health Insurance Premium Account (RHIPA) subsidy is not paid on coverages outside PHIP. This subsidy, created by ORS 238.415, varies based on the member’s years of service. In 2014, the individual subsidy towards their monthly premium ranged from \$163.39 for at least eight years of service to \$326.79 per month for 30 or more years of service. As of November 2014, 1,287 members received the RHIPA subsidy.

By far, most PHIP members are receiving Medicare-related coverage (56,621 members, or 95.4% of the total membership). No coverage is provided under the ACA for this population: Medicare Supplement, Medicare Advantage, or Medicare Part D (all available under PHIP) are not part of the ACA’s marketplace. Eligible members in this population can receive a subsidy under the Retiree Health Insurance Account (RHIA) provided under ORS 238.420. That subsidy is capped at \$60 per month for members with at least eight years of service. As of November 2014, 44,580 members received a RHIA subsidy.

BUDGET NOTE CONSIDERATIONS

The budget note first directs PERS to address whether the pre-Medicare population should be combined with other groups in Cover Oregon. Administration of the RHIPA subsidy (paid to about 78.4% of retired members) would have to be altered to allow PERS to provide that subsidy to plans outside of PHIP. Eligibility and enrollment are closely associated with service data shared with PERS by public employers. If these determinations involve other entities, PERS would have to balance the data access and security needs with the risk of outside exposure. Also, plan liabilities would change under this structure and employer rates would need to be adjusted.

If members were to transition from PHIP to different entities, then PERS and the new carriers would need to prepare for an increase in member concerns with the move and changes to plan benefits, enrollment, eligibility, and service levels. The 2014 PHIP Customer Satisfaction Survey indicates that 92% of respondents felt the premium reflected the value of the benefits offered under the program and 93% of respondents were satisfied with their medical coverage. Overall satisfaction of the program was positive, with 97% of respondents indicating no dissatisfaction with PHIP.

Second, the budget note directs us to report on whether the ACA or Cover Oregon should provide coverage for the Medicare-related policies. Under current law, those coverages are not available. Generally, the PHIP population is elderly and not accustomed to significant changes.

CONCLUSION

In support of our statutory obligations of the program, PHIP will continue to study and monitor the ACA as it is implemented for employers and individuals. PHIP will continue to monitor ACA for new requirements and changes to the law that impact the PHIP Medicare population.



Oregon

Kate Brown, Governor

Public Employees Retirement System

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To: Ken Rocco, Legislative Fiscal Officer
From: Steven Patrick Rodeman, Executive Director
Re: Senate Bill 5537 Budget Note – Q4 2014 Retirement Data and Annual Report
Date: March 5, 2015

A budget note in Senate Bill 5537 (2013) directs PERS to report quarterly and annually on retirement applications and activity. This quarter, we are reporting all four quarters for 2014 and a comparison of 2012, 2013, and 2014 annual retirement data. In the reports, “inactive members” are those who separated from their last PERS-covered employment more than 365 days before their effective retirement date. This definition is consistent with the analysis we use for our annual replacement ratio study, where we exclude members fitting that parameter.

Retirement Data as of December 31, 2014

After the predictably active third quarter, when PERS experienced the usual July 1 spike in school employee retirements, the fourth quarter of 2014 was down by comparison. In fact, the fourth quarter was slowest for the year with only 1,125 service retirements.

Annual Retirement Data – 2014 vs. Previous Years

Typical of even-numbered years, 2014 saw fewer retirements than 2013, but the volume was very similar to 2012. Of interest, the percentage of full formula calculations was higher in 2014 compared to 2012 and 2013, with money match calculations experiencing the most significant reduction. The increased percentage of full formula calculations returns to the trend created by the 2003 PERS Reforms, but also can be partly attributed to the continued increase in retirements from the OPSRP program.

Members Eligible to Retire

PERS continues to monitor the total number of active and inactive members eligible to retire due to age or service time. As of December 31, 2014, over 67,000 members across all tiers and service groups were considered eligible for retirement. This is equivalent to about 32% of active and inactive PERS members. Of interest, almost 59% of Tier One members are eligible, whereas almost 19% of OPSRP members are eligible. We continue to acknowledge that eligible to retire does not always equate to able or ready to retire.

