

Department of Administrative Services

Primer on Risk Management and the Risk Fund

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DAS Risk Management

Department of Administrative Services



Contents:

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- Operation of Insurance Fund
- Realities Challenging Insurance Fund
- Liability Tort Claims Are Driving the Challenge
- Trends in Insurance Fund Assets & Funding Levels
- Why \$182 Million in Risk Charges?
- Managing Risks Going Forward

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Oregon Risk Management

- ORS 278
 - Charges DAS Risk Management (DAS RM) with the authority and responsibility to manage risk management and insurance programs
 - All branches of state government
- Three primary risks are managed, along with several other miscellaneous risks:
 - Liability
 - Property
 - Workers' Compensation
- Primarily Self Insured
 - Roughly 80% of risks are retained; remainder is transferred to commercial carriers.
- Risk Charges
 - Approved biennially by the Legislature
 - Allocated to agencies based on their relative shares of FTEs, property values, and recent claim history.

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Operation of Insurance Fund – Projected

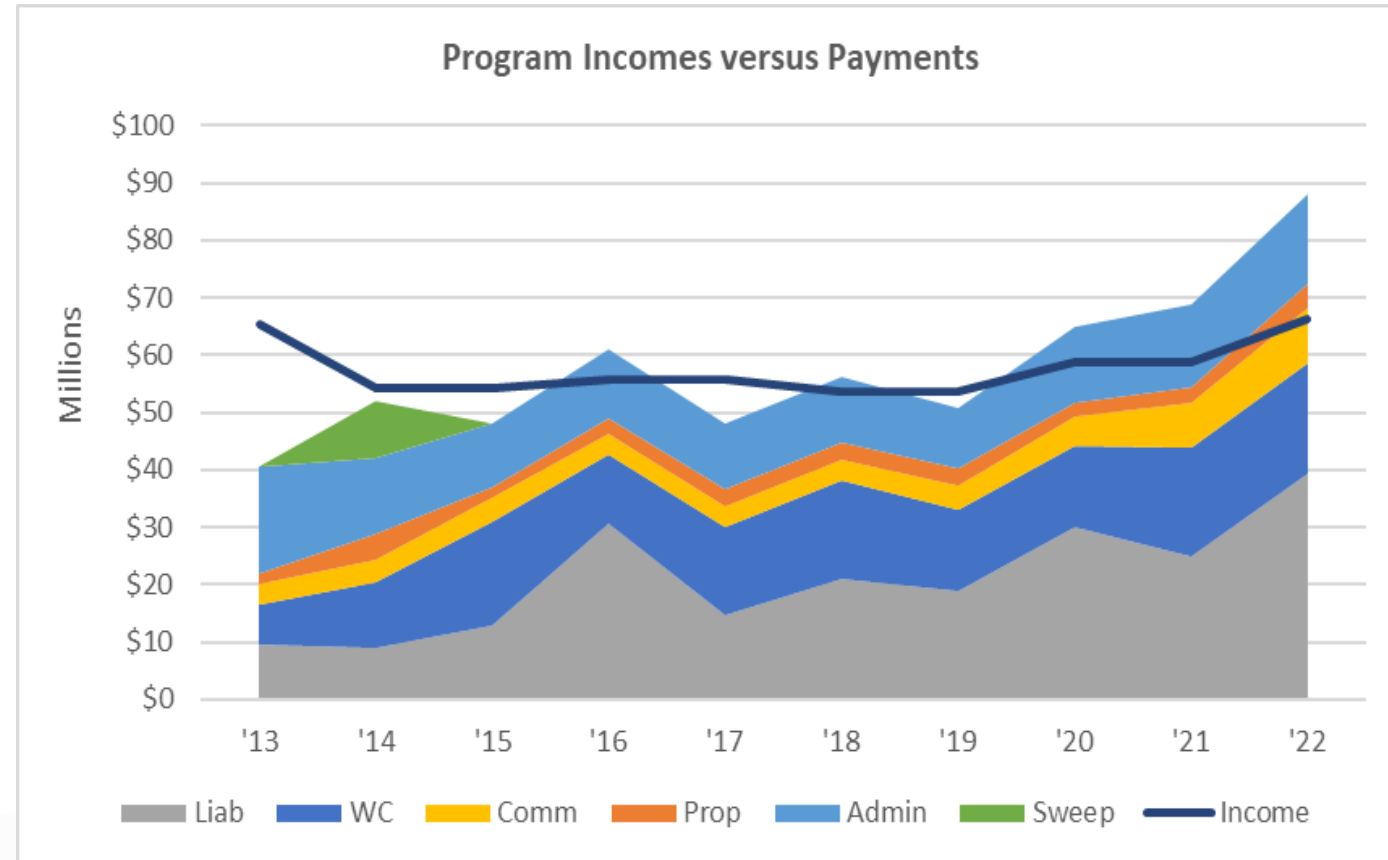
1. Independent actuaries recommend funding levels.
2. DAS RM accepts the recommendation and adds two other much smaller pieces:
 - Estimate of commercial premiums
 - Estimate of administrative expensesto arrive at the actuarially based funding recommendation.
3. Ideally, this funding recommendation is ultimately approved.
4. Ideally, risk charges and investment income match exactly what is needed to pay claims occurring during the biennium.
5. The process then repeats biennially.

