

**Legislative
Fiscal Office**

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**Joint Committee on
Ways and Means**

Sen. Richard Devlin, Senate Co-Chair
Rep. Nancy Nathanson, House Co-Chair

Sen. Betsy Johnson, Senate Co-Vice Chair
Sen. Jackie Winters, Senate Co-Vice Chair
Rep. Dan Rayfield, House Co-Vice Chair
Rep. Greg Smith, House Co-Vice Chair

To: General Government Subcommittee
From: John Borden, Legislative Fiscal Office
Date: June 7, 2017
Subject: SB 5534 – Public Employees Retirement System
Work Session Recommendations

Public Employees Retirement System – Agency Totals

	2013-15 Actual	2015-17 Legislatively Approved	2017-19 Current Service Level	2017-19 LFO Recommended
Other Funds	81,931,164	108,240,199	97,396,583	100,956,620
Other Funds NL	9,027,953,765	9,723,458,062	10,994,171,000	10,994,171,000
Total Funds	\$9,109,884,929	\$9,831,698,261	\$11,091,567,583	\$11,095,127,620
Positions	372	380	377	364
FTE	369.18	380.00	377.00	363.37

Attached are the recommendations from the Legislative Fiscal Office for the Public Employees Retirement System. The budget is a \$101 million Other Funds expenditure limitation, or 6.7%, reduction from the 2015-17 legislatively approved budget and a \$3.6 million, or 3.7%, increase over the 2017-19 current service level. The budget includes 372 positions; 371.37 FTE. The Nonlimited benefit payments portion of the budget totals \$11 billion and is \$1.3 billion, or 13.1%, more than the 2015-17 legislatively approved budget.

- Policy Package #101 Cybersecurity Program (\$1.6 million)
- Policy Package #102 Fully Integrate IAP Administration into PERS ORION (\$1.4 million; 3 limited duration positions/1.50 FTE)
- Policy Package #801 LFO Analyst Adjustments (<\$17,732>)
- Policy Package #802 Reorganization (\$0; self-balancing)
- Policy Package #803 Business Continuity Program (\$250,000)
- Policy Package #804 Disaster Recovery Program (\$500,000)
- Policy Package #805 Disaster Recovery Warm Site (\$1.1 million)
- Policy Package #812 Vacant Position Elimination (<\$827,024>; 6 positions/5.13 FTE)
- Policy Package #814 IT Security Positions Consolidation (<\$496,921>; 2 positions/2.00 FTE)

Adjustments to Current Service Level

See attached "Work Session Presentation Report."

Note: Statewide adjustments and six-year capital construction expenditures are not included in these recommendations. Any needed adjustments will be made in end of session bills.

Accept LFO Recommendation:

MOTION: I move the LFO recommendation to SB 5534. (VOTE)

OR

Change LFO Recommendation:

MOTION: I move the LFO recommendation to SB 5534, with modifications. (VOTE)

Performance Measures

See attached "Legislatively Proposed 2017-19 Key Performance Measures."

Accept LFO Recommendation:

MOTION: I move the LFO recommendation on Key Performance Measures. (VOTE)

OR

Change LFO Recommendation:

MOTION: I move the LFO recommendation on Key Performance Measures, with modifications. (VOTE)

Budget Notes

#1 Budget Note: Cyber Security Program

The Public Employees Retirement System, under the direction of the Department of Administrative Services - Office of the State Chief Information Officer, is directed to develop and implement an industry standard Cyber Security Program, including defining the long-term maintenance, operation, and funding plans for the program. The agencies are to jointly report status to the Interim Joint Legislative Committee on Information Management and Technology during Legislative Days in September and November and to the Legislature in 2018. The Cyber Security Program, once completed, is to be independently assessed by a third-party vendor with the findings of that assessment reported to the Legislature.

#2 Budget Note: Individual Account Program

The Public Employees Retirement System, under the direction of the Department of Administrative Services - Office of the State Chief Information Officer, is directed to jointly report status of the Individual Account Program to the Interim Joint Legislative Committee on Information Management and Technology during Legislative Days in September and November and to the Legislature in 2018.

#3 Budget Note: State Data Center

The Public Employees Retirement System and the Department of Administrative Services - Office of the State Chief Information Officer, are directed to complete a comprehensive State Data Center usage analysis, as requested in April 2016. The agencies are to jointly report the feasibility study findings to the Interim Joint Legislative Committee on Information Management and Technology during Legislative Days in September of 2017. If found to be feasible, the agencies are to develop a formal migration plan, schedule, and budget, for the 2017-19 biennium and are then to report to the Joint Committee on Ways and Means during the Legislative session in 2018.

#4 Budget Note: Disaster Recovery/Business Continuity Programs and Disaster Warm Site

The Public Employees Retirement System, under the direction of the Department of Administrative Services - Office of the State Chief Information Officer, is directed to develop and implement industry standard Disaster Recovery Program, Business Continuity Program, and disaster recovery warm site. The agencies are to jointly report status to the Interim Joint Legislative Committee on Information Management and Technology during Legislative Days in September, and November and to the Legislature in 2018.

Accept LFO Recommendation:

MOTION: I move the LFO recommendation on Budget Notes. (VOTE)

OR

Change LFO Recommendation (any changes must be approved by the co-chairs):

MOTION: I move the LFO recommendation on Budget Notes, with modifications. (VOTE)

Recommended Changes

LFO recommends a budget of \$100,956,620 Other Funds **Limited**, and 372 positions (371.37 FTE) and **\$10,994,171,000 NonLimited Other Funds, for a Total Funds budget of \$11,095,127,620** which is reflected in the -1 amendment **engrossed with the original measure**. The amendment also provides separate expenditure limitations for each of the five programs.

MOTION: I move adoption of the -1 amendment to SB 5534. (VOTE)

Final Subcommittee Action

LFO recommends that SB 5534, as amended by the -1 amendment, to be moved to the Ways and Means Full Committee.

