

# **Oregon Public Employees Retirement System**

**2017-19**

**Governor's Budget**

**Agency Presentation to the  
Joint Ways & Means Committee  
General Government Subcommittee**

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**March 7-8, 2017**



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# Presentation Overview

## Day 1: Overview of PERS – The Agency

- History, Mission, Vision, and Core Values and Operating Principles
- Key Goals and Performance Measures Driving Outcome-Based Management
- Strategic Plan Focus Areas Connected to 2017-19 Policy Option Packages

## Day 2: Report on 2017-19 Legislative Budget Priorities

- Progress on Completing 2015-17 Policy Option Packages
- Review of Budget Notes and Reports from 2015-17
- Budget Requests for 2017-19
  - Policy Package 101 – Cybersecurity
  - Policy Package 102 – IAP Administration
  - Policy Package 103 – Business Modernization
  - Policy Package 200 – Data Center Migration

## Day 3: Preliminary Earnings Crediting Report for Calendar Year 2016

# Day 1

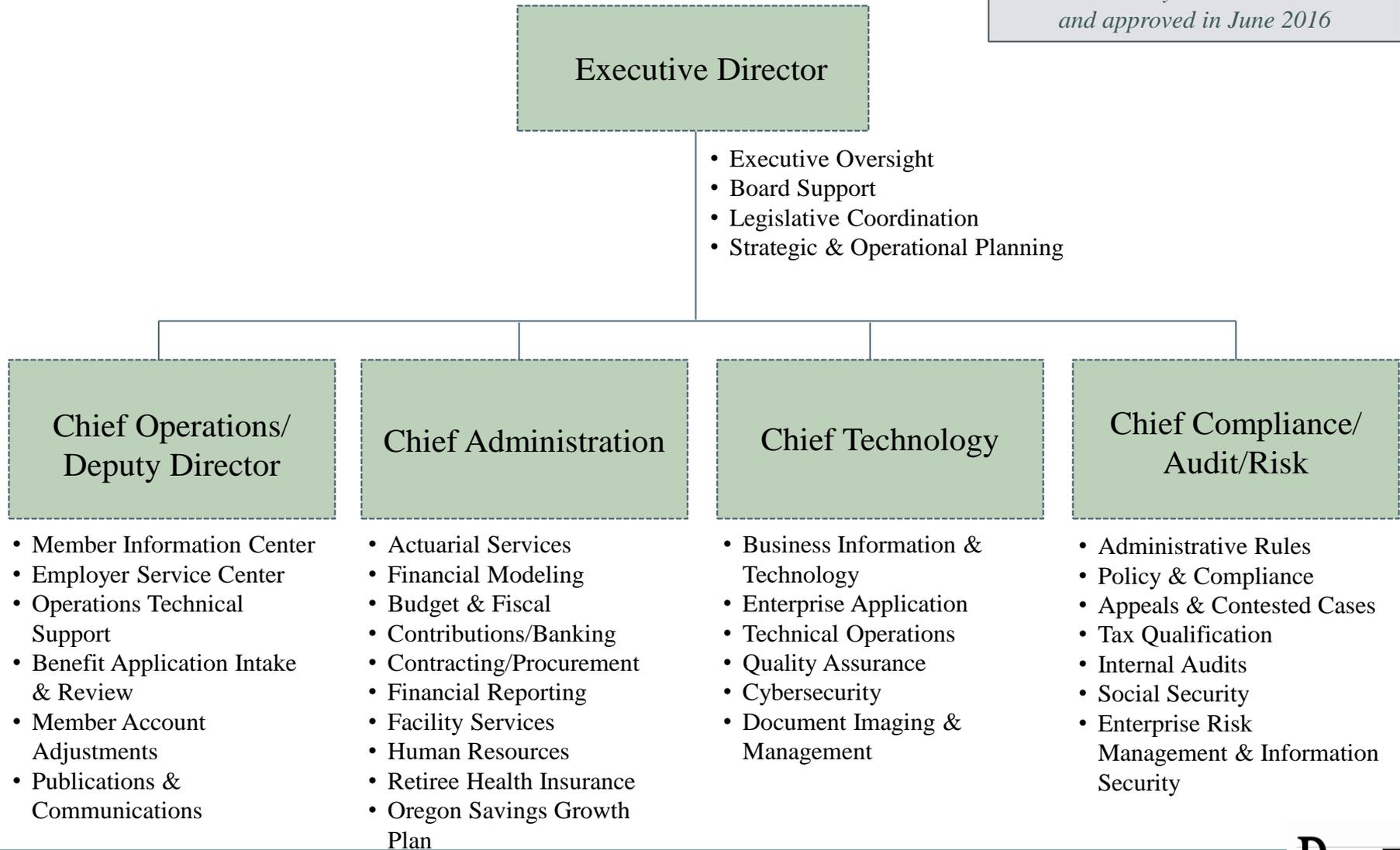
## Overview of PERS The Agency

# What is PERS?

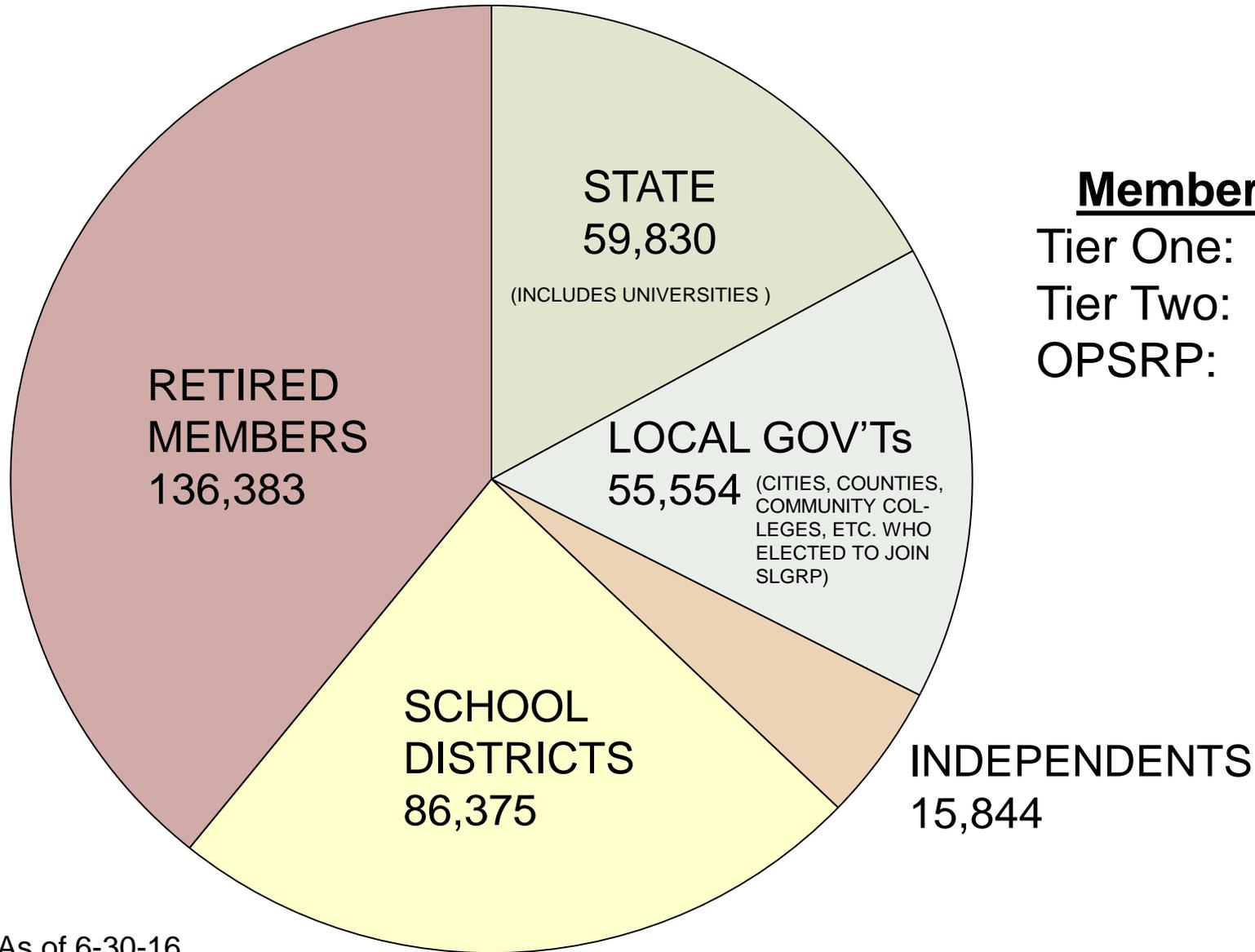
- Administers a tax-qualified government plan that provides retirement, death, and disability benefits on behalf of more than 900 public employers, covering 95% of Oregon's public employees.
- Governed by a five-member board of directors, appointed by the Governor
  - One retired member or represented public employee;
  - One management employee of the state or an elected official;
  - Three members with experience in business management, pension management, or investing who are not members or beneficiaries of PERS.
- The agency also administers:
  - A deferred compensation program, the Oregon Savings Growth Plan (for state employees and participating local governments);
  - A post-retirement health insurance program (for eligible retired members and their dependents); and
  - Oregon's Social Security compliance program for all public employers.

# Organizational Chart

*NOTE: This organizational structure was reviewed by LFO and DAS CFO and approved in June 2016*



# Who is PERS?



## Membership

Tier One: 49,687  
Tier Two: 57,945  
OPSRP: 98,612

As of 6-30-16

# Agency Mission Statement, Shared Vision, and Core Values & Operating Principles

## 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 & OPERATING PRINCIPLES

Service-Focus  
Accountability  
Integrity

Professional  
Accurate  
Judicious  
Information Security

FOUNDATIONS

**MISSION**  
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 & OPERATING PRINCIPLES**  
Service-Focus  
Accountability  
Integrity  
Professional  
Accurate  
Judicious  
Information Security

OUTCOME-BASED MANAGEMENT SYSTEM MAP

KEY GOALS

Collaborative & Transparent Leadership

Efficient, Effective, Adaptable Organization

Engaged & Empowered Workforce

Engaged & Educated Stakeholders

Timely & Accurate Service

Trusted & Credible Agency

CORE PROCESSES

OPERATING PROCESSES

SUPPORTING PROCESSES

- OP1: Managing Client Data and Services
- OP2: Collecting Contributions
- OP3: Assessing Benefit Eligibility
- OP4: Processing Benefit Applications
- OP5: Calculating Benefits
- OP6: Paying Benefits
- SP1: Communicating Internally & Externally
- SP2: Managing Compliance & Risk
- SP3: Leveraging Technology
- SP4: Managing Organizational Finances & Resources
- SP5: Managing & Developing the Workforce
- SP6: Strategic & Operational Planning

SUB PROCESSES

- 1. Receiving member data
- 2. Reconciling member data
- 3. Correcting member data
- 4. Maintaining member data
- 5. Archiving and imaging member information
- 6. Analyzing data and generating reports
- 7. Generating and responding to correspondence
- 8. Generating and responding to phone calls
- 9. Creating and making presentations
- 1. Creating and maintaining employer accounts
- 2. Establishing an employer rate
- 3. Generating an employer invoice
- 4. Receiving employer contributions
- 5. Posting contributions to Invoices
- 6. Crediting contributions to the general ledger
- 7. Reconciling contributions submitted to State Treasury
- 8. Collecting on delinquent employer invoices
- 9. Receiving member purchases
- 10. Accounting for supplemental member contributions
- 1. Determining beneficiaries for pre- and post-retirement death benefits
- 2. Requesting and reviewing divorce decrees
- 3. Determining eligibility for disability
- 4. Completing estimate requests
- 5. Completing data verification requests
- 6. Determining eligibility for PERS Health Insurance Program
- 1. Receiving benefit application
- 2. Reviewing benefit application
- 3. Entering application data
- 4. Corresponding with applicant and Employer
- 5. Reviewing Membership Account for Readiness
- 6. Initiating the benefit calculation process
- 1. Reviewing account
- 2. Calculating initial benefit (service, death, divorce, disability, withdrawals)
- 3. Recalculating benefit after an estimated benefit or when an adjusted or retro-active benefit is due
- 4. Validating benefit calculations
- 1. Ensuring cash is available to fund benefit payments.
- 2. Creating and transmitting payment files
- 3. Processing manual checks
- 4. Validating payment files
- 5. Processing returns/claims
- 6. Maintaining payee information
- 7. Maintaining deductions
- 8. Ensuring tax reporting
- 1. Developing communications strategy
- 2. Creating and maintaining publications and forms
- 3. Maintaining electronic & social media
- 4. Communicating with Legislators and interest groups
- 5. Responding to media requests
- 6. Communicating with agency staff
- 7. Responding to public record and discovery requests
- 1. Providing policy advice
- 2. Implementing new legal mandates
- 3. Resolving disputes
- 4. Managing legal services
- 5. Maintaining tax qualified status
- 6. Managing strategic relationships
- 7. Conducting enterprise risk management efforts
- 8. Managing audit services
- 9. Managing information (records & document) programs
- 10. Ensuring reliable, consistent and auditable data reporting
- 1. Developing IT strategy and roadmap to meet agency technology needs
- 2. Ensuring system availability and performance
- 3. Delivering HelpDesk/ desktop support
- 4. Maintaining applications and systems
- 5. Enhancing applications and systems
- 6. Implementing new applications and systems
- 7. Ensuring system security
- 8. Developing, delivering and managing Enterprise Content Management System
- 1. Administering accounting and payroll services
- 2. Managing funds and investments
- 3. Developing and administering budget and finance operations supporting agency strategic plan
- 4. Developing and managing contracts and agreements
- 5. Maintaining and managing facilities and equipment
- 6. Managing actuarial services
- 1. Managing the Workforce Plan
- 2. Acquiring Talent
- 3. On-Boarding
- 4. Managing Performance
- 5. Developing Employees
- 6. Retaining Employees
- 1. Nurturing the agency's mission, values and core operating principles
- 2. Developing/maintaining the agency's strategic plan and ensuring organizational alignment
- 3. Prioritizing and managing the completion of projects
- 4. Governing and Maintaining the PERS Outcome-Based Management System
- 5. Optimizing Business Processes

PROCESS MEASURES

- OP1a: % reports received vs. expected
- OP1c: % of employer reports received posted at 100%
- OP1d: Average number of days to process member forms
- OP1e: % of employer reports received within three business days of reporting cycle
- OP1f: Average length of wait before caller reaches live person
- OP1g: % of correspondence responded to within 7 days of receipt
- OP2a: % of "Credit Employers" IAP Invoices not paid within 5 business days of employer statement
- OP2b: % of Employer Invoices outstanding more than 90 days
- OP2c: % of member purchases posted within 14 days of receipt
- OP3a: % of appeals that are upheld compared to total # of eligibility, disability, and divorce appeals filed
- OP3b: % of disability and divorce determinations completed within 180 and 90 days respectively
- OP3c: % of estimates completed within 30 days of receipt
- OP3d: % of data verification requests completed within 180 days from receipt
- OP4a: % of eligibility analysis completed within 30 days of the effective retirement date
- OP4b: % of estimated payments per month
- OP4c: % of applications returned or rejected back to the applicant
- OP4e: % of non-canceled applications completed and ready for calculation within 30 days of the effective date
- OP4f: % of non-canceled applications completed and ready for calculation within 15 business days of all required documents received
- OP4g: % of non-canceled "withdrawal" applications completed and ready for calculation within 60 days of the received date
- OP5a: # of calculations completed per day
- OP5b: % of sample calculations that are within plus or minus \$5
- OP5c: % of calculations completed within 15 calendar days from completed application date
- OP6a: # of "line of business" manual checks processed
- OP6b: % of electronic payments over total payments
- OP6c: Average # of days to resolve returned payments
- OP6e: % of tax reports completed by Federal and State deadline
- SP1a: # of emails to PERS Board email box with complaints
- SP1b: % who rate forms as easily understandable
- SP1c: % rating satisfaction as good or excellent
- SP1d: % of public records requests responded to within 14 days of receipt
- SP2a: % of operating budget expended for attorney and administrative hearing fees and risk management premiums
- SP2b: # of Member and Employer appeals and contested case matters, employment disputes, litigation disputes, notices of dispute and risk management claims
- SP2c: % of staff determinations that are reversed on appeal
- SP2d: % of high risk audit findings resolved within committed time period
- SP3a: # of business days in a month business systems are not available within the standard service window (mo. avg. by qtr.)
- SP3b: % of survey respondents indicating satisfaction with our technology
- SP3c: # domains in the Information Security Business Risk Assessment report that meet agency goal
- SP3d: % of batch incidents/abends in a month
- SP3e: # of outstanding Critical and High Priority ORION Enhancement Requests (non-defect-type CRs)
- SP3f: # of outstanding Critical and High Severity ORION Defects (defect-type CRs and PPCRs)
- SP3g: % of HelpDesk Tickets resolved within the Service Level Agreement
- SP3h: % of time ORION systems available during the service window
- SP4a: % of months with no interest cost incurred due to borrowing
- SP4b: % of accounts receivable dollars collected (based on total dollars of accounts receivable)
- SP4c: % of actuarial services milestones met (e.g., experience studies, valuations, CAFR data, employer rates updated in JClarety, economic impact report)
- SP4d: % of invoices paid within 30 calendar days of receipt by accounts payable
- SP5a: % of employees' annual development plans created
- SP5b: % of employees receiving corrective action for violations
- SP5c: % of employees completing trial service
- SP5d: % of data fields entered correctly into the personnel database (PDB)
- SP5e: % of employees evaluated overall performance rating "meets expectations"
- SP5f: % of performance evaluations completed by due date
- SP6a: % of outcome and process measures with new or current data reported for that quarter
- SP6b: # of problem solving initiatives in process
- SP6c: % of employees that rate mission relevance as high
- SP6d: Net # of measures that improve per each quarterly target review (QTR)
- SP6e: # of breakthroughs on schedule

PROCESS OWNER

- Yvette
- Kyle
- Yvette
- Yvette
- Yvette
- Kyle
- Steve
- Jason
- Jordan
- Kyle
- Kyle
- Steve

OUTCOME MEASURES

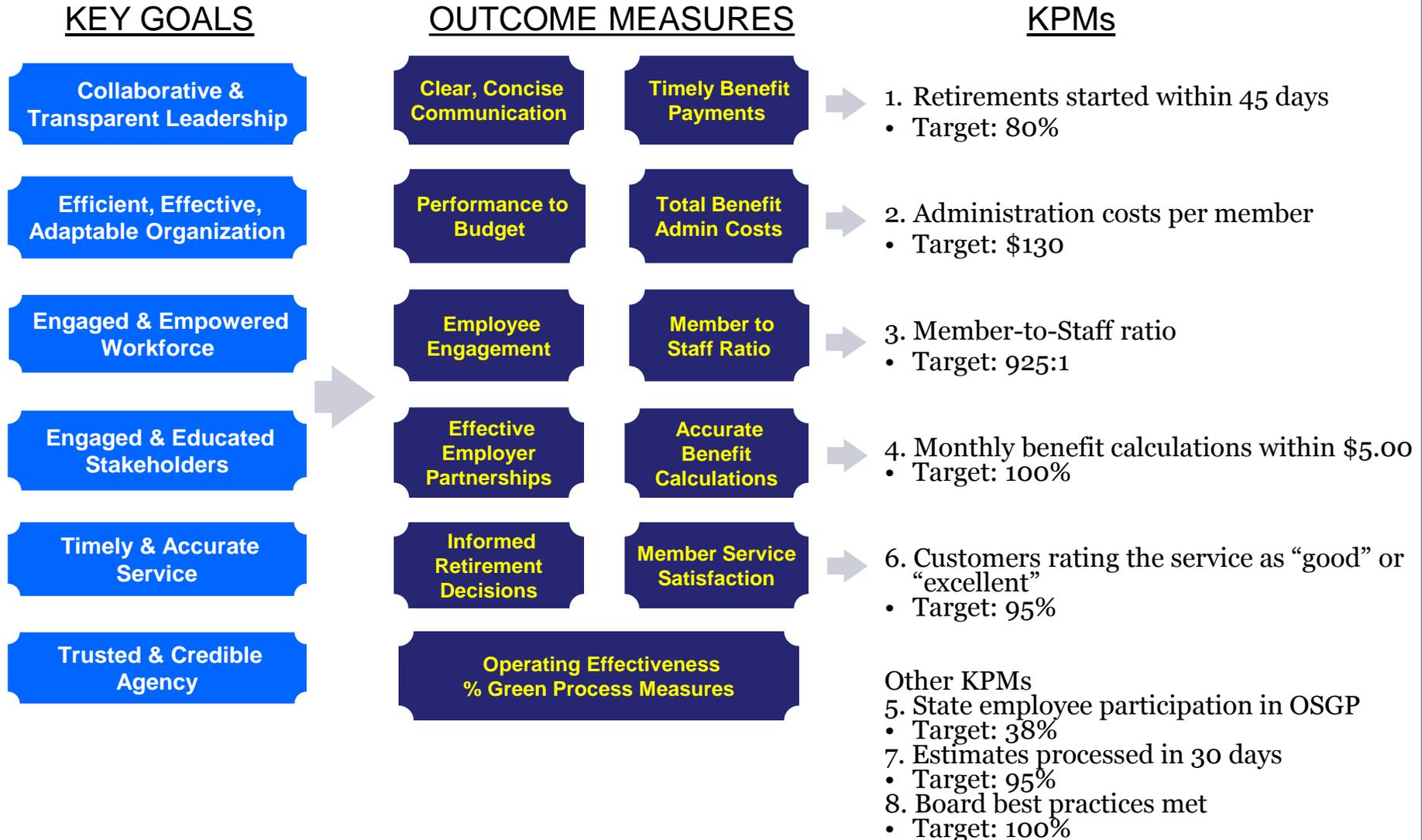
- OM1: Clear, Concise Communication (Yvette/Steve) OM1
- OM2: Employee Engagement (Steve) OM2
- OM3: Operating Effectiveness - % Green Process Measures (Steve)
- OM4: Member to Staff Ratio (Steve)
- OM5: Total Benefit Admin Costs (Steve)
- OM6: Performance to Budget (Kyle)
- OM7: Member Service Satisfaction (Yvette)
- OM8: Effective Employer Partnerships (Yvette)
- OM9: Timely Benefit Payments (Yvette)
- OM10: Informed Retirement Decisions (Yvette)
- OM11: Accurate Benefit Calculations (Yvette)



Revised: 6/3/16



# Agency Overview – Fundamentals Drive Alignment



# Outcome-Based Management System

Over 80 measures have been developed that gauge performance within PERS' Operating and Supporting Processes. These processes define the work we do, and the measures tell us where we need to improve on time, quality, or cost.

<b>Operating Processes</b>	<b>Supporting Processes</b>
Managing client data & services	Communicating internally & externally
Collecting contributions	Managing compliance & risk
Assessing benefit eligibility	Leveraging technology
Processing benefit applications	Managing organizational finances & resources
Calculating benefits	Managing & developing the workforce
Paying benefits	Strategic & operational planning

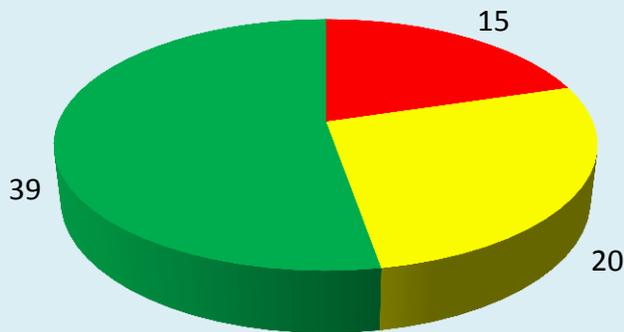
# Performance and Outcome Measures

Outcome and Process Measures foster accountability and transparency. The results quantify where problems need solutions, and drive resource allocation.

