

Legislative Fiscal Office

Oregon State Capitol
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Joint Committee on Ways and Means

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Tom MacDonald, Deputy Legislative Fiscal Officer (Budget)
Paul Siebert, Deputy Legislative Fiscal Officer (Audit/IT)

To: General Government Subcommittee

From: John Borden, Legislative Fiscal Office

Date: May 17, 2023

Subject: HB 5033 – Public Employees Retirement System
Work Session Recommendations

Public Employees Retirement System – Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 LFO Recommended
General Fund	64,570,045	17,250,000	--	--
Lottery Funds	--	19,461,706	16,792,239	21,217,388
Other Funds	119,335,978	171,611,372	132,007,763	166,910,377
Other Funds NL	11,694,349,081	12,886,613,593	13,523,120,517	13,523,120,517
Total Funds	\$11,958,255,104	\$13,094,936,671	\$13,671,920,519	\$13,711,248,282
Positions	417	429	384	439
FTE	412.28	424.67	384.00	436.69

The Legislative Fiscal Office (LFO) recommendation for the Public Employees Retirement System (PERS) is to fund the agency at \$13.7 billion, which includes \$21.2 million Lottery Funds, \$166.9 million Other Funds Limited, \$13.5 billion Other Funds Nonlimited, and 439 positions (436.69 FTE), which is a 4.7% increase from the 2021-23 legislatively approved budget.

The LFO recommendation continues investments in the implementation and operation of SB 1049 (2019) and modernization of the retirement platform. Funding is also provided for a new Health Insurance consulting contract, the transition from contract information technology services to state staff, continuation of data verification staff, operational and administrative workload staff increases, and the reclassification of three positions.

Attached is the recommendation of the Joint Legislative Committee on Information Management and Technology related to Policy Package 103 - Retirement Information Network Modernization.

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 HB 5033. (VOTE)

OR

Change LFO Recommendation:

MOTION: I move the LFO recommendation to HB 5033, with modifications. (VOTE)

Performance Measures

See attached "Legislatively Proposed 2023-25 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: Health Insurance Programs

The Public Employee Retirement System (PERS) is directed to review the healthcare insurance marketplace and report back to the Joint Committee on Ways and Means during the 2024 session on whether the pre-Medicare population within the PERS Health Insurance Program should be combined with other groups in acquiring healthcare coverage under the Oregon Health Insurance Market Place plans and whether the Affordable Care Act or Oregon Health Insurance Market Place could provide coverage for the Medicare Plan policy holders under the PERS Health Insurance Program.

#2 Budget Note: SB 1049 (2019) Implementation

The Public Employees Retirement System (PERS) and the Department of Administrative Services - Office of the State Chief Information Officer (OSCIO) are directed to report to the Joint Committee on Information Management and

Technology during the legislative session in 2024 on the implementation of SB 1049 (2019). The agencies' reports to the Legislature shall include: (a) update on project scope, schedule, budget, and total cost of ownership; (b) identification of costs associated with one-time solutions versus permanent solutions; (c) current project risks, likely impacts, and mitigation strategies; (d) explanation of the delay related to implementing member redirect and associated costs and actuarial impact(s); (f) independent quality assurance reporting on the project; (g) impact of SB 1049 (2019) information technology projects on routine agency operations; (h) any exceptions from administrative rules, policies or procedures, or statutes granted to PERS by the Department of Administrative Services; (i) whether SB 1049 (2019) is meeting financial objectives; and (j) other information that helps inform the Legislature on the status of the project or issues that have arisen as the result of the project.

#2 Budget Note: Modernization

The Public Employees Retirement System is to report to the Joint Legislative Committee on Information Management and Technology during the 2024 Legislative session with updates to the business case, foundational program and project management documentation, system design artifacts, integrated implementation timeframes, including all component projects, and program budget, spending plans, and anticipated total costs.

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 \$21,217,388 Lottery Funds, \$166,910,377 Other Funds Limited, \$13,523,120,517 Other Funds Nonlimited, and 439 positions (436.69 FTE), which is reflected in the –2 amendment.

MOTION: I move adoption of the –2 amendment to HB 5033. (VOTE)

Final Subcommittee Action

LFO recommends that HB 5033, as amended by the –2 amendment, be moved to the Ways and Means Full Committee.