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Operation of Insurance Fund – Reality

- In practice, claims vary from the actuarial estimate.
 - Several favorable years can be followed by extraordinarily unfavorable ones
- Practical budget constraints.
 - Funding has been relatively flat, and considerably below increasing actuarial based recommendations, especially recently
- Risks have increased.
 - Insurance Fund operates best in a steady state with few changes in risks assumed
 - Growth in programs, FTEs, property values
 - Dramatic increases in tort cap limit in 2007, further increasing with inflation thereafter
 - Pandemic driven risks
- We have experienced a “perfect storm”

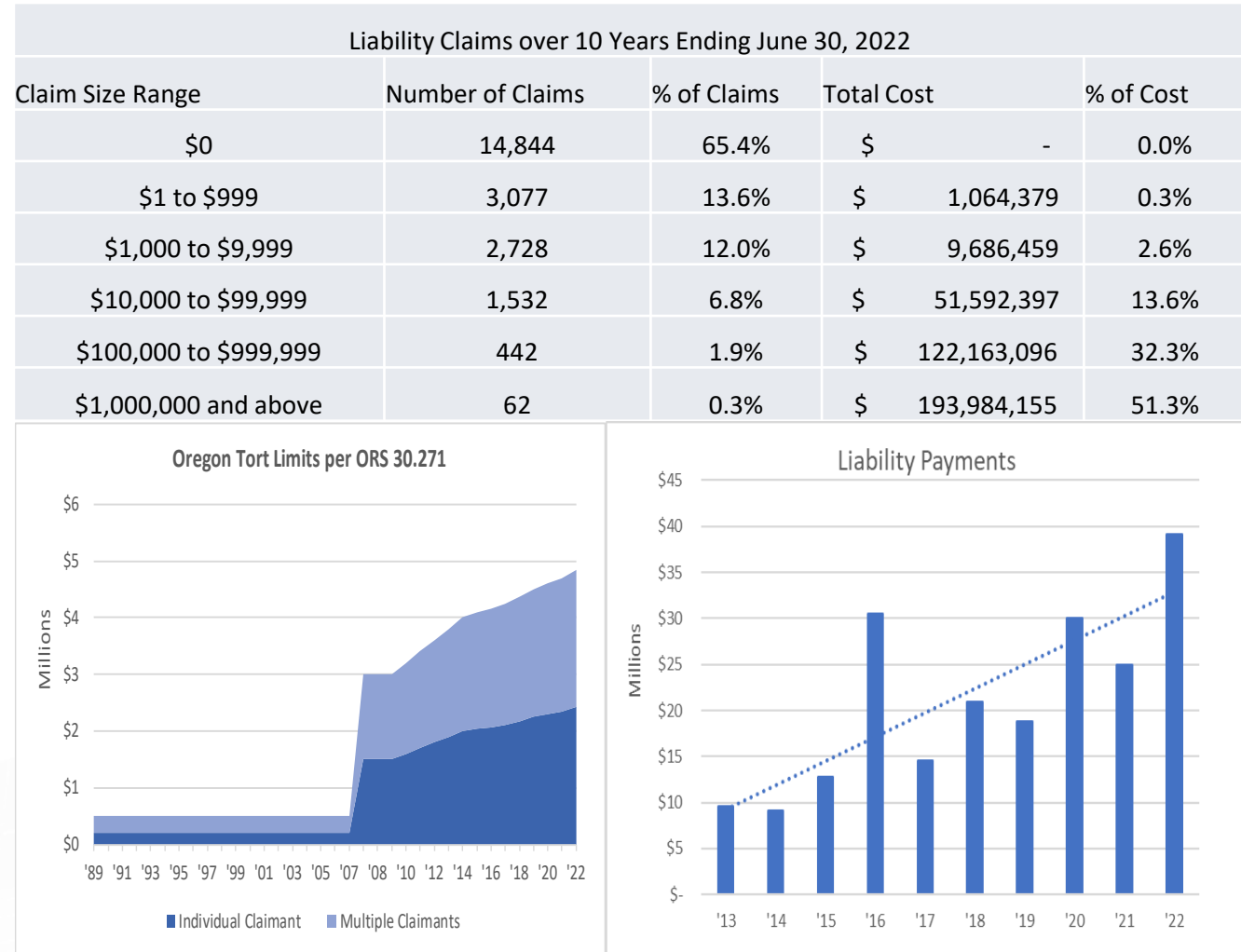


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Liability Claims are Driving the Challenge

- Liability claims are inherently difficult to manage:
- Average more than 2,250 claims per year
- Almost two-thirds result in no payment
- About six claims per year drive more than half the costs

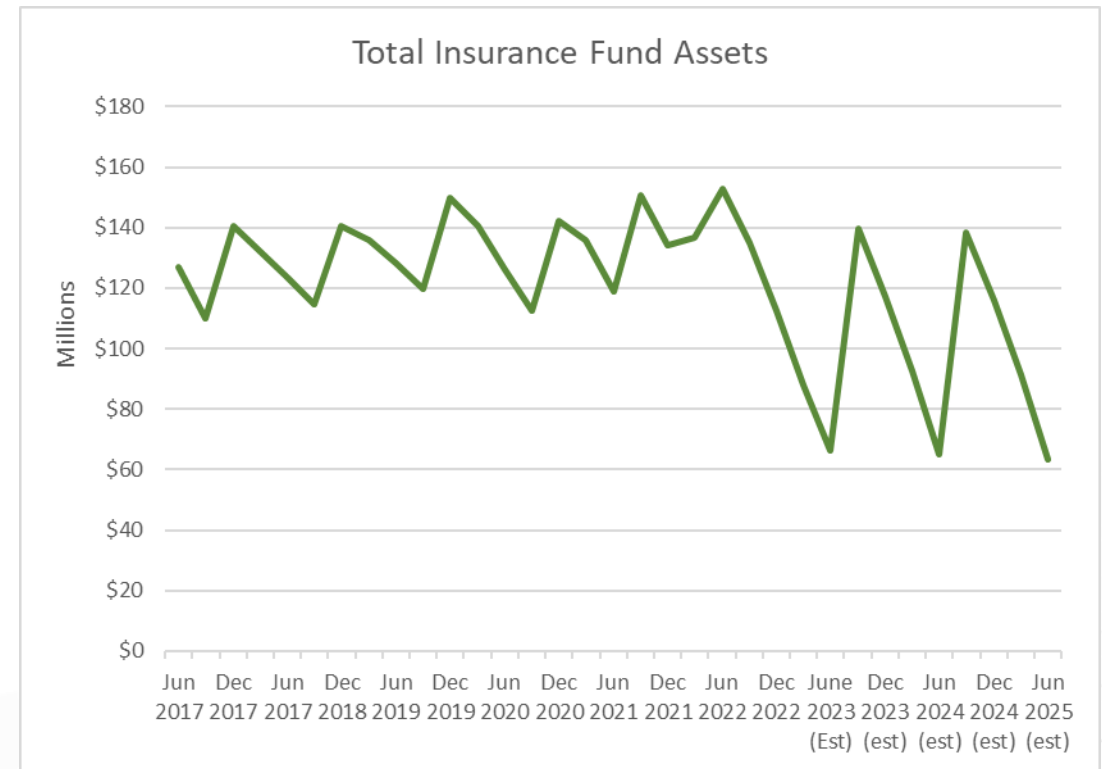


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Insurance Fund Assets

- Insurance Fund total assets have averaged between \$120 million and \$140 million for many biennia.
 - This represented 200% to 300% of annual payments
- They are now estimated to end the current biennium at \$67 million.
 - This represents about 75% of recent annual payments
- If the \$50 million Governor's Request Budget Policy Option Package is approved
 - The fund will be replenished early in fiscal 2024 and fiscal year 2025,
 - With the increase very likely depleted by each fiscal year end.
- Note that the uncertainty in the graph increases dramatically as dates move into the future.