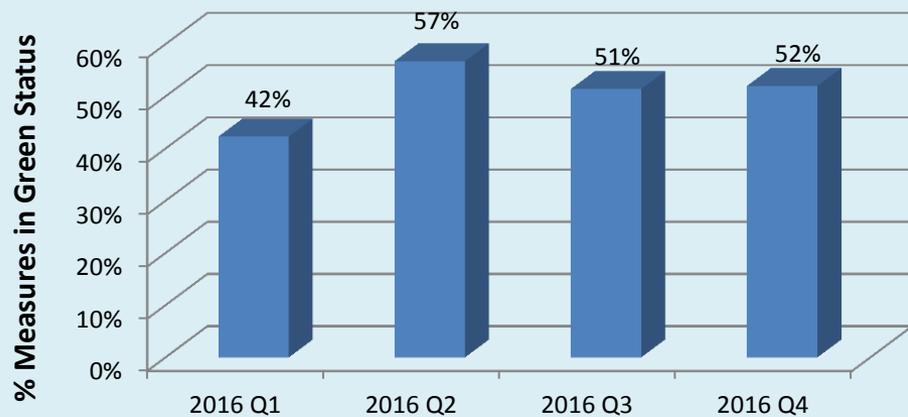
Targeted performance ranges are in place for each measure:

- “Green” – at or above acceptable levels
- “Yellow” – needs attention to advance into acceptable levels
- “Red” – problem area; manager reports on corrective action plan

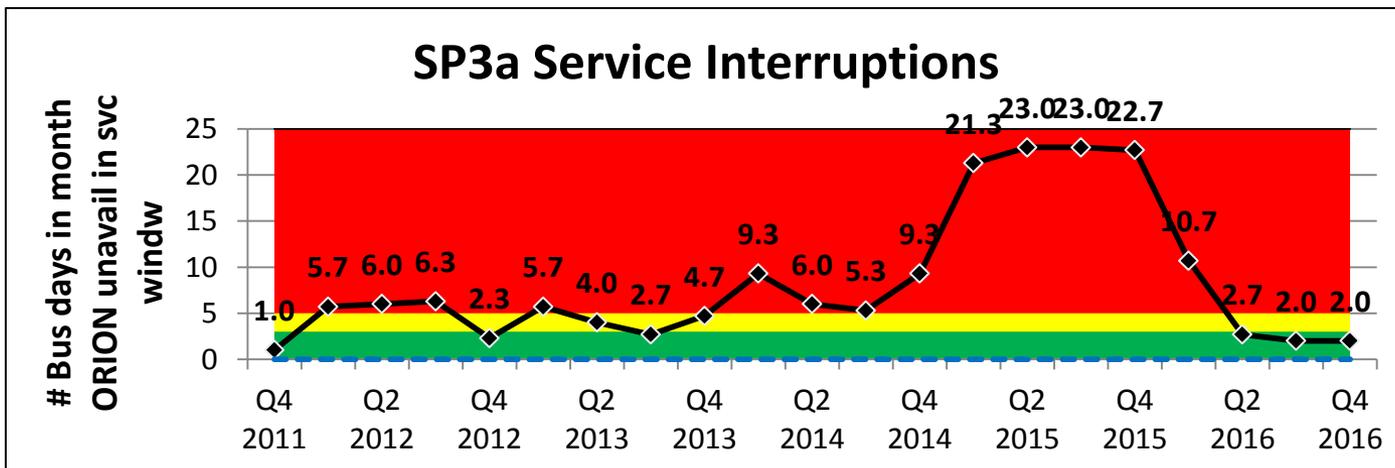
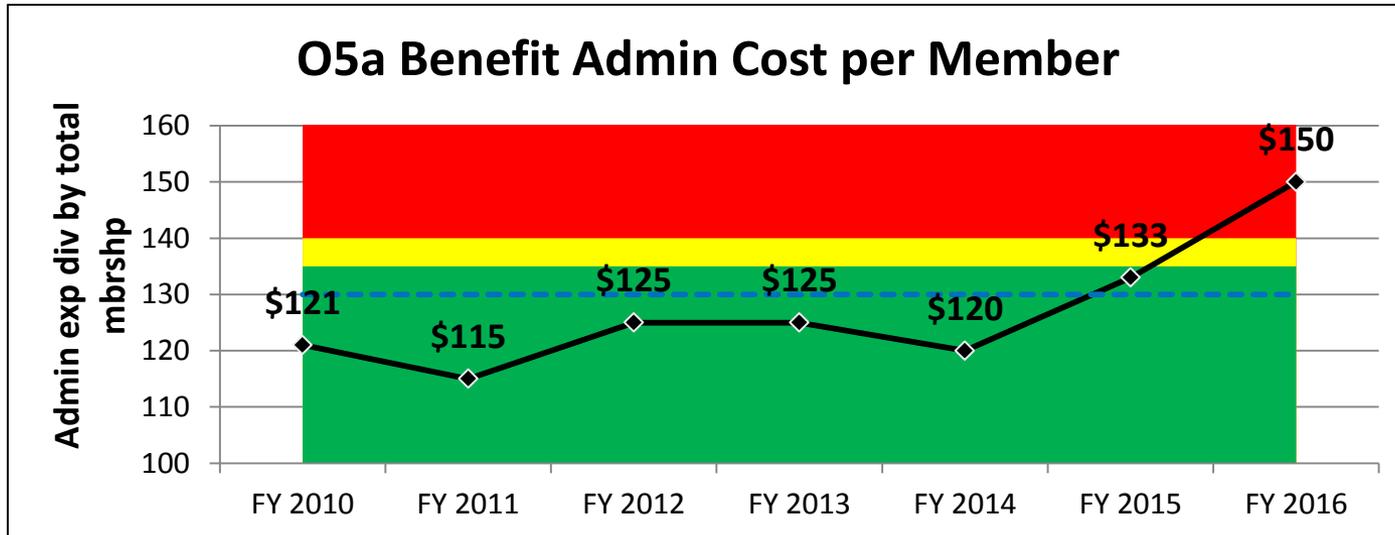
**Outcome & Process Measure  
Performance as of 12-31-16**



**Quarterly Green Performance**



# “Red” Measures Drive Strategic Plan and Budget Priorities – Examples



# Goals: Based on 2015-20 Strategic Plan

Theme				
	Organizational Management & Development	Member Services & Communication	Data Reliability	Information Technology (IT)
Focus Areas	Workforce Development	Quality Delivery Methods	Member Accountability	IT Governance & Management
	Organizational Communication	Member Relations	Data Constancy	Agile System Technology
	PERS Outcome-Based Management System		Agency Data Warehouse	Information Security Disaster Recovery

# PERS POPs Linked to Strategic Plan

## **POP 101 – Cybersecurity Program**

Create a team to develop, implement, and manage a Cybersecurity Program that protects information from a wide range of threats to ensure business continuity and safeguard members' personal data.

*LINK: Information Security*

## **POP 102 – Phase III to Fully Integrate IAP into the ORION System**

Complete Phase III to transition all aspects of the Individual Account Program (IAP) to PERS' internal administration and eliminate a third-party administrator. Phase III constructs the IAP functionality in the agency's benefit administration system and migrates to the new platform.

*LINK: Member Relations, Quality Delivery Methods*

## **POP 103 – Business Modernization**

Funding for ongoing support of PERS' Oregon Retirement Information Online Network (ORION), the benefits administration core technology, to continually evolve the member services and functionality we provide.

*LINK: Agile Technology System*

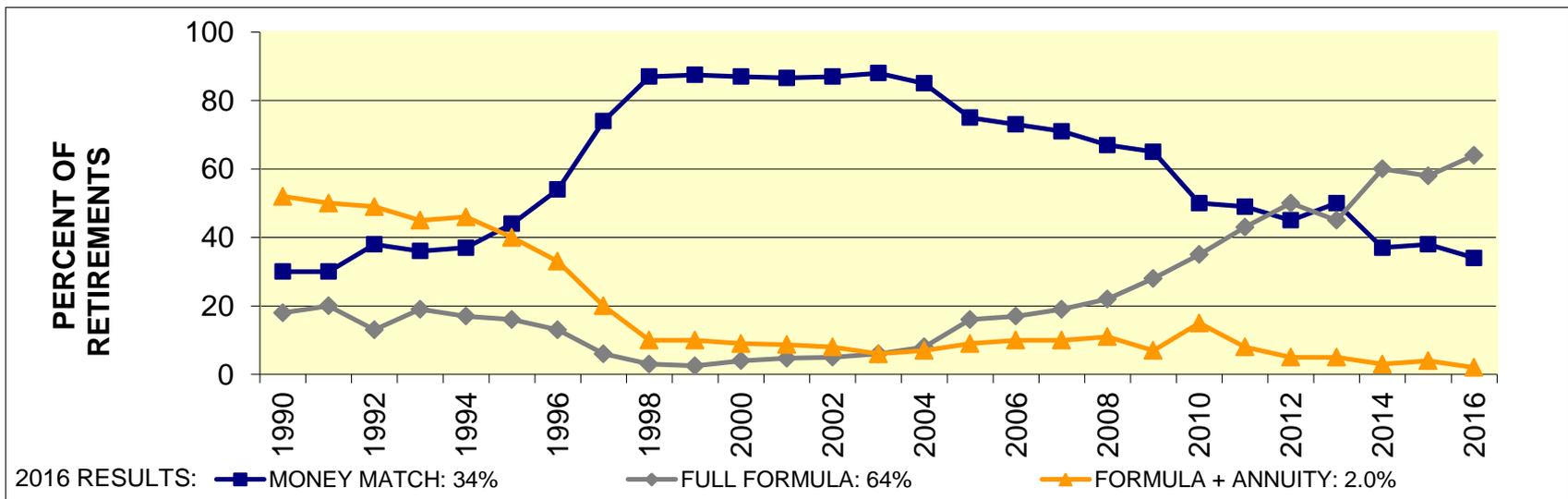
# Other Strategic Plan Goals

There are other elements of the Strategic Plan that will be addressed through allocation of existing resources, such as:

## Data Reliability – Member Accountability

Establish members as the primary quality check-point on their data of record

- 2003 PERS Reforms shifted Tier One/Tier Two retirements to “formula” calculations driven by employment data (years of service, salary, etc.); eligibility and benefit amounts can hinge on small changes to this data
- Employers have submitted reports for every work segment; members are in the best position to gauge the accuracy and completeness of those reports



# Other Strategic Plan Goals

## Data Reliability – Data Constancy

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

Employers can amend reports even after a member has retired or withdrawn, putting PERS in the position of collecting on overpaid benefits and disrupting financial plans of members who have moved on in their lives. To bring finality to benefit payments, PERS is pursuing two objectives:

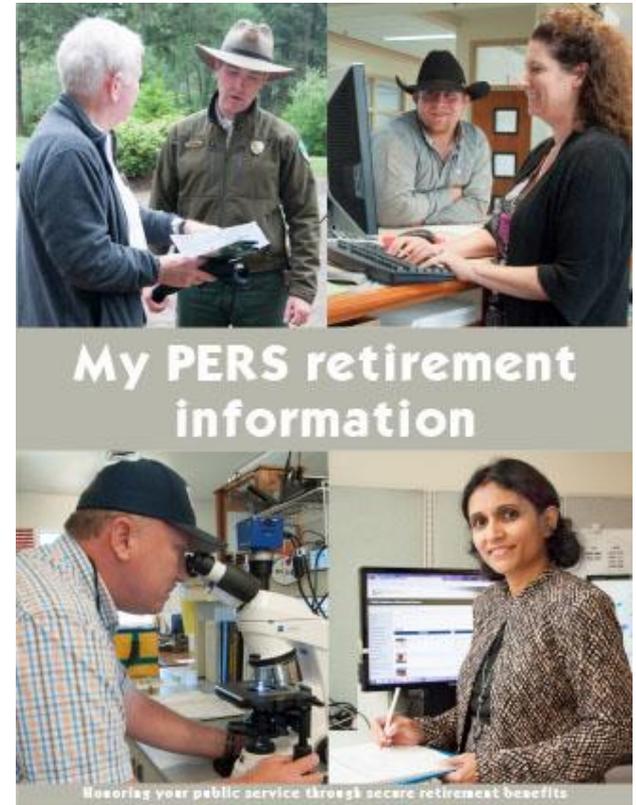
- Lock submitted data for each calendar year
- Lock previously submitted data (i.e., prior calendar years) after allowing employers to review and correct prior records

# Other Strategic Plan Goals

## Member Services and Communications – Member Relations

PERS members' retirement will only be successful with a solid “three-legged stool” of PERS benefits, Social Security, and personal savings; we are dedicated to giving members the education and tools so they can succeed in that life phase

- Engage members throughout their career so they are better prepared for retirement
- Improve members' on-line access to secure content and process status



# Where Does This Leave the System?

Transaction	2014	2015	2016
Retirements*	15,966	15,058	14,139
Withdrawals	5,076	4,808	4,344
Eligibility reviews	49,646	48,823	43,822
Telephone calls (incoming/outgoing)	205,379	208,519	222,712
Emails (incoming)	134,844	204,378	126,710
Written benefit estimates	10,921	11,434	12,191
Online benefit estimates**	870,470	820,483	905,229

\* Including IAP

\*\* Includes all activity; new estimates, reviewing old estimates, etc.

# Budget Note Reports for HB 5034 (2015)

## **Report on Board-adopted change in Assumed Earnings Rate**

At the February 8, 2016 meeting of the General Government Subcommittee, PERS reported the Board's July 2015 action to reduce the assumed rate from 7.75% to 7.50% for 2014 and 2015 system valuations. The revised rate was in place for earnings crediting as of January 1, 2016. PERS also shared the estimated impact of the reduction on members and employers.

## **Identify recommendations for simplifying and reducing the costs of the benefits structure and administration**

At the September 22, 2016 meeting of the General Government Subcommittee, PERS reported on constraints on simplification concepts but suggested clarity around work after retirement, enhanced data reliability, and elimination of IAP installment payments may bring administrative efficiencies without reducing member benefits.

## **Report on the current state of disaster recovery and business continuity environment**

At the February 12, 2016 meeting of the Joint Committee on Information Management and Technology, PERS identified four areas of focus: identify high risk areas that need immediate attention; establish a discrete Business Continuity program; determine and allocate adequate resources to maintain the BCP; and revise, test, and normalize a BCP in agency operations.

# Interim Agency Priority – Information Security

Information Security has always been a Core Operating Principle for PERS. We recognize that our agency is a “target-rich” environment with personal, transactional, and employment data, not only on our members but often on their family members and other close associates. In support of that principle, PERS over the years has conducted or contracted for a variety of Information Security risk assessments and audits. Our constant vigilance in protecting member information has driven us to periodically assess how well those efforts continue to match industry best practices.

In light of the passage of Senate Bill 1538 (2016), PERS was asked to engage with the State CIO in further prioritizing and elaborating on our remediation plans. In early April, we received a joint memo from the State CIO and the Legislative Fiscal Office that detailed the action steps, in priority, that they would have us follow to bolster our Information Security protections. The memo detailed 16 activities that are to be completed in priority order before the end of the 2015-17 biennium. Of course, complying with that directive became one of our top priorities, and many resources were redirected to planning and executing on those activities during this biennium.

# Information Security – Update

In close collaboration and engagement with the State CIO's staff, PERS procured a vendor, HP Enterprise Services, to assist us with execution of these 16 activities in this biennium. The September 2016 Emergency Board approved PERS' request to increase its Other Funds limitation in the amount of \$381,074 to fund PERS' contract with Hewlett Packard Enterprise Services, who was successfully engaged and has proceeded to assist the agency in executing the 16 activities that we were directed to accomplish before the end of the biennium.

The remediation and planning activities in this engagement shaped the agency's 2017-19 agency request budget. Then, Executive Order 16-13 was issued on September 13, 2016, which sought to centralize technology services and training for information security in the State CIO's office.

As PERS embarked on its assessment and remediation activities earlier, we have received assurances from the State CIO's office that we should continue our efforts to accomplish the 16 activities that they directed. Once the centralized service catalogue and structure are implemented, PERS will blend into the State CIO's structure, but our members' information must be secured until that centralized structure is stood up, so our efforts must continue.

# Information Security – Timeline

The following table shows the project deliverables and timelines; all items are on schedule and will allow PERS to complete its activities in this biennium as directed.

	<u>Due Date</u>
PERS Information Security Program Plan – identifies resources required to execute ongoing information security program.	9/30/2016
PERS Information Security Staffing Plan – includes an organization plan with roles, responsibilities, and reporting structure.	10/31/2016
Task Set 1 of PERS Information Security Remediation Project Plan – Provide improvements for current Information Security technical controls; improvements for network security architecture; and removal, isolation or compensating controls for systems no longer supported.	10/31/2016
Task Set 2 of PERS Information Security Remediation Project Plan – Review existing software development security deficiencies and provide access control and authentication procedures.	11/30/2016
Task Set 3 of PERS Information Security Remediation Project Plan – Provide log management and security incident monitoring; formal recommendation on the IAP Administrative Project Security Plan; and provide endpoint security configuration and tools.	12/31/2016
Task Set 4 of PERS Information Security Remediation Project Plan – Provide formal recommendation on all Information Security related statues, rules and policies to ensure PERS compliance and validation report.	1/31/2017
Task Set 5 of PERS Information Security Remediation Project Plan – formal recommendation on Information Security policies and procedures and updated Information Security Incident Management Plan.	2/28/2017
Complete all remaining tasks for PERS Information Security Remediation Project Plan, including a document that describes initial and ongoing estimated costs of the PERS Information Security Program..	3/31/2017
Provide Information Security End User Training Roadmap and Project Closeout.	4/30/2017

# Key PERS Legislation in 2017 Session

The Senate Workforce Committee has conducted a series of Informational Meetings on PERS. These discussions have focused on the system's financial challenges and concepts have been solicited by the committee. For example, a public hearing was held on Senate Bills 559 and 560, which would:

- Change the calculation of final average salary to use five years of salary, instead of three years, for salary paid beginning January 1, 2018
- Cap the annual salary used to calculate final average salary at \$100,000 per year, beginning January 1, 2018
- Redirect the employee contributions from the Individual Account Program to the pension fund, beginning January 1, 2018
- Direct the PERS Board to recalculate employer contribution rates to reflect savings attributable to the bills

These concepts, and others, continue to be considered by the committee; many companion concepts have been introduced in the House as well.

# Day 2

## Report on 2017-19 Budget Priorities

# PERS Legislatively Approved Budget Historical Comparison

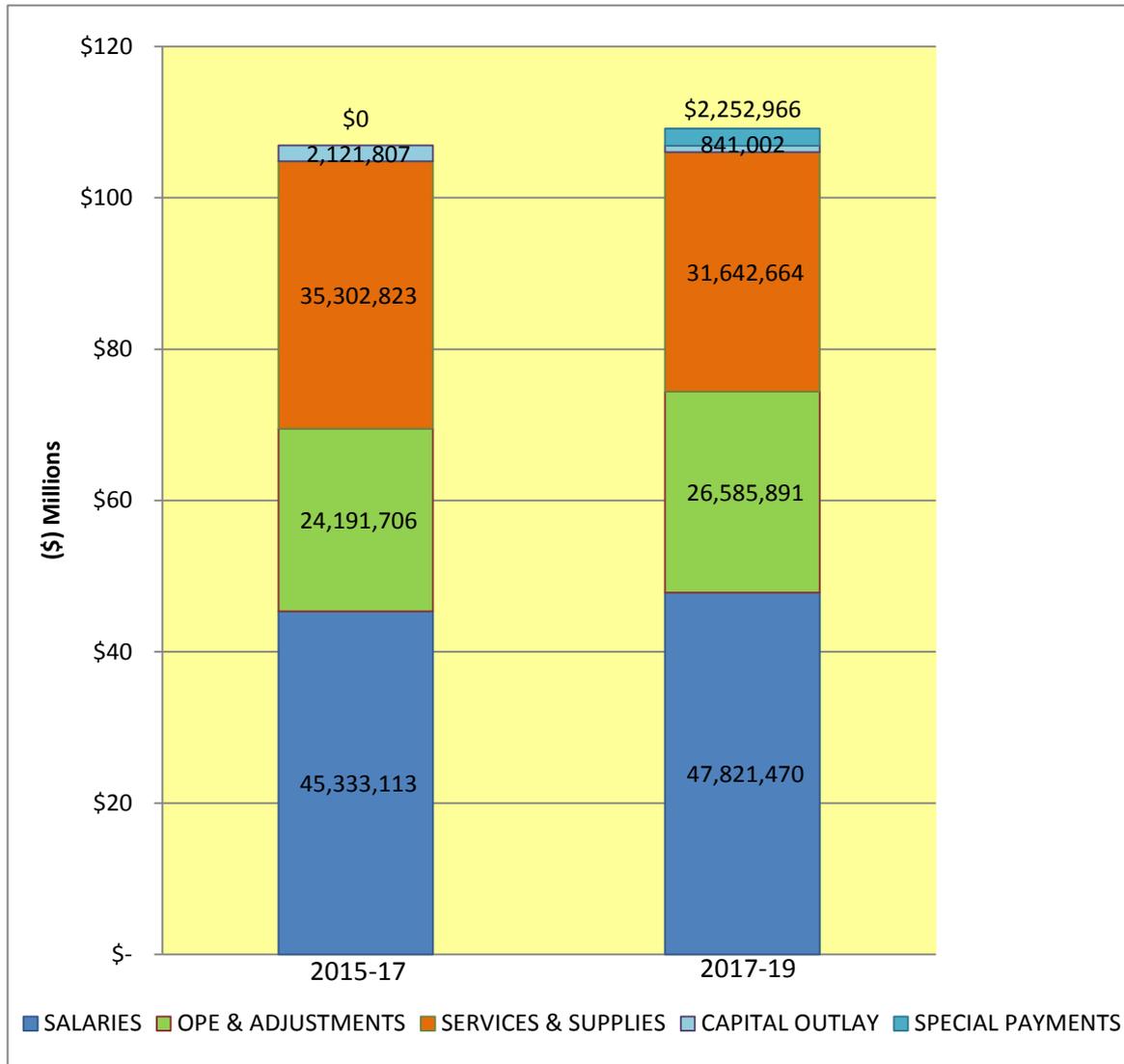
	2005-07	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 GB
<b>Limited:</b>							
Other Funds- Personal Svcs	46,953,972	50,682,707	52,751,494	56,744,618	64,362,688	69,524,819	74,407,361
Other Funds - Svcs/Supplies	30,384,327	29,620,738	29,916,870	21,660,024	21,009,989	35,302,823	31,642,664
Other Funds - Capital Outlay	1,033,494	947,701	593,588	927,588	1,478,453	2,121,807	841,002
Other Funds - Spc Payments							2,252,966
Other Funds	78,371,793	81,251,146	83,261,952	79,332,230	86,851,130	106,949,449	109,143,993
Other Funds Debt Srvc	5,720,950	5,709,200	1,423,075	1,418,600	1,302,850	1,290,750	
<b>Total</b>	<b>84,092,743</b>	<b>86,960,346</b>	<b>84,685,027</b>	<b>80,750,830</b>	<b>88,153,980</b>	<b>108,240,199</b>	<b>109,143,993</b>
Permanent Positions	264	294	327	332	362	374	372
Limited Positions	137	100	41	33	5	8	6
Total Positions	401	394	368	365	367	382	378
<b>Non-Limited:</b>							
Other Funds	5,646,765,074	6,286,947,122	6,781,885,664	7,434,035,699	9,277,875,000	9,723,458,062	10,993,982,999
Other Funds Debt Srvc				3,140,326			
<b>Total</b>	<b>5,646,765,074</b>	<b>6,286,947,122</b>	<b>6,781,885,664</b>	<b>7,437,176,025</b>	<b>9,277,875,000</b>	<b>9,723,458,062</b>	<b>10,993,982,999</b>
<b>Total Expenditures</b>	<b>5,730,857,817</b>	<b>6,373,907,468</b>	<b>6,866,570,691</b>	<b>7,517,926,855</b>	<b>9,366,028,980</b>	<b>9,831,698,261</b>	<b>11,103,126,992</b>
<b>% Limited Budget</b>	<b>1.47%</b>	<b>1.36%</b>	<b>1.23%</b>	<b>1.07%</b>	<b>0.94%</b>	<b>1.09%</b>	<b>0.98%</b>

# Budget Comparison: 2015-17 to 2017-19

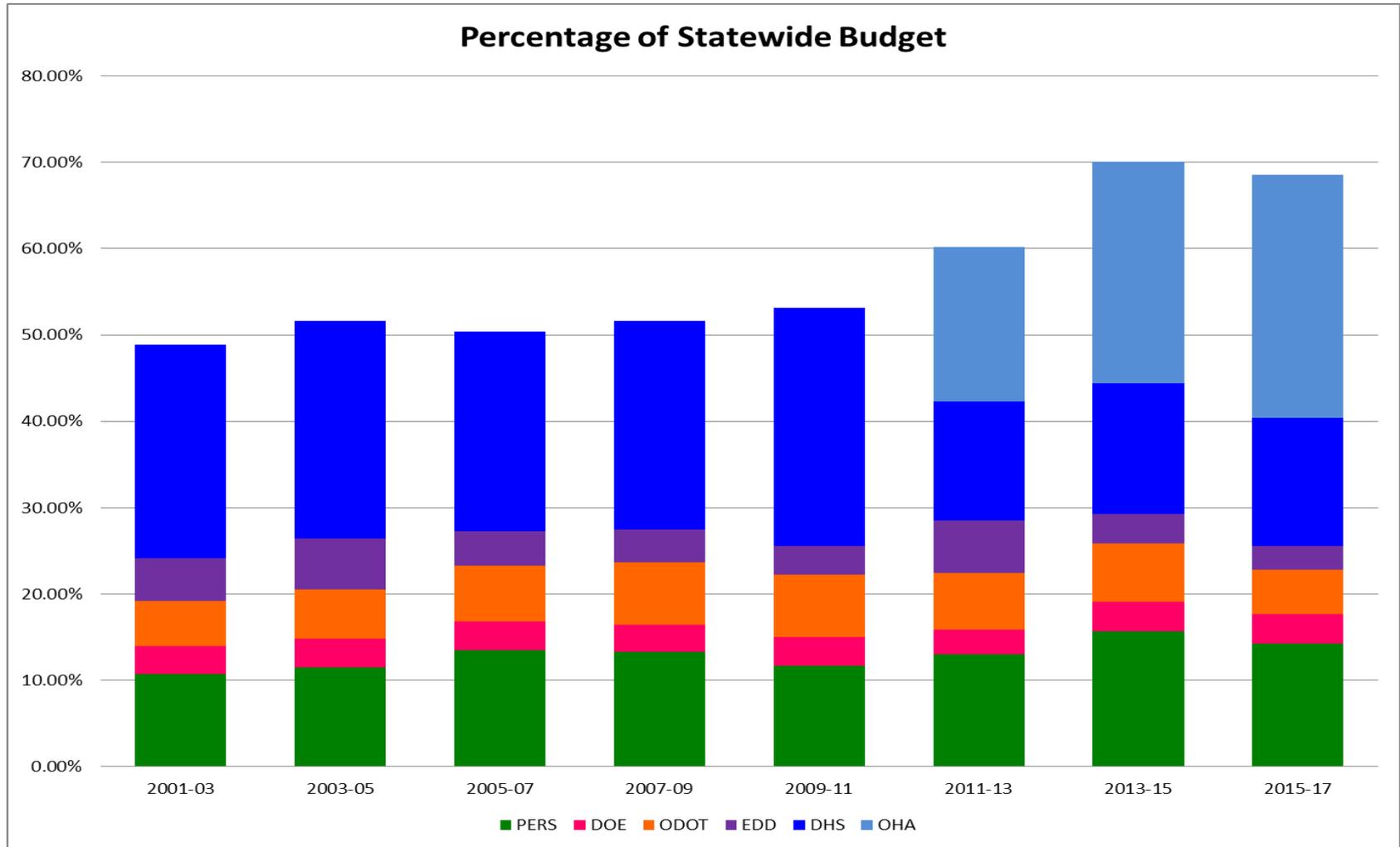
## PERS' 2017-19 budget

### increases:

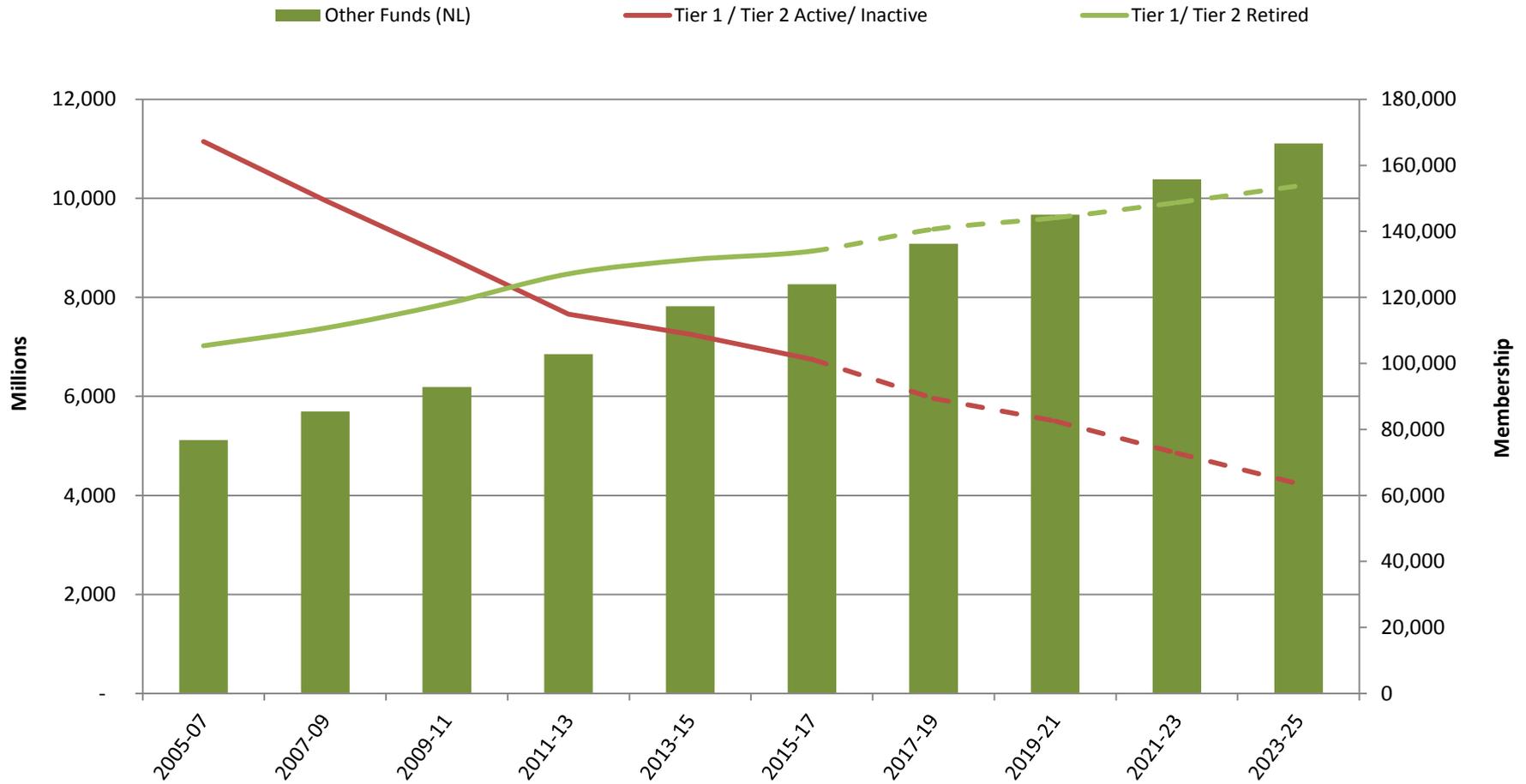
- Salaries: \$2,488,357
- Other Personnel Expenses and Adjustments: \$2,394,185
- Services & Supplies: (\$3,660,159)
- Capital Outlay: (\$1,280,805)
- Special Payments: \$2,252,966



