

BUDGET NARRATIVE

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CERTIFICATION

I hereby certify that the accompanying summary and detailed statements are true and correct to the best of my knowledge and belief and that the accuracy of all numerical information has been verified.

Oregon Public Employees Retirement System

AGENCY NAME

11410 SW 68th Parkway, Tigard, Oregon 97223

AGENCY ADDRESS



SIGNATURE

Director

TITLE

Notice: Requests of those agencies headed by a board or commission must be approved by those bodies of official action and signed by the board or commission chairperson. The requests of other agencies must be approved and signed by the agency director or administrator.

BUDGET NARRATIVE

Public Employees Retirement System

Agency summary

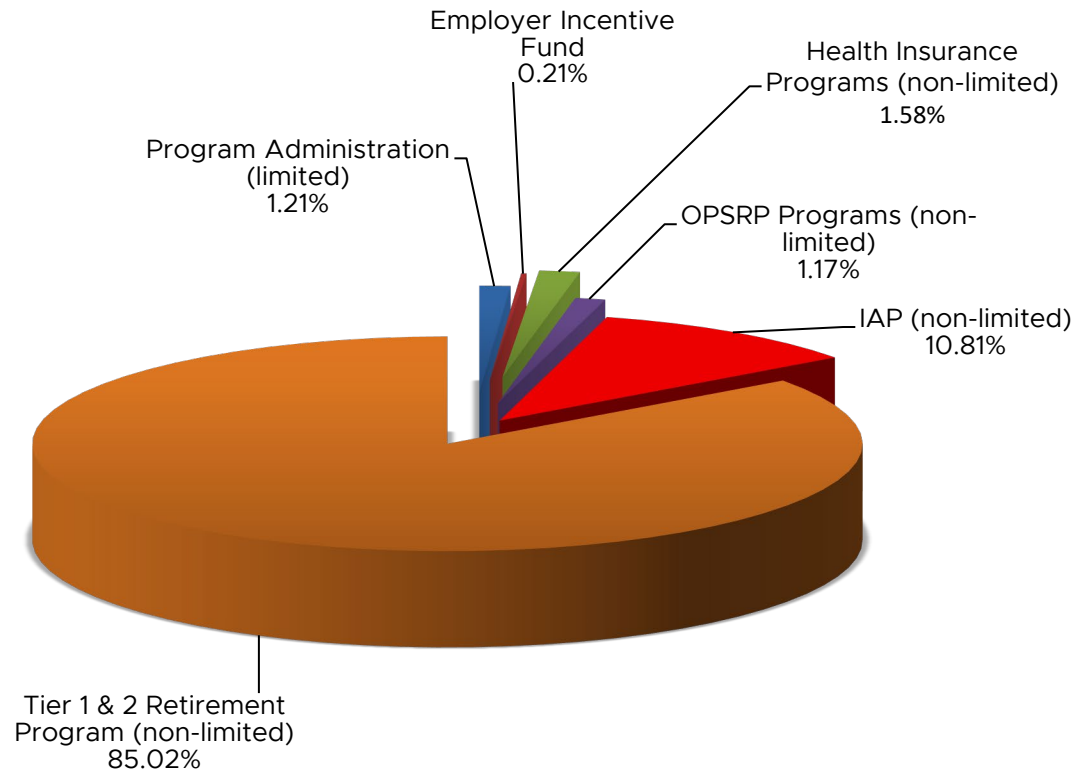
The Public Employees Retirement System (PERS) administers a range of retirement programs on behalf of more than 900 public employers throughout the state of Oregon. These programs are provided to all state agencies, universities, and community colleges, all public school districts, and almost all cities, counties, and other local government units. The agency administers the Tier One and Tier Two Retirement Programs, Oregon Public Service Retirement Plan (OPSRP) Pension Program, Individual Account Program (IAP), Judge Member Retirement Program, Oregon Savings Growth Plan ((OSGP) a deferred compensation program, Public Employee Benefit Equalization Fund (PEBEF), Social Security Administration Program (SSAP), and the Retiree Health Insurance Program (RHIP).

BUDGET NARRATIVE

Budget summary graphics

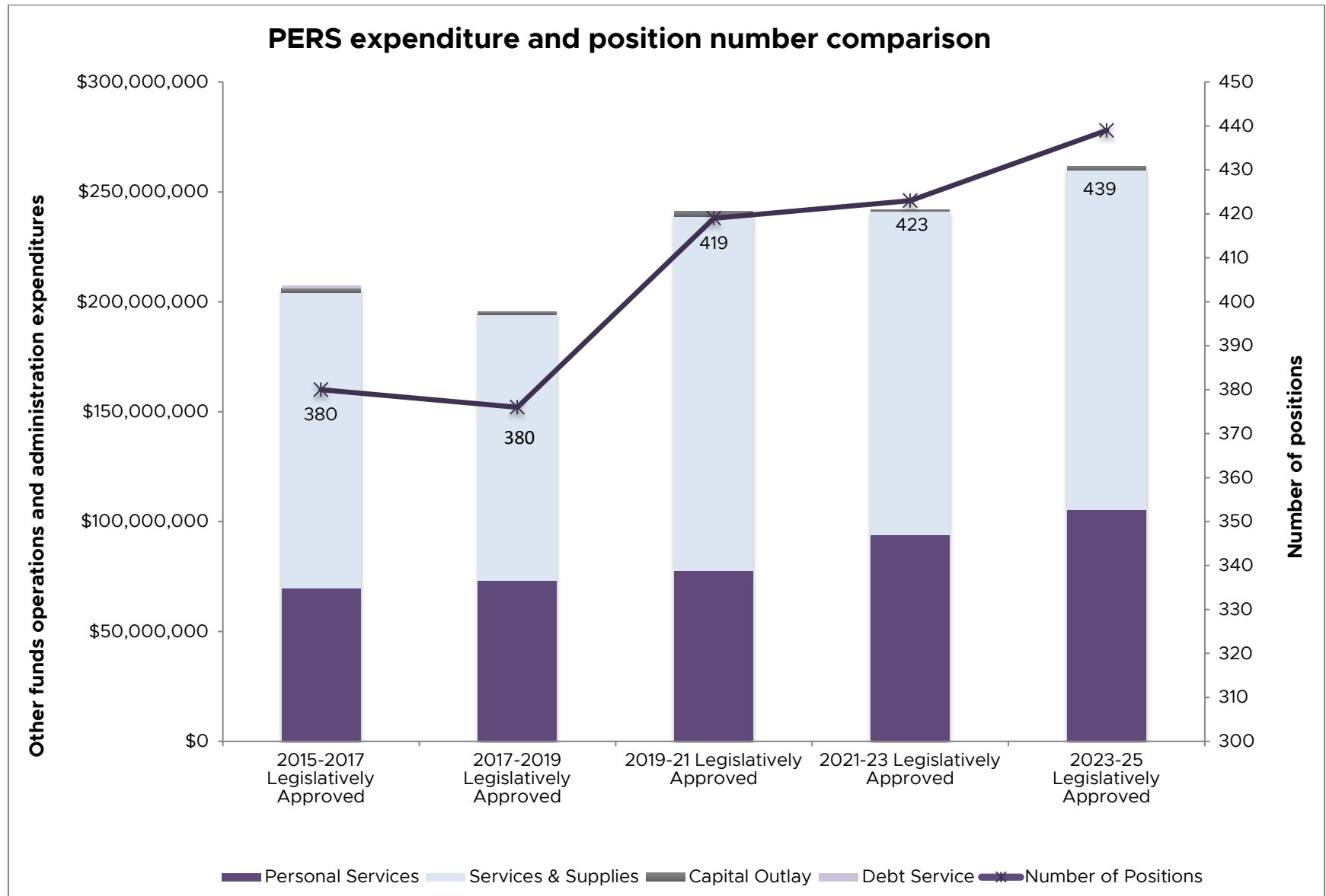
PERS expenditures by activity

Agency Summary 2023-2025 Legislatively Adopted Budget



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PERS expenditure and position number comparison



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The following table shows the agency’s budget as a percentage of the historical and projected PERS Fund balance over the time periods shown (also known as a “basis point” comparison):

E = Estimated

PERS budget/OPERF comparison

Biennium	Legislatively Approved Limited Budget	Fiscal year ended June 30th	Limited budget	OPERF balance	% Operating
2015-2017	\$108,240,199	2016	54,120,100	71,331,639,411	0.0759%
		2017	54,120,100	77,044,798,841	0.0702%
2017-2019	\$101,657,012	2018	50,828,506	81,098,072,149	0.0627%
		2019	50,828,506	81,451,520,000	0.0624%
2019-2021	\$145,475,503	2020	72,737,752	77,257,271,000	0.0942%
		2021	72,737,752	93,708,071,000	0.0776%
2021-2023	\$154,361,372	2022	77,180,686	96,876,622,000	0.0797%
		2023	77,180,686	96,876,622,000	E 0.0797%
2023-2025	\$165,486,494	2024	82,743,247	101,720,453,000	E 0.0826%
		2025	82,743,247	101,720,453,000	E 0.0826%

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Mission statement and statutory authority

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.

Shared vision

Honoring your public service through secure retirement benefits.

Core values

Service-focus — We work together to meet the needs of others with dependability, professionalism, and respect.

Accountability — We take ownership for our decisions, actions, and outcomes.

Integrity — We inspire trust through transparency and ethical, sound judgment.

Core operating principles

Professional — We inspire trust through transparency and ethical, sound judgment.

Accurate — We ensure data integrity and provide consistent, dependable information and benefits.

Judicious — We use sound judgement and prudent, principled decision-making in upholding our fiduciary responsibility.

Vigilant — We are constantly vigilant and take ownership in the basic tenets of information security: confidentiality, integrity, and availability.

The Public Employees Retirement System (PERS) was created by the Oregon Legislative Assembly in 1945 and commenced operation on July 1, 1946. Statutory references for the agency are:

- Tier One and Tier Two Member Retirement Programs
 - ORS Chapters 237 and 238
- Oregon Public Service Retirement Program (OPSRP)
 - ORS Chapter 238A
- Individual Account Program (IAP)
 - ORS 238A.300 to 238A.475
- Judge Member Retirement Program
 - ORS 238.500 to 238.585
- Public Employee Benefit Equalization Fund
 - ORS 238.485 to 238.492
- Retiree Health Insurance Program
 - ORS 238.410 to 238.420
- Deferred Compensation Program
 - ORS 243.401 to 243.507
- Social Security Administration Program

ORS 237.410 to 237.515 Oregon Administrative Rules (Chapter 459) govern the implementation of PERS' statutory responsibilities. ORS 238.630 sets out the PERS Board Statutory duties.

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Agency two-year plan

PERS' strategic outcomes, processes, and measures

PERS underwent a comprehensive, data-driven, strategic planning effort that culminated in the 2018-2023 strategic plan. The strategic planning process developed a clear road map and supports alignment on enterprise-level priorities and initiatives that guide budget development and resource allocation. The plan dovetails with the PERS' outcome-based management system (POBMS) that drives improvements to daily operations and work processes. The system provides a framework to engage employees in personal and organizational planning that directly aligns with the agency's mission, vision, core values, and operating principles. We continue to integrate problem-solving and decision-making tools that depend on active engagement from staff that have the most direct connection with members, employers, and stakeholders. Achieving the goals outlined in the 2018-2023 strategic plan depends on successful execution of identified objectives, which requires regular monitoring of progress and alignment of priorities during plan implementation. The agency's current strategic and operational planning functions are used to prioritize and allocate resources for each strategy as implementation plans are executed. Objectives will be accomplished with a variety of approaches including problem solving, project management, and integration into core business practices. Specific performance metrics are identified for tracking progress on the plan's objectives.

In December 2023, the PERS Board will be adopting a new strategic plan for the period 2023-2028. This strategic plan will take the focus areas and goals noted in the 2018-2023 version and update the objectives and underlying tactics that will be actioned over 2023-2028 to achieve these goals and objectives.

What follows are summaries of the six major areas of the agency's plan with corresponding goals and objectives. This agency request budget and associated packages reflect the resources needed in each focus area.

Organizational management and development

Focus area: Workforce development

Goal — Develop and support a culture of workforce excellence and effective leadership practices.

- Objective 1 — Define and communicate PERS' measures of workforce excellence and desired leadership practices, consistent with organizational needs and strategic priorities.
- Objective 2 — Develop and implement hiring, training, and performance management practices that support a culture of workforce and leadership excellence.

Focus area: Organizational communication

Goal — Foster and enhance transparency, relevancy, and employee satisfaction with internal communications.

- Objective 1 — Develop and implement an inclusive internal communication strategy to build a knowledgeable, engaged workforce.

Focus area: PERS Outcome-Based Management System (POBMS)

Goal — Complete POBMS integration throughout the agency.

- Objective 1 — Fully develop team scorecards to measure performance and drive strategic, tactical, and operational decisions.
- Objective 2 — Normalize POBMS-related methods throughout the agency.

Member services and communications

Focus area: Member relations

Goal — Engage members throughout their careers so they are better prepared for retirement.

- Objective 1 — Develop tools and profiles relevant to members at different life and career stages.
- Objective 2 — Brand PERS as a retirement education and planning resource.

Focus area: Quality delivery methods

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Goal — Improve members' online access to secure content.

- Objective 1 — Enhance and modernize Online Member Services (OMS) with more electronic transactions and views into workflow progress.
- Objective 2 — Launch new education tools and resources valuable to the member journey from hire to retire.

Data reliability

Focus area: Member accountability

Goal — Establish members as the primary quality checkpoint on their data of record.

- Objective 1 — Target specific data for remediation to allow members to more meaningfully review the content.
- Objective 2 — Educate members on the use and limitations of OMS legacy data.

Focus area: Data constancy

Goal — Ensure data remains static after it is used in a transaction or payment.

- Objective 1 — Lock submitted data for each calendar year.
- Objective 2 — Lock legacy data after allowing employers to review and correct prior records.

Focus area: Agency data warehouse

Goal — Provide staff access to consistent, prompt, and reliable data reports.

- Objective 1 — Define all data terms and map data as it relates to technical and business needs and usage.
- Objective 2 — Provide staff a data reporting structure that allows the user to derive and customize data reports.

Information governance and technology

Focus area: Information governance practices

Goal — Improve management of agency information by standardizing processes and procedures.

- Objective 1 — Stand up an Enterprise Information Governance Program that support industry standards.
- Objective 2 — Establish and implement information repository standards for the management of the information governance program across the enterprise.

Focus Area: ORION business modernization

Goal — Improve IT efficiency and responsiveness to business operational changes.

- Objective 1 — Re-architect core applications in ORION as independent, discrete business services.
- Objective 2 — Architect, plan, and design the PERS production data center migration.

Focus Area: IT digital transformation

Goal — Improve workforce environment and prepare for and attract the next generation of technical talent.

- Objective 1 — Transform Information Services Division (ISD) working environment to encourage collaboration and innovation.
- Objective 2 — Attract and retain information technology talent at PERS.

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Financial management

Focus area: Technology upgrades and system integration

Goal — Enhance and improve productivity, reduce manual processes, and accurately and quickly respond to legislative and stakeholder needs.

- Objective 1 — Increase efficiency, improve communication, and reduce manual work.
- Objective 2 — Standardize financial data organization and reduce manual reconciliation between systems to improve accuracy and responsiveness to legislative and stakeholder needs.
- Objective 3 — Evaluate and implement electronic filing and paperless processes to effectively and promptly respond to inquiries and effectively process transactions.

Focus Area: Financial management resource development

Goal — Ensure PERS has the appropriate level of professional staff to perform the financial accounting, reporting, budgeting, analysis, and forecasting required to be compliant and deliver exceptional service to our stakeholders.

- Objective 1 — Ensure financial operations has the appropriate staffing to provide timely and accurate service to all stakeholders.
- Objective 2 — Increase professional certification and training within financial operations to engage staff and prepare them for potential shifts in expectations as our processes evolve, ensuring adherence to compliance and implementation of best practices.

Enterprise risk management

Focus area: Risk management

Goal — To establish an enterprise risk management program within the Security and Risk Section.

- Secure legislative support and funding to stand up an enterprise risk management program that meets industry standards.
- Establish and implement an enterprise risk management program throughout the agency.

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Agency programs

PERS and its associated programs have a significant impact on Oregon's economy. In 2022, Oregon PERS paid approximately \$6.4 billion in benefits to retired members or their benefit recipients. The specific programs administered by PERS are described below.

Tier One and Tier Two programs

The Tier One and Tier Two programs are statutorily created public employee retirement benefit programs. Their administration is funded with Other Fund revenues that provide retirement, death, and disability benefits for more than 65,000 non-retired members and more than 148,000 retired members and beneficiaries. Active Tier One and Tier Two membership will decline over time as the programs have been closed to new members since 2004. However, as these members mature into retirement eligibility, agency workloads for the programs will increase over the next decade. As of June 30, 2022, more than 22,000 (about 12%) of active and inactive Tier One and Tier Two members were eligible to retire by virtue of age or years of service. PERS paid approximately \$5.3 billion in benefit payments in fiscal 2022 in this program alone.

The Tier One and Tier Two programs' services include:

- Maintaining demographic and employment data throughout a member's career that will form the basis for benefit eligibility and calculations, tracking account balances and earnings crediting for member contributions to the regular and variable accounts, and generating annual member account statements.
- Providing information to members regarding retirement, disability, and death benefits; providing benefit estimates, and explaining benefit payment options for members and beneficiaries.
- Calculating and paying withdrawal, retirement, death, and disability benefits.

Oregon Public Service Retirement Plan (OPSRP)

The Oregon Public Service Retirement Plan (OPSRP) was created by the Legislative Assembly in 2003 and, financed with Other Funds, provides a pension benefit for OPSRP members and a defined contribution individual account for all PERS members with service after January 1, 2004. Employees hired by PERS-participating employers in qualifying positions on or after August 29, 2003, participate in the OPSRP Pension Program. As of June 30, 2022, the OPSRP Pension Program had more than 182,808 active and inactive members, which is more than 53% of the current total active and inactive PERS member population. PERS made approximately \$78.4 million in benefit payments during fiscal 2022.

OPSRP Pension Program

The OPSRP Pension Program is solely funded by employer contributions and associated earnings. Employees who started work with a participating public employer in a qualifying position on or after August 29, 2003, participate in the OPSRP Pension Program. An employee becomes fully vested into the program upon working five consecutive years in a qualifying position. Members' retirement benefits are calculated with a formula using their final average salary, length of service, and type of service (general vs. police/fire).

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Individual Account Program (IAP)

All PERS members active since 2004 participate in the Individual Account Program (IAP). Under 2003 PERS Reform, employee contributions from Tier One, Tier Two, and OPSRP members were directed into this separate IAP account effective January 1, 2004. As of June 30, 2022, there were 292,983 active IAP accounts. The IAP requires members in qualifying positions to contribute six percent of their salary into the IAP, which is invested as part of the Oregon Public Employees Retirement Fund (OPERF) under the oversight of the Oregon Investment Council (OIC). The total IAP balances as of June 30, 2022, was approximately \$12.4 billion.

At retirement, PERS members can choose to receive their IAP account balance in a lump-sum payment or in installments over a 5, 10, 15, or 20-year period, or over the member's anticipated life span. Currently, a third-party administrator provides record keeping services for the program. Member contributions and earnings on those contributions fund the administrative costs related to the IAP. Under the IAP, there is no guarantee of investment return or balance at retirement. Members make contributions that are invested and subject to market fluctuation. Approximately \$744.7 million in IAP benefit payments were issued during fiscal year (FY) 2022.

Until January 2018, IAP assets were invested identically for every participant, independent of age or individual retirement horizon. That approach did not comport with industry best practice which uses age as a proxy for risk tolerance and suggests investors' portfolios become increasingly conservative as retirement approaches. The Oregon Investment Council chose an automatic risk-adjusting framework for the IAP, known as a target-date fund. In this framework, younger workers gain more exposure to higher risk growth investments, such as stocks, while older workers increasingly give up that growth exposure in exchange for lower account balance volatility as they near and enter retirement. In all, ten target-date funds were established.

Senate Bill 1049 instituted Member Choice for IAP participants, beginning January 2021. Annually, PERS will inform members of an "optional investment choice window" in which they can choose a target-date fund for your IAP investments different from the default fund based on their birth year. This allows members to choose to invest their IAP balance in a fund that is more reflective of their risk tolerance than the default based on their age. For changes taking effect January 1, 2021, there were 1,311 members who chose to be invested in an IAP target-date fund different than their default age tranche. For changes taking effect January 1, 2022, there were 685 members.

Judge Member Retirement Program

PERS administers a separate retirement program for all judges of the Oregon Circuit Courts, Court of Appeals, and Supreme Court. This formula-based benefit has a different contribution and payment structure than the Tier One and Tier Two programs. All judges, as employees of the state of Oregon, have seven percent of their salary contributed to an account to fund a benefit payable for the judge's life starting no earlier than age 60. The benefit is capped at 75 percent of the judge's final average salary.

Retiree Health Insurance Program

PERS serves as a group sponsor, providing health insurance services to 56,000 retired members and dependents. PERS works with insurance carriers to design benefit packages, determine specifications, solicit proposals, analyze carrier responses, and award contracts based on quality of care and cost containment. PERS uses a third-party administrator to provide insurance services directly to members. The PERS Health Insurance Program is comprised of three statutorily mandated programs.

Retirement Health Insurance Account (RHIA)

This program provides a \$60 per month subsidy to help offset the cost of insurance premiums in PERS-sponsored health insurance plans for eligible retirees enrolled in Medicare Parts A and B. All PERS employers fund this subsidy through contributions. Approximately 43,000 retirees receive this subsidy, which totals approximately \$30.9 million annually.

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Retiree Health Insurance Premium Account (RHIPA)

This program subsidizes the cost of insurance premiums in PERS-sponsored health insurance plans for those who retired directly from state agency employment but are not yet Medicare eligible and are not enrolled in the state employee health insurance retiree plans sponsored by Public Employees Benefit Board. The subsidy, which is funded by the state of Oregon through its contribution rate, is based on the number of years the retired member was employed in state service. PERS issues more than \$3.4 million in premium subsidies annually to almost 900 retirees (average \$284 per member per month.)

Standard Retiree Health Insurance Account (SRHIA)

SRHIA covers all administrative services related to the PERS Health Insurance Program that are not specific to RHIA and RHIPA. This program encompasses such health insurance-related administrative activities as premium transfers of approximately \$31 million per year, third-party administration agreements, and consultant services. Member fees and earnings on dollars held by SRHIA fund this activity.

Benefit Equalization Fund (BEF)

The Legislature created the Benefit Equalization Fund (BEF) in 1997, as permitted by the Internal Revenue Service (IRS), to allow a full payment of PERS retirement benefits to recipients whose benefits would otherwise be capped by Internal Revenue Code (IRC) Section 415, which limits contributions and benefits in a tax-qualified plan. The BEF pays the amount of PERS benefits earned by these few members above the IRS limits (around 70 benefit recipients each year.) The BEF began paying members affected by IRC 415 in 1998 and issues approximately \$1.5 million in benefits per year. Benefit changes for new retirees related to PERS reforms, combined with periodic adjustments to the IRC 415 cap, will slow the growth of, and eventually shrink, the BEF. Fees are assessed to employers with members paid from the BEF to fund those benefits.

Social Security Administration (SSA)

PERS has the statutorily mandated responsibility to administer federal Social Security Administration (SSA) programs to over 1,100 Oregon public employers for more than 313,000 employees. The scope of that responsibility involves facilitating employer education, assisting with SSA coverage referendums, and other ancillary duties. Annual fees assessed to participating employers fund the State's SSA service.

Deferred Compensation Program — Oregon Savings Growth Plan (OSGP)

The Oregon Savings Growth Plan (OSGP) is a deferred compensation program administered by PERS that provides the opportunity for public employees to voluntarily save additional funds to supplement their retirement benefits. This plan is available to all state employees and those school districts and local government employers that choose to offer this plan.

This plan allows participants to save additional funds for retirement while reducing their current taxable income. The program currently serves over 35,000 current and former state agency, school district, and local government employees. Plan assets were valued at approximately \$3.2 billion as of June 2022.

A third-party administrator provides OSGP recordkeeping and account management services. Investment alternatives are selected with assistance of Oregon State Treasury staff with oversight from the Oregon Investment Council (OIC). PERS manages contracts with the third-party administrator, provides plan enrollment and educational support, monitors participant satisfaction, and provides customer support outside of the third-party administrator. Member contributions and related earnings fund OSGP administration.

In 1997, the Legislative Assembly authorized PERS to extend deferred compensation services to local government employees in addition to state employee participants. PERS provides information about the program to local government employers and coordinates enrollment and plan administration. Employers work directly with OSGP staff to resolve administrative issues, but they send contributions and contribution reports directly to the third-party administrator.

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Environmental factors

The primary environmental factors affecting PERS can be summarized in three specific issue areas:

- Increase in awareness and urgency to resolve how public employers will be able to pay their increasing employer contribution rates.
- Complex and evolving service delivery expectations to meet customer needs and uphold our responsibility to efficiently administer the retirement programs.
- Program administration complexities resulting from systemic plan dynamics like serial plan changes, litigation, and niche-plan customization.

These combined factors present unique challenges that PERS continues to address by stabilizing and improving operations, resolving accumulated workloads, and permanently implementing changes resulting from legislation and other plan amendments.

Aging of PERS membership and participants

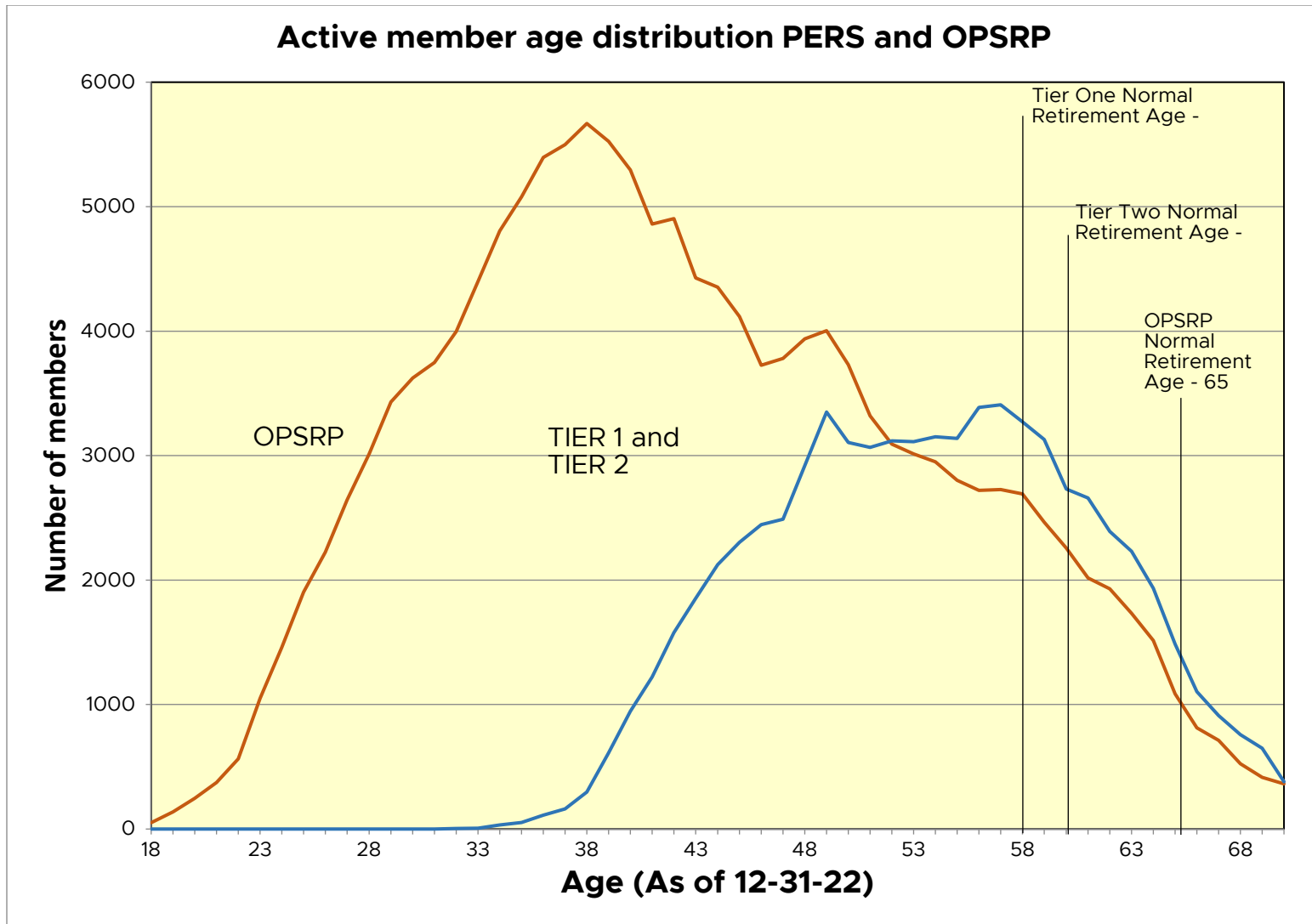
Membership demographics indicate that the demand for PERS services will continue to increase. The average number of retirements is projected to steadily climb to over 8,500 per year by 2024 from an average of about 7,500 per year for the past five biennia. In 2003, retirements spiked to over 12,000 due to benefit changes brought on by legislative reforms. In 2013, PERS experienced more than 9,600 retirements — a spike driven partly by legislative reforms. As of June 30, 2022, almost 52,000 members (15.2% of all active and inactive members) were currently eligible to retire based on age or years of service.

Member retirements impact all agency activities and services. As more members approach retirement, requests for benefit estimates and retirement information increase. When a member chooses to retire, that triggers a process of data compilation and verification, in partnership with employers, to support the benefit calculation and resulting notice of entitlement, which establishes the member benefit. In addition to calculating and processing the pension benefit, members also retire out of the IAP, which requires additional explanation of options, benefits, and processing. The volume of retirement requests and complexity of member account history, combined with legislative changes, drives PERS services and operational demands.

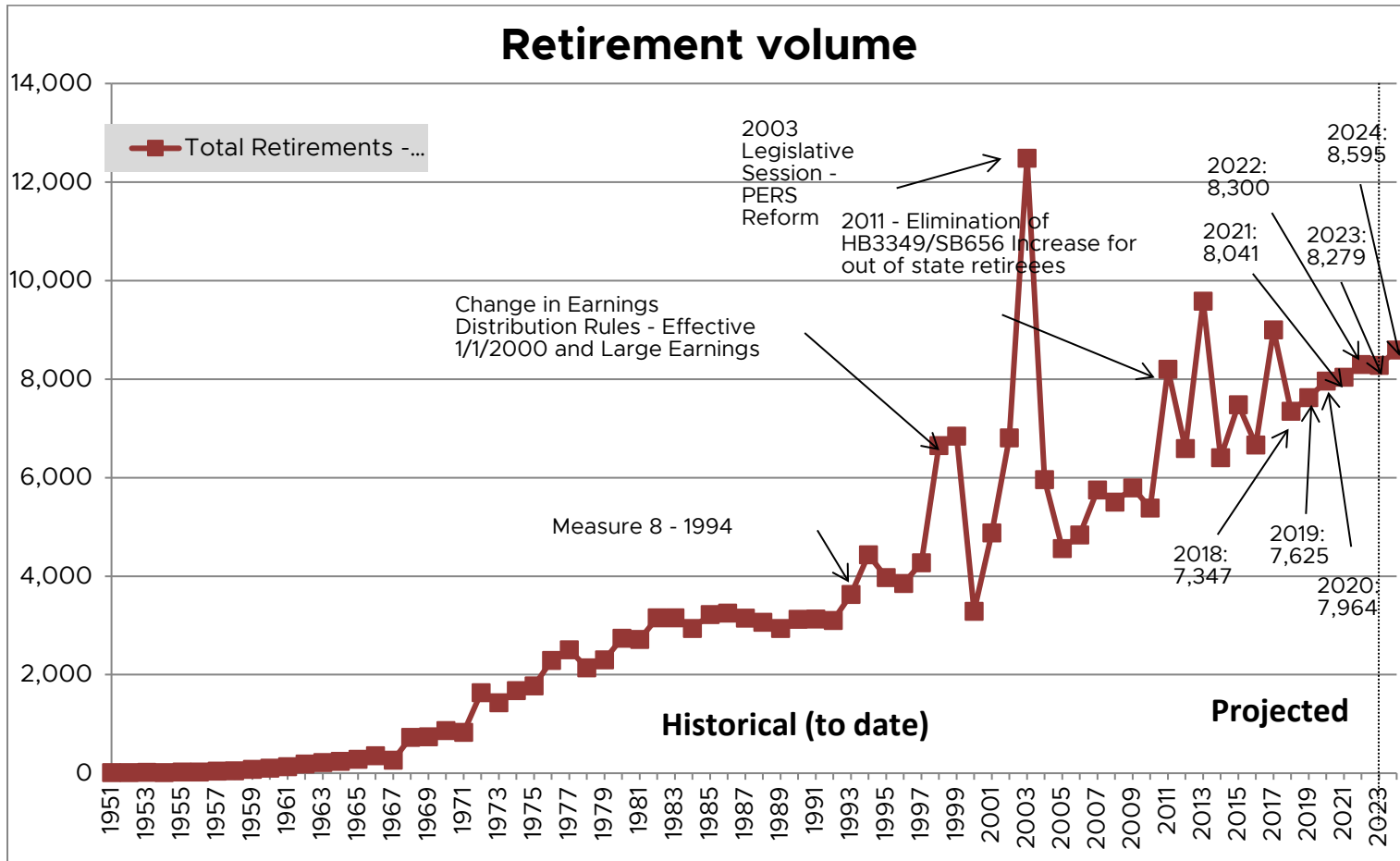
Many retiring members choose to participate in the PERS' Health Insurance Program. Their applications require a determination of eligibility, explanation of benefits, and deduction of premium for coverage. This program of four staff and partnership with a third-party administrator is at times challenged in communicating the expense and variety of health care coverage options available to retirees.

In addition to retiring members leaving public service, PERS accepts demographic data and establishes account information for new public employees. Finally, retired members are living longer, so PERS is experiencing an increased volume in the pension roll (number of retirees and beneficiaries receiving benefits), a complexity of cost-of-living adjustment (COLA) calculations especially after the *Moro* ruling in 2015, changes to tax withholding and reporting, and changes to demographic data, including addresses and bank routing information.

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Complex and evolving plan structures

From 1945 to 2022, the Legislature has approved more than 75 PERS plan changes that have impacted different aspects of the plan, including retiree benefit structures, eligibility, option selection, and healthcare premiums. Statutes and administrative rules that govern administration of the system have become increasingly complex over almost 75 years of the program. In 2003, the Legislature made broad changes to PERS by establishing the OPSRP Pension Program and IAP Program for all members regardless of tier. The changes mandated in 2003 had a major effect on PERS programs and benefit structures and created multiple special implementation projects, technology, and otherwise. At that time, PERS found administration of the plans and infrastructure of the system inadequate to meet reasonable service delivery expectations of stakeholders. The intricacy and volume of changes to PERS statutes since 2003 have also led to litigation from employers and members, increased the volume of contested cases, and caused delays in providing some basic services to members.

After the 2003 reforms, the 2005 legislative session brought minor plan changes and refinements, but the 2007 legislative session saw challenges and opportunities for improved services as some elements of the 2003 reforms were modified and further refined. During the 2009 and 2010 legislative sessions, changes continued as legislation created the data verification process and allowed purchases using pre-tax funds. In 2011, a key change prohibited PERS from paying a tax remedy increase if a person is not a resident of Oregon or not subject to Oregon personal income tax for those eligible members who retire on or after January 1, 2012.

A reduced cost-of-living adjustment (COLA) structure was approved by the Legislature in 2013, as was the addition of a temporary annual supplementary payment and elimination of all tax remedy payments for retirees who do not pay Oregon income taxes because they do not live in Oregon. At the end of April 2015, the Oregon Supreme Court ruled in the *Moro* decision, that most of the 2013 reforms were unconstitutional, requiring the agency to implement a repayment and recalculation project for more than 120,000 benefit recipients. Most payments and reconciliations will be complete by the end of the 2021-2023 biennium.

During the 2018 session, the Legislature focused PERS reform effort on creating several employer rate relief programs. In response to recommendations from the Governor's Unfunded Actuarial Liability (UAL) Task Force, the Employer Incentive Fund (EIF) was established to allow participating employers to receive some matching funds if they make a qualifying lump sum payment. Legislation also created a new side account for school district rate relief that will be capitalized by a variety of revenue streams. Finally, the UAL Resolution Program (UALRP) will be in place for employers participating in the EIF program, to acquire ways they may plan to make additional lump sum payments in the future.

Senate Bill (SB) 1049 was approved by the 2019 Oregon Legislative Assembly on May 30 and signed by the Governor on June 11, 2019. SB 1049 is comprehensive legislation intended to address the increasing cost of funding PERS, reduce system unfunded actuarial liabilities (UAL) obligations, and provide relief to escalating contribution rate increases for public employers. These goals will be accomplished through changes to member benefits, existing employer rate reduction programs, and re-amortization of the Tier One and Tier Two UAL.

Different provisions of the measure require the agency to develop short- and long-term plans to adjust the existing technology infrastructure for the retirement system that supports more than 900 public employers and 384,000 members and their beneficiaries. The implementation of SB 1049 is established as a program of five related projects. The five component projects of the SB 1049 Implementation Program are:

Member Redirect: Effective July 1, 2020, this section of the bill redirects a portion of member contributions to a new Employee Pension Stability Account (EPSA) when the funded status of the plan is below 90% and the member's monthly salary is more than \$2,500. House Bill (HB) 2906, in the 2021 session, changed the monthly salary threshold to \$3,333 per month (indexed to the consumer price index (CPI) each January 1).

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Member Choice: Effective January 1, 2021, this section of the bill allows members to elect a target-date fund (TDF) other than the default TDF based on their year of birth. PERS provides members the opportunity to make elections once a year in September, with the change taking effect the following January.

Work After Retirement: Effective January 1, 2020, this section of the bill allows retirees to work unlimited hours for PERS-participating employers in calendar years 2020-2024. It also requires employers to pay employer contributions on retirees' salary during that period. The rate that PERS will charge the employer will be the same as if the retiree remained an active member.

Salary Limits: Effective January 1, 2020, this section of the bill limits the amount of subject salary for all program members to \$195,000 for calendar year 2020. This amount will be indexed annually for inflation based on the CPI. The first adjustment for inflation will occur on January 1, 2021. This is a limit on salary for all plan purposes, including contributions and final average salary, not a salary cap.

Employer Programs: Effective July 1, 2019, these Employer Programs related sections of the bill clarify and expand the requirements for the Employer Incentive Fund, appropriate \$100 million from the General Fund to the Employer Incentive Fund, direct net proceeds from Oregon Lottery sports betting to the Employer Incentive Fund, allow participating public employers who make larger than \$10 million deposits to side accounts to determine when they wish to have these funds included in their employer rate assessment, and require all public employers to participate in the UALRP.

In the 2020 special sessions, \$35.3 million of General Fund moneys were removed from the original \$100 million appropriation. However, in the 2022 session, \$17.3 million of General Fund and \$17.5 million in Other Funds expenditure limitations were put back into the EIF to fund employers who had been on the 2019 EIF waiting list but were not able to get matching funds due to \$35.3 million being removed from the original appropriation.

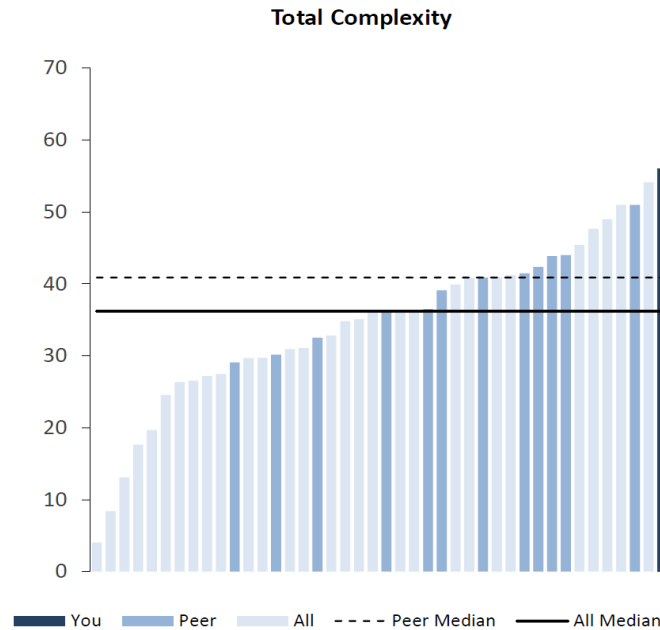
Federal law and regulation changes, along with court decisions, shape and refine the agency priorities and directives, requiring increased flexibility from PERS at the administrative level and throughout its business processes and systems.

BUDGET NARRATIVE

Program administration complexities

With its legislatively approved staffing and budget resources, PERS provides a variety of retirement services to over 393,000 members and benefit recipients and 904 public employers. The agency is heavily dependent on the use of various information technology systems and uses third-party administrators for elements of the Retiree Health Insurance, the Individual Account, and Deferred Compensation Programs. Frequent revisions to the Tier One, Tier Two, and OPSRP Pension Programs' complicate plan administration and frustrate member expectations. Additionally, PERS now administers an age-based target-date fund investment model for IAP funds, which requires custom technology solutions to report earnings on member accounts, provide new reporting for business operations, and support modification of files for use by the third-party administrator. The inability to keep pace with these changes across the plans, given the constraints in implementing technology changes or evolving staff organizational models, limits the agency's ability to achieve a core value of service to members.

PERS belongs to an international benchmarking service that benchmarks over 69 pension plans from across the world. When comparing the relative complexity of these systems, PERS is currently the second most complex pension administration system. The overall complexity score further increased for PERS because of the complexities associated with implementing the different elements of SB 1049. The accrued complexity is reflected in the accrued technical debt within the PERS Oregon Retirement Information Online Network (ORION) administrative system, which needs to begin to be addressed in the upcoming biennium.



BUDGET NARRATIVE

Criteria for 2023-2025 budget development

PERS has evolved toward becoming an aligned, outcome-driven agency. The Fundamentals Map that was developed outlines the agency mission, shared vision, and core values and operating principles. The agency's core work is measured according to six key goals, and those goals are achieved through performance improvement across various outcome and process measures.

When PERS completed its design of the PERS Outcome-Based Management System (POBMS), the next phase in our development was to address whether the organizational structure best supported the system. By creating the POBMS, we instituted cultural norms in how this agency would function. The agency's organizational structure needed to align with those norms so that further refinement and continued support for POBMS could be facilitated.

Aligning the agency's organizational structure by the processes through which we administer our trusts and other services fosters innovation and simplicity. Establishing clear lines of responsibility communicates to everyone a defined pathway to enhancing our service to members and employers, and accountability to stakeholders and each other. As a result, outcomes on key goals will improve as the focus sharpens on where and how we can better deploy our efforts to fulfill our mission and vision.

Using foundational elements of the management system, the agency's planning for the next biennium was based on a strategy to use the budget process to improve agency performance in targeted areas. The proposed policy option packages and organizational structure for the 2023-25 biennium are connected to tactical, incremental strategies to maintain or improve performance of our business objectives.

Modernization

As PERS emerges from its 75th year as an agency, we recognize that we must reimagine how we evolve and deploy our business capabilities via our people, processes, and technologies. This evolution is necessary to meet our member and employer needs into the future. Members and employers have a desire for more personalized and updated service delivery, such that they can be informed, interact, and transact with PERS at the time of their choosing using the channel of their choosing. This reimagining of our service delivery model will be accomplished, in alignment with our strategic plan, via an overarching modernization program that, ultimately, ensures that we are meeting those future stakeholder needs in the most effective and efficient means to do so.

BUDGET NARRATIVE

Initiatives and accomplishments

Package 102 – Production Data Center

This policy package is aligned with the PERS 2018-23 strategic plan initiative, Member Services, and Communications in the focus area of quality delivery methods by enhancing Online Member Services and modernizing the PERS website to be compatible with common interfaces. In addition, this project will increase data reliability, another 2018-23 strategic plan initiative, by consolidating IAP data and providing a query process that is more efficient and less complex. Lastly, this project addresses the strategic plan initiative for information governance, security, and technology in two focus areas — information governance and Agile technology system.

Status

PERS completed its migration to the state data center in April 2022 with the project fully closed out in June 2022. PERS built out cloud-based backup data center functionality; however, PERS was not able to fully implement the functionality due to size restrictions in the pipeline that did not allow PERS to fully replicate the data overnight. Consequently, PERS is working with the Department of Administrative Services (DAS) to move PERS to the State Azure Commercial Tenant to guarantee use of the Microsoft Express Route, which should provide sufficient capacity to replicate timely and fully enable PERS to have a functional backup data center.

Package 106 – Risk and Security Management

As identified in PERS 2018-2023 strategic plan and subsequently called out in a Senate Bill (SB) 5534 (2017) budget note, PERS was “directed to develop and implement an industry standard Cyber Security Program, including defining the long-term maintenance, operation and funding plans for the program.” Two additional budget notes require PERS to develop and implement business continuity and disaster recovery programs respectively. Lastly, on February 21, 2018, Governor Brown published a policy (no. 107-001-010) requiring all agencies to develop continuity of operations programs (COOP).

Status

By the June 2019 biennium, PERS implemented industry best-practice information security programs and continuity management plans. In the current biennium, PERS has been working to mature both programs using road maps developed by external consultants with work focused on defining the long-term maintenance, operation, and funding plans for the programs. Both plans had full reviews done in 2021 and will also perform another review in 2023. DAS Cyber Security Services also performed a Center for Internet Security (CIS) controls basic assessment in 2021 with solid results.

Package 107 – Deferred Maintenance

As per SB 1067 (2017), agencies who own their own building are required to budget for capital improvements and deferred maintenance. PERS received \$425,000 to: (1) re-coat roof, (2) repair skylight over lobby, (3) install a gender-neutral bathroom, and (4) resurface the parking lot.

Status

By the end of the current biennium, PERS will have made the capital improvements identified above.

BUDGET NARRATIVE

SB 1049 Implementation Program

Package 802 – Project Management and Administration

Package 803 – Quality Assurance and Testing

Package 804 – Information Technology Applications

Package 805 – Operational Implementation

Package 806 – Contingency Reserve

Senate Bill 1049 was approved by the 2019 Oregon Legislative Assembly on May 30 and signed by the Governor on June 11, 2019. SB 1049 is comprehensive legislation intended to address the increasing cost of funding Oregon's Public Employees Retirement System, reduce system unfunded actuarial liability (UAL) obligations, and provide relief to escalating contribution rate increases for public employers. These goals will be accomplished through changes to member benefits, existing employer rate reduction programs, and re-amortization of the Tier One and Tier Two UAL.

Different provisions of the measure require the agency to develop short- and long-term plans to adjust the existing technology infrastructure for the retirement system that supports more than 900 public employers and 393,000 members and their beneficiaries. The implementation of SB 1049 is established as a program of five related projects. The five component projects of the SB 1049 Implementation Program are:

Member Redirect

Effective July 1, 2020, this section of the bill redirects a portion of member contributions to a new Employee Pension Stability Account (EPSA) when the funded status of the plan is below 90% and the member's monthly salary is more than \$2,500.

Status: On June 18, 2020, there was an initial implementation to allow for Member Redirect functionality to be in place for the July 1, 2020, effective date. There will be iterative implementations done to add incremental functionality with the final implementation scheduled, at this time, to be complete by December 31, 2024.

Member Choice

Effective January 1, 2021, this section of the bill allows members to elect a target-date fund (TDF) other than the default TDF based on their year of birth. PERS anticipates providing members the opportunity to make elections once a year during a defined time frame.

Status: The final permanent solution was implemented by June 24, 2021, as one of three work packages/iterations. For changes taking effect January 1, 2021, there were 1,311 members who chose to be invested in an IAP target date fund different than their default age tranche. For changes taking effect January 1, 2022, there were 685 members.

Work After Retirement

Effective January 1, 2020, this section of the bill allows retirees to work unlimited hours for PERS-participating employers in calendar years 2020-2024. It also requires employers to pay employer contributions on retirees' salary during that period. The rate that PERS will charge the employer will be the same as if the retiree remained an active member.

Status: The final permanent solution was implemented by December 16, 2021, with four work packages/iterations completed.

Salary Limits

Effective January 1, 2020, this section of the bill limits the amount of subject salary for all program members to \$195,000 for calendar year 2020. This amount will be indexed annually for inflation based on the CPI. The first adjustment for inflation will occur on January 1, 2021. This is a limit on salary for all plan purposes, including contributions and final average salary, not a salary cap.

Status: The final permanent solution was implemented May 13, 2021, through four work packages/iterations. This project applies to fewer than 1,000 members.

BUDGET NARRATIVE

Employer Programs

Effective July 1, 2019, these employer programs-related sections of the bill clarify and expand the requirements for the Employer Incentive Fund (EIF), appropriate \$100 million from the General Fund to the Employer Incentive Fund, direct net proceeds from Oregon Lottery sports betting to the Employer Incentive Fund, allow participating public employers who make larger than \$10 million deposits to side accounts to determine when they wish to have these funds included in their employer rate assessment, and require all public employers to participate in the Unfunded Actuarial Liability Resolution Program.

Status

There was a \$100 million General Fund appropriation in SB 1049 to capitalize the EIF. At the 2020 2nd Special Session, SB 5723 moved \$35.3 million out of the EIF back into General Revenue. Additionally, the one revenue stream that was intended to provide ongoing EIF funding, sports betting lottery revenue, was reallocated, then vetoed by the Governor. Consequently, the total EIF funds used to match employer side account deposits was \$67.7 million. In 2021, there was over \$549 million in side accounts added to the PERS system, including \$337 for employer side accounts and their matches, \$41 million in transition liabilities, \$107 million from alternative amortization periods that did not receive an EIF match, and \$64 million from waitlisted employers who set up a side account but didn't receive an EIF match. In the 2022 session, \$17.3 million of General Fund and \$17.5 million in Other Funds expenditure limitation were put back into the EIF to fund employers who had been on the 2019 EIF waiting list but were not able to get matching funds due to the \$35.3 million being removed from the original appropriation.

Oregon Scoreboard Lottery proceeds have been designated as the ongoing source of EIF funding. These lottery funds provided \$7.3 million in the 2019-21 biennium and \$19.5 million during the 2021-23 biennium to be used in the next application cycle.

Employers who applied for EIF participated in the initial version of the UALRP. The UALRP will evolve over time so that employers are supported in developing their long-term funding plans. PERS is working collaboratively with our Employer Advisory Group to ensure that the funding plans, which will be defined through this process, meet both employer and PERS' needs.

To support the UALRP, PERS implemented a new actuarial planning solution on June 17, 2021, to replace the existing Employer Contribution Rate Projection Tool. PERS selected a solution developed by CalPERS and made the necessary changes to this software so that it can be used by PERS' employers.

BUDGET NARRATIVE

Performance measures

2022 Annual Performance Progress Report

With the combined resources of the agency budget and policy option packages approved in 2017, PERS made significant progress on the objectives set forth in the key performance measures, as well as in the area of business process improvements as measured through the PERS Outcome-Based Management System. Indicators of that progress are discussed below.

Timely and accurate payment of PERS benefits

The key performance measure is to provide 80% of initial retirement payments within 45 days of the member's effective retirement date. During FY 2022, PERS issued 45% of its pension benefit inceptions within 45 days of the member's effective retirement date, the same rate of performance rate in FY 2021.

High-quality customer service

For the FY 2022 member survey, PERS received close to 2021 ratings levels in all categories. Members rated PERS between 80% and 86% "good" or "excellent," with 85% of members rating PERS' overall service as good or excellent. Members rated PERS highest in accuracy and expertise (86% and 87%) and lowest in availability of information (80%).

In the FY 2022 employer survey, the results also reflected similar rating in every category. Employers rated PERS between 80% and 87% "good" or "excellent," with 87% of employers rating PERS' overall service as excellent or good. Employers rated PERS highest in expertise (87%) and lowest in availability of information (80%).

Optimize effectiveness and efficiency

PERS' member to staff ratio decrease to 979:1 in FY 2022, up from 998:1 in FY 2021. The staffing for FY 2022 increased by less than 2.2% from FY 2021 levels, while the membership levels increase 0.3% this year. Managing the increasing membership with existing staffing levels has allowed the member to staff ratio to continue to increase for the third year in a row.

For fiscal year 2022, CEM Benchmarking, Inc. reported that, because of greater system complexity and a greater number of programs administered, PERS is higher staffed (thus serving fewer members per full-time equivalent (FTE) staff) than many of its peers. However, while PERS is higher staffed for some benefit administration activities, there are also activities that PERS is lower staffed. When compared to its peer average, PERS was more heavily staffed per 10,000 members versus its peer average.

Please see the full 2022 Annual Performance Progress Report in the Special Reports Section of this document for more information.