For this report, and all PERS data, “state” includes OUS and “employer group” represents the employer a member last worked for or retired from (not their entire employment experience), whether active or inactive at the time of retirement.

cc: John Borden, Tamara Brickman, George Naughton

**Public Employees Retirement System
Service Retirements Quarterly Report - SB 5537 (2013)
4th Quarter 2014 and Previous Three Quarters**

QUARTER 1: Retirements effective January - March 2014

TOTAL		TIER 1		TIER 2 OPSRP		TOTAL
Total Service Retirements	745	341	154			1,240
	60%	28%	12%			

CALCULATION TYPE		TIER 1	TIER 2 OPSRP	TOTAL
Full Formula	371	281	154	806 63%
Formula + Annuity	28			28 2%
Money Match	346	60		406 33%
	745	341	154	1,240

EMPLOYER GROUP	TIER 1	TIER 2 OPSRP	TOTAL
State	232	118	35 31%
Schools	252	105	46 33%
Local Governments	261	118	73 452 36%
	745	341	154 1,240

EST. ACTIVE / INACTIVE		TIER 1	TIER 2 OPSRP	TOTAL
Active	540	229	128	897 72%
Inactive > 365 Days	205	112	26	343 28%
	745	341	154	1,240

QUARTER 2: Retirements effective April - June 2014

TOTAL		TIER 1		TIER 2 OPSRP		TOTAL
Total Service Retirements	718	379	195			1,292
	56%	29%	15%			

CALCULATION TYPE		TIER 1	TIER 2 OPSRP	TOTAL
Full Formula	331	318	195	844 65%
Formula + Annuity	29			29 2%
Money Match	358	61		419 32%
	718	379	195	1,292

EMPLOYER GROUP	TIER 1	TIER 2 OPSRP	TOTAL
State	265	122	63 450 35%
Schools	196	102	57 355 27%
Local Governments	257	135	75 487 38%
	718	379	195 1,292

EST. ACTIVE / INACTIVE		TIER 1	TIER 2 OPSRP	TOTAL
Active	505	240	147	892 69%
Inactive > 365 Days	213	139	48	400 31%
	718	379	195	1,292

QUARTER 3: Retirements effective July - September 2014

TOTAL		TIER 1		TIER 2 OPSRP		TOTAL
Total Service Retirements	1,810	660	311			2,781
	65%	24%	11%			

CALCULATION TYPE		TIER 1	TIER 2 OPSRP	TOTAL
Full Formula	848	598	311	1,757 63%
Formula + Annuity	103			103 4%
Money Match	859	62		921 33%
	1,810	660	311	2,781

EMPLOYER GROUP	TIER 1	TIER 2 OPSRP	TOTAL
State	410	132	72 614 22%
Schools	1,014	344	151 1,509 54%
Local Governments	386	184	88 658 24%
	1,810	660	311 2,781

EST. ACTIVE / INACTIVE		TIER 1	TIER 2 OPSRP	TOTAL
Active	1,550	541	264	2,355 85%
Inactive > 365 Days	260	119	47	426 15%
	1,810	660	311	2,781

QUARTER 4: Retirements effective October - December 2014

TOTAL		TIER 1		TIER 2 OPSRP		TOTAL
Total Service Retirements	642	325	158			1,125
	57%	29%	14%			

CALCULATION TYPE		TIER 1	TIER 2 OPSRP	TOTAL
Full Formula	319	287	158	764 68%
Formula + Annuity	31			31 3%
Money Match	292	38		330 29%
	642	325	158	1,125

EMPLOYER GROUP	TIER 1	TIER 2 OPSRP	TOTAL
State	193	91	47 331 29%
Schools	211	97	63 371 33%
Local Governments	238	137	48 423 38%
	642	325	158 1,125

EST. ACTIVE / INACTIVE		TIER 1	TIER 2 OPSRP	TOTAL
Active	472	217	125	814 79%
Inactive > 365 Days	170	108	33	311 28%
	642	325	158	1,125

TOTAL		TIER 1		TIER 2 OPSRP		TOTAL
Total Service Retirements	642	325	158			1,125
	57%	29%	14%			

CALCULATION TYPE		TIER 1	TIER 2 OPSRP	TOTAL
Full Formula	319	287	158	764 68%
Formula + Annuity	31			31 3%
Money Match	292	38		330 29%
	642	325	158	1,125

