

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



2019-2021 Budget
Presentation

Ways and Means
General Government
Subcommittee
Phase 1 – Day 3

Kevin Olineck
Director



PERS: Agency Presentation Schedule

Day One

System Overview

- Overview and Partnerships
- PERS Board
- Governance and Interdependencies
- Benefit Components
- Benefits and Funding
- Funded Status and Liabilities
- System-Wide Rates and Projections
- Additional Resources

Day Two

Agency Overview

- System Refresher
- Agency Budget vs. Non-Limited
- Mission, Vision, and Values
- Strategic Plan
- Performance and Outcome Measures
- CEM Benchmarking
- Agency Programs
- Agency Overview
- Wrap Up

Day Three

Budget Overview

- System Refresher
- 2017-19 Legislatively Approved Budget
- 2019-21 Major Budget Drivers
- Budget Risks and Environmental Factors
- Agency Changes
- System and Agency Funding
- Policy Option Packages
- Agency Divisions
- Legislatively Approved Budget Comparison
- Key 2019 Legislation
- 10% Budget Reductions

Appendix

- Audit Response Reports
- Recent Changes to Agency Budget and Management
- 2017-19 Long-term Vacancies
- Supervisory Span of Control
- Statewide Policy Packages
- 2019-21 Technology Projects
- Other Funds Ending Balance
- Additional Resources

Day Four

Statutory Reporting

- Preliminary Earnings Crediting Report for Calendar Year 2018
- Senate Bill 1566 (2018) Reports:
 - General Status Update
 - Distribution of SDULF

PERS: Day Three

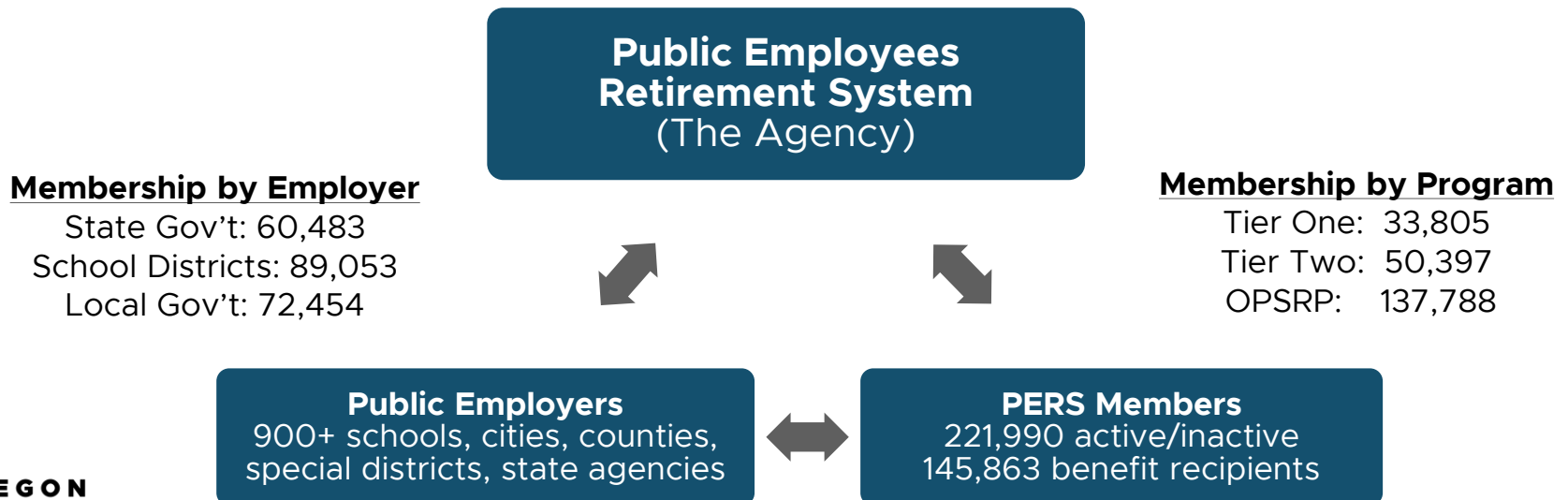
Budget Overview



PERS: System Refresher

The Oregon Legislative Assembly is the “Plan Sponsor” for the Oregon Public Employees Retirement System. The legislature determines the benefit structure for participating public employees. Those benefits have been modified over time, generally with benefit enhancements through 1995, but then reducing benefits since, including the creation of the Tier Two program for employees starting in 1996 and then the Oregon Public Service Retirement Program (OPSRP) for employees that started after August 28, 2003.

The legislature established PERS, the agency, to administer the retirement system in partnership with more than 900 public employers, including school districts, special districts, cities, counties, community colleges, universities, and state agencies. PERS collects records and maintains relationships with over 367,000 current and former public employees or their beneficiaries.



PERS: System Refresher

- The Oregon Public Employees Retirement System was created by the Oregon Legislative Assembly in 1945.
- Operations commenced on July 1, 1946

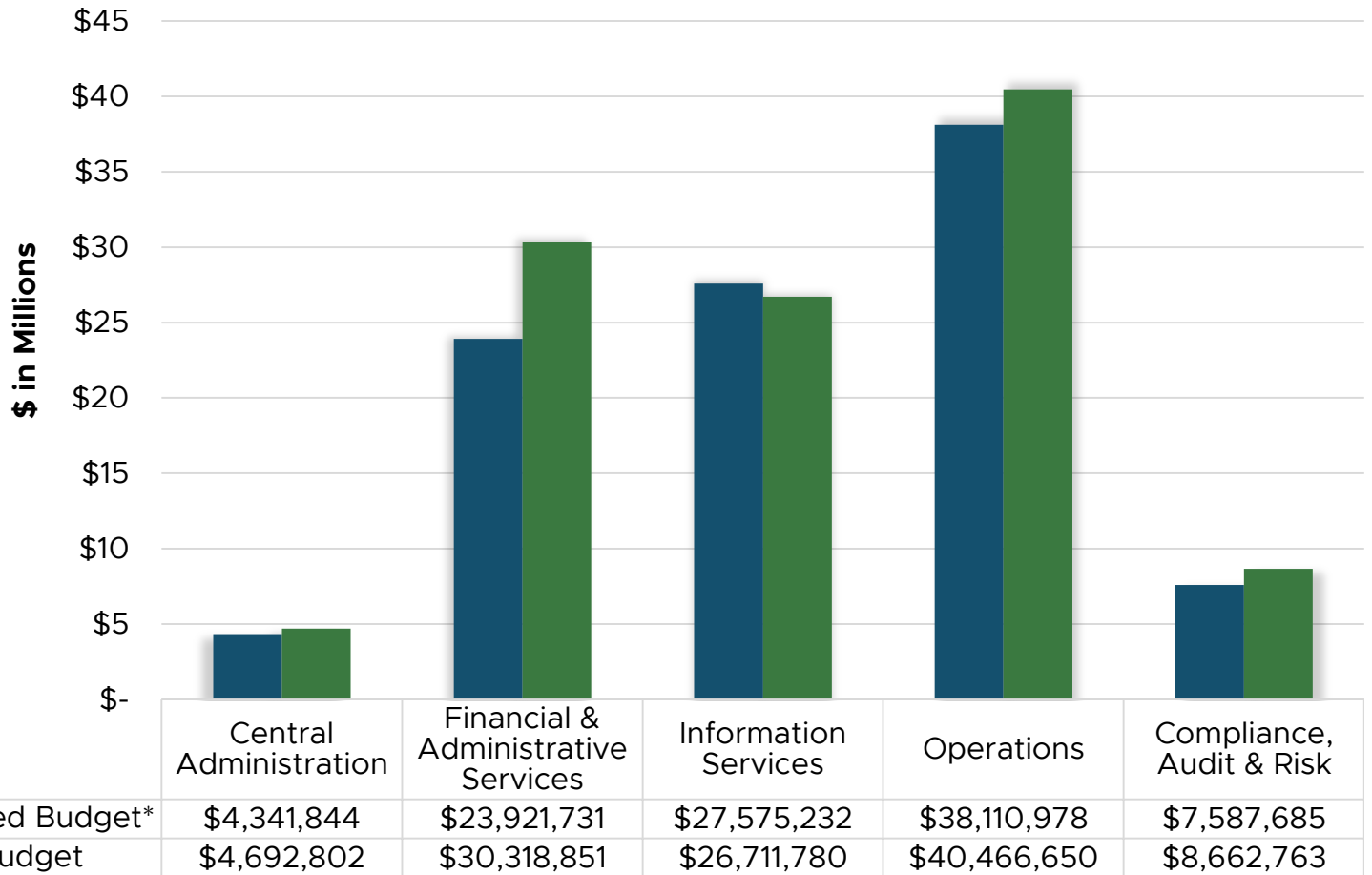
Statutory References for the Agency	
Statute & Chapter	Program
ORS 237 & 238	Tier 1/Tier 2
ORS 238A	Oregon Public Service Retirement Program (OPSRP)
ORS 238A.300 to ORS 238A.457	Individual Account Program (IAP)
ORS 238.500 to 238.585	Judge Member Retirement Program
ORS 238.485 to 238.492	Public Employees Benefit Equalization Fund
ORS 243.410 to 238.420	Retiree Health Insurance Program
ORS 243.401 to 243.507	Deferred Compensation Program: Oregon Savings Growth Plan (OSGP)
ORS 237.414 and 237.470	Social Security Administration Program