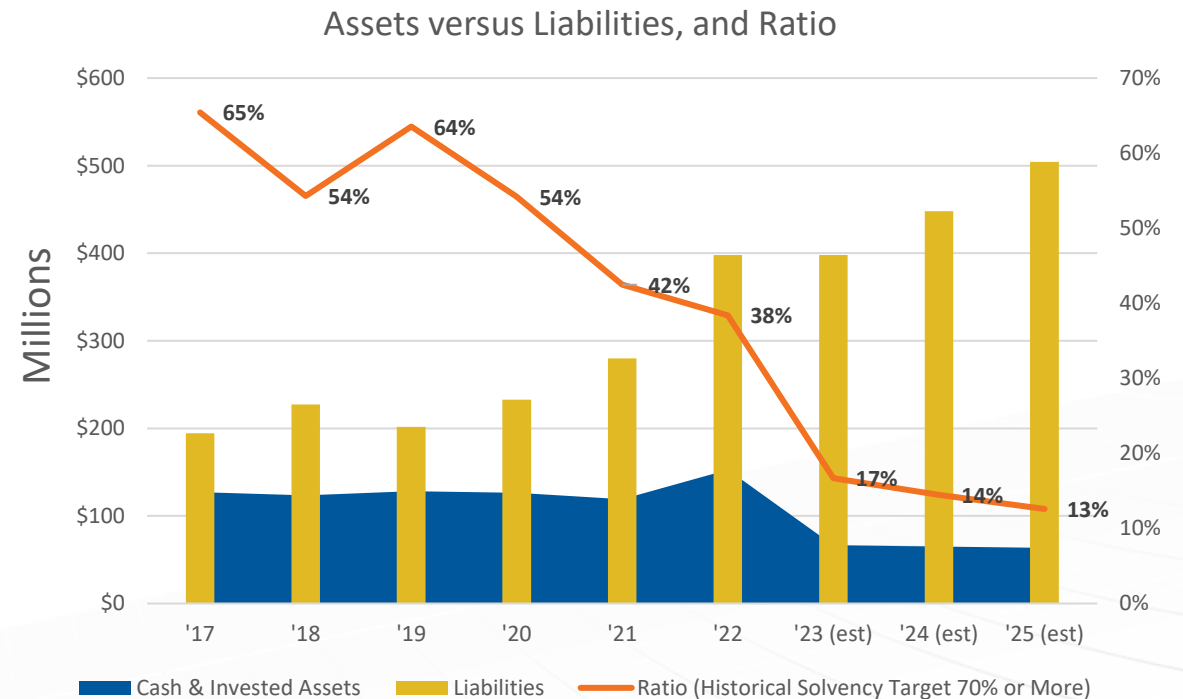


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Insurance Fund Assets Relative to Liabilities

- One needs to also consider assets as a percentage of liabilities.
- Liabilities are an estimate of the amount that would be needed if all future payments were due.
- In the past, 70% has been the target for deeming the Insurance Fund solvent. Recent experience has driven the funded ratio much lower than desirable.
- The chart to the right shows assets and liabilities and the resulting ratio, with a rough projection through the next biennium.



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Why a \$50 Million Increase to \$182,567,154?

- Actuarially driven estimate of the need for 23-25 biennium is \$235,004,368
- Legislatively approved amount for 21-23 biennium was \$132,567,154
- Governor's Request Budget for 23-25 biennium is \$182,567,154
- Why \$50 million?
 - Ideally this would be the actuarial funding recommendations
 - However, the \$50 million is a considerable, manageable increase
 - \$182,567,154 may be close to what actually flows out of the Insurance Fund
 - It may stop the bleeding, but likely won't begin to replenish the fund to recent asset levels, and the funded ratio will likely continue to drop. Further increases are very likely to be needed in BN2527.
 - Actuaries recommend more because of the "tails" of claims into the future.
 - Anything less than \$50 million increase would place solvency of Insurance Fund at considerable risk.