Major information technology projects

Much of the work and communication with and throughout PERS is electronic in nature. Employers report data electronically, members are educated and informed about their benefits electronically (through the PERS website and emails) and may conduct their benefit administration tasks (e.g., sending information change requests) electronically, and PERS databases hold copious volumes of employment history and associated information about members through and after public employment, stretching back the better part of a century. PERS' staff use this data and a variety of tools to calculate benefit estimates, generate payments, and track more than 393,000 active and inactive members or benefit recipients.

The 2003 PERS Reforms drove development of the current technology systems and databases. Since that time, further operational and process efficiencies have been developed based on existing technology; but technology has evolved, and member and employer interactions are becoming more web (and mobile) based. To keep pace with these changes, PERS must have an agile technology platform responsive to its business expectations, a key goal in our 2018-2023 strategic plan.

BUDGET NARRATIVE

PERS has evolved into a process-driven organization through implementation of its outcome-based management system (which began development in 2012). We judge the success of agency work and make decisions about changes based on processes and their outcomes, which provides a rational, data driven approach to agency priorities and resource allocation.

Modernization plan

PERS needs to modernize, enhance, and sustain our communication and technological foundation to better align with the needs of our members as we strive to engage them in their career-long retirement planning. To implement industry best practices in line with member expectations, we need to establish a technology platform that is flexible, secure, and aligned with today's service-driven technology standards. Modernization will improve information technology efficiency, responsiveness to business operational changes, and resolve functionality and technical debt deficiencies that affect system administration, performance, maintainability, and sustainability, as well as increase overall productivity.

Recent changes to the plans PERS administers continue to add complexity to ORION, specifically SB 1049 from the 2019-21 legislative session (IAP Redirect, IAP Member Choice, Work After Retirement, Salary Limits, and Employer Programs). Implementing these significant changes to an already aging and quickly depreciating system, and on an architecture that is not conducive to change, adds more technical debt and further burdens on maintaining ORION, which directly affects our ability to provide adequate services to our members and employers.

BUDGET NARRATIVE

Program prioritization for 2023-25

PROGRAM PRIORITIZATION FOR 2023-2025																
Public Employees Retirement System																
2023-2025 Biennium Agency Number: 45900																
PERS-All Programs																
Program/Division Priorities for 2023-2025 Biennium																
1	2	3	4	5	6	7	10	11	14	15	16	18	19	20	22	
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program- Activity Code	OF	NL-OF	TOTAL FUNDS	Pos.	FTE	Included as Reduction Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Comments on Proposed Changes to CSL included in Agency Request		
Agcy	Prgm/ Div															
1	1	PERS	CH 238	Tier One and Tier Two Programs	KPM #1, 2, 3, 4, 6, 7 & 8	4		11,661,148,836				N	C	Article 1	No Changes to CSL -	
1	1	PERS	OPSRP-IAP	Individual Account Program	KPM #1, 2, 3, 4, 6, 7 & 8	4		1,482,829,663				N	C	Article 1	No Changes to CSL -	
1	1	PERS	OPSRP-DB	Pension Program	KPM #1, 2, 3, 4, 6, 7 & 8	4		160,874,644				N	C	Article 1	No Changes to CSL -	
			OPSRP-IAP	Third Party Administration	KPM #1, 2, 3, 4, 6, 7 & 8	4		5,810,763				N	S	ORS 238 A	No Changes to CSL -	
			Admin	Central Administration	KPM #1, 2, 3, 4, 6, 7 & 8	4	19,214,556	\$ 19,214,556	51	51.00		Y	S	ORS 237,238, & 238A	Policy Pkg 102, 111	
			FSD	Financial Services Division	KPM #1, 2, 3, 4, 6, 7 & 8	4	24,400,400	\$ 24,400,400	34	34.00		Y	S	ORS 237,238, & 238A	Policy Pkg 106	
			ISD	Information Services Division	KPM #1, 2, 3, 4, 6, 7 & 8	4	30,823,085	\$ 30,823,085	78	78.00		Y	S	ORS 237,238, & 238A	Policy Pkg. 102, 105, 108	
			OD	Operations Division	KPM #1, 2, 3, 4, 6, 7 & 8	4	38,954,451	\$ 38,954,451	200	200.00		Y	S	ORS 237,238, & 238A	Policy Pkg 102,106,108,109,110	
			CARD	Compliance, Audit and Risk Division	KPM #1, 2, 3, 4, 6, 7 & 8	4	10,470,390	\$ 10,470,390	21	21.00		Y	S	ORS 237,238, & 238A	Policy Pkg 104	
							123,862,882	13,310,663,906	384	384.00						

19. Legal Requirement Code

- C Constitutional
- D Debt Service
- FM Federal - Mandatory
- FO Federal - Optional (once you choose to participate, certain requirements exist)
- S Statutory

Within each Program/Division area, prioritize each Budget Program Unit (Activities) by detail budget level in ORBITS

Document criteria used to prioritize activities:

PERS administers a single integrated system of retirement, disability and death benefits for employees of public employers throughout Oregon. Business processes, service delivery and support functions for the Retirement, Disability and Death Program are integrated across the divisions (detailed cross references) of the agency. Oregon courts have established that members have a contract right to these benefit programs and, as such, those rights cannot be impaired by law, in accordance with the Oregon Constitution's Article 1. The Retirement, Disability and Death Program is the agency's top priority.

This program frees public employers from the administrative burden of administering individual retirement plans. Economy of scale savings produced. Single plan across the state provides mobility for trained public servants. Provides the Oregon Legislature with the ability to influence public pension policy on a statewide basis.

ORS 237, 238, 238A To ensure the PERS retirement plan remains in compliance with federally mandated pension plan standards, ORS 238.630(3)(g) directs the PERS Board, "Shall adopt rules and take all actions necessary to maintain qualification of the Public Employees Retirement System and the Public Employees Retirement Fund as a qualified governmental retirement plan and trust under the Internal Revenue Code and under regulations adopted pursuant to the Internal Revenue Code. Rules under this paragraph may impose limits on contributions to the system, limits on benefits payable from the system and other limitations or procedures required or imposed under federal law or regulation for the purpose of qualification of the Public Employees Retirement System and Public Employees Retirement Fund under the Internal Revenue Code as a governmental plan and trust."

BUDGET NARRATIVE

PROGRAM PRIORITIZATION FOR 2023-2025

Public Employees Retirement System	
2023-2025 Biennium	Agency Number: 45900
PERS Retiree Health Insurance Program	

Program/Division Priorities for 2023-2025 Biennium																
1	2	3	4	5	6	7	10	11	14	15	16	17	18	19	20	22
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program- Activity Code	OF	NL-OF	TOTAL FUNDS	Pos.	FTE	New or Enhanced Program (Y/N)	Included as Reduction Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Comments on Proposed Changes to CSL included in Agency Request	
Agcy	Prgm/ Div															
2	2	PERS	RHIA	Retirement Health Insurance Account	KPM # 2, 3, 6 & 8	4		67,436,322	\$ 67,436,322				N	S	ORS 238.420	No Changes to CSL -
2	2	PERS	RHIPA	Retirement Health Insurance Premium Account	KPM # 2, 3, 6 & 8	4		7,710,867	\$ 7,710,867				N	S	ORS 238.415	No Changes to CSL -
2	2	PERS	SRHIA	Standard Retiree Health Insurance Account	KPM # 2, 3, 6 & 8	4		142,111,496	\$ 142,111,496				N	S	ORS 238.410	No Changes to CSL -
			Admin	Third Party Administration	KPM # 2, 3, 6 & 8	4		89,171,000	\$ 89,171,000				N	S	ORS 237,238, & 238A	No Changes to CSL -
			OD	Operations Division	KPM # 2, 3, 6 & 8	4	1,666,860		\$ 1,666,860	4	4.00		Y	S	ORS 237,238, & 238A	No Changes to CSL -
								\$ -								
								\$ -								
							1,666,860	306,429,685	\$ 308,096,545	4	4.00					

19. Legal Requirement Code

- C Constitutional
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- S Statutory

Within each Program/Division area, prioritize each Budget Program Unit (Activities) by detail budget level in ORBITS

Document criteria used to prioritize activities:

The PERS Retiree Health Insurance Programs provide health care insurance protection to eligible members. A Medicare health insurance supplement is also provided. Business processes, service delivery and support functions for the Retiree Health Insurance Program are integrated across the divisions (detailed cross references) of the agency. The Health Insurance Program is the agency's second priority.

This program frees public employers from the administrative burden of administering individual retirement plans with specialized health insurance rules. Economy of scale savings produced. Single plan across the state provides mobility for trained public servants. Provides the Oregon Legislature with the ability to influence public employee health insurance policy on a statewide basis.

ORS 238.410, 415, 420 To ensure the Health Insurance plan remains in compliance with federally mandated pension plan standards ORS 238.630(3)(g) directs the PERS Board, "Shall adopt rules and take all actions necessary to maintain qualification of the Public Employees Retirement System and the Public Employees Retirement Fund as a qualified governmental retirement plan and trust under the Internal Revenue Code and under regulations adopted pursuant to the Internal Revenue Code. Rules under this paragraph may impose limits on contributions to the system, limits on benefits payable from the system and other limitations or procedures required or imposed under federal law or regulation for the purpose of qualification of the Public Employees Retirement System and Public Employees Retirement Fund under the Internal Revenue Code as a governmental plan and trust."

BUDGET NARRATIVE

PROGRAM PRIORITIZATION FOR 2023-2025

Public Employees Retirement System

2023-2025 Biennium Agency Number: 45900

Agency-Wide Priorities for 2023-2025 Biennium

1	2	3	4	5	6	7	10	11	14	15	16	18	19	20	22
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program-Activity Code	OF	NL-OF	TOTAL FUNDS	Pos.	FTE	Included as Reduction Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Comments on Proposed Changes to CSL included in Agency Request	
Agcy	Prgm/Div														
1	1	PERS	All Programs	KPM #1, 2, 3, 4, 6, 7 & 8	4	123,862,882	13,310,663,906	\$ 13,434,526,788	384	384.00	Y	C	Article 1	Policy Pkg. 101-111	
2	2	PERS	PERS Retiree Health Insurance Program	KPM # 2, 3, 6 & 8	4	1,666,860	306,429,685	\$ 308,096,545	4	4.00	Y	S	ORS 238.410, 415 & 420	No Changes to CSL -	
3	3	PERS	OSGP	Deferred Compensation Program	KPM # 2, 3, 5, 6 & 8	4	0	\$ -	7	7.00	Y	S	ORS 243.401 - 243.507	No Changes to CSL -	
4	4	PERS	Social Security Coverage Program	KPM # 2, 3, 6 & 8	4	0		\$ -	1	1.00	Y	FM	Fed Reg Title 20, 404.1204	No Changes to CSL -	
								\$ -							
								\$ -							
								\$ -							
						125,529,742	13,617,093,591	\$ 13,742,623,333	396	396.00					

19. Legal Requirement Code

- C Constitutional
- D Debt Service
- FM Federal - Mandatory
- FO Federal - Optional (once you choose to participate, certain requirements exist)
- S Statutory

Prioritize each program activity for the Agency as a whole

Document criteria used to prioritize activities:

See criteria discussion at the Program/Activity priorities level.

BUDGET NARRATIVE

10% reduction options (ORS 291.216)

ACTIVITY OR PROGRAM	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
1. Eliminate toll-free telephone line	Eliminates toll-free telephone line, requiring members, employers, and retirees outside of the Portland area to personally incur long-distance charges for contacting PERS by telephone. (Amount based on 160,000 calls averaging 21 minutes per call, at \$.034 per minute.)	\$198,613 Other Funds	Toll-free telephone line is provided to facilitate customer service for statewide population of members, employers, and retirees. Eliminating the toll-free number will not change the nature of the service customers receive, but will hamper customer access to that service, challenging this agency's key performance measure (KPM) #6 — 95% of customers' rating service as "good" or "excellent."
2. Eliminate newsletter for active members	Eliminates publication of agency newsletter to active PERS members.	\$36,163 Other Funds	Eliminates a cost-effective communication tool that pushes information to active members in furtherance of this agency's KPM #6 — Customer Service. The newsletter would continue to be available on the PERS website for those active members with internet access.
3. Reduce facilities rental and maintenance	Eliminates or reduces the use of buildings outside of the headquarters building and associated maintenance.	\$393,581 Other Funds	Eliminates rented facilities and consolidates work into one location.
4. Reduce AG fees	Limits legal sufficiency review to contracts over \$150,000 (per OAR 137-045-0030 requirements) and decreases litigation support.	\$409,413 Other Funds	Decreased legal sufficiency review and Department of Justice (DOJ) litigation support will increase risk to the agency. Staff will provide policy direction and contract services without complete resolution of legal issues or in a less timely manner, resulting in reduced customer service (KPM #6), and making achievement of KPM #8 (meeting 100% of board best-practice criteria) less likely.

BUDGET NARRATIVE

ACTIVITY OR PROGRAM	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
5. Reduce IT contracting budget and professional services	Reduces IT contracting budget and professional services for agency projects.	\$530,818 Other Funds	Decreases the agency's timeliness and efficiency in implementing IT modifications, such as in response to legislative changes or process improvements, increasing total benefit admin. costs (KPM #2), and hindering achievement of KPM #8 – Board Best Practices.
6. Reduce IT systems and equipment upgrades	Reduces system modifications/upgrades, scheduled replacement of IT hardware, software, and ancillary equipment.	\$164,159 Other Funds	Increases risk of failed network and desktop equipment and service delays, hindering the agency's ability to achieve KPM #6 – Customer Service.
7. Reduce outside professional services contracts	Reduces contracting budget and professional services for agency projects.	\$1,229,307 Other Funds	Decreases the agency's timeliness and efficiency in implementing modifications, such as response to legislative changes or process improvements, increasing total benefit admin. costs (KPM #2), and hindering achievement of KPM #8 – Board Best Practices.
8. Reduce other services related to collections	Reduces contract costs associated with collecting receivables.	\$209,889 Other Funds	Decreases contract costs and banking fees associated with receivables, reducing revenue.
9. Reduce office supplies (S&S)	Reduces office supplies support to all divisions and sections.	\$291,230 Other Funds	Challenges the agency's ability to meet customers' and business lines' needs, hindering the agency's ability to achieve KPM #6 – Customer Service.
10. Reduce expert witness and independent medical exam (IME) support	Reduces professional services, expert witness, and IME contract budget for disability claim review/determination.	\$52,380 Other Funds	Forces agency to be more reliant on member's medical evaluations instead of independent reviews, leading to increased potential for fraud or abuse. Inconsistent with KPM #8 – Board Best Practices.

BUDGET NARRATIVE

ACTIVITY OR PROGRAM	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
11. Reduce training and travel agency-wide	Eliminates training and travel programs.	\$458,775 Other Funds	Reduces consistent and up-to-date training, increasing the risk of inconsistent or inaccurate agency processes. Impedes progress on KPM #8 – Board Best Practices.
12. Reduce the use of employee overtime, and all other pay differentials	Eliminates the use of any overtime or pay differentials to accomplish related work programs within or above set pay ranges.	\$922,992 Other Funds	Increases time needed for work completion and response time to the agency's customers and business lines, hindering the agency's ability to achieve KPM #6 – Customer Service.
13. Proposed 10-day furlough for all employees during a 24-month budget period.	Would require state and union approval to implement a furlough option at the 5% reduction level.	\$1,673,587 Other Funds	Decreases number of workdays in a biennium by 10 for all staff members, reducing payroll costs. Increases time needed for work completion and response time to the agency's customers and business lines, hindering the agency's ability to achieve KPM #6 – Customer Service.
5% reductions			
14. Reduce project management support	Eliminates three positions responsible for coordination and delivery of project management. (Three position – 3.00 FTE)	\$773,395 Other Funds	Increases time needed to complete work, response time to customers, and project management risks, hindering progress on KPM #8 – Board Best Practices.
15. Eliminate deputy director executive support	Eliminates one position providing executive support to Deputy Director. (One position – 1.00 FTE)	\$239,266 Other Funds	Increases time needed for work completion and response time to the agency's customers and business lines, hindering the agency's ability to achieve KPM #6 – Customer Service.
16. Eliminate Fiscal Services Division executive support	Eliminates one position providing executive support to the Chief Financial Officer, Fiscal Services Division managers, and staff. (One position – 1.00 FTE)	\$212,026 Other Funds	Increases time needed for work completion and response time to the agency's customers and business lines, hindering the agency's ability to achieve KPM #6 – Customer Service.

BUDGET NARRATIVE

ACTIVITY OR PROGRAM	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
17. Reduce fiscal services program support	Eliminates three accounting positions supporting general ledger transactions, journal entries for jClarety activity, and reconciliation of employer and member accounts. (Three positions – 3.00 FTE)	\$661,436 Other Funds	Increases time needed to complete work, response time to customers, and file audit risks, hindering progress on KPM #8 – Board Best Practices.
18. Reduce disability program support	Eliminates one position supporting disability application processing. (One position – 1.00 FTE)	\$360,351 Other Funds	Increases risk of application support and development. Hinders the agency's ability to achieve KPM #1 – Timely Retirement Payments, KPM #6 – Customer Service, and KPM #7 – Timely Benefit Estimates.
19. Reduce technical support for data query	Eliminates one position processing and developing queries. (One position – 1.00 FTE)	\$255,903 Other Funds	Increases time needed for data processing and customer response time, hindering the agency's ability to achieve KPM #1 – Timely Retirement Payments, KPM #6 – Customer Service, and KPM #7 – Timely Benefit Estimates. Increases time needed for data processing and customer response time, hindering the agency's ability to achieve KPM #1 – Timely Retirement Payments, KPM #6 – Customer Service, and KPM #7 – Timely Benefit Estimates.
20. Eliminate Operations Division administrative support	Eliminates two positions providing administrative support for Operations Division. (Two positions – 2.00 FTE)	\$314,731 Other Funds	Increases time needed for work completion and response time to the agency's customers and business lines, hindering the agency's ability to achieve KPM #6 – Customer Service.

BUDGET NARRATIVE

ACTIVITY OR PROGRAM	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
21. Reduce legislative coordinator support and activities	Eliminates one position responsible for legislative coordination regarding program updates, changes in regulations, and new rules. (One position — 1.00 FTE)	\$293,896 Other Funds	Eliminates FTE used to support agency-wide legislative coordination and communication. Position functions would be spread among agency staff or directed to another agency, increasing benefit administration costs counter to KPM #2 — Total Benefit Admin. Costs, and hindering the agency's ability to achieve KPM #6 — Customer Service.
22. Eliminate PERS Health Insurance Program administrative support	Eliminates one position providing administrative support to Health Insurance Program manager. (One position — 1.00 FTE)	\$183,460 Other Funds	Increases response time to the agency's customers and business lines, hindering the agency's ability to achieve KPM #1 — Timely Retirement Payments, and KPM #6 — Customer Service.
23. Eliminate deferred compensation program support in Salem	Eliminates two program support positions, closes Salem office, and reassigns staff to Tigard office. (Two positions — 2.00 FTE)	\$183,460 Other Funds	Increases response time to the agency's customers and business lines, hindering the agency's ability to achieve KPM #1 — Timely Retirement Payments, and KPM #6 — Customer Service.
24. Reduce fiscal services program support	Eliminates one accounting position supporting general ledger transactions, journal entries for jClarety activity, and reconciliation of employer and member accounts. (One position — 1.00 FTE)	\$239,448 Other Funds	Increases time needed to complete work, response time to customers, and file audit risks, hindering progress on KPM #8 — Board Best Practices.
25. Reduce contracts and procurement program support	Eliminates one procurement assistant support position. (One position — 1.00 FTE)	\$177,059 Other Funds	Increases time needed to complete work, response time to customers, and contract file audit risks, hindering progress on KPM #8 — Board Best Practices.
26. Reduce divorce program support	Eliminates one position supporting divorce services program management, productivity enhancements problem resolution/troubleshooting. (One position — 1.00 FTE)	\$206,070 Other Funds	Increases time needed for work completion and response time to the agency's customers and business lines, hindering the agency's ability to achieve KPM #6 — Customer Service.

BUDGET NARRATIVE

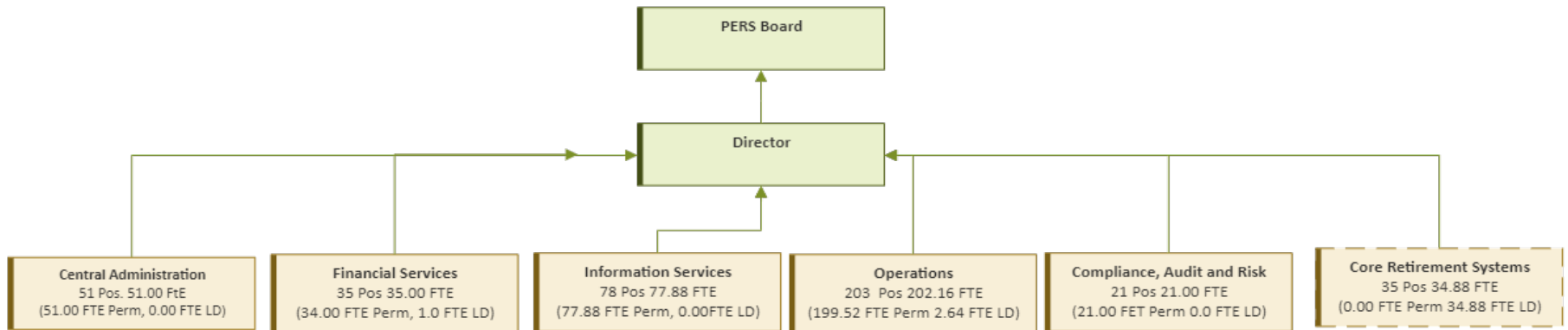
ACTIVITY OR PROGRAM	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
27. Reduce benefit estimate and administrative program support	Eliminates one position supporting benefit estimates and one position supporting data validation. (Two positions – 2.00 FTE)	\$330,274 Other Funds	Increases time needed for work completion and response time to the agency's customers and business lines, hindering the agency's ability to achieve KPM #6 – Customer Service.
28. Reduce business rules coordination program support	Eliminates one position providing agency-wide coordination of business rules. (One position – 1.00 FTE)	\$276,090 Other Funds	Increases time needed for work completion and response time to the agency's customers and business lines, hindering the agency's ability to achieve KPM #8 – Board Best Practices.
29. Reduce tech imaging support for agency	Eliminates two positions coordinating technical imaging support. (Two positions – 2.00 FTE)	\$282,472 Other Funds	Eliminates resources used to improve agency quality and accountability, preventing efforts to reduce agency costs in support of KPM #2 – Total Benefit Admin. Costs and conform to KPM #8 – Board Best Practices.
30. Reduce actuarial service program support	Eliminates one position providing support to the actuarial services. (One position – 1.00 FTE)	\$239,163 Other Funds	Increases time needed to complete work, response time to customers, and file audit risks, hindering progress on KPM #8 – Board Best Practices.
31. Reduce operations & policy analyst 3	Eliminates one position Operations & Policy Analyst 3 (One position – 1.00 FTE)	\$222,336 Other Funds	Reduces policy research and support.
Totals	29 positions (29.00 FTE)	\$13,200,776 Other Funds	

7.6% of 384 CSL positions	10.00% of \$132,007,761 CSL
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BUDGET NARRATIVE

2021-23 organization chart

Public Employees Retirement System
 2021-23 Legislatively Approved Budget
 429 Positions
 424.68 FTE



- Executive Oversight
- Board Support
- Legislative Coordination
- Strategic & Operational Planning
- Publication & Communications
- Facility Services
- Human Resources
- Contracting/Procurement

- Actuarial Services
- Financial Modeling
- Budget & Fiscal
- Contributions/Banking
- Financial Reporting

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

- Member Information Center
- Employer Service Center
- Retirement Education
- Specialty Qualification
- Benefit Application Intake & Review
- Benefit Preparation
- Data Integrity
- Member Account Adjustment
- Retiree Health Insurance
- Oregon Savings Growth Plan (Deferred Compensation)
- Social Security

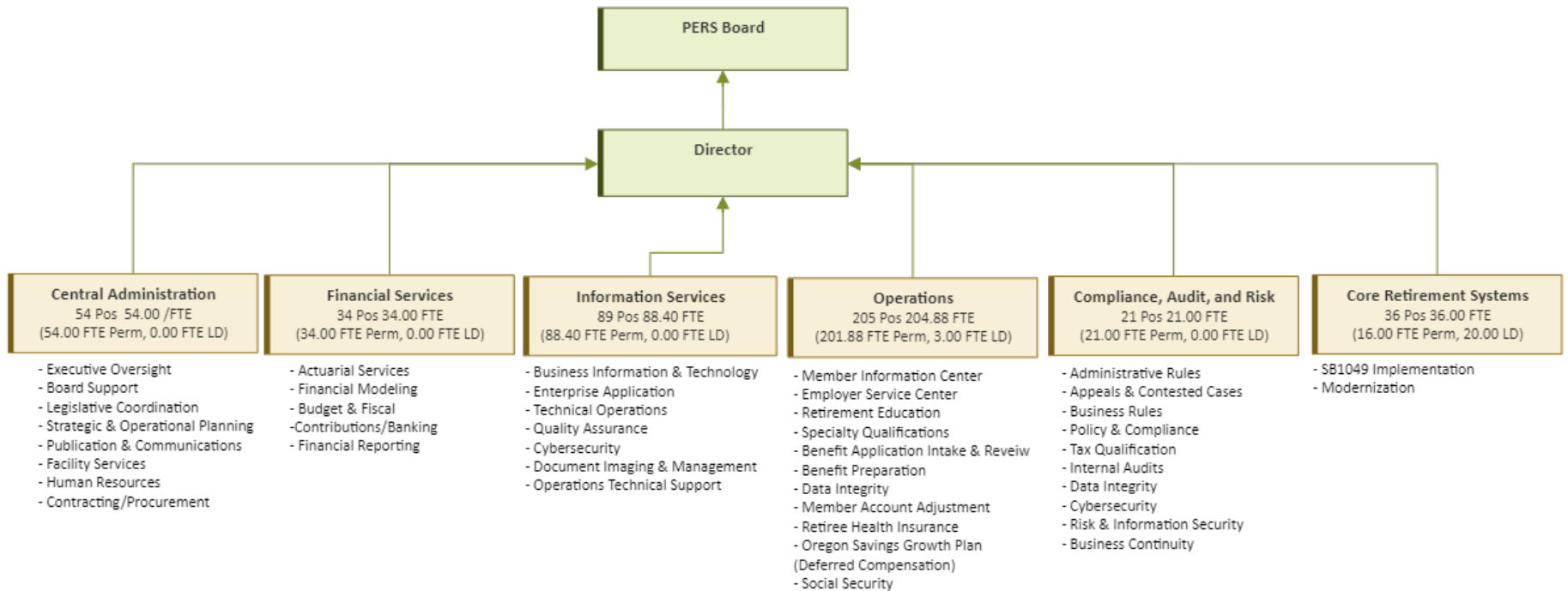
- Administrative Rules
- Appeals & Contested Cases
- Business Rules
- Policy & Compliance
- Tax Qualification
- Internal Audits
- Data Integrity
- Cybersecurity
- Risk & Information Security
- Continuity Management

- SB1049 Implementation
- Modernization

BUDGET NARRATIVE

2023-25 organization chart

Public Employees Retirement System
 2023-25 Legislatively Adopted Budget
 439 Positions
 436.69 FTE



BUDGET NARRATIVE

Revenues

Revenue Forecast Discussion

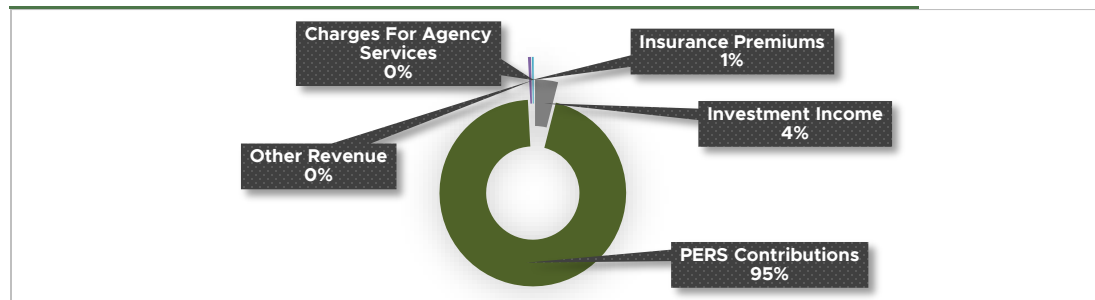
PERS provides administrative support to several programs and related retirement activities. Every program account and activity has dedicated revenue sources authorized by statute. Revenue streams for several of the programs and activities are combined for revenue projection purposes because the revenue sources are similar. Revenues for the Oregon Public Employees Retirement Fund (OPERF) (ORS 238), Oregon Public Service Retirement Plan (OPSRP) (ORS 238A), Benefit Equalization Fund (BEF) (ORS 238.485), Retirement Health Insurance Account (RHIA) (ORS 238.420), and Retirement Health Insurance Premium Account (RHIPA) (ORS 238.415) are combined. The Deferred Compensation Program (state) (ORS 243) and the Standard Retiree Health Insurance Account (SRHIA) (ORS 238.410(7)) have different funding sources and are discussed separately.

PERS expects adequate revenues for all programs and activities during the 2023-25 biennium.

Source of funds

Revenue sources include investment earnings, contributions, and fees from employers and public employees (members). Primary revenue sources for SRHIA are investment earnings and insurance premiums from retirees or a spouse or dependent of a deceased retired member. PERS derives revenues to fund administrative activities for the Deferred Compensation Program primarily through a participant fee. All revenue is Other Funds, and no matching funds are required. Revenue below are actuals for fiscal 2022.

Category	Amount received
Charges For agency services	\$98,589
Investment income	\$209,857,528
PERS contributions	\$5,026,772,634
Insurance premiums	\$28,295,570
Other revenue	\$16,384,910
Total fiscal 2022	\$5,281,409,231



BUDGET NARRATIVE

Defined benefit and post-employment health care revenue

Oregon PERS has two defined benefit pension programs (Chapter 238), also known as Tier One/Tier Two, and Oregon Public Service Retirement Program (OPSRP), and two post-employment health care programs (Retiree Health Insurance Account (RHIA) and Retiree Health Insurance Premium Account (RHIPA)). All members serving in active public employment since January 1, 2004, also participate in the Individual Account Program (IAP). Revenues for these programs, which currently make up 97% of PERS' revenues, are to be used solely for the benefit of the PERS members as described in ORS 238.660 (2) and ORS 238A.025.

Investment earnings

Historically, investment earnings have provided the largest single source of system revenues. If investment earnings less administrative expenses are below the assumed earnings rate at the end of the calendar year, the contribution accounts of those who established membership in the system before January 1, 1996, and alternate payees of those members, will be credited the assumed rate and the difference made up from the Tier One Rate Guarantee Reserve. Any earnings in excess of the assumed earnings rate shall first be deposited in that reserve until the reserve is fully funded with amounts determined by the PERS Board based on advice from the PERS' actuary. Both earnings and losses are distributed to members' accounts that have variable annuity accounts (ORS 238.260) and/or Tier Two members' regular accounts for those who became members, and their alternate payees, on or after January 1, 1996. The board may draw out of interest and investment income an amount to remain in the fund and constitute one or more reserve accounts (ORS 238.670). Each member's individual account, as described in ORS 238A.350, is adjusted annually in accordance with rules adopted by the board to reflect any net earnings or losses less administrative costs of maintaining the program. Investment earnings, after adjustment for administrative costs, are also credited to the OPSRP and Chapter 238 employer and retiree (Benefits in Force) reserves.

Employee/employer contributions

Beginning January 1, 2004, all employee (or member) contributions, except for contributions by judge members, were prospectively placed in the OPSRP Individual Account Program (IAP). Employee contributions prior to January 1, 2004, were credited to members' accounts as directed by ORS 238.250 and 238.260. The employee contribution rate for PERS is six percent of PERS-covered salary (Judge Members rate is seven percent).

Employer contributions are credited to the individual employer's accounts or to the account of the pool in which the employer participates. A portion of employer Chapter 238 Program contributions is credited to the RHIA and RHIPA post-employment healthcare programs in accordance with ORS 238.415 and ORS 238.420. Employer contribution rates effective July 2021 are based on the December 31, 2019 actuarial valuation. Advisory employer contribution rates effective July 2023 are based on the December 31, 2021 actuarial valuation. Final employer contribution rates effective July 2023 will be based on the December 31, 2021, actuarial valuation and will be reviewed for adoption at the September 30, 2022, board meeting. Effective July 1, 2020, SB 1049 (2019) redirected a portion of member IAP contributions to a new Employee Pension Stability Account (EPSA) when the funded status of the plan is below 90% and the member's monthly salary is more than \$2,500. HB 2906 in the 2021 session changed the monthly salary threshold to \$3,333 per month (indexed to CPI each January 1).

BUDGET NARRATIVE

Employer rates, as a percent of PERS-covered salary, effective July 1, 2021, and 2023 are:

PERS Chapter 238 Program	7/1/2021*	7/1/2023
State agencies	20.69%	21.22%
State and Local Government Rate Pool	20.07%	20.83%
School Districts Pool	15.21%	15.41%
Political subdivisions (non-pooled)	25.12%	25.95%
Judiciary	24.89%	29.01%
OPSRP Chapter 238A Program		
General Service Pool (all employers)	9.63%	10.93%
Police and Fire Pool (all employers)	13.99%	15.72%

*The rates listed are gross employer rates except for state agencies. Certain schools, community colleges, and political subdivisions have made unfunded actuarial liability (UAL) lump-sum payments. Their contribution rates have been reduced and are lower than the rates shown above. The rates shown above for state agencies do include the reduction from the state's UAL lump-sum payment. Rates shown for the State and Local Government Rate Pool and non-pooled political subdivisions are the average rate for those groups.

Benefit Equalization Fund (BEF) and Social Security Program

The revenues for the administration of the Benefit Equalization Fund (BEF) and the Social Security Program are derived from fees assessed to those employers receiving services from these programs. Administrative fees are reviewed and adjusted annually based on expected numbers of participating employers and projected administrative expenses. Currently, the employers of the Benefit Equalization Fund are charged \$330 per month per participant (retirees receiving benefits in excess of IRS limits) and a one-time initial setup fee of \$900 per participant. Employers of the Social Security Program are charged an annual administration fee of \$0.70 per employee or \$15 minimum, whichever is higher.

Standard Retiree Health Insurance Account revenue

Revenues for the Standard Retiree Health Insurance Account (SRHIA) are received from plan participants and used by the board only to pay the cost of health insurance coverage and to pay the administrative costs incurred by the board in administering health insurance coverage for eligible persons as defined in 238.410(b). ORS 238.410 established SRHIA as a public entity risk pool. SRHIA is both a risk sharing and insurance purchasing pool. The board contracts for health insurance on behalf of retired members. Members and their dependents are eligible for PERS health care coverage if the member is receiving a retirement allowance or benefit under the system and meets all other eligibility criteria. A surviving spouse or dependent of a PERS retiree is eligible to participate if he or she was covered under the health plan at the time of the retiree's death.

BUDGET NARRATIVE

The PERS Retiree Health Insurance Program contracts with a variety of medical health insurance carriers and two dental plan carriers for both Medicare and non-Medicare plans. Rates vary depending on the plan option selected by the participants. PERS has contracted with various carriers on an insurance-purchasing basis and remits premiums collected from participating members to the carriers. PERS contracts with Delta Dental of Oregon on a minimum premium funding arrangement (risk-sharing plan). Stop loss and other administrative fees are included in the total premium remitted to Delta Dental of Oregon, all other contracted health plans. Are conventionally funded.

Deferred Compensation Program

PERS may assess a charge to the participants not to exceed 2 percent on amounts deferred, both contributions and investment earnings, to cover costs incurred for administering the program. The annual participant fee is currently .07 percent (.0007) of participant assets held in the trust. Currently, PERS does not anticipate a fee increase in the 2023-25 biennium. All administrative revenue is Other Funds, and no matching funds are required.

ORS 243.411 requires that all earnings of the Deferred Compensation Fund must be credited to the fund, and moneys in the fund may be used solely for the purposes of implementing and administering the Deferred Compensation Program.

Basis for 2023-25 Revenue Estimates

Projected investment income is based on taking into consideration several factors — capital markets modeling, prolonged periods of economic growth, and the actuarial assumed future earnings rate of 7.20 percent annually. Using trend analysis of employer and employee contributions, and separately analyzing employer prepayments funding the unfunded actuarial liability (UAL), PERS projected future total contributions based on a systemwide rate average. PERS separated the six percent employee contribution into the OPSRP Individual Account Program (IAP) from these total projected contributions beginning January 2004. An eight percent turnover rate, one of PERS' actuarial assumptions, was used to project the number of participants establishing membership in the system on or after August 29, 2003. Projections for future growth in the three health insurance accounts (SRHIA, RHIA, and RHIPA) were also based on using trend analysis.

BUDGET NARRATIVE

Public Employees Retirement System revenues by source (in millions)				
Fiscal year	Member contributions and insurance premiums	Employer contributions *	Net investment income or (loss) and other income	Total
2004	\$459.9	\$3,209.9	\$7,205.7	\$10,875.5
2005	\$458.3	\$855.5	\$5,756.7	\$7,070.5
2006	\$512.8	\$824.3	\$7,083.3	\$8,420.4
2007	\$542.2	\$640.9	\$10,939.7	\$12,122.8
2008	\$581.4	\$792.7	\$(2,869.3)	(\$1,495.2)
2009	\$619.8	\$680.5	(\$13,509.9)	(\$12,209.6)
2010	\$646.5	\$457.1	\$7,705.7	\$8,809.3
2011	\$699.3	\$447.7	\$11,715.6	\$12,862.6
2012	\$719.4	\$879.9	\$455.3	\$2,054.6
2013	\$723.0	\$884.9	\$7,621.2	\$9,229.2
2014	\$741.0	\$969.6	\$10,921.1	\$12,631.7
2015	\$769.2	\$1,183.8	\$2,657.3	\$4,610.3
2016	\$749.3	\$1,032.9	\$494.9	\$2,277.1
2017	\$747.4	\$1,083.9	\$8,668.0	\$10,499.3
2018	\$772.7	\$1,451.4	\$7,074.2	\$9,298.3
2019	\$742.4	\$1,783.8	\$4,615.7	\$7,141.9
2020	\$751.8	\$2,316.6	\$1,176.9	\$4,245.3
2021	\$769.1	\$2,176.1	\$21,741.7	\$24,686.9
2022	\$985.9	\$4,040.9	\$209.9	\$5,236.6

* Employer contributions for fiscal years 2000 and thereafter include employer prepayments of unfunded liabilities.

Source of Information: Oregon Public Employees Retirement System, an agency of the state of Oregon, Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

BUDGET NARRATIVE

Other charges for services

ORS 237.420 allows PERS to set a rate to cover the costs of administering the Social Security Program. That rate is currently 70 cents per employee per year or \$15, whichever is higher. A total of \$364,807 Other Funds Limited is projected for the 2023-25 biennium.

Employers are invoiced a fee consisting of a \$900 initial setup charge and a \$330 monthly ongoing administrative fee per participant to fund the administrative costs of the Benefit Equalization Fund (BEF). A total of \$805,742 Other Funds Limited is projected for the 2023-25 biennium.

ORS 238.465(9) charges both the member and the alternate payee an administrative expense in an amount not more than \$300 in total for related costs of obtaining data or making calculations that are necessary by a court-ordered divorce judgment, order, or agreement. PERS estimates a total of \$600,000 Other Funds Limited and \$350,681 Other Funds Non-limited in the 2023-25 biennium.

ORS 238.610 allows the PERS Board, by rule, to establish procedures for recovering administrative costs from members for services provided in estimating retirement benefit amounts and processing payments if the board determines that the services requested by an individual member result in extraordinary costs to the system. Effective January 1, 2004, PERS established a new charge to the member of \$60 per additional estimate to cover administrative costs of providing members additional retirement benefit estimates after the two allowed at no cost. PERS estimates a total of \$1,000 Other Funds Limited in benefit estimate service charges in the 2023-25 biennium.

PERS collects fees for various other services provided. PERS estimates a total of \$3,500 Other Funds Limited in the 2023-2025 biennium based on historical trend analysis.

Projected revenue for the Deferred Compensation Program in the 2021-23 biennium is based on historical data. The participant fee will remain the same, and the amount collected is not anticipated to vary significantly from historical patterns. The Local Government Deferred Compensation (ORS 243.474-243.478) and State Deferred Compensation Programs are projected as a single amount, although the revenue sources associated with the Local Government Deferred Compensation Program is insignificant as compared to the State Deferred Compensation program. The total projected revenue is \$3,300,000 in the 2023-25 biennium.

Other revenue

ORS 238.705 allows PERS to charge employers that are delinquent in remitting contributions one percent per month on the total amount of contributions due. Employers that are delinquent in providing annual reports, or supplying annual employee information, are charged a penalty of the lesser of \$2,000 or 1 percent of the total annual contributions for each month they are late. PERS has temporarily shut off the penalty charges when PERS discovered an error in jClarety program.

Other revenue also consists of prior period reductions of expense, surplus sales, MICR errors, total of checks that have been outstanding for over two years and are no longer negotiable, prior period adjustments, and other revenue. PERS projects revenue from these sources of \$50,000 Other Funds Limited in the 2023-25 biennium.

PERS estimates a total of \$6,237,528 Other Funds Non-limited in insurance premium revenue during the 2023-25 biennium. The revenue activity that was previously reported as member contributions is now reported as insurance premium revenue, which is classified as Other Charges for Services at the budget account level.

BUDGET NARRATIVE

Detail of Lottery Funds, Other Funds, and Federal Funds revenue

Source	Fund	ORBITS revenue acct	2019-21 actual	2021-23 legislatively adopted	2021-23* estimated	2023-2025		
						Agency request	Governor's recommend	Legislatively adopted
Limited Other Funds: Charges for services	Limited Other	Charges for services	4,898,511	4,175,500	4,478,715	6,237,528	6,237,528	6,237,528
Interest and investment earnings	Limited Other	Interest income	775,095	29,150	29,150	29,150	29,150	29,150
Other	Limited Other	Other revenues	76,436	50,000	50,000	50,000	50,000	50,000
Non-Limited Other Funds: Charges for services	Non-limited Other	Charges for services	62,896,196	83,002,020	53,284,863	65,260,454	65,260,454	65,260,454
Interest and investment earnings	Non-limited Other	Interest income	21,890,962.604	9,649,269,440	12,029,058,149	15,044,273,480	15,044,273,480	15,044,273,480
Donations and contributions	Non-limited Other	Retirement system contribution	6,133,707,724	6,136,283,319	7,996,592,580	9,244,070,430	9,244,070,430	9,244,070,430
Other	Non-limited Other	Other revenues	265,974,044	67,853,750	20,500	22,601	22,601	22,601

2023-2025

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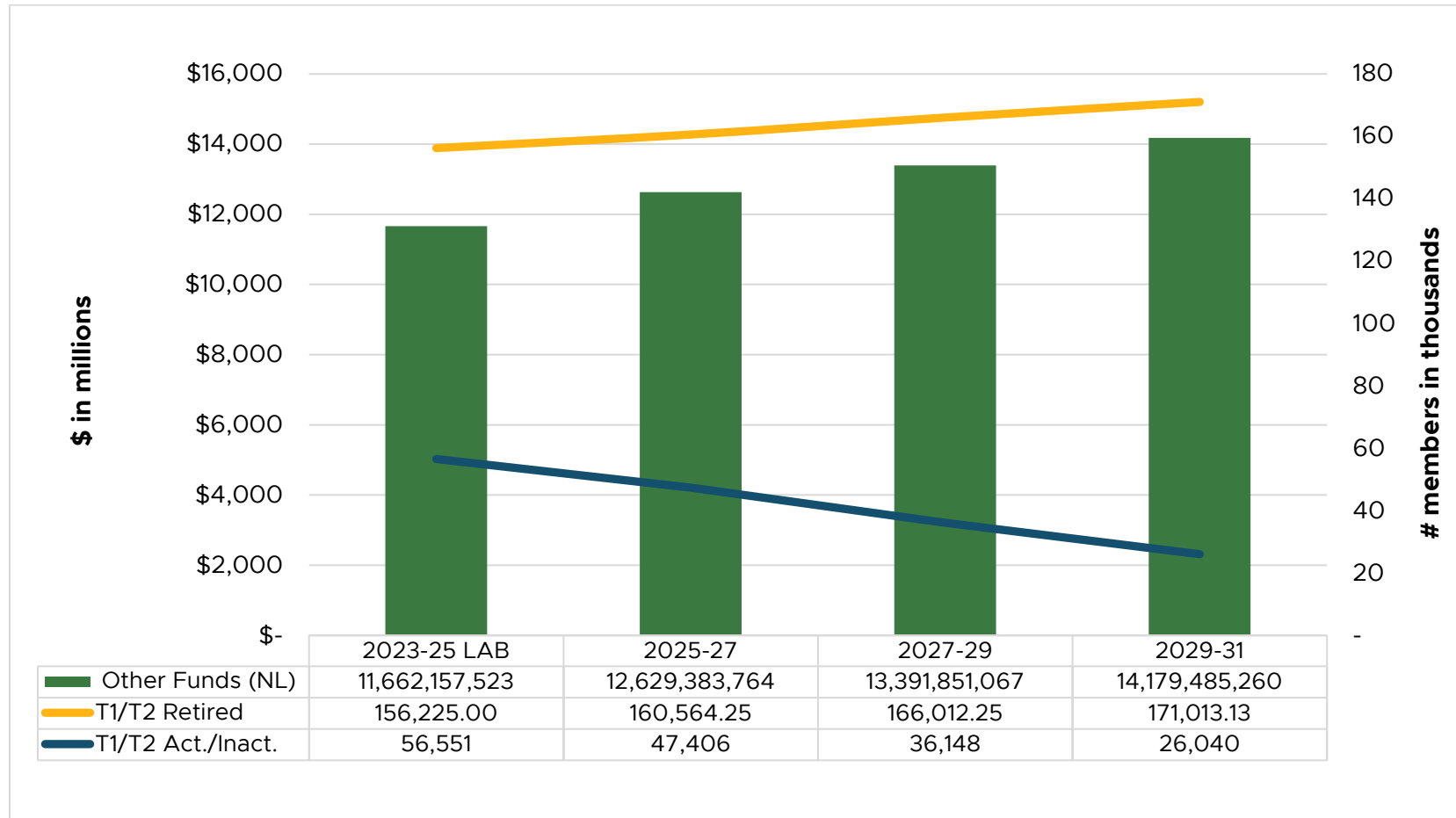
* All 2021-23 estimated revenue amounts were calculated using audited 2022 fiscal-year experience through March to arrive at the estimate for the biennium.

BUDGET NARRATIVE

Program units

Tier One and Tier Two Program executive summary

Primary outcome area: Improving government
 Secondary outcome area: (None)
 Program contact: Kevin Olineck, 503.603.7695



BUDGET NARRATIVE

Executive summary

The Tier One and Tier Two Program represents administration of active and inactive member accounts and benefit payments to retired members of these legacy plans, defined in ORS Chapter 238, that are now closed to new members. Benefit payments include retirement allowances, account withdrawals, death and disability benefits, and health insurance premium pass-through and subsidy account disbursements. Administration of the programs includes receiving contributions on behalf of active Tier One and Tier Two members, providing information and services to members, and processing retirements of Tier One and Tier Two members. All such funds are held in trust for the exclusive benefit of the plans' members. These plans were closed to new members as of December 31, 1995, for Tier One and August 28, 2003, for Tier Two.

Program funding request

PERS requests \$11,662,157,523 Non-Limited Other Funds expenditure authority in 2023-25 for the anticipated Tier One and Tier Two Program benefit payments. Estimated Non-Limited Other Funds needed for anticipated benefit payments through 2031 are:

<i>Biennium</i>	<i>Estimated benefit payments</i>
2023-25	\$11,662,157,523
2025-27	\$12,629,383,764
2027-29	\$13,391,851,067
2029-31	\$14,179,485,260

Performance Achievement

Requested Non-Limited Other Funds support the agency mission to administer public employee benefit trusts to pay the right person the right benefit at the right time. Performance achievement is measured through legislatively mandated key performance measures, quarterly reporting of internal core operating and supporting business process measures, and monthly reporting of member transaction volumes and processing timeliness.

Program description

The Tier One and Tier Two Program administers public employee benefit trusts for approximately 66,000 active and inactive (non-retired) members and approximately 148,000 retired members. Tier One membership was closed to new public employees hired on or after January 1, 1996, and Tier Two was closed to new public employees hired on or after August 28, 2003. New public employees now join the Oregon Public Service Retirement Plan (OPSRP), a separate program. Benefits paid through the Tier One and Tier Two trusts include account withdrawal, retirement benefits, death, and disability benefits to members, their beneficiaries, or alternate payees.

Even though membership in Tier One and Tier Two is closed to new employees, administration of and workloads associated with benefit payments will increase over the next decade as these members age into retirement. As of June 30, 2022, more than 22,000 Tier One and Tier Two members are eligible to retire based on age or years of service.

Since OPSRP was created in August 2003, membership in the program has grown to over 50% of the total active and inactive population of PERS. From a cost perspective, however, that shift only affects the "normal cost" of benefits: the incremental cost each year of new benefits accrued by active members. PERS costs are rising, not because of this "normal cost" factor, but rather because of the unfunded actuarial liability (UAL) that emerged when the PERS fund lost 27% of its value during the 2008 recession (and subsequent investment performance that was slightly below projections). The impact of that loss, as reflected in the system valuation as of December 31, 2020, is a UAL of \$28 billion (excluding pre-paid employer contributions deposited in side accounts).

BUDGET NARRATIVE

The cost shift to OPSRP will not be fully realized until membership and associated liabilities with the Tier One and Tier Two Program are reduced more significantly and membership and associated liabilities of the OPSRP Pension Program become predominant. That tipping point is decades away. PERS was created in March 1945, and Tier One members joined the program until 1996. Tier Two members joined the program from 1996 to 2003. The life cycle of closed programs like Tier One and Tier Two extends another 50 years after its closure, as late entrants complete their full career and receive their retirement benefit for years after retirement. Consequently, Tier One member benefit payments (funded through this program) are not expected to peak until closer to the 2027-29 biennium. Even after that peak, the decline will be gradual.

This program is funded through public employee benefit trusts that are subject to federal and state laws and rules governing tax-qualified government retirement plans. One fundamental provision of those trusts is that the contributions (both from employers and members) and their associated investment earnings can only be used for the exclusive benefit of those members to fund their benefit payments. Consequently, the funds expended through this program can only be used to support the services and benefits provided within the program.

Program justification

This program is still a major defined benefit component of the public employee retirement plan, which covers all state agencies, schools, and over 90% of eligible local government employees.

Benefits from the program are delivered through the lowest-cost administrative structure. The fundamental advantages of a multi-employer defined benefit plan are institutional investment of the fund, which enhances returns to members and reduces investment expenses; risk sharing pools, which spread the impact of actuarial experience over a broad base; benefit portability, which allows members to transfer among participating employers without impacting benefit accruals; and unified administration, which enhances professionalism and improves economies of scale. Those advantages allow member and employer contributions into the system to provide the maximum positive economic impact to local economies when retiree benefits are spent in local communities.

A 2021 economic impact study of PERS shows that in 2021 the \$4.27 billion in annual benefit payments to Oregonians multiplied to \$4.55 billion in economic value when the financial impact of dollars spent in local communities is considered. The benefit payments sustain an estimated 33,063 Oregon jobs and add approximately \$1.36 billion in wages. Additionally, Oregon collected an estimated \$252 million in income taxes on PERS retiree benefits in 2021.

BUDGET NARRATIVE

Program performance

Fiscal year	Total active/inactive members	Total retired members	Tier One/Tier Two Program expenditures (non-limited)	Fund balance
2013	114,901	127,114	\$3,607,005,495	\$58,478,913,732
2014	108,800	131,417	\$3,894,677,855	\$65,401,492,664
2015	101,209	134,004	\$3,979,388,084	\$64,923,626,094
2016	96,988	135,775	\$4,247,029,515	\$62,082,059,102
2017	85,912	141,884	\$4,405,790,663	\$66,371,703,247
2018	84,202	145,863	\$4,694,345,457	\$69,327,500,445
2019	78,043	143,744	\$4,819,792,761	\$70,203,720,619
2020	71,681	153,622	\$5,116,869,822	\$68,319,296,993
2021	65,914	148,189	\$5,308,155,980	\$84,158,144,898
2022	60,176	150,096	\$5,541,804,682	\$83,769,522,854

The table above shows the distribution of PERS Tier One and Tier Two membership as “active/inactive members” (those members either currently in PERS-covered employment or who have left public employment but are still entitled to a benefit) and “retired members” (those having elected to receive their benefit). As more members of the population move into receiving benefits, the “Program expenditures” shows the growth in the number and amount of Tier One/Tier Two benefit payments distributed. Even with this growth, the agency’s overall administrative “costs per member” have been historically lower in the last several years as operational efficiencies, including the development and deployment of new technology systems, have enabled PERS to increase distributions (and the related member services) while decreasing the incremental administrative costs.