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

PERS: Agency Budget

Agency Legislatively Approved Budget 2017-19: **\$101,537,470**

Agency Governor's Budget 2019-21: **\$110,852,846**



PERS: Major Budget Drivers 2019-21

Agency Strategic Plan

State Government Mandates

- Information Security Centralization
- Continuity of Operations Program (COOP)
 - Disaster Recovery

Technology Modernization

- Business Innovation Program

Legislative Changes

- Senate Bill 1566 (2018)
 - Establishing the Employer Incentive Fund (EIF), School Districts Unfunded Liability Fund, and the Unfunded Actuarial Liability Resolution Program

PERS: Budget Risks & Environmental Factors

Budget Risks

Agency Risks:

- Data Safety and Security
- Outdated technology
- Manual Processes that impede efficiency
- Facility Maintenance
- Professional development
- Employee Retirement
- Labor attraction and retention

System Risks:

- Investment returns
- Increasing employer contribution rates
- Potential change in Assumed Rate
- Increased complexity
- Liquidity concerns
- Data Safety and Security
- Operational continuity

Environmental Factors

Agency Environmental Factors:

- Outdated technology
- Changes in Executive Leadership
- Increasing health care cost
- Increased complexity
- Retirement
- Labor attraction and retention

System Environmental Factors:

- Secretary of State Information Technology Audit
- COOP – Continuity of Operations Planning
- Increased fiscal pressure on employers
- Outdated technology
- Economic instability
- Potential increase in plan and financing complexity due to legislative changes

PERS: Agency Changes – Past 6 Years

Biennium 2013-2015:

- Senate Bill 822(2013) and Senate Bill 861 (2013 SS) – Established a reduction in COLA to current and future benefit payments – project to initiate system change
- IAP Administration Project – Budget approval for the agency to assume responsibility of all aspects of the Individual Account Program
- New Executive Director

Biennium 2015-2017:

- Post-2013 Reform - 2015 *Moro* Court Decision to overturn COLA reductions to benefit payments
 - Project to re-program system and correct 136,000 benefit payments
- Agency Reorganization
- Establishment of Compliance, Audit and Risk Division
- Development of first Agency Strategic Plan 2015-2020

Biennium 2017-2019:

- New Director and Chief Financial Officer
- New Board Chair
- Continuation of IAP Administration Project
- Oregon Investment Council transition to Target Date Fund investment model for IAP
- Continued conversation and reporting about Information Security and Continuity Management
- Revision of Agency Strategic Plan 2018-2023

PERS: Agency Changes Program & Service Delivery 2017-19

2017-19 Program Changes:

- New Director – New to Oregon and state government – will review agency operations to ensure appropriate focus and alignment to the agency mission
- New Chief Financial Officer – New to state government – will add a level of fiscal discipline and rigor to the agency’s multi-billion dollar activities
- Facilitation of new Target Date Fund investment model for IAP beginning 1/1/18
- Implementation of SB 1566(2018) – Established the Employer Incentive Fund and School Districts Unfunded Liability Fund which may provide rate relief in future biennia
- Oregon Investment Council transition to Target Date Fund investment model for IAP
- IAP pause

2017-19 Service Delivery Changes:

- OSGP administrative expense recognition change
- IAP pause
- Streamlined member and employer communication with transition to GovDelivery
- PERS website transitioned to a more user friendly platform
- Creation of the Employer Rate Projection Tool – Created to help employers understand the potential impact of establishing or adding funds to side accounts

PERS: Agency Changes Cost Containing Measures

Cost Containing Measures 2017-19

- Streamlined member and employer communication with transition to GovDelivery
- Continued focus on Employer Data Submission and Reconciliation
- Creation of the Employer Rate Projection Tool – Created to help employers understand the potential impact of establishing or adding funds to side accounts

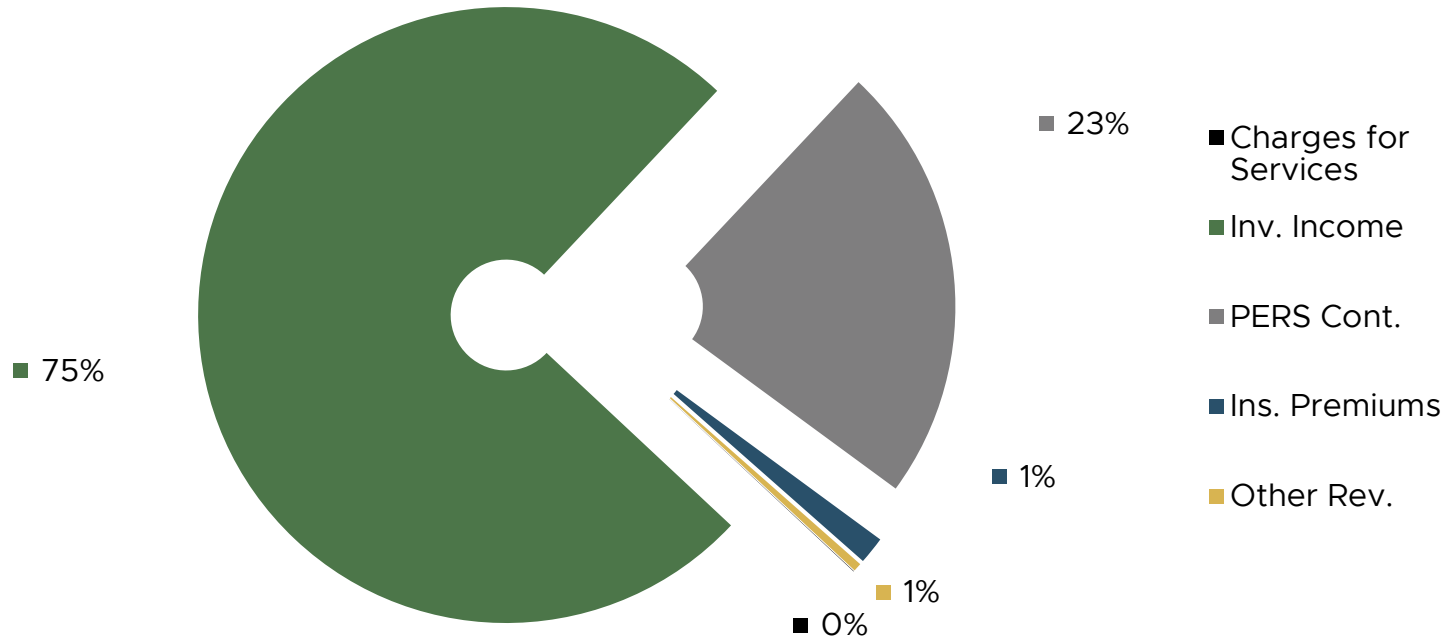
Planned Cost Containing Measures 2019-21

- Agency re-organization to align to Centers of Excellence
- Implementation of Enterprise Portfolio Management
- Relaunch of IAP technology platform project as IAP Integration Project
- Business Innovation Program sets technology modernization roadmap

PERS: System & Agency Funding

Example FY 2018

Category	Amount Received
Charges For Agency Services	\$2,108,608.
Investment Income	\$7,228,270,634.
PERS Contributions	\$2,220,514,256.
Insurance Premiums	\$137,827,233.
Other Revenue	\$41,899,543.
Total	\$9,630,620,274.



PERS: Summary of Policy Option Packages 2019-21

Package 102 – PERS Production Data Center Migration \$1,715,318 FTE 0.00

One time request. This request relocates the PERS' data center to the state data center using a colocation model. Increases technical readiness in alignment with LFO and OSCIO memorandum.

Package 103 – Financial & Administrative Services Strategic Fulfillment \$357,679 FTE 1.00

Request maintains one limited duration FTE for collections from Strunk and Eugene Oregon Supreme Court Cases & allows for Target Date Fund accounting.

Package 104 – Maintaining Current Service Levels \$1,289,416 FTE 7.00

This request includes maintains current service level needs. Includes creation of a communications officer position, two ISD positions, and 4 operations positions.

Package 106 – Risk & Security Management \$1,282,475 FTE 3.00

This request provides for three positions & contracted resources to administer Information Security, Business Continuity & Disaster Recovery programs.