MOTION: I move SB 5534, as amended, to the Full Committee with a do pass recommendation. (VOTE)

Carriers

Full Committee: _____

House Floor: _____

Senate Floor: _____

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	95,161,904	-	9,723,458,062	-	9,818,619,966	380	380.00
2015-17 Ebds, SS & Admin Act	-	-	13,078,295	-	-	-	13,078,295	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	108,240,199	-	9,723,458,062	-	9,831,698,261	380	380.00
2015-17 Leg Approved Budget (Base)	-	-	107,769,491	-	9,723,458,062	-	9,831,227,553	380	380.00
Summary of Base Adjustments	-	-	1,592,655	-	1,270,712,938	-	1,272,305,593	(6)	(6.00)
2017-19 Base Budget	-	-	109,362,146	-	10,994,171,000	-	11,103,533,146	374	374.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	885,739	-	-	-	885,739	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(7,517,930)	-	-	-	(7,517,930)	3	3.00
030: Inflation & Price List Adjustments	-	-	(5,351,104)	-	-	-	(5,351,104)	-	-
060: Technical Adjustments	-	-	17,732	-	-	-	17,732	-	-
2017-19 Current Service Level	-	-	97,396,583	-	10,994,171,000	-	11,091,567,583	377	377.00
Adjusted 2017-19 Current Service Level	-	-	97,396,583	-	10,994,171,000	-	11,091,567,583	377	377.00
Total LFO Recommended Packages	-	-	3,560,037	-	-	-	3,560,037	(5)	(5.63)
2017-19 Legislative Actions	-	-	100,956,620	-	10,994,171,000	-	11,095,127,620	372	371.37
Net change from 2015-17 Leg Approved Budget	-	-	(7,283,579)	-	1,270,712,938	-	1,263,429,359	(8)	(8.63)
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	(6.7%)	0.0%	13.1%	0.0%	12.9%	(2.1%)	(2.3%)
Net change from 2017-19 Adj Current Service Level	-	-	3,560,037	-	-	-	3,560,037	(5)	(5.63)
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	3.7%	0.0%	0.0%	0.0%	0.0%	(1.3%)	(1.5%)

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	-	-	8,262,947,862	-	8,262,947,862	-	-
2015-17 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	-	-	8,262,947,862	-	8,262,947,862	-	-
2015-17 Leg Approved Budget (Base)	-	-	-	-	8,262,947,862	-	8,262,947,862	-	-
Summary of Base Adjustments	-	-	-	-	820,052,138	-	820,052,138	-	-
2017-19 Base Budget	-	-	-	-	9,083,000,000	-	9,083,000,000	-	-
2017-19 Current Service Level	-	-	-	-	9,083,000,000	-	9,083,000,000	-	-
Adjusted 2017-19 Current Service Level	-	-	-	-	9,083,000,000	-	9,083,000,000	-	-
2017-19 Legislative Actions	-	-	-	-	9,083,000,000	-	9,083,000,000	-	-
Net change from 2015-17 Leg Approved Budget	-	-	-	-	820,052,138	-	820,052,138	-	-
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	9.9%	0.0%	9.9%	0.0%	0.0%
Net change from 2017-19 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	-	-	558,094,445	-	558,094,445	-	-
2015-17 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	-	-	558,094,445	-	558,094,445	-	-
2015-17 Leg Approved Budget (Base)	-	-	-	-	558,094,445	-	558,094,445	-	-
Summary of Base Adjustments	-	-	-	-	257,176,555	-	257,176,555	-	-
2017-19 Base Budget	-	-	-	-	815,271,000	-	815,271,000	-	-
2017-19 Current Service Level	-	-	-	-	815,271,000	-	815,271,000	-	-
Adjusted 2017-19 Current Service Level	-	-	-	-	815,271,000	-	815,271,000	-	-
Total LFO Recommended Packages	-	-	-	-	-	-	-	-	-
2017-19 Legislative Actions	-	-	-	-	815,271,000	-	815,271,000	-	-
Net change from 2015-17 Leg Approved Budget	-	-	-	-	257,176,555	-	257,176,555	-	-
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	46.1%	0.0%	46.1%	0.0%	0.0%
Net change from 2017-19 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	-	-	28,926,864	-	28,926,864	-	-
2015-17 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	-	-	28,926,864	-	28,926,864	-	-
2015-17 Leg Approved Budget (Base)	-	-	-	-	28,926,864	-	28,926,864	-	-
Summary of Base Adjustments	-	-	-	-	10,073,136	-	10,073,136	-	-
2017-19 Base Budget	-	-	-	-	39,000,000	-	39,000,000	-	-
2017-19 Current Service Level	-	-	-	-	39,000,000	-	39,000,000	-	-
Adjusted 2017-19 Current Service Level	-	-	-	-	39,000,000	-	39,000,000	-	-
2017-19 Legislative Actions	-	-	-	-	39,000,000	-	39,000,000	-	-
Net change from 2015-17 Leg Approved Budget	-	-	-	-	10,073,136	-	10,073,136	-	-
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	34.8%	0.0%	34.8%	0.0%	0.0%
Net change from 2017-19 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	-	-	873,488,891	-	873,488,891	-	-
2015-17 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	-	-	873,488,891	-	873,488,891	-	-
2015-17 Leg Approved Budget (Base)	-	-	-	-	873,488,891	-	873,488,891	-	-
Summary of Base Adjustments	-	-	-	-	183,411,109	-	183,411,109	-	-
2017-19 Base Budget	-	-	-	-	1,056,900,000	-	1,056,900,000	-	-
2017-19 Current Service Level	-	-	-	-	1,056,900,000	-	1,056,900,000	-	-
Adjusted 2017-19 Current Service Level	-	-	-	-	1,056,900,000	-	1,056,900,000	-	-
Total LFO Recommended Packages	-	-	-	-	-	-	-	-	-
2017-19 Legislative Actions	-	-	-	-	1,056,900,000	-	1,056,900,000	-	-
Net change from 2015-17 Leg Approved Budget	-	-	-	-	183,411,109	-	183,411,109	-	-
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	21.0%	0.0%	21.0%	0.0%	0.0%
Net change from 2017-19 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	-	-	-	-	-	-	-
2015-17 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget (Base)	-	-	-	-	-	-	-	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2017-19 Base Budget	-	-	-	-	-	-	-	-	-
2017-19 Current Service Level	-	-	-	-	-	-	-	-	-
Adjusted 2017-19 Current Service Level	-	-	-	-	-	-	-	-	-
2017-19 Legislative Actions	-	-	-	-	-	-	-	-	-
Net change from 2015-17 Leg Approved Budget	-	-	-	-	-	-	-	-	-
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net change from 2017-19 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	-	-	-	-	-	-	-
2015-17 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget (Base)	-	-	-	-	-	-	-	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2017-19 Base Budget	-	-	-	-	-	-	-	-	-
2017-19 Current Service Level	-	-	-	-	-	-	-	-	-
Adjusted 2017-19 Current Service Level	-	-	-	-	-	-	-	-	-
2017-19 Legislative Actions	-	-	-	-	-	-	-	-	-
Net change from 2015-17 Leg Approved Budget	-	-	-	-	-	-	-	-	-
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net change from 2017-19 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	-	-	-	-	-	-	-
2015-17 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget (Base)	-	-	-	-	-	-	-	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2017-19 Base Budget	-	-	-	-	-	-	-	-	-
2017-19 Current Service Level	-	-	-	-	-	-	-	-	-
Adjusted 2017-19 Current Service Level	-	-	-	-	-	-	-	-	-
2017-19 Legislative Actions	-	-	-	-	-	-	-	-	-
Net change from 2015-17 Leg Approved Budget	-	-	-	-	-	-	-	-	-
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net change from 2017-19 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	1,290,750	-	-	-	1,290,750	-	-
2015-17 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	1,290,750	-	-	-	1,290,750	-	-
2015-17 Leg Approved Budget (Base)	-	-	1,290,750	-	-	-	1,290,750	-	-
Summary of Base Adjustments	-	-	(1,290,750)	-	-	-	(1,290,750)	-	-
2017-19 Base Budget	-	-	-	-	-	-	-	-	-
2017-19 Current Service Level	-	-	-	-	-	-	-	-	-
Adjusted 2017-19 Current Service Level	-	-	-	-	-	-	-	-	-
2017-19 Legislative Actions	-	-	-	-	-	-	-	-	-
Net change from 2015-17 Leg Approved Budget	-	-	(1,290,750)	-	-	-	(1,290,750)	-	-
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	(100.0%)	0.0%	0.0%	0.0%	(100.0%)	0.0%	0.0%
Net change from 2017-19 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	3,639,324	-	-	-	3,639,324	10	10.00
2015-17 Ebds, SS & Admin Act	-	-	190,414	-	-	-	190,414	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	3,829,738	-	-	-	3,829,738	10	10.00
2015-17 Leg Approved Budget (Base)	-	-	3,829,738	-	-	-	3,829,738	10	10.00
Summary of Base Adjustments	-	-	115,749	-	-	-	115,749	-	-
2017-19 Base Budget	-	-	3,945,487	-	-	-	3,945,487	10	10.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	30,642	-	-	-	30,642	-	-
030: Inflation & Price List Adjustments	-	-	1,772	-	-	-	1,772	-	-
2017-19 Current Service Level	-	-	3,977,901	-	-	-	3,977,901	10	10.00
Adjusted 2017-19 Current Service Level	-	-	3,977,901	-	-	-	3,977,901	10	10.00
Total LFO Recommended Packages	-	-	(324,526)	-	-	-	(324,526)	4	4.00
2017-19 Legislative Actions	-	-	3,653,375	-	-	-	3,653,375	14	14.00
Net change from 2015-17 Leg Approved Budget	-	-	(176,363)	-	-	-	(176,363)	4	4.00
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	(4.6%)	0.0%	0.0%	0.0%	(4.6%)	40.0%	40.0%
Net change from 2017-19 Adj Current Service Level	-	-	(324,526)	-	-	-	(324,526)	4	4.00
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	(8.2%)	0.0%	0.0%	0.0%	(8.2%)	40.0%	40.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 802 Reorganization