Enabling legislation/program authorization

The program is governed by the following Oregon Revised Statutes and Administrative Rules:

- The Tier One and Tier Two Plans are authorized by Oregon Revised Statutes (ORS) 237.600 to 237.980, 238.005 to 238.492, and 238.600 to 238.750.
- Oregon Administrative Rules Chapter 459.

The benefits provided under the program are protected by provisions in the U.S. and Oregon Constitutions regarding contracts. Courts have construed these benefits as public contracts with the members, which can only be altered under very limited circumstances.

Funding streams

This program is funded entirely from member and employer contributions and the return on investment of those contributions, which are held in the Oregon Public Employee Retirement Fund (OPERF). In accordance with ORS 238.660(2), funds in the OPERF can only be used for the exclusive benefit of the members. ORS 238.661 further provides that moneys in the PERF are continuously appropriated to the PERS Board for the purpose of implementing plan requirements. Expenditures under this program are categorized for state budget purposes as Other Funds Non-Limited.

Significant Proposed Program Changes from 2021-2023

Requested Non-Limited Other Funds represent an increase of \$556,276,687 above the 2021-23 budget of \$11,105,880,836 and reflect the agency’s 2023-25 anticipated benefit payment requirements for Tier One and Tier Two benefit recipients.

BUDGET NARRATIVE

Tier One and Tier Two programs

Budget overview

The Tier One and Tier Two programs include employer and member contributions and investment earnings related to Tier One and Tier Two members and employer accounts and reflect the retirement payments made to Tier One and Tier Two retirees and beneficiaries. As of January 1, 2004, all member contributions have been directed to the Individual Account Program (IAP).

This program unit is entirely made up of Other Funds Non-Limited.

Base budget adjustments

Changes have been made to both revenues and expenditures to reflect updated projections. The non-limited adjustment reflects an anticipated increase in the number of retirements when compared to the 2019-21 biennium.

Tier One and Tier Two Non-Limited Other Funds	2019-21 actual expenditures	2021-23 legislatively approved budget	2023-25 legislatively approved budget
Professional services			
Agency program related S and S	501,508		1,008,687
Distribution to individuals	10,277,228,958	11,105,880,836	11,661,148,836
Total expenditures	\$10,277,730,706	\$11,105,880,836	\$11,662,157,523

BUDGET NARRATIVE

Detail of Lottery Funds, Other Funds, and Federal Funds revenue

Source	Fund	ORBITS revenue acct	2019-21 actuals	2021-23 legislatively adopted	2021-23* estimated revenue	2023-25		
						Agency request	Governor's recommended	Legislatively adopted
Non-Limited Other Funds:								
Charges for services	Non-limited Other	Charges for services	3,298	6,581	3,123	6,710	6,710	6,710
Interest and investment earnings	Non-limited Other	Interest income	16,943,941,762	7,040,943,346	9,273,486,602	11,884,394,400	11,884,394,400	11,884,394,400
Donations and contributions	Non-limited Other	Retirement system contribution	2,983,397,589	2,535,487,678	4,661,691,403	5,326,291,289	5,326,591,289	5,326,591,289
Other	Non-limited Other	Other revenues	245,158,566					

2023-25

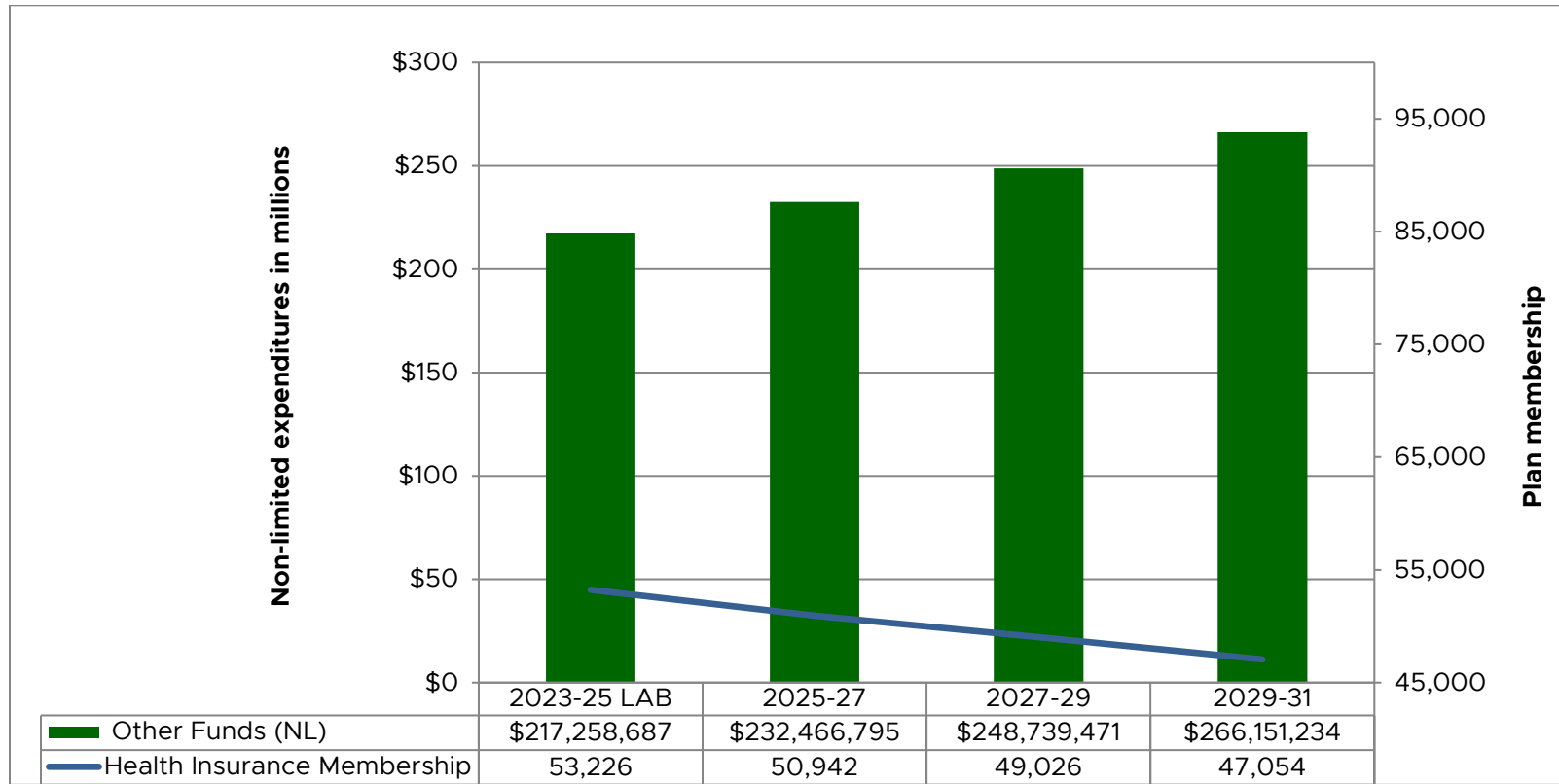
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* All 2021-23 estimated revenue amounts were calculated using unaudited 2022 fiscal-year experience through March to arrive at the estimate for the biennium.

BUDGET NARRATIVE

Retirement Health Insurance Programs executive summary

Primary outcome area: Improving government
 Secondary outcome area: (None)
 Program contact: Kevin Olineck, 503-603-7695



BUDGET NARRATIVE

Executive summary

The PERS Health Insurance Program (PHIP) offers health insurance coverage for all eligible Oregon PERS' retirees and their eligible spouses and dependents. The program covers about 56,000 health plan members. PHIP provides PERS' retirees with benefits that provide high quality, comprehensive coverage at the most cost-effective rates possible that will also meet retirees' benefit needs. Core values of the program include maintaining the stability of premiums, coverage, and carriers.

Program funding request

PERS requests \$217,258,687 Non-limited Other Funds expenditure authority in 2023-25 for the anticipated Health Insurance Program expenditures. Estimated Non-limited Other Funds needed for anticipated benefit payments through 2031 are:

<i>Biennium</i>	<i>Estimated benefit payments</i>
2023-25	\$217,258,687
2025-27	\$232,466,795
2027-29	\$248,739,471
2029-31	\$266,151,234

Performance Achievement

Requested Other Funds — Non-Limited support the program mission and purpose to provide comprehensive medical and dental insurance plan options to PERS' retirees who qualify for the program at the most cost-effective rates possible that will also meet retirees' benefit needs. Performance achievement is measured through the stability of carriers for the benefit of the program and the stability of health care benefits for the benefit of the program.

Program description

PERS has been a plan sponsor of retiree health plans since the late 1950s. At the time, PERS offered a simple hospital indemnity plan that paid a hospitalized patient about \$15 per day. During the next 20 years, the benefits were improved, and a basic plan was added to cover out-of-hospital expenses. Cost of the plans were fully paid by participants when health plans were added. In the early 1970s, PERS added a Medicare supplement plan.

From its inception until July 1988, PERS plans were fully paid by participants. There was no contribution from PERS. At that time, legislation was implemented to provide a subsidy payment from PERS toward a Medicare supplement for PERS Tier One and Tier Two retirees who retired with eight or more years of service and enrolled in a PERS-sponsored plan. This subsidy is called the Retirement Health Insurance Account (RHIA) and is funded by all PERS employers. In 1991, the Legislature approved a subsidy for Tier One and Tier Two state retirees under age 65. That subsidy, implemented in 1993, is the Retiree Health Insurance Premium Account (RHIPA) and is funded by the state of Oregon only.

The RHIA subsidy is a \$60 contribution that is available to Medicare-entitled (enrolled in Medicare Parts A and B) retirees that are receiving either a PERS service or disability retirement allowance and have had either eight or more years of qualifying service time or are receiving a PERS disability retirement allowance computed as if they had eight or more years of service.

The RHIPA subsidy is a contribution available to non-Medicare retirees who retire from a state agency and are receiving either a PERS service or disability retirement allowance and have had either eight or more years of qualifying service time or are receiving a PERS disability retirement allowance computed as if they had eight or more years of service. A retiree who is eligible for Medicare is no longer eligible for RHIPA and must move to a Medicare plan.

BUDGET NARRATIVE

Program justification

Despite inflationary trends and the pressures associated with lower Centers for Medicare and Medicaid Services (CMS) medical reimbursements and higher health care reform taxes and fees for the 2019 plan renewal, PHIP was able to provide PERS' retirees with participating carriers and plans that provide balance between costs and benefits. This was achieved through a thoughtful approach, scrutinized and analyzed to provide the least impact possible to members while maintaining program stability and accountability.

Program performance

Fiscal year	SRHIA members	RHIA members	RHIPA members	Annual expenditures total	Fund balance (all programs)
2013	57,489	43,061	1,251	\$232,638,530	\$399,840,146
2014	58,760	44,087	1,264	\$240,446,560	\$465,361,997
2015	59,803	44,880	1,274	\$286,009,877	\$486,457,542
2016	59,983	45,060	1,238	\$254,516,317	\$499,291,853
2017	59,664	44,967	1,177	\$190,806,541	\$591,331,805
2018	59,190	44,890	1,066	\$197,768,756	\$684,486,989
2019	58,113	44,368	842	\$132,951,222	\$765,258,459
2020	57,401	43,827	794	\$60,715,407	\$763,997,275
2021	56,101	42,948	836	\$65,465,476	\$931,114,091
2022	51,708	41,718	607	\$71,551,556	\$907,505,013

PHIP is a voluntary insurance plan where an eligible member pays their own premiums (less the small subsidies from RHIA and RHIPA if eligible) for the plan of their choice. In addition to health plan premiums, PERS' retirees also cover the cost of program administration; the premium rates that members pay are inclusive of these costs. We are fortunate to partner with insurers that have been able to maximize funding available from the CMS as well as meeting key targets in quality ratings. As has historically been the case, the PHIP insurers also continue to manage the highest need participants to maximize benefits and care delivered while minimizing expenditures.

Stability has been possible because of the PERS Board's approach, maintaining dependable health plan vendors and the long-term relationships that have benefited PHIP enrollees. This is achieved through a thoughtful approach facilitating a balance between cost and benefit.

Enabling legislation/program authorization

The program is governed by the following Oregon Revised Statutes and Administrative Rules:

- PHIP is authorized by ORS 238.410 to 238.420.
 - SRHIA – Standard Retiree Health Insurance Account authorized under ORS 238.410.
 - RHIPA – Retiree Health Insurance Premium Account authorized under ORS 238.415.
 - RHIA – Retirement Health Insurance Account authorized under ORS 238.420.
- Oregon Administrative Rules Chapter 459.

The statutorily provided financial benefits provided under the program are protected by provisions in the U.S. and Oregon Constitutions regarding contracts. Courts have construed these financial benefits as public contracts with the members, which can only be altered under very limited circumstances.

BUDGET NARRATIVE

ORS 238.410(7) further provides, pursuant to section 401(h) of the Internal Revenue Code, the Standard RHIA is established within the PERF separate and distinct from the General Fund. All payments made by eligible persons for health insurance coverage provided under this section shall be held in the account. Interest earned by the account shall be credited to the account. All moneys in the account are continuously appropriated to the PERS Board and may be used by the board only to pay the cost of health insurance coverage under this section and to pay the administrative cost incurred by the board under this section. Expenditures under this program are categorized for state budget purposes as Other Funds Non-Limited.

Funding streams

The revenue for the SRHIA program, over \$30 million per year, comes from member-paid insurance premiums with additional revenues provided from federal sources like the CMS and resulting investment returns.

The RHIA and RHIPA programs are funded from employer contributions and the return on investment of those contributions, which are held in the PERF.

Significant proposed program changes from 2021-2023

Requested Other Funds Non-limited represent a decrease of \$155,233,380 from the 2021-23 budget of \$372,492,067 and reflects the agency's 2023-25 anticipated premium payment requirements for eligible Tier One, Tier Two, and OPSRP benefit recipients.

BUDGET NARRATIVE

Retirement Health Insurance Programs

Budget overview

The PERS Health Insurance Program (PHIP) offers health insurance coverage for all eligible Oregon PERS’ retirees, their eligible spouses, and dependents. The program currently covers about 56,000 health plan members. The RHIA provides for a \$60 health insurance subsidy for eligible retired members who are Medicare eligible. The Retiree Health Insurance Premium Account (RHIPA) provides for an insurance premium subsidy for eligible non-Medicare retirees who retire from a state agency. OPSRP members are not eligible for receiving subsidies.

Employer contributions and investment earnings fund the subsidies above. PHIP is a voluntary insurance plan where an eligible Tier One and Tier Two member pays most, if not all, of their own premiums for the plan of their choice. OPSRP members pay all their own premiums. In addition to health plan premiums, PERS’ retirees also cover the cost of program administration. The premium rates that members pay are inclusive of these costs.

This program unit is made up entirely of Other Funds Non-Limited.

Base budget adjustments

Changes have been made to both revenues and expenditures to reflect updated projections. The contracted services expenditure for the administration of health care programs has been updated based on the projected number of participants and inflation. The estimates column was calculated using unaudited fiscal 2022 actuals through March.

Retirement Health Insurance Programs Non-Limited Other Funds	2019-21 actual expenditures	2021-23 legislatively approved budget	2021-23 estimates	2023-25 legislatively approved budget
Professional services — health insurance administration	10,219,060	89,171,000	7,174,187	89,171,000
Distribution to non-gov units premium payments	116,886,187	283,321,067	125,671,593	128,087,687
Total expenditures	\$127,105,247	\$372,492,067	\$132,845,780	\$217,258,687

BUDGET NARRATIVE

Detail of Lottery Funds, Other Funds, and Federal Funds revenue

Source	Fund	ORBITS revenue acct	2019-21 actuals	2021-23 legislatively adopted	2021-23* estimated revenue	2023-25		
						Agency request	Governor's recommended	Legislatively adopted
Non-Limited Other Funds:								
Charges for services	Non-limited Other	Charges for services	62,896,196	83,002,020	53,284,863	65,147,533	65,147,533	65,147,533
Interest and investment earnings	Non-limited Other	Interest income	202,828,529	103,471,190	103,557,919	120,472,125	120,472,125	120,472,125
Donations and contributions	Non-limited Other	Retirement system contribution	33,109,991	139,415,954	21,948,141	38,356,127	38,356,127	38,356,127
Other	Non-limited Other	Other revenues	17,692,076	67,803,750	20,500	22,601	22,601	22,601

2023-25

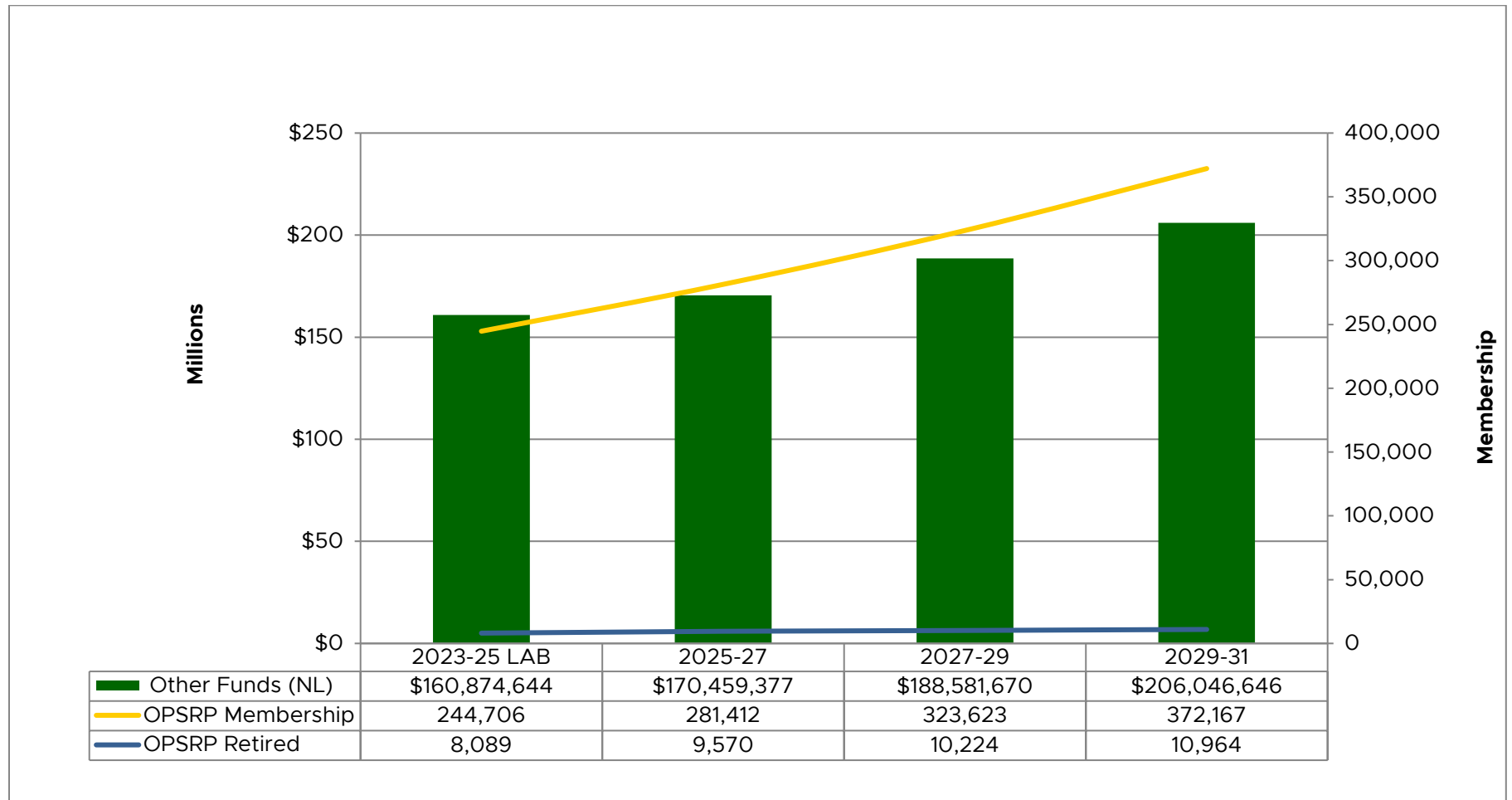
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*All 2021-23 estimated revenue amounts were calculated using audited 2022 fiscal-year experience through March to arrive at the estimate for the biennium.

BUDGET NARRATIVE

Oregon Public Service Retirement Pension Program executive summary

Primary outcome area: Improving government
 Secondary outcome area: (None)
 Program contact: Kevin Olineck, 503-603-7695



BUDGET NARRATIVE

Executive summary

The Oregon Public Service Retirement Plan (OPSRP) program serves public employees who began public employment after August 28, 2003. OPSRP is a hybrid retirement plan, designed to provide a reduced benefit compared to the Tier One and Tier Two retirement plans. The hybrid plan has two components: the OPSRP Pension Program, funded by employer contributions, and the Individual Account Program (IAP), funded by member contributions.

Program funding request

PERS requests \$160,874,644 Non-limited Other Funds expenditure authority in 2023-25 for anticipated OPSRP benefit payments. Estimated Non-limited Other Funds needed for anticipated benefit payments through 2031 are:

<i>Biennium</i>	<i>Estimated payments</i>
2023-25	\$160,874,644
2025-27	\$170,459,377
2027-29	\$188,581,670
2029-31	\$206,046,646

Performance achievement

Requested Non-Limited Other Funds support the agency mission to administer the public employee benefit trusts to pay the right person the right benefit at the right time. Performance achievement is measured through legislatively mandated key performance measures, quarterly reporting of internal core operating and supporting business process measures, and monthly reporting of member transaction volumes and processing timeliness.

Program description

The two components of OPSRP were established as part of the 2003 PERS reform package to reduce the retirement benefit costs for public employees who began public service after creation of the program. All PERS-participating employers were required to enroll any new qualifying employees in the OPSRP Pension Program and Individual Account Program after that date. PERS administers the benefit trusts associated with these programs on behalf of those participating employers.

The OPSRP Pension Program is a defined benefit program that provides a retirement benefit based on a formula: (years of service) x (final average salary) x (statutory multiplier). OPSRP provides a lower benefit than Tier One and Tier Two by reducing the statutory multiplier (1.5% for General Service employment, 1.8% for police officers and firefighters) and increasing the normal retirement age (age 65 for General Service employees, age 60 for police officers and firefighters).

The types of benefits paid through the OPSRP Pension Program include withdrawal, retirement, death, and disability benefits. This program now has over 162,000 active and inactive members, more than the Tier One and Tier Two plans combined. Costs for the OPSRP Pension Program are paid solely through employer contributions and their related investment earnings. All PERS employers participate in a single OPSRP employer pool, so costs are distributed across all employers based on their proportional share of subject salary that they pay the members in the program. Because this program provides a lower level of benefits, its “normal” cost is less than that for Tier One and Tier Two programs, whose formula-based benefits are calculated with higher statutory multipliers.

OPSRP is funded through public employee benefit trusts that are subject to federal and state laws and rules governing tax-qualified government retirement plans. One fundamental provision of those trusts is that the contributions (both from employers and members) and their associated investment earnings can only be used for the exclusive benefit of those members to fund their benefit payments. Consequently, the funds expended through this program can only be used to support the services and benefits provided within the program.

BUDGET NARRATIVE

Program justification

The OPSRP Pension Program is a major component of the public employee retirement plan, which covers all state agencies, schools and over 90% of eligible local government employees. PERS administers this program for eligible public employees and their employers. This combined administration allows investment in operational efficiencies (such as web-based reporting, customer service, and benefit processing) that would not be feasible if individual agencies provided their own benefit plans.

Benefits from the program are delivered through the lowest-cost administrative structure. The fundamental advantages of a multi-employer defined benefit plan are institutional investment of the fund, which enhances returns to members and reduces investment expenses; risk sharing pools, which spread the impact of actuarial experience over a broad base; benefit portability, which allows members to transfer among participating employers without impacting benefit accruals; and unified administration, which enhances professionalism and improves economies of scale. Those advantages allow member and employer contributions into the system to provide the maximum positive economic impact to local economies when retiree benefits are spent in local communities.

Program performance

Fiscal year	Total OPSRP pension members	Total retired OPSRP pension members	Total OPSRP Pension Program expenditures	Fund balance (in billions)
2013	111,484	1,003	\$10,893,632	\$1,369,657,238
2014	121,006	1,533	\$13,970,287	\$1,887,120,164
2015	131,515	2,294	\$16,924,865	\$2,256,143,351
2016	148,775	2,874	\$21,382,026	\$2,689,147,489
2017	156,782	4,116	\$27,332,350	\$3,517,299,896
2018	141,882	4,454	\$35,304,018	\$4,578,716,832
2019	152,712	5,642	\$45,572,801	\$5,569,134,357
2020	160,466	6,570	\$56,765,555	\$6,536,885,139
2021	162,568	7,877	\$68,595,915	\$9,272,901,346
2022	182,808	10,230	\$88,927,141	\$10,455,748,211

The table shows how quickly the change in the workforce has populated this lower-cost pension program in a relatively short time. A significant percentage of Oregon's active public employee workforce has been employed under this new retirement plan with lower, more predictable costs. Additionally, the table shows the exponential growth in expenditures and retirements processed related to the OPSRP pension as part of the 2003 PERS reform.

Enabling Legislation/Program Authorization

The program is governed by the following Oregon Revised Statutes and Administrative Rules:

- OPSRP is authorized by ORS 238A.005 thru 238A.250, and 238A.450 thru 238A.475.
- Oregon Administrative Rules Chapter 459.

BUDGET NARRATIVE

The benefits provided under the program are protected by provisions in the U.S. and Oregon Constitutions regarding contracts. Courts have construed these benefits as public contracts with the members. Unlike the Tier One and Tier Two programs, the Legislature expressly reserved the right to alter the provisions of the OPSRP Pension Program for services performed after the effective date of any such change (ORS 238A.470).

Funding streams

This program is funded entirely from employer contributions and the return on investment of those contributions, which are held in the OPERF. In accordance with ORS 238.660(2), incorporated into the OPSRP Pension Program by ORS 238A.050(2), funds in the PERF can only be expended for the exclusive benefit of the members. ORS 238.661 (also incorporated by ORS 238A.050(2)) further provides that moneys in the PERF are continuously appropriated to the PERS Board for the purpose of implementing plan requirements. Expenditures under this program are categorized for state budget purposes as Other Funds Non-limited.

Significant proposed program changes from 2021-2023

Requested Non-Limited Other Funds represent an increase of \$51,237,802 over the 2021-23 budget of \$109,636,842 and reflect the agency's 2023-25 anticipated benefit payment requirements for OPSRP benefit recipients.

BUDGET NARRATIVE

Oregon Public Service Retirement Pension Program

Budget overview

The 2003 Legislature created the Oregon Public Service Retirement Plan (OPSRP) via passage of House Bill 2020 (2003). OPSRP is a hybrid retirement program with two components: the Pension Program and the Individual Account Program (IAP). The OPSRP Pension Program is funded solely by employer contributions and investment earnings. Generally, the program is designed to provide a benefit that approximates 45 percent of a member’s final average salary for a 30-year public service career (general services).

Employers participating in PERS as of August 28, 2003, must participate in OPSRP. If an employer had a class of employees not participating in PERS as of August 28, 2003, it need not offer OPSRP membership to those employees. As of June 30, 2022, there were approximately 182,000 members in the OPSRP Pension Program.

This program unit is made up entirely of Other Funds Non-Limited.

Base budget adjustments

Changes have been made to both revenues and expenditures to reflect updated projections based on trend analysis and using moving four-year averages. The 2021-23 expenditure estimates column were calculated using unaudited fiscal year 2021 actuals through March.

Oregon Public Service Retirement Pension Non-Limited Other Funds	2019-21 actual expenditures	2021-23 legislatively approved budget	2021-23 estimated expenditures	2023-25 legislatively approved budget
Agency program-related S and S – write off of uncollectable receivables				
Distribution to individuals	108,485,533	109,636,842	160,576,876	160,874,644
Total expenditures	\$108,485,533	\$109,636,842	\$160,576,876	\$160,874,644

BUDGET NARRATIVE

Detail of Lottery Funds, Other Funds, and Federal Funds revenue

Source	Fund	ORBITS revenue acct	2019-21 actual	2021-23 legislatively adopted	2021-23 estimated revenue*	2023-25		
						Agency request	Governor's recommended	Legislatively adopted
Other Funds Non-Limited Funds:								
Charges for services — alt payee admin fee	Other Funds Non-limited	Charges for services	5,524	10,378	10,253	4,489	4,489	4,489
Interest and investment earnings	Other Funds Non-limited	Interest income	1,990,037,317	1,588,471,681	1,184,795,736	1,458,723,053	1,458,723,053	1,458,723,053
Donations and contributions	Other Funds Non-limited	Retirement system contribution	1,825,894,493	2,011,088,859	2,036,636,691	2,511,362,049	2,511,362,049	2,511,362,049
Other	Other Funds Non-limited	Other revenues	1,874,386					

2023-25

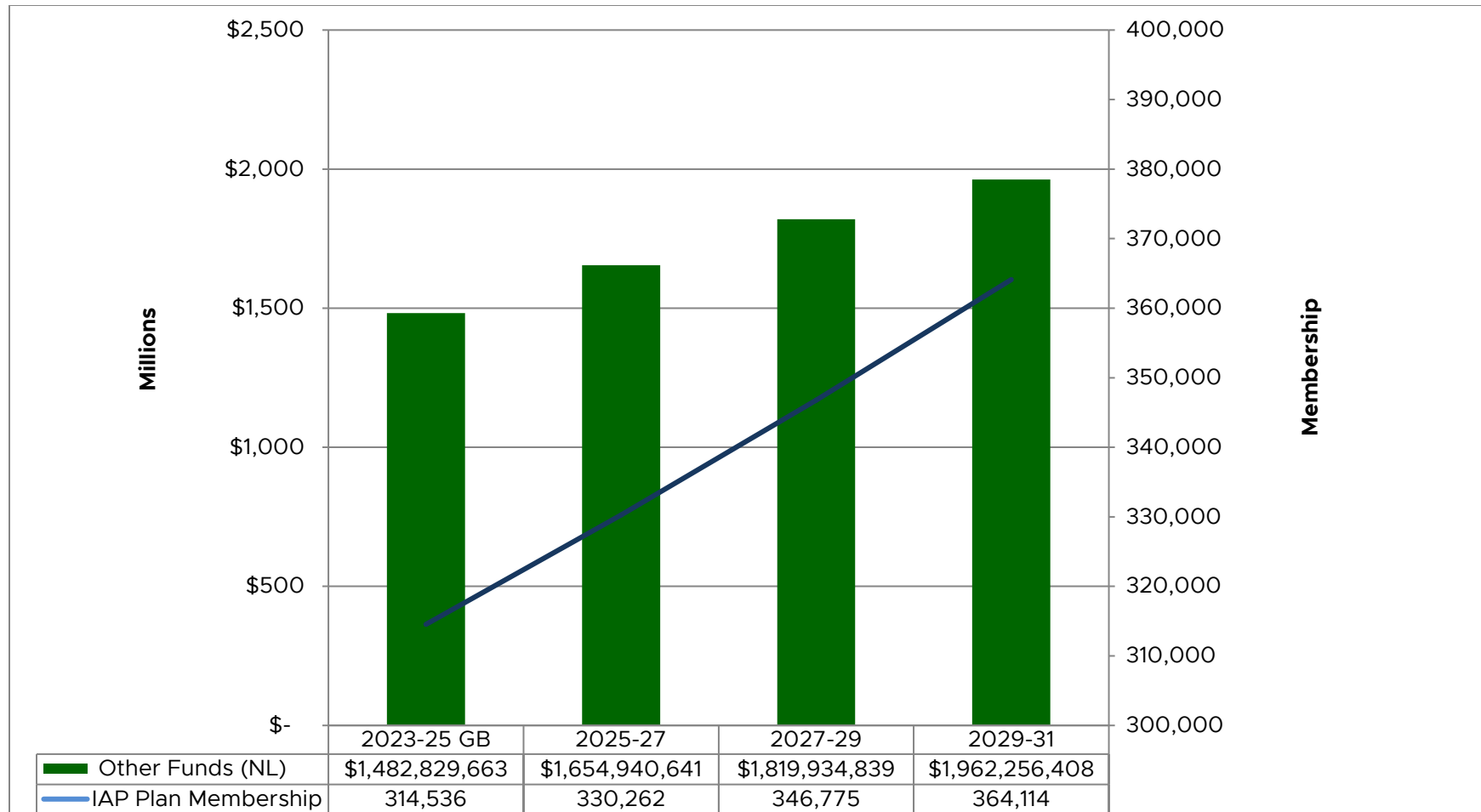
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* All 2021-23 estimated revenue amounts were calculated using audited 2022 fiscal-year experience through March to arrive at the estimate for the biennium.

BUDGET NARRATIVE

Individual Account Program executive summary

Primary outcome area: Improving government
 Secondary outcome area: (None)
 Program contact: Kevin Olineck, 503-603-7695



BUDGET NARRATIVE

Executive summary

The Individual Account Program (IAP) consists of two components: members in the Oregon Public Service Retirement Plan (OPSRP) Pension Program, which serves employees who began their public service after August 28, 2003, and members in Tier One and Tier Two programs. Tier One and Tier Two member contributions made on or after January 1, 2004, have also been deposited in the IAP.

Program funding request

PERS requests \$1,482,829,663 Non-limited Other Funds expenditure authority in 2023-25 for anticipated IAP benefit payments. Estimated Non-limited Other Funds needed for anticipated benefit payments through 2031 are:

<i>Biennium</i>	<i>Estimated payments</i>
2023-25	\$1,482,829,663
2025-27	\$1,654,940,641
2027-29	\$1,819,934,839
2029-31	\$1,962,256,408

Performance achievement

Requested Other Funds Non-Limited support the agency mission to administer the public employee benefit trusts to pay the right person the right benefit at the right time. Performance achievement is measured through legislatively mandated key performance measures, quarterly reporting of internal core operating and supporting business process measures, and monthly reporting of member transaction volumes and processing timeliness.

Program description

The IAP was established as part of the 2003 PERS reform package to reduce the retirement benefit costs for public employees who began public service after creation of the program. All PERS-participating employers were required to enroll any new qualifying employees in the OPSRP and Individual Account Program after that date. PERS administers the benefit trusts associated with these programs on behalf of those participating employers. As of January 1, 2004, all Tier One and Tier Two member contributions have also been directed to the IAP.

The IAP is funded by members contributing 6% of their salary (either through a pre-tax payroll deduction or through an employer “pick-up”). These contributions are invested on members’ behalf as part of the overall PERS Fund, and investment earnings or losses are credited to their accounts. Unlike Tier One member regular accounts, IAP accounts do not have a guaranteed minimum earnings rate.

The IAP is an account-based benefit that is paid in a lump sum upon withdrawal, or in several optional forms of payments at retirement, including a single lump sum or periodic installments at different frequency over various durations. In the 2003 PERS reform legislation, all active Tier One and Tier Two members had their contributions diverted to new IAP accounts, instead of their regular or variable accounts, to restrict the growth in their benefit amounts. Consequently, the IAP now has the largest number of members of all PERS retirement programs. IAP costs are paid wholly out of earnings on member contributions. When earnings are insufficient to pay those costs, member account balances are reduced to recover those costs.

Until January 2018, IAP assets were invested identically for every participant, independent of age or individual retirement horizon. That approach did not comport with industry best practice, which uses age as a proxy for risk tolerance and suggests investors’ portfolios become increasingly conservative as retirement approaches. The Oregon Investment Council (OIC) chose an automatic risk-adjusting framework for the IAP, known as a target-date fund (TDF). In this framework, younger workers gain more exposure to higher risk

BUDGET NARRATIVE

growth investments, such as stocks, while older workers increasingly give up that growth exposure in exchange for lower account balance volatility as they near and enter retirement. In all, ten target-date funds were established.

Senate Bill 1049 instituted Member Choice for IAP participants, beginning January 2021. Annually, PERS will inform members of an “optional investment choice window” in which they can choose a target-date fund for their IAP investments different from the default fund based on their birth year. This allows members to choose to invest their IAP balance in a fund that is more reflective of their risk tolerance than the default based on their age. For changes taking effect January 1, 2021, there were 1,311 members who chose to be invested in an IAP target-date fund different than their default age tranche. For changes taking effect January 1, 2022, there were 685 members.

This program is funded through public employee benefit trusts that are subject to federal and state laws and rules governing tax-qualified government retirement plans. One fundamental provision of those trusts is that the contributions (both from employers and members) and their associated investment earnings can only be used for the exclusive benefit of those members. Consequently, the funds expended through this program can only be used to support the services and benefits provided within the program.

Program justification

The IAP is a major component of the public employee retirement plan, which covers all state agencies, schools, and over 90% of eligible local government employees. PERS administers this program for eligible public employees and their employers. This combined administration allows investment in operational efficiencies (such as web-based reporting, customer service, and benefit processing) that would not be feasible if individual agencies provided their own benefit plans.

Benefits from the program are delivered through the lowest-cost administrative structure. The fundamental advantages of a multi-employer defined benefit plan are institutional investment of the fund, which enhances returns to members and reduces investment expenses; risk sharing pools, which spread the impact of actuarial experience over a broad base; benefit portability, which allows members to transfer among participating employers without impacting benefit accruals; and unified administration, which enhances professionalism and improves economies of scale. Those advantages allow member and employer contributions into the system to provide the maximum positive economic impact to local economies when retiree benefits are spent in local communities.

Program performance

Fiscal year	Total IAP membership	Total retired IAP members	Total IAP expenditures	Total IAP fund balance
2013	240,697	3,308	\$248,420,382	\$5,289,845,478
2014	244,256	4,269	\$337,470,781	\$6,457,117,266
2015	251,417	5,018	\$327,544,351	\$6,969,939,788
2016	260,164	5,810	\$373,027,099	\$7,239,871,924
2017	262,832	6,833	\$426,600,112	\$8,366,909,935
2018	269,812	7,375	\$559,176,111	\$9,292,531,398
2019	275,716	7,710	\$503,027,830	\$9,911,994,999
2020	285,293	8,210	\$623,430,876	\$10,242,385,753
2021	294,234	8,427	\$590,727,685	\$12,791,008,510
2022	311,849	13,868	\$756,871,116	\$12,445,685,673

BUDGET NARRATIVE

The table shows how combining the legacy Tier One and Tier Two members into the IAP program created a large base to support that program's associated administrative costs. Total IAP Membership reflects how this element of member benefits, where the member bears the entire risk of investment losses, is an increasingly significant aspect of the total retirement benefit package. IAP retirements processed shows how adding two new benefit programs (OPSRP Pension and IAP) as part of 2003 PERS reform has generated a significant number of additional retirement transactions in a short period of time as all members now are retiring with both a pension benefit and an IAP benefit. The same holds true for withdrawals of members who have worked after the January 1, 2004, effective date of the IAP.

Enabling legislation/program authorization

The program is governed by the following Oregon Revised Statutes and Administrative Rules:

- IAP is authorized by ORS 238A.300 thru 238A.435.
- Oregon Administrative Rules Chapter 459.

The benefits provided under the program are protected by provisions in the U.S. and Oregon Constitutions regarding contracts. Courts have construed these benefits as public contracts with the members. Unlike the Tier One and Tier Two Program, the Legislature expressly reserved the right to alter the provisions of the OPSRP Pension Program, including the IAP, for services performed after the effective date of any such change (ORS 238A.470).

Funding streams

This program is funded entirely from member contributions and the return on investment of those contributions, which are held in the Oregon Public Employee Retirement Fund (OPERF). In accordance with ORS 238.660(2), incorporated into the OPSRP Pension Program by ORS 238A.050(2), funds in the PERF can only be expended for the exclusive benefit of the members. ORS 238.661 (also incorporated by ORS 238A.050(2)) further provides that moneys in the PERF are continuously appropriated to the PERS Board for the purpose of implementing plan requirements. Expenditures under this program are categorized for state budget purposes as Other Funds Non-limited.

Significant proposed program changes from 2021-23

Requested Other Funds Non-Limited represent an increase of \$184,225,815 above the 2021-23 budget of \$1,129,603,848 and reflects the agency's 2023-25 anticipated benefit payments or withdrawals for IAP benefit recipients.

Individual Account Program

Budget overview

The 2003 Legislature created the OPSRP via passage of House Bill 2020 (2003). OPSRP is a hybrid retirement program with two components: the pension program and the IAP. The OPSRP Pension Program is funded solely by employer contributions and investment earnings. The IAP has no guaranteed payment or return. Members make contributions; employers may or may not make additional contributions. When a member retires, he/she receives the contributions plus any accrued earnings (or losses). The IAP requires PERS members to contribute an amount equal to six percent of salary to an IAP account. At retirement, members will receive the balance of this account, including accrued earnings while the account is active, either as a lump sum or in installments, over a specified period of their choice.

Beginning January 1, 2004, Tier One and Tier Two Program member contributions also go into the IAP. Tier One and Tier Two members retain their existing PERS accounts, but member contributions after that date are deposited in the member's IAP, not into the member's Tier One or Tier Two accounts.

BUDGET NARRATIVE

This program includes OPSRP, Tier One, and Tier Two member contributions into the IAP, account withdrawals and distributions to Tier One, Tier Two, and OPSRP members. The program also outlines the fund transfer from plan assets to the operations program unit to pay for program administrative activities.

This program unit is made up entirely of Other Funds Non-Limited.

Base budget adjustments

Changes have been made to both revenues and expenditures to reflect updated projections based on trend analysis and using moving four-year averages. The 2021-23 expenditure estimates column below was calculated using unaudited fiscal year 2022 actuals through March. Contracted services for third-party administration of the IAP have been updated based on the projected number of participants and inflation.

Individual Account Program Other Funds Non-Limited	2019-21 actual expenditures	2021-23 legislatively approved budget	2021-23 estimated expenditures	2023-25 legislatively approved budget
Third-party administration	5,146,661	5,796,057	6,591,967	5,810,763
Distribution to individuals	1,175,880,147	1,292,807,791	1,514,465,010	1,477,018,900
Total expenditures	\$1,181,026,808	\$1,298,603,848	\$1,521,056,977	\$1,482,829,663

BUDGET NARRATIVE

Detail of Lottery Funds, Other Funds, and Federal Funds revenue

Source	Fund	ORBITS revenue acct	2019-21 actual	2021-23	2021-23	2023-25		
				legislatively adopted	estimated revenue*	Agency request	Governor's recommend	Legislatively adopted
Non-Limited Other Funds:								
Charges for services	Non-limited Other	Charges for services	90,332	87,551	83,265	101,722	101,722	101,722
Interest and investment earnings	Non-limited Other	Interest income	2,754,154,996	916,382,923	1,467,217,892	1,580,683,902	1,580,683,902	1,580,683,902
Donations and contributions	Non-limited Other	Retirement system contribution	1,291,305,651	1,450,290,828	1,276,316,345	1,367,760,965	1,367,760,965	1,367,760,965
Other	Non-limited Other	Other revenues	1,249,016					

2023-25

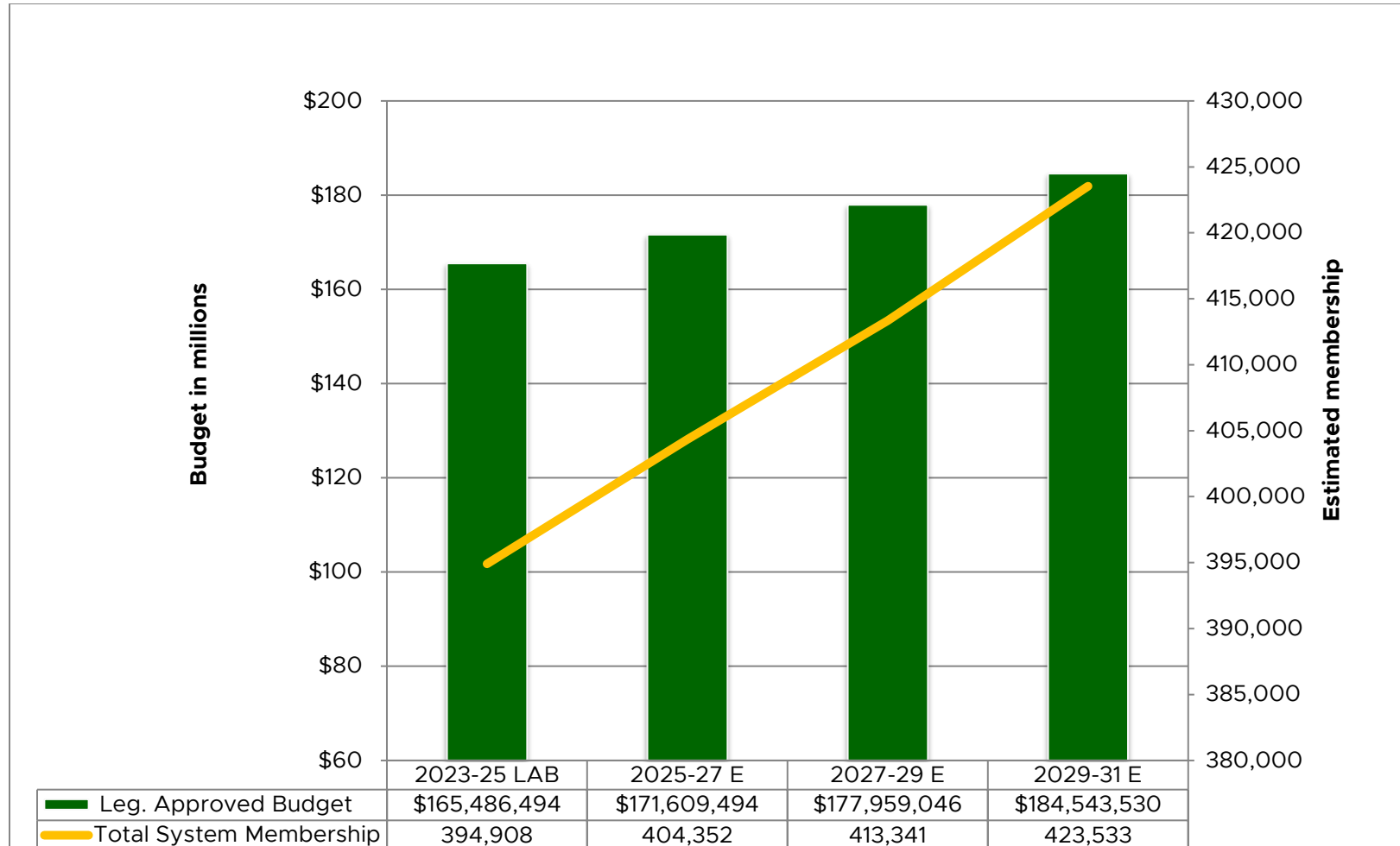
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* All 2021-23 estimated revenue amounts were calculated using audited 2022 fiscal-year experience through March to arrive at the estimate for the biennium.

BUDGET NARRATIVE

Operations executive summary

Primary outcome area: Improving government
 Secondary outcome area: (None)
 Program contact: Kevin Olineck, 503-603-7695



BUDGET NARRATIVE

Executive summary

The operations program reflects the costs of the Public Employees Retirement System’s administration of public employee benefit trusts that provide benefit services to employees of over 900 public employers throughout Oregon. Those services include retirement, disability, and death benefits, as well as a deferred compensation program and a retiree health insurance program. PERS also administers the state’s obligations under the federal Social Security program. Centralizing these benefit administration services through PERS produces economies of scale that reduce costs, enhance customer service, and support process efficiencies. The operations program does not include debt service.

Program funding request

PERS requests \$165,486,494 Limited Other Funds in 2023-25 for the agency’s operating budget. Based on DAS/Budget and Management (BAM)-issued assumptions, the estimated Limited Other Funds needed for PERS’ operating budget through 2031 are:

<i>Biennium</i>	<i>Estimated expenditures</i>
2023-25	\$165,486,494
2025-27	\$171,609,494
2027-29	\$177,959,046
2029-31	\$184,543,530

Performance achievement

Requested Limited Other Funds support the agency’s mission to administer public employee benefit trusts that pay the right person the right benefit at the right time. Performance achievement is measured through legislatively mandated key performance measures and quarterly reporting of internal core operating and supporting business process measures.

Program description

The operations program budget provides the Other Fund financial resources for PERS to administer public employee benefit trusts that provide services for over 900 public employers in Oregon, serving over 393,000 members (Tier One, Tier Two, OPSRP, and IAP) and their beneficiaries or alternate payees. The budget also supports administration of a tax-qualified deferred compensation plan (the Oregon Savings Growth Plan) and several retiree health insurance premium trusts. PERS also fulfills the state’s role in administering the federal Social Security program with local government employers.

The budget in the operations program reflects only a fraction of the agency’s total expenditures. In fact, PERS services the largest “payroll” in the state, processing more than \$5.2 billion in benefit payments every year (the equivalent of some one-third of the total public employment payroll in Oregon). Using those benefit payments as a measure of the impact PERS has on Oregon’s citizens and economy, this agency clearly constitutes one of the major components of the government sector in all of Oregon.

The drive toward efficiency and service improvement has resulted in the number of staff remaining stable even though budget limitation has increased due to consistent legislative changes to the program. The improvements in agency operations were achieved through restructuring processes and leveraging new technologies, such as the agency’s Oregon Retirement Information On-line Network (ORION). These improvements have allowed PERS to administer the significant programs added in the 2003 PERS reforms (OPSRP Pension and IAP), and more recently SB 1049. Just as importantly, service metrics as measured by the agency’s key performance measures have generally improved over this same time even as the agency has integrated new programs over a relatively flat and stable staffing plan.

Demands for the agency’s services will continue to grow for the next several biennia as an ever-greater percentage of the public work force passes into retirement age. The agency’s approved 2019-21 budget is predicated on processing about 7,500-8,000 retirements

BUDGET NARRATIVE

per year. That average will increase markedly over the next several biennia. There are already some 66,000 PERS members currently eligible to retire, with more members becoming eligible every year. PERS' strategic imperative is to enhance efficiencies and improve processes to handle this rapidly increasing benefit administration workload, rather than increase headcount to maintain service levels.

Supporting the focus on process improvements and service enhancements, however, requires a new paradigm in the agency's structure and management systems. The 2021-23 Governor's Budget is predicated on a fundamental framework that defines the agency's core operating and supporting processes. Through those processes, PERS delivers member services with a highly efficient, automated payment system. That level of process efficiency and technology leveraging often obscures the agency's operational scope. The metrics show that PERS is responsible for timely, accurate, and proficient distribution of 70% of the Other Funds expenditures in Oregon. Easily one in three Oregonians has some connection to a PERS member, reflecting the agency's widespread impact within this state. But the agency's position classifications are still viewed through a prism of the number of FTE in the agency, not by the statewide impact or total value of the services our operations budget provides. This perception constrains the level of professional skills we are able to attract and retain to further develop our operations and manage our staff as financial services professionals.

Program justification

This program combines the administration of defined benefit retirement plans and other benefit trusts for all state agencies and schools, as well as over 90% of local government employees. PERS administers these programs to provide assistance and service to all these public employers and employees. This combined administration allows investment in operational efficiencies (such as web-based employer reporting, customer service, and benefit processing) that would not be economically feasible for individual agencies.

As a combined benefit plan administrator, these public employers' benefit plans are provided within the lowest-cost framework. The fundamental advantages of a multi-employer defined benefit plan are institutional fund investment, which enhances return and reduces investment expenses; risk sharing pools, which spread actuarial experience costs over a broader base; benefit portability, which allows members to transfer among participating employers without impacting benefit accruals; and unified administration, which allows for enhanced professionalism and economies of scale. Those advantages allow member and employer contributions to provide the maximum positive economic impact to state and local economies when the benefits are spent by recipients in their community.

BUDGET NARRATIVE

Program performance

Fiscal year	Total members served	Annual admin. cost per member	% initial service retirements paid in 45 days	Member satisfaction rating – overall
2013	354,502	127	70%	88%
2014	362,756	120	61%	92%
2015	369,022	133	74%	92%
2016	367,412	150	60%	92%
2017	368,694	155	79%	89%
2018	367,853	145	65%	91%
2019	374,499	144	77%	87%
2020	378,829	172	62%	89%
2021	384,982	190	45%	87%
2022	393,080	190	45%	87%

Enabling legislation/program authorization

Enabling legislation for PERS operations (administrative costs) are:

- Oregon Revised Statute (ORS) 237.500; 238.490, and 610; and 243.470.
- Oregon Administrative Rules Chapter 459.

Notably, the governing authority for the PERS system is vested in a five-member board appointed by the Governor and confirmed by the Senate under ORS 238.630. The PERS Board is charged with employing a director and creating such other positions as it deems necessary for sound and economical administration of the system.

Funding streams

ORS 238.610 directs that the administrative operations expenses for PERS are 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. PERS' annual operations expenses, when measured as a percent of the \$99 billion PERS Fund (as of December 31, 2021), represent less than eight basis points (0.08%). Any earnings not used to support agency operations must be otherwise expended solely for the exclusive benefit of PERS members.

Significant proposed program changes from 2021-23

Requested Limited Other Funds reflect an increase of \$11,125,123 above the 2021-23 operating budget of \$154,361,371 and will continue to enable the agency to maintain current service delivery levels while enhancing performance measurement in the areas of process improvement and technology and financial management.