MOTION: I move HB 5033, 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)
2021-23 Agy. Leg. Adopted	-	16,792,239	146,993,665	-	12,886,613,593	-	13,050,399,497	423	421.92
2021-23 Ebds, SS & Admin Act	17,250,000	2,669,467	24,617,707	-	-	-	44,537,174	6	2.75
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	17,250,000	19,461,706	171,611,372	-	12,886,613,593	-	13,094,936,671	429	424.67
2021-23 Leg Approved Budget (Base)	17,250,000	19,461,706	167,813,575	-	12,886,613,593	-	13,091,138,874	423	421.92
Summary of Base Adjustments	-	-	(2,289,319)	-	636,506,924	-	634,217,605	(39)	(37.92)
2023-25 Base Budget	17,250,000	19,461,706	165,524,256	-	13,523,120,517	-	13,725,356,479	384	384.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	(418,879)	-	-	-	(418,879)	-	-
020: Phase In / Out Pgm & One-time Cost	(17,250,000)	(2,669,467)	(36,177,645)	-	-	-	(56,097,112)	-	-
030: Inflation & Price List Adjustments	-	-	3,080,031	-	-	-	3,080,031	-	-
2023-25 Current Service Level	-	16,792,239	132,007,763	-	13,523,120,517	-	13,671,920,519	384	384.00
Adjusted 2023-25 Current Service Level	-	16,792,239	132,007,763	-	13,523,120,517	-	13,671,920,519	384	384.00
Total LFO Recommended Packages	-	4,425,149	34,902,614	-	-	-	39,327,763	55	52.69
2023-25 Legislative Actions	-	21,217,388	166,910,377	-	13,523,120,517	-	13,711,248,282	439	436.69
Net change from 2021-23 Leg Approved Budget	(17,250,000)	1,755,682	(4,700,995)	-	636,506,924	-	616,311,611	10	12.02
Percent change from 2021-23 Leg Approved Budget	(100.0%)	9.0%	(2.7%)	0.0%	4.9%	0.0%	4.7%	2.3%	2.8%
Net change from 2023-25 Adj Current Service Level	-	4,425,149	34,902,614	-	-	-	39,327,763	55	52.69
Percent change from 2023-25 Adj Current Service Level	0.0%	26.4%	26.4%	0.0%	0.0%	0.0%	0.3%	14.3%	13.7%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2021-23 Agy. Leg. Adopted	-	-	-	-	- 11,105,880,836	-	- 11,105,880,836	-	-
2021-23 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	-	-	- 11,105,880,836	-	- 11,105,880,836	-	-
2021-23 Leg Approved Budget (Base)	-	-	-	-	- 11,105,880,836	-	- 11,105,880,836	-	-
Summary of Base Adjustments	-	-	-	-	- 556,276,687	-	- 556,276,687	-	-
2023-25 Base Budget	-	-	-	-	- 11,662,157,523	-	- 11,662,157,523	-	-
2023-25 Current Service Level	-	-	-	-	- 11,662,157,523	-	- 11,662,157,523	-	-
Adjusted 2023-25 Current Service Level	-	-	-	-	- 11,662,157,523	-	- 11,662,157,523	-	-
2023-25 Legislative Actions	-	-	-	-	- 11,662,157,523	-	- 11,662,157,523	-	-
Net change from 2021-23 Leg Approved Budget	-	-	-	-	- 556,276,687	-	- 556,276,687	-	-
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	5.0%	0.0%	5.0%	0.0%	0.0%
Net change from 2023-25 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2023-25 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)
2021-23 Agy. Leg. Adopted	-	-	-	-	372,492,067	-	372,492,067	-	-
2021-23 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	-	-	372,492,067	-	372,492,067	-	-
2021-23 Leg Approved Budget (Base)	-	-	-	-	372,492,067	-	372,492,067	-	-
Summary of Base Adjustments	-	-	-	-	(155,233,380)	-	(155,233,380)	-	-
2023-25 Base Budget	-	-	-	-	217,258,687	-	217,258,687	-	-
2023-25 Current Service Level	-	-	-	-	217,258,687	-	217,258,687	-	-
Adjusted 2023-25 Current Service Level	-	-	-	-	217,258,687	-	217,258,687	-	-
2023-25 Legislative Actions	-	-	-	-	217,258,687	-	217,258,687	-	-
Net change from 2021-23 Leg Approved Budget	-	-	-	-	(155,233,380)	-	(155,233,380)	-	-
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	(41.7%)	0.0%	(41.7%)	0.0%	0.0%
Net change from 2023-25 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2023-25 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)
2021-23 Agy. Leg. Adopted	-	-	-	-	109,636,842	-	109,636,842	-	-
2021-23 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	-	-	109,636,842	-	109,636,842	-	-
2021-23 Leg Approved Budget (Base)	-	-	-	-	109,636,842	-	109,636,842	-	-
Summary of Base Adjustments	-	-	-	-	51,237,802	-	51,237,802	-	-
2023-25 Base Budget	-	-	-	-	160,874,644	-	160,874,644	-	-
2023-25 Current Service Level	-	-	-	-	160,874,644	-	160,874,644	-	-
Adjusted 2023-25 Current Service Level	-	-	-	-	160,874,644	-	160,874,644	-	-
2023-25 Legislative Actions	-	-	-	-	160,874,644	-	160,874,644	-	-
Net change from 2021-23 Leg Approved Budget	-	-	-	-	51,237,802	-	51,237,802	-	-
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	46.7%	0.0%	46.7%	0.0%	0.0%
Net change from 2023-25 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2023-25 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)
2021-23 Agy. Leg. Adopted	-	-	-	-	1,298,603,848	-	1,298,603,848	-	-
2021-23 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	-	-	1,298,603,848	-	1,298,603,848	-	-
2021-23 Leg Approved Budget (Base)	-	-	-	-	1,298,603,848	-	1,298,603,848	-	-
Summary of Base Adjustments	-	-	-	-	184,225,815	-	184,225,815	-	-
2023-25 Base Budget	-	-	-	-	1,482,829,663	-	1,482,829,663	-	-
2023-25 Current Service Level	-	-	-	-	1,482,829,663	-	1,482,829,663	-	-
Adjusted 2023-25 Current Service Level	-	-	-	-	1,482,829,663	-	1,482,829,663	-	-
2023-25 Legislative Actions	-	-	-	-	1,482,829,663	-	1,482,829,663	-	-
Net change from 2021-23 Leg Approved Budget	-	-	-	-	184,225,815	-	184,225,815	-	-
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	14.2%	0.0%	14.2%	0.0%	0.0%
Net change from 2023-25 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2023-25 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)
2021-23 Agy. Leg. Adopted	-	16,792,239	1	-	-	-	16,792,240	-	-
2021-23 Ebds, SS & Admin Act	17,250,000	2,669,467	17,249,999	-	-	-	37,169,466	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	17,250,000	19,461,706	17,250,000	-	-	-	53,961,706	-	-
2021-23 Leg Approved Budget (Base)	17,250,000	19,461,706	17,250,000	-	-	-	53,961,706	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2023-25 Base Budget	17,250,000	19,461,706	17,250,000	-	-	-	53,961,706	-	-
020: Phase In / Out Pgm & One-time Cost	(17,250,000)	(2,669,467)	(17,249,999)	-	-	-	(37,169,466)	-	-
2023-25 Current Service Level	-	16,792,239	1	-	-	-	16,792,240	-	-
Adjusted 2023-25 Current Service Level	-	16,792,239	1	-	-	-	16,792,240	-	-
Total LFO Recommended Packages	-	4,425,149	-	-	-	-	4,425,149	-	-
2023-25 Legislative Actions	-	21,217,388	1	-	-	-	21,217,389	-	-
Net change from 2021-23 Leg Approved Budget	(17,250,000)	1,755,682	(17,249,999)	-	-	-	(32,744,317)	-	-
Percent change from 2021-23 Leg Approved Budget	(100.0%)	9.0%	(100.0%)	0.0%	0.0%	0.0%	(60.7%)	0.0%	0.0%
Net change from 2023-25 Adj Current Service Level	-	4,425,149	-	-	-	-	4,425,149	-	-
Percent change from 2023-25 Adj Current Service Level	0.0%	26.4%	0.0%	0.0%	0.0%	0.0%	26.4%	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)
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Package 801 LFO Analyst Adjustments

Package Description This package adjusts Lottery Funds expenditure limitation for the allocation of net sports betting revenue dedicated to the Employer Incentive Fund (EIF) and that are based on the March 2023 Department of Administrative Services - Office of Economic Analysis revenue forecast. An additional adjustment may be necessary based on the May 2023 revenue forecast.