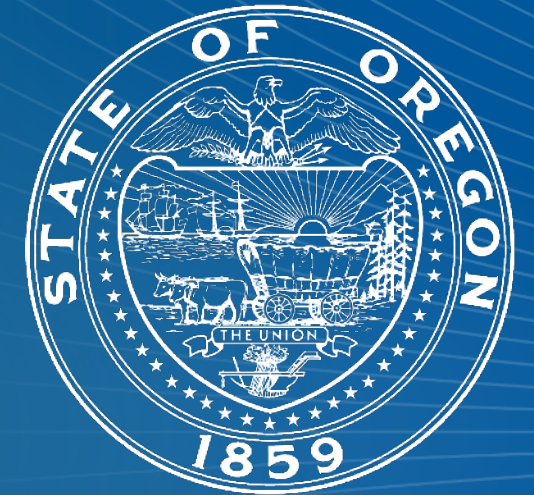
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Strategies Going Forward

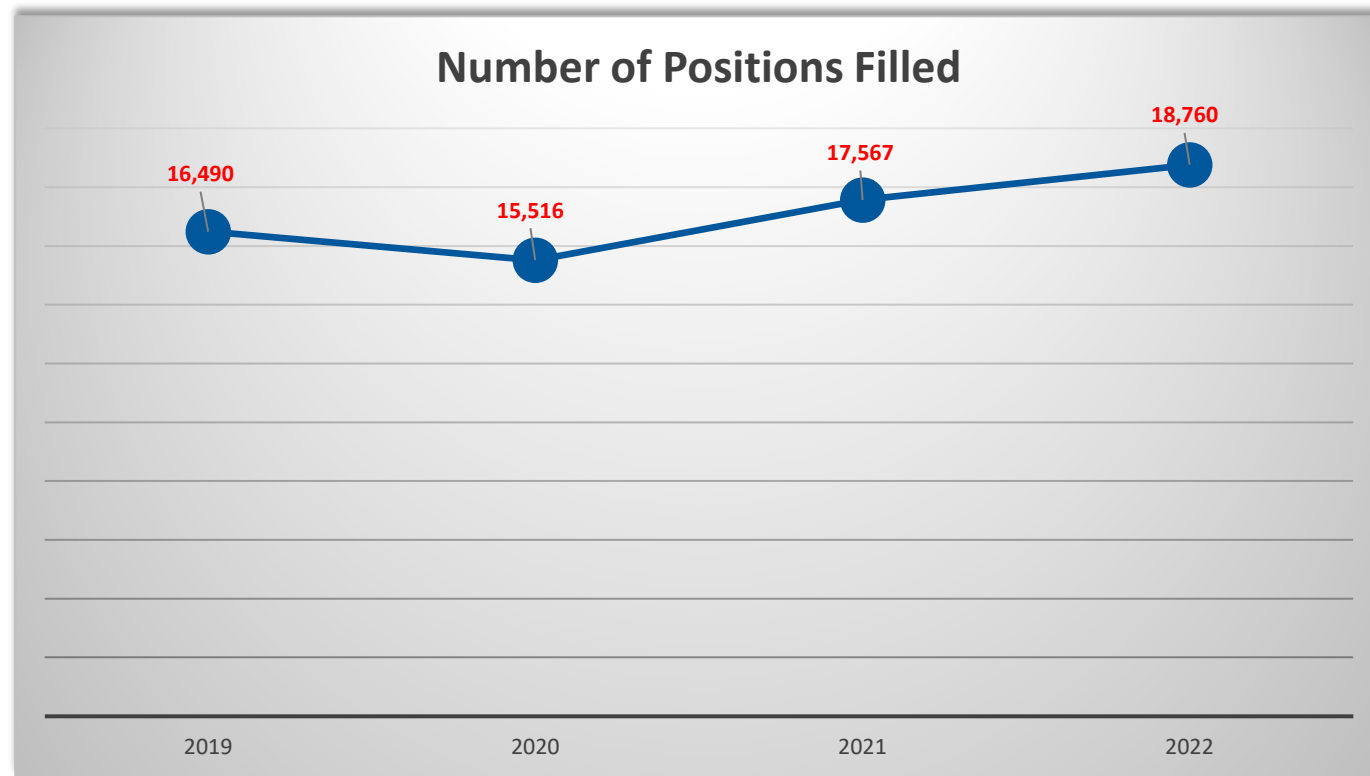
- Policy Option Package (POP) requests related to risk charge needs are different from most POPs
 - In DAS Risk Management, options do not exist to independently eliminate a program or reduce staff.
 - Most claim drivers are not directly under the control of DAS Risk Management
 - Therefore, the focus for this POP becomes:
 - Documenting recent trends and the health of the Insurance Fund;
 - Understanding risks being accepted by the Oregon state government;
 - Estimating the funding need; and
 - Communicating that need to stakeholders.
 - We are grateful for the opportunity to share this information, as it is an important part of our role in managing the risks of state government.
- Having said that, the following are proactive ways DAS Risk Management seeks to manage the cost of risk for Oregon state government”
 - Seeking to provide support and guidance to agencies and Legislators when new programs could increase risks and costs
 - Partnering with the Department of Justice and agencies to manage claims
 - Providing contracting guidance to agencies to manage risks appropriately
 - Partnering with SAIF to reduce Worker’s Compensation claim frequency and severity
 - Beginning work to strategically address tort liability claim frequency and severity
- The key role of DAS Risk Management is working to limit losses, but also working to secure needed financing for the risks being assumed.