Package 107 – Deferred Maintenance Requirement of SB 1067 (2017) \$625,000 FTE 0.00

This request addresses deferred maintenance needs for the PERS owned headquarters building in Tigard, including an HVAC system and roof repairs.

Package 109 – Business Innovation Program (BIP) Architecture & Planning \$512,265 FTE 0.00

Request is to perform architecture and planning of ORION (the Agency's data system) to create a roadmap to modernization including enhancement and sustainability of communications and technology foundations.

PERS: Central Administration

Leg. Approved Budget 2017-19:
Budget: \$4,341,844
Positions: 15

Governor's Budget 2019-21:
Budget: \$4,692,802
Positions: 16

Board of Directors

Director/Deputy Director

- Executive Oversight
- Board Support
- Legislative Coordination
- Strategic & Operational Planning
- Publications & Communications

Operations

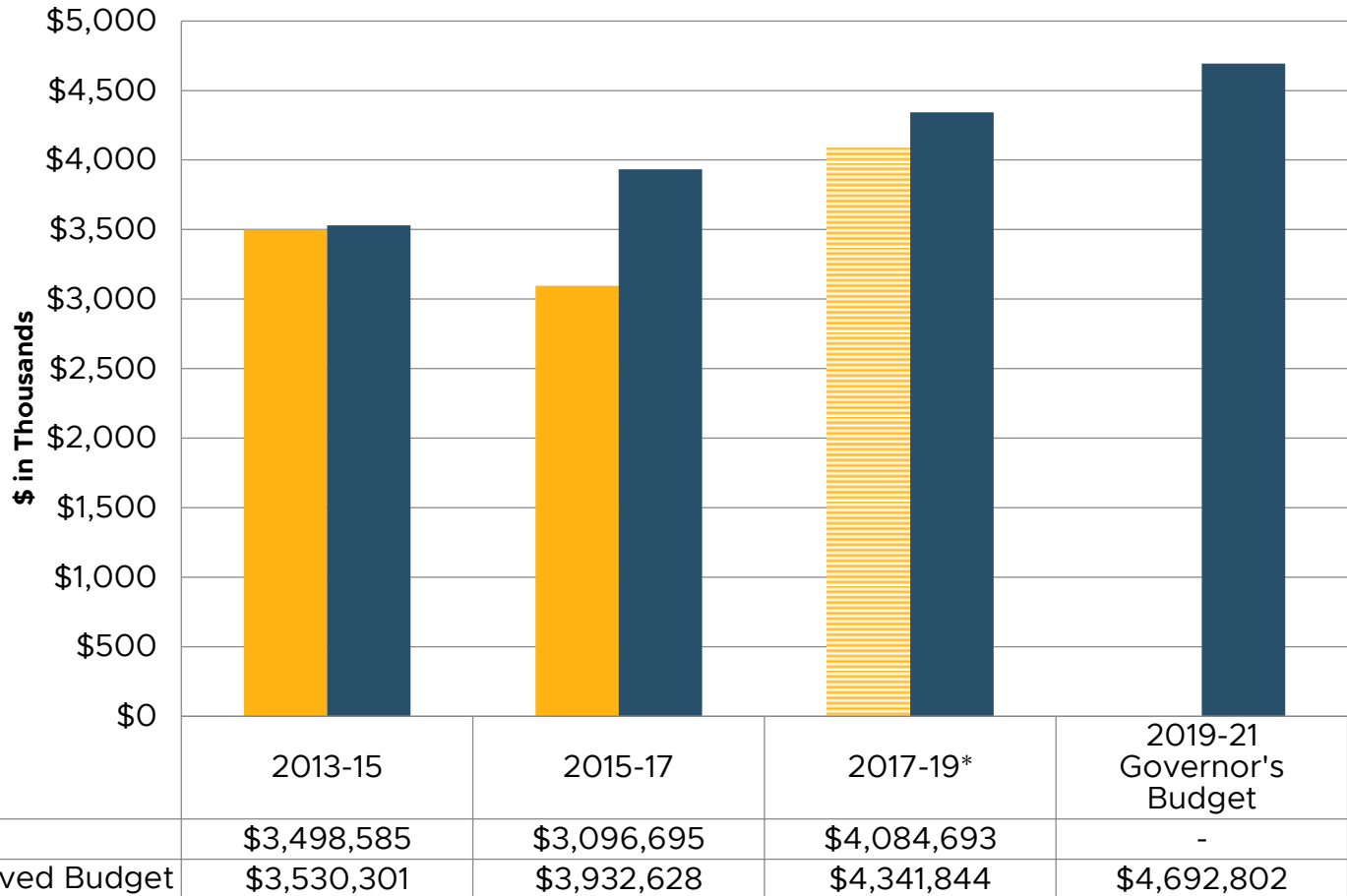
Financial &
Administrative Services

Information Services

Compliance, Audit & Risk

PERS: Central Administration

Budget to Actuals



*Projected Actuals

PERS: Central Administration

	Amount	FTE
Policy Packages		
Pkg. 90-92 CFO Analyst Adjustments	(\$7,408)	
Pkg. 104 Current Services	\$244,231	1.00
Subtotal Policy Packages	\$236,823	1.00
2019-21 Total Governor's Budget	\$4,692,802	16.00

Package 104– Maintaining Current Service Levels \$1,289,416 FTE 7.00

Aligns with Organizational Management and Development | PERS Outcome-Based Management System

This request includes maintains current service level needs. Includes creation of a communications officer position, two ISD positions, and 4 operations positions.

In this Division, this request adds a communications officer and associated costs.

10% Reductions Options (ORS 291.216) - \$445,598

PERS: Operations Division

Leg. Adopted Budget 2017-19:
Budget: \$38,110,978
Positions: 208

Governor's Budget 2019-21:
Budget: \$40,466,650
Positions: 212

Board of Directors

Director/Deputy Director

Operations

Financial &
Administrative Services

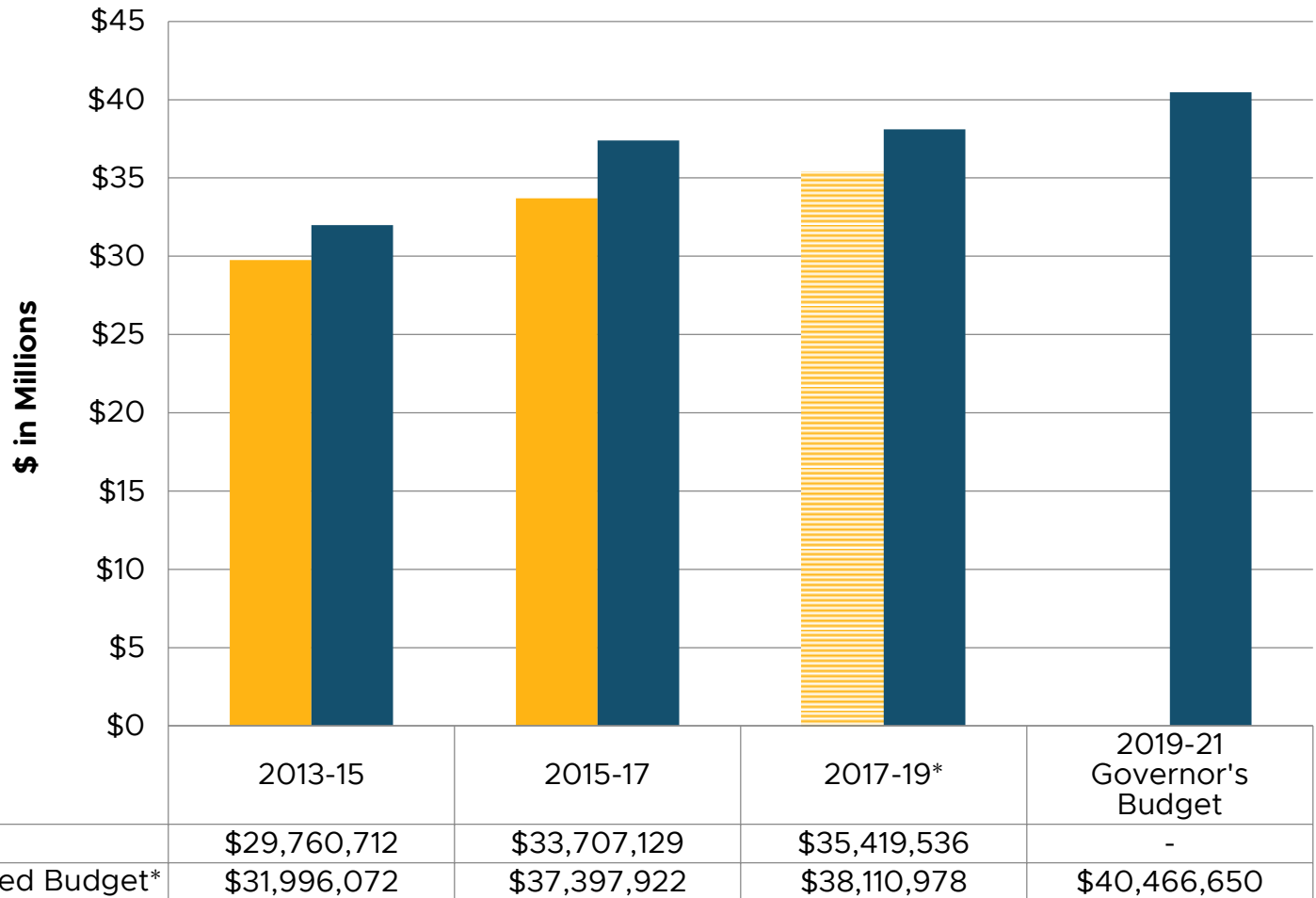
Information Services

Compliance, Audit & Risk

- Member Information Center
- Employer Service Center
- Operations Technical Support
- Benefit Application Intake & Review
- Member Account Adjustments
- Specialty Qualifications
- Calculations