The package increases Lottery Funds expenditure limitation by \$4,425,149. This amount includes \$341,000 in projected ending balance carryforward from the 2021-23 biennium and \$4,923,761 in additional forecasted revenue and a reduction of \$839,612 to meet statewide budget targets. With these three adjustments, Lottery Funds expenditure limitation totals \$21,217,388 for the 2023-25 biennium.

PERS does not anticipate opening a new round of EIF applications until existing waitlisted employers are matched and the remaining Lottery Funds balance reaches a minimum of \$25 million. Therefore, the next EIF application period may not be until 2025, which means that any matched employer side account contributions under the EIF will not impact employer contribution rates until the 2027-29 biennium.

LFO Recommendation Approve the package.

LFO Analyst Notes HB 5033 (2023)

LFO Recommended	-	4,425,149	-	-	-	-	4,425,149	-	-
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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)
2021-23 Agy. Leg. Adopted	-	-	1	-	-	-	1	-	-
2021-23 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	1	-	-	-	1	-	-
2021-23 Leg Approved Budget (Base)	-	-	1	-	-	-	1	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2023-25 Base Budget	-	-	1	-	-	-	1	-	-
2023-25 Current Service Level	-	-	1	-	-	-	1	-	-
Adjusted 2023-25 Current Service Level	-	-	1	-	-	-	1	-	-
2023-25 Legislative Actions	-	-	1	-	-	-	1	-	-
Net change from 2021-23 Leg Approved Budget	-	-	-	-	-	-	-	-	-
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net change from 2023-25 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2023-25 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)
2021-23 Agy. Leg. Adopted	-	-	18,179,492	-	-	-	18,179,492	51	51.00
2021-23 Ebds, SS & Admin Act	-	-	450,112	-	-	-	450,112	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	18,629,604	-	-	-	18,629,604	51	51.00
2021-23 Leg Approved Budget (Base)	-	-	18,629,604	-	-	-	18,629,604	51	51.00
Summary of Base Adjustments	-	-	734,713	-	-	-	734,713	-	-
2023-25 Base Budget	-	-	19,364,317	-	-	-	19,364,317	51	51.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	5,761	-	-	-	5,761	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(425,000)	-	-	-	(425,000)	-	-
030: Inflation & Price List Adjustments	-	-	269,478	-	-	-	269,478	-	-
2023-25 Current Service Level	-	-	19,214,556	-	-	-	19,214,556	51	51.00
Adjusted 2023-25 Current Service Level	-	-	19,214,556	-	-	-	19,214,556	51	51.00
Total LFO Recommended Packages	-	-	526,418	-	-	-	526,418	3	3.00
2023-25 Legislative Actions	-	-	19,740,974	-	-	-	19,740,974	54	54.00
Net change from 2021-23 Leg Approved Budget	-	-	1,111,370	-	-	-	1,111,370	3	3.00
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	6.0%	0.0%	0.0%	0.0%	6.0%	5.9%	5.9%
Net change from 2023-25 Adj Current Service Level	-	-	526,418	-	-	-	526,418	3	3.00
Percent change from 2023-25 Adj Current Service Level	0.0%	0.0%	2.7%	0.0%	0.0%	0.0%	2.7%	5.9%	5.9%

	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 SB1049-Permanent Workload

Package Description This package increases Other Funds expenditure limitation by \$382,557 and establishes two full-time limited duration positions (2.00 FTE) and includes \$13,000 in associated services and supplies, for the ongoing operational cost of SB 1049 (2019) under the Unfunded Actuarial Liability Resolution Program.

The package adds the following positions to the Central Administration Division's Communications Section for external and internal website design and support: two Electronic Publication Design Specialists 3s (2.00 FTE).

LFO Recommendation Approve the request, as a one-time adjustment.

LFO Analyst Notes HB 5033 (2023)

LFO Recommended	-	-	382,557	-	-	-	382,557	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)
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Package 111 Increase Agency Support Service

Package Description This package increases Other Funds expenditure limitation by \$143,801 and authorizes the establishment of one permanent full-time Office Specialist 2 position (1.00 FTE). The request includes \$6,500 in services and supplies. The position would support the Procurement, Facilities, and Logistics Section with the mail, distribution, and printing workloads as well as general administrative duties.

The revenue to support this package falls under ORS 238.610, which directs that the administrative operations expenses for the agency are to be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers.

LFO Recommendation Approve the request.

LFO Analyst Notes HB 5033 (2023)

LFO Recommended	-	-	143,861	-	-	-	143,861	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)
2021-23 Agy. Leg. Adopted	-	-	22,203,677	-	-	-	22,203,677	35	35.00
2021-23 Ebds, SS & Admin Act	-	-	437,471	-	-	-	437,471	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	22,641,148	-	-	-	22,641,148	35	35.00
2021-23 Leg Approved Budget (Base)	-	-	22,641,148	-	-	-	22,641,148	35	35.00
Summary of Base Adjustments	-	-	91,567	-	-	-	91,567	(1)	(1.00)
2023-25 Base Budget	-	-	22,732,715	-	-	-	22,732,715	34	34.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	(30,241)	-	-	-	(30,241)	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(6,657)	-	-	-	(6,657)	-	-
030: Inflation & Price List Adjustments	-	-	1,704,583	-	-	-	1,704,583	-	-
2023-25 Current Service Level	-	-	24,400,400	-	-	-	24,400,400	34	34.00
Adjusted 2023-25 Current Service Level	-	-	24,400,400	-	-	-	24,400,400	34	34.00
Total LFO Recommended Packages	-	-	(500,000)	-	-	-	(500,000)	-	-
2023-25 Legislative Actions	-	-	23,900,400	-	-	-	23,900,400	34	34.00
Net change from 2021-23 Leg Approved Budget	-	-	1,259,252	-	-	-	1,259,252	(1)	(1.00)
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	5.6%	0.0%	0.0%	0.0%	5.6%	(2.9%)	(2.9%)
Net change from 2023-25 Adj Current Service Level	-	-	(500,000)	-	-	-	(500,000)	-	-
Percent change from 2023-25 Adj Current Service Level	0.0%	0.0%	(2.1%)	0.0%	0.0%	0.0%	(2.1%)	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)
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Package 106 PHIP Administration