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Services**
State of the Workforce



Brian Light
Human Resources Administrator
Chief Human Resources Office

Over 100 Recruiters Hard at Work



Includes part-time, temporary, limited duration, and full-time positions

Statewide Recruiting



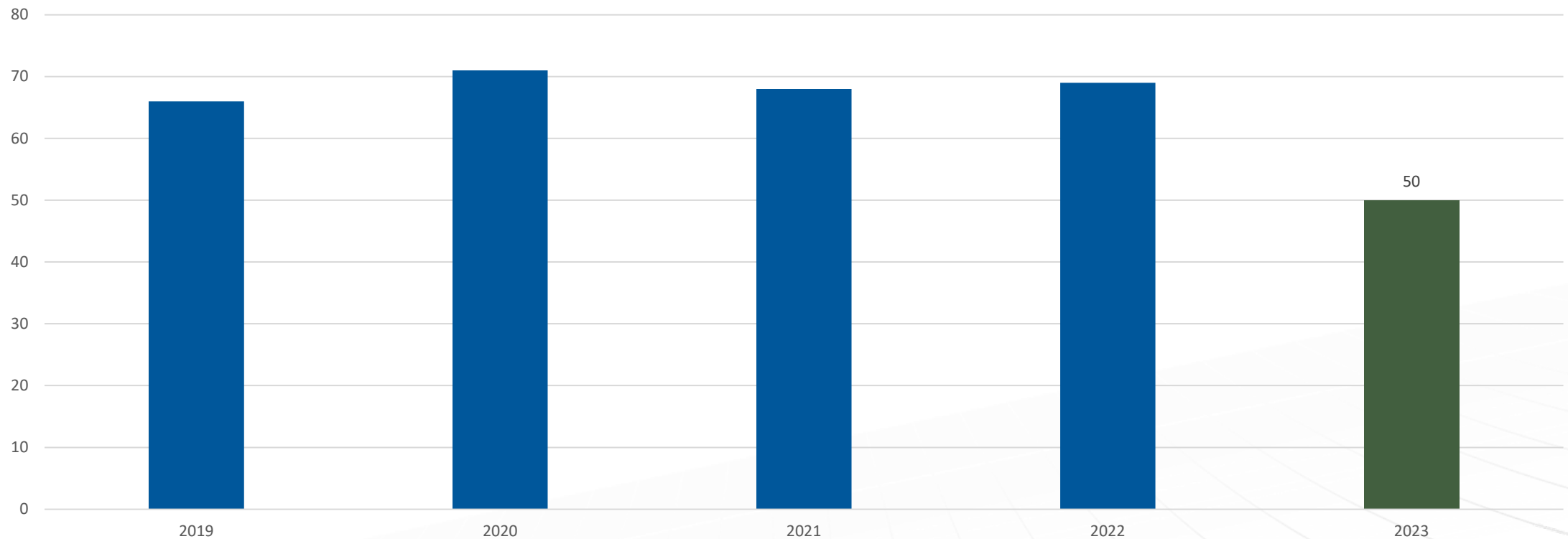
EXEC BRANCH EMPLOYEE TURNOVER



How Long Does It Take?