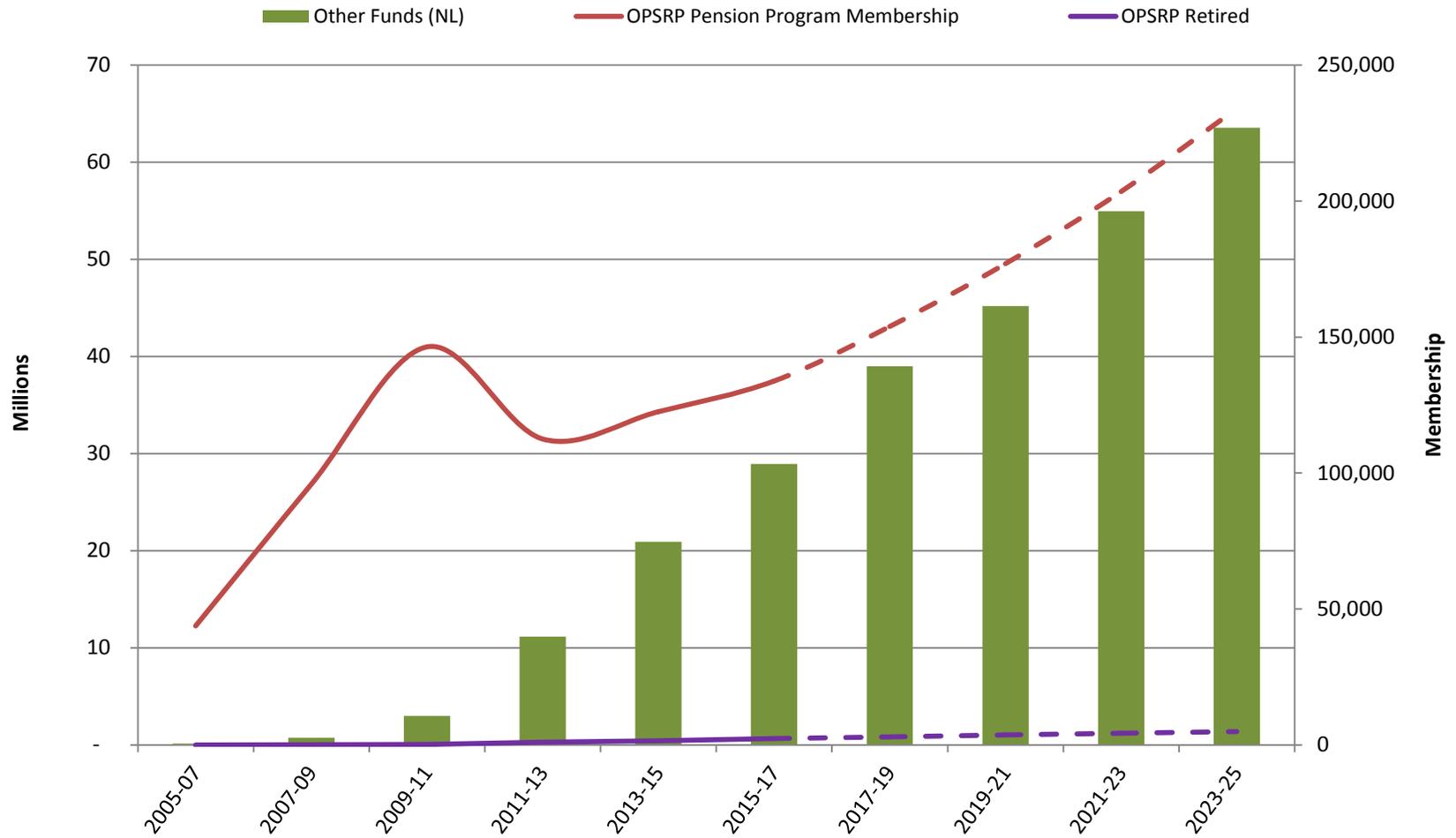
# Budget Comparison: PERS to Other State Agencies



# Tier One and Tier Two Program (Non-Limited Budget)



# Oregon Public Service Retirement Plan (Non-Limited Budget)

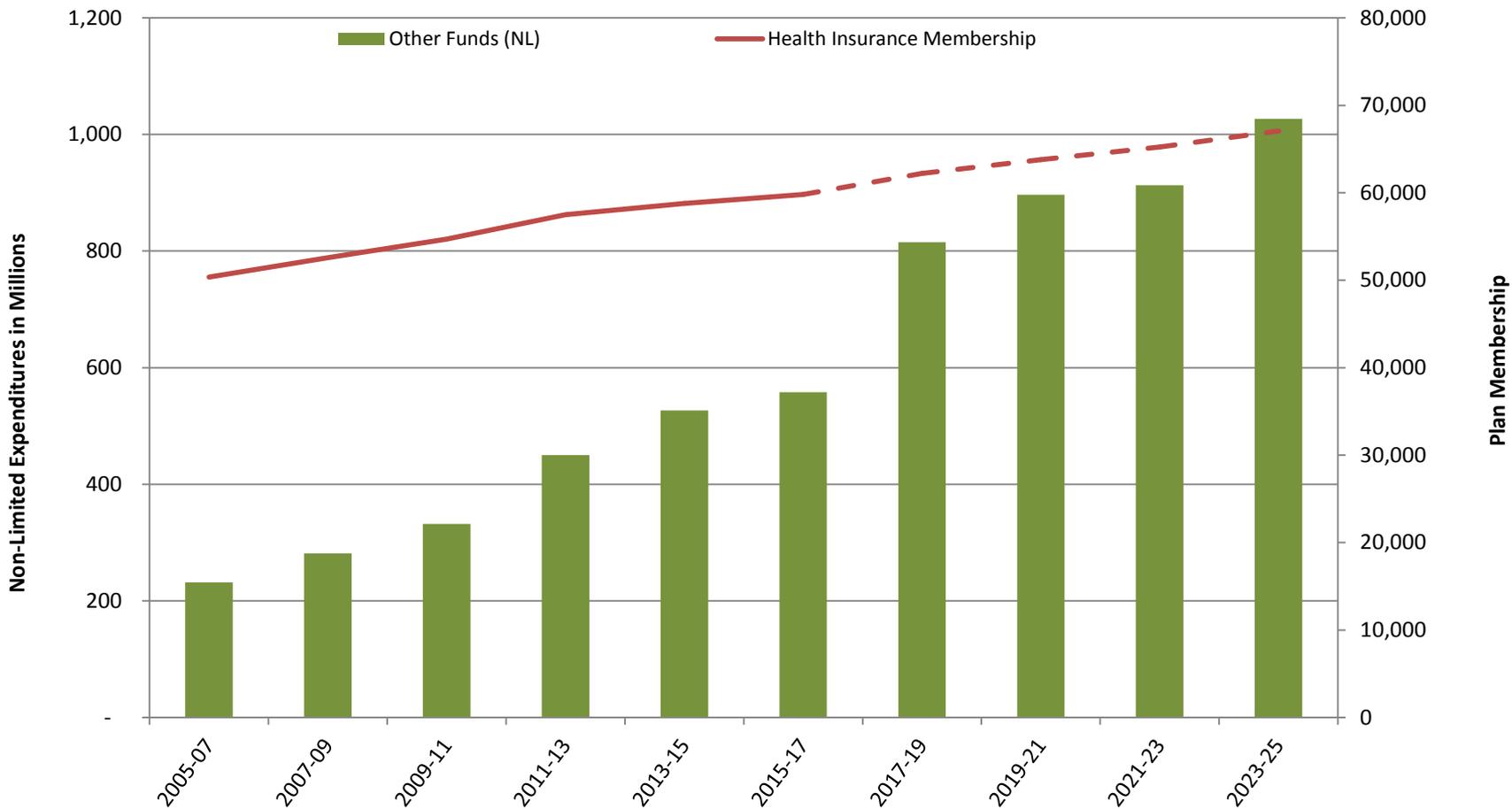


\*\*The decline in membership totals in the 11-13 biennium was due to a correction in reporting. Loss of Membership accounts had not been taken into consideration as this was not possible until 2009. These accounts were removed and membership count adjusted.

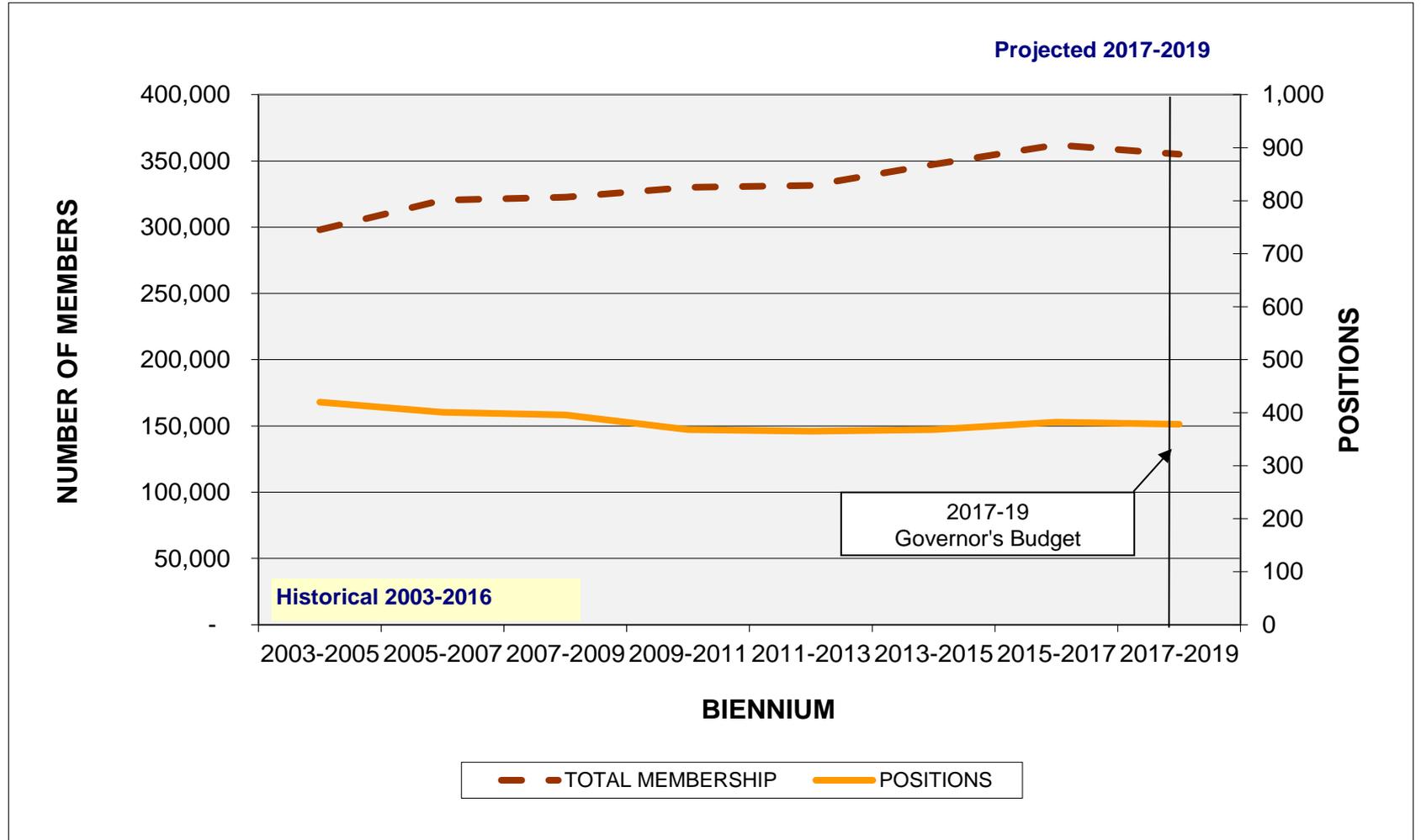
# Individual Account Program (Non-Limited Budget)



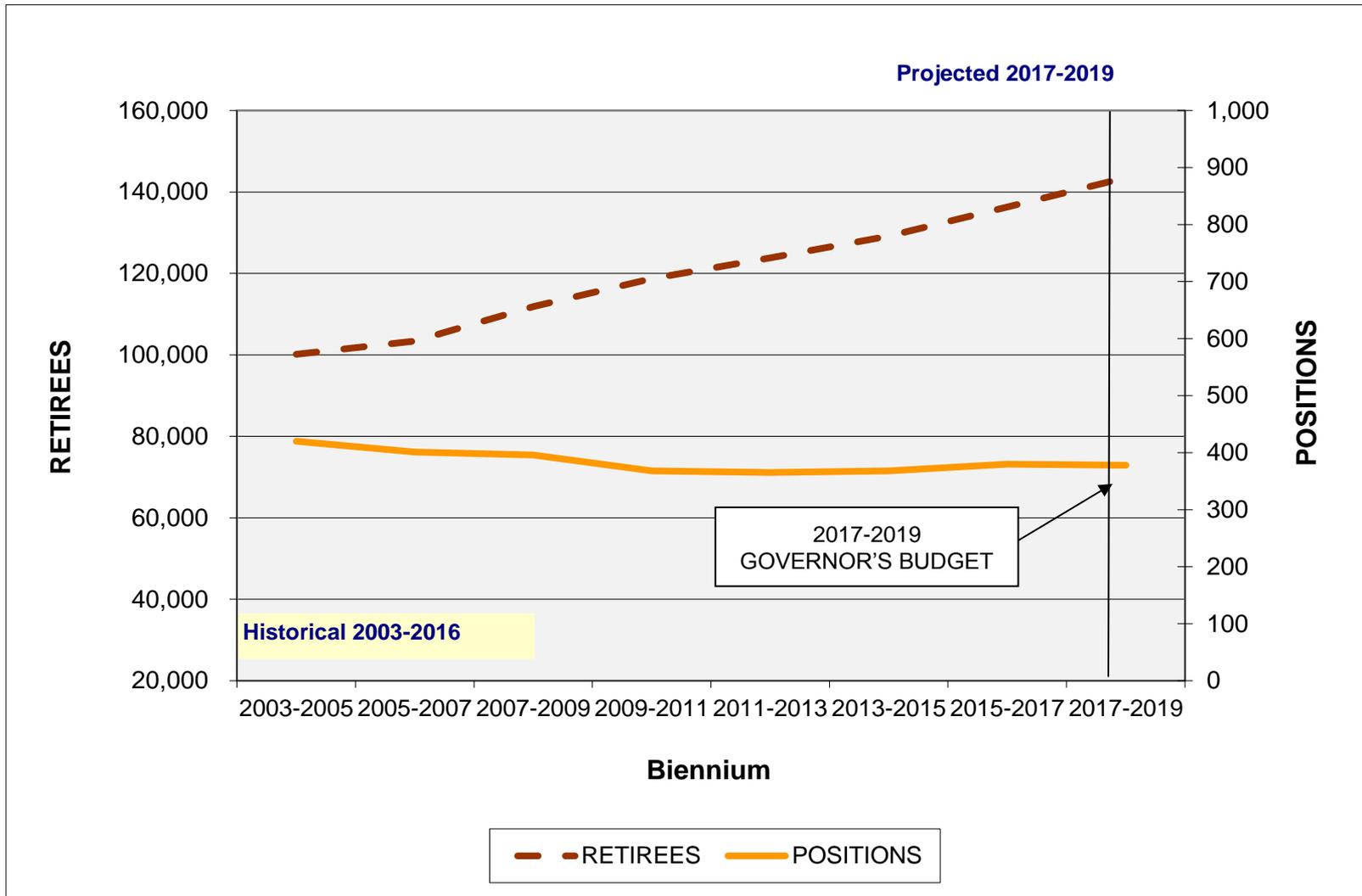
# Retirement Health Insurance Programs (Non-Limited Budget)



# PERS Positions and Total Membership

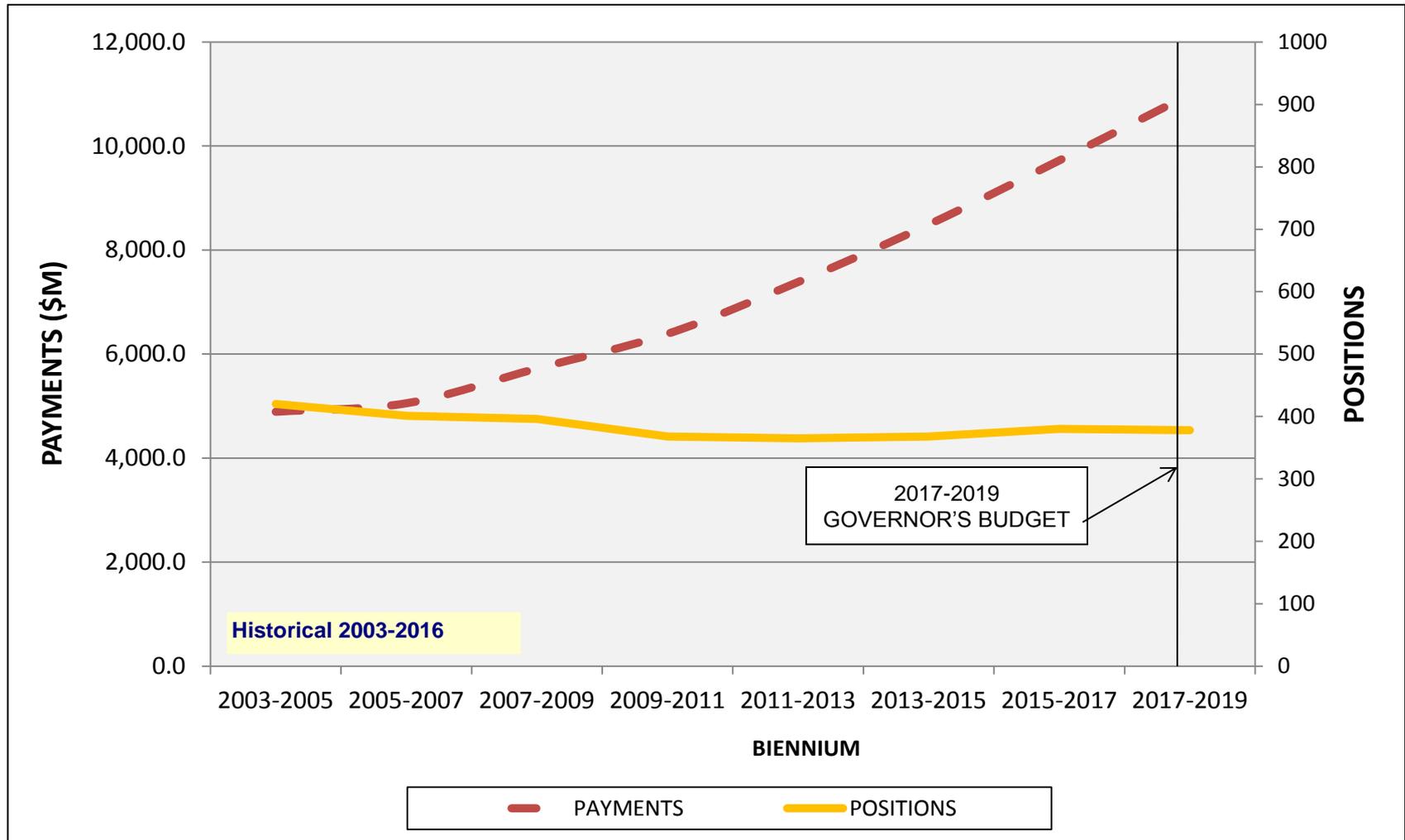


# PERS Positions and Retirees

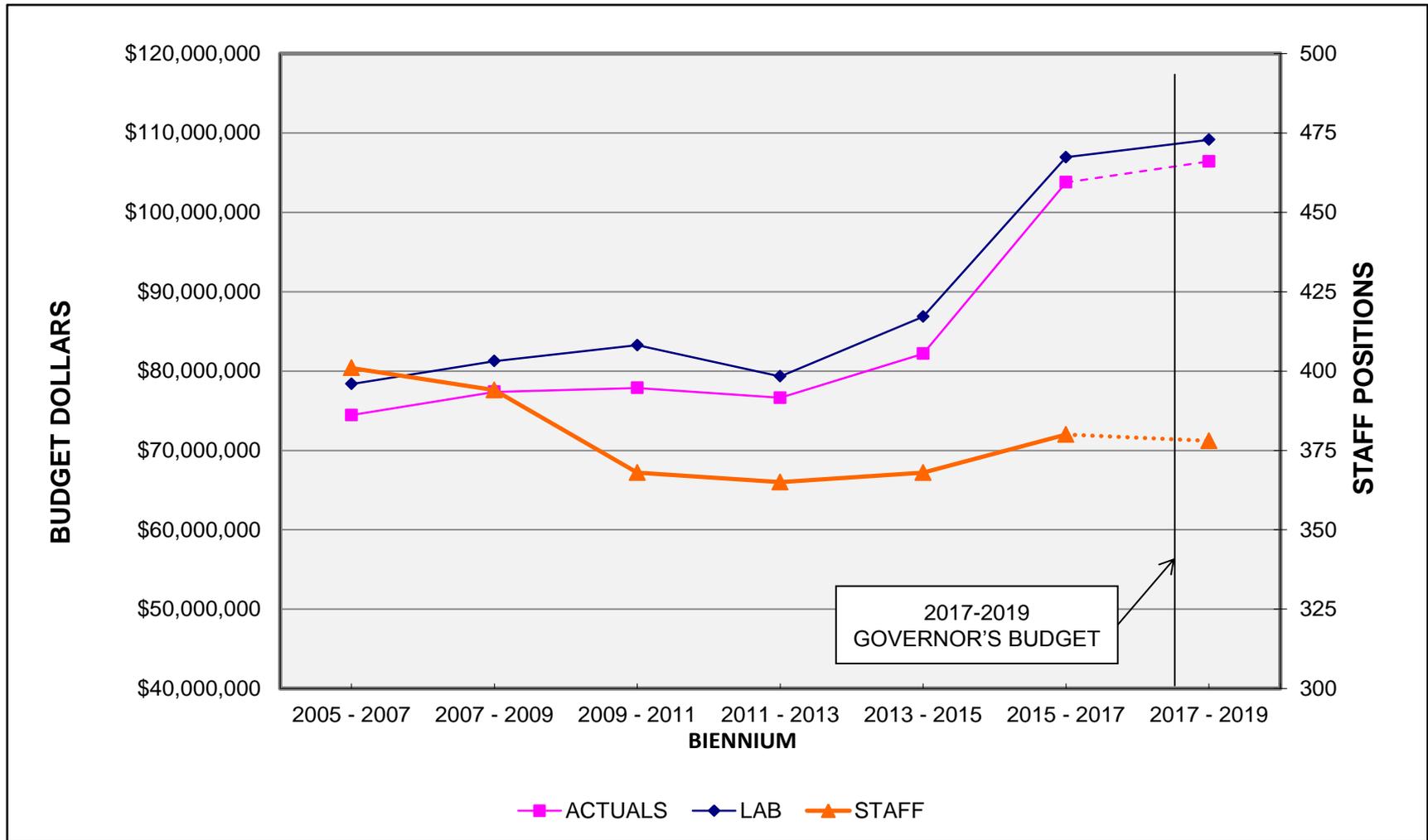


# PERS Positions and Benefit Payments

Projected 2017-2019



# 12-Year Operating Budget, Expenditure, and Staffing Trends



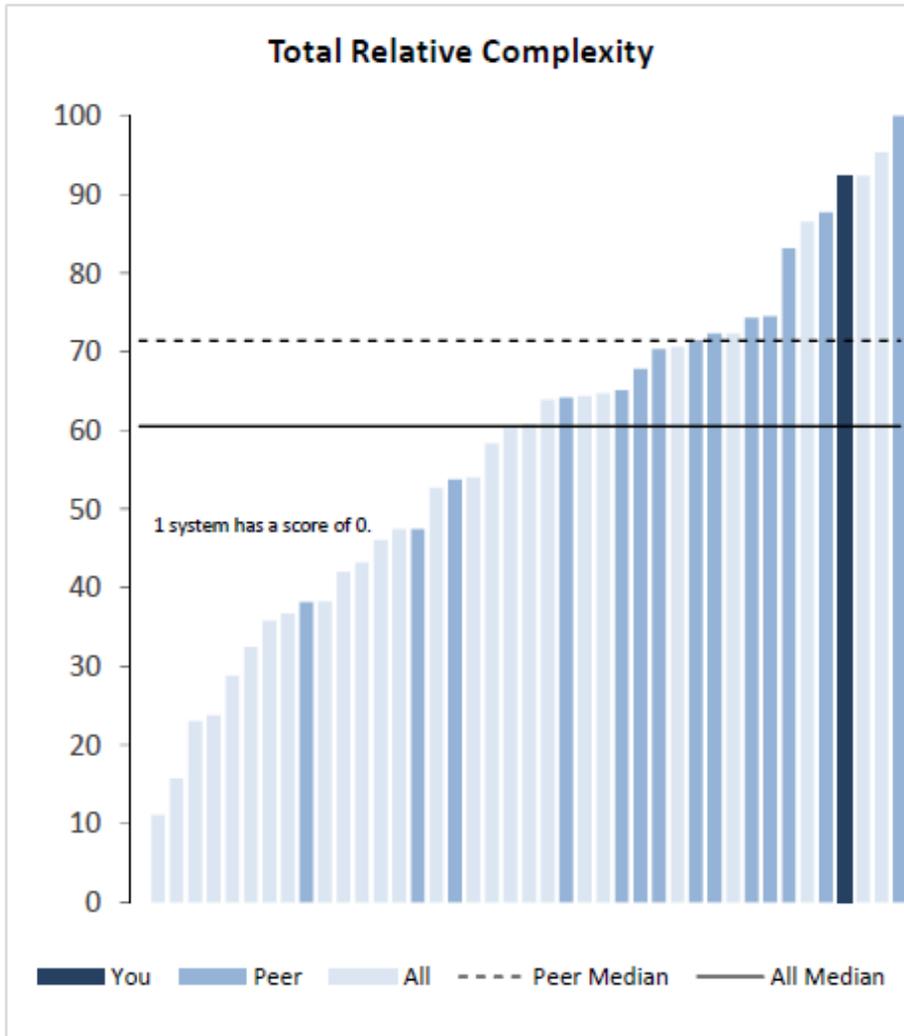
# Major Cost Drivers – PERS Compared to Peers\*

Reason	Impact
1. Economies of scale	\$0.08
2. Slightly higher transactions per member (workloads) <sup>1</sup>	\$1.04
3. Lower transactions per FTE (productivity) <sup>1</sup>	\$25.08
4. Lower costs per FTE for: salaries and benefits, building and utilities, HR and IT desktop	-\$14.41
5. Lower third-party and other costs in front-office activities	-\$3.70
6. Paying more/-less for back-office activities:	
- Governance and Financial Control	\$1.69
- Major Projects	\$0.55
- IT Strategy, Database, Applications (excl. major projects)	\$12.27
- Actuarial, Legal, Audit, Other Support Services	\$3.13
<b>Total</b>	<b>\$25.73</b>

<sup>1</sup> PERS administers four programs (Tier One, Tier Two, OPSRP Pension Program, IAP); we process two retirements per member and use up to three calculation methods to determine the benefit amount

\* Data from CEM, Inc. for FY 2015

# PERS' Total Relative Complexity\*



Parameter	Averages	
	PERS	Peers
Pension payment options	62	56
Customization choices	30	29
Multiple plan types & overlays	100	53
Multiple benefit formulas	51	39
External reciprocity	0	27
COLA rules	51	31
Contribution rates	75	56
Variable compensation	100	81
Service credit rules	61	58
Divorce rules	100	63
Purchase rules	80	66
Refund rules	31	51
Disability rules	94	77
Translation	20	13
Defined contribution plan rules	100	60
<b>Total relative complexity</b>	<b>92</b>	<b>71</b>

\* Data from CEM, Inc. for FY 2015

# Policy Packages Summary

**Policy Package 090: - Analyst Adjustments** – Based on Executive Order 16-13, two PERS permanent staff from the Information Services Division (ISD) were removed from our base budget to benefit Cybersecurity. The total removed was \$496,921.