Package Description PERS implemented a reorganization plan effective July 1, 2015. There was no discussion during either the 2015 or 2016 legislative sessions by PERS on either the reorganization itself or the need for the reorganization. The Department of Administrative Services (DAS) submitted, on May 4, 2016, a substantive program change report to Legislative Leadership and the Legislative Fiscal Office pertaining to the PERS reorganization, as required by ORS 291.373. With the fulfillment of the reporting requirement, the PERS reorganization plan proceeded, with the exception of the proposed change to the Deputy Director position. This position was viewed as too important to be abolished, or reclassified, and the expectation was that the position be filled.

The reorganization includes: (a) combining the Benefits Payments and the Customer Service Divisions into a single Operations Division; (b) creating a new Compliance, Audit, and Risk Division; (c) eliminating the Policy Planning and Communications Division by moving these functions into the Compliance, Audit, and Risk Division, the Operations Division, and the director's office; and (d) eliminating the Deputy Director position. The reorganization would create a new level of management under the Executive Director by elevating former division directors to: a Chief Operations Officer (COO), a Chief Administrative Officer (CAO), a Chief Technology Officer (CTO), and a Chief Compliance/Audit/ Risk Officer (CCO). These positions would continue in their roles as division administrators. Any cost associated with the reorganization will be self-funded by the agency.

The Deputy Director position has remained vacant for over 22 months. Of additional concern, is the lack of a Chief Financial Officer for this agency.

LFO Recommendation The Legislative Fiscal Office recommends allowing the PERS reorganization to proceed, with the exception of the elimination of the Deputy Director position, which PERS is directed to competitively recruit for and hire.