Package Description This package reduces Other Funds expenditure limitation by \$500,000 to fund a portion of a services and supplies professional services consulting contact under the Operations Division - Health Insurance Program. This package seeks retroactive approval of funding for the contract. The 2025-27 biennium cost is estimated to be \$1.2 million Other Funds.

PERS serves as a group sponsor providing health insurance services to approximately 57,000 retired members and dependents. A three-year contract was signed on October 20, 2021, through October 20, 2024, and totals \$1,128,000 per biennium or \$47,000 per month. The prior contract totaled \$13,100 per month or \$314,000 per biennium. A portion of the total cost is offset by \$500,000 of existing Other Funds expenditure limitation transferred from the Financial and Administrative Services Division to the Operations Division and \$367,960 of existing Other Funds expenditure limitation from the prior contract.

The revenue to support this package is funded from an allocation of expenses across three health insurance trust accounts Retirement Health Insurance Account (RHIP); Retiree Health Insurance Premium Account (RHIPA); and the Standard Retiree Health Insurance Account (SRHIA). The RHIA and RHIPA programs are funded from employer contributions and the return on investment of those contributions, which are held in the Public Employee Retirement Fund. The SRHIA program is funded from member paid insurance premiums with additional revenues from federal sources like the Centers for Medicare and Medicaid Services and resulting investment returns.

LFO Recommendation Approve the request.

LFO Analyst Notes HB 5033 (2023)

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)
2021-23 Agy. Leg. Adopted	-	-	29,435,379	-	-	-	29,435,379	78	77.88
2021-23 Ebds, SS & Admin Act	-	-	765,286	-	-	-	765,286	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	30,200,665	-	-	-	30,200,665	78	77.88
2021-23 Leg Approved Budget (Base)	-	-	30,200,665	-	-	-	30,200,665	78	77.88
Summary of Base Adjustments	-	-	1,072,069	-	-	-	1,072,069	-	0.12
2023-25 Base Budget	-	-	31,272,734	-	-	-	31,272,734	78	78.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	19,109	-	-	-	19,109	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(825,000)	-	-	-	(825,000)	-	-
030: Inflation & Price List Adjustments	-	-	356,242	-	-	-	356,242	-	-
2023-25 Current Service Level	-	-	30,823,085	-	-	-	30,823,085	78	78.00
Adjusted 2023-25 Current Service Level	-	-	30,823,085	-	-	-	30,823,085	78	78.00
Total LFO Recommended Packages	-	-	3,393,176	-	-	-	3,393,176	11	10.40
2023-25 Legislative Actions	-	-	34,216,261	-	-	-	34,216,261	89	88.40
Net change from 2021-23 Leg Approved Budget	-	-	4,015,596	-	-	-	4,015,596	11	10.52
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	13.3%	0.0%	0.0%	0.0%	13.3%	14.1%	13.5%
Net change from 2023-25 Adj Current Service Level	-	-	3,393,176	-	-	-	3,393,176	11	10.40
Percent change from 2023-25 Adj Current Service Level	0.0%	0.0%	11.0%	0.0%	0.0%	0.0%	11.0%	14.1%	13.3%

	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 SB1049-Permanent Workload

Package Description This package increases Other Funds expenditure limitation by \$1,338,591 and establishes six full-time limited duration positions (6.00 FTE) and includes \$39,0000 in associated services and supplies, for the ongoing operational cost of SB 1049 (2019). This package is recommended on a one-time basis.

The package includes the following positions: two Information System Specialist 7 (2.00 FTE) to the Enterprise Architecture Section for maintenance, enhancements, and Software Development Life Cycle process to support Oregon Retirement Online Network; two Information System Specialist-4 positions (2.00 FTE) to the Technical Operations Section for help desk, desktop support; one Information System Specialist 4 (1.00 FTE) to the Technical Operations Section for central data management report development; and one Operations and Policy Analyst 2 (1.00 FTE) in the Operations Technical Section for developing tools and reports for the Central Data Management program.

The revenue to support this package falls under ORS 238.610, which directs that the administrative operations expenses for the agency are to be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers.

LFO Recommendation Approve the package, as a one-time adjustment.

LFO Analyst Notes HB 5033 (2023)

LFO Recommended	-	-	1,338,591	-	-	-	1,338,591	6	6.00
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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 105 IT Hardware & Subscriptions

Package Description This package increases Other Funds expenditure limitation, on a one-time basis, by \$1,964,000 for information technology software budgeted under service and supplies (\$1,068,000) and hardware budgeted under capital outlay (\$896,000).

Hardware and other updates would be made at the Department of Administrative Services - State Data Center for switches, servers, firewall maintenance and support, among other investments (\$586,500) and the PERS Headquarters for switches, monitoring appliance, and other end-of-life cycle replacements (\$310,000).

Software items include: telephony licensing, Microsoft support plan and 365 licensing, licensing for additional data center development environments, licensing for training publications, and internet circuit charge increase.

There is also software associated with the yet-to-be established backup data center, which will use a private data center in Bend Oregon. The vendor will provide networking, servers, and storage at the backup data center. The amount of the contract is estimated to be \$22,000 per month, or \$528,000 per biennium, and includes test functionality on a cyclical basis. The contract is expected to be completed by June 30, 2023.

The revenue to support this package falls under ORS 238.610, which directs that the administrative operations expenses for the agency are to be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers.

LFO Recommendation Approve the request, on a one-time basis.