PERS: Operations Division

Budget to Actuals



*Projected Actuals

PERS: Operations Division

Performance Information

Transaction	Calendar Year 2015	Calendar Year 2016	Calendar Year 2017
Retirements*	15,058	14,257	17,435
Withdrawals	4,808	4,344	3,883
Eligibility reviews	49,279	43,822	44,910
Telephone calls (incoming/outgoing)	208,931	222,450	266,644
Emails (incoming)	208,437	126,314	128,501
Written benefit estimates**	11,434	12,191	11,018
Online benefit estimates***	50,382	52,036	59,671

* Including IAP

** Including Tier One/Tier Two and OPSRP

*** Previously this number tracked all online estimates. This now only tracks online estimates in Calculated status on an annual basis. 2015 & 2016 data have also been updated.

PERS: Operations Division

	Amount	FTE
Policy Packages		
Pkg. 90-92 CFO Analyst Adjustments	(\$461,098)	
Pkg. 104 Current Services	\$641,818	4.00
Subtotal Policy Packages	\$180,720	4.00
2019-21 Total Governor's Budget	\$40,466,650	212.00

Package 104 – Maintaining Current Service Levels \$1,289,416 FTE 7.00

This request includes maintains current service level needs. Includes creation of a communications officer position, two ISD positions, and 4 operations positions.

In this Division, this request adds 4 operations positions.

Aligns with Organizational Management and Development | PERS Outcome-Based Management System

10% Reductions Options (ORS 291.216) - \$4,028,593

PERS: Financial & Administrative Services Division

Leg. Approved Budget 2017-19:
Budget: \$23,802,189
Positions: 62

Governor's Budget 2019-21:
Budget: \$30,318,851
Positions: 60

Board of Directors

Director/Deputy Director

Operations

Financial &
Administrative Services

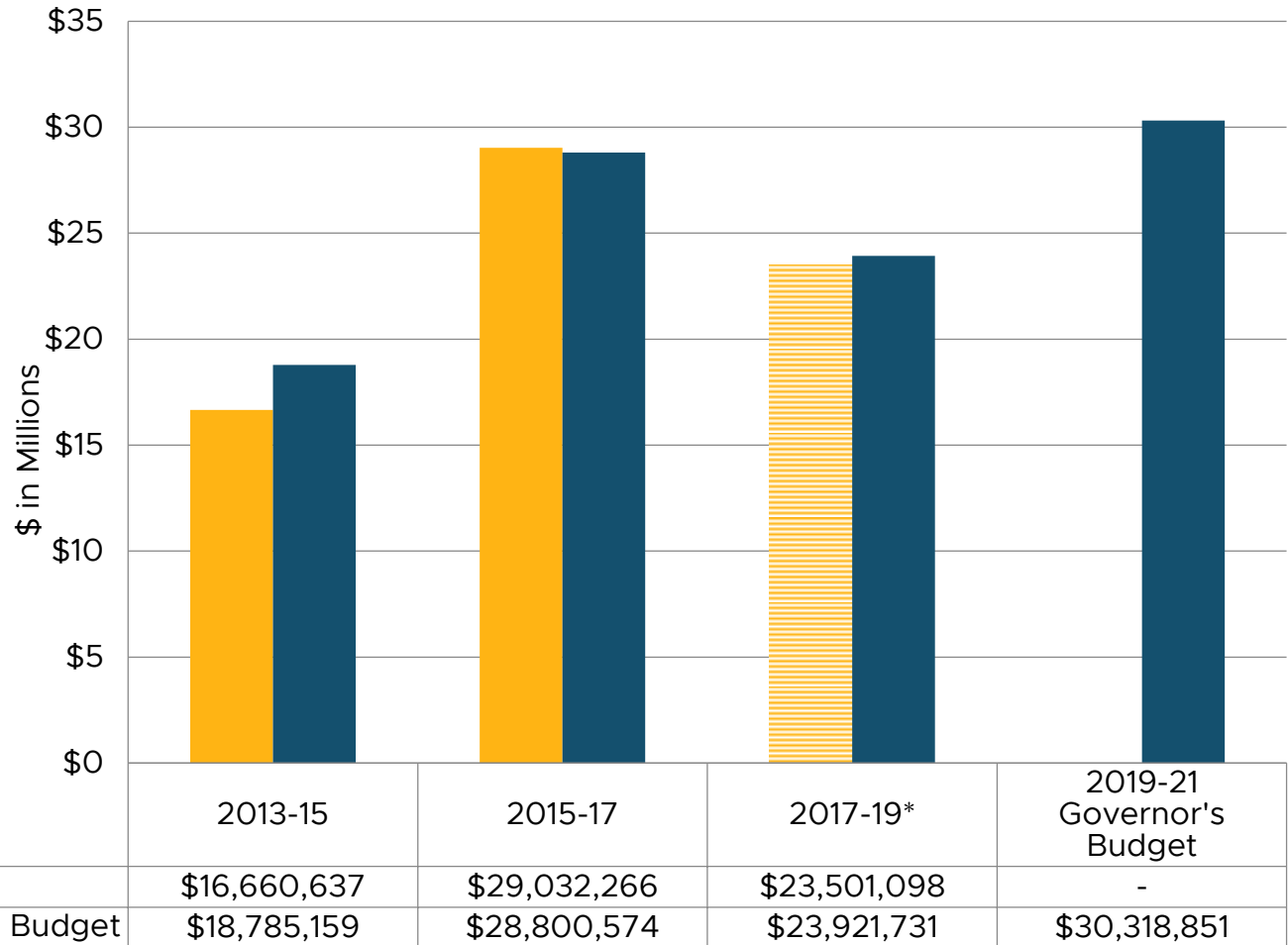
Information Services

Compliance, Audit & Risk

- Actuarial Services
- Financial Modeling
- Budget & Fiscal
- Contributions/Banking
- Contracting/Procurement
- Financial Reporting
- Facility Services
- Human Resources
- Retiree Health Insurance
- Oregon Savings Growth Plan

PERS: Financial & Administrative Services Division

Budget to Actuals



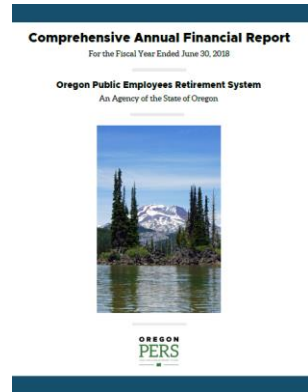
**Projected Actuals*

PERS: Financial & Administrative Services Division

Performance Information

Certificate of Achievement

The Certificate of Achievement for Excellence in Financial Reporting is applicable for the year ended June 30, 2017. The System has received a Certificate of Achievement for the last 27 consecutive years.



Public Pension Standards Award

The Public Pension Coordinating Council (PPCC) awarded the 2018 Public Pension Standards Award to PERS for its plan design and administration.

The PPCC is a coalition of three associations representing public pension funds covering the vast majority of public employees in the United States. The associations are as follows: the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR).

Public pension standards are intended to reflect minimum expectations for public retirement system management and administration, and to serve as benchmarks by which all defined benefit public plans are measured.

This is the 16th year the PPCC has offered the award to public retirement systems and the 15th consecutive year PERS has applied for, and received, the award.

PERS: Financial & Administrative Services Division

	Amount	FTE
Policy Packages		
Pkg. 90-92 CFO Analyst Adjustments	(\$187,996)	-
Pkg. 103 FASD Strategic Planning	\$357,679	1.00
Pkg. 107 Deferred Maintenance	\$625,000	-
Subtotal Policy Packages	\$794,683	1.00
2019-21 Total Governor's Budget	\$30,318,851	60.00

Package 103 – Financial & Administrative Services Strategic Fulfillment \$357,679 FTE 1.00

Request maintains one limited duration FTE for collections from Strunk and Eugene Oregon Supreme Court Cases & allows for Target Date Fund accounting and associated costs.