Budget Notes

LFO Analyst Notes SB 5534 (2017)

LFO Recommended	-	-	(324,526)	-	-	-	(324,526)	4	4.00
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	14,181,869	-	-	-	14,181,869	80	80.00
2015-17 Ebds, SS & Admin Act	-	-	585,680	-	-	-	585,680	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	14,767,549	-	-	-	14,767,549	80	80.00
2015-17 Leg Approved Budget (Base)	-	-	14,767,549	-	-	-	14,767,549	80	80.00
Summary of Base Adjustments	-	-	901,345	-	-	-	901,345	-	-
2017-19 Base Budget	-	-	15,668,894	-	-	-	15,668,894	80	80.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	190,657	-	-	-	190,657	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(701,820)	-	-	-	(701,820)	-	-
030: Inflation & Price List Adjustments	-	-	29,723	-	-	-	29,723	-	-
2017-19 Current Service Level	-	-	15,187,454	-	-	-	15,187,454	80	80.00
Adjusted 2017-19 Current Service Level	-	-	15,187,454	-	-	-	15,187,454	80	80.00
Total LFO Recommended Packages	-	-	(15,187,454)	-	-	-	(15,187,454)	(80)	(80.00)
2017-19 Legislative Actions	-	-	-	-	-	-	-	-	-
Net change from 2015-17 Leg Approved Budget	-	-	(14,767,549)	-	-	-	(14,767,549)	(80)	(80.00)
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	(100.0%)	0.0%	0.0%	0.0%	(100.0%)	(100.0%)	(100.0%)
Net change from 2017-19 Adj Current Service Level	-	-	(15,187,454)	-	-	-	(15,187,454)	(80)	(80.00)
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	(100.0%)	0.0%	0.0%	0.0%	(100.0%)	(100.0%)	(100.0%)

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 802 Reorganization

Package Description PERS implemented a reorganization plan effective July 1, 2015. There was no discussion during either the 2015 or 2016 legislative sessions by PERS on either the reorganization itself or the need for the reorganization. The Department of Administrative Services (DAS) submitted, on May 4, 2016, a substantive program change report to Legislative Leadership and the Legislative Fiscal Office pertaining to the PERS reorganization, as required by ORS 291.373. With the fulfillment of the reporting requirement, the PERS reorganization plan proceeded, with the exception of the proposed change to the Deputy Director position. This position was viewed as too important to be abolished, or reclassified, and the expectation was that the position be filled.

The reorganization includes: (a) combining the Benefits Payments and the Customer Service Divisions into a single Operations Division; (b) creating a new Compliance, Audit, and Risk Division; (c) eliminating the Policy Planning and Communications Division by moving these functions into the Compliance, Audit, and Risk Division, the Operations Division, and the director's office; and (d) eliminating the Deputy Director position. The reorganization would create a new level of management under the Executive Director by elevating former division directors to: a Chief Operations Officer (COO), a Chief Administrative Officer (CAO), a Chief Technology Officer CTO), and a Chief Compliance/Audit/ Risk Officer (CCO). These positions would continue in their roles as division administrators. Any cost associated with the reorganization will be self-funded by the agency.

The Deputy Director position has remained vacant for over 22 months. Of additional concern, is the lack of a Chief Financial Officer for this agency.

LFO Recommendation The Legislative Fiscal Office recommends allowing the PERS reorganization to proceed, with the exception of the elimination of the Deputy Director position, which PERS is directed to competitively recruit for and hire.

LFO Analyst Notes SB 5534 (2017)

LFO Recommended	-	-	(15,085,320)	-	-	-	(15,085,320)	(79)	(79.21)
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 812 Vacant Position Elimination

Package Description This package eliminates select positions that have been vacant for more than six months and associated services and supplies.

LFO Recommendation Approve.

LFO Analyst Notes SB 5534 (2017)

LFO Recommended	-	-	(102,134)	-	-	-	(102,134)	(1)	(0.79)
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	21,615,658	-	-	-	21,615,658	62	62.00
2015-17 Ebds, SS & Admin Act	-	-	7,198,462	-	-	-	7,198,462	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	28,814,120	-	-	-	28,814,120	62	62.00
2015-17 Leg Approved Budget (Base)	-	-	28,724,486	-	-	-	28,724,486	62	62.00
Summary of Base Adjustments	-	-	113,795	-	-	-	113,795	(3)	(3.00)
2017-19 Base Budget	-	-	28,838,281	-	-	-	28,838,281	59	59.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	125,609	-	-	-	125,609	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	419,913	-	-	-	419,913	3	3.00
030: Inflation & Price List Adjustments	-	-	(5,972,640)	-	-	-	(5,972,640)	-	-
060: Technical Adjustments	-	-	49,613	-	-	-	49,613	-	-
2017-19 Current Service Level	-	-	23,460,776	-	-	-	23,460,776	62	62.00
Adjusted 2017-19 Current Service Level	-	-	23,460,776	-	-	-	23,460,776	62	62.00
Total LFO Recommended Packages	-	-	(101,910)	-	-	-	(101,910)	(1)	(0.42)
2017-19 Legislative Actions	-	-	23,358,866	-	-	-	23,358,866	61	61.58
Net change from 2015-17 Leg Approved Budget	-	-	(5,455,254)	-	-	-	(5,455,254)	(1)	(0.42)
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	(18.9%)	0.0%	0.0%	0.0%	(18.9%)	(1.6%)	(0.7%)
Net change from 2017-19 Adj Current Service Level	-	-	(101,910)	-	-	-	(101,910)	(1)	(0.42)
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	(0.4%)	0.0%	0.0%	0.0%	(0.4%)	(1.6%)	(0.7%)

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 801 LFO Analyst Adjustments

Package Description This package is a technical adjustment at the request of the agency to resolve an error in the Governor's budget with the budgeting of State Government Service Charge in Essential Package 060 - Technical Adjustment.

LFO Recommendation Approve.

LFO Analyst Notes SB 5534 (2017)

LFO Recommended	-	-	(17,732)	-	-	-	(17,732)	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 802 Reorganization

Package Description PERS implemented a reorganization plan effective July 1, 2015. There was no discussion during either the 2015 or 2016 legislative sessions by PERS on either the reorganization itself or the need for the reorganization. The Department of Administrative Services (DAS) submitted, on May 4, 2016, a substantive program change report to Legislative Leadership and the Legislative Fiscal Office pertaining to the PERS reorganization, as required by ORS 291.373. With the fulfillment of the reporting requirement, the PERS reorganization plan proceeded, with the exception of the proposed change to the Deputy Director position. This position was viewed as too important to be abolished, or reclassified, and the expectation was that the position be filled.