**Policy Package 091: - Reduction of State Government Service Charges** – A total of \$422,825 was removed from PERS' current service level for state government service charges (SGSC) and DAS Price List charges.

**Policy Package 092: - Reduction in Attorney General fees** – Attorney General (AG) rates were adjusted from the published pricelist of \$198 per hour to \$185 per hour. The AG fees were reduced by \$80,047.

# Policy Packages Summary (continued)

**Policy Package 101: – Cybersecurity Program** – PERS requested \$2,252,966 Other Funds limitation to create a Cybersecurity program within PERS. In order to comply with Executive Order 16-13 Unifying Cybersecurity in Oregon, OSCIO will provide cybersecurity services; therefore this amount will be transferred to DAS.

In the event of a localized disaster, maintaining continuity of PERS is critical to successfully processing and paying pension benefits to PERS members.

While PERS maintains a cybersecurity program, it is fragmented, there is not enough focus on end-user awareness training, it lacks operational accountability, and is often viewed as an afterthought when developing or implementing new technologies.

Cybersecurity, therefore, is comprised of implementing suitable controls, including policies, procedures, organization structures, and software and hardware functions. These controls need to be established, implemented, monitored and improved, where necessary, to ensure that the specific security and business objectives of the agency are met.

# Policy Packages Summary (continued)

## **Policy Package 101: – Cybersecurity Program –**

The Cybersecurity Program enhances PERS Information Security Management System, which establishes an information risk assessment and treatment process, and the development of a formal Cybersecurity Organizational Structure.

In alignment with PERS strategic plan, PERS is seeking to create a cybersecurity team which, under the guidance of the PERS CISO and Information Security Board, will be responsible for developing, implementing, and managing the PERS Information Security program.

Finally, PERS Cybersecurity Program is in alignment with PERS' 2015-2020 Strategic Plan - Information Governance, Security, and Technology initiative. The Cybersecurity Program enhances PERS Information Security Management System, which establishes an information risk assessment and treatment process, and the development of a formal Cybersecurity Organizational Structure.

# Policy Packages Summary (continued)

**Policy Package 102: - Fully Integrating IAP Administration into the PERS ORION System (Phase III)** – PERS requested \$2,757,595 Other Funds limitation and the establishment of three new full-time limited duration positions (3.00 FTE) in the Information Services Division. This proposal completes the transfer to PERS of all aspects of the Individual Account Program (IAP) administration by December 15, 2018 and eliminates over \$2.2 million in annual costs for an outside third-party administrator (TPA). The split administration between PERS and the TPA creates fundamental, structural problems (handoffs between PERS and the TPA, redundant staff work, and constant reconciliation of records between the two systems) which lead to lengthy processing time and occasional errors.

PERS currently administers major components of the IAP, and this proposal leverages on the agency's current recordkeeping and payment processing systems to eliminate these inherent problems from splitting administration.

Eliminating the TPA will enhance PERS' ability to better execute its mission to “pay the right person the right benefit at the right time.”

# POP 102 – Phase III to Fully Integrate IAP into the ORION System

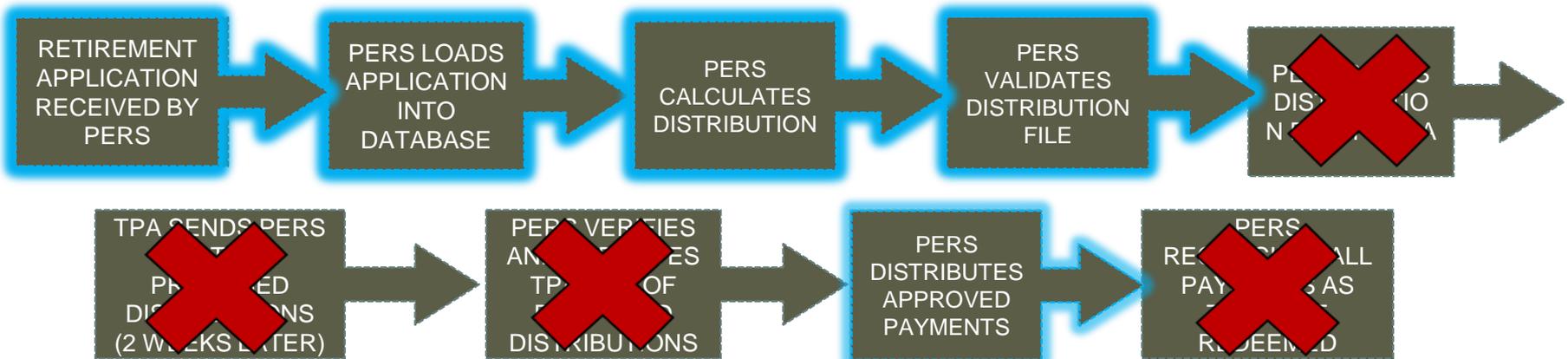
## Contribution Reporting Activities - Ongoing



## Earnings Activities - Annually



## Distribution Activities - Daily



# Bring IAP In-House – Status Report

This project is in Phase III, where we are developing the functionality necessary to administer all aspects of the Individual Account Program (IAP) by PERS and eliminate the use of an outside third-party administrator. Completion of Phase III is the subject of POP 102 in the agency's 2017-19 budget request.

- Phase I** (completed): Prototype proof of concept for an ESB solution
- Phase II** (completed): System architecture built; user interface designed; and system requirements documented
- Phase III** (to be completed): Construction of production solution; testing; deployment; and transition from TPA

\$1,914,399 Original POP Allocation

\$1,255,601 SB 5701 Allocation

\$3,170,000 IAP Phase III Dollars

(\$1,273,321) Actual Expenses (through 12/31/2016)

(\$1,896,679) Projected Expenses

\$ 0 Remaining Budget in 2015-17

# Policy Packages Summary (continued)

**Policy Package 103: – Business Modernization** – PERS requested \$6,401,007 Other Funds limitation in the Information Services Division to fund and support PERS Technology Modernization and a Pension Case Management Solution.

**Background:** Remember that member expectations drive PERS’ strategic goals. In the area of technology, note that OPSRP has more members than Tier One and Tier Two combined. Our 2015-2020 Strategic Plan aims to modernize and enhance our communications to better meet the needs of these younger members as we strive to engage them in career-long retirement planning.

## **Member engagement**

Members that make better-informed decisions throughout their careers are more likely to achieve a secure and successful retirement. To drive this outcome, PERS must:

- give members real-time, easy-to-use tools to check their work history, know if they are on track to retire, and understand their benefit options;
- offer access on the platforms and devices members use—not just Internet Explorer; and
- provide electronic forms and the ability to track the status of benefit applications.

## **Agile technology system**

Modernizing ORION to a service-oriented architecture extends the useful life of the network’s components and allows for incremental improvements rather than a more expensive “rip and replace.”

# Policy Packages Summary (continued)

## Policy Package 103: – Business Modernization –

### New functionality

ORION modernization will provide PERS the ability to:

- enhance our members' online experience through a variety of platforms and devices, such as smartphones;
- allow for full functionality for aspects of the OPSRP Pension Program, such as splitting benefits for divorced members;
- increase the accuracy and timeliness of benefits, calculations, and payments; and
- sustain and enhance system architecture and technologies to decrease time and labor spent on workarounds



### Better experiences

To modernize the technology platform, address functional inefficiencies, and sustain and evolve ORION for the next decade, PERS seeks approval for funding to increase the Information Services Division current service level budget by \$5,885,277, and provide a Pension Case Management Solution (\$515,731).

# Policy Packages Summary (continued)

**Policy Package 200: – Data Center Migration**– This package has been added by CFO and adds \$1,147,634 in Other Funds limitation to the Information Services Division. PERS has worked with the State Data Center to develop initial cost estimates necessary to design, plan, test and deploy a warm-site in the State Data Center. In the event of a localized disaster, maintaining continuity of PERS is critical to the successful processing and payment of pension benefits for PERS members. These funds will be transferred to DAS CIO for labor, build out, and licensing costs.

# **Appendix 1: Strategic Plan And Process Improvements, Supporting Documentation, And Required Reports**

# Appendix 1: Strategic Plan and Process Improvements, Supporting Documentation, and Required Reports

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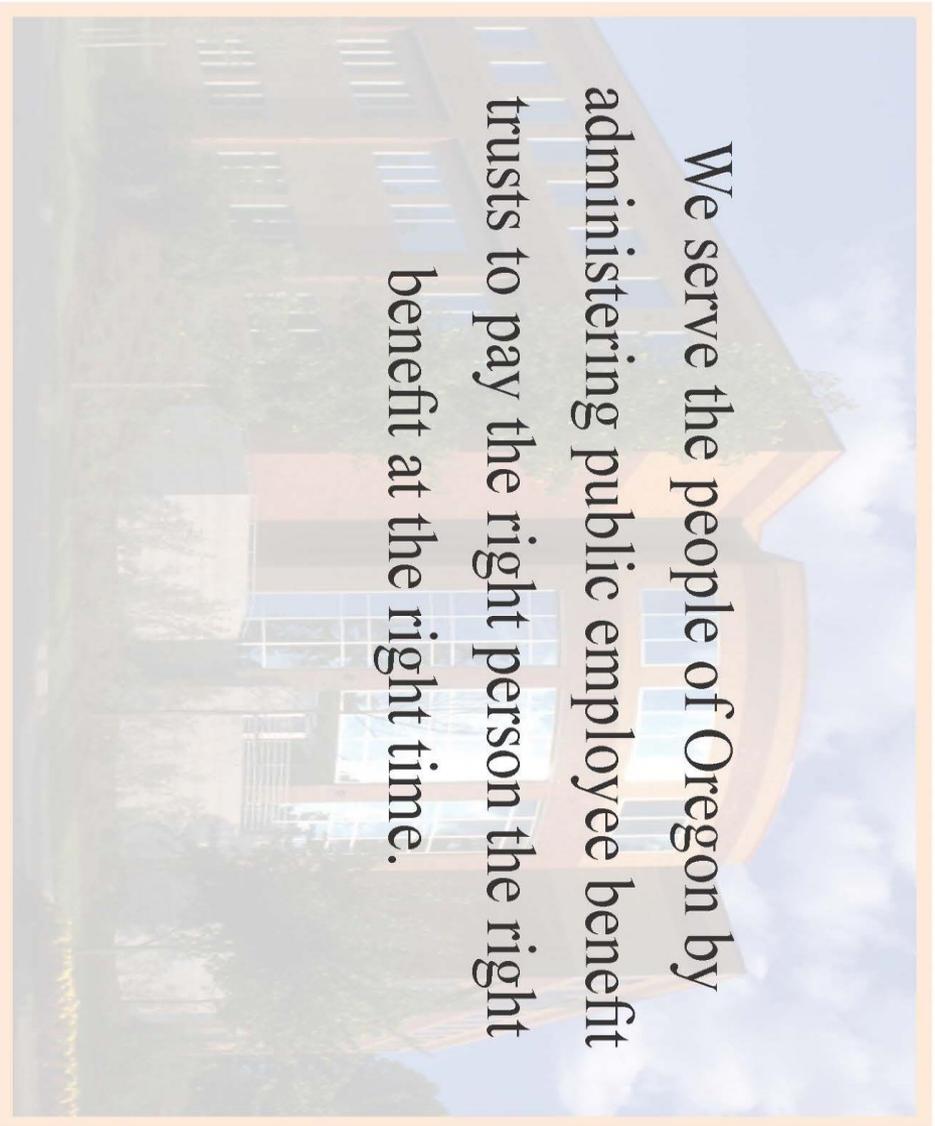
# Oregon Public Employees Retirement System



2015 - 2020  
Strategic Plan

## 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.

## Operating Principles

### Professional

We are responsive, respectful, and sensitive to the needs of our members, employers, and staff.

### Accurate

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

### Judicious

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

### Information Security

We are constantly vigilant to safeguard confidential information.

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# Introduction

PERS initiated a comprehensive, data-driven strategic planning effort over the latter half of 2014 that culminated in this strategic plan. The agency's last strategic planning occurred in 2009, with publication of PERS' Six-Year Strategic Outlook. PERS' executive team initiated strategic planning to develop a clear roadmap and support alignment on enterprise-level priorities and strategies that guide executive decisions, budget development, and resource allocation.

## Context

Strategic planning was also prompted by changes occurring within the organization that are germane to both the plan and planning process. To enhance efficiency and performance outcomes, PERS initiated an enterprise-wide effort to better align the organization's structure on a functional/process basis in 2012. This included:

- Adopting and integrating PERS' Outcome-Based Management System (POBMS).
- Developing the agency's Fundamentals Map, which documents core operating and supporting processes, goals, and measures.
- Clarifying PERS' mission statement, which was taken as given during strategic planning.
- Identifying the agency's core values and operating principles, as well as the four design principles regarding partnerships, communication, process and authority, and accountability, which served as the basis for the agency's re-structure and also informed the vision established in this strategic plan.

PERS was not only in the midst of a major re-organization during strategic planning, but the executive leadership team was also restructured as a result of the retirement of our executive director of 10 years and appointment of current Executive Director Steve Rodeman. The team's membership changed, and additional changes to the agency's functional divisions ensued, before this plan was finalized.

## Overview

This strategic plan looks to a five-year horizon and answers the questions: If we are exceptionally good at delivering on our mission, where will we be as an agency, what services will we provide to better support our members, and how will we get there? The four strategic priorities that constitute PERS' 2020 vision—organizational management and development, member services and communications, data reliability, and information technology—were not a big surprise to PERS executives. That said, the comprehensive review and vetting of data documenting organizational challenges and strengths, thoughtful consideration of stakeholder needs and perspectives, and the provocative and insightful conversations that ensued throughout the planning process laid a solid foundation for both clarity and commitment to the vision distilled in this plan's goals and objectives, as well as the strategies to achieve that vision.

The plan articulates ambitious goals to achieve by 2020, ultimately designed to enhance our service to members and to "pay the right person the right benefit at the right time." For each of our four strategic priorities, PERS identifies several areas of focus and specific, achievable goals and objectives related to these focus areas. The plan also links our objectives to the core outcome and process measures documented in PERS' map. PERS' strategies to achieve these goals and objectives leverage the resources we have to affect change—our people, process, and technology.

## From strategic planning to strategic plan implementation

Achieving the goals outlined in this strategic plan depends upon successful execution of the strategies identified, as well as regular monitoring our progress, and strategic decisions during plan implementation on how to further our progress. As such, this strategic plan is a living document, and we anticipate that changes may be necessary to achieve the goals we set forth.

PERS will use its existing strategic and operational planning function to prioritize and allocate resources for each of the strategies identified. Strategies will be executed with a variety of approaches, including problem solving, project management, breakthrough initiatives, and integration into core business practices. Specific performance metrics will be identified for tracking our progress as part of strategy initiation.

Some strategies depend on additional funding. We have submitted corresponding policy option packages with the 2015-17 agency budget request, and will use these strategic priorities to frame our budget request for subsequent biennia, until our next strategic plan.

# Organizational Management and Development

## Introduction

This strategic priority includes goals related to three organizational management and development focus areas: workforce development, organizational communications, and PERS' Outcome-Based Management System (POBMS).

PERS' success in delivering upon our mission depends on having a highly-skilled workforce supported by leadership that sets clear policies, procedures, and performance expectations. The plan's workforce development goals and strategies recognize that this can only be achieved by continued investment in the development, implementation, and performance management of workforce and leadership best practices.

Enhancing organizational communications is also priority for PERS. Access to timely, accurate, and relevant internal information helps ensure that we, as an agency, communicate effectively with our members, employers, and stakeholders. This priority was identified by staff in PERS' employee engagement survey. Survey results indicate many staff would like greater transparency and different content regarding information relevant to their jobs; staff also noted the desire for more information on decisions and policies that could affect them.

The third focus area relates to the work of fully-integrating POBMS. The agency initiated POBMS in 2012 to improve operations and processes by engaging employees through an outcome-based approach, allowing those closest to the work to drive the improvement. Completing the integration and normalization of POBMS is important to continuing to improve performance outcomes. Employees support and benefit from POBMS because it provides a clear line of sight and a transparent approach to connect to the agency's goals and objectives and staff's role in meeting them.

## 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.**

#### Strategies

1. Identify the desired workforce competencies and the obstacles to achieving workforce excellence.
2. Develop a change management plan to ensure communication of the defined workforce competencies and associated measures.
3. Create an action plan to drive measurable adoption of these competencies.

#### Related measure

SP 5: Managing and Developing the Workforce

# Organizational Management and Development

## Objective 2

Develop and implement hiring, training, and performance management practices that support a culture of workforce and leadership excellence.

### Strategies

1. Use defined competencies for workforce excellence and leadership from Objective #1 to assess current hiring, training, and performance management practices.
2. Create standards of practice for effective hiring, training, and performance management.
3. Reinforce the use of these management practices throughout the agency through consistent review, feedback, and development.

### Related measures

OM2: Employee Engagement

OM3: Operating Effectiveness

SP1: Communicating Internally and Externally

SP5: Managing and Developing the Workforce

SP6: Strategic and Operational Planning

# Organizational Management and Development

Focus Area: Organizational Communication

## Goal

Foster and enhance transparency, relevancy, and employee satisfaction with intra-agency communications.

## Objective 1

Survey and analyze internal communication deficits from the employees' perspective.

### Strategies

1. Survey staff on internal communication to determine what information staff want and need to know and how they prefer to receive this information to support engagement and improve workplace performance.
2. Interview focus groups across the agency to understand communication needs (needs could vary depending on the division and positions).
3. Analyze perceived communication deficits and determine specific tools/ways to communicate more effectively.

### Related measures

OM1: Clear, Concise Communication

OM2: Employee Engagement

SP1: Communicating Internally and Externally

SP5: Managing and Developing the Workforce

## Objective 2

Develop and implement an internal communication strategy to improve employee satisfaction.

### Strategy

1. Leverage communication tools and content development methodologies to improve communication to meet the needs identified in Objective #1.

### Related measures

OM1: Clear, Concise Communication

OM2: Employee Engagement

SP1: Communicating Internally and Externally

SP5: Managing and Developing the Workforce

# Organizational Management and Development

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 strategy decisions.

### Strategies

1. Communicate the consistent expectation and value of POBMS and scorecard development for all staff.
2. Train the remaining staff in measures development and POBMS.
3. Complete scorecard development for divisions that do not have them at the team level.

### Related measure

SP6: Strategic and Operational Planning

## Objective 2

Normalize POBMS-related methods throughout the agency.

### Strategies

1. Build a structure to support all POBMS components such as the fundamentals map; agency, division, and team scorecards; and problem-solving and breakthrough methodology.
2. Build a structure to support using the problem-solving methodology from initiation through implementation.
3. Ensure a structure is in place to support initiation and implementation of breakthroughs and alignment with the strategic plan and priorities.

### Related measure

SP6: Strategic and Operational Planning

# Member Services and Communications

## Introduction

PERS administers public employee benefit trusts to provide retirement benefits and services to our members. In fact, all of PERS' strategic priorities ultimately support our ability to provide the services needed by members and to ensure we "pay the right person, the right benefit, at the right time." As a strategic priority, enhancing member services and communications addresses two focus areas: member relations, and quality delivery methods.

For the last decade, PERS' member education and outreach has focused primarily on those who are within two years of their effective retirement date. This just-in-time focus does not provide members with a full understanding of the need to financially prepare for retirement over their entire career. PERS recognizes that providing members with useful tools, resources, and education earlier, and throughout their careers, will better support our goal of having engaged and educated stakeholders. A key component of this education will be the need for members to augment their PERS retirement with other means, such as deferred compensation and personal savings.

Engaging and supporting our members in making informed retirement decisions engenders a broader role for PERS as a retirement education and planning resource. To be that resource, we must support members by providing the information and easy-to-use tools to track their retirement benefits. Our current tool set needs to be more accessible and include a broader array of relevant content: not only account and benefit information, but transaction status tracking. This is what our goals under quality delivery methods aim to accomplish.

## 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.**

#### Strategies

1. Identify profiles, life events, and career stages and create tailored information, resources, and tools for each profile, event, or stage.
2. Engage with, and provide relevant information to, members at known events or career stages.
3. Leverage member annual statements to vet and verify account data.

#### Related measures

OM1: Clear/Concise Communication

OM7: Member Service Satisfaction

OM10: Informed Retirement Decisions

SP1: Communicating Internally and Externally

# Member Services and Communications

## Objective 2

Brand PERS as a retirement education and planning resource.

### Strategies

1. Create an identity that will personalize PERS, instill a sense of ownership (“My” PERS) among our members, and promote the agency as an accessible, comprehensive, and easy-to-use resource for retirement information, education, and tools.
2. Develop and execute a plan to connect members to their retirement plan through branding/ marketing and the use of multiple portals such as one-on-one/group contact, correspondence, phone, and social media.
3. Create a collaborative relationship mechanism with employers that uses retirement information, education, and tools.

### Related measures

OM1: Clear/Concise Communication

OM7: Member Service Satisfaction

OM10: Informed Retirement Decisions

SP1: Communicating Internally and Externally

# Member Services and Communications

## Focus Area: Quality Delivery Methods

### Goal

Improve members' on-line access to secure content and process status.

### Objective 1

Enhance Online Member Services (OMS) with E-forms for all member transactions as well as views into workflow progress.

#### Strategies

1. Collaborate with ISD to understand issues, budgets, technical debt, and timeframes necessary to improve OMS.
2. Develop, improve, and integrate workflows into OMS to provide greater visibility to processes and transactions, as they relate to members.
3. Enhance OMS functionality to allow more interactions and information for members.

#### Related measures

OM1: Clear, Concise Communication

OM7: Member Service Satisfaction

OM10: Informed Retirement Decisions

SP1: Communicating Internally and Externally

### Objective 2

Modernize PERS website to be compatible with mobile devices and integrate with social media.

#### Strategies

1. Integrate member feedback on what additional functionality would provide the greatest value to them and PERS.
2. Use the feedback to design enhancements that will be integrated as consistent with our Oregon Retirement Information Online Network (ORION) maintenance and enhancements prioritization process, as resources are available.
3. Leverage the new state-developed website template to modernize PERS' website.

#### Related measures

OM1: Clear, Concise Communication

OM7: Member Service Satisfaction

OM10: Informed Retirement Decisions

SP1: Communicating Internally and Externally

# Data Reliability

## Introduction

Data reliability is the cornerstone of PERS' mission to "pay the right person the right benefit at the right time." Good, reliable data is compromised by many factors: changes in determinations of service credit, contributions, and other key retirement data elements over a member's career; changes in employer reporting and recordkeeping systems as well as retroactive changes to member data by employers; and changes in technology. Further, PERS is a complex plan, with data terms that confound comprehension by members and employers alike. All of these factors result in data that may be incomplete, inconsistent, and even missing, which in turn erodes confidence and trust in PERS by our members, employers, and the public.

To improve data reliability PERS will take a three-pronged approach. First, we will engage members as the primary quality checkpoint for their data. They are in the best position to know whether their data is valid, accurate, and complete. We will support members in fulfilling this responsibility by providing the tools and information they need. We will target specific data elements for remediation and work with members and employers to correct the data of record.