Aligns with Financial Management | Technology Upgrades & System Integration | Financial Management Resource Development

Package 107 – Deferred Maintenance Requirement of SB 1067 (2017) \$625,000 FTE 0.00

This request addresses deferred maintenance needs for the PERS owned headquarters building in Tigard, including an HVAC system and roof repairs.

Aligns with Organizational Management and Development | PERS Outcome-Based Management System

10% Reductions Options (ORS 291.216) - \$2,952,417

PERS: Information Services Division

Leg. Approved Budget 2017-19:
Budget: \$27,575,232
Positions: 72

Governor's Budget 2019-21:
Budget: \$26,711,780
Positions: 70

Board of Directors

Director/Deputy Director

Operations

Financial &
Administrative Services

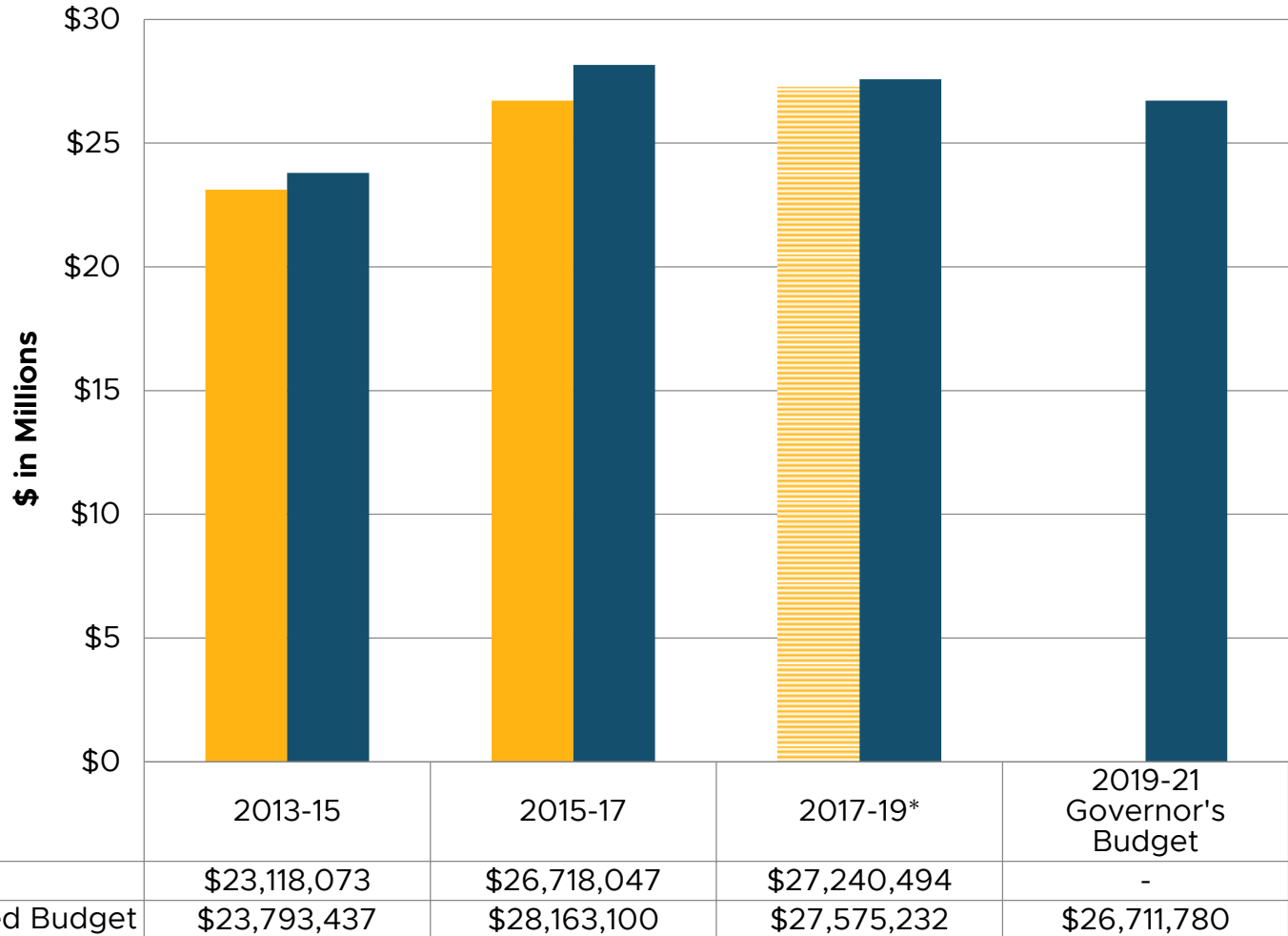
Information Services

Compliance, Audit & Risk

- Business Information & Technology
- Enterprise Application
- Technical Operations
- Quality Assurance
- Cybersecurity
- Document Imaging & Management

PERS: Information Services Division

Budget to Actuals

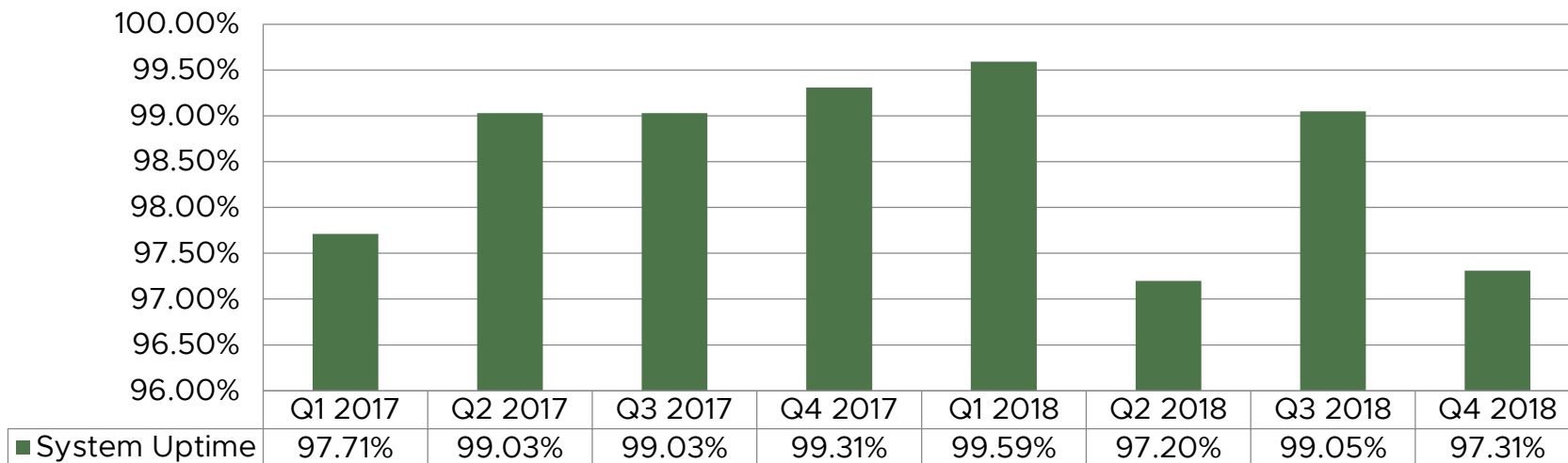


**Projected Actuals*

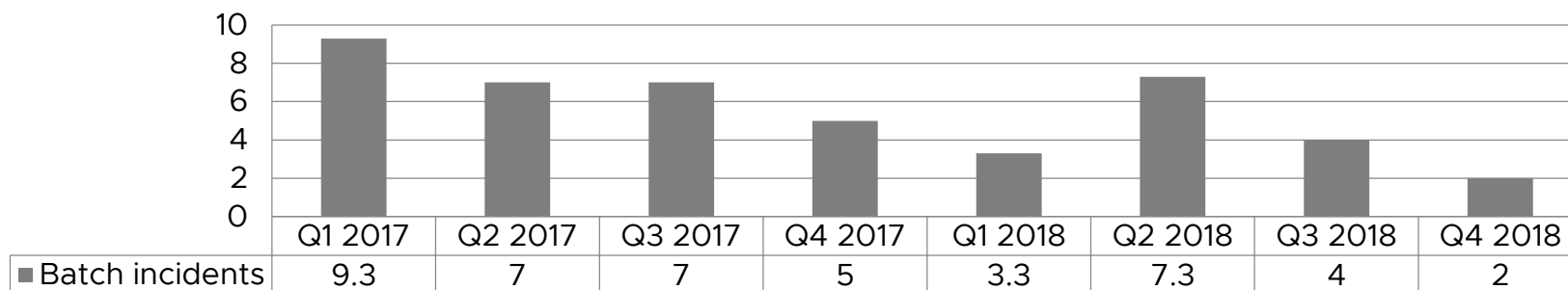
PERS: Information Services Division

Performance Information

System Uptime



Batch incidents



PERS: Information Services Division

	Amount	FTE
Policy Packages		
Pkg. 90-92 CFO Analyst Adjustments	(\$121,311)	(1.00)
Pkg. 102 Data Center Migration	\$1,715,318	-
Pkg. 104 Current Services	\$403,367	2.00
Pkg. 109 Business Innovation	\$512,265	
Subtotal Policy Packages	\$2,509,639	1.00
2019-21 Total Governor's Budget	\$26,711,780	70.00

Package 102 – PERS Production Data Center Migration \$1,715,318 FTE 0.00

One time request. This request relocates the PERS' data center to the state data center using a colocation model. Increases technical readiness in alignment with LFO and OSCIO memorandum.