Time to Fill in number of Days



Rapid Response Recruitment Tool



Classification / Working Title				Updated 2/17/2023														
Date Requisition Submitted:	February 17, 2023			Wk 1	Wk 2	Wk 3	Wk 4	Wk 5	Wk 6	Wk 7	Wk 8	Wk 9	Wk 10	Wk 11	Wk 12	Wk 13	Wk 14	Wk 15
Enter Number of Calendar Days Recruitment is Posted:	10			Wk 1	Wk 2	Wk 3	Wk 4	Wk 5	Wk 6	Wk 7	Wk 8	Wk 9	Wk 10	Wk 11	Wk 12	Wk 13	Wk 14	Wk 15
Event or Date	Start Date	Working Days	End Date	2/17 to 2/23	2/24 to 3/2	3/3 to 3/9	3/10 to 3/16	3/17 to 3/23	3/24 to 3/30	3/31 to 4/6	4/7 to 4/13	4/14 to 4/20	4/21 to 4/27	4/28 to 5/4	5/5 to 5/11	5/12 to 5/18	5/19 to 5/25	5/26 to 6/1
Create / Discuss Recruitment Strategy	2/18/23	0	2/18/23	-														
Approve Draft Announcement	2/19/23	0	2/19/23	-														
Announcement Open Date	2/20/23			-														
Select Interview Panelists; Schedule Interview Dates / Block Calendars	2/20/23	0	2/20/23	-														
Develop All Interview Questions.	2/21/23	0	2/21/23	-														
Announcement Close Date	3/2/23				-													
Screening for MQs/SME Results	3/3/23	0	3/3/23			-												
Send candidates invite to Interview Email	3/4/23	0	3/4/23			-												
Conduct Interviews	3/5/23	7	3/12/23				-											
Review, Rank, and Select 2nd Round Candidates	3/13/23	0	3/13/23				-											
Conduct Reference Checks; Create Reference Summary; HR Check; Render Final Decision	3/14/23	0	3/14/23				-											
Offer Job to Selected Candidate(s)	3/15/23	0	3/15/23				-											
Candidate Accepts Offer	3/16/23	0	3/16/23				-											
Candidate Start Date	3/17/23	14	3/31/23						-									

1. Enter Date Requisition Submitted
2. Enter Number of Calendar Days Announcement is Open
3. Enter Number Working Days to Complete (take weekends into consideration)

Enterprise Recruitment Workgroup



- Composed of agency Deputy Directors and HR Professionals
- Composed of four subgroups tasked with making recommendations in the following areas
 - Minimum Qualifications
 - Marketing & Branding
 - Diversity, Equity & Inclusion
 - Enterprise Recruitment Standards
- Resulted in 20 recommendations proposed across the four areas

Statewide Recruiting Workgroup



Recommendation Overview

- Employee experience webpage
- Developing a total state benefit calculator
- Developing recruitment training around unconscious bias, microaggressions and equitable hiring practices
- Establishing an enterprise-wide recruitment guide highlighting best practices
- Leveraging our purchasing power through the use of statewide contracts

State of Oregon Branding



Come for a job.
Stay for a career.
Make a difference...



for a lifetime!

OREGON CHIEF HUMAN RESOURCES OFFICE

Quarterly Vacancy Reporting



Quarterly Vacancy Report for all budgeted positions

- **Vacancy rate**

Current vacancy rate of 18.7%

- **Reason for vacancy**

Recently became vacant, pending recruitment

Positions are open, currently under recruitment

Being held open for cost savings

Being held open for reclassification purposes



Department of Administrative Services Key Performance Measures



Berri Leslie
Director and Chief Operating Officer

Key Performance Measures



Key Performance Measures (KPMs) On Target

- **Negotiated Lease Rates Under Market Rate:** 5% Target, 20.31% Actual (down from 28.03%)

New KMPs Added in 2021

- **State Procurement Spend Facilitated Through Oregon Buys:** 80% target, new measure: no data available
- **Greenhouse Gas Emissions:** 33% target, new measure: no data available

KPMs Not Meeting Target

- **Customer Service:** 90% target, 53% actual (down from 77%)
- **Forecast Reliability:** 100% target, 119.5% actual (up by 113.1%)
- **Agencies Receiving Gold Star Financial Report:** 98% target, 96% actual (down from 97%)
- **Workforce Turnover:** 5.6% Target, 6.98% Actual (up from 5.17%)
- **Workforce Diversity:** 100% Target, 82.5% Actual (down from 83.7%)
- **Workers Compensation Claims per 100 FTE:** 1.5 target, 2.23 actual (up from 1.56)

Key Performance Measure: Customer Service



Customer Service:

Percent of 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.

2022 Result:

90% target, 53% actual (down from 77%)

Data Collection Methodology:

Performance is measured once per biennium.

For 2020 and 2022, a random sample of 5,500 state employees were sent a customer service survey.