PERS has made improvements in our online services to support members' ability to review their data in the hopes that data corrections would result. Before 2011, members' only access to their data was through annual statements, written estimates, and verbal conversations with PERS staff. PERS introduced Online Member Services (OMS) in 2011 to allow members to view their data: employment history, salary details, and service credit. However, we have found that members need education about the relevancy of this data and their role in ensuring the data is ready for PERS to process. We will prioritize and target data for remediation and develop an expanded set of tools for members to access information and review their data, including more online applications and access via mobile devices.

Second, to achieve data constancy, PERS will institute new procedures to lock member data on an annual basis. This is important as data inconsistencies that are not resolved until after the member has received a benefit can disrupt their plans and come at a time after the member has made a life-altering decision to retire. Retroactive data corrections can also present a significant financial burden to employers. Any problems with a member's data should be resolved before the transaction is final.

Our third focus area for improving data reliability relates to PERS' internal data management procedures. Having access to good, reliable data is important for PERS staff, too, and our current data management structure presents many challenges that result in data that is difficult to access or inconsistent. Data management practices that contribute to internal data inconsistencies include: different methodologies used to access data; data sources are not mapped; lacking common data definitions and business context descriptions; and the need for an integrated structure to leverage existing data expertise in the agency. PERS' central data management goals derive from the 2013 central data management breakthrough and implementation of the breakthrough plan. PERS has completed a comprehensive data information gathering and cataloging effort. We are currently in the development phase of data tool and data warehouse redesign projects and a restructuring of functions and staff with the formation of a Central Data Team. The objectives identified in this plan will support completion of the central data management structure and tools.

# Data Reliability

**Focus Area: Member Accountability**

## Goal

Establish members as the primary quality check-point on their data of record.

## Objective 1

Target specific data for remediation to allow members to more meaningfully review the content.

### Strategies

1. Identify those data elements that are or may be in a member's record that are inaccurate or most likely to be misunderstood, and develop an education plan to address those elements.
2. Prioritize remediation of the most critical data elements to resolve potential misunderstandings.

### Related measures

OP1: Managing Client Data and Services

OM10: Informed Retirement Decisions

## Objective 2

Educate members on the use and limitations of OMS legacy data.

### Strategies

1. Leverage our existing and to-be-developed communication tools to connect members to these data issues.
2. Execute a campaign to recruit members to review and confirm data issues as they engage in activities related to their accounts.

### Related measure

OM1: Clear, Concise Communication

# Data Reliability

**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.

### Strategies

1. Establish the requirement to lock member data at the close of each calendar year.
2. Resolve system reporting issues that may prevent employees from completing their calendar year reports.

### Related measure

OP1: Managing Client Data and Services

## Objective 2

Lock legacy data after allowing employers to review and correct prior records.

### Strategy

1. Create a staging plan to close access for employers to change currently submitted data of record over time, based on priority demographic groups and managing the volume of work required.

### Related measure

OP1: Managing Client Data and Services

# Data Reliability

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.

### Strategies

1. Create a data dictionary to lay the foundation for the technical framework of the data.
2. Map data on end users' screens to where it is stored and derived.
3. Redesign the data warehouse to make query process more efficient and less complex.

### Related measure

OPI: Managing Client Data Services

## Objective 2

Provide staff a data reporting structure that allows the user to derive and customize data reports.

### Strategies

1. Create a user-friendly data tool for end users to request and create customizable reports.
2. Create a glossary of business terms to define various contextual uses of data terms.
3. Form the Central Data Team to establish a central structure for data delivery.

### Related measure

SPI: Communicating Internally and Externally

# Information Governance, Security, and Technology

## Introduction

PERS' information technology (IT) system provides the foundational data and information management necessary to "pay the right person the right benefit at the right time." Our primary IT system is the Oregon Retirement Information Online Network (ORION). ORION needs to be continuously maintained and enhanced to provide necessary business functionality due to changes initiated both internally and by outside stakeholders. PERS' controls over the change management process are not optimal, which impacts efficiency and responsiveness in meeting business needs.

The 2014 IT Change Management Audit reported opportunities to increase efficiency and effectiveness in several areas, including the need for an IT management framework. Development of an IT Governance and Management Model is our first area of focus. This management framework will enable PERS to:

- Define and document IT processes and implement services that meet the agency's IT-related goals.
- Document policies, standards, guide lines, procedures, and service level agreements.
- Define roles, responsibilities, and organizational structures.
- Align IT Governance Standards under Information Governance Policies and Processes

Instituting an agile technology system is our second focus area for improving IT efficiency and responsiveness. This includes evolving the IT system development life cycle (SDLC) methodology to be scalable and investing in ORION so the network is sustainable, maintainable, and more easily enhanced. The primary ORION application, jClarety, was designed over 20 years ago and has a fair amount of technical debt, unavoidably inherited upon implementation. This technical debt impacts PERS' ability to resolve processing errors, inaccurate data, removal of obsolete code and other tasks essential to delivering accurate and timely retirement benefits to our members.

The third IT focus area is information security, which encompasses two goals. The first is the development and implementation of an Information Security Management system or program, to meet the requirements of the Agency's Information Security Plan. The second is the development and implementation of an infrastructure, which will provide business continuity of the critical ORION systems necessary to minimize the impact of any localized disaster on our members, employers, and staff.

# Information Governance, Security, and Technology

## Focus Area: IT Governance and Management Model

### Goal

Implement improved Information Technology (IT) governance and management to clarify accountability and authority.

### Objective 1

Revise the current IT Governance and Management framework to better align with industry standards.

#### Strategies

1. Develop a plan for implementing the IT management framework ITIL (Information Technology Infrastructure Library) and for implementing related components of the COBIT IT governance framework.
2. Implement the IT governance and management frameworks.

#### Related measure

SP3 Leveraging technology

### Objective 2

Better define and document the inter-relationships between business operations, computer applications, system hardware, and other domains to provide more reliable and accessible information about PERS technology for decision making.

#### Strategies

1. Select a framework for defining and documenting PERS Enterprise Architecture.
2. Develop a plan to use the framework.

#### Related measures

N/A

### Objective 3

Establish Information Governance Standards and Best Practices that support management of information assets at the enterprise level.

#### Strategies

1. Adopt CGOC (Compliance, Governance & Oversight Council) and AITM (Association of Information & Imaging Management) standards and best practices as the guides for building an enterprise Framework for Information Governance Activities.
2. Align IT Governance Standards as a component of Information Governance Policies and Procedures.

#### Related measures

SP3 Leveraging technology

# Information Governance, Security, and Technology

Focus Area: Agile Technology System

## Goal

Improve IT efficiency and responsiveness to business operational changes.

## Objective 1

Resolve missing functionality and key technical debt issues that are affecting ORION's administration, performance, maintainability, and sustainability.

### Strategies

1. Research and define capabilities that allow business to make appropriate changes that do not require IT development resources.
2. Analyze and implement missing functionality that replaces manual workarounds in business operations.

### Related measure

SP3: Leveraging Technology

## Objective 2

Adopt a scalable system development life cycle (SDLC) methodology to align with the risk and complexity of operational requirements.

### Strategies

1. Define and follow SDLC methodologies appropriate to the scope and scale of projects.
2. Implement IAP administration using a flexible architecture.

### Related measure

SP3: Leveraging Technology

# Information Governance, Security, and Technology

**Focus Area: Information Security**

## **Goal**

**Establish and implement an Information Security Management System in accordance with PERS Information Security Plan.**

## **Objective 1**

**Establish an information risk assessment process.**

### **Strategies**

1. Establish and maintain information security risk criteria.
2. Develop a process to identify, analyze and evaluate information security risks.

### **Related measure**

SP3: Leveraging Technology – Ensuring system security

## **Objective 2**

**Establish an information security risk treatment process.**

### **Strategies**

1. Establish a process to select the appropriate Information Security risk treatment options.
2. Develop a process to determine, compare, approve and implement necessary controls

### **Related measures**

SP3: Leveraging Technology – Ensuring system security

## **Objective 3**

**Develop and Establish an Information Security Organizational Structure.**

### **Strategies**

1. Determine the resources necessary for the establishment, implementation, maintenance and continual improvement of the Information Security Management System.
2. Establish and maintain an Information Security Management System

### **Related measures**

SP3: Leveraging Technology – Ensuring system security

# Information Governance, Security, and Technology

Focus Area: Disaster Recovery

## Goal

Provide operational infrastructure that restores critical business services in the event of a localized disaster.

### Objective 1

Define the technology infrastructure that is at risk in the event of a localized disaster and execute a strategy to restore that infrastructure.

#### Strategies

1. Identify the critical management systems and supporting infrastructure necessary to meet the agency's business continuity requirements.
2. Develop a strategy to enable single sign-on functionality for the critical management systems.
3. Design and implement a virtual desktop infrastructure to support the agency's remote access requirements.

#### Related measure

SP3: Leveraging Technology - System Availability

### Objective 2

Update the agency's Business Continuity Plan to align with disaster recovery strategies and infrastructure.

#### Strategies

1. Develop a strategy for deploying a back-up recovery site ("warm site") that would be used to provide access to core business systems and infrastructure.
2. Execute a complete and full disaster recovery test.

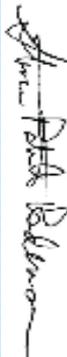
#### Related measures

N/A

## Acknowledgements

While this strategic plan was established by PERS' executive team, many staff contributed to the effort. PERS' executive team recognizes and thanks the following staff who contributed their time and thinking to this plan and the planning process:

Karen Terry (facilitator)	Laurel Galego	Shane Perry
Robert Adams	Patty Hahn	Beth Porter
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Jeff Cunningham	John Lockwood	Debra Steiner
Sue Davis	Dale Lucht	Margorie Taylor
Jim Duckering	Karen Norman	Joli Whitney
Mary Dunn	Sam Paris	

Steve Rodeman   
(signature)

Jordan Masanga   
(signature)

Yvette Elledge   
(signature)

Brian Harrington   
(signature)

Kyle Knoll   
(signature)

# Program Priorities Summary

## **#1: Retirement, Death, and Disability Program**

PERS administers a single, integrated system of retirement, death, and disability benefit programs for public employees throughout Oregon. Business processes, service delivery, and support functions are integrated across the agency's divisions and third-party administrators.

## **#2: PERS Retiree Health Insurance Program**

Provides health care insurance protection to eligible members, including a Medicare health insurance supplement. Business processes, service delivery, and support functions are integrated across the agency's divisions and third-party administrators.

## **#3: Deferred Compensation Program**

Provides a Section 457 deferred compensation plan (OSGP) for state and local government participants to supplement retirement savings.

# Program Priorities Summary (continued)

## **#4: Social Security Coverage Program**

Federally mandated program to assist public employers who join the federal Social Security Old Age and Survivorship Program. The state is required to maintain a single point-of-contact for the program; PERS serves as that contact.

## **#5: Debt Service Program**

PERS' debt service is for repayment of costs to build the PERS headquarters building in Tigard. Construction was completed in 1997 at a total cost of \$8.3 million. The principle payment of \$1,200,000 and interest payment of \$90,750 are scheduled for 2015-17; the debt service will be paid off by May 2017.

# 2016 Key Performance Measures (KPMs)

- Key performance measures (KPMs) used to gauge PERS' progress historically and with public retirement system peer group
- KPM results are used to formulate strategic and tactical plans which are, in turn, used to develop the agency's biennial budget
- KPMs and internal performance measures help guide longer-term management and agency restructuring
- CEM Benchmarking (a third-party consultant) provides analysis and peer comparisons, including activity cost, customer service, workload volume, relative complexity, and best practices
- The agency then determines and prioritizes workload processing changes and customer service enhancements

# 2016 Key Performance Measures (KPMs)

KPM	Status and Comments
<p>1. Timely retirement payments (percentage of initial service retirements paid within 45 days of retirement date) Target: 80%</p>	<p><b>Decrease:</b> During FY2016, PERS issued 60% of its pension benefit inceptions within 45 days of the member’s effective retirement date, down from the 74% performance rate in FY2015. This year’s decrease in performance was impacted by staff turnover and available staffing resources in the units involved in the pension inception process.</p>
<p>2. Total benefit administration costs (benefit administration cost per member) Target: \$140</p>	<p><b>Cost increase:</b> For FY2016, PERS’ cost per member is \$150, up from \$133 in FY2015. FY2016 total attributable administrative costs (non-inflation adjusted) are up by over \$7 million from FY2015. A large portion of this increase is due to significantly higher State Government Service charges.</p>

# 2016 Key Performance Measures (KPMs)

KPM	Status and Comments
<p>3. PERS member-to-staff ratio Target: 995:1</p>	<p><b>Decrease:</b> PERS' member to staff ratio decreased to 977:1 in FY2016, down from 991:1 in FY2015. The staffing for FY16 increased by 12 FTE from FY15 levels, and the membership levels are up by 2% this year.</p>
<p>4. Accurate benefit calculations (percentage of monthly benefits calculated to within \$5) Target: 100%</p>	<p><b>Approaching target:</b> In FY2016, initial service retirement benefit calculations were accurate to within \$5 per month 95% of the time, up from 94% in FY2015. Three errors in calculated monthly benefits were uncovered during the annual random audit of 60 sample calculations.</p>
<p>5. Percent of state employees participating in the deferred compensation program (OSGP) Target: 38%</p>	<p><b>Increase:</b> State government employee participation in OSGP increased to 39% in FY2016, up from 36% in FY2015. OSGP continues to enhance efforts to educate and remind existing and new employees of the benefits of participating in the program.</p>

# 2016 Key Performance Measures (KPMs)

KPM	Status and Comments
<p>6. Percent of customers rating the agency’s customer service as “good” or “excellent”</p> <p>Target: 95%</p>	<p><b>Maintained:</b> 92% of members and retirees rated PERS customer service “good” or “excellent” overall in the 2016 customer satisfaction survey, matching 2015. This level has been consistently maintained since 2014.</p>
<p>7. Timely benefit estimates (percent of benefit estimates processed within 30 days of request)</p> <p>Target: 95%</p>	<p><b>Decrease:</b> For FY2016, PERS provided member benefit estimates within 30 days 56% of the time, down from 94% in FY2015. This is mainly due to staffing constraints as compared to the previous year.</p>
<p>8. Percent of best practices met by Board of Directors</p> <p>Target: 100%</p>	<p><b>Target met:</b> 100% of the 15 best practices criteria were met in the 2013-15 biennium, which is consistent with the previous two biennia. The 2015-17 assessment will be conducted within the current fiscal year.</p>

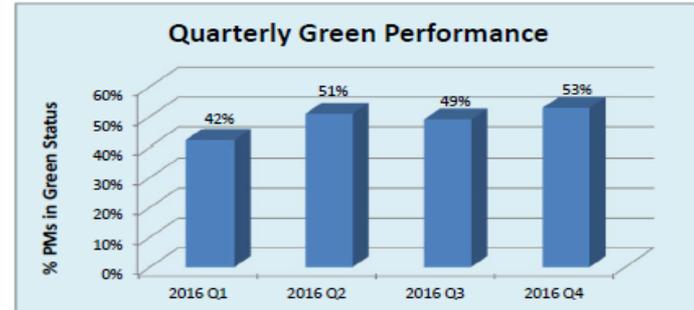
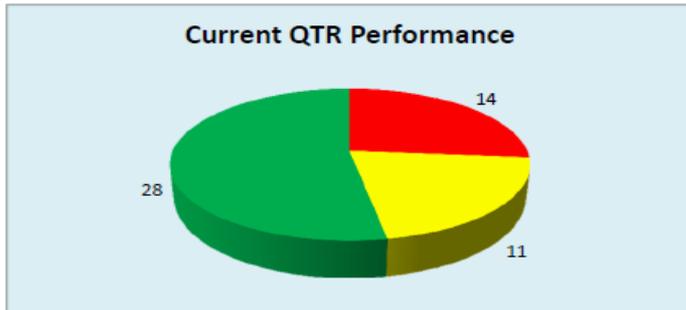
**PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**Quarterly Target Review**

**PROCESS MEASURES: Consolidated Summary**

**QTR : 2016 Q4 - Quarter ended December 31, 2016**

**Total Process Measures: 57**

**Total Active Process Measures: 53**



Measure Name	Measure Calculation	RANGE			Target	Desired Perform Trend	Data Collection Frequency	Data Source	Meas Owner	Last Status	Current Status	Trend	Corrective Action & Comments	
		Red	Yellow	Green										
<b>OP1 Managing Client Data and Services (Y. Elledge)</b>														
<b>Cost [or</b>														
OP1a	Employer reports	% reports received vs. expected	<85%	85-95	>95%	98%	↑	Monthly	Employer Svc Ctr	L. Galego	92%	94%	+	We have implemented personalized training for reporters who are struggling. We have also found that some employers were not reporting because they didn't have funds to pay the
<b>Quality</b>														
OP1c	% of Employer reports posted at 100%	Total number of ER reports posted at 100% divided by total number of ER reports expected	<75%	75-85	>85%	90%	↑	Monthly	Employer Svc Ctr	L. Galego	91%	73%	-	Due to staffing resources we haven't been able to prioritize due to year end.
<b>Time</b>														
OP1d	Member forms on time	Average number of days to process member forms	>3	2-3	<2	1	↓	Monthly	Service Level Report	D. Larsen	7.6	3.0	+	
OP1e	Employer reports on time	% of employer reports received within 3 business days of reporting cycle	<85%	85-95	>95%	98%	↑	Monthly	Employer Svc Ctr	L. Galego	85%	88%	+	Employers are working hard to get reports in due to year end.

	Measure Name	Measure Calculation	RANGE			Target	Desired Perform Trend	Data Collection Frequency	Data Source	Meas Owner	Last Status	Current Status	Trend	Corrective Action & Comments
			Red	Yellow	Green									
OP1f	Call Wait Time	Average length of wait before caller reaches live person	>6 minutes	6-4	<4 minutes	2 minutes	↓	Monthly	Cisco	J. Lockwood	4.6	4.0	+	Call Handling improved over the last quarter, slightly reducing wait time
OP1g	Correspondence response time	% of correspondence responded to within 10 days of receipt	<85%	85-95	>95%	100%	↑	Monthly	Service Level Report	J. Lockwood	98%	98%	=	
<b>OP2 Collecting Contributions (K. Knoll)</b>														
<b>Cost [or</b>														
OP2a	Employer payments	% of "credit employers" IAP invoices not paid within 5 business days of ER statement	>15%	5-15	<5%	0%	↓	Monthly	TBD	L. Galego	42%	40%	-	I am looking forward to BPM working to find the root cause on this issue.
<b>Quality</b>														
<b>Time</b>														
OP2d	Outstanding receivables report	# of employers with invoices outstanding more than 90 days	>46	10-46	<10	25	↓	Monthly	ER Receivables Aging Report	M. Smith	88	135	-	Events causing an upswing in employers with invoices > 91 days are an upswing in SSA invoices and chg in staff responsible for ER Collections reports.
OP2e	Purchases posted	% of member purchases posted within 14 days of receipt	<70%	70-80	>80%	90%	↑	Monthly	CSD Purchase Report	J. Cunningham	84%	88%	+	
<b>OP3 Assessing Benefit Eligibility (Y. Elledge)</b>														
<b>Cost [or</b>														
<b>Quality</b>														
OP3a	Appeals	% of appeals and contested cases that are upheld compared to total # of eligibility, disability and divorce appeals filed	<90%	90-95	>95%	100%	↑	Quarterly	PPLAD	S. Vaughn	75%	77%	+	13 decisions in the quarter; 3 reversed (1 disability; 2 eligibility)
<b>Time</b>														
OP3b	Disability and divorce determinations	% of disability and divorce determinations completed in 180 and 90 days respectively	<90%	90-95	>95%	100%	↑	Quarterly	jClarety	P. Ungern	97%	97%	+	Remains stable with adequate staffing and training: DIV 206/213, DISB 58/58
OP3c	Estimate KPM	% of estimate requests completed within 30 days of receipt	<75%	75-85	>85%	95%	↑	Quarterly	GBE tool	J. Cunningham	54%	61%	+	238 is still catching up on the year end spike. Recruitments are in process to fill 2 vacant positions.

	Measure Name	Measure Calculation	RANGE			Target	Desired Perform Trend	Data Collection Frequency	Data Source	Meas Owner	Last Status	Current Status	Trend	Corrective Action & Comments
			Red	Yellow	Green									
OP3d	Data Verifications Completed	% of data verifications completed within 180 days from receipt	<75%	75-85	>85%	90%	↑	Quarterly	DVU Database	C. Kirkwood	0%	0%	=	33 (20%) DVRs completed within 180 days in 1/2017, headed in the right direction now. Total completed in 1/2017 = 95
<b>OP4 Processing Benefit Applications (B. Harrington)</b>														
<b>Cost (or</b>														
OP4a	Eligibility review completed	% of eligibility analysis completed within 30 days of the effective retirement date.	<65%	65-75	>75%	85%	↑	Monthly	statistics	D. Larsen	81%	83%	+	
<b>Quality</b>														
OP4b	Accuracy & completeness of application/data	% of estimated payments per month	>4%	2-4	<2%	0%	↓	Monthly	statistics	B. Harrington	3%	1%	+	
OP4c	Returned/rejected applications	% of applications returned or rejected back to the applicant	>30%	10-30	<10%	5%	↓	Monthly	statistics	D. Larsen	1%	1%	=	
<b>Time</b>														
OP4e	IAP, service, & death retirement applications completed in 30 days	% of non-canceled applications completed and ready for calculation within 30 days of the effective date	<60%	60-70	>70%	80%	↑	Monthly	statistics	D. Larsen	73%	75%	+	
OP4f	Disability applications completed in 15 days	% of non-canceled applications completed and ready for calculation within 15 days of all required documents received	<95%	95-98	>98%	100%	↑	Monthly	statistics	B. Armatas	100%	100%	=	This is the first time in this measures existence that it has attained 100% performance two consecutive quarters. The team completed 21 out of 21 accounts within the 15 day requirement outlined by this measure.
OP4g	Withdrawal efficiency	% of non-canceled withdrawal applications completed and ready for calculation within 60 days of the received date	<60%	60-70	>70%	80%	↑	Monthly	statistics	D. Larsen	73%	71%	-	
<b>OP5 Calculating Benefits (B. Harrington)</b>														
<b>Cost (or</b>														
OP5a	Calculations completed	# of pension calculations completed per day	<60	60-72	>72	84	↑	Monthly	JClarety	J. Cunningham	50.3	54.0	+	Staff refocused to other assignments: Decrease backlogs, Special projects and system testing.
<b>Quality</b>														

	Measure Name	Measure Calculation	RANGE			Target	Desired Perform Trend	Data Collection Frequency	Data Source	Meas Owner	Last Status	Current Status	Trend	Corrective Action & Comments
			Red	Yellow	Green									
OP5b	Accuracy of calculations	% of sample calculations that are accurate within plus or minus \$5	<95%	95-99	>99%	100%	↑	Monthly	jClarety	J. Cunningham	100.0%	99.8%	-	
<b>Time</b>														
OP5c	Timely benefit calculation	% of calculations completed within 15 calendar days from completed application date	<95%	95-99	>99%	100%	↑	Monthly	jClarety	J. Cunningham	97.70%	97.00%	-	
<b>OP6 Paying Benefits (K. Knoll)</b>														
<b>Cost (or</b>														
OP6a	Manual checks	# of line of business manual checks processed	>15	15-5	<5	0	↓	Monthly	Check Stock Log	M. Smith	24	34	-	We are starting to see a upswing in check requests due to Moro population D
OP6b	Direct deposit	% of electronic payments divided by total payments	<90%	90-95	>95%	99%	↑	Monthly	Pension Payment file	M. Smith	96%	96%	=	
<b>Quality</b>														
OP6c	Returned payments	Average # of days to resolve returned payments	>10	10-5	<5	3 days	↓	Monthly	Return Payment spreadsheet	M. Smith	3	2	+	
<b>Time</b>														
OP6e	Tax reporting	% of tax reports completed by Federal and State deadlines	<95%	95-97	>97%	100%	↑	Quarterly	Tax reports	M. Smith	100%	100%	=	
<b>SP1 Communicating Internally &amp; Externally (S. Rodeman)</b>														
<b>Cost (or</b>														
SP1a	Complaints	# of emails to PERS Board email box	>60	40-60	<40	25	↓	Monthly	Email box	D. Crosley	0	0	=	
<b>Quality</b>														
SP1b	Form focus group	% who rate forms as easily understandable	<75%	75-85	>85%	90%	↑	Annually	Survey	D. Crosley				
SP1c	Employee Satisfaction with communication practices	% rating satisfaction as good or excellent	<70%	70-80	>80%	90%	↑	Semi-annual	Survey	D. Crosley	62%	75%	+	
<b>Time</b>														
SP1d	Public records response time	% of public records requests responded to within 14 days of receipt	<80%	80-90	>90%	95%	↑	Quarterly	PR Report	A. Smith	100%	100%	=	10 received with only 3 requiring estimates.
<b>SP2 Managing Compliance &amp; Risk (S. Rodeman)</b>														
<b>Cost (or</b>														

	Measure Name	Measure Calculation	RANGE			Target	Desired Perform Trend	Data Collection Frequency	Data Source	Meas Owner	Last Status	Current Status	Trend	Corrective Action & Comments
			Red	Yellow	Green									
SP2a	Legal Fees	% of operating budget expended for attorney and admin hearing fees and risk management fees	>2.5%	1.8-2.5	<1.8%	1.5%	↓	Quarterly	FSD	J. Stanley	1.2%	0.5%	+	
SP2b	Total # of legal disputes	# of member and employer appeals and contested case matters, employment disputes, litigation disputes, notices of dispute and risk management claims	>60	60-51	<51	50	↓	Quarterly	PPLAD	S. Vaughn	146	159	-	Generally see an uptick in appeals at the end and beginning of the year.
<b>Quality</b>														
SP2c	Appeal reversal rate	% of staff determinations that are reversed on appeal	>15%	15-10	<10%	5%	↓	Quarterly	PPLAD	S. Vaughn	10.0%	9.0%	+	
<b>Time</b>														
SP2d	Audit resolution time	% of high risk audit findings resolved within committed time period	<90%	90-94	>94%	95%	↑	Tri-mester	Audit Reports	J. Stanley	50%	50%	=	1 out of 2 completed.
<b>SP3 Leveraging Technology (J. Masanga)</b>														
<b>Cost [or</b>														
SP3a	Service Interruptions	# of business days in a month business systems are not available within the standard service window (mo. avg. by qtr.)	>5	3-5	<3	0.0	↓	Monthly	Compass	S. Perry	2.0	2.0	=	Oct'16: 3 instances (1 long RQ, 1 jClarety, 1 FileNet) Nov'16: 4 instances (1 jClarety, 2 FileNet, 1 Voya) Dec'16: 2 instances (2 long RQs)
<b>Quality</b>														
SP3b	Technology Satisfaction	% of survey respondents indicating satisfaction with our technology	<60%	60-80	>80%	85%	↑	Semi-annual	Survey	J. Masanga	84%	86%	+	
SP3c	ISBRA maturity ratings	# domains in ISBRA report meeting agency goal	<9	9-10	>10	14	↑	Annual	ISBRA Report	J. Stanley	8	11	+	As of Q1 2016
SP3d	Batch incidents	# of batch incidents / abends in month (mo. avg by qtr.)	>10	10-6	<6	3	↓	Monthly	Turnover Report	S. Perry	8.7	5.0	+	
SP3e	ORION enhancement backlog count	Count of outstanding Critical and High Priority ORION Enhancement Requests (non-defect-type CRs)	>299	100-299	<100	50	↓	Quarterly	ClearQuest CMU:sr database	J. Duckerin g	232	231	+	- Net reduction: 1 enhancement - Releases: 2 jClarety, 1 FileNet