LFO Analyst Notes HB 5033 (2023)

LFO Recommended	-	-	1,964,000	-	-	-	1,964,000	-	-
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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 107 Maintain Service Level

Package Description This package increases Other Funds expenditure limitation by \$90,585 and establishes five permanent full-time position (4.40 FTE) and reduces Information Technology Professional Services by \$1 million. The positions would have a budgeted start date of October 1, 2023. The 2025-27 biennium cost is estimated to be \$1.2 million Other Funds and five positions (5.00 FTE).

The package moves services currently performed by contractors to state employees to manage the existing Oregon Retirement Online Network/JClarity legacy pension system. This action would leave \$1.1 million in residual Information Technology Professional Services for contract services.

The package adds two positions to the Enterprise Architecture Section (maintenance, enhancements, and Software Development Life Cycle process to support ORION): one Information Systems Specialist 7 (ORION Release Manager) and one Information Systems Specialist 6 (Quality Assurance Systems Analyst).

The package adds three positions to the Technical Operations Section (application support, database administration, help desk, desktop support, infrastructure): Information Systems Specialist 7 (Release Manager), one Information Systems Specialist 6 (Information Technology Service Management Administrator) and one Information Systems Specialist 6 (System Administrator).

The revenue to support this package falls under ORS 238.610, which directs that the administrative operations expenses for the agency are to be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers.

LFO Recommendation Approve the request.

LFO Analyst Notes HB 5033 (2023)

LFO Recommended	-	-	90,585	-	-	-	90,585	5	4.40
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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)
2021-23 Agy. Leg. Adopted	-	-	43,985,040	-	-	-	43,985,040	203	202.16
2021-23 Ebds, SS & Admin Act	-	-	1,339,117	-	-	-	1,339,117	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	45,324,157	-	-	-	45,324,157	203	202.16
2021-23 Leg Approved Budget (Base)	-	-	45,324,157	-	-	-	45,324,157	203	202.16
Summary of Base Adjustments	-	-	1,815,067	-	-	-	1,815,067	(3)	(2.16)
2023-25 Base Budget	-	-	47,139,224	-	-	-	47,139,224	200	200.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	(411,244)	-	-	-	(411,244)	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(35,942)	-	-	-	(35,942)	-	-
030: Inflation & Price List Adjustments	-	-	407,292	-	-	-	407,292	-	-
2023-25 Current Service Level	-	-	47,099,330	-	-	-	47,099,330	200	200.00
Adjusted 2023-25 Current Service Level	-	-	47,099,330	-	-	-	47,099,330	200	200.00
Total LFO Recommended Packages	-	-	1,778,175	-	-	-	1,778,175	5	4.88
2023-25 Legislative Actions	-	-	48,877,505	-	-	-	48,877,505	205	204.88
Net change from 2021-23 Leg Approved Budget	-	-	3,553,348	-	-	-	3,553,348	2	2.72
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	7.8%	0.0%	0.0%	0.0%	7.8%	1.0%	1.4%
Net change from 2023-25 Adj Current Service Level	-	-	1,778,175	-	-	-	1,778,175	5	4.88
Percent change from 2023-25 Adj Current Service Level	0.0%	0.0%	3.8%	0.0%	0.0%	0.0%	3.8%	2.5%	2.4%

	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 102 SB1049-Permanent Workload

Package Description This package increases Other Funds expenditure limitation by \$166,613 and establishes one full-time limited duration position (1.00 FTE), including \$6,500 in associated Services and Supplies, for the ongoing operational cost of SB 1049 (2019). This package is recommended on a one-time basis.

The package includes the following position: one Retirement Counselor 1 (1.00 FTE) for employer reporting in the Operations Division - Operations and the Data Services Section.

The revenue to support this package falls under ORS 238.610, which directs that the administrative operations expenses for the agency are to be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers.

LFO Recommendation Approve the request, as a one-time adjustment.

LFO Analyst Notes HB 5033 (2023)

LFO Recommended	-	-	166,613	-	-	-	166,613	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)
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Package 106 PHIP Administration

Package Description This package increases Other Funds expenditure limitation by \$867,960 Other Funds to fund a portion of a services and supplies professional services consulting contact under the Health Insurance Program. This package seeks retroactive approval of funding for the contract. The 2025-27 biennium cost is estimated to be \$1.2 million Other Funds.

PERS serves as a group sponsor providing health insurance services to approximately 57,000 retired members and dependents. A three-year contract was signed on October 20, 2021, through October 20, 2024, and totals \$1,128,000 per biennium or \$47,000 per month. The prior contract totaled \$13,100 per month or \$367,960 per biennium. A portion of the total cost is offset by \$500,000 of existing Other Funds expenditure limitation transferred from the Financial and Administrative Services Division and \$314,000 of existing Other Funds expenditure limitation from the prior contract.

The revenue to support this package is funded from an allocation of expenses across three health insurance trust accounts Retirement Health Insurance Account (RHIP); Retiree Health Insurance Premium Account (RHIPA); and the Standard Retiree Health Insurance Account (SRHIA). The RHIA and RHIPA programs are funded from employer contributions and the return on investment of those contributions, which are held in the Public Employee Retirement Fund. The SRHIA program is funded from member paid insurance premiums with additional revenues from federal sources like the Centers for Medicare and Medicaid Services and resulting investment returns.

LFO Recommendation Approve the request.

Budget Notes The Public Employee Retirement System (PERS) is directed to review the healthcare insurance marketplace and report back to the Joint Committee on Ways and Means during the 2024 session on whether the pre-Medicare population within the PERS Health Insurance Program should be combined with other groups in acquiring healthcare coverage under the Oregon Health Insurance Market Place plans and whether the Affordable Care Act or Oregon Health Insurance Market Place could provide coverage for the Medicare Plan policy holders under the PERS Health Insurance Program.

LFO Analyst Notes HB 5033 (2023)

LFO Recommended	-	-	867,960	-	-	-	867,960	-	-
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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 108 Retirement Workload

Package Description This package increases Other Funds expenditure limitation by \$161,205 and establishes one permanent full-time Retirement Counselor 2 position (0.88 FTE) and includes \$10,688 in associated Services and Supplies.