The reorganization includes: (a) combining the Benefits Payments and the Customer Service Divisions into a single Operations Division; (b) creating a new Compliance, Audit, and Risk Division; (c) eliminating the Policy Planning and Communications Division by moving these functions into the Compliance, Audit, and Risk Division, the Operations Division, and the director’s office; and (d) eliminating the Deputy Director position. The reorganization would create a new level of management under the Executive Director by elevating former division directors to: a Chief Operations Officer (COO), a Chief Administrative Officer (CAO), a Chief Technology Officer CTO), and a Chief Compliance/Audit/ Risk Officer (CCO). These positions would continue in their roles as division administrators. Any cost associated with the reorganization will be self-funded by the agency.

The Deputy Director position has remained vacant for over 22 months. Of additional concern, is the lack of a Chief Financial Officer for this agency.

LFO Recommendation The Legislative Fiscal Office recommends allowing the PERS reorganization to proceed, with the exception of the elimination of the Deputy Director position, which PERS is directed to competitively recruit for and then hire.

LFO Analyst Notes SB 5534 (2017)

LFO Recommended	-	-	(5,654)	-	-	-	(5,654)	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 812 Vacant Position Elimination

Package Description This package eliminates select positions that have been vacant for more than six months and associated services and supplies.

LFO Recommendation Approve.

LFO Recommended	-	-	(78,524)	-	-	-	(78,524)	(1)	(0.42)
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LFO102 - Work Session Presentation Report
2017-19 Biennium

Version: L - 01 - LFO Analyst Recommended
Cross Reference: 45900-500-04-00-00000
Information Services Division

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	26,839,436	-	-	-	26,839,436	75	75.00
2015-17 Ebds, SS & Admin Act	-	-	3,814,840	-	-	-	3,814,840	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	30,654,276	-	-	-	30,654,276	75	75.00
2015-17 Leg Approved Budget (Base)	-	-	30,273,202	-	-	-	30,273,202	75	75.00
Summary of Base Adjustments	-	-	314,685	-	-	-	314,685	(3)	(3.00)
2017-19 Base Budget	-	-	30,587,887	-	-	-	30,587,887	72	72.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	180,370	-	-	-	180,370	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(7,170,563)	-	-	-	(7,170,563)	-	-
030: Inflation & Price List Adjustments	-	-	298,402	-	-	-	298,402	-	-
060: Technical Adjustments	-	-	(31,881)	-	-	-	(31,881)	-	-
2017-19 Current Service Level	-	-	23,864,215	-	-	-	23,864,215	72	72.00
Adjusted 2017-19 Current Service Level	-	-	23,864,215	-	-	-	23,864,215	72	72.00
Total LFO Recommended Packages	-	-	3,773,696	-	-	-	3,773,696	(1)	(2.46)
2017-19 Legislative Actions	-	-	27,637,911	-	-	-	27,637,911	71	69.54
Net change from 2015-17 Leg Approved Budget	-	-	(3,016,365)	-	-	-	(3,016,365)	(4)	(5.46)
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	(9.8%)	0.0%	0.0%	0.0%	(9.8%)	(5.3%)	(7.3%)
Net change from 2017-19 Adj Current Service Level	-	-	3,773,696	-	-	-	3,773,696	(1)	(2.46)
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	15.8%	0.0%	0.0%	0.0%	15.8%	(1.4%)	(3.4%)

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 101 Cybersecurity Program

Package Description In January of 2016, PERS received an information security program review, or risk assessment, from an independent security consultant hired by the agency as part of a reoccurring annual review of the agency’s security practices. The review was for the year 2015 and identified a number of information security vulnerabilities. In cooperation with the Governor’s Office, the co-chairs of the Interim Joint Legislative Committee on Information Management and Technology (IJLCIMT), the Office of the State Chief Information Officer (OSCIO), and the Legislative Fiscal Office (LFO), and documented by a memo in April of 2016, PERS was directed to begun a comprehensive effort to remediate the information security vulnerabilities. In July of 2016, PERS signed a contract with Hewlett Packard Enterprise Services for an information security program review to address the vulnerabilities identified in the 2015 risk assessment and to assist in rectifying some of the issues. Hewlett Packard is also the agency’s primary vendor maintaining the agency’s suite of benefit applications.

The three information security positions request by the agency as part of this pacakge will be appoved under the Department of Administrative Services - Office of the Chief Financial Officer budget, per Executive Order 16-13 – Unifying Cyber Security in Oregon.

LFO Recommendation Approve the package, as modified.

Budget Notes The Public Employees Retirement System, under the direction of the Department of Administrative Services - Office of the State Chief Information Officer, is directed to develop and implement an industry standard Cyber Security Program, including defining the long-term maintenance, operation, and funding plans for the program. The agencies are to jointly report status to the Interim Joint Legislative Committee on Information Management and Technology during Legislative Days in September and November and to the Legislature in 2018. The Cyber Security Program, once completed, is to be independently assessed by a third-party vendor with the findings of that assessment reported to the Legislature.

LFO Analyst Notes SB 5534 (2017)

LFO Recommended	-	-	1,616,185	-	-	-	1,616,185	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 102 Fully Integrating IAP Administration into the PERS ORION System

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Package Description The Individual Account Program (IAP) is an account-based benefit program for all active PERS members that was created as part of system wide reforms in 2003. The total value of all IAP accounts is approximately \$7 billion. Third party administrative costs total approximately \$4.4 million per biennium with PERS agency administrative costs totaling an additional \$10.4 million per biennium. The IAP project's purpose is to bring administration of the program in-house.

The IAP project experienced a major change in scope, schedule, and budget since first being approved by the Legislature in 2013. Originally, the project was to have been completed late in the 2015-17 biennium. The schedule then shift from what had been a June 30, 2017 completion date to December 31, 2018. The project cost, originally estimated at around \$2.2 million, continue to rise and now is now estimated to total \$7 million. PERS originally estimated no ongoing operations and maintenance costs; however, that assumption needs to be revisited.

