



# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

Headquarters

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November 3, 2025

The Honorable Senator Kate Lieber, Co-Chair  
The Honorable Representative Tawna Sanchez, Co-Chair  
Interim Joint Committee on Ways and Means  
900 Court St NE, H-178  
Salem, OR 97301

Dear Co-Chairs:

### **Nature of the Request**

As per the October 1, 2025 LFO Memorandum from Amanda Beitel, Legislative Fiscal Officer, PERS is providing for consideration the PERS reduction options equivalent to 5% of our Legislatively Approved Budget.

### **Agency Action**

PERS Mission is: "We serve the people of Oregon by administering public employee benefit trusts to pay the right person the right benefit at the right time." The Public Employees Retirement System (PERS) administers the retirement system covering employees of state agencies; public universities, public school districts; statutory judges, and participating cities, counties, and special districts in Oregon. In essence, this means providing retirement benefits to approximately 422,000 members through 904 participating PERS Employers via a complement of 433 FTE.

It should be noted that PERS is an "Other Fund" agency, with funding from the Oregon Public Employees Retirement Fund (OPERF). PERS' operating budget is funded primarily by recovering its administrative costs from the benefit trusts the agency administers.

### **Reduction Options**

PERS took a multi-stage approach to achieve the requested reductions for consideration. A 2.5% reduction of PERS LAB of \$180,147,175 is approximately \$4.51 million and a 5% reduction equates to approximately \$9.0 million. Additionally, PERS put forth reduction options in the amount of \$2.1M for the Employer Incentive Fund, which is funded by proceeds from sports betting Lottery Funds with a balance of \$41.3M. The employers listed are those who applied latest and have not yet initiated deposit payments and would be affected by a Lottery Fund reduction:

3902	Tillamook School District #9	\$ 250,000.00
4306	Yamhill Co. School District 4J	\$ 55,068.00
2999	Central Oregon Community College	\$1,250,000.00
4321	North Clackamas Schools #12	\$3,000,000.00

A full breakdown of these reduction options is set out in Attachment 1: 2025-27 LAB Agency Reduction Options Form. The order of preference may change as budgets and projections remain fluid.

The reduction options fall into the following categories and are predicated on, as best possible, being able to continue to provide services close to Current Service Level targets, meet legislatively mandated implementation efforts, as well as maintain momentum on PERS Modernization efforts.

### ***Proposed Reduction Options***

#### **2.5%**

**Accrued Vacancy Lag, reduce general office expenses, variance in agency collections, reduction to available Employer Incentive Funds.**

Accrued Vacancy Lag for full Biennium*	\$4,213,000
Office Expenses, Miscellaneous Services variance	\$ 278,000

#### **Reduction in budgeted Lottery Funds**

Employer Incentive Fund Reduction	\$1,032,178
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<b>Sub-Total</b>	<b><u>\$5,523,178</u></b>
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\*PERS extrapolated the vacancy savings based on an average of 25 vacancies at any given moment over the past 5 years. This translates to a biennial vacancy rate of 6% or \$4.2 million over the course of the 2025-27 biennium.

#### **5.0% (addition to above)**

#### **Reduction in budgeted Services & Supplies**

Capital Expenditures (Office Furniture)	\$ 148,000
Training & Travel	\$ 631,500
Telecom Equipment	\$ 85,500
IT Subscriptions Services	\$ 175,000
Non-IT Subscriptions and Charges (Surveys)	\$ 83,000
Professional Services (Non-IT related)	\$ 319,000
IT Expendable Property	\$ 381,700
IT Software Renewals and Maintenance	\$ 155,000
IT Professional Services	\$ 400,000
Positions Deliberately Left Unfilled for duration of biennium	\$ 555,400

#### **Reduction in budgeted Lottery Funds**

Employer Incentive Fund Reduction	\$1,032,178
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<b>Sub-Total</b>	<b><u>\$3,966,278</u></b>
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**Core Retirement Systems Applications (IT Projects/Programs)**

\*Proposed reductions are existing project variances only and will not affect project implementation of the P&F age change portion of HB 4045 or the Telephony project within the Modernization Program. There is \$3.2M remaining for Hazardous position implementation that has not been reduced.