	Measure Name	Measure Calculation	RANGE			Target	Desired Perform Trend	Data Collection Frequency	Data Source	Meas Owner	Last Status	Current Status	Trend	Corrective Action & Comments
			Red	Yellow	Green									
SP3f	ORION defect backlog count	Count of outstanding Critical and High Severity ORION Defects (defect-type CRs and PPCRs)	>199	100-199	<100	0	↓	Quarterly	ClearQuest CMUsr and SaberM databases	J. Duckerin g	174	170	+	- Net reduction: 4 defects - Releases: 2 jClarety, 1 FileNet
<b>Time</b>														
SP3g	HelpDesk responsiveness	% of HelpDesk tickets resolved within the Service Level Agreement	<80%	80-90	>90%	95%	↑	Monthly	Compass	S. Perry	n/a	n/a	##	Suspended: - Supporting data is no longer available, due to move to Compass - Compass will provide more accurate and comprehensive data - New measures and SLAs are planned to be defined with business approval
SP3h	System uptime	% of time ORION systems are available during the service window	<97%	97-98	>98%	100%	↑	Monthly	Compass	S. Perry	99.06%	99.22%	+	Oct'16: 3 instances (1 long RQ, 1 jClarety, 1 FileNet) Nov'16: 4 instances (1 jClarety, 2 FileNet, 1 Voya) Dec'16: 2 instances (2 long RQs)
<b>SP4 Managing Organizational Finance &amp; Resources (K. Knoll)</b>														
<b>Cost [or</b>														
SP4a	Cash flow management	# of months with cost/fee due to overdraft or borrowing	>1	1	0	0	↓	Quarterly	OST fund statements	R. Howitt	0	0	=	
<b>Quality</b>														
SP4b	Member Accounts Receivable collections	% of member accounts receivable dollars collected (based on total dollars of accounts receivable)	<50%	50-65	>65%	70%	↑	Quarterly	jClarety reports	M. Smith	36%	0%	-	This measure has been put on hold until we can determine a better method of gathering stats.
SP4c	Actuarial services	% of actuarial services milestones met (exp studies, valuations, CAFR data, employer rates updated, economic impact report)	<95%	95-99	>99%	100%	↑	Annually	Contract Deliverables spreadsheet; jClarety; PERS Actuary	D. Hembree				
<b>Time</b>														
SP4d	Timely payment processing	% of invoices paid within 30 calendar days of receipt by Accounts Payable	<90%	90-98	>98%	99%	↑	Quarterly	SFMS	L. Barnett	98%	90%	-	Starting in September the payment processing went from having 3 employees working part-time on invoice processing ensuring timely payment to one full-time person as a result of the FASD reorganization. It has taken longer
<b>SP5 Managing &amp; Developing the Workforce (Kyle Knoll)</b>														

	Measure Name	Measure Calculation	RANGE			Target	Desired Perform Trend	Data Collection Frequency	Data Source	Meas Owner	Last Status	Current Status	Trend	Corrective Action & Comments
			Red	Yellow	Green									
<b>Cost [or</b>														
SP5a	Development plans	% of employees' annual development plans created	<80%	80-89	>89%	98%	↑	Quarterly	Halogen	L. Plata	64%	90%	+	Out of 29 evals completed, 26 had development plans, the other 3 had a goal listed or were on trial service.
SP5b	Compliance	% of employees receiving corrective action for violations	>10%	6-10	<6%	0%	↓	Quarterly	Employer Labor Relations log	L. Plata	0%	0%	=	
<b>Quality</b>														
SP5c	Recruiting / Onboarding	% of employees completing trial service	<85%	85-94	>94%	100%	↑	Quarterly	PPDB	L. Plata	100%	100%	=	
SP5d	Personnel records accuracy	% of data fields entered correctly into the personnel database (PPDB)	<90%	90-94	>94%	100%	↑	Quarterly	PPDB	L. Plata	91%	90%	-	There were 12 errors, out of 120 entries. These errors have been corrected, and the affected employees notified.
SP5e	Overall employee performance	% of employees evaluated overall performance rating "meets expectations"	<80%	80-90	>90%	100%	↑	Quarterly	Halogen	L. Plata	99%	90%	-	Out of 29 evals completed, 3 had an overall score of less than "meets expectations"
<b>Time</b>														
SP5f	Timely performance evaluations	% of performance evaluations completed by due date	<80%	80-90	>90%	100%	↑	Quarterly	Halogen	L. Plata	10%	13%	+	Out of 71 evals due, 29 were completed. Of the 29 completed, 9 were on-time.
<b>SP6 Strategic &amp; Operational Planning (S. Rodeman)</b>														
<b>Cost [or</b>														
SP6a	Data Reported	% of outcome and process measures with new or current data reported for that quarter	<35%	35-50	>50%	75%	↑	Quarterly	Scorecards	M. Rickard	81%	86%	+	
SP6b	Problem Solving Initiatives in process	# of problem solving initiatives in process	<4	4-8	>8	10	↑	Quarterly	Central	P. Brown	0	0	=	No problem solving initiatives active during the quarter. Will be kicking off new Action Plan effort with this QTR. This may result in new PS initiatives.
<b>Quality</b>														
SP6c	Mission Relevance	% of employees rating somewhat or completely agree to questions 12, 14 & 16 on employee engagement survey	<60%	60-80	>80%	85%	↑	Semi-annual	Employee Engagement Survey	P. Brown	87%	86%	-	

	Measure Name	Measure Calculation	RANGE			Target	Desired Perform Trend	Data Collection Frequency	Data Source	Meas Owner	Last Status	Current Status	Trend	Corrective Action & Comments
			Red	Yellow	Green									
SP6d	Performance Improvement	Net # of measures that improve per each QTR	<5	5-15	>15	20	↑	Quarterly	Scorecards	M. Rickard	3	10	+	Process measures had 26 positive and 12 negative trending; Outcome measures had 7 positive and 9 negative.
<b>Time</b>														
SP6e	Breakthrough Schedule	# of breakthroughs	<2	2	>2	3	↑	Quarterly	Central	P. Brown	1	1	=	KBMS inactive, Data Integrity kicked off.

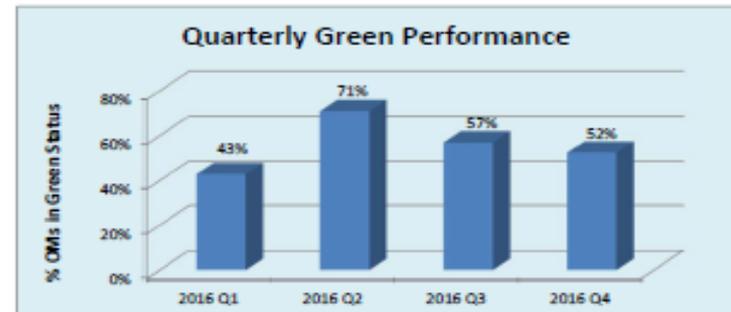
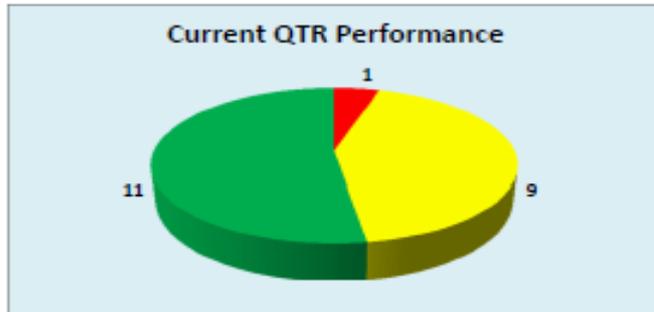
## PUBLIC EMPLOYEES RETIREMENT SYSTEM Quarterly Target Review

### OUTCOME MEASURE SUMMARY

**QTR : 2016 Q4 - Quarter ended December 31, 2016**

**Total Outcome Measures: 21**

**Total Active Outcome Measures: 21**



No.	Measure Name	Measure Calculation	RANGE			Target	Desired Perform. Trend	Data Collection Frequency	Data Source	Measure Owner	Last Status	Current Status	Trend	Corrective Action & Comments
			Red	Yellow	Green									
<b>O1: Clear/Concise Communication</b>										<b>Y. Elledge</b>				
O1a	Member/Employee satisfaction	% rating satisfaction good or excellent	<75%	75-89	>89%	95%	↑	Annual	Survey	Y. Elledge	90%	90%	=	As of FY16
O1b	Service retirement application satisfaction	% rating satisfaction as good or excellent	<75%	75-89	>89%	95%	↑	Monthly	Survey	Y. Elledge	82%	79%	-	
O1c	Call escalations	% of calls referred to Team One follow-up vs. total call volume	>4%	3-4	<3%	2%	↓	Monthly	Call Center	Y. Elledge	2.9%	3.3%	-	
<b>O2: Employee Engagement</b>										<b>S. Rodeman</b>				
O2a	Selected Human Resource core process measures	% of SPS pms are in green status (a, c, e, & f)	<50%	50-68	>68%	100%	↑	Quarterly	Scorecard	K. Knoll	50%	50%	=	While SPSa improved to green, SPSe slipped from green to yellow.
O2b	Progress on scorecard measures	% of process measures in Agency Scorecard that improve from previous quarter	>5%	5-9	<9%	10%	↑	Quarterly	Scorecard	S. Rodeman	41.8%	45.5%	+	

No.	Measure Name	Measure Calculation	RANGE			Target	Desired Perform. Trend	Data Collection Frequency	Data Source	Measure Owner	Last Status	Current Status	Trend	Corrective Action & Comments
			Red	Yellow	Green									
O2c	Organizational climate assessment	Average percent of employees rating somewhat or completely agree on Q. 2a.-c., 4f., 8b., 10a.-c. and 18a.-e. on the Employee Engagement Survey	<60%	60-80%	>80%	90%	↑	Semi-annual	Survey	S. Rodeman	74%	75%	+	Ratings decreased in Flexibility with family/comm./job, Knowing why/how work flows, and agency support for charitable work. They increased in Open and clear communication, and Timeliness of responses from management.
O2d	Breakthrough teams composition	% of breakthrough team members that are classified staff	<40%	40-70	>70%	80%	↑	Quarterly	Breakthrough Team rosters	S. Rodeman	88%	75%	-	Data Integrity BT members
<b>O3: Operating Effectiveness - % green measures</b>										<b>S. Rodeman</b>				
O3a	% of Measures in "Green"	% of Outcome and Process Measures in the "green" range as of a particular date	<40%	40-55	>55%	65%	↑	Quarterly	Scorecard	S. Rodeman	52%	53%	+	Improved from last quarter, and just below the green range.
<b>O4: Member to Staff Ratio</b>										<b>S. Rodeman</b>				
O4a	Member to Staff Ratio	Total Members divided by total approved agency FTE	<900	900-920	>920	925	↑	Annual	Actuarial val. & PICS reports	S. Rodeman	991	977	-	As of FY16
<b>O5: Benefit Administration Cost</b>										<b>S. Rodeman</b>				
O5a	Benefit admin cost per member	CAFR administrative expenditures divided by total membership	>\$140	\$135-\$140	<\$135	\$130	↓	Annual	CAFR & Actuarial val.	S. Rodeman	\$133	\$150	-	As of FY16
<b>O6: Performance to Budget</b>										<b>K. Knoll</b>				
O6a	Stewardship of the operating (limited) budget	Projected operating budget biennial variance divided by total limited budget	<1.0%	1.0-1.9	>1.9%	2% of budget limitation	↑	Monthly	SFMS; budget reports	K. Knoll	3.1%	2.8%	-	
<b>O7: Member Satisfaction</b>										<b>Y. Elledge</b>				
O7a	Customer Service Satisfaction	Members rating satisfaction with agency's customer service as "good" or "excellent"	<70%	70-89	>89%	95%	↑	Annual	Survey	Y. Elledge	92%	92%	=	As of FY16
O7b	Retirement Application Assistance Session (RAAS) satisfaction	Members rating satisfaction with agency's customer service on a selected transaction as "good" or "excellent"	<70%	70-80	>80%	95%	↑	Quarterly	Survey	Y. Elledge	100%	100%	=	
<b>O8: Effective Employer Partnerships</b>										<b>Y. Elledge</b>				

No.	Measure Name	Measure Calculation	RANGE			Target	Desired Perform. Trend	Data Collection Frequency	Data Source	Measure Owner	Last Status	Current Status	Trend	Corrective Action & Comments
			Red	Yellow	Green									
O8a	Employer satisfaction	Employers rating satisfaction with agency's customer service as "good" or "excellent"	<70%	70-89	>89%	95%	↑	Annual	Survey	Y. Elledge	88%	88%	=	As of FY16
O8b	Employer Workshop satisfaction	Employers rating satisfaction with agency's employer workshop as "good" or "excellent"	<70%	70-89	>89%	95%	↑	Quarterly	Survey	Y. Elledge	100%	89%	-	QTR 4 only include employer outreach. There was no employer training during the quarter.
<b>O9: Timely Benefit Payments</b>										Y. Elledge				
O9a	Timely service retirement benefit payments	New PERS and OPSRP retirees that receive first payment within 45 days of effective retirement date	<50%	50-79	>=80%	80%	↑	Monthly	Clarety 238 status report	Y. Elledge	79%	85%	+	
O9b	Timely first benefit payment all others	New payees (withdrawals; disability retirees; beneficiaries) who receive payment within service goals	<70%	70-89	>89%	90%	↑	Monthly	Clarety 238 status report; Service Level report	Y. Elledge	96%	97%	+	
<b>O10: Informed Retirement Decisions</b>										Y. Elledge				
O10a	Retirement process satisfaction	Retirees rating satisfaction with the retirement process	<70%	70-84	>84%	90%	↑	Quarterly	Survey	Y. Elledge	82%	82%	+	
O10b	Retirement changes	% of retirement appeals, disputes, options changes divided by total number of retirements	>10%	5-10	<5%	2%	↓	Quarterly	Appeal, dispute and option change stats (report TBD)	Y. Elledge	2.0%	3.8%	-	Total # of retirements = 1,214 Option changes = 21 Disputes = 14 Appeals = 11
<b>O11: Accurate Benefit Calculations</b>										B. Harrington				
O11a	Accurate benefit calculations	% of calculations accurately calculated to within plus or minus \$5	<95%	95-97	>97%	100%	↑	Annual	Internal or external audit sampling	B. Harrington	94%	96%	+	As of FY16
O11b	Audit findings / internal sampling	% of internal sampling that reveals any errors in calculations	>5%	3-5	<3%	0 errors	↓	Monthly	RSS and SSS QA sampling	B. Harrington	0.0%	0.2%	-	

# 2015-17 Progress Report

With the combined resources of the agency's base budget and POPs, PERS made significant progress on the objectives set forth in the Six-Year Strategic Outlook and the Key Performance Measures, as well as in the area of business process improvements. Indicators of the progress made in 2015-17 are discussed on the following pages and include:

- Timely and Accurate Benefit Payments
- High-Quality Customer Service
- Optimized Effectiveness and Efficiency
- Business Process Improvements

# 2015-17 Progress Report: Timely and Accurate Payments of PERS Benefits

The KPM target is to provide 80% of initial retirement payments within 45 days of the member's effective retirement date. PERS did not make progress toward this measure in FY 2016, decreasing in performance from 74% in 2015 to 60% in 2016. This decrease was impacted by staff turnover and available staffing resources in the units involved in the pension inception process. Several key staff promoted into other areas, and new employees were hired in their places. Staffing resources were also affected by a large recalculation project resulting from the Moro court case. Key employees have been involved in this two year project, resulting in a drain on the staffing resources.

Accuracy, however, improved over previous performance. The target is to calculate benefits accurately to within \$5 per month 100% of the time. The performance improved to 95% in 2016, up from 94% in 2015. Our Operations Division continues to perform monthly quality assurance samplings of various calculations and the error rate month to month during FY2016 varied from under one percent some months, to as high as 3 percent.

# 2015-17 Progress Report: High-Quality Customer Service

The KPM is to achieve a customer satisfaction rating of “good” or “excellent” from 95% of members and employers. The percentage of members rating our service either “good” or “excellent” was 92% in 2016; employers’ ratings were 88%. 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.

# 2015-17 Progress Report: Optimize Effectiveness and Efficiency

PERS strives to deliver high-quality, cost-effective service to members and employers. While the successful completion of enterprise projects and process efficiencies have helped to stabilize PERS' annual operating expenditures, we did experience a cost increase in FY2016. PERS' cost per member in 2016 was \$150, up from \$133 in 2015. FY2016 total attributable administrative costs (non-inflation adjusted) are up by over \$7 million from FY2015. A large portion of this increase is due to significantly higher State Government Service charges. Many of these fees are charged in the first year of a new biennium, and in FY16 these charges increased by \$4 million over the FY15 levels. There was also a \$2.8 million increase in IT consulting due to several technology-related projects (including IT work for the Moro project).

# 2017-19 Information Technology Related Projects

Project Name	Project Description	Estimated Start Date	Estimated End Date	Project cost to date	Estimated 17-19 Costs	Total project cost	Base or POP	What Program or line of business does the project support?
Cybersecurity Program	Creates a cybersecurity team, which will be responsible for developing, implementing and managing the PERS Cybersecurity Program. Cybersecurity is comprised of implementing suitable controls including policies, procedures, organization structures, and software and hardware functions.	07/01/2017	06/30/2019		2,252,966	2,252,966	POP	PERS administration
Fully Integrating IAP Administration into the PERS ORION System Phase III	This proposal completes the transfer to PERS of all aspects of the Individual Account Program (IAP) administration by Dec 15, 2018, and eliminates over \$2.2 million in annual costs for an outside third-party administrator (TPA). Phase III is construction and transition phases of the project.	7/1/2013	12/15/2018	\$2,284,839 (as of 12/31/2016)	\$2,757,595	\$6,108,750	POP	Bringing IAP in-house means PERS provides administration over all retirement plans
Business Modernization	This proposal funds PERS Technology Modernization and a Pension Case Management Solution. The PERS 2015-2020 Strategic Plan has a goal to provide an Agile Technology System that improves IT efficiency and responsiveness to business operational changes.	07/01/2017	06/30/2019		6,401,007	6,401,007	POP	PERS administration

# Audit Response Reports

The following external audits were completed in the 2015-17 biennium:

**Report # 2015-27: State Agencies Respond Well to Routine Public Records Requests, but Struggle with Complex Requests and Emerging Technologies**

PERS was one of nine agencies included in this audit. Recommendations were addressed to the Department of Administrative Services and the Oregon Legislature.

**Report # 2015-33: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015**

No significant deficiencies or material weaknesses.

**Report # 2016-10: Audit of Schedule of Employer Allocations for the Fiscal Year Ended June 30, 2015**

No significant deficiencies or material weaknesses.

**Report # 2016-36: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016**

No significant deficiencies or material weaknesses.

# 2017-19 Budget Summary

<i>Description</i>	<i>Positions</i>	<i>Full-Time Equivalent (FTE)</i>	<i>ALL FUNDS</i>	<i>General Fund</i>	<i>Lottery Funds</i>	<i>Other Funds</i>	<i>Federal Funds</i>	<i>Nonlimited Other Funds</i>
2015-17 Leg Adopted Budget	380	380.00	9,818,619,966	-	-	95,161,904	-	9,723,458,062
2015-17 Emergency Boards	-	-	12,607,587	-	-	12,607,587	-	-
<b>2015-17 Leg Approved Budget</b>	<b>380</b>	<b>380.00</b>	<b>9,831,227,553</b>	<b>-</b>	<b>-</b>	<b>107,769,491</b>	<b>-</b>	<b>9,723,458,062</b>
<b>2017-19 Base Budget Adjustments</b>								
<b>Net Cost of Position Actions</b>								
Administrative Biennialized E-Board, Phase-Out	(6)	(6.00)	2,883,405	-	-	2,883,405	-	-
Estimated Cost of Merit Increase			-	-	-	-	-	-
Base Debt Service Adjustment			(1,290,750)	-	-	(1,290,750)	-	-
Base Nonlimited Adjustment			1,270,712,938	-	-	-	-	1,270,712,938
Capital Construction			-	-	-	-	-	-
<b>Subtotal 2017-19 Base Budget</b>	<b>374</b>	<b>374.00</b>	<b>11,103,533,146</b>	<b>-</b>	<b>-</b>	<b>109,362,146</b>	<b>-</b>	<b>10,994,171,000</b>
<b>Essential Packages</b>								
<b>010 - Non-PICS Pers Svc/Vacancy Factor</b>								
Vacancy Factor (Increase)/Decrease	-	-	641,817	-	-	641,817	-	-
Non-PICS Personal Service Increase/(Decrease)	-	-	243,922	-	-	243,922	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>885,739</b>	<b>-</b>	<b>-</b>	<b>885,739</b>	<b>-</b>	<b>-</b>
<b>020 - Phase In / Out Pgm &amp; One-time Cost</b>								
021 - Phase - In	3	3.00	804,304	-	-	804,304	-	-
022 - Phase-out Pgm & One-time Costs	-	-	(8,322,234)	-	-	(8,322,234)	-	-
<b>Subtotal</b>	<b>3</b>	<b>3.00</b>	<b>(7,517,930)</b>	<b>-</b>	<b>-</b>	<b>(7,517,930)</b>	<b>-</b>	<b>-</b>
<b>030 - Inflation &amp; Price List Adjustments</b>								
Cost of Goods & Services Increase/(Decrease)	-	-	899,929	-	-	899,929	-	-
State Gov't & Services Charges Increase/(Decrease)			(6,251,033)	-	-	(6,251,033)	-	-

# 2017-19 Budget Summary (continued)

<i>Description</i>	<i>Positions</i>	<i>Full-Time Equivalent (FTE)</i>	<i>ALL FUNDS</i>	<i>General Fund</i>	<i>Lottery Funds</i>	<i>Other Funds</i>	<i>Federal Funds</i>	<i>Nonlimited Other Funds</i>
Subtotal	-	-	(5,351,104)	-	-	(5,351,104)	-	-
040 - Mandated Caseload								
040 - Mandated Caseload	-	-	-	-	-	-	-	-
050 - Fundshifts and Revenue Reductions								
050 - Fundshifts	-	-	-	-	-	-	-	-
060 - Technical Adjustments								
060 - Technical Adjustments	-	-	17,732	-	-	17,732	-	-
<b>Subtotal: 2017-19 Current Service Level</b>	<b>377</b>	<b>377.00</b>	<b>11,091,567,583</b>	<b>-</b>	<b>-</b>	<b>97,396,583</b>	<b>-</b>	<b>10,994,171,000</b>

# 2017-19 Budget Summary (continued)

Description	Positions	Full-Time Equivalent (FTE)	ALL FUNDS	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds
<b>Subtotal: 2017-19 Current Service Level</b>	<b>377</b>	<b>377.00</b>	<b>11,091,567,583</b>	-	-	<b>97,396,583</b>	-	<b>10,994,171,000</b>
070 - Revenue Reductions/Shortfall								
070 - Revenue Shortfalls	-	-	-	-	-	-	-	-
<b>Modified 2017-19 Current Service Level</b>	<b>377</b>	<b>377.00</b>	<b>11,091,567,583</b>	-	-	<b>97,396,583</b>	-	<b>10,994,171,000</b>
080 - E-Boards								
080 - May 2016 E-Board	-	-	-	-	-	-	-	-
<b>Subtotal Emergency Board Packages</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Policy Packages								
081 - September 2016 Emergency Board	-	-	-	-	-	-	-	-
090 - Analyst Adjustments	(2)	(2.00)	(496,921)	-	-	(496,921)	-	-
091 - Statewide Adjustment DAS Chgs	-	-	(422,825)	-	-	(234,824)	-	(188,001)
092 - Statewide AG Adjustment	-	-	(80,047)	-	-	(80,047)	-	-
101 - Cybersecurity Program	-	-	2,252,966	-	-	2,252,966	-	-
102 - Fully Integrating IAP Administration into the PERS ORION S	3	3.00	2,757,595	-	-	2,757,595	-	-
103 - Business Modernization	-	-	6,401,007	-	-	6,401,007	-	-
200 - Data Center Migration	-	-	1,147,634	-	-	1,147,634	-	-
<b>Subtotal Policy Packages</b>	<b>1</b>	<b>1.00</b>	<b>11,559,409</b>	<b>-</b>	<b>-</b>	<b>11,747,410</b>	<b>-</b>	<b>(188,001)</b>
<b>Total 2017-19 Governor's Rec. Pre-Audit</b>	<b>378</b>	<b>378.00</b>	<b>11,103,126,992</b>	<b>-</b>	<b>-</b>	<b>109,143,993</b>	<b>-</b>	<b>10,993,982,999</b>
Percentage Change From 2015-17 Leg Approved Budget	-0.53%	-0.53%	12.94%	-	-	1.28%	-	13.07%
Percentage Change From 2017-19 Current Service Level	0.27%	0.27%	0.10%	-	-	12.06%	-	-

# 10% Budget Reduction Options

- In compliance with ORS 291.216, PERS' 10% Reduction Options are included in the Governor's Budget in the Agency Summary Section.
- PERS administers a single, integrated system of retirement, death, and disability benefit programs for public employees. This system is protected under the Contracts Clause of the Oregon Constitution. As such, budget reductions are based on a strategy that would result in decreased service levels and performance, rather than eliminating programs or functions.
- The identified reduction options total 37 positions and \$9,737,885 against the Current Service Level of \$97,378,851 (10.00%).