EMPLOYER GROUP	TIER 1	TIER 2 OPSRP	TOTAL
State	193	91	47 331 29%
Schools	211	97	63 371 33%
Local Governments	238	137	48 423 38%
	642	325	158 1,125

EST. ACTIVE / INACTIVE		TIER 1	TIER 2 OPSRP	TOTAL
Active	472	217	125	814 79%
Inactive > 365 Days	170	108	33	311 28%
	642	325	158	1,125

2014 YTD	
T1	3,915 61%
T2	1,705 26%
O	818 13%
	6,438

2014 YTD	
T1	4,171 65%
T2	191 3%
O	2,076 32%
	6,438

(For all data - Service Retirements do not include Disability Retirements)
Please note: Quarterly values reported here align with previous reports. But small variances in final numbers may occur as members finalize retirement decisions.

Public Employees Retirement System
Service Retirements Annual Report - SB 5537 (2013)
2014 Annual Report with 2012 and 2013 Data for Comparison

Retirements effective January - December 2012

TOTAL	TIER 1	TIER 2	OPSRP	TOTAL
Total Service Ret.	4,498	1,579	512	6,589
	68%	24%	8%	

CALCULATION TYPE	TIER 1	TIER 2	OPSRP	TOTAL	
Full Formula	1,681	1,354	512	3,547	54%
Formula + Annuity	303			303	5%
Money Match	2,514	225		2,739	42%
	4,498	1,579	512	6,589	

EMPLOYER GROUP	TIER 1	TIER 2	OPSRP	TOTAL	
State	1,313	447	119	1,879	29%
Schools	1,819	553	218	2,590	39%
Local Governments	1,366	579	175	2,120	32%
	4,498	1,579	512	6,589	

EST. ACTIVE / INACTIVE	TIER 1	TIER 2	OPSRP	TOTAL	
Active	3,441	1,040	411	4,892	74%
Inactive > 365 Days	1,057	539	101	1,697	26%
	4,498	1,579	512	6,589	

Retirements effective January - December 2013

TOTAL	TIER 1	TIER 2	OPSRP	TOTAL
Total Service Ret.	7,107	1,789	719	9,615
	74%	19%	7%	

CALCULATION TYPE	TIER 1	TIER 2	OPSRP	TOTAL	
Full Formula	2,421	1,531	719	4,671	49%
Formula + Annuity	455			455	5%
Money Match	4,231	258		4,489	47%
	7,107	1,789	719	9,615	

EMPLOYER GROUP	TIER 1	TIER 2	OPSRP	TOTAL	
State	2,209	485	196	2,890	30%
Schools	2,886	627	274	3,787	39%
Local Governments	2,012	677	249	2,938	31%
	7,107	1,789	719	9,615	

EST. ACTIVE / INACTIVE	TIER 1	TIER 2	OPSRP	TOTAL	
Active	5,160	1,178	577	6,915	72%
Inactive > 365 Days	1,947	611	142	2,700	28%
	7,107	1,789	719	9,615	

Retirements effective January - December 2014

TOTAL	TIER 1	TIER 2	OPSRP	TOTAL
Total Service Ret.	3,915	1,705	818	6,438
	59%	26%	12%	

CALCULATION TYPE	TIER 1	TIER 2	OPSRP	TOTAL	
Full Formula	1,869	1,484	818	4,171	65%
Formula + Annuity	191			191	3%
Money Match	1,855	221		2,076	32%
	3,915	1,705	818	6,438	

EMPLOYER GROUP	TIER 1	TIER 2	OPSRP	TOTAL	
State	1,100	463	217	1,780	28%
Schools	1,673	648	317	2,638	41%
Local Governments	1,142	594	284	2,020	31%
	3,915	1,705	818	6,438	

EST. ACTIVE / INACTIVE	TIER 1	TIER 2	OPSRP	TOTAL	
Active	3,067	1,227	664	4,958	77%
Inactive > 365 Days	848	478	154	1,480	23%
	3,915	1,705	818	6,438	

Security Level 2 - March 2015



Members Eligible to Retire by Tier

For Period End: 12/31/2014

Run Date: 1/13/2015 10:22:08 AM
Page 1 of 1
Data Source Updated: 1/8/2015 2:19:14 PM