HB 4045 Police & Fire Age Change Implementation	
Professional Services	\$ 750,000
Contingency	\$ 335,000
Modernization Program	
Telephony	\$ 500,000
TCO Analysis	\$ 25,000
<b>Sub-Total</b>	<b><u>\$1,610,000</u></b>
<b>Total Proposed Reductions</b>	<b><u>\$11,099,456</u></b>

***New and Expanded Programs as of July 1, 2021*****PERS Modernization Program**

The PERS Modernization Program is a comprehensive, multi-year initiative aimed at transforming how the Oregon Public Employees Retirement System manages pension administration. This enterprise-wide business initiative will focus on people, processes, and technology to enhance operational efficiency and modernize service delivery. By upgrading communication channels, streamlining core business processes, and increasing data-driven decision-making capabilities, the program will empower PERS to better meet its mission of paying the right person the right benefit at the right time. Ultimately, this modernization effort will position PERS to deliver more effective, responsive, and sustainable services to its members and interested parties. It is currently scheduled to run from through June 30, 2034.

**2021-23 Biennium (POP 102)**

The PERS Modernization Program was provided initial funding in the 2021-23 biennium in the amount of \$800,000 to be used for initial planning and analysis work. PERS received an additional Other Funds expenditure limitation of \$3,797,797 at the June 3, 2022 Emergency Board. These allocations enabled PERS to conduct pre-planning work and hire key program staff in support of preparing a request to begin the first phase of the program in the 2023–25 biennium.

<b>Biennium</b>	<b>Allocation Totals</b>	<b>Expenditures</b>
Staff	697,335	199,955
Services and supplies	3,900,462	1,738,779
<b>2021-23 Totals</b>	<b>\$4,597,797</b>	<b>\$1,938,734</b>

**2023-25 Biennium (POP 103)**

PERS received \$9,573,073 Other Funds Limitation for the Core Retirement System administration. PERS proposed establishing a program of projects focused on modernizing its core pension administration system, business processes, and supporting technology systems to ensure we can continue to meet our mission of paying the right person the right benefit at the right time.

- Personal services \$3,228,103
- Services and supplies: \$6,344,970
- Capital outlay \$0
- Total request \$9,573,073

Biennium	Allocation Totals	Expenditures
Staff	3,406,073	2,951,994
D&A	1,000,000	993,126
Development & Operations	560,000	479,270
Architecture	2,000,000	1,976,835
iQMS	900,000	811,000
Hybrid Integration Platform	450,000	-
Telephony	557,000	557,000
PAS Analysis	700,000	630,000
<b>2023-25 Totals</b>	<b>\$9,573,073</b>	<b>\$8,399,225</b>

**2025-27 Biennium (POP 104)**

PERS received a \$7,833,071 Other Funds limitation in the Modernization Program.

- Personal services \$3,820,071
- Services and supplies \$4,013,000
- Capital outlay \$0
- Total cost \$7,833,071

**Package 801 LFO Analyst Adjustments***Legacy Stabilization and Technology*

One part of this package increases Other Funds expenditure limitation by \$6,688,780 for one-time funding of a Legacy Stabilization and Technology Readiness initiative which is related to the Modernization Program:

- \$3.7 million for a User Interface and User Experience design effort
- \$1.9 million to complete Foundational Architecture Documentation
- \$735,280 for Member Identity and Access Management solution subscription costs
- \$318,500 in contingency funding

The following is a breakdown of POP 104 and 801 in further detail as of September 30<sup>th</sup>. It is important to note that, given how early we are in the 2025-27 biennium, we have not yet “booked” projections for some of the projects listed below. We did note a reduction of \$1,025,000 in the summary above.

2025-27					
Project Title	LAB	Actual to Date	Projections	Total	Variance
1 Program Staff	4,100,071	368,616	4,227,851	4,596,467	(496,396)
2 IQMS	1,000,000	845	1,193,710	1,194,555	(194,555)
2 HIP	500,000		-	-	500,000
2 Telephony	1,500,000	-	-	-	1,500,000
2 TCO Analysis	25,000			-	25,000
2 Contingency (Mod)	178,000			-	178,000
2 MIAM	530,000		157,000	157,000	373,000
3 Foundational Architecture Documentation	1,930,000	-	-	-	1,930,000
3 JUMP-Jclarety UI/UX	3,705,000	8,950	3,189,370	3,198,320	506,680
3 MIAM (Forgerock-Dues & Sub)	735,280	271,138	12,082	283,220	452,060
3 Contingency (Legacy)	318,500			-	318,500
<b>Project Total</b>	<b>\$14,521,851</b>	<b>649,549</b>	<b>\$8,780,013</b>	<b>\$9,429,562</b>	<b>\$5,092,289</b>

2025-27					
Approved Appropriation	LAB	Actual to Date	Projections	Total	Variance
1 Program Staff	4,100,071	368,616	4,227,852	4,596,468	(496,397)
2 Implementation	3,733,000	845	1,350,710	1,351,555	2,381,445
3 Legacy Stabilization & Technology Readiness	6,688,780	280,089	3,201,451	3,481,540	3,207,240
<b>Project Total</b>	<b>14,521,851</b>	<b>649,549</b>	<b>8,780,013</b>	<b>9,429,563</b>	<b>5,092,288</b>

**Action Requested**

Acknowledge receipt of report.