BUDGET NARRATIVE

Operations

Budget overview

As previously stated, PERS administers several retirement related programs for more than 900 public employers in Oregon, including all state agencies, all public school districts, and most local government entities. The five-member Public Employee Retirement Board (PERB) provides governance administrative oversight for all PERS programs.

PERS operations employ a common pyramid-style organizational structure. The agency is functionally separated into five divisions to reduce overlap and clearly designate responsibilities. Within the divisions, sections exist that focus upon specific activities in agency and program support. The major areas of activity are employer reporting, customer service, retirement benefits, withdrawals, death benefits, disability benefits, sponsorship of group health insurance plans, deferred compensation (Oregon Savings Growth Plan (OSGP)), and Social Security coverage.

PERS orders its divisions as follows: Central Administration Division (CAD), Financial Services Division (FSD), Information Services Division (ISD), Operations Division (OD), Compliance, Audit and Risk Division (CARD), and the Core Retirement Systems Applications (CRSA) Division.

Base budget adjustments

The 2023-25 Other Funds Limitation base budget was increased by \$5,942,890 Other Funds due to salary adjustments, government service charges, and services and supplies increase. The base budget was not adjusted for estimated costs of merit increases or cost-of-living adjustments.

Division	Base budget	Essential packages	Current service level	Policy packages	Legislatively approved budget
Central Administration	\$19,364,317	(\$149,761)	\$19,214,556	\$426,476	\$19,641,032
Financial Services	\$22,732,715	\$1,667,685	\$24,400,400	(\$1,720,406)	\$22,679,994
Information Services	\$31,272,734	(\$449,649)	\$30,823,085	\$3,383,843	\$34,206,928
Operations	\$47,139,224	(\$39,894)	\$47,099,330	\$1,767,222	\$48,866,552
Compliance, Audit and Risk	\$10,115,150	\$355,240	\$10,470,390	\$(83,247)	\$10,387,143
Core Retirement				\$29,704,845	\$29,704,845
Totals	\$130,624,140	\$1,383,621	\$132,007,761	\$27,965,333	\$165,486,494

BUDGET NARRATIVE

Detail of Lottery Funds, Other Funds, and Federal Funds revenue

Source	Fund	ORBITS revenue acct	2019-21 actual	2021-23 legislatively adopted	2021-23 estimated revenue*	2023-25		
						Agency request	Governor's recommended	Legislatively adopted
Operations Other Funds:								
Charges for services — admin fees	Limited Other Funds	Charges for services	4,175,500	4,175,500	4,478,715	6,237,528	6,237,528	6,237,528
Interest earnings	Limited Other Funds	Interest income	(5,240)	29,150	17,574	29,150	29,150	29,150
Other	Limited Other Funds	Other revenues	(76,436)	50,000	50,000	50,000	50,000	50,000

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* All 2021-23 estimated revenue amounts were calculated using audited 2022 fiscal-year experience through March to arrive at the estimate for the biennium.

BUDGET NARRATIVE

Essential packages

Package 010 Non-PICS Personal Services/Vacancy Factor

Package description

This package contains a total decrease of (\$418,879) Other Funds. The decrease is due primarily to the net reduction of (\$350,182) in vacancy savings and (\$131,080) decrease in pension bond contributions from a statewide change in the contribution rate. This package includes standard inflation of 4.2 percent on personal service expenses, such as temporary employees, overtime, shift and other differentials for a net increase of \$37,838. The following table shows the increases and decreases in limitation by division.

SCR	Division title	Amount
500-01	Central Administration	5,761
500-03	Financial Services Division	(30,241)
500-04	Information Services Division	19,109
500-08	Operations Division	(411,244)
500-09	Compliance, Audit and Risk Division	12,804
900-05	SB 1049 Implementation	(15,068)
	Total	(\$418,879)

BUDGET NARRATIVE

Package 022 Phase-out Program and One-time Costs

Package description

Total reductions of (\$18,927,464) in limited Other Funds include scheduled one-time costs and phase-outs for projects approved during the last legislative session. Reductions of (\$17,250,000) in General Funds and reductions of (\$19,919,466) in Lottery/Other Funds are related to one-time costs in support of the Employer Incentive Fund (EIF) to help fund the start-up of that program. The detail of the total reductions are as follows:

Package by SCR	Total phase-out	Central Administration	Financial Services	Information Services	Operations Division	Core Retirement System Applications	Lottery Funds	General Fund appropriation	Other Fund appropriation
		500-01	500-03	500-04	500-08	900-00	200-01	200-1	200-02
Pkg. 101 SB1049	(16,835,047)					(16,835,047)			
Pkg. 102 Modernization	(800,000)					(800,000)			
Pkg. 107 OD Qualifying/Nonqualifying	(35,942)				(35,942)				
Pkg. 109 S/E Recovery	(6,657)		(6,657)						
Pkg. 801 Production Data Center Migration	(825,000)			(825,000)					
Pkg 112 Deferred Maintenance	(425,000)	(425,000)							
Pkg 4002 Employer Incentive Fund-GF	(17,250,000)							(17,250,000)	
Pkg 4002 Employer Incentive fund-OF	(19,919,466)								(17,250,000)
Pkg 4002 Employer Incentive Fund — LF	(2,669,467)						(2,669,467)		
Total one-time costs and phase-outs	(\$59,894,909)	(\$425,000)	(\$6,657)	(\$825,000)	(\$35,942)	(\$17,635,047)	(\$2,669,467)	(\$17,250,000)	(\$17,250,000)

BUDGET NARRATIVE

Package 031 Standard Inflation

Package description

The total cost of goods and services increases by \$3,080,031 Other Funds. The Department of Administrative Services Price List of Goods and Services and the biennial standard inflation factor of 4.2 percent are the basis for calculating cost increases in services, supplies, and capital outlay. State government service charges were increased by \$1,865,010 primarily due to an increase in the Enterprise Information Services (EIS) assessment for technology services.

The DAS Price List includes assessment charges by DAS and the Secretary of State as well as costs for central services and other selected items. Treasury charges are based on a user fee price list and are part of state government service charges.

- The annual audit of PERS' *Annual Comprehensive Financial Report* (ACFR) is performed by an outside firm with oversight by the Secretary of State Audits Division. The total cost in the current biennium was split between the oversight cost budgeted in state government service charges and the annual audit of the ACFR budgeted in professional services. The Secretary of State Audits Division estimated a total cost of \$1,482,460 for both services, and this amount is budgeted in state government service charges in 2023-25. The additional cost of auditing PERS' compliance with the two new pension accounting and financial reporting in accordance with generally accepted accounting principles (GAAP) is included in this amount.

The following is a summary showing the total increase (decrease) by division:

SCR	Division title	Amount
500-01	Central Administration	269,478
500-03	Financial Services Division	1,704,583
500-04	Information Services Division	356,242
500-08	Operations Division	407,292
500-09	Compliance, Audit and Risk Division	342,436
	Total	\$3,080,031

BUDGET NARRATIVE

Package 081 June 2022 Emergency Board Actions

Package description

As added by legislative approval — Item 72 June 2022 E Board

This package increases Other Funds expenditure limitation by \$3,797,797. This is to account for the 2021-23 rollup costs for six limited-duration positions and associated services and supplies costs related to the pre-planning efforts for the modernization project. These are one-time costs and were phased out at the end of the budget cycle.

SCR	Division title	FTE	Amount
900-06	Core Retirement System Applications	2.75	3,797,797
	Total	2.75	\$3,797,797

BUDGET NARRATIVE

Package 101 SB 1049 Implementation

Package description

PERS requests \$20,131,772 Other Funds Limitation. This business case supports the request for funding necessary to continue development of the Member Redirect and Technical Debt components of the SB 1049 legislation. PERS is also requesting contingency funds in the event of unanticipated delays to any remaining components of the SB 1049 program, including funds for a six-month stabilization period and six-months contingency for two Member Redirect work packages whose elaboration is not complete at the time of this business case development.

Purpose

This request is intended to complete the implementation of the SB 1049 legislation mandated by the Legislature in 2019. It will build upon the large amount of SB 1049 Implementation Program work already completed and enable the agency to realize the fully intended impact of this legislation.

Background

Senate Bill 1049 was approved by the 2019 Oregon Legislative Assembly on May 30 and signed by the Governor on June 11, 2019. SB 1049 is comprehensive legislation intended to address the increasing cost of funding Oregon's Public Employees Retirement System (PERS), reduce system unfunded actuarial liability (UAL) obligations, and provide relief to escalating contribution rate increases for public employers. These goals will be accomplished through changes to member benefits, existing employer rate reduction programs, and re-amortization of the Tier One and Tier Two unfunded actuarial liability (UAL).

The different provisions of the measure required the agency to develop short- and long-term plans to adjust the existing technology infrastructure for the retirement system that supports more than 900 public employers and 384,000 members and their beneficiaries. New system functionality is being developed thoughtfully and methodically to address and maintain the functional capabilities related to existing employer and member interfaces and data infrastructures. This effort includes analyzing, designing, and implementing new SB 1049-mandated capabilities for additional data needs, multiple accounts per member, complex benefit calculations, and the associated accounting and financial reporting requirements. To implement SB 1049, the Legislature initially approved \$39,059,714 for the 2019-21 biennium, which included six full-time and 37 limited-duration positions. For the 2021-23 biennium, PERS requested 35 of the limited-duration positions be continued as part of an additional \$22,814,797 request for the 2021-2023 biennium. For the 2023-25 biennium, PERS is requesting 20 limited-duration positions be continued as part of an additional \$20,131,772 request to complete implementation efforts.

The changes mandated by the SB 1049 legislation require significant enhancements to PERS' daily operations. These modifications are reflected in the maintenance of account balances, calculating benefits, communicating with stakeholders, and managing the associated accounting and financial reporting requirements. As stated in the executive summary, approval of this business case will allow PERS to complete all the specific statutory requirements of SB 1049, as well as making modifications that will integrate these changes into the full range of PERS processing.

The complexity of SB 1049 required the agency to develop not only short- and long-term plans to adjust the existing technology infrastructure, but to develop new functionality to manage PERS data needs going forward.

BUDGET NARRATIVE

The **SB 1049 Implementation Program** was compartmentalized into five projects to implement the distinct sections of the legislation. Listed below is a summary of the high-level scope for the two active projects.

1. **Member Redirect:** This section of the bill redirects a portion of member contributions to a new Employee Pension Stability Account (EPSA) when the funded status of the plan is below 90% and the member's monthly salary is more than \$2,500.

The short-term solution was completed on June 18, 2020. This project is currently due to be completed on April 25, 2024, but the agency is anticipating schedule changes to two of the final work packages due to complexity.

2. **SB 1049 Technical Debt:** This new project was added to SB 1049 during the 2021-23 biennium to address unanticipated delays or issues that might be encountered related to existing or new technical debt in the jClarety system. Specifically, this project addresses Technical Debt items:

- that are created by SB 1049,
- are exacerbated by SB 1049, or
- inhibit PERS' ability to complete SB 1049 requirements.

Long-term scheduling is in process and expected to be baselined in July 2022. This project is expected to complete in the 2023-2025 biennium. Please see the SB 1049 road map below.

Within the current biennium, PERS will have successfully accomplished a majority of this comprehensive SB 1049 legislation on budget. To satisfy and ensure full integration of this legislation, PERS must request funding to complete all projects within the SB 1049 Program.

Implementation approach

The implementation work of SB 1049 has been managed as a program with six component projects. Four of the six projects have been completed. Both the Member Redirect and Technical Debt projects will continue into the 2023-2025 biennium. The longest running project, Member Redirect, has the most complexity and requires the newest programming for PERS.

To successfully develop and implement the six component projects, PERS has used a combination of existing staff, new staff, and contracted resources to build program and project teams and address increasing workloads due to new requirements for communication, calculation, or evaluation.

Assumptions

The following assumptions have been made for ongoing SB 1049 activities:

- Partnership with external stakeholders will continue, permitting expedient contracting and procurement activities.
- EIS program and project oversight processes and approvals will continue to be received expediently for the SB 1049 Implementation Program and the Member Redirect component project.
- SB 1049 Implementation Program and Member Redirect will remain ranked as the agency's top priorities in the project portfolio, and other lower priority work will be deferred, as necessary.
- PERS does not receive additional legislative instruction.
- Project Management Body of Knowledge (PMBOK) processes and methodologies will be utilized throughout the execution of the program.
- Resources currently allocated to SB 1049 Implementation Program and Member Redirect will continue as needed.

BUDGET NARRATIVE

Constraints

- ORION system architecture.

Dependencies

- As-is system architecture (ORION) and level of documentation.

Alternative 1: Do not continue program beyond the 2021-2023 biennium

This alternative will be to review the current scope for both Member Redirect and Technical Debt and determine a cut-off that will end the project June 30, 2023.

Member Redirect: Below is the expected state of Member Redirect work packages as of June 30, 2023:

The short-term release was completed June 18, 2020:

- Work package 1 (WP1).
 - EPSA setup.
 - IAP redirect/batch job.
 - General ledger setup.
 - Voluntary contributions.

The following long-term work packages (WP) have already been released on June 30, 2023:

- WPVC1 Voluntary Contributions Initial Functionality.
- WPVC2 Voluntary Contributions Final Functionality Release.
- WP2 TIED SSIS – Non-jClarety.
- WP2.2 IAP Forecaster Tool.
- WP3 EPSA Earnings.
- WP4.2 EPSA Display.
- WP4.3 EPSA Transaction Display.
- WP5 Voluntary Contribution Maintenance.
- WP5.2 Online Member Services User Interface.
- WP6.1 EPSA Retirement.
- WP9.1 EPSA Withdrawal.
- WP9.2 Alter OPSRP Withdrawal.
- WP12 Full EPSA Set up Screen.

BUDGET NARRATIVE

Based on the current schedule, the following long-term functionality for Member Redirect will not be accomplished by June 30, 2023:

- WP8.1 EPSA Pre-Retirement Death.
- WP10 Backlog Implementation.
- WP11.1 Reemployment.
- WP11.2 Excess EPSA.
- WP12.2 Final Backlog Implementation.

Technical Debt: Below is the expected state of Technical Debt work packages as of June 30, 2023:

The following work packages (WPs) have already been completed or will be completed by June 30, 2023:

- WP1 Employer Statements.
- WP2 Benefit Account Status Transition.
- WP3 General Ledger and Side Account Reversals.
- WP4 Hyperion Replacement.
- WP5 Side Account Reversals.

Based on the current schedule, the following functionality for Member Redirect will not be accomplished by June 30, 2023:

- WP6 General Ledger Reversals.

BUDGET NARRATIVE



Senate Bill (SB) 1049 Implementation Road Map

2021-2023 Biennium

	2021						2022						2023											
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Employer Programs		7/16/21 - Project Close											Aug 22											
Work After Retirement																								
Member Redirect																								
Member Choice																								
Technical Debt																								
PROGRAM INITIATIVE																								
Cross Project Effort																								

2023-2025 Biennium

PROJECTS	2023						2024						2025											
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Member Redirect																								
PROGRAM INITIATIVE																								
Cross Project Effort																								

Revised: August 15, 2022

BUDGET NARRATIVE

Staffing impact

Position #	Position	Status	FTE
2510109	X0872 Operations & Policy Analyst 3	Limited duration	1.00
2510112	C0871 Operations & Policy Analyst 2	Limited duration	1.00
2510113	C0871 Operations & Policy Analyst 2	Limited duration	1.00
2510114	C0438 Procurement & Contract Spec 3	Limited duration	1.00
2510115	C0841 Retirement Counselor 1	Limited duration	1.00
2510116	C0841 Retirement Counselor 1	Limited duration	1.00
2510117	C0841 Retirement Counselor 1	Limited duration	1.00
2510118	C0841 Retirement Counselor 1	Limited duration	1.00
2510119	C0841 Retirement Counselor 1	Limited duration	1.00
2510120	C0841 Retirement Counselor 1	Limited duration	1.00
2510121	C0841 Retirement Counselor 1	Limited duration	1.00
2510122	C0841 Retirement Counselor 1	Limited duration	1.00
2510123	C0842 Retirement Counselor 2	Limited duration	1.00
2510124	C0842 Retirement Counselor 2	Limited duration	1.00
2510125	C0870 Operations & Policy Analyst 1	Limited duration	1.00
2510126	C0870 Operations & Policy Analyst 1	Limited duration	1.00
2510127	C0870 Operations & Policy Analyst 1	Limited duration	1.00
2510128	C0870 Operations & Policy Analyst 1	Limited duration	1.00
2510129	C0871 Operations & Policy Analyst 2	Limited duration	1.00
2510130	C0871 Operations & Policy Analyst 2	Limited duration	1.00

2023-25 fiscal impact

The anticipated impact to 2023-25 is estimated to be approximately \$3,638,372 for personal and services and \$14,500,400 for services and supplies. This is a one-time funding request.

Quantifying results

- KPM #2, Total Benefit Administration Costs.
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #6, Customer Service, milestone:
Maintain 80% or higher good or excellent responses for annual customer satisfaction survey throughout 2021-23 biennium.

Revenue source

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

BUDGET NARRATIVE

Package 102 SB 1049 Permanent FTE

Package description

PERS requests \$1,887,761 Other Funds Limitation. Throughout the SB 1049 project, PERS has relied on limited-duration positions, requesting and receiving approval for 35 limited-duration positions in the 2021-2023 biennium. These positions were requested to either work directly on the project, backfill positions on the project, or to cover the expected increased workloads. Additionally, PERS is tracking the internal resources and their associated costs. Through this tracking, PERS is aware that, on a monthly basis, up to 110 PERS permanent, internal staff have been involved, to some degree, in the implementation of SB 1049. Over the course of this last year as projects have concluded, PERS has determined that some of the SB 1049 limited-duration positions need to be continued permanently due to sustained workloads, enhanced IT systems, increased complexity, and required support in the following specific areas:

Purpose

PERS is requesting permanent funding for nine full-time positions due to increased and sustained workloads and IT system support that resulted from SB 1049 changes to the PERS system.

Background

Senate Bill 1049 was approved by the 2019 Oregon Legislative Assembly on May 30 and signed by the Governor on June 11, 2019. SB 1049 is comprehensive legislation intended to address the increasing cost of funding Oregon's Public Employees Retirement System (PERS), reduce system unfunded actuarial liability (UAL) obligations, and provide relief to escalating contribution rate increases for public employers. These goals will be accomplished through changes to member benefits, existing employer rate reduction programs, and re-amortization of the Tier One and Tier Two unfunded actuarial liability (UAL).

The different provisions of the measure required the agency to develop short- and long-term plans to adjust the existing technology infrastructure for the retirement system that supports more than 900 public employers and 393,000 members and their beneficiaries. New system functionality is being developed thoughtfully and methodically to address and maintain the functional capabilities related to existing employer and member interfaces and data infrastructures. This effort includes analyzing, designing, and implementing new SB 1049-mandated capabilities for additional data needs, multiple accounts per member, complex benefit calculations, and the associated accounting and financial reporting requirements. To implement SB 1049, the Legislature initially approved \$39,059,714 for the 2019-21 biennium, which included six full time and 37 limited-duration positions. For the 2021-23 biennium, PERS requested 35 of the limited-duration positions be continued as part of an additional \$22,814,797 request for the 2021-23 biennium. For the 2023-25 biennium, PERS is requesting 20 limited-duration positions be continued as part of an additional \$22,019,533 request to complete implementation efforts.

Program approach

Except for actuarial software associated with the Employer Programs project, the majority of implementation efforts impact the current Oregon Retirement Information Online Network (ORION) system. ORION is a system of integrated applications, including interfaces with our IAP third-party administrator, VOYA.

Given ORION is an existing legacy system, PERS is employing the tactic to rely on in-house business experts and backfill them with limited-duration and/or work-out-of-class resources. This approach provides PERS with the most accurate and timely business solution identification. Likewise, outside technical resources or contractors are augmenting existing PERS IT staff in the areas of system

BUDGET NARRATIVE

architecture and development. PERS is also using contracted program and project management services to augment and support program and project implementation. This approach ultimately builds out the internal capacity and capability needed to address longer-term system requirements.

Additionally, this approach mitigated any security concerns as we build out functionality within the established ORION information security framework.

Program resources

Throughout the SB 1049 project, PERS has relied on limited-duration positions, requesting, and receiving approval for 35 limited-duration positions in the 2021-2023 biennium. These positions were requested to either work directly on the project, backfill positions on the project, or to cover the expected increased workloads.

A non-exhaustive list of these efforts includes business analysis, system architecture, system development, testing (system and business), subject matter expertise, project management, business process reviews, communications, training, organizational change management, steering and work group participation. Staff efforts range from a few hours per week to full-time engagement in the projects.

Over the course of this last year as projects have concluded, PERS has determined that some of the SB 1049 limited-duration positions need to be continued permanently due to sustained workloads, enhanced IT systems, increased complexity, and required support in the following specific areas:

- External and internal website design and support.
 - Two EPDS3 positions.
- Employer reporting.
 - One Retirement Counselor 1.
- Desktop support.
 - One ISS4.
- DevOps engineering.
 - One ISS7.
- jClarety development.
 - One ISS7.
- Central data management report development.
 - Two ISS4.
 - One OPA2.

Alternatives

Option 1

Status quo.

One course of action is to maintain the status quo and allow the nine limited-duration positions to end on June 30, 2023. This would halt progress on website development and maintenance as well as decrease technical support for the Help Desk, software development, employer reporting support, and curtail report development for business.

BUDGET NARRATIVE

Option 2

Use outside contractors.

The second option is to utilize contractors for the various needs of the agency, which is a poor solution in that it does not support continuity of operations well and incurs a high cost:

Cost: Contracting rate for a webmaster/developer/system administrator via Lancesoft is:

\$126/hour (176 billable hours used in Lancesoft calculation, per biennium)

\$532,224 per biennium for one contracted resource

\$4,790,016 per biennium for nine contracted resources

Option 3

The third option would be to continue the positions as limited duration (LD). While this is a step in the right direction, it does not solve for the long term, but only temporarily mitigates. The cost of extending the LD classifications is the same cost as for permanent employees but would then require the section to revisit this process for the next biennium, at which point we would again need to request an extension and go through the effort of another position request or endure without these key positions after the extension.

Cost: \$1.827 million

Option 4

Provide permanent funding for the nine positions.

The fourth option is to permanently fund these nine positions. This would allow development, support, and business to continue and meet the needs of the agency, external stakeholders, and members. **This is the recommended option.**

Staffing impact

Position #	Position	Status	FTE
2510201	C2512 Electronic Pub Design Spec 3	Limited duration	1.00
2510202	C2512 Electronic Pub Design Spec 3	Limited duration	1.00
2510203	C1484 Info Systems Specialist 4	Limited duration	1.00
2510204	C1487 Info Systems Specialist 7	Limited duration	1.00
2510205	C1487 Info Systems Specialist 7	Limited duration	1.00
2510206	C0841 Retirement Counselor 1	Limited duration	1.00
2510207	C0871 Operations & Policy Analyst 2	Limited duration	1.00
2510208	C1484 Info Systems Specialist 4	Limited duration	1.00
2510209	C1484 Info Systems Specialist 4	Limited duration	1.00

2023-25 fiscal impact

The anticipated impact to 2023-25 is estimated to be approximately \$1,887,761 for Personal and Services and the 2025-27 impact is estimated to be \$1,977,430.

Quantifying results

- KPM #2, Total Benefit Administration Costs
Reduce administrative costs while maintaining high levels of service to members and employers.

BUDGET NARRATIVE

- KPM #6, Customer Service, milestone
Maintain 80% or higher good or excellent responses for annual customer satisfaction survey throughout 2021-23 biennium.

Revenue source

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

BUDGET NARRATIVE

Package 103 ORION modernization

Package description

PERS requests \$9,573,073 Other Funds Limitation for the Core Retirement System administration. PERS proposes to establish 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. This program will revitalize service delivery to members by integrating all the PERS plans into one system through a multi-biennia effort.

- Personal services \$3,228,103
- Services and supplies: \$6,344,970
- Capital outlay \$0

- Total request \$9,573,073

Purpose

PERS received approval to implement the first phase of the ORION modernization planning project through the approval of policy option package (POP) 102 in PERS LAB, which increased other funds expenditure limitation by \$800,000 on a one-time basis to begin planning for a program to modernize the Oregon Retirement Information Online Network (ORION). PERS received stage gate 1 approval on September 14, 2021, for planning needs related to the ORION system and associated business support, to further understand the scope of an agency modernization. PERS contracted for services with public pension IT strategists to work under the direction of PERS to:

- Identify critical business needs, vision, goals, and objectives for the future.
- Determine the next-generation architecture that can support viable business capabilities that can be sustained over time.
- Identify resources needed for realizing the initial project(s) of the modernization road map.

Background

PERS engaged Accenture for these services in November 2021. Accenture introduced a logical operating model to organize the enterprise business operations into a process-based structure for the purposes of assessing the current state capabilities and the potential improvements in capabilities, which could be realized with the benefit of modernization.

This operating model was tailored to fit PERS' operations to benchmark PERS capabilities within Accenture's Public Retirement High Performance Capability Assessment Model. This proprietary model developed specifically for retirement systems evaluates an organization using more than 120 criteria over 33 business areas. The assessment was conducted at 16 workshops over the course of three weeks in December 2021. Sixty-three PERS staff were involved in these workshops where Accenture led focused discussions to capture details on both current processes as well as to identify pain points within these processes. Staff were also engaged to share their thoughts regarding future improvements to processes, which contributed to the overall future state model.

Program approach

The recommended first stage proposed on the modernization road map is a comprehensive planning and design stage. The key focus of the activities included in the planning and design stage prepares the organization and sets the foundation for a future modernization program. This request was made before the June 2022 Emergency Board and resulted in funding and approval for "Phase #1- Pre-Modernization Planning & Set Up."

BUDGET NARRATIVE

This business case represents the second and third phases on the LFO recommended modernization road map — PERS Modernization Program & Domain Planning and Domain Project Execution. This business case seeks authorization to establish a modernization program at PERS and prepare to initiate execution of the first projects of the program road map.

The first projects have been submitted in separate business cases:

- Client Relations Management (CRM) Project and
- Data & Analytics Management Project

Potential solutions

PERS could engage in a full- system renewal program that would include sourcing a brand new platform. However, based on what we are seeing in the pension technology space, combined with the overall complexity of the PERS system, we believe our best solution is to maintain the base calculation platform of jClarety as is in process with Texas Teachers' Retirement System (TRS). Like PERS, they use a jClarety-based system and have had success whereby they isolated the core calculations engine and modernized other components by implementing a service-oriented architecture to facilitate a more modern, flexible, and scalable solution that will serve the agency into the future.

PERS has worked closely with TRS, as we have encountered similar system challenges over the years. We have had the opportunity to closely watch the progress of their TRS Enterprise Application Modernization (TEAM) program over the last several years and have had countless conversations with multiple staff and opportunities to gather lessons learned in the experience.

Scope of request

This request seeks to establish a full modernization program at PERS. By standing up a program of projects, which support the overarching goal of modernization, PERS will benefit from centralizing resources solely dedicated to supporting the Modernization Program. This will also provide the structure to manage program risks that may impact multiple projects simultaneously, manage change requests within a shared governance network, appropriately allocate budgets and resources across multiple projects within the program, and evaluate enterprise-level solutions. PERS will align with stage gate requirements as set forth by DAS-EIS and LFO and manage the program within the Project Management Body of Knowledge (PMBOK) standards. PERS can leverage the extensive experience gained through successfully managing the SB 1049 Implementation Program. Staff are familiar with the program concept and structure and will quickly adapt to the launch of a new Modernization Program.

This will be a multi-phase, multi-biennia process to fully achieve a comprehensive solution to our challenges.

PERS will utilize an outside-in approach to deliver value quickly to our members. This will also ensure we are avoiding introduction of any possible regression issues while we are in our last stages of implementing SB 1049. This approach will guide the sequencing of our projects throughout the PERS modernization road map and is the primary reason the first project we are targeting will be client relationship management once the underlying platforms, which will support this system, have been determined.

Alternatives identification

The PERS team has spent several biennia considering modernization. Over the years, PERS had conducted a number of high-level reviews of solutions put in place at other pension administration systems. Over the years, legislative changes have continued to add complexity to the PERS plan.

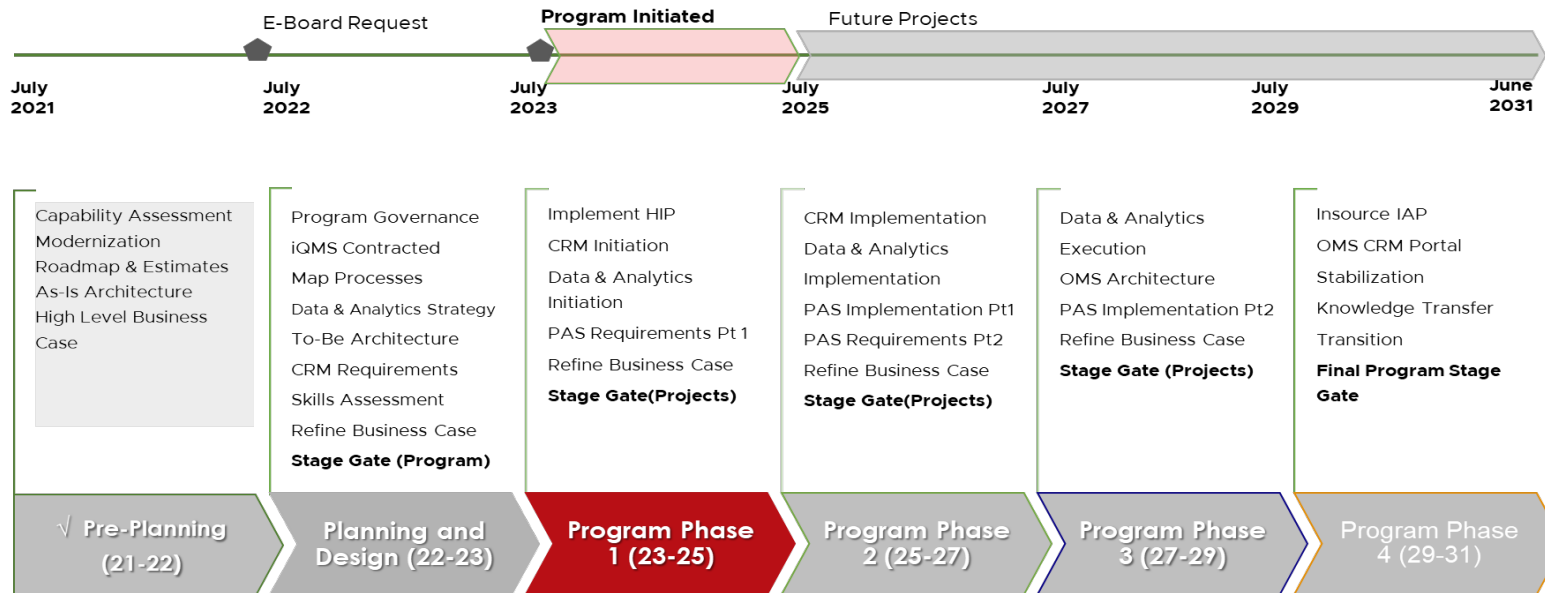
This proposal is based on the outcomes from the Business Capabilities Assessment and Modernization Road Map received from Accenture and the previous PERS research.

The “do-nothing” alternative is also included to establish a baseline for the analysis. All other options assume expanded functionality beyond what is available in OMS today.

BUDGET NARRATIVE

1. Status quo/do nothing new.
2. Rip and replace jClarety.
3. Implement ORION Modernization Program.

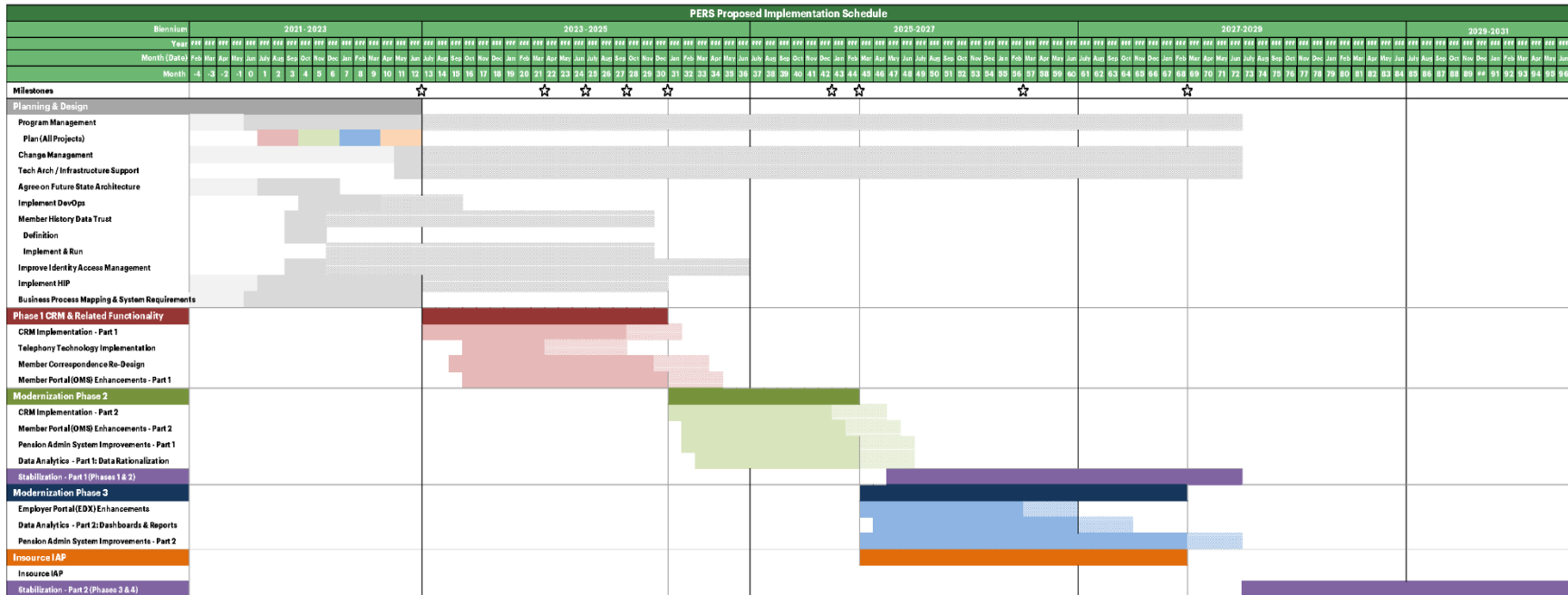
PERS Modernization Timeline



BUDGET NARRATIVE

DETAILED TRANSFORMATION ROADMAP

The below is a detailed proposed implementation schedule, spanning eight years across five biennia. Areas shaded in a lighter color following each project indicate post-deployment hyper-care. The two purple segments indicate a final two years of stabilization.



BUDGET NARRATIVE

Staffing impact

Position #	Position	Status	FTE
2510331	X7083 Business Operation Manager 3	Limited duration	1.00
2510349	X0872 Operations & Policy Analyst 3	Limited duration	1.00
2510333	C0856 Project Manager 3	Limited duration	1.00
2510334	C0438 Procurement & Contract Spec 3	Limited duration	1.00
2510335	C0855 Project Manager 2	Limited duration	1.00
2510336	C0855 Project Manager 2	Limited duration	1.00
2510337	C0108 Administrative Specialist 2	Limited duration	.88
2510350	X0872 Operations & Policy Analyst 3	Limited duration	.88
2510339	C0871 Operations & Policy Analyst 2	Limited duration	.88
2510340	C0871 Operations & Policy Analyst 2	Limited duration	.88
2510348	X1320 Human Resource Analyst 1	Limited duration	.88
2510342	C2512 Electronic Pub Design Spec 3	Limited duration	.88
2510343	C0865 Public Affair Specialist 2	Limited duration	.88
2510351	X0872 Operations & Policy Analyst 3	Limited duration	.75
2510345	C0871 Operations & Policy Analyst 2	Limited duration	.75
2510346	C0871 Operations & Policy Analyst 2	Limited duration	.75

2023-25 fiscal impact

- The anticipated impact to 2023-25 is estimated to be approximately \$3,228,103 in personal services and \$6,344,970 in services and supplies. The 2025-27 impact is estimated to be \$10 million at this time.

Quantifying results

003

- KPM 1 – Timely Retirement Payments: Percentage of initial service retirements paid within 45 days from retirement date.
- KPM 2 – Total Benefit Administration Costs: Total benefit administration costs per member.
- KPM 4 – Accurate Benefit Calculations: Percent of service retirement monthly benefits accurately calculated to within \$5 per month.
- KPM 5 – Level of Participation: Percent of state employees participating in the deferred compensation program.
- KPM 6 – 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.
- KPM 7 – Timely Benefit Estimates: Percent of benefit estimates processed within 30 days.

Revenue source

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

BUDGET NARRATIVE

Package 105 IT hardware and subscriptions

Package Description

PERS requests a \$1,964,000 Other Funds Limitation in the Information Services Division for increased vendor licensing, service, and product costs that are currently driving the ISD normal operating budget into a negative variance, and in 23-25 is forecasted to be negative in perpetuity. In addition, Salem and Tigard locations are overdue for their network hardware refresh and are operating on old, unsupported equipment.

• Personal services	\$0
• Services and supplies	\$1,068,000
• <u>Capital outlay</u>	<u>\$896,000</u>
• Total cost	\$1,964,000

Purpose

In this business case, PERS ISD requests increased normal operating budget (NOB) funding to:

Support increases to the Technical Operations Section technology licensing services budget

ISD Technical Operations Section (TOS) is responsible for the agency's IT operations budget and is forecasted to be at a deficit in perpetuity starting in the 23-25 biennium. With the increase in vendor costs for applications and support for both on-premises and cloud subscriptions, in addition to strategized, selected, and implemented technologies at PERS, these areas will exceed the current operating budget.

Support funding for overdue hardware refresh

PERS is due for their seven-year cyclical refresh of ORION hardware supporting all office locations. Currently, most of the hardware is end-of-life and end-of-support or will be end-of-support at the beginning of the 23-25 biennium. The current gear is old and must be replaced prior to any major issues arising from failures.

Background

The current gear is old and must be replaced prior to any major issues arising from failures. Once a piece of hardware goes end-of-support and fails while in production, it can take weeks or months to get repaired or replaced, preventing staff from accessing IT systems, printing, accessing buildings or security systems, and no access to communication services like phones. This introduces high risk and high impact to business continuity for each office location. The infrastructure outlined in this business is something that must exist to allow an office location to function and connect to PERS IT systems that support ORION.

Hardware that is end-of-life and end-of-support no longer receives vulnerability updates, posing security risks. Support requests to the vendor are rejected, parts replacements can take weeks or months, and replacement of switches or core systems may not be compatible with existing older hardware.

ISD Technical Operations Section is responsible for the agency's IT operations budget and is forecasted to be at a deficit in perpetuity starting in the 23-25 biennium. With the increase in vendor costs for applications and support, in addition to strategized, selected, and implemented technologies at PERS, the following list of expenses cannot be covered by the TOS normal operating budget in the 23-23 and ongoing biennia.

- Azure costs.
 - TOS' budget never increased to cover this.

BUDGET NARRATIVE

- ~360k (\$15k/month) added in the 21-23 biennium to forecasts but will increase during and post-backup data center (DR) completion at the end of the 21-23 biennium to ~\$720k (\$30k/month).
- *Requesting \$720k added to normal operating budget.*
- M365/Microsoft licensing.
 - Increased due to state costs and SA licensing for Project, Visio, etc.
 - Used to be \$400k a biennium, now \$644k since migration to M365.
 - *Requesting \$244k added to normal operating budget.*
- COVID remote response and reconstitution.
 - Increasing the Tigard internet circuit to 4GB added \$48k/biennium to circuit expenses.
 - Tualatin circuit reduction of \$24k/biennium due to location closure.
 - *Requesting \$24k added to normal operating budget.*
- Increase in telephony licensing.
 - Cisco raised prices overall.
 - Cisco no longer bundles Calabrio; had to get separate licensing at a high rate thru SHI.
 - *Requesting \$70k added to normal operating budget.*
- Increase in MS support plan.
 - Added \$104k more to current plan to accommodate ISD support needs for agency.
 - *Requesting \$104k added to normal operating budget.*
- Increase in VMware licensing.
 - Overall rate increase from both VMware and SHI.
 - Added four more host licenses for new data center to support additional development environments.
 - *Request \$80k added to normal operating budget.*
- Unplanned increase for Articulate360 software and renewals.
 - Supports training and communications publications; matured in the 21-23 biennium.
 - *Request \$18k added to normal operating budget.*

Alternatives analysis

- Status quo. ISD's normal operating budget will reach negative variance in 23-25 and in perpetuity, and some licensing and service renewals will be rejected due to a lack of funds. A risk of loss of productivity should software licenses and services be disallowed from continuing. The agency locations will operate with increased risk to loss of productivity because of the old, unsupported hardware.
- Hardware refresh only. ISD's normal operating budget will reach negative variance in 23-25 and in perpetuity, and some licensing and service renewals will be rejected due to a lack of funds. Locations will operate with low to no risk as the infrastructure equipment supporting the offices will be new and under support agreements. Moderate cost and resources to implement hardware refresh in Salem and Tigard.
- Normal operating budget increase only. All current software and services will resume as normal, and agency risk will be low to none for loss of productivity related to rejected licensing and services procurements. Agency locations will operate with increased risk due to loss of productivity because of the old, unsupported hardware. High cost and low resource impact.

BUDGET NARRATIVE

Current state — Hardware

Item	Qty.	Location	Description	Notes
Edge switch	1	Salem	HP 5510	Need to refresh quantity 1; will be end of life and on extended support in 23-25
Core switch	1	Salem	HP5500	Need to refresh and increase quantity to two; end-of-life, end-of-support; seven years old
Monitoring appliance	1	Salem	Netbotz	Need to refresh; end-of-life, end-of-support; six years old as of 2022
Servers	2	Salem	HP DL360 G8	Need to refresh; end-of-life, end-of-original; eight years old
UPS	1	Salem	APC	Need to refresh and increase time with better model; seven years old
VOIP gateway	1	Salem	C2900	Need to refresh; end-of-life, end-of-support; seven years old as of 2022
Edge switch	2	Tigard	HP 5510	Need to refresh; end-of-life, end-of-support in 23-25 biennium
Core switch	2	Tigard	HP7904	Need to refresh; end-of-life, end-of-support; seven years old
TOR	2	Tigard	HP 5500	Need to refresh; end-of-life, end-of-support; seven years old
OOBM	1	Tigard	HP 5500	Need to refresh; end-of-life, end-of-support; seven years old
IDF switch stacks	15	Tigard	HP A5800 and A5900	IDF switch stacks; end-of-life, end-of-support; nine years old
Monitoring appliance	4	Tigard	Netbotz	Need to refresh; end-of-life, end-of-support; seven years old as of 2022
UPS	2	Tigard	APC Symetra units (IDF and Server Room)	End-of-life; end-of-support; nine years old

BUDGET NARRATIVE

Future state — Hardware

Salem		
Item	Qty.	Estimated cost
Edge switch	1	\$ 12,000.00
Firewall maint./supp.	2	\$ 500,000.00
Core switch	2	\$ 12,000.00
Monitoring appliance	1	\$ 1,500.00
Servers	2	\$ 40,000.00
UPS	1	\$ 10,000.00
VOIP gateway	1	\$ 6,000.00
Professional services	1	\$ 5,000.00
Salem total		\$ 586,500.00

Tigard		
Item	Qty.	Estimated cost
Edge switch	2	\$ 12,000.00
Core switch	2	\$ 25,000.00
TOR	2	\$ 40,000.00
OOBM	1	\$ 7,000.00
IDF switch stacks	15	\$ 90,000.00
Monitoring appliance	4	\$ 6,000.00
UPS	2	\$ 100,000.00
Professional services	1	\$ 30,000.00
Tigard total		\$ 310,000.00

Solution total	\$ 896,500.00
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BUDGET NARRATIVE

Software updates

ISD – TOS budget increase			
Item	Qty.	Estimated cost	Notes
MS Azure usage	1	\$ 720,000.00	TOS budget never increased to cover this. ~360k (\$15k/month) added in 21-23 biennium to forecasts but will increase during and post backup data center (DR) completion at the end of 21-23 biennium to ~\$720k (\$30k/month). Requesting \$720k added to normal operating budget.
COVID response	2	\$ 24,000.00	Increased Tigard internet circuit to 4GB; added \$48k/biennium to circuit expenses. Tualatin circuit reduction of \$24k/biennium due to location closure. Requesting \$24k added to normal operating budget.
Telephony licensing	2	\$ 70,000.00	Cisco raised prices overall. Cisco no longer bundles Calabrio; had to get separate licensing at a high rate thru SHI. Requesting \$70k added to normal operating budget.
MS support plan	1	\$ 104,000.00	Added \$104k more to current plan to accommodate ISD support needs for agency. Requesting \$104k added to normal operating budget.
VMWare licensing	2	\$ 80,000.00	Overall rate increase from both Vmware and SHI. Added four more host licenses for new data center to support additional development environments. Requesting \$80k added to normal operating budget.
Articulate 360 licensing	1	\$ 18,000.00	Supports training and communications publications; matured in 21-23 biennium. Request \$18k added to normal operating budget.
Total		\$ 1,016,000.00	Was \$1,260,000 in original request, but since removed \$244k; tied to M365 licensing now paid by another budget.

BUDGET NARRATIVE

Implementation timeline

	Task	Target start date	Target end date	Duration (days)	Notes
Stage 1 (Salem)	Procurement submitted	9/1/2023	9/30/2023	29	Will leverage CDWG for all hardware. Project will start once BDC project is completed; est. 9/1/2023.
	Equipment delivery	12/1/2023	3/30/2024	120	
	Installation	4/1/2024	6/14/2024	74	Includes use of professional services for the battery backup (APC) units. Actual hardware installs will be 30 days.
	Transition to support	6/15/2024	6/30/2024	15	Standard two-week transition to support and maintenance to monitor performance and ensure systems are functioning as intended.
Subtotal days				238	
Stage 2 (Tigard)	Procurement submitted	3/1/2024	3/30/2024	29	Using standardized equipment as researched during PDCM project; no RFP needed. Will leverage CDWG for all hardware.
	Equipment delivery	4/1/2024	7/31/2024	121	Includes use of professional services for the larger battery backup (APC) units. Tigard is a larger location, and hardware item count is high; therefore, it will take longer than Salem for installation.
	Installation	8/1/2024	11/30/2024	121	
	Transition to support	12/1/2024	12/15/2024	14	Standard two-week transition to support and maintenance to monitor performance and ensure systems are functioning as intended.
Subtotal days				285	
<u>Total duration (days)</u>				<u>523</u>	

BUDGET NARRATIVE

Staffing impact

- None.

2023-25 fiscal impact

The anticipated impact to 2023-25 and 2025-27 is estimated to be approximately \$1,964,000 in services and supplies and capital outlay.

Quantifying results

- KPM #2, Total Benefit Administration Costs
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #6, Customer Service, milestone:
Maintain 95% or higher good or excellent responses in the annual customer satisfaction survey throughout the 2021-23 biennium.

Revenue source

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

BUDGET NARRATIVE

Package 106 PERS Health Insurance Plan Administration

Package description

PERS requests \$367,960 Other Funds Limitation in the Operations Division to fund the difference between the previous consulting costs and the current consulting costs. In May 2021, as part of statewide procurement policy and expectations, the PERS Health Insurance Plan (PHIP) posted a request for proposal (RFP) to update the scope of contracted consulting services. The scope of the RFP was baselined against the work performed by Butler Partners & Associates (BP&A). But as in any RFP, it also included possible services or deliverables that would allow the program to grow and absorb possible changes over the duration of the new contract (up to seven years). PHIP conducted market research with a consultant into what standard services health insurance programs across the nation and found that the scope of each contract varies by the needs of the program.

Butler Partners & Associates (BP&A) chose not to submit a bid for the PHIP RFP due to consultant retirements and change in business direction. The BP&A contract terminated October 31, 2021.

• Personal services	\$ 0
• Services and supplies	\$ 367,960
• Capital outlay	\$ 0
<hr/>	
• Total cost	\$ 367,960

Purpose The PERS Health Insurance Program (PHIP), offers PERS' retirees an opportunity to purchase health insurance as a post-retirement benefit. The program serves about 55,000 retirees, spouses, and dependents and administers the disbursement of member premiums and subsidies (ORS 238.410-.420).

Background

The health insurance benefit premium, along with a small administrative fee (\$5), is paid entirely by the member (retiree) from their retirement benefit. ORS 238.410 allows PHIP to contract for services to assure the program follows state and federal rules and regulations. Currently, PHIP has three employees and a manager, along with a contracted third-party administrator responsible for the daily operational work of member enrollments, eligibility, a call center, recordkeeping, and member accounting. PHIP also has nine contracted health plan contracts with insurance carriers, and a contracted benefits consultant. PHIP, as a post-retirement benefit, is administered within PERS, the retirement system, with most staff unfamiliar and untrained in health insurance or health benefits.

PHIP engages a health care industry consultant to help ensure the program is being administered in accordance with state and federal mandates, negotiate premiums with insurance carriers, and remain up to date with legislative policy and tax changes that could impact the program or its members. As the health care industry is changing, so too must PHIP. The consultants advise PERS to ensure the health insurance program responds to industry specific drivers of the health insurance market while remaining cognizant of the overall impacts on the retirement system.

Butler Partners & Associates was the PHIP consulting firm for over 20 years, and they provided quality service to the program and PHIP members. PERS reaped the benefits of this long-term contract with the consultants who integrated the PERS and PHIP missions and goals into their consultation, built effective relationships with insurance carriers, and gave PERS a flat "fee for service" contract with modest cost increases over the years. For several years, they did not raise their rates. BP&A was helpful in growing the program from one insurance carrier to six carriers, which now maintains four non-Medicare plans, six Medicare plans, and two dental plans, including nationwide coverage as of 2019. This growth allowed members to have greater choice in coverage, flexibility, and choice in where they live during retirement and the ability to stay with trusted health care providers.

BUDGET NARRATIVE

Program approach

PHIP chose a new consultant based on the RFP, which was fairly executed per state rules. The new consultant, Segal Consulting (Segal), was evaluated as being best able to meet the program strategic goals and objectives. The cost of this contract is \$47,000/month, which was a significant increase over the BP&A contract. Each bid in this RFP was at least \$35,000 over the prior BP&A contract, which ended at a cost of \$13,100/month. Segal signed a contract with PERS on October 20, 2021. For two weeks, PHIP paid both BP&A and Segal while the contract responsibilities were transitioned. Segal signed a three-year contract (through October 20, 2024) at \$47,000/month, with the possibility of additional work orders for work outside the scope of the current contract. Each work order would be a separate negotiated arrangement.

Alternatives considered

Assumptions

- Health benefits consultants are vital to the PERS Health Insurance Program processes, such as rate negotiations with insurance carriers and to remain in compliance with state and federal mandates.
- PHIP team members are not experts in Medicare or the health insurance industry.
- The size of the PHIP team is not changing in the 2023-25 biennium.
- The RFP followed procurement rules and policy.
- The RFP met the criteria to consider it successful.
- PHIP had to choose a contractor from the submitted RFP proposals.
- The cost of consulting in the health insurance industry is more costly than our previous consultants were charging PHIP.
- The Segal contract was executed as of 10/20/2021 and is operational.
- There is a possibility for negotiating an amendment for work orders or additional monthly retainer.
- Stability is important for the consultant to understand processes, build relationships, and provide best service and high-quality deliverables.
- PERS does not have the internal resources familiar with health insurance to offset the need for this contract.

Staffing impact

- None.

2023-25 fiscal impact

- The anticipated impact to 2023-25 is estimated to be approximately \$367,960, with \$500k being transferred internally for the continued increase in services and supplies.

Quantifying results

- KPM #2, Total Benefit Administration Costs.
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #6, Customer Service, milestone:
Maintain 95% or higher good or excellent responses in the annual customer satisfaction survey throughout the 2021-23 biennium.

BUDGET NARRATIVE

Revenue source

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

BUDGET NARRATIVE

Package 107 Maintain Service Levels

Package description

PERS requests \$90,585 Other Funds Limitation in the Information Services Division to add an additional five, full-time positions that will provide ORION release management and quality assurance and system administration staff to maintain the increased frequency of software releases and system changes required to maintain current service levels.

- Personal services \$1,037,147
- Services and supplies \$(946,562)
- Capital outlay \$0

- Total cost \$ 90,585

Purpose

Oregon PERS' information technology development and support requirements have greatly increased over the past decade. Functionally, the Oregon PERS intertwined pension plans are one of the most complex in the nation. The supporting IT systems, Oregon Retirement Information Online Network (ORION), is continually undergoing complex changes and updates to meet state, legislative, and federally mandated changes while trying to keep pace with a rapidly evolving technology landscape.

The effects of these changes to ORION have been significant and include complex functional changes to the four pension plans with intertwined data and processing requirements; multiple, external, custom business applications to fill gaps in ORION; multiple new layers of technology solutions; increased infrastructure complexity; increased security requirements; and multi-site support requirements.