CATEGORY	***** ** ACTIVE MEMBERS ** *****						***** ** DORMANT / INACTIVE MEMBERS ** *****						***** ** TOTAL MEMBERS ** *****						
	Actuarial Group	Active P & F	Active General service	Active Judges	Active Eligible to Retire	Total Active Members	% Active Category	Inactive P & F	Inactive General service	Inactive Judges	Inactive Eligible to Retire	Total Inactive Members	% Not Active Category	P & F	General service	Judge	Total Eligible to Retire	Total Members	% Total Members Eligible
(1) TIER 1																			
STATE	752	5,201	0	5,953	9,482	62.78%	143	2,774	0	2,917	4,629	63.02%	1,349	12,762	0	8,870	14,111	62.86%	
SCHOOL	10	7,566	0	7,576	14,111	53.69%	4	2,994	0	2,998	4,819	62.21%	19	18,911	0	10,574	18,930	55.86%	
LOCAL GOVT	1,164	5,080	0	6,244	10,901	57.28%	249	2,274	0	2,523	4,374	57.68%	2,557	12,718	0	8,767	15,275	57.39%	
JUDGES	0	0	45	45	75	60.00%	0	0	3	3	4	75.00%	0	0	79	48	79	60.76%	
CMM COLLEGE	0	1,056	0	1,056	1,561	67.65%	0	502	0	502	734	68.39%	0	2,295	0	1,558	2,295	67.89%	
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LOCAL GOVT	407	3,551	0	3,958	13,365	29.61%	65	1,218	0	1,283	4,093	31.35%	3,094	14,364	0	5,241	17,458	30.02%	
JUDGES	0	0	39	39	117	33.33%	0	0	1	1	2	50.00%	0	0	119	40	119	33.61%	
CMM COLLEGE	0	944	0	944	2,204	42.83%	0	312	0	312	738	42.28%	0	2,942	0	1,256	2,942	42.69%	
TIER-2 Totals:	1,175	13,086	39	14,300	44,641	32.03%	175	3,895	1	4,071	12,219	33.32%	5,273	51,468	119	18,371	56,860	32.31%	
(3) OPSRP																			
STATE	533	3,523	0	4,056	23,309	17.40%	53	554	0	607	2,412	25.17%	2,746	22,975	0	4,663	25,721	18.13%	
SCHOOL	10	6,031	0	6,041	34,961	17.28%	1	1,324	0	1,325	3,471	38.17%	26	38,406	0	7,366	38,432	19.17%	
LOCAL GOVT	225	4,029	0	4,254	27,992	15.20%	47	881	0	928	3,303	28.10%	4,301	26,994	0	5,182	31,295	16.56%	
CMM COLLEGE	0	1,487	0	1,487	5,383	27.62%	0	419	0	419	694	60.37%	0	6,077	0	1,906	6,077	31.36%	
OPSRP Totals:	768	15,070	0	15,838	91,645	17.28%	101	3,178	0	3,279	9,880	33.19%	7,073	94,452	0	19,117	101,525	18.83%	

Total Eligible by Actuarial Group

STATE	2,041	11,687	0	13,728	43,371	31.65%	300	4,221	0	4,521	9,999	45.21%	6,246	47,124	0	18,249	53,370	34.19%
SCHOOL	32	19,225	0	19,257	67,447	28.55%	11	5,790	0	5,801	12,718	45.61%	73	80,092	0	25,058	80,165	31.26%
LOCAL GOVT	1,796	12,660	0	14,456	52,258	27.66%	361	4,373	0	4,734	11,770	40.22%	9,952	54,076	0	19,190	64,028	29.97%
JUDGES	0	0	84	84	192	43.75%	0	0	4	4	6	66.67%	0	0	198	88	198	44.44%
CMM COLLEGE	0	3,487	0	3,487	9,148	38.12%	0	1,233	0	1,233	2,166	56.93%	0	11,314	0	4,720	11,314	41.72%
Grand Totals:	3,869	47,059	84	51,012	172,416	29.59%	672	15,617	4	16,293	36,659	44.44%	16,271	192,606	198	67,305	209,075	32.19%

Total Member Count: 209,075

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