**Legislation Affected**

Senate Bill (SB) 5534, Section 1(1-6); Section 3

Sincerely,



Kevin Olineck, Director  
Oregon Public Employees Retirement System  
Attachment 1: 2025-27 LAB Agency Reduction Options Form

Agency Name (Acct)PERS																	
2025-27 Biennium																	
2025-27 LAB					-	41,287,102	180,147,745	-	-	-	221,434,847	Target					
11,071,742.35																	
Detail of Reductions to 2025-27 Legislatively Adopted Budget																	
1	2	3	4	5		6	7	8	9	10	11	12	13	14	15	16	17
Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description		GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Gov. Reduction Target Yes / No	One-Time Yes / No	Describe the reduction and associated impact on services and outcomes. Please identify the source of Other Funds reductions.	
Dept	Prgm/Div																
All		459	500-00-00	Forecasted Vacancy Savings			4,213,444				4,213,444				Y	Five year average of \$201,894 monthly savings. Reduced by 15% due to current workforce conditions. Represents 6% vacancy turnover	
CAD		459	500-01-01	Reduce Office Expenses			71,938				71,938				Y	Reduced office supplies remaining variance/increased order monitoring for agency	
FSD		459	500-03-01	Reduce Other Services & Supplies Misc & Collections			206,347				206,347				Y	Reduces variance for agency collections of past due accounts.	
FSD		459	500-03-01	Employer Incentive Fund		1,032,178					1,032,178				Y	Reduces existing fund balance and reduces funds available for employer matches in the program. Funds were distributed in 2023-25.	