Background

The ISD technical teams supporting the increased complexity and technical demands have been impacted by reductions in the FTE workforce, decreased NOB contracting budgets, limited ability to re-class key positions to appropriate levels, and static ISD budgets other than competitive wage and cost-of-living increases.

- The current IT staffing level and budget is inadequate to properly meet business requirements, maintain current IT service levels, manage the growing ORION technical debt, and the rapid changes in ORION technology. To maintain current IT service levels and support the agency modernization goals requires increased IT staffing and capabilities.
- The original vendor for jClarety no longer exists. IT support for the PERS pension system application is fully dependent on in-house FTEs. A few experienced jClarety contractors from the original vendor are currently available for contracting, but their availability for long-term support is questionable.
- IT contractors **not** experienced with PERS do not easily fill ISD FTE gaps and require FTE support for a minimum of six months to a year before they start being productive. It is not just a matter of IT skills but how the PERS plans are implemented within the complex ORION solution.
- IT limited-duration positions, much like contractors, require significant investment in training and experience in PERS before they can be effective. Knowledge gained is lost once the position duration is over.
- ISD FTE positions have decreased and remained static over the last decade, while complexity of pension system and technology requirements have greatly increased.

BUDGET NARRATIVE

Program approach

The current state of the ISD workforce has matured enough to effectively manage the ORION/jClarety pension system; however, the limited bench strength of knowledgeable IT staff members cannot continue to support the increasing requirements of the pension system and modernization requirements at current workforce levels.

Technical debt in ORION continues to increase, and the pension funding liability priorities, security priorities, and state and federal priorities continue to supersede the ORION maintenance and technical debt priorities. Eventually, the legacy solutions and technical debt could grow to a point that the entire focus is purely limited to keeping the pension system running to pay benefits. Without enough IT bench strength to grow and pass on critical ORION/PERS knowledge and adequate budget, the pension system could be in jeopardy of meeting the agency mission, core values, and fiduciary responsibilities. Below are the requested positions and duties:

EAS workforce increase requests

ISS7 ORION Release Manager

This position is an essential role in the planning, coordination, and managing of development and release milestones between multiple teams. ORION release frequency has more than doubled over the past couple of years and only looks to be increasing. Release management requires advance SDLC, ITIL, and production release knowledge to maintain smooth release management and quality.

ISS6 QA Systems Analyst

ORION QA group has lost multiple positions over the past decade and is staffed by one ISS7 Sr. Systems Analyst with 18 years of jClarety and ORION experience. The services that this position provides is essential to a smooth-running QA systems/regression testing process, production troubleshooting support, and user acceptance testing support. This request is to reinforce the bench strength of this key position. The Gartner report highlighted exposure in this area.

TOS workforce increase requests

TOS is asking for three new positions to better meet the agency's IT operational service-level agreements while maturing integration with agency project and portfolio management. The goal of adding key TOS positions is to remediate and respond faster to customers with more reliable and available systems in addition to communicating and managing timely delivery of maintenance and enhancements while adding critical secondary support to cover time off, project assignments, and continuity or disaster events.

ISS7 TOS Release Manager

This position is an essential role in the planning, coordinating, and managing of the IT operations release portfolio consisting of new releases, maintenance and enhancements of infrastructure systems, maintenance and enhancements of application platforms and systems, and supporting ORION technologies. This position also coordinates the IT operations portfolio against the Information Services Division (ISD) and overall agency portfolios. These efforts span multiple teams, often affect all agency staff and leadership, and requires the highest coordination and collaboration efforts. It also requires advanced SDLC (system and software), ITIL, and production release knowledge to maintain quality and expedient delivery.

ISS6 ITSM Admin

Currently, IT service management (ITSM) administration is performed by a single position, and no continuity exists, nor the ability to meet service levels set by the agency due to high request volume. Over the last two biennium, PERS has matured its ITSM to serve more than IT and align with service management best practices by extending the system to Facilities, Human Resources, and Operations to support their business processes. PERS is also extending this to other divisions and sections over the next biennium,

BUDGET NARRATIVE

such as PHIP. This position will fulfill and resolve service management change requests, incidents, and serve as secondary in ITSM system continuity. This position will bring experience in workflow automation, ITSM development, IT asset management administration, IT change management, ITIL v4 framework, and endpoint management administration. This role is critical in administering the service management system and supporting processes to assist in meeting the agency-required service levels.

ISS6 System Administrator

Currently, PERS only has two system administrators to handle infrastructure support. The number of projects requiring infrastructure resources in conjunction with ORION changes and maintenance and enhancements of ORION systems creates a high work volume. Another position is needed to mitigate the buildup of additional technical debt and work to reduce current accumulated technical debt. This position will provide production support of all ORION systems, including maintenance and enhancements, additional on-call rotation for afterhours support, serve as tertiary in continuity and disaster recovery requirements, fulfill service requests, and resolve incidents daily. This position will also complete day-to-day tasks to allow the more senior resources to be assigned to projects and higher-complexity tasks.

Alternatives considered

- Status quo, ORION technical debt will continue to grow, and the IT workforce will be fully consumed with trying to resolve technical debt and complex pension processing issues. If ORION technical debt and modernization is not addressed, there is a real risk that ORION becomes unmanageable with inadequate staffing and resources to support the business operations effectively.
- Hiring contractors or outsourcing to a system integrator is an alternative solution; however, this is both a very costly solution and less effective option due to the complexities and required expertise with OPERS to develop solutions for one of the most complex pension systems in the nation. OPERS is governed by over 1200+ complex legislative business rules, resulting in hundreds of intertwined complex business processes required to administrate the OPERS pension system.
- ISD has worked to improve its technical capabilities, knowledge, and management of these complex technology solutions. We increased cooperation between sections, provided increased training and cross-team support, and created a DevOps team to automate the code for continuous integration and deployment processes. We have also refactored all the system setup automation and supporting middleware technology to support the agency modernization objectives. However, ISD has reached its capacity to keep pace with agency, state, and oversight technology required changes.

Staffing impact

Position #	Position	Status	FTE
2510748	C1486 Info Systems Specialist 6	Permanent	.88
2510749	C1486 Info Systems Specialist 6	Permanent	.88
2510750	C1486 Info Systems Specialist 6	Permanent	.88
2510751	C1487 Info Systems Specialist 7	Permanent	.88
2510752	C1487 Info Systems Specialist 7	Permanent	.88

2023-25 fiscal impact

- The anticipated impact to 2023-25 is estimated to be approximately \$1,037,147 in personal services and \$(946,562) in services and supplies by reducing the contracting budget in the division.

Quantifying results

BUDGET NARRATIVE

- KPM #2, Total Benefit Administration Costs
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #6, Customer Service, milestone:
Maintain 80% or higher “good” or “excellent” responses in the annual customer satisfaction survey throughout the 2021-23 biennium.

Revenue source

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

BUDGET NARRATIVE

Package 108 Retirement Workload

Package description

PERS requests \$161,205 Other Funds Limitation in the Operations Division to hire a Retirement Counselor 2 position to augment the Team One Follow-up (TOFU) group, providing more consistent and timely service to members and agency. Over the past few years, the volume of calls has increased, along with the complexity and changes to the pension and benefits. The TOFU group is a resource for both the Member Information Center (MIC) as well as the agency. This small team handles member escalations where more detail and background might be needed to resolve a concern or question. This group assists Specialty Qualifications, contacting members and alternate payees for death, divorce, and disability inquiries. They assist other areas of business, including addressing board and legislator inquiries as well as OSGP and VOYA issues that relate to members.

• Personal services	\$150,517
• Services and supplies	\$10,688
• Capital outlay	\$0
<hr/>	
• Total cost	\$161,205

Purpose

The addition of this position would enhance our overall customer service capability, make TOFU a more strategically functional team, as well as alleviate workload volume issues when staff are out due to illness or scheduled vacations. We would have additional TOFU staff to work as dedicated counselors for our 2920 extension/escalations (call center) line. Having enough counselors available every day, as dedicated resources for the team and available for member escalations, would better support both MIC and the agency. This would be a permanent requested position.

Background

In 2017, our call center received a then historical volume of calls (186,140), and that volume also brought a record number of escalations and follow-up requests to our TOFU team. As a result, we supplemented our TOFU team with the addition of our “TOFUToo” team. TOFUToo is comprised of three seasoned counselors from our call center who offer to work half-hour lunches, overtime/compensatory time, or whatever call volume allows throughout the day to assist our TOFU team with their increasing workload. The TOFUToo team still continues to help TOFU with many member requests as well as for callback requests from other sections within the agency. However, these three counselors provide such a vital service every day to our call center and members that we cannot afford to lend them to the TOFU team on a full-time or regular basis. This is the alternative we will continue to implement; however, it will not fulfill our section needs for a more robust TOFU team.

Program approach

Adding a new RC2 would help the call center realize:

- Full-time support for both our PERS HQ and Salem offices.
- Lower abandonment rates, which will reduce member dissatisfaction and repeat calling.
- Decrease handle time, increase agent efficiency, and reduce costs by at least 10%.
- Smooth out volume spikes and improve productivity.
- Internally, employee satisfaction will improve, as well as the workload is better balanced, and more members are satisfied with the service received.

The Member Information Center is committed to providing a great service experience to every one of our members. To accomplish this, sufficient and strategic staffing is required. Over the last several years, call volumes have continued to rise, and the complexity of

BUDGET NARRATIVE

those calls has increased, resulting in the need for additional support agents in our Team One Follow-up (TOFU) escalations group. An individual handles on average 450 escalated calls/callbacks and 100 emails per month. In addition, they case manage sensitive/complex cases.

TOFU was originated as a support and escalations group for our call center. PERS is one of the most complex pension systems in the world, and new legislation passed over the years has added to complexity of our program. As a result, we created a team of program analysts and seasoned retirement counselors within the contact center who serve as liaisons between other sections within the Operations Division, handle escalated member issues, and assist MIC as customer service and program experts. Team One Follow-up resolves member complaints from our contact center, counsels members in specialty areas such as death and divorce, works callback requests for several teams within the Operations Division, resolves PERS Board and/or Director's Office member complaints, and attends to our internal "2920" help/escalations line for our MIC counselors. The TOFU team is vital to the success of the retirement counselors on our team and the overall success of the Member Information Center.

Efforts continue to streamline our customer services, but we are finding that we need additional staff for member escalations and RC2 support for both our Salem and HQ offices. The call center assists a wide variety of clientele and has a very large audience, which includes members at all stages of employment and retirement. For the past several years, the call center has experienced an annual increase in call volume:

2015	156,103
2016	167,861
2017	186,140
2018	160,668
2019	174,740
2020	180,941
2021	179,601

*Total increase in call volume
of 15% from 2015 to 2021*

The workload for our TOFU team does not just include daily escalated calls from within our call center (averaging 400 to 550 calls to the escalations 2920 line/month). TOFU receives member callback requests and service requests from other sections within PERS. Here is a breakdown of those requests and the volume generated from those internal service requests:

- Member callback requests (received via email or outside of workflows) from SQ Death, Divorce, and Disability, Estimates, Calculations and Purchase Team, Intake and Review, PHIP, Accounts Receivable/PERS Cashier, IAP Calculations, OSGP, and Employer Service Center.
- Follow-up member calls on behalf of IAP Team or VOYA about IAP rollovers or incomplete payments.
- Board complaints/escalations.
- SQ Death Unit workflow callback requests – for forms issues, mailing, and questions.
- 30 and out list from Intake and Review (contacting members required to make a purchase to retire with 30 years of service).

Total additional volume = 200 – 225 requests/month

Plus,

**Average monthly TOFU member cases generated from the call center = 1,050

Total monthly TOFU volume = 1,250 – 1,275 accounts

**This number includes call escalations to our 2920 line in addition to emails, letters, and member inquiries directly to TOFU.

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Staffing impact

- One permanent Retirement Counselor 2 (.88 FTE) position 2510853

2023-25 fiscal impact

- The anticipated impact to 2023-25 is estimated to be approximately \$150,517 in personal services and \$10,688 in services and supplies. We anticipate these costs to be similar in 2025-27.

Quantifying results

- KPM #2, Total Benefit Administration Costs.
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #6, Customer Service, milestone:
Maintain 80% or higher good or excellent responses in the annual customer satisfaction survey throughout the 2021-23 biennium.

Revenue source

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

BUDGET NARRATIVE

Package 109 Qualifying/Non-Qualifying

Package description

PERS requests \$523,653 Other Funds Limitation in the Operations Division for the budgetary extension of the three limited-duration (LD) positions dedicated to the qualifying/non-qualifying (Q/NQ) project. This extension in funding would allow for the Data Services Section (DSS) to continue the standalone team whose purpose is to address the ever-growing data issues and impacts associated with qualifying/non-qualifying employment.

• Personal services	\$504,153
• Services and supplies	\$19,500
• <u>Capital outlay</u>	<u>\$0</u>
• Total cost	\$523,653

Purpose

The PERS shared vision is *“Honoring your public service through secure retirement benefits.”* Additionally, within the PERS operating principles, we expect the agency to be *“Professional: We are responsive, respectful, and sensitive to the needs of our members, employers, and staff”* and *“Accurate: We ensure data integrity and provide consistent, dependable information and benefits.”* A common theme demonstrated by both the guiding shared vision and operating principles is a commitment to respecting the PERS key stakeholders by being aware of and working toward addressing their needs.

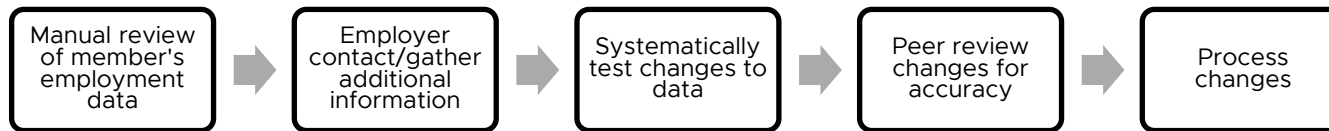
By securing the extension in the budget for these limited-duration positions, Data Services would be able to continue to supplement and infuse current processes with a more proactive strategy that actively works toward addressing the risks generated by our current reactive-based model. This strategy would help us continue to address the data issues and corresponding impacts caused by qualifying/non-qualifying employment far earlier in the PERS member lifecycle. By continuing to find ways to perform these activities in a more proactive manner, PERS would be honoring the public service of our members as well as being both accurate and professional with member and employer data.

Background

As of August 2019, the Q/NQ population included potential impacts to almost 138,000 unique PERS member accounts. Within the Data Services Section (DSS), a team had been reassigned to help address the Q/NQ population when time and priorities allowed. However, due to the sheer volume of this population, the rate in which the population has continued to grow, and the limited resources available to the Data Services Section to dedicate to Q/NQ work, the population has been challenging to reduce. Although this team has been working diligently, the additional assistance provided via the limited duration positions granted in the last budget cycle is beginning to play a key role in helping to continue the momentum built to address the workload associated with this challenging population.

The primary challenge with addressing the Q/NQ population is that it requires a manual review of the data on each unique member account. Reports and queries are in place to assist with identifying members who fall into the impacted category. However, due to the complexity of PERS membership and eligibility requirements, a manual review is needed to ensure the unique member-specific data is indeed correct. After the initial staff review of the data, the current process includes employer contact when needed, systematically testing proposed data adjustments, reviewing said adjustments to ensure accuracy, and lastly, the manual approach of processing adjustments within the PERS jClarety system.

BUDGET NARRATIVE



This process is lengthy, tedious, and full of risk due to the nature of manually reviewing and adjusting member data. Because each member has unique employment data on their account, and that unique employment is influenced by the many PERS membership and eligibility laws and requirements, implementing system process improvements to adjust membership data is still currently unrealistic.

Program approach

A large group of PERS members fall into the category of individuals who potentially have qualifying/non-qualifying (Q/NQ) issues housed within their PERS account. Q/NQ problems include inaccuracies with membership eligibility, contributions, service credit, and more. Q/NQ data issues on a PERS member's account can create multiple negative impacts, including but not limited to:

- Inaccurate information displayed to members on the PERS online membership system.
- Inaccurate member annual statements.
- Increased data adjustment workload for PERS' staff.
- Increased likelihood of misinformed member retirement decisions.
- Inaccurate employer contributions.
- Financially impactful changes to members' accounts at or near the time of a benefit.
- Increased financial impact to employers.
- Decreased member and employer trust in PERS.

As the number of PERS-participating members continues to grow, as well as the ever-changing and subsequent increasing complexity in membership- and eligibility-related program rules, the Q/NQ population will likely continue to increase. With the growth of the Q/NQ population imminent, a continued and dedicated focus on correcting these data issues is needed to help mitigate the impacts.

Alternatives

The following section outlines the consideration of several different alternative strategies identified to address the Q/NQ project volume. These strategies were compared and considered against one another, which ultimately resulted in the decision to move forward with the request to extend the budgeted limited-duration positions.

Alternative #1 – End limited-duration (LD) positions and return to previous processes/strategy

This option focuses on ending the financing for the Q/NQ LD positions at the end of the current biennium and returning to prior processes. The primary focus will be to continue to redirect full-time equivalent (FTE) to the cleanup of Q/NQ data issues when both appropriate and competing priorities allow.

Benefit

- Ends the additional LD expenses 6/30/2023.

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Risk

- Trends and data have shown the rate of production when relying solely on current staff when priorities allow is outpaced by the growth of the Q/NQ population.
- This strategy will likely result in the continuation of observed negative impacts due to the assumed continued growth of the Q/NQ population.
- This strategy will create inefficiencies as staff are transitioned between normal priorities and Q/NQ work when time allows (waste in reinitiating newly assigned work, relearning processes if/when needed, challenge to integrate into the work effectively, etc.).

Alternative #2 – Extend the limited-duration funding for the 2023–2025 biennium

This option focuses on extending the budget approval for the one Retirement Counselor 1 and two Retirement Counselor 2 limited-duration positions for the 2023–2025 biennium. These positions will continue to be directly assigned to the clean up of the Q/NQ data issues. As mentioned in the 2021–2023 business case, based on data trends and historical performance, these three positions adequately balance the costs with the rate of return.

Benefit

- Statistical observations show this strategy can counteract the Q/NQ population growth and continue to help decrease the volume as the limited duration staff work through the impacted population.
- Member data becomes more accurate in real time.
- Improved employer customer service as assistance to correct the data is provided far earlier in the member lifecycle.
- Contributes directly to the PERS strategic plan in the form of helping address the data reliability strategic initiative.
- Contributes directly to the PERS mission to pay the right person the right benefit at the right time.
- Reinforces that PERS is ever committed to the operation principle of “Accurate: We ensure data integrity and provide consistent, dependable information and benefits.”
- Will no longer require on-boarding and training as the positions and staff are in place.

Risk

- Projected cost will remain higher than the other strategies.

Alternative #3 – Automate where possible

This option focuses on identifying and programming system functionality to build in both automation and data validations as it relates to the cleanup of Q/NQ data issues. There are dependencies with this option to ORION modernization and what enhancements could be implemented to specifically help address and/or prevent the data issues associated with Q/NQ employment.

Benefit

- Eliminate inefficient manual processes as related to the Q/NQ data review and correction.
- Although upfront costs may be higher, over the life of the project, the costs could be lower than potentially relying on additional staffing in the long term.

Risk

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- Complexities tied to PERS membership and eligibility requirements may limit how much automation can be developed and implemented.
- Due to the above-mentioned risk, although the rate of production should increase, it would likely not match what additional limited-duration positions would produce any time in the near future.
- Without implementing and measuring the programming changes, the true yields of this strategy are less concrete.

Staffing impact

- One limited-duration Retirement Counselor 1 (1.00 FTE) position 2510955.
- Two limited-duration Retirement Counselor 2 (2.00 FTE) positions 2510954 and 2510956.

2023-25 fiscal impact

- The anticipated impact to 2023-25 is estimated to be approximately \$504,153 in personal services and \$19,500 in services and supplies. This is a one-time funding request.

Quantifying results

- KPM #2, Total Benefit Administration Costs
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #6, Customer Service, milestone:
Maintain 80% or higher “good” or “excellent” responses in the annual customer satisfaction survey throughout the 2021-23 biennium.

Revenue source

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

BUDGET NARRATIVE

Package 110 Position Reclassification

Package description

PERS requests \$58,744 Other Funds Limitation in the Operations Division to address four reclassifications in various programs within the division. Reclassify the Retirement Counselor 1 position in the Disability Unit to a Retirement Counselor 2 position to match the other two positions reclassified in 2018 and permanently address the acknowledged misclassification. Reclassify the Retirement Counselor 2 position in the Intake Team to an Operations and Policy Analyst 1 position to address the acknowledged misclassification. Reclassify the Retirement Counselor 1 position in the Estimates and Purchases team to a Retirement Counselor 2 position to align job duties currently being performed. Reclassify the Retirement Counselor 1 position in the Individual Account Program team to a Retirement Counselor 2 position to align job duties currently being performed.

• Personal services	\$58,744
• Services and supplies	\$0
• Capital outlay	\$0
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• Total cost	\$58,744

Background

Disability

In 2018, PERS requested three Retirement Counselor 1 positions in the Disability Unit to be reclassified to the Retirement Counselor 2 level. The request was approved, but only for the two positions that were filled at the time, with the vacant Retirement Counselor 1 remaining unchanged for reclass at a future date. That vacant position was subsequently filled by a series of staff members, each of which has needed to work-out-of-class at the Retirement Counselor 2 level since we had successfully justified the need for the upward classification.

Intake

PERS Human Resources received a classification analysis request from a Retirement Counselor 2 classified employee. After a desk audit, interviews with both the employee and the manager, Human Resources asserted that the employee has been performing duties at a higher classification level. Because of the independent role, responsibilities and position duties, and section and agency need, an upward re-classification of this position is recommended.

Estimates and Purchases team

With the continuous legislative changes and system tools not programmed for the updates, the additional work in review, analysis, and manual adjustments to the data have increasingly become more complex. Examples of changes that affect the Estimates and Purchases team include, but are not limited to:

In May 2017, the PERS Board adopted an OAR amendment that resulted in a policy change for the Operations Division, specifically the Calculations Section/Estimates and Purchases team. The rule was modified and adopted to provide this clarification (section 6): that persons who forfeited their membership under loss of membership (LOM) may not restore that forfeited time. Purchases of LOM time would be disallowed beginning with January 1, 2018, effective retirement dates. LOM forfeited-time purchases will be allowed for effective retirement dates prior to December 1, 2017. (Required multiple estimate workarounds and LOM refunded-time data cleanup for the Estimate team.)

In August 2017, SB 200 and 700 were passed to expand eligibility to members that served in the Armed Forces to “Uniformed Services,” adding NOAA and the US Public Health Service. It also expanded eligibility for PERS members to purchase retirement credit

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to any person who entered or reentered active service in uniformed services after January 1, 1950, or who was in active service in uniformed services on January 1, 1950.

In October 2017, a memo of understanding was executed between the Oregon State Bar (OSB), the OSB Professional Liability Fund, and PERS to identify a group of OSB employees regarding the ability to purchase credit for the probationary period required of members.

The 2019 Legislature passed SB 1049. The salary limitations, member redirect, and member choice have significant impacts to PERS members and their future retirement benefits.

Salary limitations: Effective January 1, 2020, limit the amount of subject salary for all program members to \$195,000 for calendar year 2020. This amount will be indexed annually for inflation based on the CPI. Additional analysis of member accounts is required to confirm salary is below the salary threshold. Overstated salary must be manually adjusted. CDM reports are run monthly after the fact to catch accounts that were paid out with salary limitation, which must be adjusted, requiring more work from the adjustments staff.

With changes in legislation and policy, additional review and workarounds on a member's account is needed to complete a member's forecasted benefit to the best of staff's ability. The information provided to the member is what they must determine if they are eligible to retire or not.

IAP team

With IAP not being in-house, coordination between IAP tools (IAP Validator Tool, IAP Disbursement Database, Payment Recon Tool) and communication to FSD must be clearly documented to transfer the correct data to our TPA Voya. Many of the tools needed (like IAP Adjustment Calculator) are still being tested and have not been deployed. Manual calculations are needed to get the disbursement paid to members. In addition, changes to legislative rules and policy have made much of the work more difficult. Examples of changes that affect the IAP team include, but not limited to:

In September 2017, the Oregon Investment Council (OIC) change the IAP investment policy to invest member contribution in a target-date fund (TDF) structure based on the member year of birth or retirement status. Since January 1, 2018, member accounts and associated contributions have been directed to one of 10 TDFs.

In 2018 and 2019, IAP installment payments were invested in the Retirement Allocation Fund. In July of 2019, the OIC proposed a change in investment strategy for IAP installments, which resulted in the 11th TDF Retirement Installments Fund effective January 2020.

The 2019 Legislature passed SB 1049. The salary limitations, member redirect, and member choice have significant impacts to PERS members and their future retirement benefits.

Salary limitations: Effective January 1, 2020, limit the amount of subject salary for all program members to \$195,000 for calendar year 2020. This amount will be indexed annually for inflation based on the CPI. Additional analysis of member accounts is required to confirm salary is below the salary threshold. Overstated salary must be manually adjusted. CDM reports are run monthly after the fact to catch accounts that were paid out with salary limitation, which must be adjusted, requiring more work from the adjustments staff.

Member redirect: Effective July 1, 2020, a portion of member contributions to a new Employee Pension Stability Account (EPSA) when the funded status of the plan is below 90% and the member's monthly salary is more than \$2,500 for 2020. This amount will be indexed annually for inflation based on CPI. Manual calculation is required for the correct employer reserves, due to EPSA that is reported to the Financial Services Division (FSD), until system functionality can be programmed into the PERS system of records: jClarety.

Although the deployment of WP 6.1 in July 2022 will streamline the calculation of EPSA funding for reserves, Calculations anticipates workflows sent to IAP will be delayed due to missing third-party administrator (TPA) dates, which will result in further analysis to

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correctly calculate IAP accounts for uploads to Voya. Depending on upload type, delays in the member's IAP calculation can delay distribution upwards of a month.

Member choice: Effective January 1, 2021, members to elect a TDF other than the default TDF based on their year of birth. PERS anticipates providing members the opportunity to make elections once a year during a defined window. IAP calculators must confirm/reconcile the member to the correct TDF/member choice accounts and their respective earnings with FSD and third-party administrator (TPA) Voya.

In January 2020, the SECURE ACT was in effect, increasing the age for beginning required minimum distributions (RMD) from age 70½ to age 72.

In April 2021, the IRS released the change of the pension tax-withholdings process for 2022. Starting January 2022, PERS is required to accept new W-4P and withhold new taxes using new tax formulas for non-periodic payments and eligible rollover distributions. Currently, dedicated staff is pulled from production to review forms and have input on the design of the IAP disbursement database for new IRS requirements. Transfer of data to the Payment Recon Tool has not been discussed, designed, and/or implemented. SMEs for IAP will need to be pulled to test tool compatibility, which leaves remaining staff to work on more complex calculations. Once implemented, additional examination between new withholding and older accounts that have a bridge will require additional analysis from staff to make sure the data transferred to the third-party administrator is accurate and complete for disbursement. This change will greatly impact IAP post-distributions (IAP adjustments).

In October 2021, the OPSRP IAP First Wage (OIFWC) project team presented to the Calculations Section that the project is now ready for the distribution phase. Based on an internal audit in 2014, PERS became aware of the fact that errors and inconsistencies existed in the employers' calculations of eligible wages subject to contributions following the CSD for new OPSRP members since the OPSRP Pension Program's inception in 2004. The Employer Advisory Group (a group of employer representatives) sought out and received approval from the PERS Board to fund those contributions using the contingency reserve. 40,000 members were affected, and out of the 9,000 accounts that were closed at Voya, approximately 5,000+ closed accounts had to be re-opened for trailing contributions. The increase in additional workload has yet to be completed, and trailing contributions still need to be distributed to members.

Additional review, workaround, and manual calculations on a member's distribution is needed to prepare the account timely to submit the information to PERS' third-party administrator (TPA), Voya.

Alternatives considered

Disability

We have identified three alternatives for addressing the disability analyst classification discrepancy.

1. Remove Retirement Counselor 2-level duties from the remaining Retirement Counselor 1 so that the duties reflect the position description.
2. Continue to work the Retirement Counselor 1 position out-of-class at the Retirement Counselor 2 level to compensate at the level appropriate for the work performed.
3. Reclassify the final Disability Retirement Counselor 1 position to the Retirement Counselor 2 level.

Intake

There are three alternatives for addressing the Intake lead worker classification discrepancy.

1. Remove higher-level duties and assign to the supervisor or section Operations and Policy Analyst 2.

BUDGET NARRATIVE

2. Continue to work the Retirement Counselor 2 position out-of-class at the Operations and Policy Analyst 1 level to compensate at the level appropriate for work performed.
3. Reclassify the Intake Retirement Counselor 2 position to the Operations and Policy Analyst 1 level.

Estimates and Purchases team

We have identified three alternatives for addressing the benefit analyst classification discrepancy.

1. Remove Retirement Counselor 2-level duties from the remaining Retirement Counselor 1 so that the duties reflect the position description.
2. Request that the Retirement Counselor 1 position work out-of-class at the Retirement Counselor 2 level to compensate at the level appropriate for the work performed.
3. Reclassify the final Retirement Counselor 1 position to the Retirement Counselor 2 level.

IAP team

We have identified three alternatives for addressing the benefit analyst classification discrepancy.

1. Remove Retirement Counselor 2-level duties from the remaining Retirement Counselor 1 so that the duties reflect the position description.
2. Request that the Retirement Counselor 1 position work out-of-class at the Retirement Counselor 2 level to compensate at the level appropriate for the work performed.
3. Reclassify the final Retirement Counselor 1 position to the Retirement Counselor 2 level.

Staffing impact

Division/ Section	Existing Position #	Title	Requested Title
OPS/Calc	501117	RC1	RC2
OPS/Calc	1110202	RC1	RC2
OPS/BP	9900160	RC1	RC2
OPS/BP	1313134	RC2	OPA1

2023-25 fiscal impact

- The anticipated impact to 2023-25 is estimated to be approximately \$58,744 in personal services. PERS expects the fiscal impact in 2025-27 to be approximately \$65,000.

Quantifying results

- KPM #2, Total Benefit Administration Costs
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #6, Customer Service, milestone:
Maintain 80% or higher good or excellent responses in the annual customer satisfaction survey throughout the 2021-23 biennium.

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Revenue source

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

BUDGET NARRATIVE

Package 111 Agency Support Services

Package description

PERS requests \$143,861 Other Funds Limitation in the Central Administration Division for permanent funding for two full-time positions due to increased and sustained workloads: a Human Resource Analyst 3 in the Human Resources section, and an Office Specialist 2 in the facilities unit of the Procurement, Facilities, and Logistics section.

• Personal services	\$137,361
• Services and supplies	\$6,500
• <u>Capital outlay</u>	<u>\$0</u>
• Total cost	\$143,861

Purpose

The Central Administration Division provides leadership and support services necessary to achieve the agency's key goals in support of the mission, vision, core values, and operating principles. Services are provided to all departments throughout the enterprise. The division is recognized as the center of excellence in developing solutions for and implementing critical agency decisions.

Background

The Human Resources (HR) Section is responsible for implementing strategies and activities that support agency goals. The section is responsible for providing management and employees with information, interpretation, and guidance regarding state and federal labor laws, state and agency policies, procedures, rules, and collective bargaining contract provisions. Responsibilities include agency-wide recruitment efforts, classification of employees, maintenance of employee and position-related records, grievance management and resolution, management of injured worker claims and the return-to-work program, progressive/constructive disciplinary action, counseling and performance management, labor relations, personnel-related training, development of department personnel policies and procedures, and the development, monitoring and measures of the agency's affirmative action plan. HR implements ethical business practices in a manner that maximizes employee motivation, commitment, and productivity.

Currently, HR is comprised of four classifications (excluding the Training team). These classifications are HRA, HRA1, HRA2, and HRA3. The higher the classification (i.e., HRA3), the more complex, intensive, and time consuming the work. The HR demand has increased and is beyond the capacity of one HRA3. Most all capacity gaps are currently being addressed by the HR manager to include the training of HRA2 staff. These gaps are prioritized and have created prioritization conflicts and/or a lack of progress on equally important work (e.g., DEI initiatives, succession planning, training content, etc.).

The Procurement, Facilities, and Logistics (PFL) Section combines two separate units, providing essential services to support PERS operations to both internal staff and to PERS members and employers — procurement and facilities. The procurement unit is responsible for the agency's contracting, purchasing, and contract administration functions. The facilities unit is responsible for the agency's mail, forms fulfillment, receiving and distribution, courier and agency fleet services, headquarters building, equipment maintenance, oversight of leased facilities maintenance, and emergency and safety incident response. This business case focuses on the business needs of the Facilities Section.

The primary challenge for Facilities is the continual adjustment of assignments to available staff in response to demands of new agency projects while continuing to perform the critical "routine" services that affect the agency's ability to perform core operations. Section management and staff focus are constantly divided among special projects (e.g., SB 1049), unforeseen situations (e.g., COVID-19), planned major projects (e.g., building consolidation, capital improvements to HQ), and performing established ongoing services (e.g., contracting, mail). PERS continues to be heavily reliant on paper processes. Not only does every member transaction begin with a paper application, but Facilities also mailed over 1.13 million letters in 2021 to members. PFL management, with support from agency

BUDGET NARRATIVE

leadership, constantly seeks ways to streamline core processes and prioritize special projects to compensate for available staff capacity.

Facilities is currently staffed with two permanent mail services assistants, a permanent facilities maintenance specialist, and one limited-duration Office Specialist 2 (OS2), originally brought on during SB 1049. Ensuring that all daily tasks are completed has been challenging during the pandemic due to increasing scope and workload and lack of backup if there are outages or vacancies. Often the manager will cover daily tasks to ensure they are finished.

Program approach

The Central Administration Division provides leadership and support services necessary to achieve the agency's key goals in support of the mission, vision, core values, and operating principles. Services are provided to all departments throughout the enterprise. Both HR and PFL provide critical support to the agency to be an efficient and effective organization. Many of the HR section's strategies directly impact the overall well-being and engagement of the workforce. Both sections' responsibilities impact services provided to PERS members and employers.

The agency's key goals are:

- Collaborative and transparent leadership.
- Efficient, effective, adaptable organization.
- Engaged and empowered workforce.
- Timely and accurate service.
- Trusted and credible agency.

The demand for HR services has increased and is beyond the capacity of one HRA3. Most all capacity gaps are addressed by the HR manager to include the training of HRA-2 staff. These gaps are prioritized and have created prioritization conflicts and/or a lack of progress on equally important work (DEI initiatives, succession planning, training content, etc.). The lack of progress on these initiatives is also creating inefficiencies within HR business processes, increasing problem and investigatory resolution, and impacting business units downstream.

In Facilities, if staffing continued with a permanent OS2, Facilities should be able to provide increased capacity to properly handle the facilities workload (including mail, distribution, and printing) and to provide needed support that will assist with documentation, unit development projects, and administrative activities, thereby lessening the excess work burden on the procurement staff and freeing up the PFL manager and the Facilities manager to focus more on management tasks.

Solution

The agency is requesting two permanent positions, one in HR and one in Facilities.

- In providing funding for a full-time HRA3 position, PERS will create depth within the department and maximize HR efficiencies. This position will allow escalated work initiatives and HR fulfillment requirements to be performed by those in the appropriate classification to address the workload.
- In providing permanent funding for a full-time OS2 position, facilities will maintain much needed support, and the facilities manager will be able to continue to focus on establishing performance measures for critical facilities functions, to monitor and record performance, and to proactively address service shortfalls through planned improvement efforts.

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Alternatives

Option 1

Status quo.

One course of action is to maintain the status quo and continue with current permanent staffing. The impact of this action would end the limited-duration OS2 position on 6/30/2023 and maintain current staffing in HR.

Cost: \$0

Option 2

Use outside contractors.

The second option is to utilize contractors for the various needs of the agency, which is a poor solution in that it does not support continuity of operations well and incurs a high cost. The use of temporary contractors can also be subject to an hourly limit, which may not be suitable for these on-going workload issues. While this could be an option for Facilities, it is more challenging to augment HR staff with a knowledgeable and proficient HRA3 via a contractor. DAS' Chief Human Resource Office in the past has offered resources to assist the agency but does not have that availability in the short-term due to staffing shortages.

Cost: \$397,897 per biennium for two contracted resources.

\$ 158,299 per biennium

Contracting rate for an OS2 (Galt services)

\$ 239,598 per biennium

Rate for an HRA3 (using state costs at step 2 plus OPE as contracting rate unknown for these services)

\$ 397,897

Option 3

The third option would be to continue the OS2 position as limited-duration (LD) and receive funding for a LD HRA3. While this is a step in the right direction, it does not solve for the long term but only temporarily mitigates. The cost of extending the LD classifications is the same cost as for permanent employees but would then require the section to revisit this process for the next biennium, at which point it would again need to request an extension and go through the effort of another position request or endure without these key positions after the extension.

Cost: \$364,761 per biennium for two limited-duration positions.

Option 4

Provide permanent funding for these two positions.

The fourth option is to permanently fund the OS2 and HR3 positions. This would allow development, support, and business to continue and meet the needs of the agency, external stakeholders, and members.

Cost: \$364,761 per biennium for two permanent positions. This is the recommended option.

Staffing impact

- One Office Specialist 2 (OS2 1.00 FTE) position 2511158.

BUDGET NARRATIVE

2023-25 fiscal impact

- The anticipated impact to 2021-23 is estimated to be approximately \$347,550 in personal services and \$18,063 in services and supplies. PERS expects the fiscal impact in 2025-27 to be approximately \$143,861.

Quantifying results

- KPM #2, Total Benefit Administration Costs
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #6, Customer Service, milestone:
Maintain 80% or higher good or excellent responses in the annual customer satisfaction survey throughout the 2021-23 biennium.

Revenue source

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

BUDGET NARRATIVE

Package 801 LFO Analyst Adjustments

Package Description

This package increases Lottery Funds expenditure limitation by \$4,425,149 for the allocation of net sports betting revenue dedicated to the Employer Incentive Fund 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.

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 Employer Incentive Fund applications until existing waitlisted employers are matched and the remaining Lottery Funds balance reaches a minimum of \$25 million.

SCR	Division title	Amount
200-01	Employer incentive Fund	\$4,425,149

BUDGET NARRATIVE

Package 810 Statewide Adjustment

Package description

Statewide adjustments impact agency budgets based on changes to the cost of debt service on existing outstanding bonds, Department of Administrative Services rates and service charges, Attorney General rates, and costs for supporting the Government Ethics Commission and Public Records Advocate. This package decreases other fund expenditures by \$1,423,881.

SCR	Division title	Amount
500-01	Central Administration	(99,942)
500-03	Financial Services Division	(1,220,406)
500-04	Information Services Division	(9,333)
500-08	Operations Division	(10,953)
500-09	Compliance, Audit and Risk Division	(83,247)
		Total (\$1,423,881)

BUDGET NARRATIVE

Package 811 Budget Reconciliation

Package description

The subcommittee approved a Lottery Funds expenditure limitation increase of \$7.3 million for the allocation of net sports betting revenue dedicated to the Employer Incentive Fund (EIF) to reconcile to the May 2023 Department of Administrative Services — Office of Economic Analysis revenue forecast. With this adjustment, the Public Employees Retirement System’s Lottery Funds total is \$28.5 million, which is sufficient for another EIF application period during the 2023-25 biennium.

SCR	Division title	Amount
200-01	Employer Incentive Fund	\$7,310,000

Inter-agency budget adjustments. Zero net change to operating budget, reallocation only.

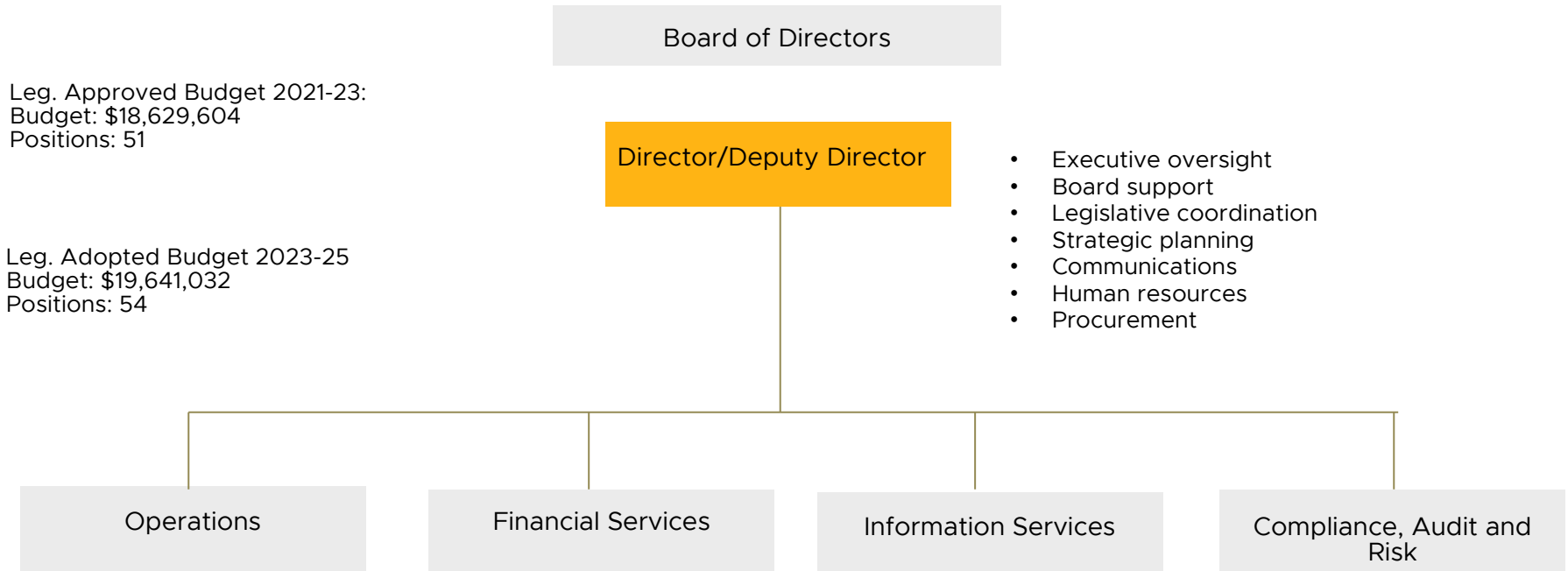
SCR	Division title	FTE	Amount
500-01	Central Administration	(4.00)	(13,838,417)
500-01	Central Administration	4.00	13,838,417
500-03	Financial Division	(3.00)	(914,491)
500-03	Financial Division	3.00	914,491
500-04	Information Services Division	(10.00)	(2,654,490)
500-04	Information Services Division	10.00	2,654,490
500-08	Operation Division	(1.00)	(241,171)
500-08	Operation Division	1.00	241,171
	Total	0.00	0

BUDGET NARRATIVE

Operating units

Central Administration

Program Contact: Kevin Olineck, 503-603-7695
PERS: Central Administration



BUDGET NARRATIVE

Central Administration Sections

The division works in partnership with the Legislature, Legislative Fiscal Office, Department of Administrative Services, the Governor’s Office, and PERS member and employer groups to carry out the agency’s mission through education and collaboration.

Director’s Office	Communications	Strategic planning	PFL	HR
4/4.00 FTE	10/10.00 FTE	22/22.00 FTE	9/9.00 FTE	9/9.00 FTE
Executive leadership Board support services Executive assistant Legislative support	External strategy and Implementation Internal dissemination and awareness Print and digital media Agency brand standards Communications oversight and support Change management support	Project management Business process improvement Central data management Organizational change management Electronic Pub Design Specialist	Contracts and procurements Contract administration Lease management Mail and forms services Facilities maintenance Courier/fleet services	Organizational development and training Employee relations Compensation and classification Recruitment Benefits OFLA/FMLA/ADA Human Resource Analyst

Executive summary – Central Administration

Program overview

Central Administration, in conjunction with the PERS Board, provides leadership and support services necessary to achieve the agency’s key goals in support of the mission, vision, and core values and operating principles. The division consists of the following sections:

Director’s Office

The Director’s Office leads the overall development and administration of all agency programs, personnel, budgets, and planning and projects to ensure efficient and effective delivery of member benefits and employer’s services, advancement of the agency mission, compliance with state legislative mandates and federal regulatory requirements, and achievement of PERS Board policies and strategic plan.

BUDGET NARRATIVE

Communications

The Communications Section supports the agency by meeting both the internal and external communications needs for the agency and works to create strategies and processes to inform multiple audiences about the benefits of PERS, supports the agency in its communications and production needs, supports internal, organizational change management communications, and takes a leading, enterprise role in developing and guiding a comprehensive communications and publications program for the agency.

Human Resources

The Human Resources Section interprets the collective bargaining agreement and regulations for our agency and administers the programs of Human Resources. This includes providing technical guidance on related state and federal statutes, internal policies and rules, establishing and enforcing policies, supporting agency program planning, and maintaining positive and productive labor-management relations.

Procurement, Facilities and Logistics

Procurement, Facilities and Logistics combines two separate units providing essential services to support PERS operations.

The procurement unit is responsible for the agency's contracting, purchasing, and contract administration functions. Activities include development of agreements for numerous types of services and goods, solicitations for vendor selection, market research, risk and cost analyses, and leases for agency offices. Procurement is responsible for the high-level oversight and administration of all agency agreements and contracts for the purpose of ensuring compliance with terms, conditions, laws, and fulfillment of obligations and deliverables by contractors. Procurement also provides multiple procurement-oriented trainings to agency management and advises leadership on acquisition matters.

The facilities unit is responsible for the agency's mail, forms fulfillment, receiving and distribution, courier and agency fleet services, headquarters building and equipment maintenance, oversight of leased facilities maintenance, and emergency and safety incident response. Activities include processing mail containing highly sensitive information inbound from and outbound to PERS members and retirees, printing and mailing many different retirement program information packets, processing checks sent to the agency, monitoring and maintaining physical plant equipment and systems operations, receiving and distribution of all goods, coordinating office environment and safety-related incident responses, coordinating and/or performing staff workstation changes, coordinating plant service contractors, and many other tasks.

Strategic and Operational Planning

The Strategic and Operational Planning Section includes three main teams: project management, business process improvement, and central data management. This section is charged with increasing agency effectiveness, process improvement, improving overall organizational capability, providing visibility, improving data reliability, and fostering success in the execution of the agency's strategic plan and initiatives.

Program funding request

POP 102 — SB1049 Permanent Workload

PERS is requesting limited-duration funding for nine full-time positions due to increased and sustained workloads and IT system support that resulted from SB 1049 changes to the PERS system.

POP 111 — Increase Agency Support Service

The Central Administration Division provides leadership and support services necessary to achieve the agency's key goals in support of the mission, vision, core values, and operating principles. PERS requests \$143,861 Other Funds Limitation in the Central Administration. Services are provided to all departments throughout the enterprise. The division is recognized as the center of excellence in developing solutions for and implementing, critical agency decisions.

BUDGET NARRATIVE

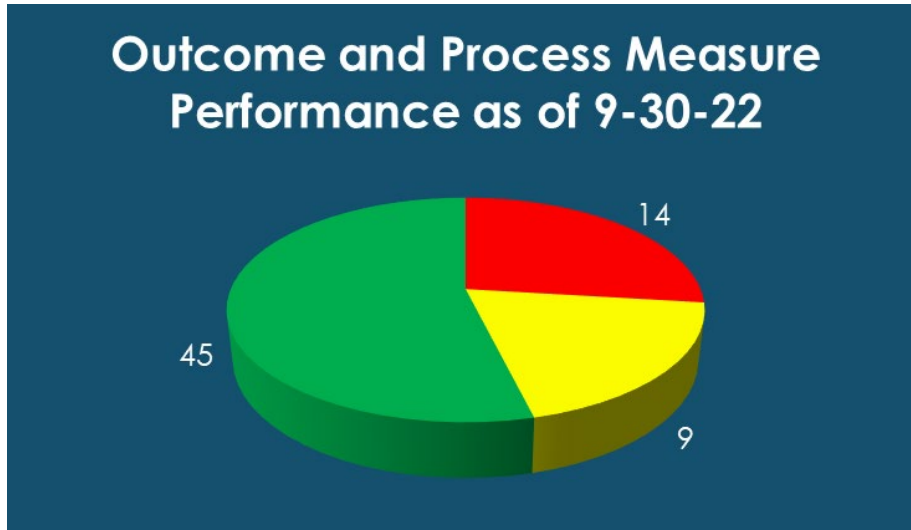
Program justification and link to long-term outcomes

The Central Administration Division takes an enterprise view of agency performance via the PERS Outcome-Based Management System. Below are two of the measures that are tracked quarterly.

Green — At or above acceptable levels.

Yellow — Needs attention to advance into acceptable levels.

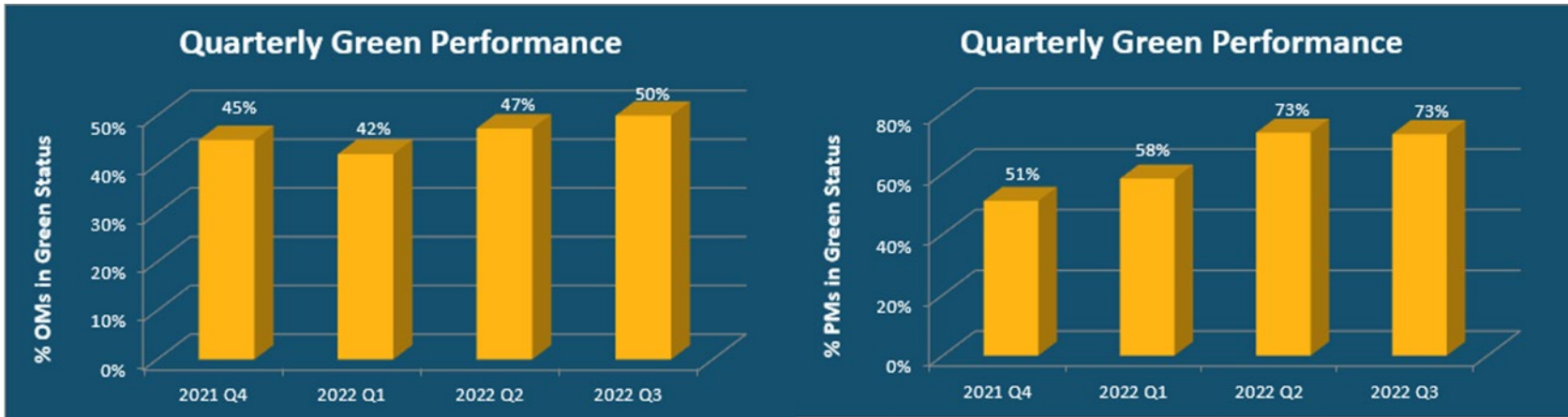
Red — Problem area; manager reports on corrective action plan.



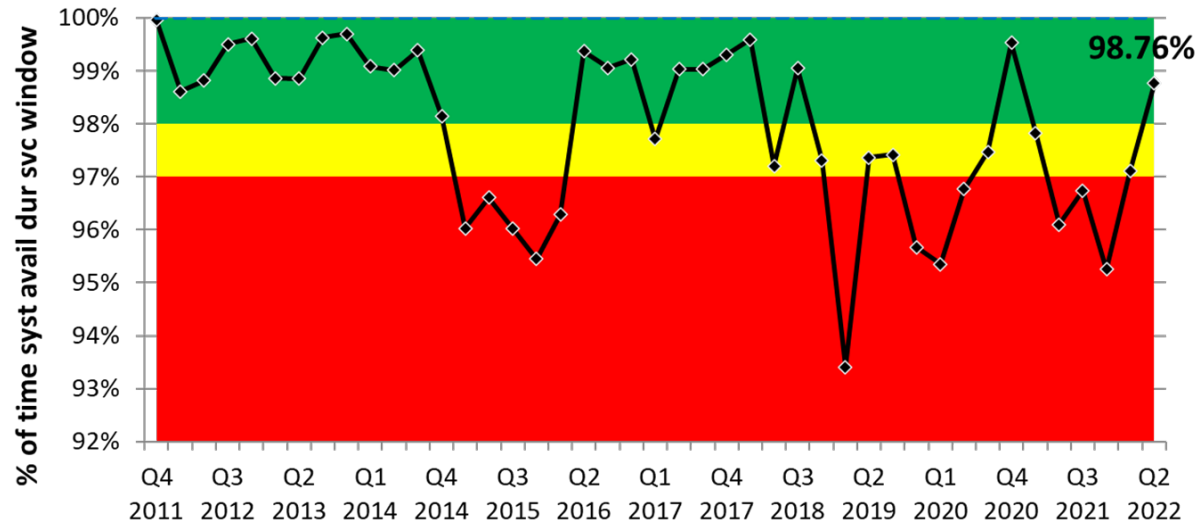
BUDGET NARRATIVE

Outcome measure trends

Performance measure trends

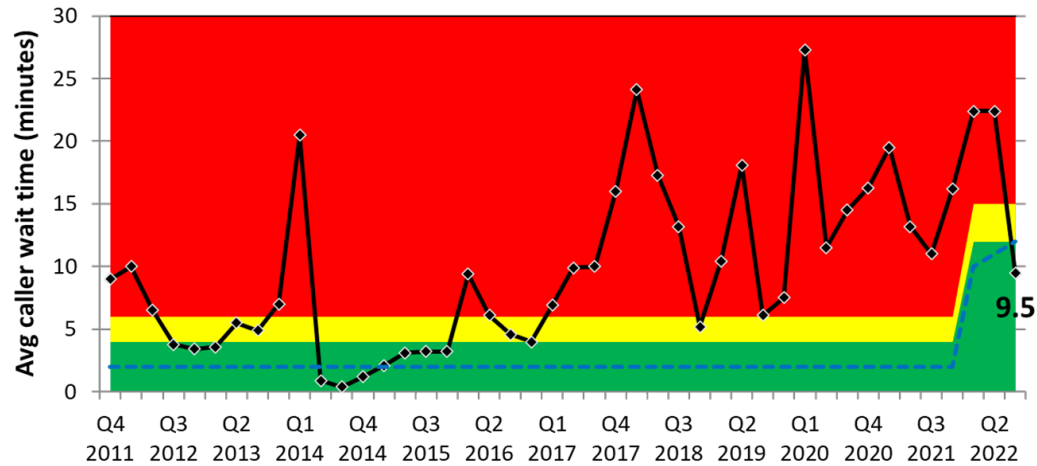


SP3h System Uptime



BUDGET NARRATIVE

OP1f Call Wait Time



The Human Resource Section surveys and tracks employee engagement trends, which allows the leadership team to focus on specific areas.