This package requests additional funding for the third and final phase (construction/implementation) of the Individual Account Program, which will transfer to PERS, all aspects of the program administration by December 31, 2018. The request includes continuation of three limited duration positions (3.00 FTE); however, for the 2015-17 biennium two of the three legislative approved positions remained vacant. The project, once completed, will save third party administrative costs totaling \$4.4 million per biennium; however, the ongoing cost of administration and the payback of the IAP information technology development costs program will reduce the amount of savings.

The most recent independent quality assurance report (May 2017) places the project status in "Red" due to the project's primary information technology development vendor contract will not will not be renewed, and will therefore require a new vendor solution. Such a change may have implications for the project's schedule and cost.

The project also faces two potential scope changes:

- (a) The Oregon Investment Council and the State Treasury move to de-risk the IAP portfolio by transitioning to a target-date fund investment model. This will change how earnings are credited to individual member accounts. This change is contemplated for August of 2017.
- (b) Legislative reforms during the 2017 session.

LFO Recommendation Approve, as modified, as a one-time adjustment to the agency's budget. Given the issues with this project, the Legislative Fiscal Office recommends a conservative approach to the approval of expenditure limitation and position authority. The recommendation is for one-half of the requested limitation and full-time equivalents.

Budget Notes The Public Employees Retirement System, under the direction of the Department of Administrative Services - Office of the State Chief Information Officer, is directed to jointly report status of the Individual Account Program to the Interim Joint Legislative Committee on Information Management and Technology during Legislative Days in September and November and to the Legislature in 2018.

LFO Analyst Notes SB 5534 (2017)

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
LFO Recommended	-	-	1,387,895	-	-	-	1,387,895	3	1.50

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 103 Business Modernization

Package Description This package requests \$6,401,007 Other Funds limitation and the establishment of three permanent full-time positions (3.00 FTE) in the Information Services Division to fund and support Technology Modernization and a Pension Case Management solutions. The objective of Business Modernization is to resolve functionality and technical debt deficiencies that affect system administration, performance, maintainability and sustainability. The Oregon Retirement Information Online Network (ORION) is the agency's enterprise information technology system that supports operations. This package requests an increase to the Information Services Division current service level budget to allow adequate information technology skilled resources to enhance member services, modernize technology platforms and address functional inefficiencies in ORION.

LFO Recommendation Defer the request. The continued urgency in addressing the agency's information security, business continuity, and disaster recovery vulnerabilities has meant that the information technology-related policy packages requested by PERS should be placed on indefinite hold, with the exception of the Individual Account Program Project. These policy packages may need to be re-considered by the Legislature in 2018, pending the satisfactory completion of all project initiatives pertaining to cyber security, business continuity, and disaster recovery.

LFO Analyst Notes SB 5534 (2017)

LFO Recommended - - - - -

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 200 Data Center Migration

Package Description PERS was instructed in April of 2016 to develop, with the Department of Administrative Service - Office of the Chief Information Officer -Enterprise Services Division, a feasibility study on whether PERS should move to the State Data Center, which potentially could address many information security concerns, as well as disaster recovery and business continuity needs. A formal written assessment has yet-to-be completed.

LFO Recommendation

Budget Notes The Public Employees Retirement System and the Department of Administrative Services - Office of the State Chief Information Officer, are directed to complete a comprehensive State Data Center usage analysis, as requested in April 2016. The agencies are to jointly report the feasibility study findings to the Interim Joint Legislative Committee on Information Management and Technology during Legislative Days in September of 2017. If found to be feasible, the agencies are to develop a formal migration plan, schedule, and budget, for the 2017-19 biennium and are then to report to the Joint Committee on Ways and Means during the Legislative session in 2018.

LFO Analyst Notes SB 5534 (2017)

LFO Recommended - - - - -

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 804 Disaster Recovery Program

Package Description PERS lacks an industry standard disaster recovery program to protect its critical business functions in the event of a major failure or disaster. While the agency has some elements of a disaster recovery program, most key elements are not in place, have not been fully tested, have not been integrated with PERS's business continuity efforts, nor have they been integrated with key elements of PERS's security plan. Without a robust disaster recovery program in place, PERS has a limited ability to respond quickly to restore critical business services if a major failure or disaster were to occur. PERS has recognized this serious deficiency for sometime; however, PERS' progress to implement this urgently needed program has been limited.

LFO Recommendation Approve, with the understanding that PERS may request additional resources based upon the progress of developing and implementing a Disaster Recovery Program.

Budget Notes The Public Employees Retirement System, under the direction of the Department of Administrative Services - Office of the State Chief Information Officer, is directed to develop and implement an industry standard Disaster Recovery Program. The agencies are to jointly report status to the Interim Joint Legislative Committee on Information Management and Technology during Legislative Days in September, and November and to the Legislature in 2018.

LFO Analyst Notes SB 5534 (2017)

LFO Recommended	-	-	500,000	-	-	-	500,000	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 805 Disaster Recovery Warm Site

Package Description The Public Employees Retirement System (PERS) disaster recovery environment and capabilities is limited to only the off-site storage of backup tapes and a draft/untested disaster recovery plan. The PERS disaster recovery environment includes no cold, warm, or hot site capability. This places PERS at significant risk in the event of a business failure or disaster. This policy package provides funding for PERS to develop a warm site, in a secure environment approved by the Department of Administrative Services - Chief Information Officer that is outside the State of Oregon geographic area.

PERS has worked with the State Data Center to develop a proof-of-concept for a warm site capability and to develop an initial cost estimates necessary to design, plan, test and deploy a warm-site. In the event of a localized disaster, maintaining continuity of PERS business operations is critical to the successful processing and payment of pension benefits for PERS members.

LFO Recommendation Approve.

Budget Notes The Public Employees Retirement System, under the direction of the Department of Administrative Services - Office of the State Chief Information Officer, is directed to develop and implement a disaster recovery warm site. The agencies are to jointly report status to the Interim Joint Legislative Committee on Information Management and Technology during Legislative Days in September and November and to the Legislature in 2018.

LFO Analyst Notes SB 5534 (2017)

LFO Recommended	-	-	1,147,634	-	-	-	1,147,634	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 812 Vacant Position Elimination

Package Description This package eliminates select positions that have been vacant for more than six months and associated services and supplies.