Prior to that, the survey was sent to a list of customers as identified by each program.

DAS intends to revise its methodology on this measure.

Key Performance Measure: Forecast Reliability



Forecast Reliability

- 100% target, 119.5% actual (up by 113.1%)

Data Collection Methodology:

Compares the General Fund forecast to the actual General Fund revenues, on a fiscal year basis.

Key Performance Measure: Agencies Receiving Gold Star Financial Report



Agencies Receiving Gold Star Financial Report

- 98% target, 96% actual (down from 97%)

Data Collection Methodology:

Gold Star agencies are required to meet various submission deadlines and maintain and submit materially accurate accounting records and documentation related to state and federal financial reporting.

Data and performance is tracked manually.

Key Performance Measure: Workforce Turnover



Workforce Turnover

5.6% Target, 6.98% Actual (up from 5.17%)

Data Collection Methodology:

Turnover: number of unique voluntary separations over the number of unique active employees.

Data is pulled from Workday

Key Performance Measure: Workforce Diversity



Workforce Diversity

100% Target, 82.5% Actual (down from 83.7%)

Analysis: The State's workforce is currently only 82.5% as diverse as the overall workforce in Oregon.

Data Collection Methodology:

The objective is for the State's workforce to reflect the same diversity as Oregon's workforce.

The State's workforce data is obtained from Workday. Oregon's workforce data is obtained from the Oregon Employment Department.

Key Performance Measure: Negotiated Lease Rates Under Market Rate



Negotiated Lease Rates Under Market Rate

- 5% Target, 20.31% Actual (down from 28.03%)

Data Collection Methodology:

Compares current market rates to the net effective rate paid by agencies.

Market rates are determined through research of office spaces comparable in size, amenities and locations to those spaces under lease agreements by the state.

Key Performance Measure: Information Security



Information Security Rating: This measure is a rating of implementation of the Center for Internet Security's (CIS) Basic Six critical security controls. The CIS controls align with those used by Secretary of State.

2022 Results:

- 3.50 target, 0.80 actual (down from 0.90)

Data Collection Methodology:

- This rating is derived from cybersecurity assessments conducted by EIS Cyber Security Services Assessment Team.
- EIS developed the assessment based on CIS best practices.

Analysis:

- The rating is calculated based on two-year cycle of assessing agencies which lends to some variations in the rating from year to year.

Note:

- Carnegie Mellon Capability Maturity Model Integration (CMMI) was the method used up until 2021.

Key Performance Measure: State Procurement Spend Facilitated Through OregonBuys



State Procurement Spend Facilitated Through OregonBuys

- 80% target, new measure: no data available

Data Collection Methodology:

Initial reporting will report on the period 7/1/23 through 6/30/24

Data sources will include the state datamart for vendor payments, OregonBuys and R*Stars for purchase transactions, and US Bank reports for Pcard data.

Key Performance Measure: Workers Compensation Claims per 100 FTE



Workers Compensation Claims per 100 FTE

- 1.5 target, 2.23 actual (up from 1.56)

Data Collection Methodology:

Measures the number of severe (disabling) claims per 100 FTE.

Data is pulled on Workers Compensation claims from the Risk Management System.

Key Performance Measure: Data Center



Data Center: Percentage of time systems are available.

2022 Results:

- 99.90% target, 99.90% actual (down from 99.93%)

Data Collection Methodology To Date:

- Manually calculated from nightly data extracts from the previous tool.
- Reported all environments.

Data Collection Methodology for Future Periods:

- Moved to an automated reporting system that is more consistent, timely and auditable.
- Updated method is focused on Production environments; excludes lower environments such as Development and Test.
- Updated method uses scheduled maintenance setting to automate exclusion window calculation.

Key Performance Measure: Greenhouse Gas Emissions



Greenhouse Gas Emissions

- 33% target, new measure: no data available

Data Collection Methodology:

- Calculation of total GHG emissions and emissions per square foot from purchased electricity and stationary fuel combustion in DAS-owned buildings
- Calculation of total GHG emissions and emissions per VMT in DAS permanently owned fleet
- Data obtained from energy bills, vehicle logs and purchases and Department of Energy

Note:

DAS and the Oregon Sustainability Board have created an Excel-based climate action planning tool so that agencies can quickly translate their buildings and fleet data into GHGs, set reduction goals and identify strategies to get to their goals.

Thank you
&
Questions