In 2021, the survey response rate was 79%, and many of the scores were within a percentage point of the previous two years, with two of the three focus areas (see red arrows) seeing increases while the third decreased:

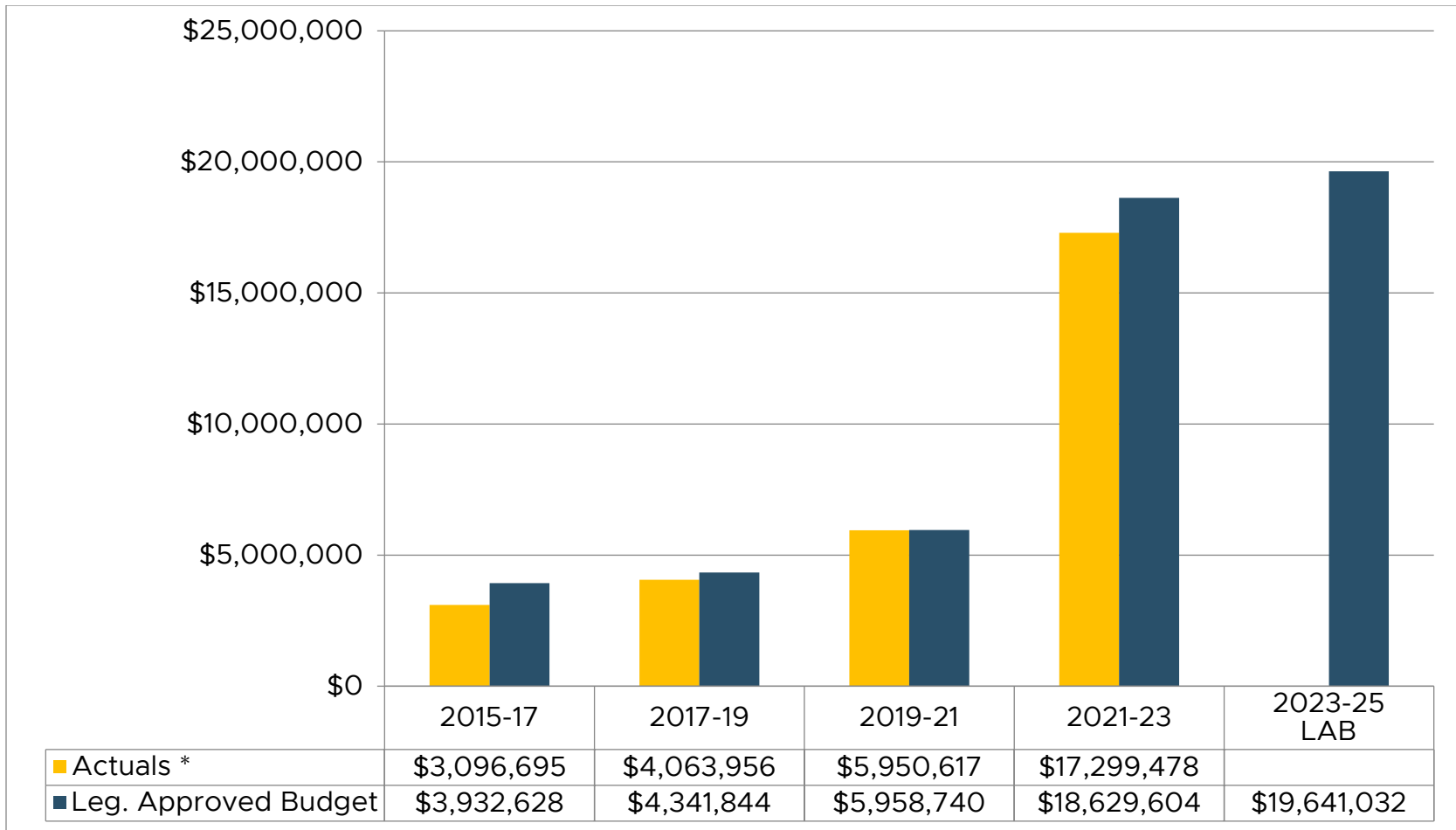
- Q4 — “In the last seven days, have you received recognition or praise for doing good work” decreased ~3%.
- Q6 — “Is there someone at work who encourages your development” increased ~3%.
- Q11 — “In the last six months has someone at work talked to you about your progress” increased ~6%.

BUDGET NARRATIVE



Program budget performance

BUDGET NARRATIVE



*2021-23 Actuals, estimated.

BUDGET NARRATIVE

Enabling legislation/program authorization

Enabling legislation for PERS operations (administrative costs) are:

- Oregon Revised Statutes (ORS) 237.500; 238.490, and 610; and 243.470
- Oregon Administrative Rules Chapter 459

Notably, the governing authority for the PERS system is vested in a five-member board appointed by the Governor and confirmed by the Senate under ORS 238.630. The PERS Board is charged with employing a director and creating such other positions as it deems necessary for sound and economical administration of the system.

Funding streams

ORS 238.610 directs that the administrative operations expenses for PERS are 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. PERS' annual operations expenses, when measured as a percent of the \$99 billion PERS Fund, represent less than eight basis points (0.08%). Any earnings not used to support agency operations must be otherwise expended solely for the exclusive benefit of PERS members.

Significant proposed program changes from 2021-23

Requested Limited Other Funds reflect an increase of \$1,011,715 above the 2021-23 operating budget of \$18,629,317 and will continue to enable the agency to maintain current service delivery levels while enhancing performance measurement in the areas of process improvement and technology.

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	Amount	FTE
Total 2021-23 LAB	18,629,604	51.00
	Amount	FTE
Base budget limited	19,364,317	51.00
Essential packages limited		-
Pkg. 010 Non-PICS Personal Services Vacancy Factor	5,761	
Pkg. 021 Phase In		
Pkg. 022 Phase Out Program and One Time Costs	(425,000)	
Pkg. 031 Standard Inflation	269,478	
Pkg. 032 Above Standard Inflation		
Subtotal essential packages	(149,761)	
Subtotal current service level	19,214,556	51.00
LAB Budget policy packages		
Pkg. 102 SB1049 Permanent Workload	382,557	2.00
Pkg. 111 Increase Agency Support Service	143,861	1.00
End of Session Adjustment SB5506	(99,942)	
Subtotal policy packages	426,476	3.00
2023-25 total Leg. Adopted Budget	\$19,641,032	54.00

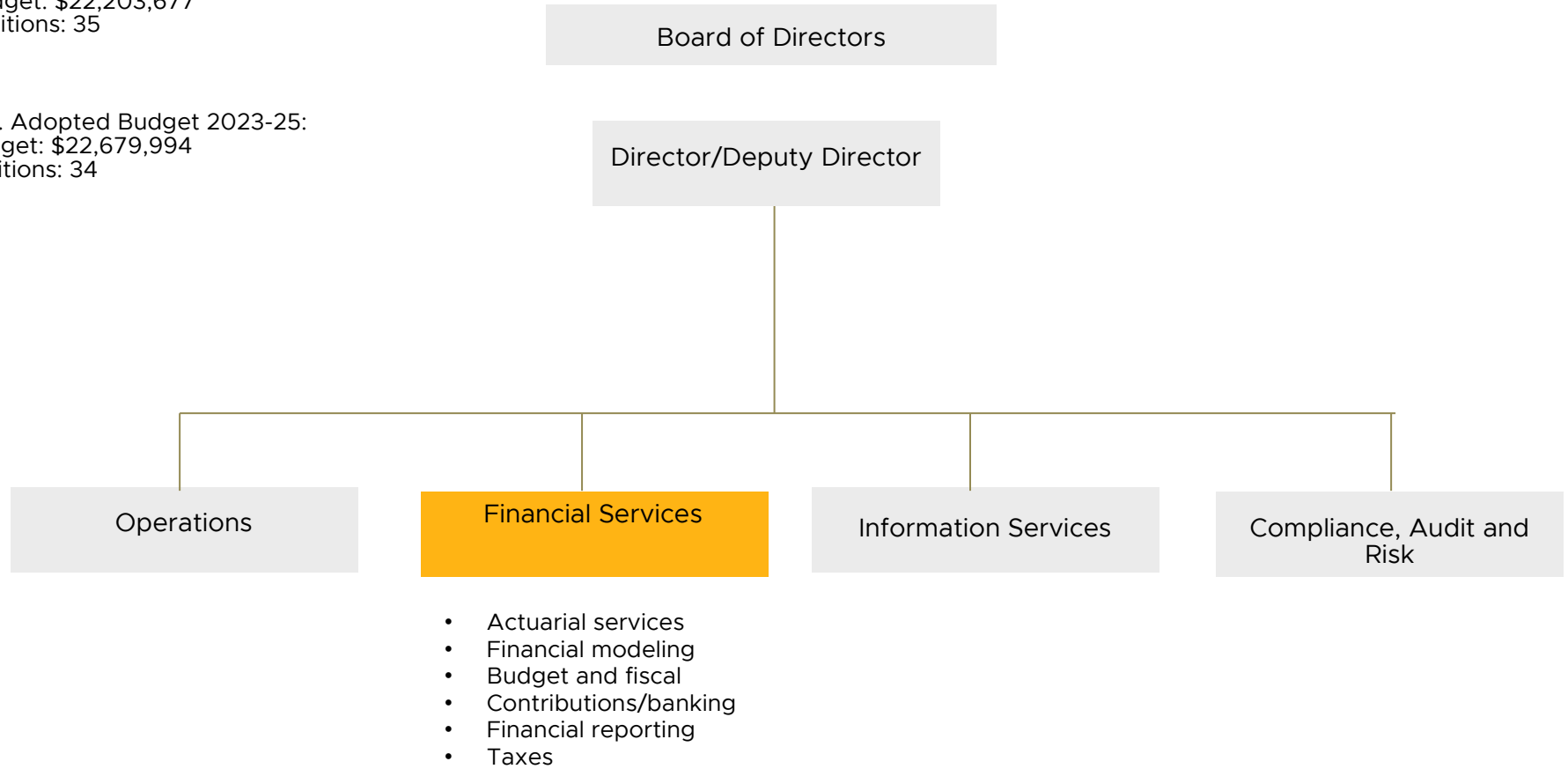
BUDGET NARRATIVE

Financial Services Division

Program contact: Richard Horsford, 503-431-8970

Leg. Approved Budget 2021-23:
Budget: \$22,203,677
Positions: 35

Leg. Adopted Budget 2023-25:
Budget: \$22,679,994
Positions: 34



BUDGET NARRATIVE

FSD sections

Admin	FRS	ACTS	AAS	BFAP
2/2.00 FTE	9/9.00 FTE	14/14.00 FTE	3/3.00 FTE	6/6.00 FTE
Executive leadership Support services Executive assistant	Responsible for actuarial outcomes and interpretation ACFR Earnings crediting computations Valuations Quarterly, calendar yearend, fiscal yearend, and biennial financial reporting and closing Pension fiscal impact Legislative impact	Accounts receivables Collections Taxes General accounting Management of negotiable instruments Accounting of deferred comp program	Actuarial liaison Program research Actuarial reporting	Budget management Payroll Accounts payable Fiscal impact(s) Biennial forecasting Monthly, quarterly, and annual budgetary statements

BUDGET NARRATIVE

Executive summary – Financial Services

Financial Services Division (FSD) has a diverse and broad scope of responsibilities. FSD provides comprehensive financial services to the agency. This includes financial accounting, reporting, actuarial, and tax services for all PERS' trust and agency fund responsibilities, including the retirement fund, deferred compensation funds, benefit equalization fund, health insurance, and Social Security programs.

The division is responsible for managing all the financial and human capital resources of the agency. Through FSD management, we disburse over \$5.9 billion annually in member and beneficiary benefits and receive \$1.68 billion in member and employer contributions that are invested in the PERS fund.

FSD business functions include preparation and reporting of the agency's biennial budget, coordination of actuarial services, fiscal analysis, accounts receivable, and accounts payable. There are a total of five program areas:

- Executive support services.
- Financial reporting.
- Accounting, cash and tax.
- Budget, fiscal analysis and payroll.
- Actuarial services.

Support Services

Support Services provides technical management resources for FSD with a focus on divisional and agency initiatives. This team specializes in developing tactical plans for data analysis and system implementation and develops manual and automated processes for supporting divisional programs. Primary responsibilities include developing data validation and reconciliation processes and procedures and conducting technical support for divisional staff. This team is dedicated to ensuring that the system and data used to support the retirement system is accurate and timely. They develop or modify technical systems to support programs and conduct outreach with program managers and subject matter experts while interpreting IT program capabilities. Responsibilities include the identification of business needs and communication to internal stakeholders to identify program specifications, develop testing plans, perform user acceptance testing, develop processes, and when applicable, develop policies and/or business rules.

Financial Reporting Services

The Financial and Reporting Services (FRS) program area is responsible for highly complex accounting systems required to prepare financial reporting on both fiscal- and calendar-year basis. Responsibilities include but are not limited to preparing the PERS *Annual Comprehensive Financial Report* (ACFR) in compliance with generally accepted accounting principles (GAAP), Governmental Accounting Standards Board (GASB) pronouncements, and regulations within all existing state and federal laws. The program oversees financial reporting for pension trust, including results of investment activity, and is responsible for annual earnings distribution. With professional-level accounting staff in this program, responsibilities include the calculation of earnings crediting factors as well as the preparation of financial statements and supporting work papers. FRS acts as the primary point of contact for the annual audit, ensuring that information is provided timely in a clear, transparent, and accurate manner.

Accounting and Cash Transactions Section

The Accounting & Cash Transactions Section (ACTS) is responsible for the accounting and financial operations for the benefit equalization, Social Security Administration, deferred compensation, and health insurance programs (RHIA, RHIPA, and SHRIA), cash receipts, and accounts receivable programs. The section is responsible for the receipt, reconciliation, posting, and tracking of over \$1 billion in funds annually for the trusts and programs. Responsibilities include the processing and management of negotiable instruments such as check stock, wire transfers, and bank account authorizations, as well as the reconciliation between PERS and its TPA of the deferred compensation and health insurance programs. Other duties include the accounting and financial operations for the

BUDGET NARRATIVE

Benefit Equalization Fund (BEF), Social Security Administration (SSA), and the Standard Retiree Health Insurance Account (SRHIA). The section is responsible for PERS' accounts receivable and collections programs and employs permanent high-level technical and professional staff in these finance related positions. The program must ensure compliance with GAAP, all applicable state and federal regulations and laws, and maintain adequate financial internal controls to meet the internal financial reporting requirements of PERS.

Budget, Fiscal Analysis and Payroll

The Budget, Fiscal Analysis and Payroll (BFAP) Section is responsible for developing and executing the biennial budget for the agency; identifying and forecasting resources necessary to meet the operational needs of the agency; obtaining and managing quarterly budget allotments; conducting and reporting fiscal analysis, demographic information, and statistics for the various PERS retirement and other financially related operations; and serving as the agency's contact with the chief financial officer and the Legislative Office for budget-related actions and reporting, including fiscal impact analysis statements. This section is also responsible for maintaining the fixed assets database and reporting in addition to conducting all the accounts payable transactions for the agency. Payroll is responsible for PERS employee payroll administration and processing employee travel requests and expense reimbursements. BFAP is also responsible for submitting the agency's annual risk report to DAS/Risk Management.

Actuarial Activities

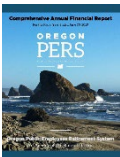
Actuarial Activities is responsible for a broad array of actuarial calculations, analysis, and reporting related to the overall pension system and its participants. Work is highly technical and requires a high degree of statute, policy, rule interpretation as well as a fundamental understanding of actuarial outcomes. Work in this group requires an understanding of contract management and daily to weekly interactions with an actuary firm and Oregon employers. Recent initiatives have centered on working with participating employers to increase understanding of actuarial valuations, contribution rates, and unfunded actuarial liabilities.

Program funding request

POP — 106 PHIP Administration

PERS requests \$367,960 Other Funds Limitation in the Operations Division to fund the difference between the previous consulting costs and the current consulting costs. In May 2021, as part of statewide procurement policy and expectations, PHIP posted a request for proposal (RFP) to update the scope of contracted consulting services. The scope of the RFP was baselined against the work performed by BP&A, but as in any RFP, it also included possible services or deliverables that would allow the program to grow and absorb possible changes over the duration of the new contract (up to seven years). PHIP conducted market research into what standard services health insurance programs across the nation receive from a consultant and found that the scope of each contract varies by the needs of the program.

Program justification and link to long-term outcomes



Certificate of Achievement

The Certificate of Achievement for Excellence in Financial Reporting is applicable for the year ended June 30, 2023. The System has received a Certificate of Achievement for the last 31 consecutive years.

Public Pension Standards Award

The Public Pension Coordinating Council (PPCC) awarded the 2023 Public Pension Standards Award to PERS for its plan design and administration.

BUDGET NARRATIVE

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

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

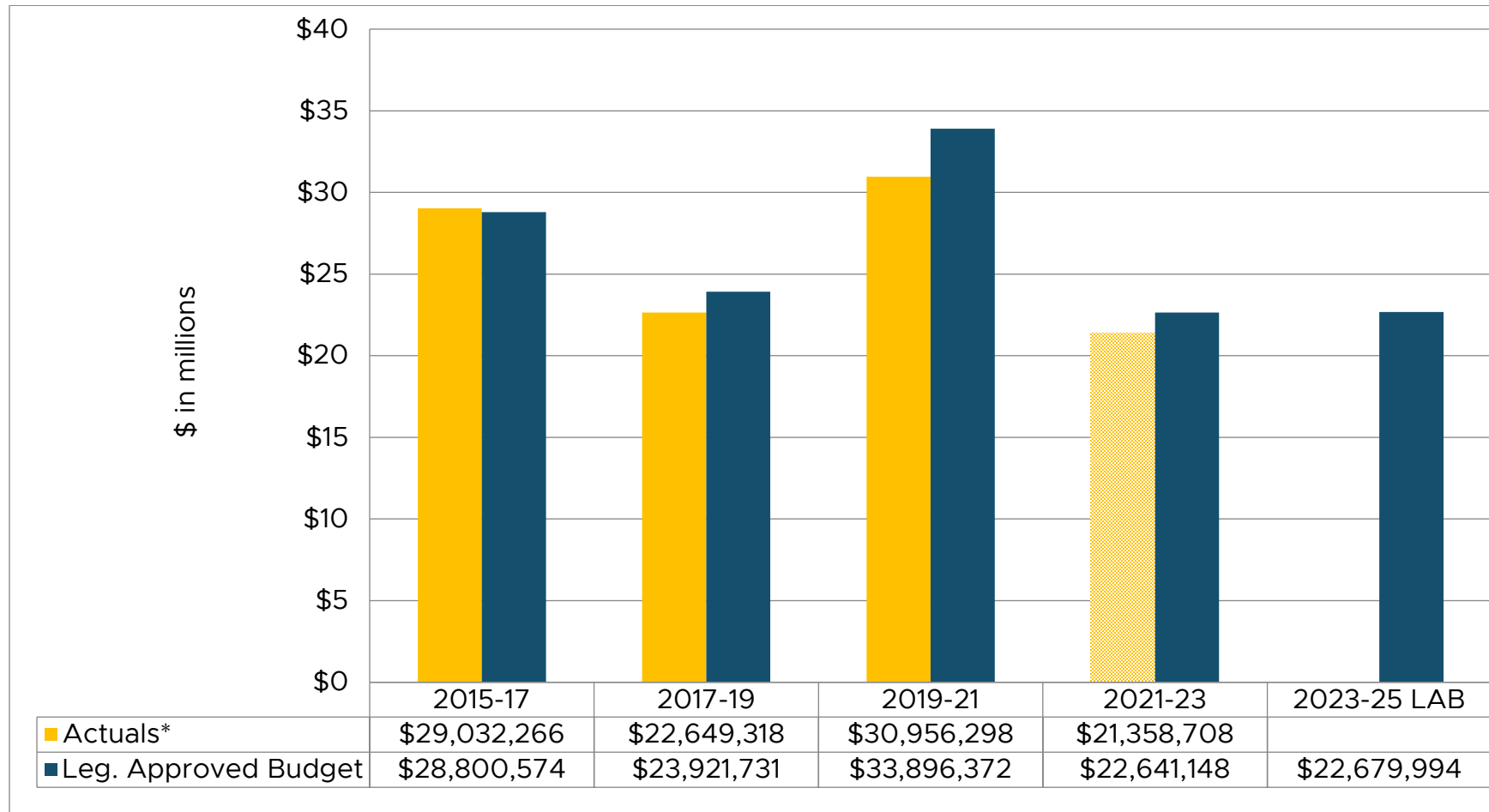
This is the 20th year the PPCC has offered the award to public retirement systems and the 19th consecutive year PERS has applied for and received the award.

Employer programs (SB 1049)

Actuarial activities played a pivotal role in the implementation of employer programs as directed through SB 1049. These programs include a series of learning guides and forecasting tools aimed at assisting employers in understanding and managing their pension liabilities and costs. Ongoing interactions with employers and related stakeholders continue to build systemwide skills to manage pension costs into the future.

BUDGET NARRATIVE

Budget performance



2021-23 Actual, estimated.

Enabling legislation/program authorization

Enabling legislation for PERS operations (administrative costs) are:

- Oregon Revised Statutes (ORS) 237.500, 238.490 and 610, and 243.470.
- Oregon Administrative Rules Chapter 459.

Notably, the governing authority for the PERS system is vested in a five-member board appointed by the Governor and confirmed by the Senate under ORS 238.630. The PERS Board is charged with employing a director and creating such other positions as it deems necessary for sound and economical administration of the system.

BUDGET NARRATIVE

Funding streams

ORS 238.610 directs that the administrative operations expenses for PERS are 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. PERS' annual operations expenses, when measured as a percent of the \$99 billion PERS Fund, represent less than eight basis points (0.08%). Any earnings not used to support agency operations must be otherwise expended solely for the exclusive benefit of PERS members.

Significant proposed program changes from 2021-23

Requested Limited Other Funds reflect an increase of \$38,846 over the 2021-23 operating budget of \$22,641,148 and will continue to enable the agency to maintain current service delivery levels while enhancing performance measurement in the areas of process improvement and technology.

BUDGET NARRATIVE

	Amount	FTE
Total 2021-23 LAB	22,641,148	35.00
	Amount	FTE
Base budget limited	22,732,715	35.00
Essential packages limited		-
Pkg. 010 Non PICS Personal Services Vacancy Factor	(30,241)	
Pkg. 021 Phase In		
Pkg. 022 Phase Out Program and One Time Costs	(6,657)	(1.00)
Pkg. 031 Standard Inflation	1,704,583	
Pkg. 032 Above Standard Inflation	-	
Subtotal essential packages	1,667,685	
Subtotal current service level	24,400,400	34.00
LAB Budget policy packages		
Pkg. 106 PHIP administration	(500,000)	
End of Session Adjustment SB5506	(1,220,406)	
Subtotal policy packages	(1,720,406)	
2023-25 Total Leg. Adopted Budget	\$22,679,994	34.00

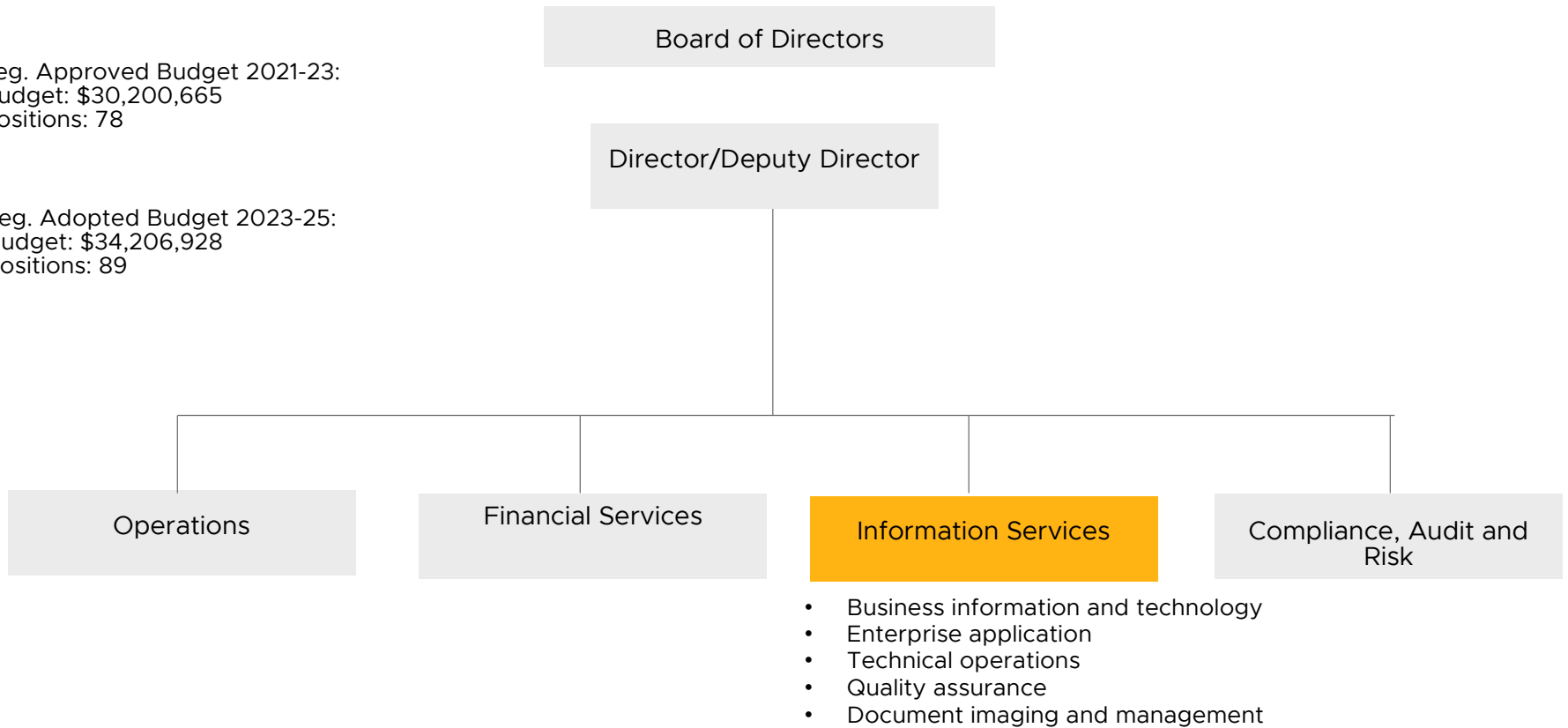
BUDGET NARRATIVE

Information Services Division

Program contact: Jordan Masanga, 503-603-7702
PERS: Information Services Division

Leg. Approved Budget 2021-23:
Budget: \$30,200,665
Positions: 78

Leg. Adopted Budget 2023-25:
Budget: \$34,206,928
Positions: 89



BUDGET NARRATIVE

EAS	ECMS	TOS	OTS	Administration
25/24.75 FTE	22/22.00 FTE	22/21.64 FTE	13/13.00 FTE	7/7.00 FTE
Software development life cycle (SDLC) Business analysis Application design Systems analysis software Development services Database design Development operations (DevOps) Quality assurance	Records management (electronic and physical media) Imaging system management Public records and discovery Electronic content system solutions Development/implementation	Application support infrastructure Help desk/call center Desktop support Database administration Information Systems Specialist	Software tool dev Report generation	IT project management PERS Enterprise Architecture team IT QA process IT risk management IT metrics IT contracts administration General division administrative support

BUDGET NARRATIVE

Executive summary — Information Services Division

Program overview

Information Service Division (ISD) provides the information technology (IT) services to support the infrastructure, systems, databases, and applications for staff at PERS. ISD consists of the Technical Operations Section (TOS), Enterprise Content Management Section (ECMS), Enterprise Application Section (EAS), and Administrative Support (ISD Admin). ISD exists to support the agency's 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."

Program description

Technical Operations Section (TOS)

Is the core foundational layer to the agency IT infrastructure. This section consists of five areas, each with a dedicated team.

- Application Support — The App Support team exists to provide Tier II application support and administer the middleware required for the agency's enterprise applications. Administration of this is inclusive of the items mentioned above in the Unit Organizational Chart.
- Database Administration — The database administrators manage the systems on which the agency's data lives. The administration is a culmination of activities and responsibilities as mentioned in the Unit Organizational Chart.
- Help desk — The IT call center for the agency handles all ticket requests, Tier I support, and manages the flow of support from Tier I to Tier III. Additional duties outlined in the Unit Organizational Chart.
- Desktop Support — An extension of the help desk, providing in-person Tier II support. This area is also responsible for the ITIL framework and systems to provide IT service to the agency. Functions and responsibilities are outlined in the Unit Organizational Chart.
- Infrastructure — Systems engineers and network engineers are responsible to design, implement, and maintain technology that meets all business needs. Considered Tier III for all systems, this area provides the core foundation for all IT needs. Functions and responsibilities are outlined in the Unit Organizational Chart.

Enterprise Content Management Section (ECMS)

Consists of three primary areas that have defined functions within the team:

- Records management addresses state statutes and ISO 14589 and DOD 5015.2 for electronic content. Increased technical solutions and record governance around the management of information is the future blending of two skill sets of a record professional and technical system record administrator.
- Document and imaging management is the capture process of member information within PERS that also includes internal documents. We use high-speed scanners for the processing of paper, film media scanners that convert filmed images to digital, and research, which deals with the physical review of our legacy film library for identifying and electronically converting old film to digital. As the central point of ingestion of member information to digital, we process digital documents directly to business users via electronic workflow through our Content Management Section. With the advancement of technology, we moved to the capture of items born digital directly into our system without the production of physical media.
- Content solutions and development provides new technologies that improve the transmission of work items via an electronic flow within the Content Management System. This function reviews and provides future technologies that assist in the automation of work processes and improved accuracy. Our repository is growing and linked to other agency systems that this

BUDGET NARRATIVE

group must support. This is the area where the additional developer will assist with the integration of technology and expansion of a secured repository.

Enterprise Application Section (EAS)

Provides the maintenance, enhancements, and software development life cycle (SDLC) process to support ORION to meet the agency needs. EAS has adopted the rational unified process (RUP) as a guideline to manage the wide variety of development activities to automate business processes using an iterative software development process framework.

EAS consists of business system analysts that work with the business to determine high-level requirements and scope of work and work closely with IT project managers (ITPM) to estimate effort, resources, and schedule, as well as priorities, for projects or large enterprise programs. This is usually done during the Inception phase. Next, the developers in EAS work with the business system analyst to develop detailed requirements, analyze solutions, and build prototypes as needed for the elaboration phase of the SDLC. The iterative portion of the SDLC comes during the elaboration and construction phases where the business system analysts and the developers would develop/unit test components, integrate, test the functionality, and turnover the final solution. Finally, EAS turns over the final build into the QA Test Team and business stakeholders to start the QA acceptance process, which includes user acceptance testing. Once the release is signed off by the project team, the solution is turned over to production for the release management process.

Operations Technical Section

Key responsibilities include developing tools and reports to enhance process efficiency for the division and oversight of the Central Data Management program.

Program funding request

POP 102 — SB 1049 Permanent Workload FTE

PERS is requesting limited-duration funding for nine full-time positions due to increased and sustained workloads and IT system support that resulted from SB 1049 changes to the PERS system.

POP 105 — IT Hardware and Subscriptions

PERS requests \$1,964,000 Other Funds Limitation in the Information Services Division for increased vendor licensing, service, and product costs that are currently driving the ISD normal operating budget into a negative variance and in 23-25 is forecasted to be negative in perpetuity. In addition, Salem and Tigard locations are overdue for their network hardware refresh and are operating on old, unsupported equipment.

POP 107 — Maintain Service Level

PERS requests \$90,585 Other Funds Limitation in the Information Services Division to add an additional five full-time positions that will provide ORION release management and quality assurance and system administration staff to maintain the increased frequency of software releases and system changes required to maintain current service levels.

BUDGET NARRATIVE

Program justification and link to long-term outcomes

ISD provides support necessary for the agency to provide services to its members and employers. It is necessary for ISD to link with the long-term outcomes of the agency by aligning the ISD program with the agency’s five-year strategic goals. PERS has a well-established and mature management methodology, the PERS Outcome-Based Management System (POBMS), which identifies fundamental core processes, each with a specific process owner and corresponding outcome and process measures. These measures are dependent on ISD services and support. As all state agencies, PERS has key process measures (KPMs), established and approved by the Legislature to monitor the quality and value of the specific services they deliver. Six of the eight total KPMs defined specifically for PERS are also dependent on ISD services and support.

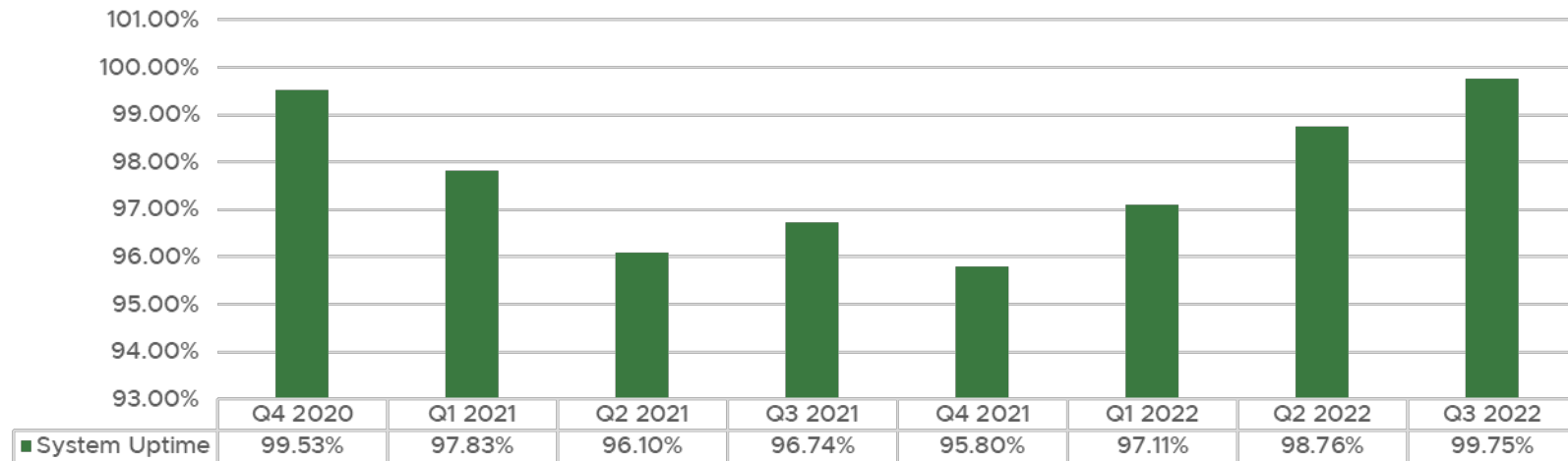
The following metrics indicate volume and performance in the Technical Operations Section (TOS):

TOS worked with all PERS divisions to create service level agreements (SLA) and then applied those definitions in our Service Management application. Incident and service request tickets use these SLA definitions to help us track our performance in those areas:

- Number of site locations supported: 3.
- Number of staff supported over last 5 years: more than 400.
- Average monthly task count per TOS Team member for 2020: 46.

Program performance

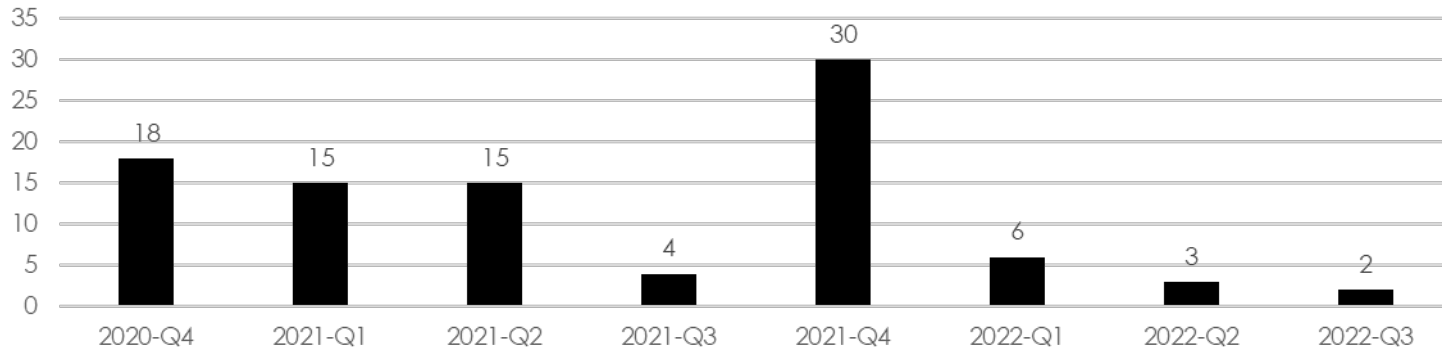
System Uptime



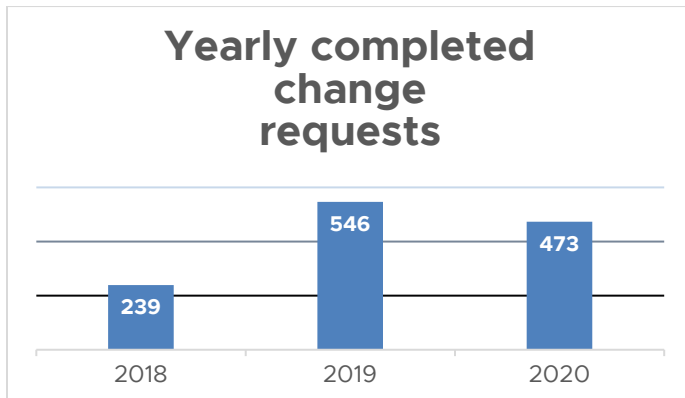
Incidents are unplanned interruptions or reductions in quality to an IT service. These metrics indicate the volume of incoming incidents and the amount the teams completed in those periods. A higher SLA compliance level indicates a better service level to the agency because issues are being resolved in a timely manner.

BUDGET NARRATIVE

Batch Incidents

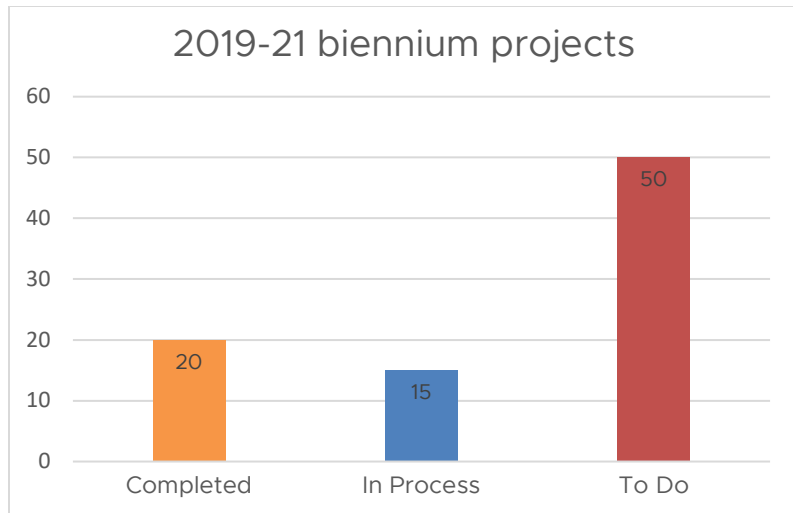


Service requests are a formal request from a user for something to be provided – for example, a request for a software application be installed or access to systems. The volume metrics indicate the number of incoming requests and how many the teams fulfilled during that period. A higher SLA compliance rate indicates a better service level to the agency because requests are being fulfilled in a timely manner.



Change requests track when and where changes are implemented in the environment and require review and approval by the Change Advisory Board (CAB). This metric indicates the volume of completed changes performed by ISD. Changes can be complex, requiring several hours to implement, or simple and deployed in minutes. The number of changes over a period impacts resource planning and staffing needs.

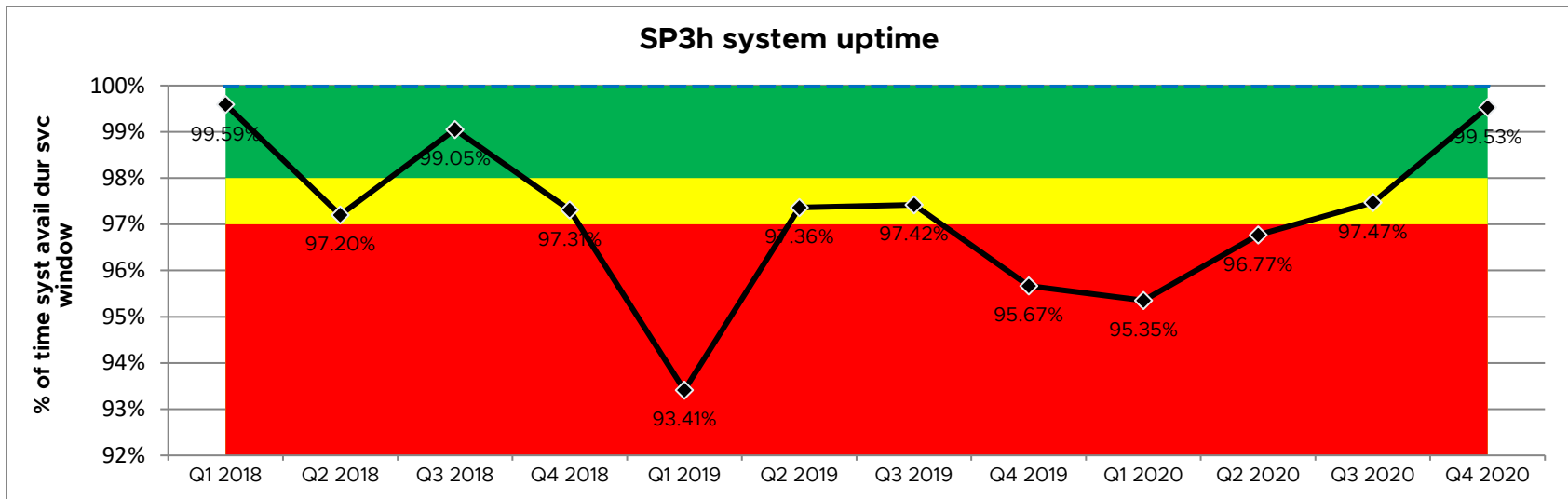
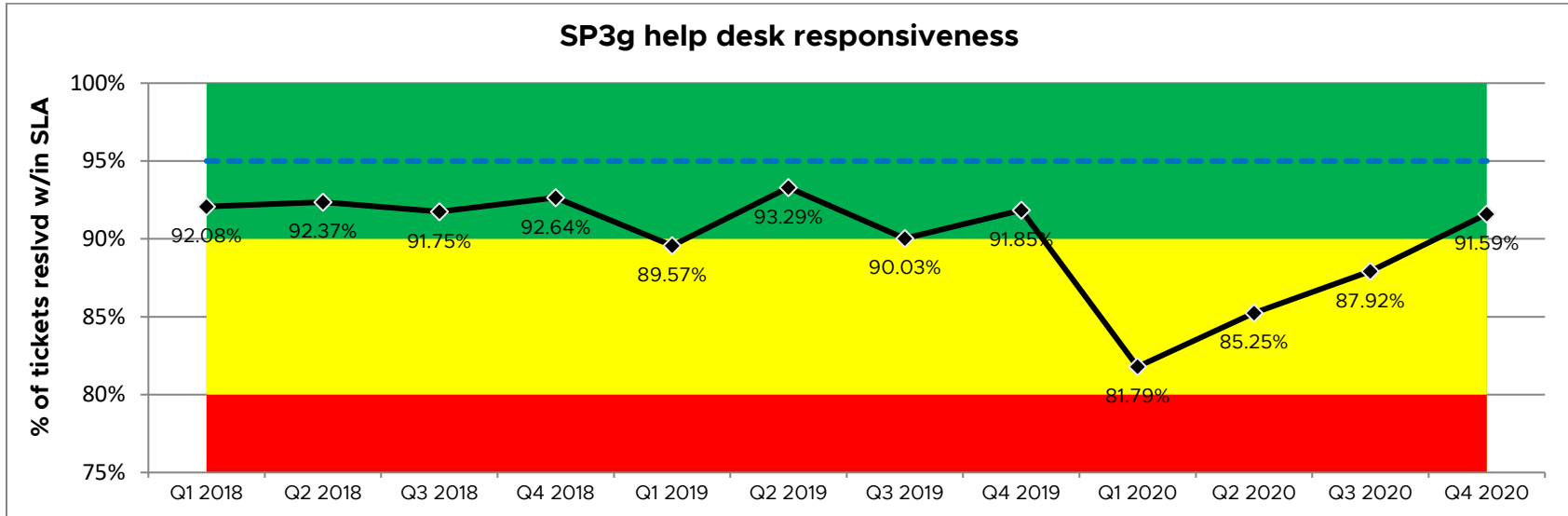
BUDGET NARRATIVE



In addition to daily support tasks, TOS team members are assigned projects ranging from extra small (one week) to extra-large (12+ months). The preceding graph shows the volume and status of TOS projects in the current biennium. When the project portfolio is large, particularly if projects are high priority or more complex, resources may need to be shifted away from daily support tasks, which can affect our overall SLA compliance. If support ticket and change volume is lower, project completion rates can rise because more resources are available for project work.

BUDGET NARRATIVE

Process measures



BUDGET NARRATIVE

Process measures focus on key areas that contribute to a particular outcome metric. TOS owns the above two process measures.

- SP3g indicates the level of SLA compliance achieved by the TOS team for completing incident and service request tickets. Compliance above 90% shows positively on the agency’s outcome measures.
- SP3h indicates how often the systems are available and functional. Factoring maintenance and scheduled outages, it is important to stay above 98% to minimize downtime for the agency. Any upward trend will show positively on the agency’s outcome measures.

For the Enterprise Content Management Section, the following statistics are provided:

Program volumes, physical records:

Records management

Capture from	2018	2019	2020
FTE supporting	1	1	1
Physical storage	522	486	397.8

1. Volumes are maintained by cubic feet.
2. Physical record volume includes additional volumes added less items disposed.
3. Disposition is based on OAR166-300 Oregon State Retention Schedules.

Imaging/capture: Support FTE and volume

Capture from	2018	2019	2020
FTE supporting	13	13	13
Paper and film capture	369,000	320,818	320,517
Electronic import — available in 2018	40,872	83,242	79,229
Electronic import — automated	444,533	448,604	448,604
Total volume	854,405	852,664	848,350
Research	4,417	3,406	2,400

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1. Paper and film captures reflect the volume of incoming documents from members or internal staff, and the migration of filmed items do digital rendering. Documents are received via U.S. Mail, Express Delivery.
2. Film conversions are documents migrated from physical film media to digital. This process moves legacy-filmed images to digital when requested by business units. Processing time per request is normally within one business day depending on the file size.
3. Electronic Import is internal documents delivered to the imaging system via electronic capture. Operators within ECMS index to appropriate document classification. In 2018, drag-and-drop features were implemented, and in 2019, automated imports were implemented for outgoing emails to members.
4. Automated electronic imports involve those documents where a bulk-loading process ingests images without operator assistance other than the initial setup of the batch activity.
5. Research is by request and not image counts. Image count is included in the film conversion activity. Volume reduction is due to improved locator indexes developed by staff.

Public record

Capture from	2018	2019	2020
FTE supporting	2	2	2
Public records processing	61	88	76
Subpoena processing	58	98	75

1. Public records support is provided via Oregon Statute 192. Counts are of actual requests received and responded.
2. Subpoena-processing counts are request for PERS member records only.
3. FTE support includes the records officer (PEMC) and records coordinator (AS2).

ECMS solutions and development

Capture from	2018	2019	2020
FTE supporting	4	5	5
Workflows In place	86	86	86
Process audit history automation volume	876,201	865,813	824,072

1. The team manages updates, enhancements, and automation of workflow activities, as well as offering new improved solutions to move us out of legacy products into a managed, structured system.
2. In-place management for 86 workflows are reviewed on a regular basis. Enhancement and changes are made throughout the various years, driven by business needs.

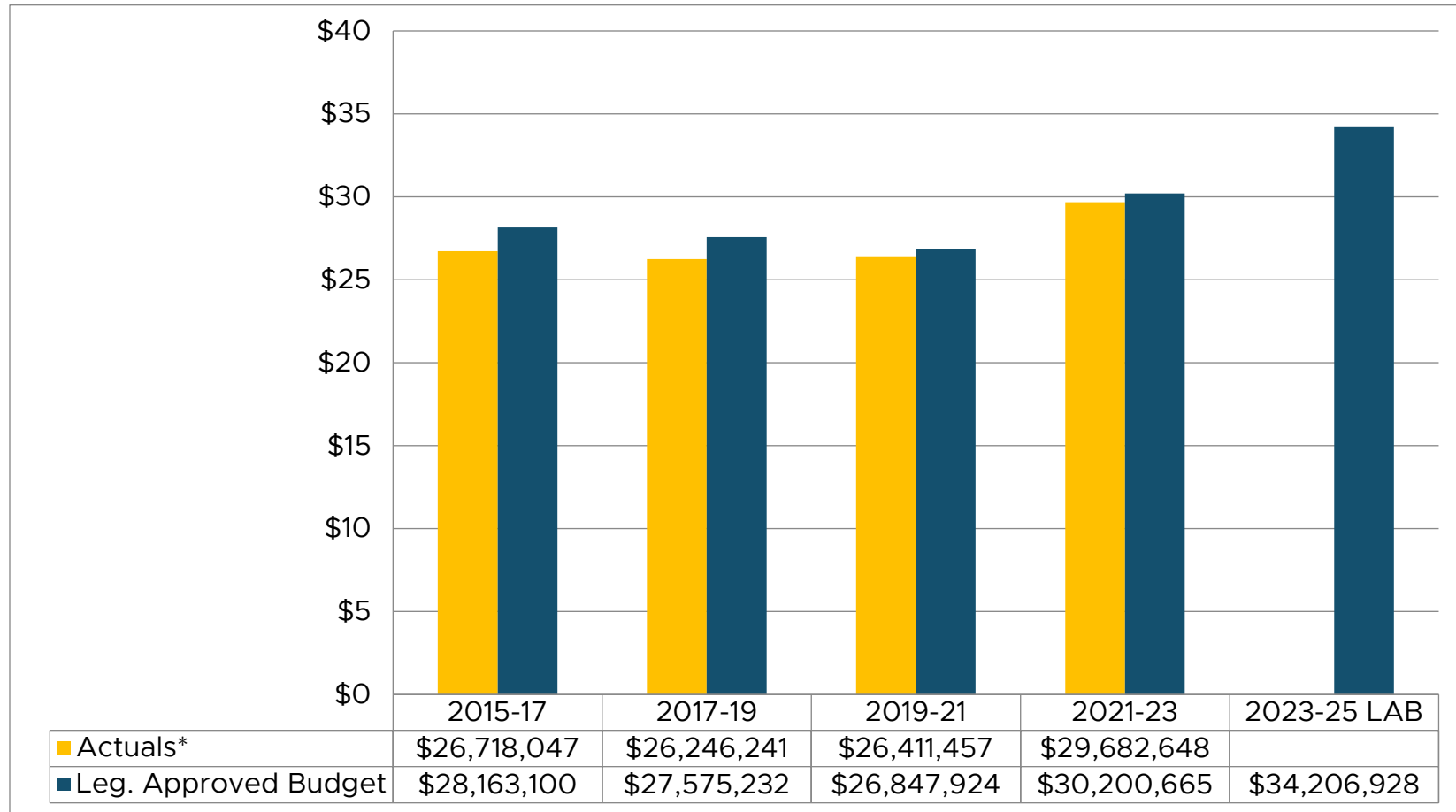
BUDGET NARRATIVE

3. FTE was increased. An ISS 6 position was approved in 2019 and hired in 2020. The position supports increased workload in content management development as well as other enterprise solutions supporting content capture and workflows external from ECM.
4. "Process Audit History Automation Volume" is based on incoming workflows. Adjustments were made in 2018 using more advanced tools to capture instances. A count on the Incoming column provides the number of workflow instances entering the system.
5. ECMS also is expanding into a new agency object store, which includes filing solutions for agency records other than member/employer records. It also includes collaborative team spaces to assist in management of non-record activities.