The position would be assigned to the Member Services Section in the Team One Follow Up team (TOFU). TOFU is a resource to assist with member call escalations and to manage sensitive/complex cases. TOFU assists with specialty qualifications by contacting members and alternate payees for death, divorce, and disability inquiries and assists other areas of the agency, including addressing board, agency leadership, and legislator inquiries. The position will handle an estimated 450 escalated calls/callbacks and 100 emails per month, according to PERS.

The revenue to support this package falls under ORS 238.610, which directs that the administrative operations expenses for the agency are to be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers.

LFO Recommendation Approve the request.

LFO Analyst Notes HB 5033 (2023)

LFO Recommended	-	-	161,205	-	-	-	161,205	1	0.88
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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 109 Qualifying/Non-Qualifying Project

Package Description This package increases Other Funds expenditure limitation, on a one-time basis, by \$523,653 and re-authorizes the establishment of one limited duration Retirement Counselor 1 (1.00 FTE) and two limited duration Retirement Counselor 2 positions (2.00 FTE) and includes \$19,500 in associated Services and Supplies, to reconcile qualifying/non-qualifying employment eligibility issues.

The positions would continue a 2021-23 effort to augment the Operations Division - Data Services Section to address qualifying/non-qualifying employment eligibility issues. The agency would continue efforts to undertake a more proactive approach to verify the accuracy of membership data based on eligibility laws and requirements and each member's unique employment data. This review process is primarily manual. This effort would facilitate early resolution of qualifying/non-qualifying employment eligibility issues for PERS membership.

The revenue to support this package falls under ORS 238.610 directs that the administrative operations expenses for the agency are to be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers

LFO Recommendation Approve the request, as a one-time expenditure.

LFO Analyst Notes HB 5033 (2023); See 2021 Policy Package #107.

LFO Recommended	-	-	523,653	-	-	-	523,653	3	3.00
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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 110 Position Reclassification

Package Description This package increases Other Funds expenditure limitation by \$58,744 and authorizes four upward reclassifications.

The reclassifications are: (a) Retirement Counselor 1 in the Disability Unit to a Retirement Counselor 2 position to match similar position classifications; (b) Retirement Counselor 2 in the Intake Team to an Operations and Policy Analyst 1 position to address the acknowledged misclassification; (c) Retirement Counselor 1 in the Estimates and Purchases team to a Retirement Counselor 2 position to align job duties currently being performed; and (d) Retirement Counselor 1 in the Individual Account Program team to a Retirement Counselor 2 position to align job duties currently being performed. The reclassifications have been approved by the Department of Administrative Services - Office of the Chief Human Resources Officer.

The revenue to support this package falls under ORS 238.610, which directs that the administrative operations expenses for the agency are to be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers.

LFO Recommendation Approve the request.

LFO Analyst Notes HB 5033 (2023)

LFO Recommended	-	-	58,744	-	-	-	58,744	-	-
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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)
2021-23 Agy. Leg. Adopted	-	-	9,575,278	-	-	-	9,575,278	21	21.00
2021-23 Ebds, SS & Admin Act	-	-	225,510	-	-	-	225,510	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	9,800,788	-	-	-	9,800,788	21	21.00
2021-23 Leg Approved Budget (Base)	-	-	9,800,788	-	-	-	9,800,788	21	21.00
Summary of Base Adjustments	-	-	314,362	-	-	-	314,362	-	-
2023-25 Base Budget	-	-	10,115,150	-	-	-	10,115,150	21	21.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	12,804	-	-	-	12,804	-	-
030: Inflation & Price List Adjustments	-	-	342,436	-	-	-	342,436	-	-
2023-25 Current Service Level	-	-	10,470,390	-	-	-	10,470,390	21	21.00
Adjusted 2023-25 Current Service Level	-	-	10,470,390	-	-	-	10,470,390	21	21.00
Total LFO Recommended Packages	-	-	-	-	-	-	-	-	-
2023-25 Legislative Actions	-	-	10,470,390	-	-	-	10,470,390	21	21.00
Net change from 2021-23 Leg Approved Budget	-	-	669,602	-	-	-	669,602	-	-
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	6.8%	0.0%	0.0%	0.0%	6.8%	0.0%	0.0%
Net change from 2023-25 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2023-25 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)
2021-23 Agy. Leg. Adopted	-	-	23,614,797	-	-	-	23,614,797	35	34.88
2021-23 Ebds, SS & Admin Act	-	-	4,150,212	-	-	-	4,150,212	6	2.75
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	27,765,009	-	-	-	27,765,009	41	37.63
2021-23 Leg Approved Budget (Base)	-	-	23,967,212	-	-	-	23,967,212	35	34.88
Summary of Base Adjustments	-	-	(6,317,097)	-	-	-	(6,317,097)	(35)	(34.88)
2023-25 Base Budget	-	-	17,650,115	-	-	-	17,650,115	-	-
010: Non-PICS Pers Svc/Vacancy Factor	-	-	(15,068)	-	-	-	(15,068)	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(17,635,047)	-	-	-	(17,635,047)	-	-
2023-25 Current Service Level	-	-	-	-	-	-	-	-	-
Adjusted 2023-25 Current Service Level	-	-	-	-	-	-	-	-	-
Total LFO Recommended Packages	-	-	29,704,845	-	-	-	29,704,845	36	34.41
2023-25 Legislative Actions	-	-	29,704,845	-	-	-	29,704,845	36	34.41
Net change from 2021-23 Leg Approved Budget	-	-	1,939,836	-	-	-	1,939,836	(5)	(3.22)
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	7.0%	0.0%	0.0%	0.0%	7.0%	(12.2%)	(8.6%)
Net change from 2023-25 Adj Current Service Level	-	-	29,704,845	-	-	-	29,704,845	36	34.41
Percent change from 2023-25 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 101 SB1049 Implementation

Package Description This package increases, on a one-time basis, Other Funds expenditure limitation by \$20.1 million and authorizes the establishment of 20 limited duration positions (20.00 FTE) and includes \$16.5 million in associated services and supplies to complete the implementation of reforms directed by SB 1049 (2019).