Aligns with Information Governance & Technology | Information Governance Practices

Package 104 – Maintaining Current Service Levels \$1,289,416 FTE 7.00

This request includes maintains current service level needs. Includes creation of a communications officer position, two ISD positions, and 4 operations positions.

In this Division, this request adds two ISD positions.

Aligns with Organizational Management and Development | PERS Outcome-Based Management System

Package 109 – Business Innovation Program (BIP) Architecture & Planning \$512,265 FTE 0.00

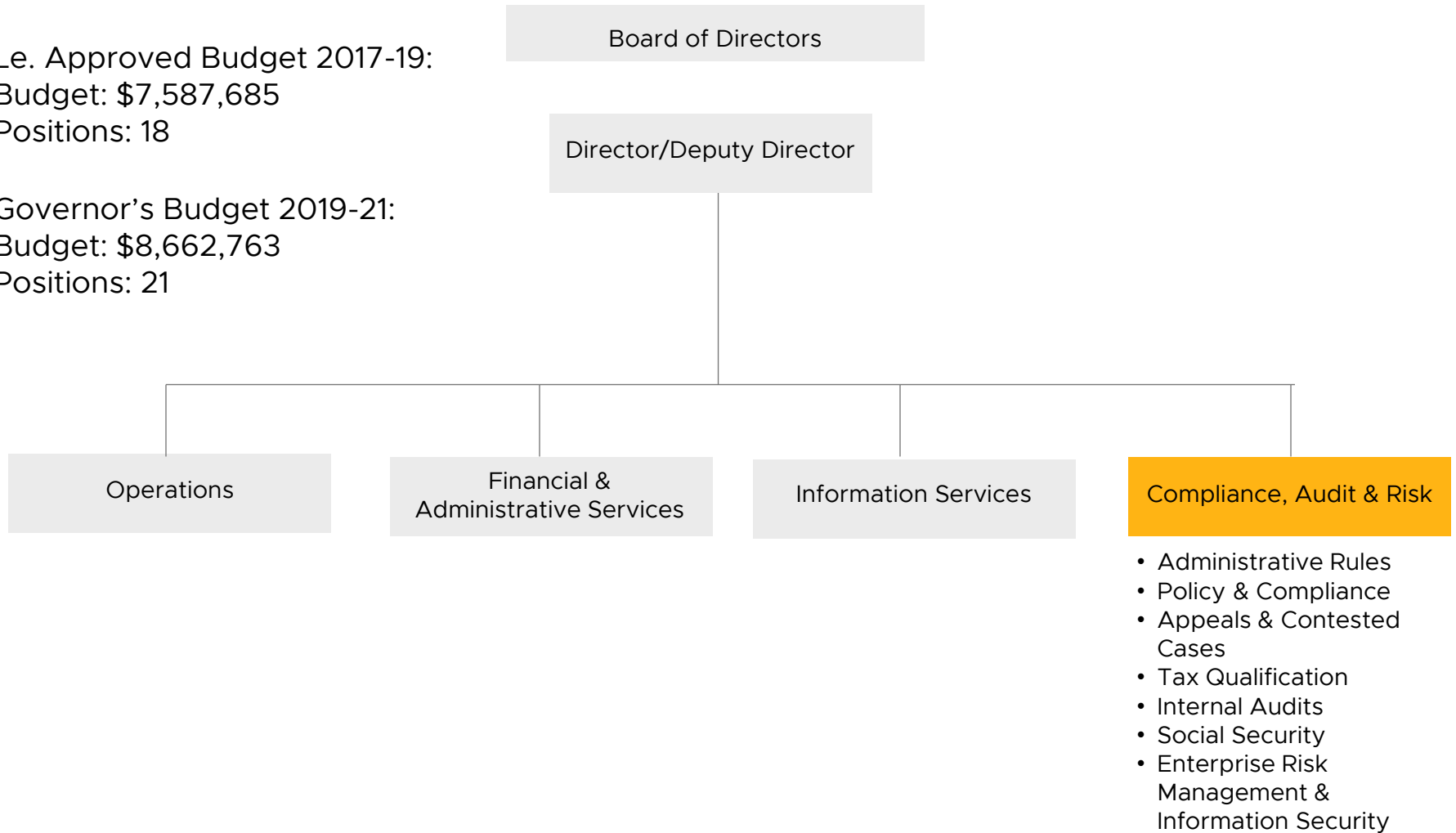
Request is to perform architecture and planning of ORION (the Agency's data system) to create a roadmap to modernization including enhancement and sustainability of communications and technology foundations.

Aligns with Information Governance & Technology | ORION Business Modernization | IT Digital Transformation

PERS: Compliance, Audit and Risk Division

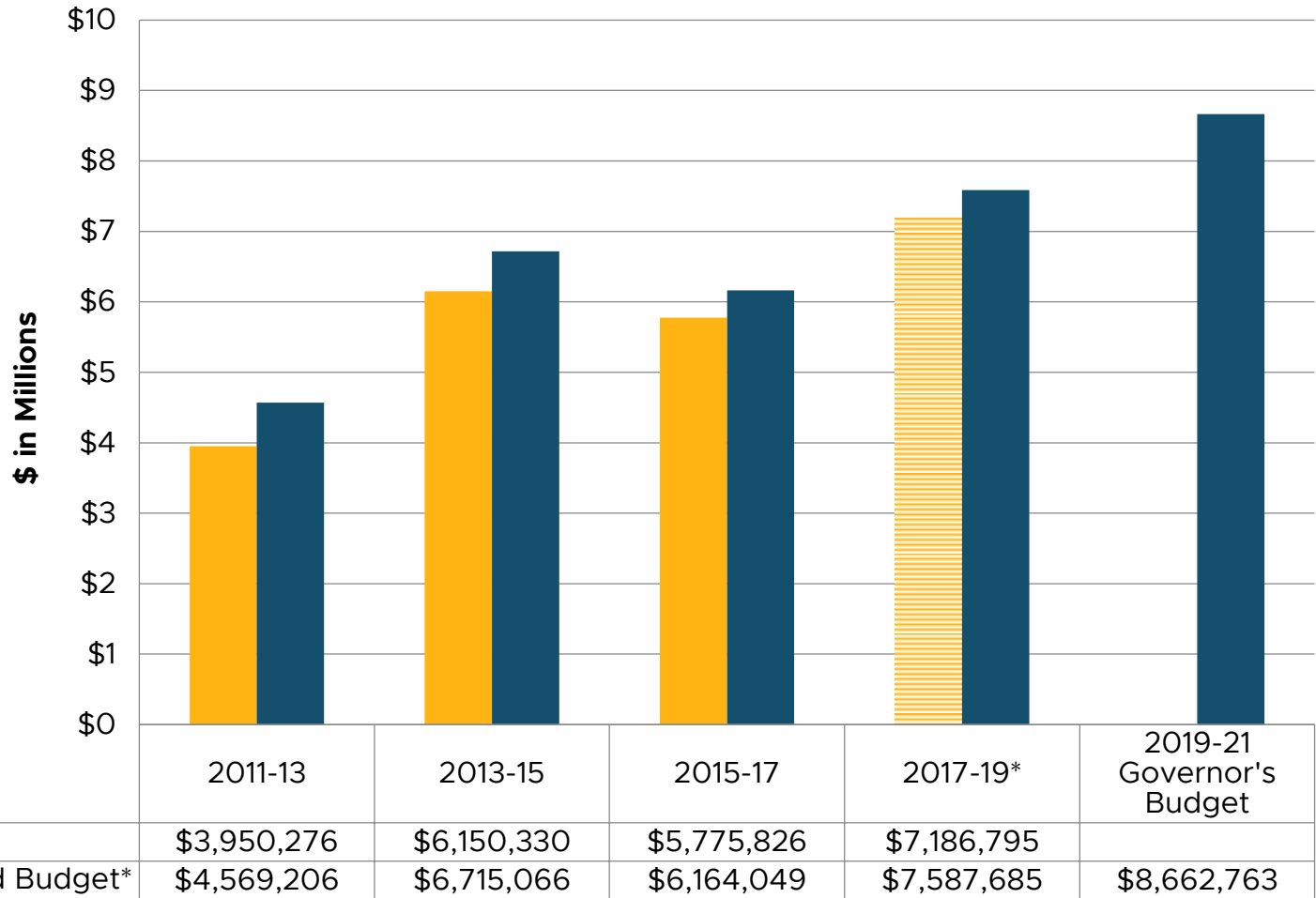
Le. Approved Budget 2017-19:
Budget: \$7,587,685
Positions: 18

Governor's Budget 2019-21:
Budget: \$8,662,763
Positions: 21



PERS: Compliance, Audit and Risk Division

Budget to Actuals



**Projected Actuals*

PERS: Compliance, Audit and Risk Division

Performance Information

Internal Audit Section

The PERS Internal Audit Section issues reports on audit subjects that span the entire agency. These reports include recommendations for management to improve operations and are monitored until they are implemented.