# Long Term Vacancies (as of 12/31/2016)

Authorization	Position	Reason Narrative	XREF	OF	Vac 7-11	Vac 12+
000231880	0137240	Filled by rotational WOC	500-01-02-00000	247,344	0	1
000232070	0137430	Being held for future reclass.	500-02-01-00000	99,864	1	0
000232900	9100123	Recruitment in process.	500-04-01-00000	58,440	0	1
000516630	9300130	Filled by rotational WOC.	500-03-01-00000	184,824	0	1
000536450	9500120	Funding source for re-class	500-04-01-00000	94,704	0	1
000669120	9900150	Funding source for re-class	500-02-01-00000	58,440	0	1
000754210	0110507	Position used to finance LF pos	500-03-01-00000	78,960	0	1
000914630	0508402	Being held for future reclass. Pending CFO approval	500-04-01-00000	188,400	1	0
000914670	0508406	Being held for future re-class. Pending CFO approval	500-04-01-00000	156,168	0	1
000983750	0911413	Recruitment in process.	500-04-01-00000	56,640	1	0
000984510	0911421	Funding source for re-class	500-04-01-00000	52,512	0	1
001039850	1110242	Filled by rotational WOC	500-07-01-00000	82,800	0	1
001187280	1510124	Filled by lateral job rotation	500-07-01-00000	82,800	0	1
001221110	1311122	Recruitment in process.	500-05-01-00000	63,264	1	0
001243450	1710201	Recruitment in process.	500-04-01-00000	113,064	0	1
001243460	1710202	Recruitment in process.	500-04-01-00000	113,064	0	1

# PERS New Hires 2015-17

Date Hired	Position No.	Class	Class Description	Step	Salary	Reason Above Step 2
7/1/2015	0110511	C1487	INFO SYSTEMS SPECIALIST 7	8	\$ 6,876.00	Market Demand
7/2/2015	9900100	X7002	PRINCIPAL EXECUTIVE/MANAGER B	4	\$ 4,518.00	Promotion
7/6/2015	8700104	C1486	INFO SYSTEMS SPECIALIST 6	3	\$ 4,934.00	Market Demand
7/16/2015	9100131	X0863	PROGRAM ANALYST 4	2	\$ 5,492.00	
8/2/2015	8700110	C0855	PROJECT MANAGER 2	2	\$ 4,569.00	
8/10/2015	1710103	C0841	RETIREMENT COUNSELOR 1	2	\$ 3,001.00	
8/10/2015	1710104	C0841	RETIREMENT COUNSELOR 1	2	\$ 3,001.00	
8/10/2015	9700250	C0841	RETIREMENT COUNSELOR 1	2	\$ 3,001.00	
8/17/2015	9900210	C1487	INFO SYSTEMS SPECIALIST 7	8	\$ 6,876.00	Market Demand
9/16/2015	1710105	C0842	RETIREMENT COUNSELOR 2	6	\$ 3,974.00	Promotion
9/21/2015	8700103	C1488	INFO SYSTEMS SPECIALIST 8	6	\$ 6,834.00	Market Demand
9/28/2015	1313128	C0104	OFFICE SPECIALIST 2	4	\$ 2,636.00	Promotion
9/28/2015	8900201	C0870	OPERATIONS & POLICY ANALYST 1	4	\$ 3,781.00	Promotion
10/1/2015	1510111	C0842	RETIREMENT COUNSELOR 2	7	\$ 4,161.00	Promotion
10/1/2015	8900400	X1320	HUMAN RESOURCE ANALYST 1	2	\$ 3,717.00	
10/5/2015	1510121	C0842	RETIREMENT COUNSELOR 2	1	\$ 3,139.00	
10/5/2015	1710306	C0842	RETIREMENT COUNSELOR 2	3	\$ 3,450.00	Promotion
10/5/2015	1710307	C0842	RETIREMENT COUNSELOR 2	5	\$ 3,781.00	Promotion
11/1/2015	0980602	C0842	RETIREMENT COUNSELOR 2	1	\$ 3,139.00	
11/2/2015	1313134	C0842	RETIREMENT COUNSELOR 2	2	\$ 3,290.00	
11/2/2015	1710305	C0842	RETIREMENT COUNSELOR 2	3	\$ 3,450.00	Promotion
11/2/2015	9100115	C1486	INFO SYSTEMS SPECIALIST 6	4	\$ 5,166.00	Market Demand
11/9/2015	0110502	C0871	OPERATIONS & POLICY ANALYST 2	1	\$ 3,974.00	
11/9/2015	1110224	C0871	OPERATIONS & POLICY ANALYST 2	3	\$ 4,358.00	Promotion
11/12/2015	0507060	C0841	RETIREMENT COUNSELOR 1	1	\$ 2,873.00	

# PERS New Hires 2015-17 (continued)

Date Hired	Position No.	Class	Class Description	Step	Salary	Reason Above Step 2
11/12/2015	1110204	C0841	RETIREMENT COUNSELOR 1	1	\$ 2,873.00	
11/12/2015	1510120	C0841	RETIREMENT COUNSELOR 1	2	\$ 3,001.00	
11/12/2015	1710302	C0841	RETIREMENT COUNSELOR 1	1	\$ 2,873.00	
11/12/2015	1710303	C0841	RETIREMENT COUNSELOR 1	1	\$ 2,873.00	
12/14/2015	1710301	C0841	RETIREMENT COUNSELOR 1	1	\$ 2,916.00	
12/21/2015	8700204	C0841	RETIREMENT COUNSELOR 1	1	\$ 2,916.00	
1/4/2016	0137190	C0841	RETIREMENT COUNSELOR 1	2	\$ 3,045.00	
1/4/2016	0501117	C0841	RETIREMENT COUNSELOR 1	2	\$ 3,045.00	
1/4/2016	0911320	C0841	RETIREMENT COUNSELOR 1	2	\$ 3,045.00	
1/4/2016	1110243	X0872	OPERATIONS & POLICY ANALYST 3	6	\$ 6,494.00	Promotion
1/18/2016	9300014	C0104	OFFICE SPECIALIST 2	2	\$ 2,471.00	
1/19/2016	1110202	C0841	RETIREMENT COUNSELOR 1	2	\$ 3,045.00	
2/1/2016	0137070	C0104	OFFICE SPECIALIST 2	3	\$ 2,576.00	Promotion
3/7/2016	0137130	C0104	OFFICE SPECIALIST 2	2	\$ 2,471.00	
3/7/2016	1510116	C0104	OFFICE SPECIALIST 2	4	\$ 2,675.00	Promotion
3/17/2016	0110304	C1244	FISCAL ANALYST 2	9	\$ 5,888.00	Promotion
3/28/2016	0509415	X5618	INTERNAL AUDITOR 3	8	\$ 7,508.00	Promotion
4/4/2016	0911310	C0841	RETIREMENT COUNSELOR 1	1	\$ 2,916.00	
4/4/2016	9100103	C0841	RETIREMENT COUNSELOR 1	1	\$ 2,916.00	
4/18/2016	9500200	C0842	RETIREMENT COUNSELOR 2	8	\$ 4,423.00	Promotion
4/21/2016	9900300	C1216	ACCOUNTANT 2	7	\$ 4,423.00	Promotion
4/28/2016	0398180	C0841	RETIREMENT COUNSELOR 1	1	\$ 2,916.00	
5/2/2016	0110302	C0870	OPERATIONS & POLICY ANALYST 1	9	\$ 4,862.00	Promotion
5/2/2016	1710110	C2446	PRINT SERVICES TECHNICIAN	2	\$ 2,576.00	
5/16/2016	1510101	X0872	OPERATIONS & POLICY ANALYST 3	4	\$ 5,894.00	Promotion
5/18/2016	9500140	C1215	ACCOUNTANT 1	4	\$ 3,501.00	Promotion

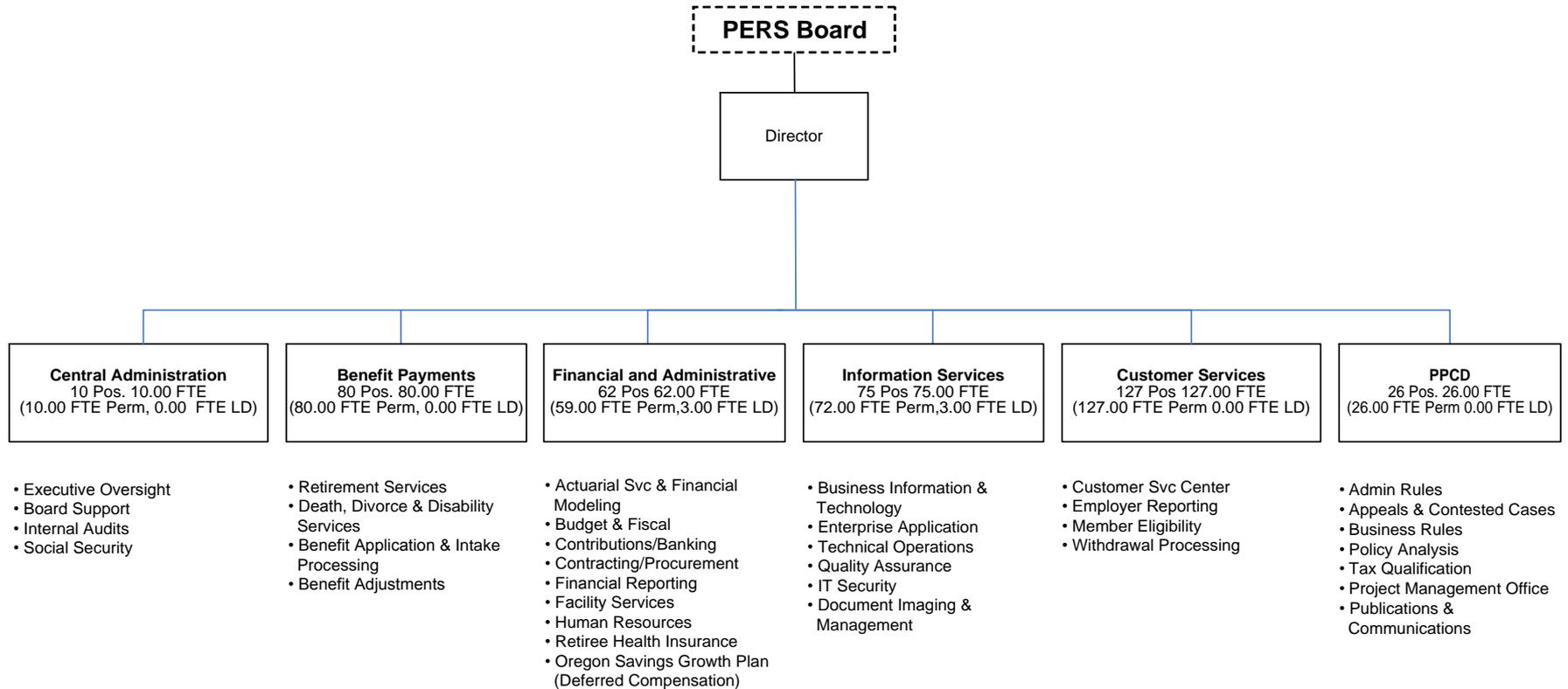
# PERS New Hires 2015-17 (continued)

Date Hired	Position No.	Class	Class Description	Step	Salary	Reason Above Step 2
5/31/2016	8700105	C1485	INFO SYSTEMS SPECIALIST 5	4	\$ 4,901.00	Market Demand
6/7/2016	8900103	C1484	INFO SYSTEMS SPECIALIST 4	1	\$ 3,826.00	
6/13/2016	0137010	C0104	OFFICE SPECIALIST 2	2	\$ 2,471.00	
6/13/2016	0501106	C0107	ADMINISTRATIVE SPECIALIST 1	2	\$ 2,675.00	
6/20/2016	1510104	X0872	OPERATIONS & POLICY ANALYST 3	2	\$ 5,349.00	
6/27/2016	0911418	C0103	OFFICE SPECIALIST 1	3	\$ 2,302.00	Promotion
7/11/2016	1710101	C0841	RETIREMENT COUNSELOR 1	2	\$ 3,045.00	
8/1/2016	8700202	X7008	PRINCIPAL EXECUTIVE/MANAGER E	9	\$ 8,269.00	Promotion
8/15/2016	9900140	C0871	OPERATIONS & POLICY ANALYST 2	4	\$ 4,637.00	Promotion
8/29/2016	9100128	C0855	PROJECT MANAGER 2	4	\$ 5,102.00	Promotion
8/29/2016	9900170	C0855	PROJECT MANAGER 2	4	\$ 5,102.00	Promotion
9/1/2016	0507007	C0842	RETIREMENT COUNSELOR 2	6	\$ 4,033.00	Promotion
9/1/2016	1189702	C0871	OPERATIONS & POLICY ANALYST 2	5	\$ 4,862.00	Promotion
9/1/2016	1710203	C1486	INFO SYSTEMS SPECIALIST 6	6	\$ 5,748.00	Market Demand
9/1/2016	8900400	X1320	HUMAN RESOURCE ANALYST 1	6	\$ 4,620.00	Promotion
9/12/2016	1110201	C0841	RETIREMENT COUNSELOR 1	3	\$ 3,185.00	Promotion
9/12/2016	9700140	C0841	RETIREMENT COUNSELOR 1	3	\$ 3,185.00	Promotion
9/19/2016	9300004	C1486	INFO SYSTEMS SPECIALIST 6	9	\$ 6,603.00	Market Demand
9/30/2016	0911402	C1485	INFO SYSTEMS SPECIALIST 5	4	\$ 4,901.00	Market Demand
11/1/2016	0110501	C0871	OPERATIONS & POLICY ANALYST 2	3	\$ 4,730.00	Promotion
11/1/2016	0911431	C0438	PROCUREMENT & CONTRACT SPEC 3	2	\$ 4,959.00	
11/1/2016	9900180	C1482	INFO SYSTEMS SPECIALIST 2	3	\$ 3,611.00	Market Demand
11/14/2016	1706011	X0866	PUBLIC AFFAIRS SPECIALIST 3	4	\$ 6,182.00	Promotion
12/1/2016	0501101	C0871	OPERATIONS & POLICY ANALYST 2	1	\$ 4,432.00	
12/1/2016	1710304	C0870	OPERATIONS & POLICY ANALYST 1	4	\$ 4,217.00	Promotion
12/19/2016	1110244	X1322	HUMAN RESOURCE ANALYST 3	7	\$ 6,673.00	Promotion
12/29/2016	1311121	X1339	TRAINING & DEVELOPMENT SPEC 2	6	\$ 5,770.00	Promotion

# Public Employees Retirement System 2015-17 Legislatively Adopted Budget

380 Positions

380.00 FTE



- Executive Oversight
- Board Support
- Internal Audits
- Social Security

- Retirement Services
- Death, Divorce & Disability Services
- Benefit Application & Intake Processing
- Benefit Adjustments

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

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

- Customer Svc Center
- Employer Reporting
- Member Eligibility
- Withdrawal Processing

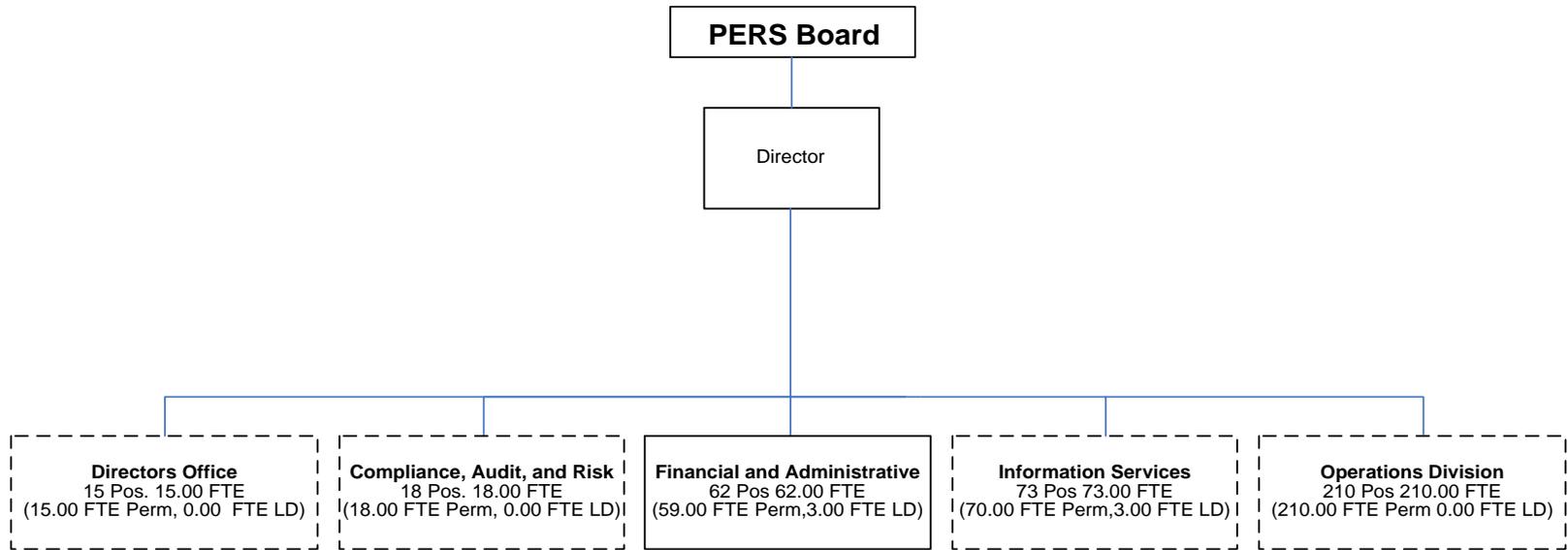
- Admin Rules
- Appeals & Contested Cases
- Business Rules
- Policy Analysis
- Tax Qualification
- Project Management Office
- Publications & Communications

----- Represents a change from the previous biennium  
 \_\_\_\_\_ Denotes no change from prior biennium

# Public Employees Retirement System 2017-19 Governor's Budget Proposed Organization

378 Positions

378.00 FTE



- Executive Oversight
- Board Support
- Legislative Coordination
- Strategic and Operational Planning

- Administrative Rules
- Appeals & Contested Cases
- Business Rules
- Policy and Compliance
- Tax Qualification
- Internal Audits
- Social Security
- Risk and Information Security

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

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

- Member Information Center
- Employer Service Center
- Strategic Operations
- Operations Technical Support
- Retirement Education
- Specialty Qualifications
- Benefit Application Intake And Review
- Benefit Preparation
- Data Integrity
- Member Account Adjustments
- Publications & Communications

----- Represents a change from the previous biennium  
 \_\_\_\_\_ Denotes no change from prior biennium



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

Headquarters:  
11410 S.W. 68th Parkway, Tigard, OR  
Mailing Address:  
P.O. Box 23700  
Tigard, OR 97281-3700  
(503) 598-7377  
TTY (503) 603-7786  
<http://oregon.gov/pers>

December 20, 2016

To: Ken Rocco, Legislative Fiscal Officer  
From: Steven Patrick Rodeman, Executive Director  
CC: John Borden, Linnea Wittkind, George Naughton  
Re: Senate Bill 5537(2013) Budget Note – Q3 2016 Retirement Data

A budget note in Senate Bill 5537(2013) directed PERS to report quarterly and annually on retirement activity. We continue to report to you, as the data show the impact of legislative discussions, reforms, and the need for personnel planning – please share this information with others who may find it helpful. This report covers the third quarter of 2016 and the previous three quarters. In the report, “inactive members” are those who separated from their last PERS-covered employment more than 365 days before their effective retirement date. This definition is consistent with the analysis we use for our annual replacement ratio study, where we exclude members fitting that parameter.

### Retirement Data as of September 30, 2016

As anticipated, retirements were higher in Q3 than previous quarters, driven by school employee retirements. Compared to this quarter last year, the year-to-date Full Formula calculation method increased from 65% to 70% and the Money Match calculation decreased from 32% to 28%. As mentioned in the last report, we continue to see an increase in OPSRP member retirements. Even though new members have been joining OPSRP since August 2003, almost 20% of that population is eligible to retire based on normal retirement age (65 years).

### Upcoming Reports

For the fourth quarter report, we may see an uptick in retirements if some members choose to retire as PERS reform discussions occur in the run up to the 2017 legislative session. That pattern has been consistent in quarters prior to and during the 2015 session.

### Members Eligible to Retire

PERS continues to monitor the total number of active and inactive members eligible to retire due to age or service time. Of course, eligible to retire does not always mean able or ready to retire. As of September 30, 2016, there were 71,042 active and inactive members were eligible to retire, ~33% of the 217,066 such members in PERS.

For this report, and all PERS data, “state” includes Oregon universities and “employer group” represents the employer a member last worked for or retired from (not their entire employment experience), whether active or inactive at the time of retirement.

### ADDED BONUS FEATURES

In October, at the request of Secretary of State Audits Division, we reported the number of employees, and those eligible to retire, in each state agency. That data is attached and sorted by agency with the highest percent of staff eligible to retire. For informational purposes, we have also attached a PERS Policy Paper on retirees returning to PERS-covered employment.

**Public Employees Retirement System  
Service Retirements Quarterly Report - SB 5537 (2013)  
3rd Quarter 2016 and Previous Three Quarters**

**QUARTER 4: Retirements effective October - December 2015**

TOTAL	TIER 1	TIER 2	OPSRP	TOTAL
Total Service Retirements	1,164	333	203	1,700
	68%	20%	12%	

CALCULATION TYPE	TIER 1	TIER 2	OPSRP	TOTAL
Full Formula	478	283	203	964
Formula + Annuity	59			59
Money March	627	50		677
	1,164	333	203	1,700

EMPLOYER GROUP	TIER 1	TIER 2	OPSRP	TOTAL
State	380	91	59	530
Schools	376	101	59	536
Local Governments	408	141	85	634
	1,164	333	203	1,700

EST. ACTIVE / INACTIVE	TIER 1	TIER 2	OPSRP	TOTAL
Active	901	228	159	1,288
Inactive > 365 Days	263	105	44	412
	1,164	333	203	1,700

TOTAL	TIER 1	TIER 2	OPSRP	TOTAL
Total Service Retirements	699	287	209	1,195
	58%	24%	17%	

CALCULATION TYPE	TIER 1	TIER 2	OPSRP	TOTAL
Full Formula	356	248	209	813
Formula + Annuity	26			26
Money March	317	39		356
	699	287	209	1,195

EMPLOYER GROUP	TIER 1	TIER 2	OPSRP	TOTAL
State	297	83	79	459
Schools	149	70	58	277
Local Governments	253	134	72	459
	699	287	209	1,195

EST. ACTIVE / INACTIVE	TIER 1	TIER 2	OPSRP	TOTAL
Active	510	190	165	865
Inactive > 365 Days	189	97	44	330
	699	287	209	1,195

**QUARTER 1: Retirements effective January - March 2016**

TOTAL	TIER 1	TIER 2	OPSRP	TOTAL
Total Service Retirements	783	357	236	1,376
	57%	26%	17%	

CALCULATION TYPE	TIER 1	TIER 2	OPSRP	TOTAL
Full Formula	448	324	236	1,008
Formula + Annuity	25			25
Money March	310	33		343
	783	357	236	1,376

EMPLOYER GROUP	TIER 1	TIER 2	OPSRP	TOTAL
State	236	107	71	414
Schools	251	99	80	430
Local Governments	296	151	85	532
	783	357	236	1,376

EST. ACTIVE / INACTIVE	TIER 1	TIER 2	OPSRP	TOTAL
Active	582	255	181	1,018
Inactive > 365 Days	201	102	55	358
	783	357	236	1,376

TOTAL	TIER 1	TIER 2	OPSRP	TOTAL
Total Service Retirements	1,788	719	400	2,908
	62%	25%	14%	

CALCULATION TYPE	TIER 1	TIER 2	OPSRP	TOTAL
Full Formula	971	646	400	2,017
Formula + Annuity	65			65
Money March	753	73		826
	1,788	719	400	2,908

EMPLOYER GROUP	TIER 1	TIER 2	OPSRP	TOTAL
State	404	142	83	629
Schools	961	362	210	1,533
Local Governments	434	215	107	746
	1,788	719	400	2,908

EST. ACTIVE / INACTIVE	TIER 1	TIER 2	OPSRP	TOTAL
Active	1,530	553	322	2,405
Inactive > 365 Days	259	166	78	503
	1,789	719	400	2,908

**QUARTER 2: Retirements effective April-June 2016**

**QUARTER 3: Retirements effective July - September 2016**

2016 YTD	T1	T2	O
3,271	60%	25%	15%
1,363			
845			
5,479			

2016 YTD	T1	T2	O
3,838	70%	2%	28%
1,116			
1,525			
5,479			

2016 YTD	T1	T2	O
1,902	27%	41%	32%
2,340			
1,737			
5,479			

2016 YTD	T1	T2	O
4,288	78%	22%	
1,191			
5,479			

(For all data - Service Retirements do not include Disability Retirements)  
Please note: Quarterly values reported here align with previous reports. But small variances in final numbers may occur as members finalize retirement decisions.