The request includes the following major cost components: (a) Information Technology Applications (\$13,423,000); (b) Operational Staffing (\$3,769,372; 20 positions/20.00 FTE); (c) Project Management and Administration (\$1,876,800); and (d) Quality Assurance and Testing (\$1,062,600). The request includes a 25% contingency of \$3.1 million for most information technology project components.

Key provisions of SB 1049 related to information technology efforts include: (1) Redirects a portion of employee contributions from the employee’s defined contribution plan, the Individual Account Program (IAP); (2) placed a limit on the Final Average Salary; (3) eliminated restrictions on annual hours of employment for retired workers (sunsets on January 2, 2025). Other ancillary projects include: technical debt or minimal information technology changes needed to existing applications to implement SB 1049. The project also has a “Cross Project Effort” project that was completed in June of 2022.

The implementation of SB 1049 has proved more complex, time consuming, and costly than originally estimated. Total project costs are estimated at \$70 million excluding the cost of approximately 110 other PERS staff who have been involved with the implementation of SB 1049. The project’s completion date was recently extended to May of 2025. While PERS reports having completed the limit on the Final Average Salary and restrictions on annual hours of employment for retired workers projects, the project to redirect employee contributions is estimated not be completed until May of 2025. Completion of the Member Redirect project remains critical due to revenue offset to employer contributions that is estimated \$300 million per biennium. Technical debt will be completed by February of 2024.

The revenue to support this package falls under ORS 238.610, which directs that the administrative operations expenses for the agency are to be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers.

LFO Recommendation Approve the request, as modified, on a one-time basis.

Budget Notes The Public Employees Retirement System (PERS) and the Department of Administrative Services - Office of the State Chief Information Officer (OSCIO) are directed to report to the Joint Committee on Information Management and Technology during the legislative session in 2024 on the implementation of SB 1049 (2019). The agencies' reports to the Legislature shall include: (a) update on project scope, schedule, budget, and total cost of ownership; (b) identification of costs associated with one-time solutions versus permanent solutions; (c) current project risks, likely impacts, and mitigation strategies; (d) explanation of the delay related to implementing member redirect and associated costs and actuarial impact(s); (f) independent quality assurance reporting on the project; (g) impact of SB 1049 (2019) information technology projects on routine agency operations; (h) any exceptions from administrative rules, policies or procedures, or statutes granted to PERS by the Department of Administrative Services; (i) whether SB 1049 (2019) is meeting financial objectives; and (j) other information that helps inform the Legislature on the status of the project or issues that have arisen as the result of the project.

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
<u>LFO Analyst Notes</u> HB 5033 (2023)									
LFO Recommended	-	-	20,131,772	-	-	-	20,131,772	20	20.00

	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 Retirement Info Network Modernization

Package Description This package increases Other Funds expenditure limitation, on a one-time basis, by \$9.6 million and establishes 16 limited duration positions (14.41 FTE) and includes \$6.2 million in associated system services and supplies to continue planning for the modernization of the Oregon Retirement Online Network (ORION), which is the agency's core retirement system application.

On April 26, 2023, the Joint Committee on Information Management and Technology recommended to the Joint Committee on Ways and Means - General Government Subcommittee conditional approval of the request.

The request includes the following major cost components: (1) Hybrid Integration Platform (\$400,000); (2) Client Relationship Management (\$1,255,000); (3) Development and Operations (\$1,102,000); (4) Telephony (\$210,000); (5) Independent Quality Management Services (\$950,000); (6) Architecture (\$950,000); and (7) Data & Analytics (\$1,300,000). The request also includes \$3,406,073 in staffing costs and \$177,970 in associated staff services and supplies.

The overall PERS proposal for modernizing the ORION System has a cost estimate of \$150.4 million, which includes \$128.1 million for implementation and \$22.3 million for five years of post-implementation modification costs. No estimate has been developed for ongoing operation and maintenance costs. At present, PERS has not identified any mission-critical systems or applications that are in urgent (i.e., highly likely to fail with significant impacts) need of upgrade or replacement. In addition, no formal risk assessment(s) has been conducted by the agency on its full range of business and technology architectural assets. A modernization effort of the scale, scope, complexity, cost, and risk, proposed by PERS has a highly elevated risk profile.

Prior funding approval for the PERS Modernization included \$800,000 Other Funds approved by the 2021 legislative session for the origination or planning phase and \$3.8 million Other Funds and six limited duration positions (2.75 FTE) by the Emergency Board in June (Item #72) for pre-modernization planning.

The revenue to support this package falls under ORS 238.610, which directs that the administrative operations expenses for the agency are to be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers.

LFO Recommendation Approve the request, on a one-time basis.

Budget Notes The Public Employees Retirement System is to report to the Joint Legislative Committee on Information Management and Technology during the 2024 Legislative session with updates to the business case, foundational program and project management documentation, system design artifacts, integrated implementation timeframes, including all component projects, and program budget, spending plans, and anticipated total costs.

LFO Analyst Notes HB 5033 (2023)

LFO Recommended	-	-	9,573,073	-	-	-	9,573,073	16	14.41
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Legislatively Proposed 2023 - 2025 Key Performance Measures

Published: 5/6/2023 3:11:38 PM

Agency: Public Employees Retirement System

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 2024	Target 2025
1. TIMELY RETIREMENT PAYMENTS - Percent of initial service retirements paid within 45 days from retirement date.		Approved	45%	80%	80%
2. TOTAL BENEFIT ADMIN COSTS - Total benefit administration costs per member.		Approved	\$190.00	\$200.00	\$200.00
3. MEMBER TO STAFF RATIO - Ratio of members to FTE staff.		Approved	979	1,000	1,000
4. ACCURATE BENEFIT CALCULATIONS - Percent of service retirement monthly benefits accurately calculated to within \$5 per month.		Approved	100%	100%	100%
5. LEVEL OF PARTICIPATION - Percent of state employees participating in the deferred compensation program.		Approved	42%	50%	60%
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	85%	95%	95%
	Overall		85%	95%	95%
	Availability of Information		80%	95%	95%
	Timeliness		85%	95%	95%
	Accuracy		86%	95%	95%
	Expertise		87%	95%	95%
7. TIMELY BENEFIT ESTIMATES - Percent of benefit estimates processed within 30 days.		Approved	96%	95%	98%
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 Public Employees Retirement System's 2023-25 Key Performance Measures and targets.