The table below shows the number of reports and recommendations issued for the past five years.

Year	# Reports Issued	# Recommendations
2018	7	28
2017	8	29
2016	3	37
2015	5	21
2014	4	13

Policy Analysis and Compliance Section

Within the Division, the Policy Analysis and Compliance Section administers the agency's appeals and contested cases. The following table shows the volume of appeals and contested cases filed.

Year	# Appeals	# Contested Cases
2018 (Jan-Jun)	118	16
2017	170	34
2016	221	31
2015	225	58
2014	863	80

PERS: Compliance, Audit and Risk Division

	Amount	FTE
Policy Packages		
Pkg. 90-92 CFO Analyst Adjustments	(63,764)	0.00
Pkg. 106 Risk and Security	1,282,475	3.00
Subtotal Policy Packages	1,218,711	3.00
2019-21 Total Governor's Budget	\$8,662,763	21.00

Package 106 – Risk & Security Management \$1,282,475 FTE 3.00

This request provides for three positions & contracted resources to administer Information Security, Business Continuity & Disaster Recovery programs.

Aligns with Information Governance & Technology | Information Governance Practices

10% Reductions Options (ORS 291.216) - \$744,405

PERS: Legislatively Approved Budget Historical Comparison

	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19	2019-21 GB
Limited:							
Other Funds- Personal Srvcs	\$50,682,707	\$52,751,494	\$56,744,618	\$64,362,688	\$69,524,819	\$73,391,547	\$77,950,180
Other Funds - Srvcs/Supplies	29,620,738	29,916,870	21,660,024	21,009,989	35,302,823	26,851,571	30,729,335
Other Funds - Capital Outlay	947,701	593,588	927,588	1,478,453	2,121,807	1,294,352	2,173,331
Other Funds - Spc Payments							
Other Funds	81,251,146	83,261,952	79,332,230	86,851,130	106,949,449	101,537,470	110,852,846
Other Funds Debt Srvc	5,709,200	1,423,075	1,418,600	1,302,850	1,290,750		
Total	86,960,346	84,685,027	80,750,830	88,153,980	108,240,199	101,537,470	110,852,846
Permanent Positions	294	327	332	362	372	371	378
Limited Positions	100	41	33	5	8	6	1
Total Positions	394	368	365	367	380	377	379
Non-Limited:							
Other Funds	6,286,947,122	6,781,885,664	7,434,035,699	9,277,875,000	9,723,458,062	10,994,171,000	12,493,087,721
General Funds							100,000,000
Total	6,286,947,122	6,781,885,664	7,437,176,025	9,277,875,000	9,723,458,062	10,944,171,000	12,593,087,721
Total Expenditures	\$6,373,907,468	\$6,866,570,691	\$7,517,926,855	\$9,366,028,980	\$9,831,698,261	\$11,045,708,470	\$12,703,940,567
% Limited Budget	1.36%	1.23%	1.07%	0.94%	1.09%		

PERS: Key Legislation 2019 Session

Senate Bill 75

The agency requested introduction of Senate Bill 75 which proposes to refine provisions of Senate Bill 1566(2018).

The earlier measure established the Employer Incentive Fund, School Districts Unfunded Liability Fund, and the Unfunded Actuarial Liability Resolution Program. Ultimately, employers may receive some rate relief through participation in these programs.

Additional Information

The agency will monitor and participate in conversations about a variety of proposals including concepts which:

- Redirect contributions from the Individual Account Program
- Redefine Final Average Salary for benefit calculations
- Establish new benefit programs
- Expand the definition of “police”
- Address retiree work after retirement

PERS: 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 \$10,673,783 against the Current Service Level of \$105,912,270 (10.0%).

APPENDIX

- Audit Response Reports
- Recent Changes to Agency Budget & Management
- 2017-19 Long-Term Vacancies
- Supervisory Span of Control
- Statewide Policy Packages
- 2019-21 Proposed Tech Projects
- Other Funds Ending Balances
 - Additional Resources



PERS: Audit Response Reports

The following external audits were completed in the 2017-2019 biennium:

Report # 2017-31: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017

No significant deficiencies or material weaknesses.

Report # 2018-12: Audit of Schedule of Employer Allocations and Pension Amounts by Employer for the Year Ended June 30, 2017

No significant deficiencies or material weaknesses.

Report # 2018-13: Audit of RHIA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2017

No significant deficiencies or material weaknesses.

Report # 2018-14: Audit of RHIPA Schedule of OPEB Amounts for the Year Ended June 30, 2017

No significant deficiencies or material weaknesses.

PERS: Audit Response Reports (continued)

The following external audits were completed in the 2017-2019 biennium:

Report # 2018-25: Opportunities Exist to Increase the Impact of State Agency Internal Audit Functions

PERS was included in this review of internal audit functions throughout the state. The report's 16 recommendations were assigned to DAS.

Report # 2018-32: Severe Deficiencies in Disaster Recovery Program and Insufficient Information Technology Planning Pose Substantial Risks to Beneficiaries and the State

The report includes 16 recommendations for PERS to address deficiencies in IT strategic planning and the disaster recovery program. Most of the recommendations were already in process of being addressed through the Continuity Management and Information Security projects and are expected to be completed by June 30, 2019.

Audit Report and Agency Response - <https://sos.oregon.gov/audits/Documents/2018-32.pdf>

Report # 2018-41: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018

No significant deficiencies or material weaknesses.

PERS: Recent Changes to Agency Budget & Management

2017-2019 Changes in Management, Major Programs, Service Delivery, and Budget:

- New Director – New to Oregon and state government – will review agency operations to ensure appropriate focus and alignment to the agency mission
- New Chief Financial Officer – New to state government – will add a level of fiscal discipline and rigor to the agency’s multi-billion dollar activities
- New Board Chair with background in technology projects and management

- Implementation of SB 1566(2018) – Established the Employer Incentive Fund and School Districts Unfunded Liability Fund which may provide rate relief in future biennia
- Creation of the Employer Rate Projection Tool – Created to help employers understand the potential impact of establishing or adding funds to side accounts

- Oregon Investment Council transition to Target Date Fund investment model for IAP
- OSGP administrative expense recognition change

- Continued conversation and reporting about Information Security and Continuity Management
- Continuation of IAP Administration Project

- Streamlined member and employer communication with transition to GovDelivery
- PERS website transitioned to a more user friendly platform
- Revision of Agency Strategic Plan 2018-2023

2019- 21 Planned Cost Containing Measures

- Agency re-organization to align to Centers of Excellence
- Implementation of Enterprise Portfolio Management
- Relaunch of IAP technology platform project as IAP Integration Project
- Business Innovation Program sets technology modernization roadmap

PERS: 2017-19 Long Term Vacancies

DIVISION	Position #	FTE	Type	Vacant Months 7 - 11	Vacant Months 12+
Financial & Admin Services Division	0137340	1	PF	1	
Information Services Division	0911417	1	PF		1
Information Services Division	0911420	1	PF		1
Operations Division	9300009	1	PF		1
TOTAL		4		1	3