LFO Recommendation Approve.

LFO Analyst Notes SB 5534 (2017)

LFO Recommended	-	-	(381,097)	-	-	-	(381,097)	(2)	(1.96)
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 814 IT Security Positions Consolidation

Package Description The two existing information security positions at PERS are moved to the Department of Administrative Services - Office of the Chief Financial Officer, per Executive Order 16-13 – Unifying Cyber Security in Oregon.

LFO Recommendation Approve.

LFO Analyst Notes SB 5534 (2017)

LFO Recommended	-	-	(496,921)	-	-	-	(496,921)	(2)	(2.00)
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	20,877,552	-	-	-	20,877,552	127	127.00
2015-17 Ebds, SS & Admin Act	-	-	1,058,741	-	-	-	1,058,741	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	21,936,293	-	-	-	21,936,293	127	127.00
2015-17 Leg Approved Budget (Base)	-	-	21,936,293	-	-	-	21,936,293	127	127.00
Summary of Base Adjustments	-	-	1,197,157	-	-	-	1,197,157	-	-
2017-19 Base Budget	-	-	23,133,450	-	-	-	23,133,450	127	127.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	294,690	-	-	-	294,690	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(65,460)	-	-	-	(65,460)	-	-
030: Inflation & Price List Adjustments	-	-	28,467	-	-	-	28,467	-	-
2017-19 Current Service Level	-	-	23,391,147	-	-	-	23,391,147	127	127.00
Adjusted 2017-19 Current Service Level	-	-	23,391,147	-	-	-	23,391,147	127	127.00
Total LFO Recommended Packages	-	-	(23,391,147)	-	-	-	(23,391,147)	(127)	(127.00)
2017-19 Legislative Actions	-	-	-	-	-	-	-	-	-
Net change from 2015-17 Leg Approved Budget	-	-	(21,936,293)	-	-	-	(21,936,293)	(127)	(127.00)
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	(100.0%)	0.0%	0.0%	0.0%	(100.0%)	(100.0%)	(100.0%)
Net change from 2017-19 Adj Current Service Level	-	-	(23,391,147)	-	-	-	(23,391,147)	(127)	(127.00)
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	(100.0%)	0.0%	0.0%	0.0%	(100.0%)	(100.0%)	(100.0%)

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 802 Reorganization

Package Description PERS implemented a reorganization plan effective July 1, 2015. There was no discussion during either the 2015 or 2016 legislative sessions by PERS on either the reorganization itself or the need for the reorganization. The Department of Administrative Services (DAS) submitted, on May 4, 2016, a substantive program change report to Legislative Leadership and the Legislative Fiscal Office pertaining to the PERS reorganization, as required by ORS 291.373. With the fulfillment of the reporting requirement, the PERS reorganization plan proceeded, with the exception of the proposed change to the Deputy Director position. This position was viewed as too important to be abolished, or reclassified, and the expectation was that the position be filled.

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The Deputy Director position has remained vacant for over 22 months. Of additional concern, is the lack of a Chief Financial Officer for this agency.

LFO Recommendation The Legislative Fiscal Office recommends allowing the PERS reorganization to proceed, with the exception of the elimination of the Deputy Director position, which PERS is directed to competitively recruit for and then hire.

LFO Analyst Notes SB 5534 (2017)

LFO Recommended	-	-	(23,272,537)	-	-	-	(23,272,537)	(126)	(126.00)
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 812 Vacant Position Elimination

Package Description This package eliminates select positions that have been vacant for more than six months and associated services and supplies.

LFO Recommendation Approve.

LFO Analyst Notes SB 5534 (2017)

LFO Recommended	-	-	(118,610)	-	-	-	(118,610)	(1)	(1.00)
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	-	-	-	-	-	-	-
2015-17 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	-	-	-	-	-	-	-
Net change from 2015-17 Leg Approved Budget	-	-	-	-	-	-	-	-	-
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	6,717,315	-	-	-	6,717,315	26	26.00
2015-17 Ebds, SS & Admin Act	-	-	230,158	-	-	-	230,158	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	6,947,473	-	-	-	6,947,473	26	26.00
2015-17 Leg Approved Budget (Base)	-	-	6,947,473	-	-	-	6,947,473	26	26.00
Summary of Base Adjustments	-	-	240,674	-	-	-	240,674	-	-
2017-19 Base Budget	-	-	7,188,147	-	-	-	7,188,147	26	26.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	63,771	-	-	-	63,771	-	-
030: Inflation & Price List Adjustments	-	-	263,172	-	-	-	263,172	-	-
2017-19 Current Service Level	-	-	7,515,090	-	-	-	7,515,090	26	26.00
Adjusted 2017-19 Current Service Level	-	-	7,515,090	-	-	-	7,515,090	26	26.00
Total LFO Recommended Packages	-	-	(7,515,090)	-	-	-	(7,515,090)	(26)	(26.00)
2017-19 Legislative Actions	-	-	-	-	-	-	-	-	-
Net change from 2015-17 Leg Approved Budget	-	-	(6,947,473)	-	-	-	(6,947,473)	(26)	(26.00)
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	(100.0%)	0.0%	0.0%	0.0%	(100.0%)	(100.0%)	(100.0%)
Net change from 2017-19 Adj Current Service Level	-	-	(7,515,090)	-	-	-	(7,515,090)	(26)	(26.00)
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	(100.0%)	0.0%	0.0%	0.0%	(100.0%)	(100.0%)	(100.0%)

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 802 Reorganization

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The Deputy Director position has remained vacant for over 22 months. Of additional concern, is the lack of a Chief Financial Officer for this agency.

LFO Recommendation The Legislative Fiscal Office recommends allowing the PERS reorganization to proceed, with the exception of the elimination of the Deputy Director position, which PERS is directed to competitively recruit for and then hire.

LFO Analyst Notes SB 5534 (2017)

LFO Recommended	-	-	(7,368,431)	-	-	-	(7,368,431)	(25)	(25.04)
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 812 Vacant Position Elimination

Package Description This package eliminates select positions that have been vacant for more than six months and associated services and supplies.

LFO Recommendation Approve.