Metrics for the program are either statutory (records management) or are project driven for development and implementation of system updates and refinements. The ingestion of information is based on an SLA that all incoming member documents are imaged on the date received. This relates to a requirement that PERS produce a retirement benefit within 90 days after an application is received.

BUDGET NARRATIVE

Program budget performance



- 2021-23 actual is estimated.

Enabling legislation/program authorization

Enabling legislation for PERS operations (administrative costs) are:

- Oregon Revised Statute (ORS) 237.500; 238.490, and 610; and 243.470.
- Oregon Administrative Rules Chapter 459

Notably, the governing authority for the PERS system is vested in a five-member board appointed by the Governor and confirmed by the Senate under ORS 238.630. The PERS Board is charged with employing a director and creating such other positions as it deems necessary for sound and economical administration of the system.

BUDGET NARRATIVE

Funding streams

ORS 238.610 directs that the administrative operations expenses for PERS are 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. PERS' annual operations expenses, when measured as a percent of the \$70 billion PERS Fund, represent less than 7 basis points (0.07%). Any earnings not used to support agency operations must be otherwise expended solely for the exclusive benefit of PERS members.

Significant proposed program changes from 2021-23

Requested Limited Other Funds reflect an increase of \$4,006,263 above the 2021-23 operating budget of \$30,200,665 and will continue to enable the agency to maintain current service delivery levels while enhancing performance measurement in the areas of process improvement and technology.

BUDGET NARRATIVE

	Amount	FTE
Total 2021-23 LAB	30,200,665	77.88
Base Budget Limited	Amount	FTE
Essential Packages Limited	31,272,734	78.00
Pkg. 010 Non PICS Personal Services Vacancy Factor	19,109	-
Pkg. 021 Phase In		
Pkg. 022 Phase Out Program and One Time Costs	(825,000)	
Pkg. 031 Standard Inflation	356,242	
Pkg. 032 Above Standard Inflation	-	
Subtotal essential packages	(449,649)	
Subtotal current service level	30,823,085	78.00
LAB Budget Policy Packages		
Pkg. 102 SB1049 Permanente Workload	1,338,591	6.00
Pkg. 105 IT Hardware and Subscriptions	1,964,000	
Pkg. 107 Maintain Service Level	90,585	4.40
End of Session Adjustment SB5506	(9,333)	
Subtotal policy packages	3,383,843	10.40
2023-25 Total Leg. Adopted Budget	\$34,206,928	88.40

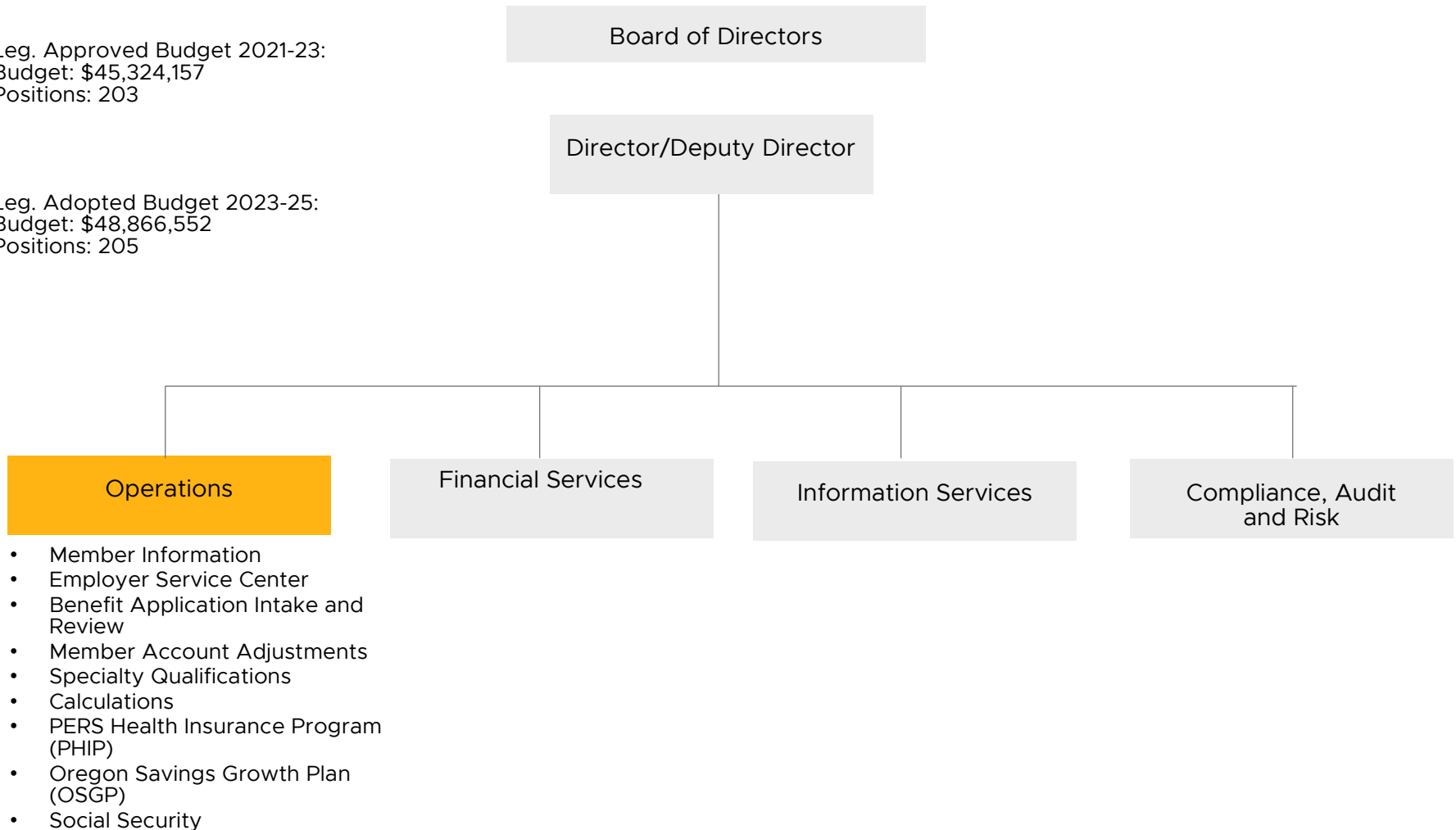
BUDGET NARRATIVE

Operations Division

Program contact: Sam Paris, 503-603-7654

Leg. Approved Budget 2021-23:
Budget: \$45,324,157
Positions: 203

Leg. Adopted Budget 2023-25:
Budget: \$48,866,552
Positions: 205



BUDGET NARRATIVE

Admin	Social Security	OSGP	PHIP	Member Services	Data Services	Benefit Preparation	Calculations
3/3.00 FTE	1/1.00 FTE	7/7.00 FTE	4/4.00 FTE	35/35.00 FTE	68/67.88 FTE	45/45.00 FTE	42/42.00 FTE
Executive leadership Program management Policy and procedure	Coordinate Section 218 program of the Social Security program for all public employers of the state	Administer the State 457 Plan Administer the Voya recordkeeping contract	Financial reconciliation/di sbursements Reporting and data analysis Member eligibility and education Contract management	Call center Correspondence Service desk Education presentations RAAS	Employer reporting Employer point of service Employer maintenance Account adjustments Data verifications Resolve data migration errors	Forms processing Data review Disability eligibility Divorce decree review Beneficiary determination	Estimates Purchases Benefit inceptions Adjustments IAP disbursements

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Executive summary — Operations Division

Program Overview

The Oregon Public Employees Retirement System Operations Division exists to fulfill the mission of the agency, which is to “serve the people of Oregon by administering public employee benefit trusts to pay the right person the right benefit at the right time.” The division is responsible for ensuring that PERS members’ accounts are managed properly, and benefits are calculated accurately and timely.

The Operations Division provides comprehensive retirement plan information and assistance to PERS members and employers for the Tier One, Tier Two, OPSRP, and IAP programs. The primary sections of the division include:

Member Services

Responsibilities include being the primary point of service for PERS members through the call center, correspondence, or email. This section also provides member education through various methods such as group presentations and Retirement Application Assistance Sessions.

Data Services

Responsibilities include being the primary point of contact for PERS employers with a focus on ensuring employer data and contributions are submitted timely and accurately, employer education and reporting assistance, and compliance. This section also manages member data account reviews and adjustments and provides data verifications to members.

Benefit Preparation

Responsibilities include intake and processing of all pre- and post-retirement forms and benefit applications, determining benefit eligibility, approving and denying disability applications, reviewing court orders for compliance, and determining beneficiaries for death benefits.

Calculations

Responsibilities include initiating benefit estimates and processing purchases and calculating, maintaining, adjusting, and terminating all service retirement, disability, divorce, and death benefits for the Tier One, Tier Two, OPSRP, and IAP programs.

Oregon Savings Growth Plan (OSGP)

A voluntary 457 deferred compensation plan available to all state employees of local governments that adopt the plan. OSGP provides comprehensive retirement savings and investment information, education, and counseling to all current and potential participants. Customer service is provided by telephone, correspondence, and group and individual sessions throughout the state. OSGP is responsible for developing, revising, maintaining, publishing, and disseminating information to all eligible participants through multi-channels such as the OSGP website, OSGP participant website, 24-hour automated information line, video conferencing, and the quarterly OSGP Plan Update. The program interacts with external stakeholders (i.e., Oregon State Treasury, consultants, members, and advisory committees) and others for the purpose of sharing information and discussing investment options.

PERS Health Insurance Program (PHIP)

Responsible for the administration of program health plan benefits for Medicare, non-Medicare, and dental coverage to our PERS-eligible retirees. The responsibilities include all member services, contract services, and financial services necessary to provide health insurance to our members. This team is responsible for all development and management of program policies, rules, and service standards relating to eligibility, enrollment, and system administration of member coverage, including Medicare, non-Medicare, and dental coverage. The program develops, implements, and provides oversight to all health plan contracts for PHIP and provides all financial reconciliation and the processing and disbursement of program funds. The team assures adherence to program rules by evaluating the quality of services and directing actions necessary to ensure compliance with established policies, objectives, program priorities, and applicable laws, rules, and regulations. PHIP provides services to members, including group presentations and member communications that address benefit questions, concerns, and providing other member services as needed.

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State Social Security Program

With the enactment of Section 218 to the federal Social Security Act in 1950, states could first exercise the option of providing Social Security coverage for state and local employees. States choosing to participate in Social Security coverage were mandated by federal statute to establish and maintain a program to ensure compliance with federal standards and reporting. The Oregon Legislature determined that the program would be administered by PERS and would be funded by fees paid by employers rather than the PERS trust fund. This program is overseen by one FTE, the state Social Security coordinator, for all political subdivisions. This includes 1,101 entities (901 PERS-participating employers and 200 non-PERS-participating employers) and represents over 313,000 employees. The coordinator serves as a liaison between federal, state, and local government employers to address coverage, taxation, and benefit issues, as well as performing education and outreach.

Program funding request

POP 102 – SB1049 Permanent Workload

PERS is requesting limited-duration funding for nine full-time positions due to increased and sustained workloads and IT system support that resulted from SB 1049 changes to the PERS system.

POP 106 – PHIP Administration

PERS requests \$867,960 in the Operations Division due to increased cost with the contracted health care consultant. The consultant provides critical perspective and recommendations to shape the benefit structure for the members' POP 108 – Retirement Workload.

POP 108 – Retirement Workload

PERS requests \$161,205 Other Funds Limitation in the Operations Division to secure one additional permanent Retirement Counselor 2 position to the Member Information Center in order to handle the increase in member calls, escalations, and complex member case management.

POP 109 – Qualifying/Non-Qualifying

PERS requests \$523,653 Other Funds Limitation in the Operations Division to secure three additional limited-duration (LD) positions within the Data Services Section. As associated with this request, PERS is looking for additional staff, professional services, and relevant supplies/equipment needs to allow the Data Services Section to introduce a standalone team whose purpose would be to address the continuously growing data issues and impacts associated with qualifying/non-qualifying employment.

POP 110 – Position Reclassification

PERS requests \$58,774 Other Funds Limitation in the Operations Division to reclassify three Retirement Counselor 1 positions to three Retirement Counselor 2 positions and one Retirement Counselor 2 position to one Operations Policy Analyst 1 position within the Calculations Section and Benefit Preparation Section. The reclassification needs are due to the complexity with the member account calculations, eligibility, and adjustments.

Program justification and link to long-term outcomes

In addition to the direct tie to the agency mission, the Operations Division oversees two major focus areas of the PERS 2018-2023 strategic plan: Member services and communications and data reliability.

The business needs outlined in the member communications and self-service platform business case are directly aligned with key drivers of the PERS mission, strategic plan, key goals, and outcome measures. The following diagram depicts the alignment:

In support of PERS' five-year strategic plan, extensive research also has been conducted within PERS over the course of two years as part of a "breakthrough" project entitled Data Reliability. Among other efforts, the breakthrough has determined that OMS does not empower members with the knowledge, transparency, and education needed to review, understand, and – most importantly – verify their data. Furthermore, PERS' Data Reliability breakthrough has determined the following about the effect of problematic data on PERS members, employers, and staff:

BUDGET NARRATIVE

- Unreliable data results in 30% of withdrawals and 25% of service retirements requiring data correction at benefit calculation.
- Incomplete, inaccurate, and late data, and/or not reconciling every year, results in additional unbudgeted costs to employers proportional to the length of the delay. For example, prior-year earnings on \$100 in member contributions for a Tier One member (in the 2020 target date fund) reported in April of 2022 for year 2019 would cost \$37.44 versus \$3,195.26 for the same contribution amount for 1985. At the beginning of 2021, PERS had a backlog population of nearly 137,500 member accounts that were flagged for needing qualifying/nonqualifying adjustments. In that same year, through various adjustment projects and cleanup efforts, more than 26,000 total accounts were cleaned from this population. However, there still remains more than 111,500 accounts with data issues in that population, which can result in inaccurate information provided to members, increased financial impacts to employers, and an overall decrease in stakeholder trust with PERS. The unreliable nature of PERS' data erodes member and employer confidence and sense of control.

The following transaction summary by calendar year illustrates some of the growing workloads in the Operations Division:

Member and employer customer service

Year	Member Information Center telephone calls	Member Information Center emails	Employer Service Center telephone calls	
2015	156,103	21,551	28,662	163,624
2016	177,856	20,300	22,562	89,862
2017	197,783	23,664	42,574	86,717
2018	160,668	22,064	21,070	104,730
2019	174,740	23,403	20,438	106,943
2020	180,941	23,302	14,913	143,259
2021	179,601	24,189	10,190	210,514

Retirement education

Year	Group presentation attendance	Retirement Application Assistance Sessions
2015	11,984	3,145
2016	12,553	2,957
2017	12,331	3,822
2018	12,689	3,452
2019	12,552	3,751
2020	3,228	3,069
2021	12,422	3,502

BUDGET NARRATIVE

Employer reporting

Year	Number of employers reporting	Number of reports received	Number of member records received
2015	914	13,449	3,678,802
2016	908	13,580	3,714,644
2017	908	13,440	3,540,590
2018	909	13,523	3,638,044
2019	912	13,672	3,728,396
2020	913	13,514	3,525,524
2021	918	13,629	3,169,733

Member transactions (selected)

Year	Pension retirements processed (Tier One/Tier Two/OPSRP)	IAP distributions processed	Withdrawals processed	Written benefit estimates processed	Pre-/post-retirement death benefits processed	Divorce decrees reviewed	Disability applications processed
2015	7,529	7,529	4,808	11,434	3,966	1,357	243
2016	6,682	7,575	4,344	12,191	4,124	997	213
2017	8,742	8,693	3,883	11,018	1,184	1,125	227
2018	7,144	7,136	3,958	12,172	1,247	971	234
2019	7,511	7,968	3,627	9,573	1,312	899	190
2020	7,501	7,068	3,647	10,060	2,881	947	164
2021	7,455	6,992	3,298	9,783	2,554	847	155

Online resources

Year	Online Member Services (OMS) successful logins	OMS estimates created
2015	240,510	50,382
2016	279,186	52,039
2017	335,661	59,671
2018	360,124	54,248
2019	383,618	52,793
2020	361,545	46,079
2021	685,596	57,356

BUDGET NARRATIVE

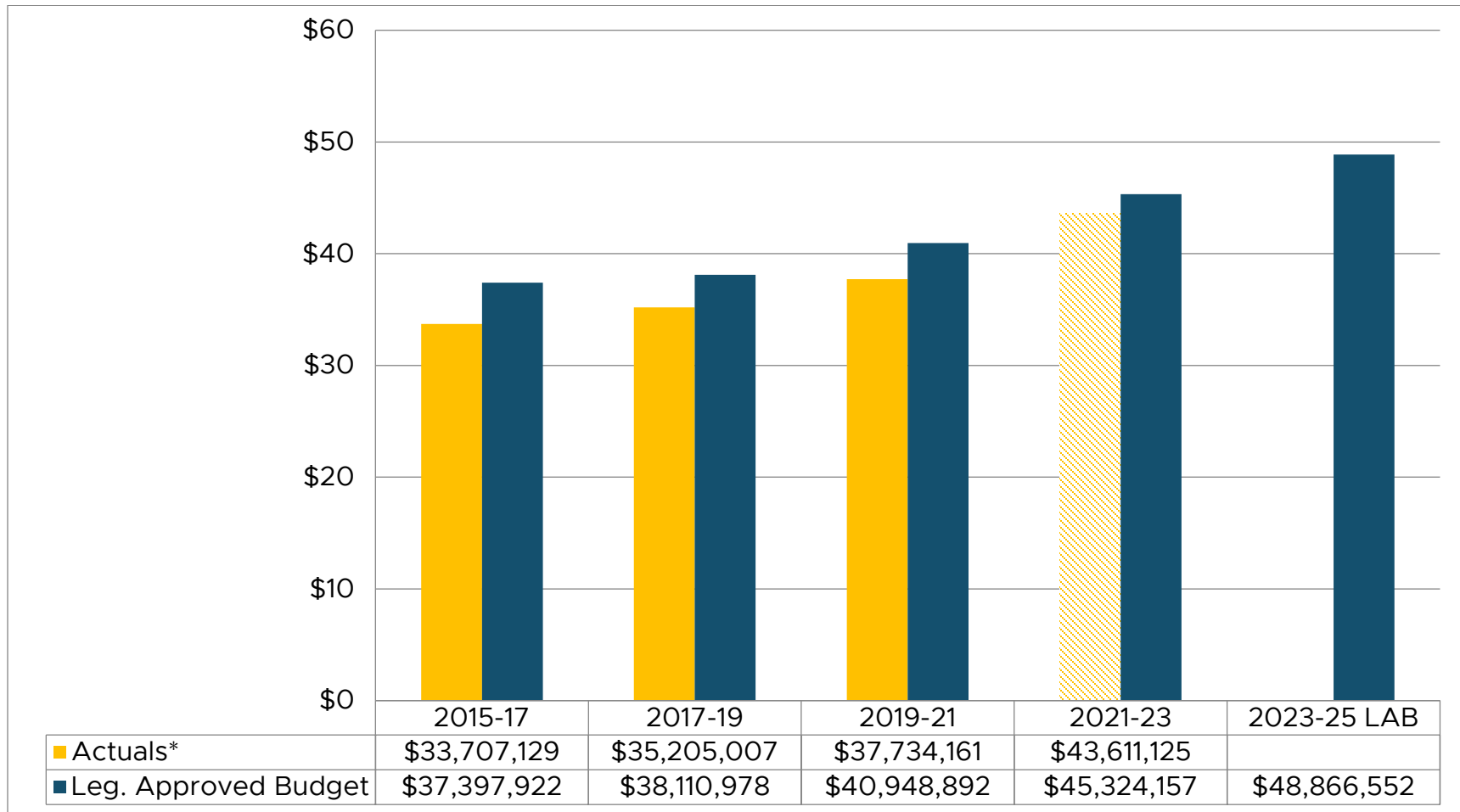
State Social Security Program

The State Social Security Program acts as a liaison between federal, state, and local governments on issues relating the Section 218 of the Social Security Act. Referendums are processes initiated by the governing body of a public entity, which then allows eligible employees to vote on whether to obtain Social Security coverage. Employer issues handled relate to the variety of inquiries sent to the State Social Security Program coordinator relating to Social Security coverage, taxation, and benefits.

Year	Number of referendums	Number of employer issues handled
2015	7	84
2016	3	84
2017	2	82
2018	1	87
2019	1	N/A
2020	0	124
2021	0	298

BUDGET NARRATIVE

Program budget performance



- 2021-23 actual is estimated.

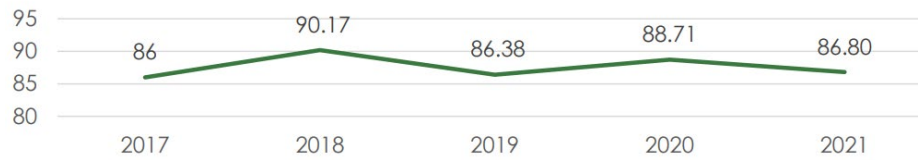
The Operations Division's performance also is measured by such metrics as how satisfied members and employers are with PERS' services and communication, timeliness of services, and accuracy of calculations. In our 2021 Member Survey, we had 6,686 members respond. Results from 2017-21 are as follows:

BUDGET NARRATIVE

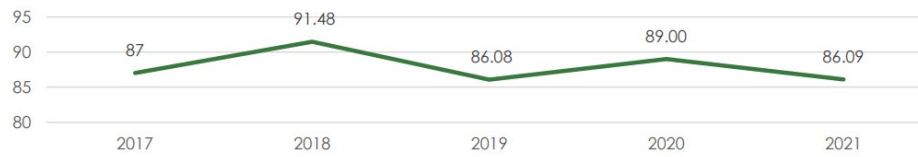
Overall quality of service



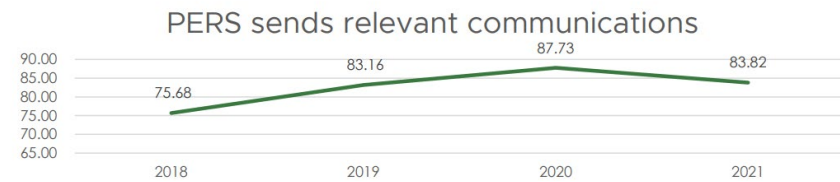
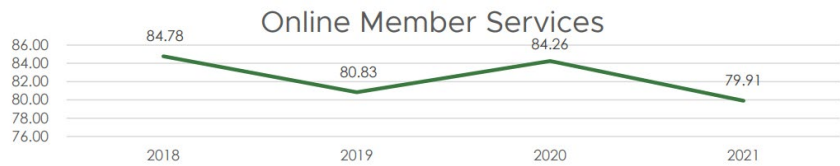
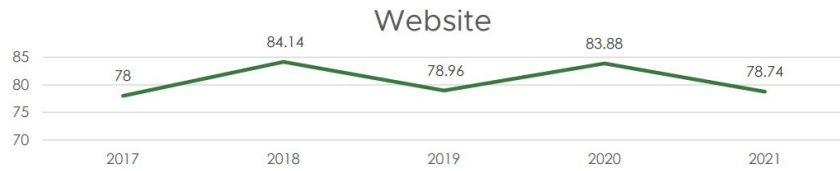
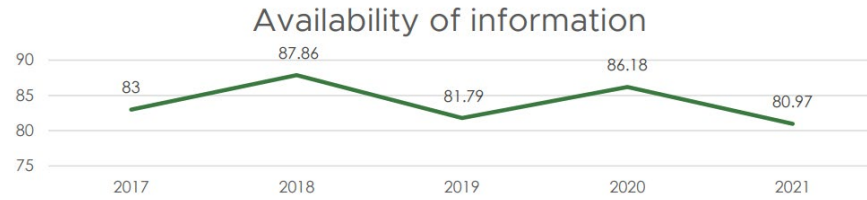
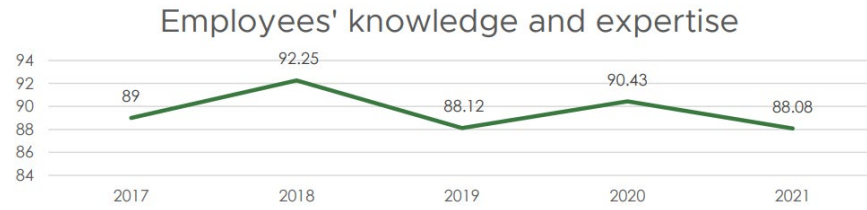
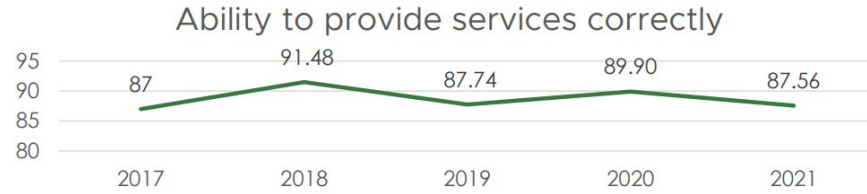
Timeliness of service



Helpfulness



BUDGET NARRATIVE



BUDGET NARRATIVE

Enabling legislation/program authorization

Enabling legislation for PERS Operations (administrative costs) are:

- Oregon Revised Statute (ORS) 237.500; 238.490, and 610; and 243.470.
- Oregon Administrative Rules Chapter 459.

Notably, the governing authority for the PERS system is vested in a five-member board appointed by the Governor and confirmed by the Senate under ORS 238.630. The PERS Board is charged with employing a director and creating such other positions as it deems necessary for sound and economical administration of the system.

Funding streams

ORS 238.610 directs that the administrative operations expenses for PERS are 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. PERS' annual operations expenses, when measured as a percent of the \$99 billion PERS Fund, represent less than 8 basis points (0.08%). Any earnings not used to support agency operations must be otherwise expended solely for the exclusive benefit of PERS members.

Significant proposed program changes from 2021-23

Requested Limited Other Funds reflect an increase of \$5,767,222 above the 2021-23 operating budget of \$43,099,330 and will continue to enable the agency to maintain current service delivery levels while enhancing performance measurement in the areas of process improvement and technology.

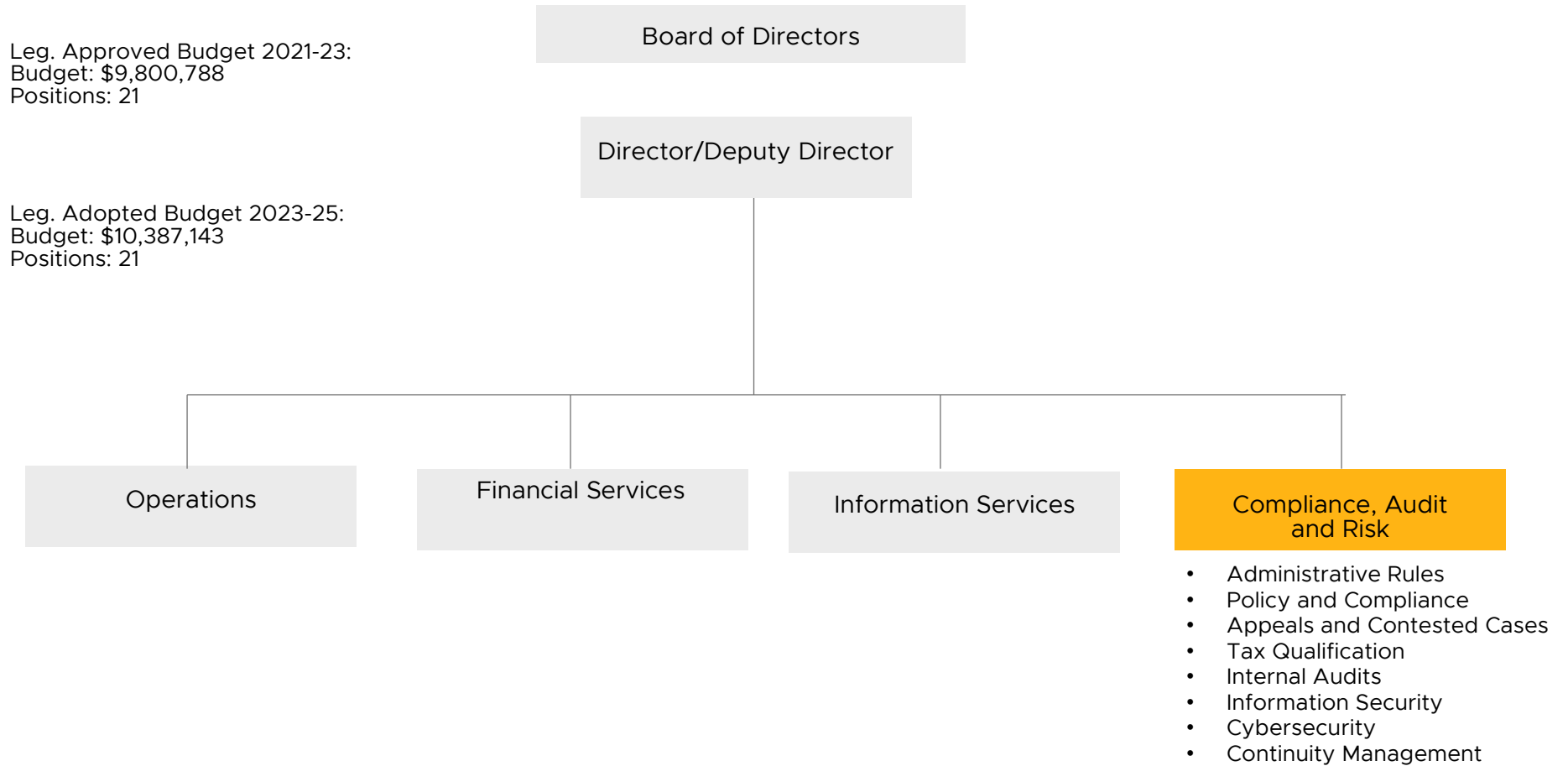
BUDGET NARRATIVE

2021-23 Legislatively Approved Budget	Amount	FTE
Operating Budget, limited only	45,324,157	202.16
	Amount	FTE
Base budget limited	47,139,224	200
Essential packages limited		-
Pkg. 010 Non-PICS Personal Services Vacancy Factor	(411,244)	
Pkg. 021 Phase In	-	
Pkg. 022 Phase Out Program and One Time Costs	(35,942)	
Pkg. 031 Standard Inflation	407,292	
Pkg. 032 Above Standard Inflation	-	
Subtotal essential packages	(39,894)	
Subtotal current service level	47,099,330	200.00
Leg. Approved Budget policy packages		
Pkg. 102 SB1049 Permanente Workload	166,613	1.00
Pkg. 106 PHIP Administration	867,960	
Pkg. 108 Retirement Workload	161,205	0.88
Pkg. 109 Qualifying/Nonqualifying Project	523,653	3.00
Pkg. 110 Position Reclassification	58,744	
End of Session Adjustment SB5506	(10,953)	
Subtotal policy packages	1,767,222	4.88
2023-25 Total Leg. Adopted Budget	\$48,866,552	204.88

BUDGET NARRATIVE

Compliance, Audit, and Risk Division

Program contact: Jason Stanley, 503-603-7504



BUDGET NARRATIVE

CARD sections

IAS	PACS	Security and Risk
4/4.00 FTE	13/13.00 FTE	4/4.00 FTE
Conduct an annual agency-wide risk assessment Create an annual audit plan Provide consultation services to management Report audit results, including recommendations for improvement, to management and the Audit Committee Act as a liaison with external auditors Represent PERS on statewide audit issues and committees Follow Up on outstanding audit recommendations	Provide research, policy, and planning support to other divisions Administer the agency's appeals, contested cases, and tort claims Administer the development and adoption of OARs Develop, draft, and coordinate adoption of business rules reflecting changes in legal, legislative, and policy positions Monitor and support agency legal representation Support legislative process	Implement and manage an information security program Coordinate with the Enterprise Security Office on statewide security issues Implement and manage the PERS continuity management program Advise management on risk prioritization strategies Deliver information security, continuity, and risk education and training to staff and management

Executive summary – Compliance, Audit and Risk Division

The Compliance, Audit and Risk Division (CARD) of PERS assists the agency in meeting its mission by providing a variety of risk management and compliance activities for all agency programs: Tier One/Two, OPSRP, Oregon Savings Growth Plan (OSGP), and PERS Health Insurance Program (PHIP). The division oversees and coordinates legal activities, assists management in the identification and management of risks, provides independent audit and consulting services to ensure compliance with rules and identify operational inefficiencies, and oversees the agency's programs for information security and continuity management. The division would like to add a risk management program during the 2023-25 biennium if resources are approved. CARD is comprised of three sections:

- Internal Audit Section
- Policy Analysis and Compliance Section
- Security and Risk Section

Internal Audit Section (IAS)

PERS meets the criteria in Oregon Revised Statute 184.360 and Oregon Administrative Rule 125-700 that requires the establishment, maintenance, and support of an internal audit function. IAS provides independent, objective assurance and consulting services designed to add value and improve PERS' operations. IAS provides these services to all other divisions at PERS as well as other sections within CARD. IAS is able to maintain its independence by functionally reporting to the Audit Committee of the PERS Board.

Policy Analysis and Compliance Section (PACS)

The Policy Analysis and Compliance Section (PACS) facilitates the administrative law function for and provides policy guidance to the agency, forming policies based on court rulings, legislative actions, and internal policy decisions. On the compliance side, PACS

BUDGET NARRATIVE

oversees disputes in the form of appeals and contested cases. On the policy analysis side, PACS ensures policies, business rules, and administrative rules are consistent with statute and federal requirements. This is vital to ensure the plan maintains its tax-qualified status, which if lost would cause significant tax consequences to the trust and its members. PACS also manages litigation and serves as a liaison with the Department of Justice.

Security and Risk Section (SRS)

The Security and Risk Section (SRS) provides guidance to the agency's leadership and staff on the best practices and controls to help identify, control, mitigate, and monitor agency risk. The section has established programs for information security and continuity management, both of which meet industry standards. These programs continue to evolve and mature in coordination with Enterprise Information Services and the Governor's State Resilience Office. PERS is asking for additional staff and other resources in a policy option package to establish an enterprise risk management (ERM) program.

Program funding request

PERS strives to ensure risk is considered in its decision-making process, and establishing an agency ERM program will guide and mature its efforts. The agency has relied to date on management judgement and an intuitive application of risk principles. One of PERS' operating principles is to be judicious and use sound judgement and prudent, principled decision-making in upholding our fiduciary responsibility; however, the agency does not have a formal methodology in place to establish this principled decision-making process.

PERS ERM program will encompass not only appropriate methodologies and practices but will embed a risk aware mindset in the agency's culture. However, this can only be obtained by putting in place staff to build out and maintain an ERM program, which establishes a governance framework that enables the agency to make strategic, tactical, and operational business decisions based on quantitative risk analysis. For example, we can:

- Enable strategy through risk-informed decision making.
- Allocate resources to address risk exposures.
- Identify potential risks on the horizon and develop insights and response strategies to them; and
- Challenge decisions to ensure alignment with the agency's risk appetite.

We will consider a number of ERM frameworks. Our goal will be to hire a consultant to help the agency develop and implement its ERM so whichever framework best aligns with the agency's mission will be selected.

Program justification and link to long-term outcomes

Internal Audit Section

IAS issues reports on audit subjects that span the entire agency. These reports include recommendations for management to improve operations and are monitored until they are implemented. The table below shows the number of reports and recommendations issued for the past five years.

Year	Number of reports issued	Number of recommendations
2022	6	8
2021	8	14
2020	8	65
2019	4	11
2018	7	32

BUDGET NARRATIVE

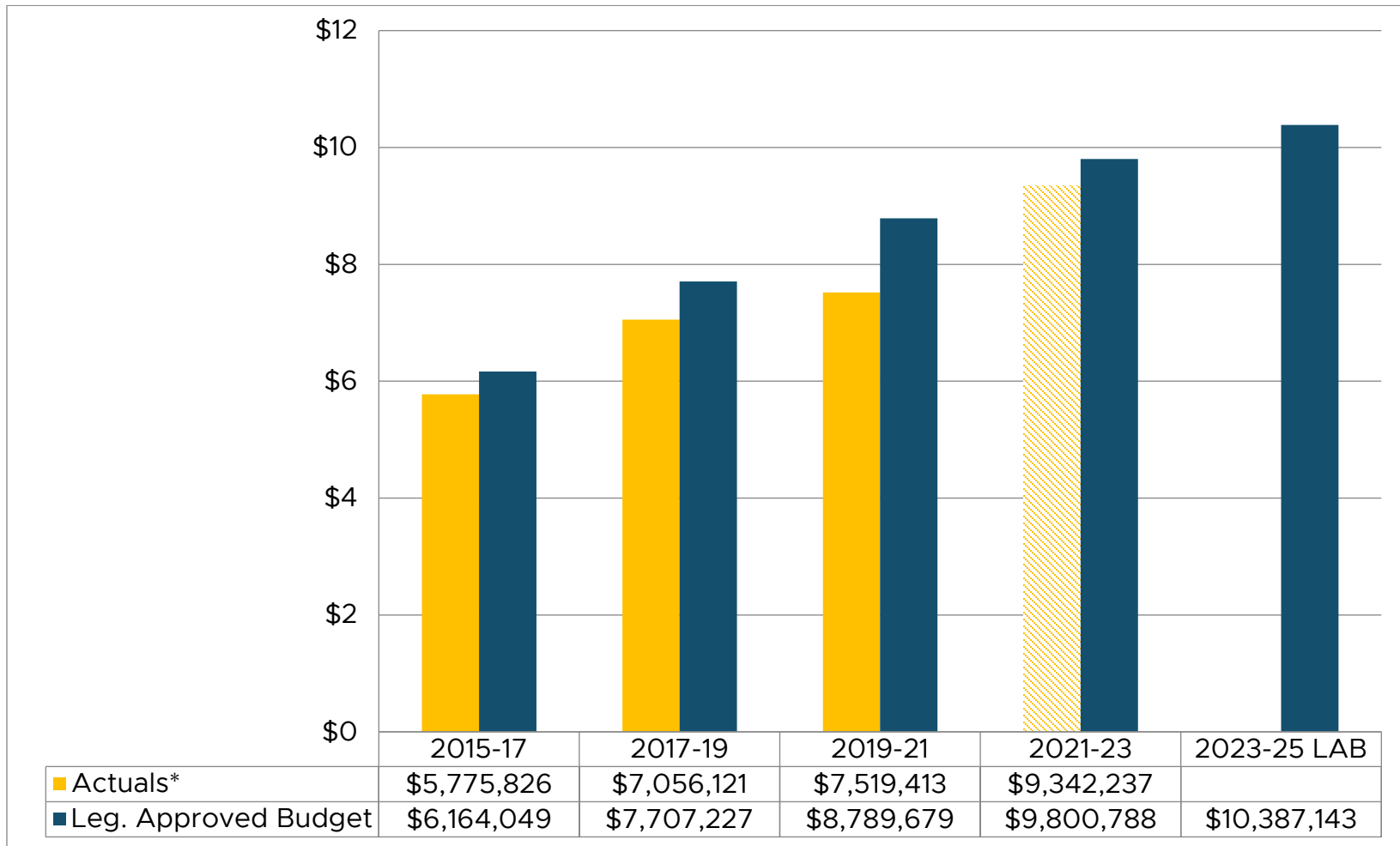
Policy Analysis and Compliance Section

PACS administers the agency's appeals and contested cases. The following table shows the volume of appeals and contested cases filed.

Year	Number of appeals	Number of contested cases
2022 (January-June)	224	8
2021	201	28
2020	253	60
2019	177	41
2018	157	32

BUDGET NARRATIVE

Program budget performance



- 2021-23 actual is estimated.

Enabling legislation/program authorization

Enabling legislation for PERS operations (administrative costs) are:

- Oregon Revised Statute (ORS) 237.500; 238.490, and 610; and 243.470.
- Oregon Administrative Rules Chapter 459.

BUDGET NARRATIVE

Notably, the governing authority for the PERS system is vested in a five-member board appointed by the Governor and confirmed by the Senate under ORS 238.630. The PERS Board is charged with employing a director and creating such other positions as it deems necessary for sound and economical administration of the system.

Funding streams

ORS 238.610 directs that the administrative operations expenses for PERS are 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. PERS' annual operations expenses, when measured as a percent of the \$99 billion PERS Fund, represent less than 8 basis points (0.08%). Any earnings not used to support agency operations must be otherwise expended solely for the exclusive benefit of PERS members.

Significant proposed program changes from 2021-23

Requested Limited Other Funds reflect an increase of \$586,355 above the 2021-23 operating budget of \$9,800,788 and will continue to enable the agency to maintain current service delivery levels while enhancing performance measurement in the areas of process improvement and technology.

BUDGET NARRATIVE

2021-23 Legislatively Approved Budget	Amount	FTE
Operating budget, limited only	9,800,788	21.00
	Amount	FTE
Base budget limited	10,115,150	21.00
Essential packages limited		-
Pkg. 010 Non PICS Personal Services Vacancy Factor	12,804	
Pkg. 021 Phase In	-	
Pkg. 022 Phase Out Program and One Time Costs		
Pkg. 031 Standard Inflation	342,436	
Pkg. 032 Above Standard Inflation	-	
Subtotal essential packages	355,240	
Subtotal current service level	10,470,390	21.00
Le. Approved Budget Policy Packages		
End of Session Adjustment SB5506	(83,247)	
Subtotal policy packages	(83,247)	-
2023-25 Total Leg. Adopted Budget	\$10,387,143	21.00

Facilities maintenance and management

Facilities maintenance discussion

PERS' headquarters building was built in 1996, and the Department of Administration Services Facilities Services has provided annual maintenance to building systems. There is no deferred maintenance due to the age of the building; however, Policy Package 112 will ensure funding for any required maintenance or equipment past its recommended useful life. There are sufficient dollars in the facilities maintenance account in PERS essential budget to cover the routine annual maintenance and occasional repairs to the building systems.

BUDGET NARRATIVE

Facilities maintenance summary report

**Facility plan – Facility summary
Report 107BF16a
2021-23 biennium**

Agency name

PERS

Table A: Owned assets over \$1M CRV		FY 2022 DATA			
Total number of facilities over \$1M		1			
Current replacement value \$ (CRV)	1	\$19,897,254	Source	4	Risk or FCA
Total gross square feet (GSF)		60,220			
Office/administrative usable square feet (USF)	2	52,391	<i>Estimate/actual</i>	5	% USF/GSF
Occupants position count (PC)	3	Est. 280	Office/admin	6	
			USF/PC	7	
			or Agency		
			measure		

Table B: Owned facilities under \$1M CRV		
Number of facilities under \$1M		0
CRV	1	\$0
GSF		0

BUDGET NARRATIVE

Table C: Leased facilities

Total rentable SF	8	30,449				
Total 2021-2023 biennial lease cost		\$463,693				
Additional 2017-2019 costs for lease Properties (O&M)	9	0				
Office/administrative usable square Feet (USF)	2	25,375	<i>Estimate/actual</i> Office/admin USF/PC	5	90%	% USF/GSF
Occupants position count (PC)	3	Est. 159		6	279	

Facilities, operations, and maintenance report

Agency name

Public Employees Retirement System

Facilities, operations, and maintenance (O&M) budget excluding capital improvements and deferred maintenance

Personal services (PS), operations, and maintenance
 Services and supplies (S&S), operations, and maintenance
 Utilities not included in PS and S&S above

	1	2019-21 actual	2021-23 LAB	2021-23 budgeted	2023-25 projected
		203,494	\$225,167	TBD	TBD
		\$1,289,038	\$2,304,233	TBD	TBD
		\$298,138	\$314,719		
		\$1,790,670	\$2,844,119	TBD	TBD
		\$29.74	\$47.23		

Total O&M
O&M \$/SF

Total O&M SF

60,220

Include only the SF for which your agency provides O&M funding.

O&M estimated fund split percentage %

	2	General Fund	Lottery Fund	Other Funds	Federal Funds
				100%	

BUDGET NARRATIVE

Deferred maintenance funding In current budget model

2021-23 biennium

Ongoing budgeted (non-POP)

Ongoing budgeted (non-POP)

Total short- and long-term deferred maintenance plan for facilities value over \$1M

	2021-23 biennium		Ongoing budgeted (non-POP)	Ongoing budgeted (non-POP)
	Current costs (2021)	Ten-year projection	2021-23 budgeted SB 1067 (2% CRV min.)	2023-25 projected SB 1067 (2% CRV min.)
3				
4,5,6	\$1,501,741	\$1,565,824	\$702,988	\$669,703
7	\$0	\$0	\$0	\$0
8	\$0	TBD	TBD	TBD
9	4.271%	4.453%	2.272%	2.549%

Priorities 1-3 – Currently, potentially and not yet critical

Priority 4 – Seismic and natural hazard

Priority 5 – Modernization

Total priority need Facility condition index (Priority 1-3 needs/CRV)

Assets over \$1M CRV

\$35,159,411

Current replacement value reported to risk or calculated replacement value

Reported from facility conditions assessment (FCA)

BUDGET NARRATIVE

Special reports

Information Technology Reports

<i>EITGC Project Prioritization 2023–25</i>			Project Example	SB 1049 Implementation Program	Orion CRM	Orion D&A
TOTAL PROJECT SCORE (0-100)			100	68	82	76
CRITERIA	WEIGHT	SCORING GUIDE				
Technology and Strategic Alignment	35%	WEIGHTED SUBTOTAL	35	17	29	29
Alignment to Strategic Plans <ul style="list-style-type: none"> Does this investment adhere to the Governor's Strategic Plan (Action Plan: User Friendly, Reliable and Secure: Modernizing State Information Technology Systems and Oversight) Does this investment align with and support the vision, goals, and guiding principles outlined in the EIS Strategic Framework, Cloud Forward: A Framework for Embracing the Cloud in Oregon, Oregon's Data Strategy: Unlocking Oregon's Potential, and the Modernization Playbook? Does this investment align with and support the State of Oregon, Diversity, Equity, and Inclusion (DEI) Action Plan: A Roadmap to Racial Equity and Belonging, the sponsor's agency-specific Racial Equity Plan, and ethical use of data—investing in data justice and representation, visibility, and ethics to serve all Oregonians? Does this investment optimize service delivery to the public and/or internally by modernizing agency-specific and cross-agency systems? Does this investment align with and support the agency's IT and business strategic plans, including strategies for modernizing legacy systems? Does this investment fulfill a legislative mandate, enable compliance with current State or Federal law, or address specific audit findings? 			3	1	2	2
Technology Best Practices and Priorities <ul style="list-style-type: none"> Does this investment align with and support the following enterprise information technology priorities? <ul style="list-style-type: none"> - Information Security. Improving the security and resilience of the state's systems - Modernization. Optimizing service delivery through resilient, adaptive, secure, and customer-centered digital transformation - A Better Oregon Through Better Data. Leveraging data as a strategic asset—improving data analysis, data quality, information-sharing, decision-making, and ethical use. - Cloud Forward. Enabling Oregon to conduct 75% of its business via cloud-based services and infrastructure Does this investment align with IT best practices (e.g., cloud-first, modular implementation, agile practices, configuration over customization, open systems, transparency and privacy by design). 			3	2	3	3

BUDGET NARRATIVE

Business and People-Centered Approach	25%	WEIGHTED SUBTOTAL	25	14	19	14
<p>People-Centered Approach</p> <ul style="list-style-type: none"> Does this investment put people first—the people who rely on essential services and those working to provide those services? Does this investment help to eradicate racial and other forms of disparities in state government? Does this investment improve equitable access to services, programs, and resources, or make the agency's overall service portfolio more accessible or usable for diverse populations? Does the agency intend to strengthen public involvement through transformational community engagement, access to information, and decision-making opportunities? Does this investment reduce or eliminate administrative burdens* that have created barriers to access or reinforced existing inequalities for historically underserved and underrepresented 		<p>3 - Fully Aligned (all applicable criteria addressed)</p> <p>2 - Mostly Aligned (most applicable criteria addressed)</p> <p>1 - Partially Aligned (some applicable criteria addressed)</p> <p>0 - Not Aligned (no or very few applicable criteria addressed)</p>	3	1	2	1
<p>Business Process Transformation</p> <ul style="list-style-type: none"> Does this investment contribute to business process improvement/transformation? Does this investment improve service delivery to customers, partners, or other stakeholders? Has the agency done public engagement, outreach, or an internal evaluation to identify which populations are most highly impacted (positively and negatively) by these business process changes (e.g., considering populations without home internet in creating a digital application process)? Have measurable business outcomes and benefits been established, including the return on investment if applicable? 		<p>3 - Fully Aligned (all applicable criteria addressed)</p> <p>2 - Mostly Aligned (most applicable criteria addressed)</p> <p>1 - Partially Aligned (some applicable criteria addressed)</p> <p>0 - Not Aligned (no or very few applicable criteria addressed)</p>	3	2	3	2
<p>Investment Risk</p> <ul style="list-style-type: none"> Would inaction impact systems or solutions that support critical business functions? Would inaction increase risk to continuity of services to customers, particularly vulnerable or underserved populations? Are there community impacts of not undertaking this project? Has the agency identified an inequity or imbalance in service provision that this initiative would resolve? Is there increased risk if investment is not addressed during this budget cycle (e.g., security, safety, legal, funding source, or any other related risk)? Does the investment address non-compliance of federal or state requirement, audit finding, or mandate? Does this investment address an identified and documented highly probable agency risk? 		<p>3 - Fully Aligned (all applicable criteria addressed)</p> <p>2 - Mostly Aligned (most applicable criteria addressed)</p> <p>1 - Partially Aligned (some applicable criteria addressed)</p> <p>0 - Not Aligned (no or very few applicable criteria addressed)</p>	3	2	2	2

BUDGET NARRATIVE

Agency Readiness and Solution Appropriateness	40%	WEIGHTED SUBTOTAL	40	37	33	33
<p>Organizational Change Management (OCM)</p> <ul style="list-style-type: none"> Does the investment significantly impact operations throughout the organization? Does the agency have, or intend to acquire, OCM resources with the skillsets and experience for the size and complexity of the project? Does the agency plan to address and mitigate impact or adoption risks through a change management plan or intend to follow a formal OCM methodology? Has the agency identified community engagement or community involvement as a component of the change management process? Is external outreach or training planned to implement this change with constituents? 		<p>3 - Fully Aligned (all applicable criteria addressed)</p> <p>2 - Mostly Aligned (most applicable criteria addressed)</p> <p>1 - Partially Aligned (some applicable criteria addressed)</p> <p>0 - Not Aligned (no or very few applicable criteria addressed)</p>	3	3	3	3
<p>Solution Scale and Approach</p> <ul style="list-style-type: none"> Has the agency engaged customers, partners, and communities to understand and structure the business problem, benefits, and outcomes? Does the investment fully address the agency's business problem, benefits and outcomes? Is the solution of the appropriate size and scale? Does this investment adhere to principles in <i>EIS Cloud Forward</i> (p.4) or <i>Modernization Playbook</i> (p.6), etc.? Will the agency continue to engage customers and communities to inform design, approach, and usability of the solution? 		<p>3 - Fully Aligned (all applicable criteria addressed)</p> <p>2 - Mostly Aligned (most applicable criteria addressed)</p> <p>1 - Partially Aligned (some applicable criteria addressed)</p> <p>0 - Not Aligned (no or very few applicable criteria addressed)</p>	3	2	2	2
<p>Capacity</p> <ul style="list-style-type: none"> Has the agency considered skillsets and capacity requirements needed to effectively resource this initiative? Does the agency have resources with the necessary skillsets and knowledge, or can the agency acquire the resources? Will this investment impact the agency's ability to deliver on its core business functions? Has the agency considered capacity for various non-technical resources, including organizational change management, project management, business analysis, testing, communication and community engagement activities? Does the agency or project environment foster an inclusive workplace culture and promote 		<p>3 - Fully Aligned (all applicable criteria addressed)</p> <p>2 - Mostly Aligned (most applicable criteria addressed)</p> <p>1 - Partially Aligned (some applicable criteria addressed)</p> <p>0 - Not Aligned (no or very few applicable criteria addressed)</p>	3	3	2	2
<p>Governance and Project Management Processes</p> <ul style="list-style-type: none"> Does the agency have formal IT governance in place that will oversee this investment? Does the investment have executive sponsorship and steering committee in place? Does the agency employ adequate project governance structure and practices to oversee vendor/contract management, change control, quality control and quality assurance, and data management and usage? For projects that impact data or data systems, is there a data governance body or other body responsible for data management that is engaged in the process? Is there an agency data lead who is engaged as part of the project? Are agency DEI staff involved in the IT Governance and prioritization process? Does the agency intend to involve customer or partner representation on project forums (i.e. steering committees, advisory boards, etc.)? Has the agency established processes for community outreach, feedback, engagement, or advice in accordance with the Racial Equity Framework and DEI Action Plan? Does the agency have, or intend to acquire, project management resources with the skillsets and experience for the size and complexity of the project? Does the agency use mature project management practices (PMBOK)? 		<p>3 - Fully Aligned (all applicable criteria addressed)</p> <p>2 - Mostly Aligned (most applicable criteria addressed)</p> <p>1 - Partially Aligned (some applicable criteria addressed)</p> <p>0 - Not Aligned (no or very few applicable criteria addressed)</p>	3	3	3	3

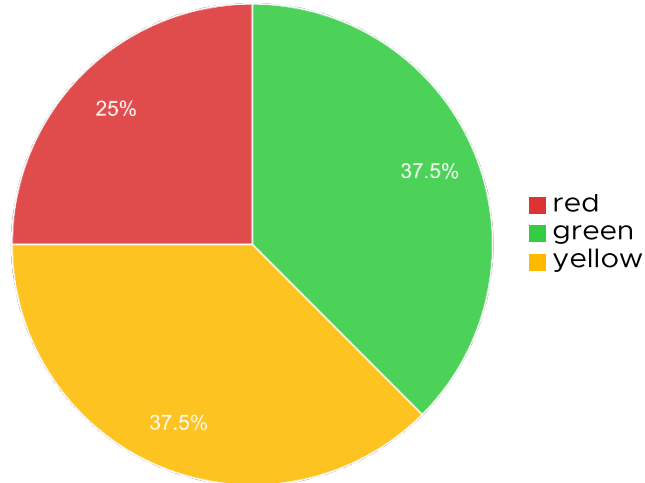
BUDGET NARRATIVE

Annual performance progress report (APPR)

Public Employees Retirement System

Annual Performance Progress Report (APPR)
for Fiscal Year 2022

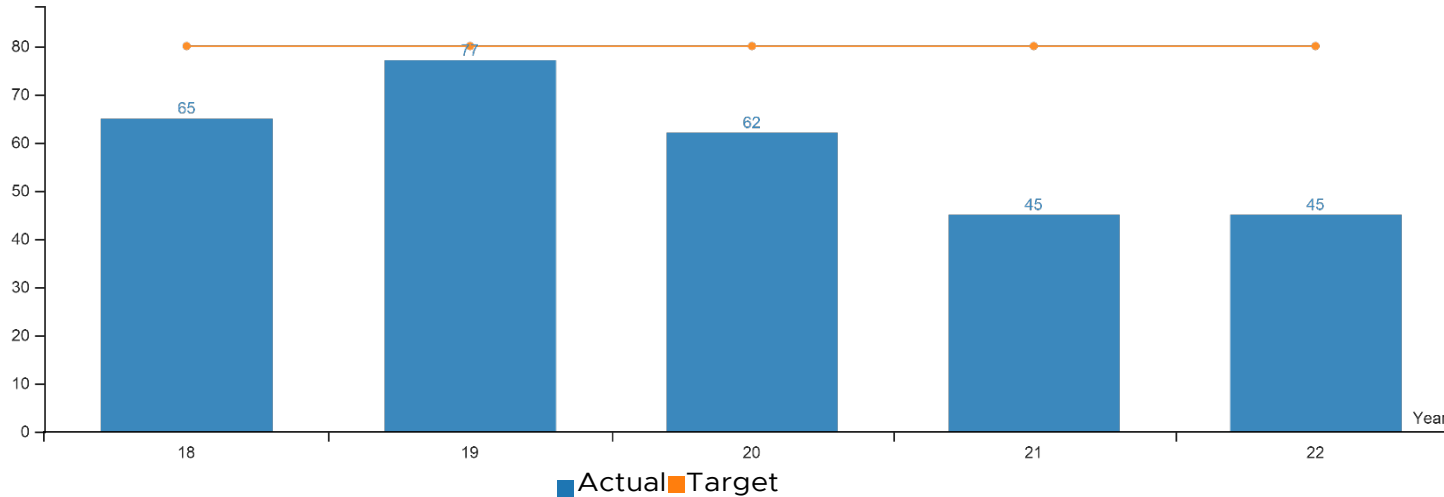
KPM #	Approved key performance measures (KPMs)
1	Timely retirement payments — Percent of initial service retirements paid within 45 days from retirement date.
2	Total benefit admin costs — total benefit administration costs per member.
3	Member to staff ratio — Ratio of members to FTE staff.
4	Accurate benefit calculations — Percent of service retirement monthly benefits accurately calculated to within \$5 per month.
5	Level of participation — Percent of state employees participating in the deferred compensation program.
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.
7	Timely benefit estimates — Percent of benefit estimates processed within 30 days.
8	Board of directors best practices — Percent of total best practices criteria met by the PERS board.