SubCommittee Action:

MEMORANDUM

Legislative Fiscal Office
900 Court St. NE, Room H-178
Salem, Oregon 97301
Phone 503-986-1828
FAX 503-373-7807

To: General Government Subcommittee
Joint Committee on Ways and Means

From: Joint Legislative Committee on Information Management and Technology (JLCIMT)

Date: April 26, 2023

Subject: PERS ORION Modernization Program - Policy Option Package 103
JLCIMT Recommendations

The Joint Legislative Committee on Information Management and Technology (JLCIMT) recommends conditional approval of Policy Option Package #103, assuming the spending authority and personnel resources are made available to the Public Employees Retirement System (PERS) within HB 5033. Specifically, the JLCIMT recommends that PERS:

- (1) Follow the Joint State OSCIO/LFO Stage Gate review process.
- (2) Hire or obtain via contract qualified program and project managers with experience on programs of similar size and complexity.
- (3) Hire or obtain via contract qualified business analysts/technical resources with experience on programs of similar size and complexity.
- (4) Hire or obtain via contract personnel with Lean Six Sigma Black Belt certifications to support modernization program and project planning and implementation activities.
- (5) Carefully consider lessons learned from other modernization efforts in Oregon, as well as retirement system modernizations from other governmental units (state, provincial, and municipal/regional).
- (6) Work with EIS to engage an independent quality management services (iQMS) contractor. The iQMS contractor should:
 - a. Conduct an initial risk assessment for the PERS Modernization Program (and, where appropriate, component projects).
 - b. Perform quality control reviews on key program and project deliverables, including the program and project business cases, the modernization roadmap, and other foundational program and project management documents (as appropriate).
 - c. Perform ongoing, independent quality management services as directed by EIS, and provide both EIS and LFO with copies of all iQMS deliverables, as required by ORS 276A.236.

- (7) Provide a modernization program status report to the Joint Legislative Committee on Information Management and Technology during the 2024 Legislative session, including:
 - a. Updates to the business case, foundational program and project management docs, and system design artifacts, as necessary.
 - b. Updates to integrated implementation timeframes for the PERS modernization program and all component projects.
 - c. Updates to program budget and spending plans and anticipated total costs.
- (8) Utilize the EIS Enterprise Project and Portfolio Management (PPM) System for all project reviews, approvals, and project status and for iQMS reporting activities throughout the life of the PERS ORION Modernization Program.

Requested by JOINT COMMITTEE ON WAYS AND MEANS

**PROPOSED AMENDMENTS TO
HOUSE BILL 5033**

1 On page 1 of the printed bill, delete lines 5 through 28 and delete page
2 2 and insert:

3 **“SECTION 1. Notwithstanding any other law limiting expenditures,**
4 **the following amounts are established for the biennium beginning July**
5 **1, 2023, as the maximum limits for payment of expenses from fees,**
6 **moneys or other revenues, including Miscellaneous Receipts but ex-**
7 **cluding lottery funds and federal funds, collected or received by the**
8 **Public Employees Retirement System, for the following purposes:**

- 9 (1) **Central Administration**
10 **Division \$ 19,740,974**
- 11 (2) **Financial and Administrative**
12 **Services Division..... \$ 23,900,400**
- 13 (3) **Information Services Division .. \$ 34,216,261**
- 14 (4) **Operations Division..... \$ 48,877,505**
- 15 (5) **Compliance, Audit and Risk**
16 **Division \$ 10,470,390**
- 17 (6) **Core Retirement System:**
18 (a) **Implementation of chapter 355,**
19 **Oregon Laws 2019:**
20 (A) **Project management and**
21 **implementation \$ 1,876,800**

1	(B) Quality assurance and testing..	\$ 1,062,600
2	(C) Information technology	
3	applications	\$ 13,423,000
4	(D) Operational implementation.....	\$ 3,769,372
5	(b) ORION Modernization Project:	
6	(A) Program staff.....	\$ 3,406,073
7	(B) Client relationship	
8	management.....	\$ 1,255,000
9	(C) Data and analytics	\$ 1,300,000
10	(D) Development and operations.....	\$ 1,102,000
11	(E) Architecture.....	\$ 950,000
12	(F) Independent quality	
13	management services.....	\$ 950,000
14	(G) Hybrid integration platform.....	\$ 400,000
15	(H) Telephony.....	\$ 210,000

16 **“SECTION 2. Notwithstanding any other law limiting expenditures,**
17 **the amount of \$21,217,388 is established for the biennium beginning**
18 **July 1, 2023, as the maximum limit for payment of expenses from lot-**
19 **tery moneys allocated from the Administrative Services Economic**
20 **Development Fund to the Public Employees Retirement System for the**
21 **Employer Incentive Fund.**

22 **“SECTION 3. Notwithstanding any other law limiting expenditures,**
23 **the amount of \$1 is established for the biennium beginning July 1, 2023,**
24 **as the maximum limit for payment of expenses from fees, moneys, or**
25 **other revenues, including Miscellaneous Receipts, but excluding lot-**
26 **tery funds and federal funds, by the Public Employees Retirement**
27 **System from the Employer Incentive Fund.**

28 **“SECTION 4. Notwithstanding any other law limiting expenditures,**
29 **the amount of \$1 is established for the biennium beginning July 1, 2023,**
30 **as the maximum limit for payment of expenses by the Public Em-**

1 **ployees Retirement System from the School Districts Unfunded Li-**
2 **ability Fund.**

3 **“SECTION 5. For the biennium beginning July 1, 2023, expenditures**
4 **by the Public Employees Retirement System for refunds, retirement**
5 **benefits, deferred compensation and individual account program pay-**
6 **ments, health insurance premiums, health insurance premium subsi-**
7 **dies, third party administrator costs for health and individual account**
8 **programs and Public Employee Benefit Equalization Fund payments**
9 **are not limited.**

10 **“SECTION 6. This 2023 Act being necessary for the immediate**
11 **preservation of the public peace, health and safety, an emergency is**
12 **declared to exist, and this 2023 Act takes effect July 1, 2023.”.**

13