PERS: Supervisory Span of Control Report



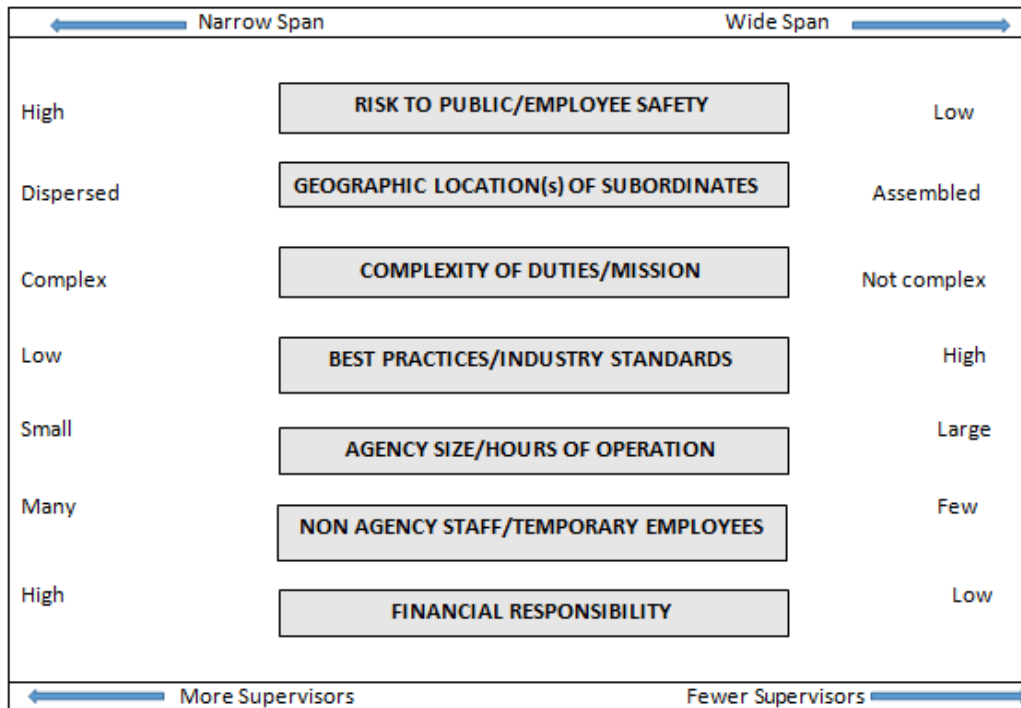
PROPOSED SUPERVISORY SPAN OF CONTROL REPORT

In accordance with the requirements of ORS 291.227, the Public Employee Retirement System (PERS) presents this report to the Joint Ways and Means Committee regarding the agency's Proposed Maximum Supervisory Ratio for the 2019-2021 biennium.

Supervisory Ratio for the last quarter of 2017-2019 biennium

The agency actual supervisory ratio as of 1/29/19 is 1: 10

When determining an agency maximum supervisory ratio all agencies shall begin of a baseline supervisory ratio of 1:11, and based upon some or all of the following factors may adjust the ratio up or down to fit the needs of the agency.



PERS: Summary of Statewide Policy Packages for PERS

Package	Package Description	Adjustment Amount
Pkg. 090 Analyst Adj.	Reduced \$461,098 in Operations; \$183,430 reduction in FASD; \$129,751 reduction in ISD: eliminated a long-term vacant PS1 position in ECM	(\$774,279)
Pkg. 091 Statewide Adj. DAS Charges	Statewide adjustment of DAS charges to Agency. \$4,317 increase in FASD; \$8,440 increase in ISD	\$12,757
Pkg. 092 Statewide AG Adj. Charges	Statewide adjustment of DAS charges to Agency. \$63,764 reduction made in CARD; \$7,408 reduction in Central Admin.; \$8,883 reduction in FASD	(\$80,055)

PERS: 2019-21 Proposed Technology Projects

Risk and Security Management

As identified in PERS 2015-2020 Strategic Plan and subsequently called out in a Senate Bill 5534(2017) budget note, PERS was “directed to develop and implement an industry standard Cyber Security Program, including defining the long-term maintenance, operation and funding plans for the program”. Two additional budget notes require PERS to develop and implement a Business Continuity and a Disaster Recovery Programs respectively. Lastly, on February 21, 2018, Governor Brown published a policy (no. 107-001-010) requiring all agencies to develop Continuity of Operations Programs (COOP). Throughout the 2017-2019 biennium, PERS has worked with the Enterprise Security Office (ESO) on the development of an Information Security Program and ongoing remediation efforts. PERS and the OSCIO are jointly reporting the progress of program development and remediation efforts to the Legislative Financial Office (LFO), which are estimated to be completed by June 30, 2019.

PERS has also been developing its Business Continuity Program, called the Continuity Management Program, which encompasses its Continuity, and Disaster Recovery Programs. PERS is also reporting progress of program development efforts to the Legislative Fiscal Office (LFO), which are estimated to be completed by June 30, 2019. To ensure PERS’ limited resources are focused on meeting the agency mission of “*serving the people of Oregon by administering public employee benefits trusts to pay the right person the right benefit at the right time*”, PERS is seeking to develop and implement a Risk Management Program, whereby agency risk will be the governing factor when evaluating Information Security, Technology, and business processes investments and services.

PERS: 2019-21 Proposed Technology Projects (continued)

Business Innovation Program

The Public Employee Retirement System (PERS) administers public employee benefit trusts providing members with retirement benefits and services. PERS strategic priorities align services needed by our more than 925 employers and 345,000 members, to ensure we “*pay the right person, the right benefit, at the right time*”. Our shifting demographics mean we now have more OPSRP members than Tier One and Tier Two members. We need to modernize, enhance, and sustain our communication and technological foundation to better align with the needs of these younger members as we strive to engage them in their career-long retirement planning. To implement industry standards in line with member expectations, we need to establish a technology platform that is flexible, secure, and aligned with today’s service-driven technology standards.

To adapt, PERS is planning to initiate the **Business Innovation Program (BIP)** that will improve and resolve functionality and deficiencies that affect system administration, performance, and sustainability.

PERS: Other Funds Ending Balances

Treasury Fund #/Name	2017-19 Ending Balance		2019-21 Ending Balance		Comments
	In LAB	Revised	In CSL	Revised	
Public Employees Retirement Fund. 4091/4791/7651	73,769,700,395	64,040,669,770	63,261,504,538	63,334,347,939	Lower than expected investment income and increased benefit payments reduced 17-19 ending balance forecast and this continues for 19-21.. Balances more closely reflect actual fund balances and investment returns.
Retiree Health Insurance Trust Fund 5171	659,202,557	624,370,387	731,270,066	731,620,057	Strong investment returns combined with employer contributions continues to outpace benefit payments. Results in increasing fund balance. No change to forecast.
Retiree Health Insurance Premium Account Trust Fund 6111	9,175,885	42,036,843	69,970,212	70,615,769	Co-mingled funds with PERS trust fund. Employer contributions increase as more members qualify for RHIPA combined with solid investment returns. No change to forecast.
Standard Retiree Health Insurance Account Trust Fund 8921	110,870,044	41,528,842	25,688,426	114,227,019	Ending balance forecasts are based on member participation rates and forecasted administrative costs. Updated contract reduces administrative expense and estimated claim expense increasing expected ending balance.
OPSRP Pension Account Trust Fund 1971	5,342,360,793	5,519,571,254	7,878,277,898	7,898,594,740	Plan is funded by employer contributions and investment earnings for employees hired after 08/29/2003. Increased contribution payments and low eligibility for retirement payments results in continued increases in ending balance.
OPSRP IAP Account Trust Fund 1961	9,648,671,118	9,677,454,776	10,744,809,187	10,772,301,446	

PERS: Other Funds Ending Balances (continued)

Treasury Fund #/Name	2017-19 Ending Balance		2019-21 Ending Balance		Comments
	In LAB	Revised	In CSL	Revised	
Public Employees Retirement Fund. 4091/4791/7651					Except for timing of accrued cost allocation transfers, the balance in the limitation should be zero.
Deferred Compensation Fund 7661	2,313,144	1,193,897	1,800,000	1,800,000	Fees are based on fluctuating member participation. The 489.2K decrease is based on current trends and an increase in cost allocation percentages to the fund.
Public Employees Retirement Fund. 4091/4791/7651					Except for timing of accrued cost allocation transfers, the balance in the limitation should be zero.
Public Employee Benefit Equalization Fund 7652	283,026	98,122	94,444	94,444	Less than anticipated cash receipts and timing of cost allocation adjusted the forecasted ending balance by 102.7K. Fee increase will be discussed.
Social Security Revolving Account 1088	136,524	264,117	394,146	394,146	Administrative fees are reviewed and adjusted based on expected number of participating employers and projected administrative expenses. The \$34.4K decrease is based on less than anticipated cash receipts. Reduced cost allocation percentage to the fund.

PERS: Additional Resources

Milliman December 31, 2017 System Valuation

- Annual actuarial report of the system assets and liabilities

<https://www.oregon.gov/pers/Documents/Financials/Actuarial/2018/Actuarial-Valuation.pdf>

Comprehensive Annual Financial Report (CAFR) – Fiscal Year End June 30, 2018

- Report of all funds over which the PERS Board exercises authority

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

PERS by the Numbers – Updated October 2018

- Summary of information about system demographics, benefits, funding, revenue, and history

<https://www.oregon.gov/pers/Documents/General-Information/PERS-by-the-Numbers.pdf>

PERS Agency Strategic Plan – 2018-2023

- Agency-established priorities and plan to achieve the core mission

<https://www.oregon.gov/pers/Documents/Strategic-Plan.pdf>

PERS Agency Website

- PERS external website

<https://www.oregon.gov/pers/Pages/index.aspx>

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



Thank You

Kevin Olineck
PERS Director
2019

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