LFO Analyst Notes SB 5534 (2017)

LFO Recommended	-	-	(146,659)	-	-	-	(146,659)	(1)	(0.96)
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	-	-	-	-	-	-	-
2015-17 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget (Base)	-	-	-	-	-	-	-	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2017-19 Base Budget	-	-	-	-	-	-	-	-	-
2017-19 Current Service Level	-	-	-	-	-	-	-	-	-
Adjusted 2017-19 Current Service Level	-	-	-	-	-	-	-	-	-
Total LFO Recommended Packages	-	-	39,391,211	-	-	-	39,391,211	209	209.21
2017-19 Legislative Actions	-	-	39,391,211	-	-	-	39,391,211	209	209.21
Net change from 2015-17 Leg Approved Budget	-	-	39,391,211	-	-	-	39,391,211	209	209.21
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Net change from 2017-19 Adj Current Service Level	-	-	39,391,211	-	-	-	39,391,211	209	209.21
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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LFO Analyst Notes SB 5534 (2017)

LFO Recommended	-	-	39,391,211	-	-	-	39,391,211	209	209.21
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	-	-	-	-	-	-	-	-	-
2015-17 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget (Base)	-	-	-	-	-	-	-	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2017-19 Base Budget	-	-	-	-	-	-	-	-	-
2017-19 Current Service Level	-	-	-	-	-	-	-	-	-
Adjusted 2017-19 Current Service Level	-	-	-	-	-	-	-	-	-
Total LFO Recommended Packages	-	-	6,915,257	-	-	-	6,915,257	17	17.04
2017-19 Legislative Actions	-	-	6,915,257	-	-	-	6,915,257	17	17.04
Net change from 2015-17 Leg Approved Budget	-	-	6,915,257	-	-	-	6,915,257	17	17.04
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Net change from 2017-19 Adj Current Service Level	-	-	6,915,257	-	-	-	6,915,257	17	17.04
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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LFO Recommendation The Legislative Fiscal Office recommends allowing the PERS reorganization to proceed, with the exception of the elimination of the Deputy Director position, which PERS is directed to competitively recruit for and hire.

LFO Analyst Notes SB 5534 (2017)

LFO Recommended	-	-	6,665,257	-	-	-	6,665,257	17	17.04
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 803 Business Continuity Program

Package Description PERS lacks an industry standard business continuity program to protect its critical business functions in the event of a minor or major failure or disaster. While the agency has some elements of a business continuity program, most key elements are not in place, have not been fully tested, have not been integrated with PERS’s disaster recovery planning efforts, nor have they been integrated with key elements of PERS’s security plan. Without a robust business continuity program in place, PERS has a limited ability to respond quickly to restore critical business services if a localized failure or disaster were to occur. PERS has recognized this serious deficiency for quite sometime; however, it’s progress to implement this seriously needed program has been limited.

LFO Recommendation Approve, with the understanding that PERS may request additional expenditure limitation based upon the progress of completing a Business Continuity Program, if needed.

Budget Notes The Public Employees Retirement System, under the direction of the Department of Administrative Services - Office of the State Chief Information Officer, is directed to develop and implement a Business Continuity Program. The agencies are to jointly report status to the Interim Joint Legislative Committee on Information Management and Technology during Legislative Days in September and November and to the Legislature in 2018.

LFO Analyst Notes SB 5534 (2017)

LFO Recommended	-	-	250,000	-	-	-	250,000	-	-
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Legislatively Proposed 2017 - 2019 Key Performance Measures

Published: 5/20/2017 3:13:59 PM

Agency: Public Employees Retirement System, Oregon

Mission Statement:

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

Legislatively Proposed KPMs	Metrics	Agency Request	Last Reported Result	Target 2018	Target 2019
1. TIMELY RETIREMENT PAYMENTS - Percent of initial service retirements paid within 45 days from retirement date.		Approved	60%	80%	80%
2. TOTAL BENEFIT ADMIN COSTS - Total benefit administration costs per member.		Approved	\$150.00	\$145.00	\$145.00
3. MEMBER TO STAFF RATIO - Ratio of members to FTE staff.		Approved	977	TBD	TBD
4. ACCURATE BENEFIT CALCULATIONS - Percent of service retirement monthly benefits accurately calculated to within \$5 per month.		Approved	95%	100%	100%
5. LEVEL OF PARTICIPATION - Percent of state employees participating in the deferred compensation program.		Approved	39%	38%	45%
6. CUSTOMER SERVICE - Percent of member customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Helpfulness	Approved	92%	98%	98%
	Overall		92%	98%	98%
	Availability of Information		90%	98%	98%
	Timeliness		92%	98%	98%
	Accuracy		91%	98%	98%
	Expertise		93%	98%	98%
7. TIMELY BENEFIT ESTIMATES - Percent of benefit estimates processed within 30 days.		Approved	56%	95%	95%
8. BOARD OF DIRECTORS BEST PRACTICES - Percent of total best practices criteria met by the PERS board.		Approved	100%	100%	100%

LFO Recommendation:

The Legislative Fiscal Office recommends approval of the Key Performance Measures and updated targets.

SubCommittee Action:

Requested by JOINT COMMITTEE ON WAYS AND MEANS

**PROPOSED AMENDMENTS TO
SENATE BILL 5534**

1 Delete lines 5 through 9 of the printed bill and insert:

2 **“SECTION 1. Notwithstanding any other law limiting expenditures,**
3 **the following amounts are established for the biennium beginning July**
4 **1, 2017, as the maximum limits for payment of expenses from fees,**
5 **moneys or other revenues, including Miscellaneous Receipts but ex-**
6 **cluding lottery funds and federal funds, collected or received by the**
7 **Public Employees Retirement System, for the following purposes:**

- 8 (1) **Central Administration**
9 **Division \$ 3,653,375**
- 10 (2) **Financial and Administrative**
11 **Services Division..... \$ 23,358,866**
- 12 (3) **Information Services Division .. \$ 27,637,911**
- 13 (4) **Operations Division..... \$ 39,391,211**
- 14 (5) **Compliance, Audit and Risk**
15 **Division \$ 6,915,257” .**

16