Performance summary	Green	Yellow	Red
Summary stats:	= Target to -5% 37.50%	= Target - 5% to -15% 37.50%	= Target > -15% 25%

BUDGET NARRATIVE

KPM #1	Timely retirement payments — Percent of initial service retirements paid within 45 days from retirement date.
Data collection period: July 1-June 30	



Report year	2018	2019	2020	2021	2022
Percent of service retirements paid within 45 days from retirement date					
Actual	65%	77%	62%	45%	45%
Target	80%	80%	80%	80%	80%

How are we doing?

During FY 2022, PERS issued 45% of its pension benefit inceptions within 45 days of the member’s effective retirement date, which was consistent with the 45% performance rate in FY 2021.

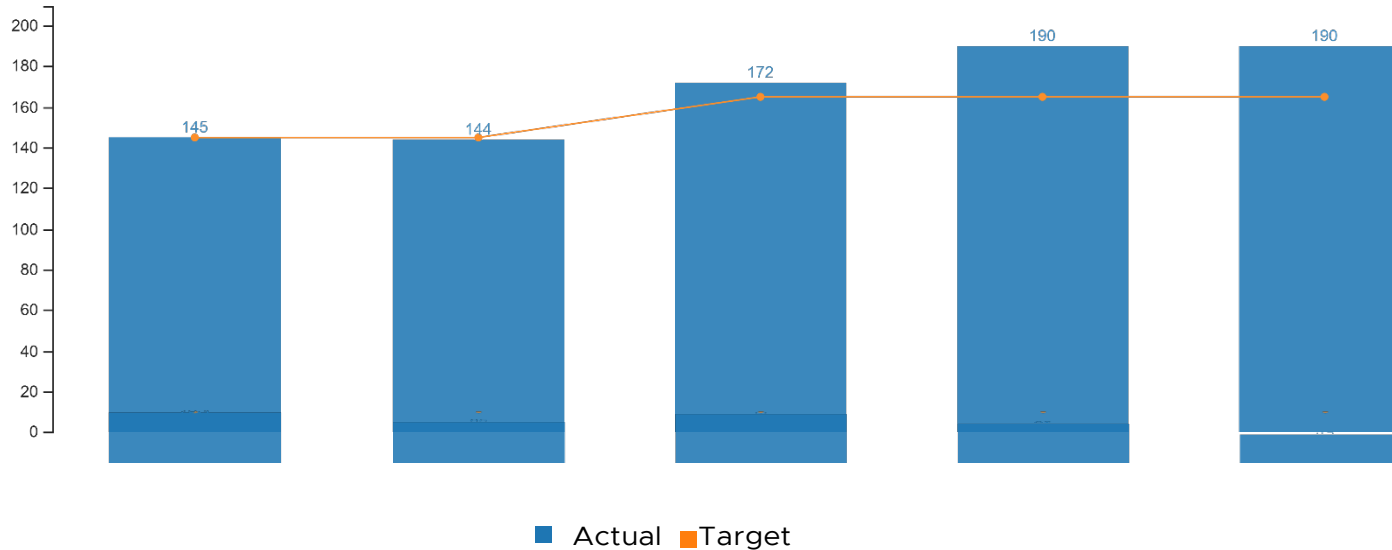
Factors affecting results

The lower performance over the last two years can be tied to PERS’ efforts to implement a significant piece of legislation (SB 1049), a multi-year effort requiring additional staffing and functional reallocations of existing staff. Some of the deployments have created additional workarounds for the calculation process, and the performance for this measure has decreased accordingly.

Additionally, staff turnover has impacted performance during FY 2022. We have filled positions and reallocated resources to address the turnover, but onboarding takes time, and recovery has been slow.

BUDGET NARRATIVE

KPM #2	Total benefit admin costs — Total benefit administration costs per member.
	Data collection period: July 1-June 30



Report year	2018	2019	2020	2021	2022
Total benefit administration costs per member					
Actual	\$145.00	\$144.00	\$172.00	\$190.00	\$190.00
Target	\$145.00	\$145.00	\$165.00	\$165.00	\$165.00

How are we doing?

For FY2022, PERS’ cost per member is \$190, remaining unchanged from FY2021. In FY2022, PERS administrative costs increased very slightly by 0.3% to \$79.1 million from the \$78.9 million in FY 2021. The overall membership increased by a similarly marginal 0.3% in FY2022 to nearly 416,000 members, up from nearly 415,000 in FY2021.

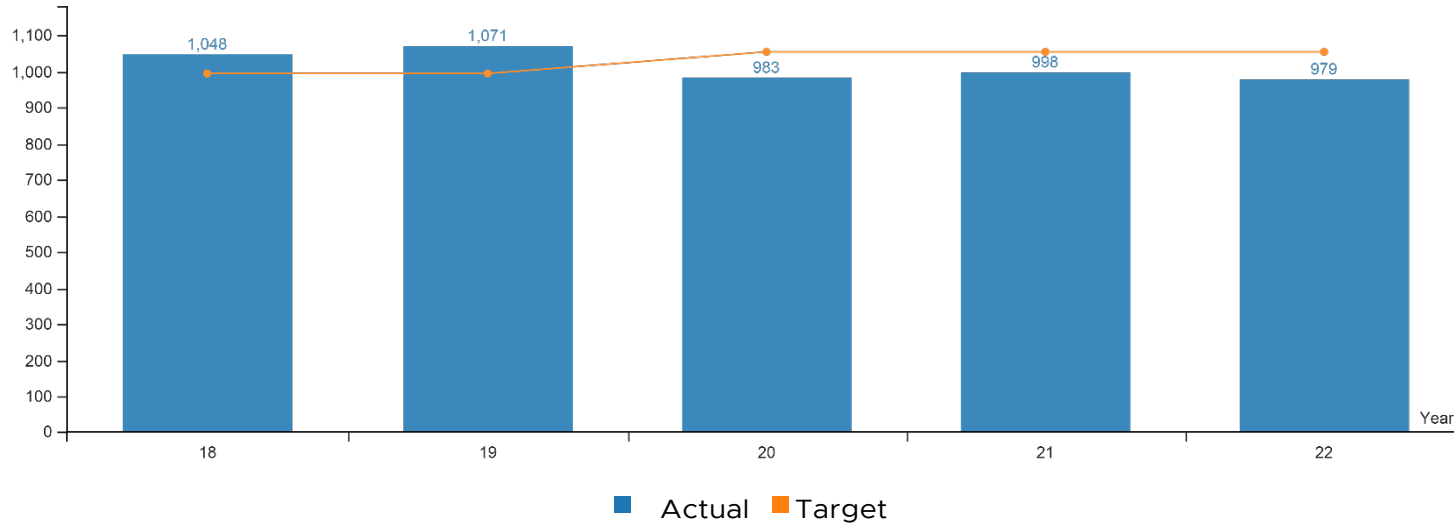
Factors affecting results

FY 2022 total administrative costs (non-inflation adjusted) are up by only \$252,000 from FY2021. This represented a 0.3% increase. And with membership numbers increasing by only 0.3%, the resulting overall cost per member remained consistent from FY 2021.

As described in the narrative for KPM #3, part of what drives PERS’ administrative costs is the complexity of the multiple plans under Oregon PERS. This complexity makes it more difficult to automate some retirement functions that PERS administers, which increases the reliance on staff-intensive processes. This drives up the cost of administering PERS and thus adds to the cost per member measured here. But the main reason for the large increases in costs since FY 2021 is the continuation and upswing of SB 1049 implementation. PERS saw a \$9 million increase in SB 1049 project costs in FY 2021, and the costs held steady in FY 2022 as the SB 1049 project continued. This major project has required PERS to hire staff and consultants and conduct extensive work on our Individual Account Program (IAP).

BUDGET NARRATIVE

KPM #3	Member to staff ratio — Ratio of members to FTE staff.
	Data Collection Period: July 1-June 30



Report year	2018	2019	2020	2021	2022
Member to staff ratio					
Actual	1,048	1,071	983	998	979
Target	995	995	1,055	1,055	1,055

How are we doing?

PERS’ member to staff ratio decreased to 979:1 in FY 2022, down from 998:1 in FY 2021. The staffing for FY 2022 increased by 2.2% over FY 2021 levels, while the membership levels remained only slightly higher than last year, a 0.3% increase. Due to a large legislative implementation project for SB 1049, PERS added 37 FTE in FY 2020, and added another nine FTE in FY 2022. Because of the large staffing increase over the last few years, the resulting member to staff ratio has dropped below targeted levels over this time.

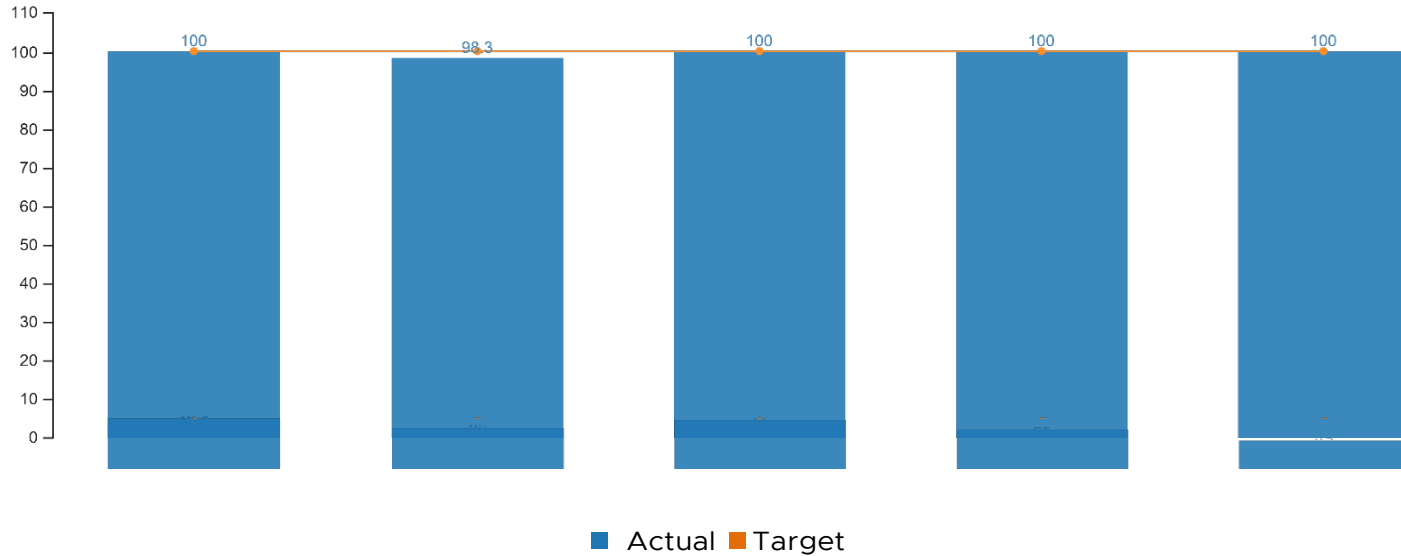
Factors Affecting Results

PERS is observed to be the second most complex system among nearly 70 other domestic and international public retirement systems identified in the CEM Benchmarking, Inc. Benchmarking Analysis each year. This complexity is driven by PERS’ service to multiple classes of public employees, including part-time employees, the large number of retirement options, multiple retirement benefit calculations, and a number of other benefit add-ons. The complexity has made it difficult to provide enterprise-level, IT-based applications and solutions.

The 2003 PERS Reform legislation contributed to system complexity and increased staffing by adding two new retirement programs (OPSRP and IAP). PERS grew to an agency of 420 positions in FY 03-05 when the reform legislation implementation began, and many permanent and limited duration staff were added. While budgeted staffing decreased over the ensuing years, the recent legislative changes have again resulted in increased staffing. With the onset of SB 1049 implementation, PERS’ Legislatively Approved Budget for 2021-23 includes increased staffing to 430 positions (424.67 FTE). The Member to Staff Ratio Measurement will remain significantly impacted during the course of SB 1049 implementation

BUDGET NARRATIVE

KPM #4	Accurate benefit calculations — Percent of service retirement monthly benefits accurately calculated to within \$5 per month.
Data collection period: July 1-June 30	



Report year	2018	2019	2020	2021	2022
Percent of service retirement monthly benefits accurately calculated within \$5 per month					
Actual	100%	98.30%	100%	100%	100%
Target	100%	100%	100%	100%	100%

How Are We Doing?

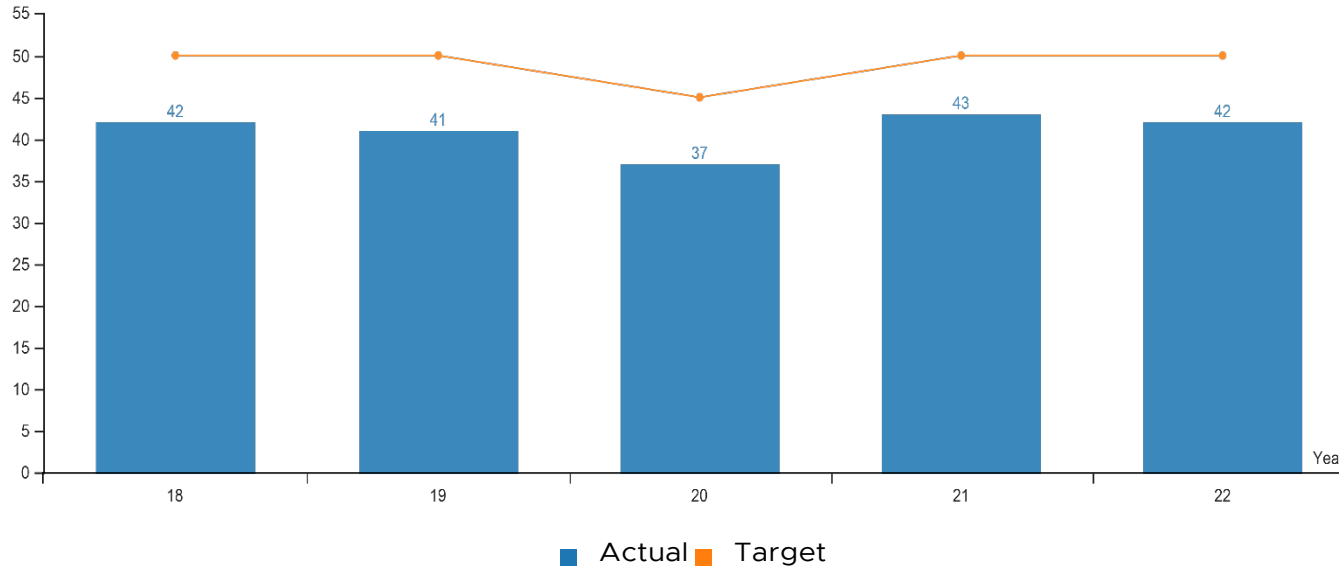
In FY 2022, initial service retirement benefit calculations were accurate to within \$5 per month for 100% of the calculations included in the annual random sample audit. The performance this year matched the 100% rate achieved in FY 2021. There were no errors found in the annual random sample of 60 benefits.

Factors Affecting Results

PERS places a high value on calculating benefits correctly the first time. Our Operations Division continues to perform monthly quality assurance samplings of various calculations. Aside from a 2% error rate during the first quarter of FY 2022, the error rate of these quality assurance monthly audits hovered near 0% for the remainder of 2022.

BUDGET NARRATIVE

KPM #5	Level of participation — Percent of state employees participating in the deferred compensation program.
Data collection period: July 1-June 30	



Report year	2018	2019	2020	2021	2022
Percent of state employees participating in the Deferred Compensation Program					
Actual	42%	41%	37%	43%	42%
Target	50%	50%	45%	50%	50%

How are we doing?

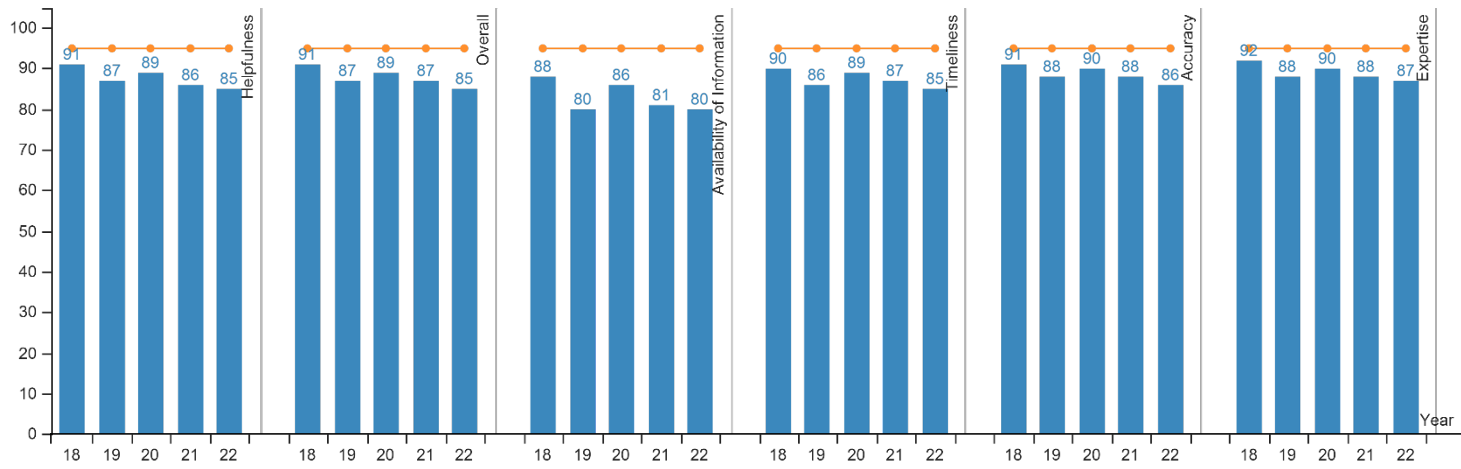
State government employee participation in OSGP decreased to 42% in FY 2022, down slightly from 43% in FY 2021. Participating state employees increased by 6.8%, but the number of eligible state employees increased by even more, 10.3%. Due to increased focus on gaining new enrollees, OSGP has been able to hold a high participation rate among increasing numbers of eligible state employees.

Factors affecting results

Because OSGP is voluntary for state employees, to have both a relatively high rate of penetration and increasing average monthly deferrals reflects that the Deferred Compensation Program is both well known and represents an important retirement savings tool for many state employees. Despite this, there are other factors that potentially limit the participation rates. There is a large number of employees who are eligible to retire in the near future. Many of these retirees will withdraw their OSGP accounts or roll them into other retirement accounts, and the demographics of their replacements (normally younger and lower paid) will create a challenge for increasing participation rates. To help increase participation, OSGP has begun sponsoring an annual retirement expo each fall, which has resulted in increased enrollments. This expo has even been recognized by groups nationally that want to mirror these efforts. OSGP has also initiated an agency measure focused on gaining higher numbers of new state employee enrollees each quarter. This goal will help to mitigate the numbers of active participants exiting to retirement.

BUDGET NARRATIVE

KPM #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.
Data collection period: July 1-June 30	



■ Actual ■ Target

Report year	2018	2019	2020	2021	2022
Helpfulness					
Actual	91%	87%	89%	86%	85%
Target	95%	95%	95%	95%	95%
Overall					
Actual	91%	87%	89%	87%	85%
Target	95%	95%	95%	95%	95%
Availability of information					
Actual	88%	80%	86%	81%	80%
Target	95%	95%	95%	95%	95%
Timeliness					
Actual	90%	86%	89%	87%	85%
Target	95%	95%	95%	95%	95%
Accuracy					
Actual	91%	88%	90%	88%	86%
Target	95%	95%	95%	95%	95%
Expertise					
Actual	92%	88%	90%	88%	87%
Target	95%	95%	95%	95%	95%

BUDGET NARRATIVE

How are we doing?

For the FY 2022 Member Survey, PERS received slightly lower ratings from the 2021 levels in all categories. Members rated PERS between 80% and 87% “good” or “excellent,” with 85% of members rating PERS overall service as good or excellent. Members rated PERS highest in expertise (87%) and lowest in availability of information (80%).

In the FY 2022 Employer Survey, the results reflected lower ratings in three categories but higher or level ratings in three categories. Employers rated PERS between 76% and 90% “good” or “excellent,” with 86% of employers rating PERS overall service as excellent or good. Employers rated PERS highest in expertise (90%) and lowest in availability of information (76%).

Factors affecting results

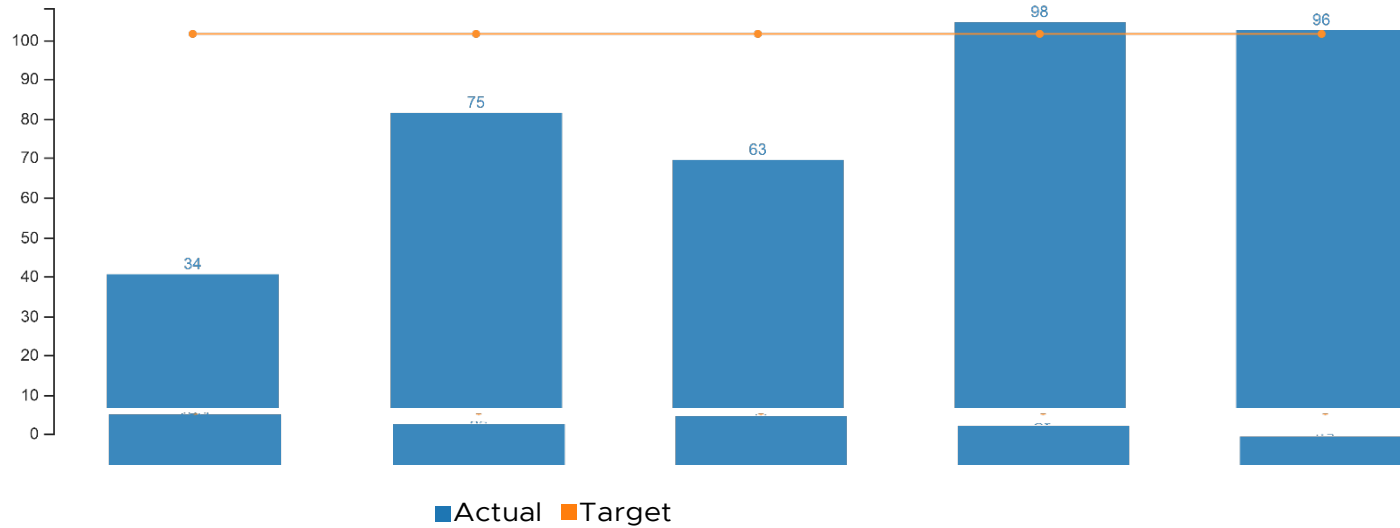
PERS continues to keep customer service and satisfaction as a major focus in its agency strategies and staff efforts. Member-oriented services such as the one-on-one retirement application assistance program continue to be very successful. PERS has also continued to offer workshops and presentations with individual employers and groups beyond the usual outreach presentations. This effort, along with continued success in its employer advocate program and other training efforts, have helped to bolster customer service to employers.

For members, PERS is working hard to communicate clearly with our members about all issues that may impact service and administration of their benefits. While PERS cannot take any stances regarding proposed or passed legislation, we do our best to keep members informed about potential impacts.

For the employers, PERS is working hard to reach out to our employer contacts and offering training and education opportunities. PERS is working hard to provide as much training and service as we possibly can in a remote working environment.

BUDGET NARRATIVE

KPM #7	Timely benefit estimates — Percent of benefit estimates processed within 30 days.
	Data collection period: July 1-June 30



Report year	2018	2019	2020	2021	2022
Percent of benefit estimates processed within 30 days					
Actual	34%	75%	63%	98%	96%
Target	95%	95%	95%	95%	95%

How are we doing?

For FY 2022, PERS provided member benefit estimates within 30 days 96% of the time. This is a slight decrease from the FY 2021 performance of 98%. This year’s 96% performance represents a continuation of higher performance over the last two years and the third highest value in any year over the history of this measure. This is remarkable considering some of the challenges faced in 2021 and 2022 SB 1049 implementation work and COVID-19 impacts.

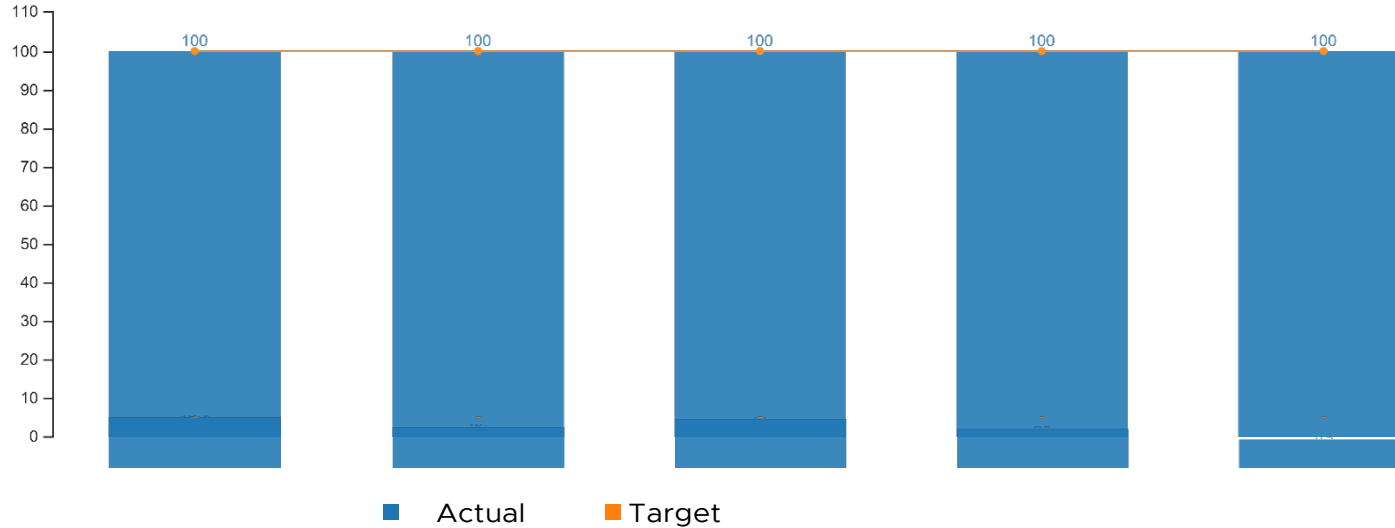
Factors affecting results

Despite the challenges posed by PERS’ implementation efforts surrounding SB 1049, we were able to continue a very high level of performance for this measure. Implementing SB 1049 is a multi-year effort that has involved hiring additional staff and resources and moving some existing staff over to the project. This has impacted staff available for other PERS functions, including preparing benefit estimates. But PERS was able to maintain an increased level of production for benefit estimates this year through focused team goals. Team members have a clear understanding of their responsibilities and production goals. The team is committed to completing high-quality work in a timely manner, with flexibility in changing roles and tasks at any given time.

KPM	Board of Trustees director’s best practices — Percent of total best practices criteria met by the PERS
-----	--

BUDGET NARRATIVE

#8	Board.
Data collection period: July 1-June 30	



Report year	2018	2019	2020	2021	2022
Metric value					
Actual	100%	100%	100%	100%	100%
Target	100%	100%	100%	100%	100%

How are we doing?

The PERS Board completed the self-assessment survey process for the 2021-23 biennium using the online SurveyMonkey.com tool in November of 2021. Continuing the approach used in previous biennia, the board assessed their 2021-23 performance in three categories: “fully meets,” “meets but needs improvement,” or “does not meet.” For KPM purposes, the board concluded that the meets but needs improvement and the meets responses would be rated as a “yes” or favorable rating for this KPM. The results of the survey showed a majority favorable rating for each of the 15 criteria and will reflect a 100% rating for this measure. There were two criteria that received a single meets but needs improvement vote: The board establishes clear performance expectations for the director not less than biennially, and the board reviews the annual performance progress report. There was and will be discussion with the board to shore up these two areas that may need improvement.

Factors affecting results

The PERS Board recognizes the importance of providing strategic guidance, budget and financial control, customer service emphasis, regular communications with stakeholders, and maintaining agency focus on cost effective and efficient operations. This emphasis has resulted in increased attention at the staff level on organizational structure and

BUDGET NARRATIVE

operational best practices, which takes on increasing importance in periods of economic stress. The board and agency management will continue to support these best practices focus through their activities and discussions at PERS Board and Audit Committee meetings. And in response to the current self-evaluation, more attention and effort will be placed on ensuring the PERS Board takes every step to review the expectations for the director on a biennial basis and review the APPR each year.

Audit response report

The following reports were completed and/or issued by the Secretary of State or the Joint Legislative Audit Committee in the 2019-21 biennium and thus far in the 2021-23 biennium:

2019-21 biennium

Report # 2019-36: Independent Actuarial Review of System (Contract Audit)

This review was conducted pursuant to HB 4163, Section 11 (2018), which requires an independent review of PERS system actuaries every four years. While the reviewers did make some suggestions for improvement, the review found the actuarial work to be consistent with generally accepted actuarial standards and practices.

Report # 2019-44: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2020-08: Audit of Pension Schedule of Employer Allocations and Pension Amounts by Employer for the Year Ended June 30, 2019 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2020-09: Audit of RHIPA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2019 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2020-10: Audit of RHIA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2019 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2020-12: Recommendation Follow-up Report: Progress Made, but Pension Reform Delayed Implementation of Some Recommendations

This was a follow-up to report 2018-32. Progress was made since the original report was published. Eight of the 16 recommendations were found to be fully implemented, while five were partially implemented, and three were not yet implemented. The audit cited pension reform legislation, passed in 2019, as a major factor in delaying progress on implementing some of the recommendations.

Report # 2020-42: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2021-06: Audit of Pension Schedule of Employer Allocations and Pension Amounts by Employer for the Year Ended June 30, 2020 (Contract Audit)

No significant deficiencies or material weaknesses.

BUDGET NARRATIVE

Report # 2021-07: Audit of RHIA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2020 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2021-08: Audit of RHIPA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2020 (Contract Audit)

No significant deficiencies or material weaknesses.

2021-23 biennium (to date)

Report # 2021-39: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2022 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2022-07: Audit of Pension Schedule of Employer Allocations and Pension Amounts by Employer for the Year Ended June 30, 2022 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2022-08: Audit of RHIPA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2022 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2022-09: Audit of RHIA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2022 (Contract Audit)

No significant deficiencies or material weaknesses.

BUDGET NARRATIVE

Supervisory span of control report

HCM / Span of control counts PERS

Effective as of date and time

6/30/2022 0:00

Company

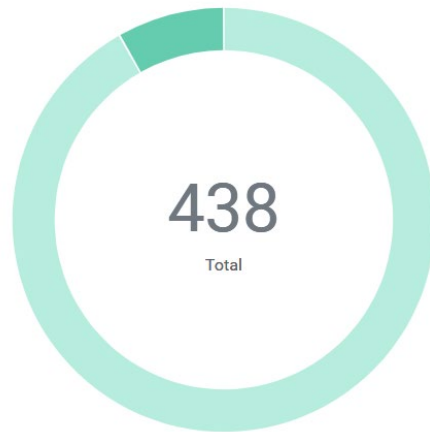
Public Employees Retirement System

OR supervisory organization

Include subordinate organizations

Yes

Company	Supervision category	Filled	Vacant	Total
Public Employees Retirement System	Non-supervisory	366	36	402
Public Employees Retirement System	Supervisory	34	2	36
Total		400	38	438



BUDGET NARRATIVE

Affirmative action report

OVERVIEW

Affirmative action

The Public Employee's Retirement System (PERS) recognizes the importance of fostering fairness, inclusion, and maintaining a workplace culture where everyone is treated with respect and dignity regardless of race, color, national origin, religion, sex, sexual orientation, gender identity, marital status, age, veteran status, disability, or status as a victim of domestic violence, harassment, sexual assault, or stalking.

The core of our humanity is a testament to our affinity with the Oregon Revised Statutes (ORS) [182.100](#), [243.305](#), [243.315](#), and [659A.012](#); direction from the Governor in [Executive Order 17-11](#); the federal [Title VII of the 1964 Civil Rights Act](#); and [Section 503 of the Rehabilitation Act of 1973](#).

It is understood that racial inequities are not random and have been created over time. Because of this, we must be proactive to advance racial equity and increase success by integrating racial equity into routine decision making. The following plan further demonstrates our effort to promote and support equity and inclusion by illustrating measurable acts of purpose.

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.

Core values and operating principles

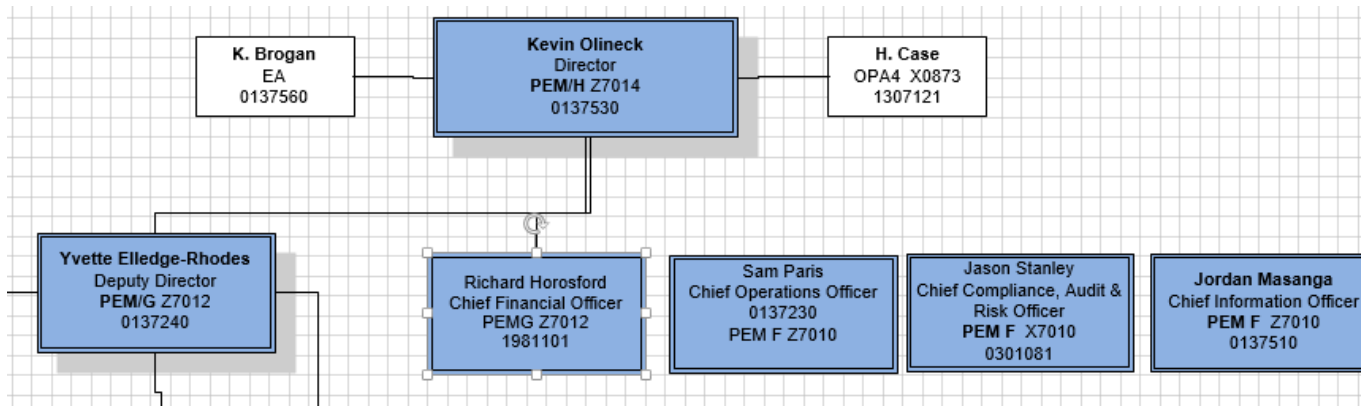
- Service-focus
- Accountability
- Integrity
- Professional
- Accurate
- Judicious
- Vigilant

Objectives

1. Collaborative and transparent leadership.
2. Efficient, effective, adaptable organization.
3. Engaged and empowered workforce.
4. Engaged and educated stakeholders.
5. Timely and accurate service.
6. Trusted and credible agency.

BUDGET NARRATIVE

Organizational chart



Summary and analysis of protected classes

PERS has a higher population of white/Caucasian employees (73.20%) as compared with the county census of 64.90%. Conversely, the PERS community has an under-representation of:

- American Indian/Alaska Natives.
- Black/African Americans.
- Hispanics.

Our conversion to our new Human Resources Information System (HRIS) does not appear to accurately capture our disabled and veteran communities. This is certainly true when considering internal promotions. Information from hire is not following the candidates through the system.

Our executive staff is represented by five males and one female. Although there are two other females who sit on the Executive Leadership Team, they are not voting members nor considered executives. There is one non-voting member and one voting member who are in a protected class, and there is one other executive member who is a person of color. There are no veterans represented on this team.

BUDGET NARRATIVE

Agency supervisors by racial categories and gender

Racial category	Female	Male	All	Pct.
American Indian/Alaska Native	1	0	1	2.94%
Asian	1	1	2	5.88%
Black/African American	0	0	0	0.00%
Hispanic	0	1	1	2.94%
Native Hawaiian/Other Pacific Islander	0	0	0	0.00%
Two or more races	0	0	0	0.00%
White	12	19	30	88.24%
Totals	14	20	34	

There are 29 high-/mid-level managers who work at PERS. Of these, there are 10 high-level managers (PEM F/E) in which three positions are held by employees in a protected class. Of these 10, none of the positions are held by a person of color. Of the remaining 19 mid-management positions, two positions are held by a person of color, and 13 positions are held by women. (In total: six executives + 28 mid-level managers + one vacancy) = 35 supervisory positions.)

PERS does not have one supervisor as reported in Workday as disabled or a veteran. However, it is known that we do have two veterans serving in a supervisory position.

2019 -2021 approved goals – update

Hiring

PERS has taken strides in opening our recruitment processes to include diverse team members on interview panels. During this last year, managers have welcomed staff as well as colleagues from across the agency to participate. This has allowed for broader discussions and inclusive processes which had not existed before.

We have successfully hired one disabled employee.

Retention

PERS developed an initiative (pre-COVID) to improve staff work/life balance. The teleworking program was near completion when the pandemic occurred, and we were able to transition over 300 of our 385 employees into a remote-working model within three weeks. Since then, we have experienced an overall reduction in sick calls, and staff interactions are increasing through virtual platforms.

Because of virtual platforms, we believe we can integrate the usage of this platform to broaden our hiring reach. Meaning, we can adopt changes to our position descriptions and hire staff that primarily want to work remotely and give them the tools to do so.

BUDGET NARRATIVE

Internal promotions

We have had several promotions of women into mid-level management positions.

Succession planning

Succession planning efforts have stalled with the onset of the pandemic. Although we have made great strides in the training of managers on The Oregon Management Project (TOMP)-related expectations, performance evaluations, and employee engagement, succession planning deliverables need to be reworked with diversity and equity efforts thoughtfully included.

Training

All staff have participated in mandatory training efforts, and managers have invested in staff training, conference attendance, and more. However, not all these efforts were logged into the Learning Management System (LMS), restricting our ability to measure our success in this area. We have and continue to be a sponsor of the annual diversity, equity, and inclusion (DEI) conference and have supported staff attendance at this annual event. This year, we encouraged nine team members to attend all sessions and human resources staff to attend as many sessions as possible. In total, we had 121 PERS employees in attendance.

We expanded requirements for manager education on diversity and biases. All managers received a book, *How to be an Antiracist* by Ibram X. Kendi, and are progressing through a learning, sharing, and cultivation of ideas framework as it pertains to this effort.

Recently, PERS decided to purchase this book for all employees and the Diversity Team is determining the best method for engaging staff and managers through a collaborative, learning, educational process.

Internships

We were unsuccessful in implementing our Internship Program. We will continue the development work through the pandemic period in readiness for a later implementation.

New employee orientation

The executive team, led by the Director, are now introduced to all new PERS' staff. This interaction allows for opportunities of engagement, learning, and knowledge sharing among new employees and executives.

Career development

Over the last year, we had work-out-of-class opportunities, several of those were in leadership positions. These opportunities allowed staff to engage in new learning, network with leaders at the highest levels of the agency and stretch into decision-making positions.

Diversity Council

The agency has had a difficult time over the years in embracing changes to its diversity program. This year, we were determined to enlarge the group and were successful in expanding team membership. We have new members with a background in social inclusion, equity, and non-profit work through under-served communities. We also have a member that once worked for the United Nations and several members who have worked abroad. Our team is more diverse than in years past and is innovating concepts and ideas to expand PERS' equity channels.

Our weekly and monthly publications have included a diversity, equity, and inclusion article. These articles focused on local and community cultural events as well as cultural holidays. It was reported that some staff took part in attending these events and reported back their learnings.

Members of the PERS community shared travel experiences through lunch and learns. These experiences included photos and artifacts from African countries, South America, and Native America. There was also lunch and learn on teaching the disabled how to canoe local rivers. Most of these events resulted in participation of 25 attendees or more.

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2021-23 affirmative action strategies and goals

Tangible change

1. Vision, mission, and goals
 - a. The director, with support from executives and management, will be reviewing, editing, and making tangible changes to our identification. Not only will our mission statement reflect our community, but our DEI goals will become visible to all PERS, the PERS Board, and other stakeholders.
2. A Person's Career — 'Beginning at PERS'
 - a. Right from the start, a new employee to PERS will hear, view, and experience diversity within PERS. From the initial recruitment experience through onboarding, a candidate-to-new employee will be introduced to staff committed to listening and learning. Visually and through other mediums, the PERS brand will epitomize community and opportunity; through agency goals, efforts, and training, we will model our new mission.
 - b. Encouragement, education, and resources will be shared through onboarding to illustrate the agency's commitment to our employees, our dedication in respecting gender identity through self-assignment of pronouns, review of pay and benefits, and the sign-up period, policies, and procedural review, required training, PERS retirement benefits, and Service Employees International Union (SEIU) overview (as applicable) will continue.
 - c. PERS will continue with its virtual introduction of our Executive Leadership Team (ELT) and the ability to learn about PERS and ask questions of those who lead decision making. This introduction will include an overview of PERS structure, communities, and instructions on how new employees can become involved.
3. It is understood that institutional change does not happen without effort. PERS will continue its commitment to learning and adopting:
 - A racial equity framework that continues to educate PERS leadership and staff on the differences between individual, institutional, and structural racism as well as implicit and explicit bias. Having a shared understanding of these concepts will contribute to our ability to live our new mission statement.
 - Partner with racial equity experts — we understand that institutional transformation is not the work of one or even a few, we need to act on defined efforts to reach transformation. We will continue to broaden our partnerships with experts in the community, institutions, and cultural leaders within DAS, and the state of Oregon. It is with their guidance we will learn and adopt principles that further transformation within PERS and create a defined path toward change.
4. Data-driven results will illustrate PERS commitment to transformation.
 - a. Fact: We have under-represented races working at PERS.
 - b. Assumption: We believe we have a population of leaders and staff that do not understand the term "equity" and the effects of "inequities."

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- c. Assumption: We believe we have a population of leaders and staff that have long-held biases and implicit biases and further do not understand how those biases impact decision making and create barriers to inclusion.
 - i. The first step in transformation is our opportunity in gathering data in regard to those areas defined in letters b and c above and reach validation of our assumptions.
 - ii. We need to understand why we have specific communities/races under-represented.
- d. Validation — through the validation process, we can conduct root cause analyses and change our strategies to reach under-served and under-represented staff.
- e. Based upon research results, PERS is proposing the following goals:

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Improve racial diversity among PERS' employees to include a ____% increase in our Hispanic, Black, and Native American staff.

Assess, educate, and annually, increase the knowledge of PERS' staff on the definition and actions of recognizing equity, inequity, and equity-driven initiatives by ____% annually.

Increase our hiring of persons with disabilities by ____% annually.

Increase promotional opportunities by ____% for our under-represented persons of color, veterans, and disabled employees.

Increase our hiring of veterans by ____% annually.

Assess, educate, and knowledge test staff on their recognition of, implications of, and abilities to recognize bias. Annually, improve results by ____%.

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Measurement resources

Goals to increase our recruitment of under-represented staff (Hispanic, Black, Native American, veterans, and persons with disabilities) will be measured via a Workday report. We will also develop a spreadsheet for the first year to cross-reference data inserted into Workday. This effort will validate Workday data. (Please note, we are considering what our goals should be for under-represented staff and will complete this section by the next version release).

In addition, and to measure our successes in educating staff on terms, strategies, and recognition of equity, inequities, and biases, including implicit bias, will be measured through annual surveys. For the first year of the biennium, we will release the survey in July to determine a baseline and re-survey in July of 2022 and July of 2023 to determine progress.

As defined in the Governor's Executive Order No. 22-11, signed on June 16, 2022, we will follow the requirements as stated in the order to update our DEI action plan, continue to annually update, and report our affirmative action plan and results to the Office of Cultural Change (OCC). As stated in the EO, all leadership staff and coordinators of DEI initiatives will attend OCC and other meetings as defined. Ongoing training, support, and actions will be taken to support responsibilities noted in executive and/or management job descriptions and track progress thereof.

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PERS policies adopted

PERS affirmative action strategies, actions, goals, and objectives are authorized through the authority as defined in state policies and the Governor's Executive Orders. The following policies are available to staff through our agency's intranet under Policies and Procedures.

Affirmative action policies and executive orders

- ADA and Reasonable Accommodation Policy (*Statewide Policy 50.020.10*).
- Discrimination and Harassment Free Workplace – (*Statewide Policy No. 50.010.01*).
- Employee Development and Implementation of Oregon Benchmarks for Workforce Development (*Statewide Policy 50.045.01*).
- Veterans Preference in Employment (*40-055-03*).
- Equal Opportunity and Affirmative Action Rule (*105-040-0001*).
- Executive Order 17-11: Relating to Affirmative Action and Diversity and Inclusion.
- http://www.oregon.gov/gov/policy/Documents/Federal_Affirmative_Action_TitleVII.pdf.
- Executive Order 22-11: Relating to Affirmative Action, Equal Employment Opportunity, Diversity, Equity, and Inclusion.

Complaint procedures

PERS has a complaint process that begins with a concern initiated by a complainant. A complainant may reach out to Louise Plata or any HR manager, director, administrator, manager, DAS chief human resources officer (CHRO) representative, or any HR representative with concerns through a written, formal complaint or through phone contact, email, or MS Teams discussion.

The formal process is defined through procedures posted on our Intranet site and include Ms. Plata's contact information. All complaints will be processed expediently, and the goal is to complete that process within 30 days or sooner.

Roles for implementation of affirmative action plan

The success of the affirmative action plan is dependent on the interaction, oversight, and active participation of the Executive Leadership Team, Human Resources, and the PERS DEI Team members and staff contribution.

PERS executives have initiated mandated work required by management teams, and there is no hesitancy to continue mandated work as it applies to changes in recruitment and retention strategies and other affirmative action initiatives.

Appendix: Definitions

All agencies	These are defined by agencies with 11 or more employees in executive branch agencies led by the Governor.
Attraction	Examples of strategies are recruitment, engagement, the application process, position descriptions, and creating an applicant pool for consideration.
Diversity	Synonym for a variety of identities and cultures within a room, group, or organization measurable with quantitative metrics.

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Engagement	Examples are leadership, affinity groups, leadership, workplace equity, inclusion, and communication.
Equity	Equity represents the use of policies, programs, practices, processes, and investments to eliminate institutional and structural racism and enable all people to attain their full potential.
Protected class	A shared characteristic that employers cannot use as a basis for employment decisions under the law. This report is concerned with these specific protected classes: gender, race and color, age, disability, and veterans' status in the state of Oregon's workforce.
Race	In this report, race means the sum of the racial categories, except white.
Racial categories	A racial category is one of seven racial classifications: Asian, Alaska Native/American Indian, African American/Black, Hawaiian Native/Asian Pacific Islander, Hispanic (non-white), two or more races, white. Person (or people) of color represents someone who identifies as belonging to any racial categories but white.
Retention	Examples of retention are promotions, effective supervision, access training, strong management, and mentorship.
Selection	Selection strategies include, for example, minimum qualifications, interview process, interview panels, fairness, hiring, and decision making.
Small agencies	Mostly boards and commissions with ten or fewer FTE. Affirmative action reporting requirements differ from those for larger agencies.
Workforce	State workforce includes all full-time, limited-duration, academic, temporary employees, and seasonal in-season executive branch agencies under the Governor's leadership.
Workforce equity	Eliminate barriers to employment that stem from hiring panel biases, enabling a more inclusive hiring process that results in a diversity of successful candidates and inclusive workplace.

Appendix: Governing policies

Oregon Revised Statutes (ORS)

ORS 182.100	The requirement for all appointive authorities for state boards, commissions, and advisory bodies shall implement this policy of affirmative action in their appointments, subject to the legal requirements for each appointment.
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ORS 243.305	The policy defines affirmative action as fair and equal employment opportunities and advancement.
ORS 243.315	Directs and monitors affirmative action programs in all state agencies to implement the public policy.
ORS 659A	This statute prohibits unlawful discrimination in employment, public accommodations, and real property transactions; administrative and civil enforcement.
ORS 659A.012	Every state agency shall be required to include in the evaluation of all management personnel and the manager's or supervisor's effectiveness in achieving affirmative action objectives as a consideration of the manager's or supervisor's performance.
ORS 659A.015	Requires affirmative action reports to include information on awards of construction, service, and personal service contracts awarded to minority businesses.
Oregon Executive Order No. 16-09	Promotes diversity and inclusion opportunities for Oregon minority-owned, women-owned, service-disabled veteran-owned, and emerging small businesses.
Oregon Executive Order No. 22-11	Affirms commitment to promote diversity, equity, and inclusion in the workplace and eliminate past and present discrimination, intended or unintended.
Section 503 of the Rehabilitation Act of 1973	Prohibits federal contractors and subcontractors from discriminating in employment against individuals with disabilities and requires employers to take affirmative action to recruit, hire, promote, and retain these individuals.
Title VII of the 1964 Civil Rights Act	This federal law outlaws discrimination based on race, color, religion, sex, or national origin. It prohibits unequal application of voter registration requirements and racial segregation in schools, employment, and public accommodations.