CA	459	500-01-01	Reduce Expendable Property					6,467				6,467					Y	Reduces remaining variance in the directors office for furniture and equipment purchases. No impact to operations
FSD	459	500-03-01	Reduce Expendable Property					8,101				8,101					Y	Reduces remaining variance in the Finance department for furniture and equipment purchases. No impact on operations
ISD	459	500-04-01	Reduce Expendable Property					33,816				33,816					Y	Reduces variance in the information services dept. for furniture and equipment purchases
OD	459	500-08-01	Reduce Expendable Property					86,450				86,450					Y	Reduces remaining variance in the Operations division for furniture and equipment purchases. No impact to operations
CARD	459	500-09-01	Reduce Expendable Property					13,076				13,076					Y	Reduces remaining variance in the compliance office for furniture and equipment purchases. No impact to operations
CAD	459	500-01-01	Reduce Training and Travel					113,238				113,238			Y	Y	Reduces out of state travel and conference attendance for Directors Office	
ISD	459	500-04-01	Reduce Training and Travel					63,332				63,332			Y	Y	Reduces out of state travel and conference attendance for Information services staff	
OD	459	500-08-01	Reduce Training and Travel					190,488				190,488			Y	Y	Reduces out of state travel for operations staff/PHIP and OSGP conferences	
CARD	459	500-09-01	Reduce Training and Travel					132,711				132,711			Y	Y	Reduces out of state travel for conferences/training for Legal and Compliance staff	
CRSA	459	900-06-01	Reduce Training and Travel					131,655				131,655			Y	Y	Reduces out of state travel/training for CRSA staff and director	
ISD	459	500-04-01	Reduce Subscription Services for Exec Leadership and Tech Pros					175,000				175,000			Y	Y	Reduces subscription svcs for exec leadership and technical professionals on architecture team	
CAD	459	500-01-01	Reduce Subscription Services for Surveys					83,184				83,184					Y	Reduces subscription svcs for agency surveys
ISD	459	500-04-01	Reduce Telecom Equipment					85,505				85,505					Y	Reduce funds for telecom equipment variance
CAD	459	500-01-01	Reduce IT expenditure property					11,904				11,904					Y	Reduce IT equipment purchases - could delay computer upgrades in Directors Office
FSD	459	500-03-01	Reduce IT expenditure property					37,657				37,657					Y	Reduce IT equipment purchases - could delay computer upgrades in Finance
ISD	459	500-04-01	Reduce IT expenditure property					139,587				139,587					Y	Increase some computer renewals to 8-10 years instead of 4 years
OD	459	500-08-01	Reduce IT expenditure property					96,630				96,630					Y	Reduce IT equipment purchases - could delay computer upgrades in Operations
CARD	459	500-09-01	Reduce IT expenditure property					62,258				62,258					Y	Reduce IT equipment purchases - could delay computer upgrades in Compliance
CRSA	459	900-06-01	Reduce IT expenditure property					30,000				30,000					Y	Reduce IT equipment purchases in Modernization Program
CRSA	459	900-07-00	Reduce IT expenditure property					3,616				3,616					Y	Reduce IT equipment purchases for HB4045
OD	459	500-08-07	Reduce Professional Services					219,088				219,088					Y	Reduces variance for third party contracts in OSGP
FSD	459	500-03-01	Reduce Professional Services					100,000				100,000					Y	Reduces variance for third party contracts to Milliman Actuary
ISD	459	500-04-01	Reduce Subscriptions for Software renewal and maintenance					154,914				154,914					Y	Reduces amount available for Software renewal for Open Shift/RedHat
ISD	459	500-04-01	Reduce IT Professional Services					400,000				400,000					Y	Reduces variance amounts related to IT contractors implementing system modifications
CRSA	459	900-07-00	Reduce IT Professional Services Contingency					335,000				335,000					Y	Eliminate contingency for age change implementation
CRSA	459	900-07-00	Reduce Professional Services HB4045 Police & Fire age change					750,000				750,000					Y	Reflects current variance of age change implementation - no impact to project
CRSA	459	900-06-02	Reduce Professional Services TCO Analysis					25,000				25,000					Y	Reduce amount for TCO Analysis
CRSA	459	900-06-02	Reduce IT Professional Services Telephony					500,000				500,000					Y	Reduce amount for Telephony - Represents current project variance
FSD	459	500-03-01	Reduce Executive Support Specialist 2 - FSD Admin					242,942				242,942	1	1.00			Y	Decreases support for FSD Admin. Long term vacancy due to retirement
CAD	459	500-01-01	Reduce Operations & Policy Analyst 2 - SOP					312,464				312,464	1	1.00			Y	Decrease support for SOP
FSD	459	500-03-01	Employer Incentive Fund				1,032,178					1,032,178					Y	Reduces existing fund balance and reduces funds available for employer matches in the program. Funds were distributed in 2023-25.
			2.5% target				1,032,178	4,491,729										
			5% target				2,064,355	4,544,083	11,100,167									
			Difference					28,425										

Agency		<b>PERS</b>													
2025-27 Biennium															
Detail of Programs in the 2025-27 Legislatively Approved Budget that have been established or expanded since 2021-23															
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Agency	SCR	Program Establishment / Expansion			Program Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Implementation Status
		Biennium	Effective Date	Authorization											
459	459-900	21-23	7/1/2021	SB5536 POP102	Modernization Program - Initial planning and analysis			800,000				\$ 800,000			Implemented
459	459-900	21-23	6/3/2022	EB Item 72	Modernization Program - Additional funds to conduct preplanning and hire program staff			3,797,797				\$ 3,797,797	6	2.76	Implemented
459	459-900	23-25	7/1/2023	HB5033 POP103	Modernization - Establish projects to modernize core pension administration system, business processes and supporting technology systems			9,573,073				\$ 9,573,073	16	14.41	In Development
459	459-900	25-27	7/1/2025	SB5534 POP104	Modernization - Continue project implementation			7,833,071				\$ 7,833,071	14	13.52	In Development
459	459-900	25-27	7/1/2025	POP801	Legacy Stabilization and Technology - A readiness initiative related to the Modernization Program			6,688,780				\$ 6,688,780			In Development
												\$ -			
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					TOTAL	-	-	28,692,721	-	-	-	\$ 28,692,721	36	30.69	

## Instructions

Column (5) - Authorization should identify the source of the new program or program expansion, which could include enabling legislation, approved policy option package, or administrative establishment.

Column (6) - Program description should include a summary of the program and the expansion (if applicable), including any partner state agencies.

Column (16) - Current status of program implementation should be summarized, including any future budget requests anticipated upon full program implementation.