# Members Eligible to Retire by Category

For period ending : End Date: 9/30/2016

CATEGORY	ACTIVE MEMBERS						DORMANT/INACTIVE MEMBERS						TOTAL MEMBERS						
	Actuarial Group	Active P&F	Active General Service	Active Judges	Active Eligible to Retire	Total Active Members	% Active Category	Inactive P&F	Inactive General Service	Inactive Judges	Inactive Eligible to Retire	Total Inactive Members	% Not Active Category	P&F	General Service	Judge	Total Eligible to Retire	Total Members	% Total Members Eligible
<b>TIER-1</b>																			
STATE	820	4,674	0	5,494	7,996	68.71%	119	2,974	0	3,093	4,362	70.91%	939	7,648	0	8,587	12,338	69.49%	
SCHOOL	9	6,128	0	6,137	10,678	57.47%	4	3,336	0	3,360	4,994	67.28%	13	9,484	0	9,497	15,672	60.60%	
LOCAL GOV'T	1,024	3,849	0	4,873	7,928	61.47%	224	2,363	0	2,587	4,044	63.97%	1,248	6,212	0	7,460	11,972	62.31%	
JUDGES	0	0	41	41	63	63.08%	0	0	3	3	4	75.00%	0	0	44	44	69	63.77%	
CMM COLLEGE	0	778	0	778	1,089	71.44%	0	619	0	619	827	74.85%	0	1,397	0	1,397	1,916	72.91%	
<b>TIER-1 TOTALS:</b>	<b>1,853</b>	<b>15,429</b>	<b>41</b>	<b>17,323</b>	<b>27,756</b>	<b>62.41%</b>	<b>347</b>	<b>9,312</b>	<b>3</b>	<b>9,662</b>	<b>14,231</b>	<b>67.89%</b>	<b>2,200</b>	<b>24,741</b>	<b>44</b>	<b>26,985</b>	<b>41,987</b>	<b>64.27%</b>	
<b>TIER-2</b>																			
STATE	843	3,140	0	3,983	10,132	39.31%	170	1,366	0	1,536	3,609	42.56%	1,013	4,506	0	5,519	13,741	40.16%	
SCHOOL	10	3,339	0	3,349	13,726	34.01%	7	2,667	0	2,674	6,243	42.83%	17	8,006	0	8,023	21,969	36.52%	
LOCAL GOV'T	486	3,143	0	3,631	11,163	32.53%	92	1,888	0	1,980	4,612	42.93%	578	3,033	0	5,611	13,773	35.57%	
JUDGES	0	0	42	42	128	32.81%	0	0	2	2	3	40.00%	0	0	44	44	133	33.08%	
CMM COLLEGE	0	803	0	803	1,701	47.33%	0	600	0	600	1,166	51.46%	0	1,403	0	1,403	2,867	49.01%	
<b>TIER-2 TOTALS:</b>	<b>1,339</b>	<b>12,429</b>	<b>42</b>	<b>13,810</b>	<b>38,850</b>	<b>35.55%</b>	<b>269</b>	<b>6,521</b>	<b>2</b>	<b>6,792</b>	<b>15,635</b>	<b>43.44%</b>	<b>1,608</b>	<b>18,950</b>	<b>44</b>	<b>20,602</b>	<b>54,485</b>	<b>37.81%</b>	
<b>OP&amp;RP</b>																			
STATE	739	4,687	0	5,446	29,960	18.18%	77	881	0	958	3,682	26.02%	836	3,568	0	6,404	33,642	19.04%	
SCHOOL	13	7,189	0	7,202	41,831	17.22%	3	2,054	0	2,057	3,881	34.98%	16	9,243	0	9,259	47,712	19.41%	
LOCAL GOV'T	307	4,248	0	4,555	28,543	15.96%	38	1,093	0	1,153	4,177	27.60%	365	3,343	0	5,708	32,722	17.44%	
CMM COLLEGE	0	1,382	0	1,382	3,286	26.14%	0	702	0	702	1,232	56.98%	0	2,084	0	2,084	6,318	31.97%	
<b>OP&amp;RP TOTALS:</b>	<b>1,079</b>	<b>17,506</b>	<b>0</b>	<b>18,585</b>	<b>105,622</b>	<b>17.60%</b>	<b>138</b>	<b>4,732</b>	<b>0</b>	<b>4,870</b>	<b>14,972</b>	<b>32.53%</b>	<b>1,217</b>	<b>22,238</b>	<b>0</b>	<b>23,455</b>	<b>120,594</b>	<b>19.45%</b>	

## Total Members Eligible to Retire by Actuarial Group

STATE	2,422	12,501	0	14,923	48,088	31.03%	366	5,221	0	5,587	11,653	47.94%	2,788	17,722	0	20,510	59,741	34.33%
SCHOOL	32	18,636	0	18,688	68,233	27.39%	14	8,077	0	8,091	17,118	47.27%	46	26,733	0	26,779	85,333	31.37%
LOCAL GOV'T	1,817	11,242	0	13,059	47,636	27.41%	374	3,346	0	5,720	12,833	44.57%	2,191	16,388	0	18,779	60,469	31.06%
JUDGES	0	0	83	83	193	43.01%	0	0	5	5	9	55.56%	0	0	88	88	202	43.56%
CMM COLLEGE	0	2,963	0	2,963	8,076	36.71%	0	1,921	0	1,921	3,225	59.57%	0	4,886	0	4,886	11,301	43.24%
<b>Grand Totals:</b>	<b>4,271</b>	<b>45,364</b>	<b>83</b>	<b>49,718</b>	<b>172,228</b>	<b>28.87%</b>	<b>754</b>	<b>20,565</b>	<b>5</b>	<b>21,324</b>	<b>44,838</b>	<b>47.56%</b>	<b>5,025</b>	<b>65,929</b>	<b>88</b>	<b>71,042</b>	<b>217,066</b>	<b>32.73%</b>

Security Level 3

Environment: PROD

## STATE EMPLOYEES ELIGIBLE TO RETIRE - As of September 30, 2016

OREGON STATE AGENCY	# OF EMPLOYEES	# ELIGIBLE TO RETIRE	% ELIGIBLE TO RETIRE
APPRAISER CERT. & LICENSURE BRD.	5	5	100%
OREGON BEEF COUNCIL	2	2	100%
OREGON TRAWL COMMISSION	2	2	100%
CRAB COMMISSION	2	2	100%
COMMISSION ON JUDICIAL FITNESS AND DISABILITY	1	1	100%
SALMON COMMISSION	1	1	100%
LEGISLATIVE COMMISSION ON INDIAN SERVICES	1	1	100%
OREGON WHEAT COMMISSION	3	2	67%
OR PHYSICAL THERAPIST LIC BD	3	2	67%
OREGON BOARD OF DENTISTRY	8	5	63%
INSIDE OREGON ENTERPRISES	100	56	56%
CONSTRUCTION CONTRACTORS' BOARD	54	27	50%
STANDARDS & PRACTICES COMM	8	4	50%
BOARD OF COUNSELORS AND THERAPISTS	6	3	50%
POTATO COMMISSION	2	1	50%
OREGON BOARD OF OPTOMETRY	2	1	50%
DISTRICT ATTORNEYS	33	16	48%
BOARD OF NURSING	44	21	48%
MEDICAL EXAMINERS	34	16	47%
OREGON RACING COMMISSION	11	5	45%
LAND CONSERVATION & DEVELOP COMM	54	24	44%
OREGON COMMISSION FOR THE BLIND	52	23	44%
DEPARTMENT OF VETERAN AFFAIRS	73	31	42%
PUBLIC EMPLOYEES RTMAT SYSTEM	333	139	42%
DEPT OF CONSUMER & BUS SVC	843	351	42%
HEALTH RELATED LICENSING BOARDS	20	8	40%
PATIENT SAFETY COMMISSION	10	4	40%
CHIROPRATIC BOARD	5	2	40%
PUBLIC UTILITY COMMISSION	108	43	40%
DEQ	603	240	40%
OREGON HOUSING & CMNTY SVC	117	45	38%
CORRECTIONS, DEPT OF	4,195	1,608	38%
LEGISLATIVE FISCAL OFFICE	21	8	38%
EMPLOYMENT DEPARTMENT	985	369	37%
OREGON BUSINESS DEVELOPMENT DEPARTMENT	121	45	37%
AVIATION DEPARTMENT	11	4	36%
ODOOT	4,188	1,518	36%
DIVISION OF STATE LANDS	105	38	36%
OREGON OFFICE OF ENERGY	79	28	35%
DEPT OF ADMINISTRATIVE SERVICES	770	269	35%
MILITARY DEPT	350	120	34%
SOUTHERN OREGON UNIVERSITY - OUS	533	182	34%
OREGON YOUTH AUTHORITY	950	324	34%
OREGON DEPT OF AGRICULTURE	350	118	34%
OREGON DEPARTMENT OF EDUCATION	490	164	33%
DAIRY PRODUCTS COMMISSION	9	3	33%
OFRI	9	3	33%
LAND USE BOARD OF APPEALS	6	2	33%

ARCHITECT EXAMINERS BOARD	3	1	33%
OREGON ADVOCACY COMMISSION OFFICE	3	1	33%
PARKS & RECREATION DEPARTMENT	496	165	33%
BUREAU OF LABOR & INDUSTRIES	88	29	33%
EASTERN OREGON UNIVERSITY - OUS	303	97	32%
PROFESSIONAL LIABILITY FUND	50	16	32%
OREGON STATE BAR	79	25	32%
LEGISLATIVE ADMIN COMMITTEE	79	25	32%
OREGON LOTTERY COMMISSION	421	133	32%
DEPT OF REVENUE	923	286	31%
OREGON INSTITUTE OF TECHNOLOGY - OUS	276	85	31%
REAL ESTATE AGENCY	26	8	31%
DPST	173	53	31%
GEOLOGY & MINERAL INDUSTRIES	36	11	31%
OREGON STATE UNIVERSITY - OUS	4,061	1,229	30%
LONG TERM CARE OMBUDSMAN	20	6	30%
HIGHER EDUCATION COORDINATING COMMISSION	97	29	30%
WESTERN OREGON UNIVERSITY - OUS	563	168	30%
TRAVEL INFORMATION COUNCIL	47	14	30%
OLCC	223	66	30%
WATER RESOURCES DEPT	147	42	29%
STATE LIBRARY	35	10	29%
LEGISLATURE	173	49	28%
MARINE BOARD	39	11	28%
FORESTRY DEPT	686	193	28%
UNIVERSITY OF OREGON	3,969	1,100	28%
LEGISLATIVE COUNSEL	44	12	27%
PSYCHIATRIC SECURITY REV BRD	11	3	27%
JUDICIAL DEPARTMENT	1,500	409	27%
OREGON DEPARTMENT OF JUSTICE	1,180	317	27%
OREGON HEALTH AUTHORITY	4,075	1,074	26%
BOARD OF PHARMACY	19	5	26%
OREGON DEPT OF FISH & WILDLIFE	951	250	26%
DEPARTMENT OF HUMAN SERVICES	7,189	1,801	25%
LEGISLATIVE COMMITTEES	8	2	25%
LANDSCP CONTRACTOR ADVIS BRD	4	1	25%
OREGON FILM AND VIDEO	4	1	25%
STATE BOARD OF TAX PRACTITIONERS	4	1	25%
BOARD OF MASSAGE THERAPISTS	4	1	25%
PORTLAND STATE UNIVERSITY - OUS	2,189	538	25%
EMPLOYMENT RELATIONS BOARD	13	3	23%
STATE BOARD OF ACCOUNTANCY	9	2	22%
STATE TREASURY	101	22	22%
SECRETARY OF STATE	187	40	21%
GOVERNORS OFFICE	48	10	21%
SAIF CORPORATION	922	187	20%
STATE BOARD OF PSYCHOLOGIST EX	5	1	20%
BOARD OF CLINICAL SOCIAL WRKERS	5	1	20%
PUBLIC DEFENSE SERVICES COMMISSION	72	14	19%
OREGON EDUCATION INVESTMENT BOARD	16	3	19%
STATE POLICE	1,159	213	18%

OW/EB	30	5	17%
BOARD OF PAROLE	25	4	16%
TEACHER STANDARD & PRACT CMSN	20	3	15%
CRIMINAL JUSTICE COMMISSION	12	1	8%
OREGON TOURISM COMMISSION	40	3	8%
ENGINEERING EXAMINERS BOARD	10	0	0%
BOARD OF GEOLOGIST EXAMINERS	2	0	0%
OREGON HOP COMMISSION	2	0	0%
<b>TOTAL</b>	<b>48,588</b>	<b>14,665</b>	<b>30%</b>



# PERS: By The Numbers

September 2016

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## Public Employees Retirement System

11410 SW 68<sup>th</sup> Parkway  
Tigard, OR 97223

888-320-7377

<http://oregon.gov/PERS>

## 1. System Demographics (as of December 31, 2015)

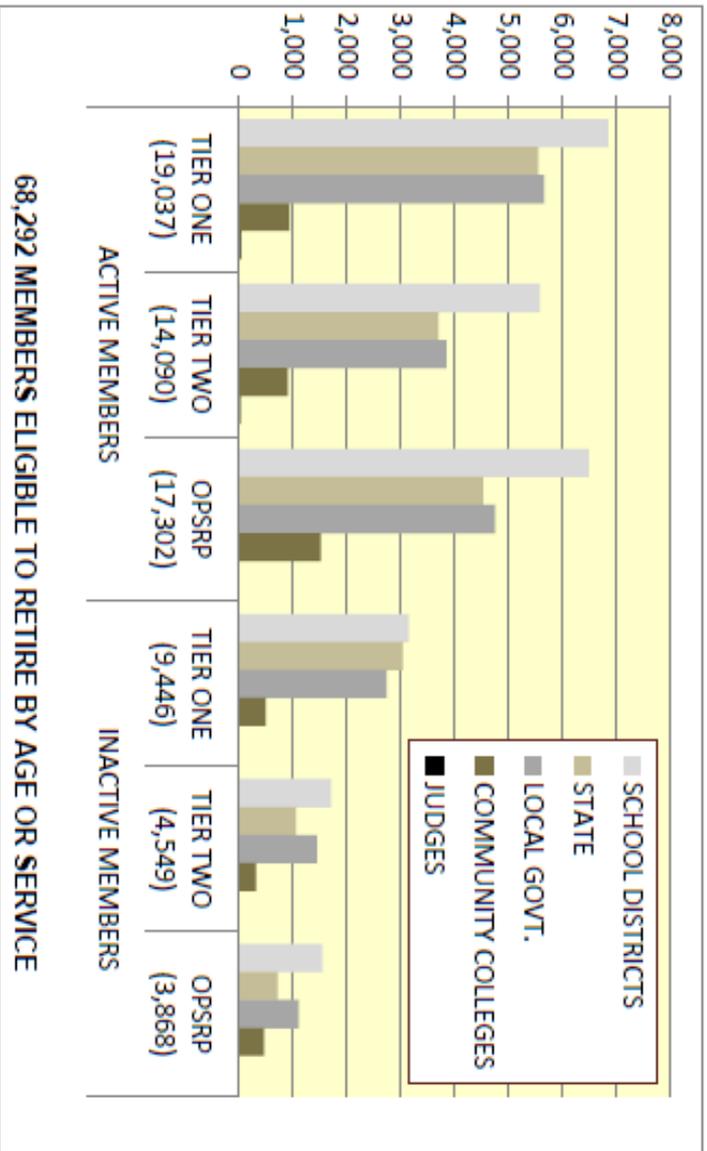
PERS employers: Approximately 925, including all state agencies, universities, and community colleges; all school districts; and almost all cities, counties, and other local government units.

### Membership by category

	State Govt.	Local Govt.	School Districts	Total
Tier One	Active	8,577	9,986	30,295
	Inactive	3,818	5,236	15,199
Tier Two	Active	10,433	13,311	40,126
	Inactive	2,944	5,827	15,589
OPSRP	Active	28,321	31,365	97,756
	Inactive	3,228	4,393	12,061
Sub-total	Active	47,331	54,662	168,177
	Inactive	9,989	15,456	42,849
Retired*		31,767	38,905	65,626
<b>TOTAL</b>				<b>347,324</b>

\* Includes beneficiaries but not members who received total lump-sum retirement or account withdrawal payouts.

### Members eligible to retire (as of December 31, 2015)



### Retirements by year (Tier One, Tier Two, and OPSRP Combined)

2007	2008	2009	2010	2011	2012	2013	2014	2015
5,749	5,574	5,933	5,561	8,202	6,590	9,546	7,621	7,529

## 2. System Benefits

### PERS benefit component comparisons

The primary components and differences among the PERS Tier One and Tier Two programs, the Oregon Public Service Retirement Plan (OPSRP) Pension Program, and the Individual Account Program (IAP) are shown below. Tier One covers members hired before January 1, 1996. Tier Two covers members hired between January 1, 1996 and August 28, 2003; and OPSRP covers members hired on or after August 29, 2003. The IAP contains all member contributions (6% of covered salary) made on and after January 1, 2004.

	Tier One	Tier Two	OPSRP Pension	IAP
Normal retirement age	58 (or 30 yrs) P&F: age 55 or 50 w/25 yrs	60 (or 30 yrs) P&F: age 55 or 50 w/25 yrs	65 (58 w/30 yrs) P&F: age 60 or 53 w/25 yrs	Members retire from IAP when they retire from Tier One, Tier Two, or OPSRP
Early retirement	55 (50 for P&F)	55 (50 for P&F)	55; if vested (50 w/ 5 years of continuous service in a P&F position immediately preceding effective retirement date)	Members retire from IAP when they retire from Tier One, Tier Two, or OPSRP
Regular account earnings	Guaranteed assumed rate annually (currently 7.5%)	No guarantee; market returns	N/A; no member account	No guarantee; market returns
Variable account earnings	Market returns on 100% global equity portfolio	Market returns on 100% global equity portfolio	N/A; no member account	N/A
Retirement calculation methods	Moseley March, Full Formula, or Formula + Annuity (if eligible)	Moseley March or Full Formula	Formula	Various account pay-outs or rollover
Full Formula benefit factor	1.67% general; 2.00% P&F	1.67% general; 2.00% P&F	1.50% general; 1.80% P&F	N/A
Formula + Annuity benefit factor	1.00% general; 1.35% P&F	N/A	N/A	N/A
Oregon state income tax remedy	If eligible, higher of 9.89% on service time before Oct. 1, 1991 or 4% or less based on total service time. Not payable to benefit recipients that do not pay Oregon state income tax because they do not reside in Oregon	No tax remedy provided	No tax remedy provided	No tax remedy provided
Lump-sum vacation payout				
Included in covered salary (6%)	Yes	Yes	No	Yes for Tier One and Tier Two; no for OPSRP
Included in FAS	Yes	No	No	N/A
Unused sick leave included in FAS	Yes; if employer participates in the sick leave program	Yes; if employer participates in the sick leave program	No	N/A
6% "pickup" included in FAS	Yes	Yes	No	N/A
Vesting	Active member in each of 5 calendar years	Active member in each of 5 calendar years	5 calendar years w/ at least 600 hours qualifying service or normal retirement age	Immediate
COLA (after retirement)	Up to 2% annually for service on or before October 1, 2013 and a blended COLA for subsequent service			N/A; no COLA provided

P&F = police and firefighters; FAS = final average salary; COLA = cost-of-living adjustment; N/A = not applicable

Note: PERS uses three methods to calculate Tier One retirement benefits: Full Formula, Formula + Annuity (for members who made contributions before August 21, 1981), and Moseley March. PERS uses two methods to calculate Tier Two retirement benefits: Full Formula and Moseley March. PERS uses the method (for which a member is eligible) that produces the highest benefit amount. OPSRP Pension Program benefits are based only on a formula method.

## 2. System Benefits (continued)

**Summary of findings from PERS' Tier One/Tier Two Replacement Ratio Study (RRS) for 2015**  
The RRS population of 87,134 retirements was drawn from 143,180 retirements from January 1990 through December 2015, and covers retired members who selected comparable monthly benefit options. The techniques used in the 2015 PERS RRS are consistent with the techniques used in previous studies.

### Characteristics of the Retired Members in the RRS Population <sup>1</sup>

Average age at retirement: 62 years old

Average years of service at retirement: 24 years of service

#### Average monthly retirement benefit

- For all retirees from 1990-2015, the average monthly retirement benefit at time of retirement was \$2,342 per month, or about \$28,109 annually
- For those retirees in the most recent year (2015), the average monthly retirement benefit was \$2,692 per month, or about \$32,300 annually

#### Average public employee salaries at retirement

- For all retirees from 1990-2015, the final average salary at retirement was \$50,608 annually
- For 2015 retirees, the final average salary at retirement was \$72,133 annually

#### Average salary replacement ratio (see chart on following page)

- For all retirees from 1990-2015, the average annual retirement benefit equaled 54% of final average salary at the time of retirement
- For 2015 retirees, the average annual retirement benefit equaled 44% of final average salary
- For all retirees from 1990-2015, there were 6.6% who received annual benefits more than 100% of final average salary. The average years of service for this group was 31 years
- For 2015 retirees, there were 2.6% who received annual benefits more than 100% of final average salary. The average years of service for this group was 35 years

#### For members who retire with 30 years of service (see chart on following page)

- From 1990-2015, the average retirement benefit for 30-year members equaled 80% of final average salary and the average monthly benefit was \$3,718 per month
- The average replacement ratio for 30-year members peaked at 100% of final average salary in 2000 and their average monthly benefit was \$4,200 per month
- For 2015 only, the average retirement benefit for 30-year members equaled 57% of final average salary and the average monthly benefit was \$3,771 per month
- 10.6% of retirees from 1990-2015 had 30 years of service
- 8.9% of retirees in 2015 had 30 years of service

<sup>1</sup>The exclusions and other factors applied to this population are explained in Appendix A on page 26. Generally, these exclusions remove about 35% of members who retire in a given year.

## 2. System Benefits (continued)

### Summary of findings from PERS' Tier One/Tier Two RRS for 2015 (continued)

Average salary replacement ratio based on final average salary (FAS)

Calendar Year	Retirees with 30 Years of Service (does not include those w/ more than 30 years)		All Retirees in Study			# of Retirees with 31 or More Years of Service
	# of Retirees in Study**	Average Replacement Ratio Based on FAS	# of Retirees in Study*	Average Replacement Ratio Based on FAS	% of Retirees Receiving >100% of FAS	
1990	146	61%	1,866	44%	.0%	236
1991	217	61%	2,377	45%	.1%	261
1992	205	67%	2,432	48%	.5%	289
1993	289	66%	2,744	48%	.5%	319
1994	302	67%	3,298	49%	.3%	452
1995	304	66%	2,827	47%	1.0%	307
1996	281	70%	2,477	49%	1.4%	223
1997	295	83%	3,107	57%	7.5%	284
1998	465	89%	4,567	65%	12.0%	472
1999	548	93%	4,644	65%	14.0%	452
2000	273	100%	2,112	63%	15.8%	148
2001	391	99%	3,146	66%	16.5%	304
2002	670	96%	4,605	68%	17.4%	583
2003	942	93%	7,631	66%	14.4%	937
2004	471	84%	3,259	55%	5.5%	155
2005	393	84%	2,548	51%	4.4%	155
2006	347	83%	2,952	50%	4.3%	254
2007	372	84%	3,226	51%	4.9%	337
2008	417	80%	3,480	52%	5.0%	445
2009	432	77%	3,881	53%	6.2%	586
2010	414	75%	3,516	48%	4.3%	440
2011	464	74%	4,484	50%	5.3%	937
2012	272	70%	4,098	46%	4.3%	585
2013	389	69%	5,800	50%	5.6%	1,108
2014	262	66%	4,000	44%	2.8%	441
2015	430	57%	4,830	44%	2.6%	772
<b>Total/Avg</b>	<b>9,991</b>	<b>80%</b>	<b>93,907</b>	<b>54%</b>	<b>6.6%</b>	<b>11,482</b>

\* Includes monthly benefit payments for members retiring from active service within the preceding 12 months. Benefits related to inactive, jump sum, judge and legislator retirements are excluded.

Retirement calculation method and average replacement ratio based on final salary at retirement for 2015 Tier One/Tier Two retirees with 30 years of service credit\*\*

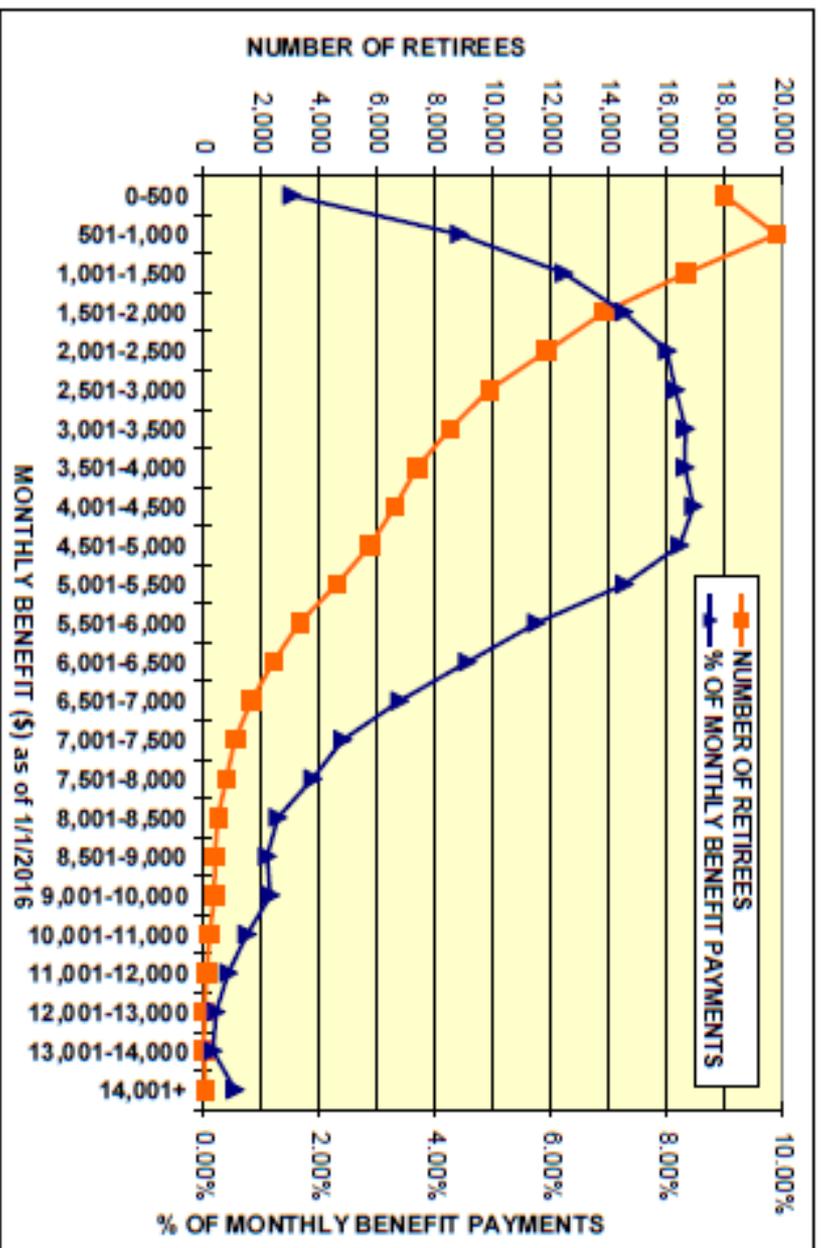
Calculation Method	Number of Retirees	Average Replacement Ratio	% of Retirees with 30 Years of Service Credit
Full Formula	145	50%	34.0%
Formula Plus	19	54%	4.0%
Money Match	266	61%	62.0%
<b>TOTAL</b>	<b>430</b>	<b>57%</b>	<b>100%</b>

\*\* Includes Tier One/Tier Two retirees with between 30 years, 0 months and 30 years, 11 months of service credit who retired in 2015. Retirees who took a jump-sum option, retirees with greater than 365 days from their termination date to their retirement date, or retirees other than General Service or Police & Fire are not included.

## 2. System Benefits (continued)

### Monthly benefit payment amounts as of January 1, 2016

Based on 134,323 monthly benefit amounts totaling \$332.7 million for the month (includes alternate payes and survivors; excludes lump sum and unit payments). Benefit payment amounts include compounded annual cost-of-living adjustments (COLAs) and other post-retirement benefit adjustments.



Monthly Benefit (\$)	Number of Retirees	Percent of Benefits Paid	Monthly Benefit (\$)	Number of Retirees	Percent of Benefits Paid
0 - 500	18,003	1.53%	3,001 - 3,500	8,535	8.33%
501 - 1,000	19,790	4.43%	3,501 - 4,000	7,387	8.32%
1,001 - 1,500	16,670	6.23%	4,001 - 4,500	6,633	8.46%
1,501 - 2,000	13,843	7.26%	4,501 - 5,000	5,772	8.23%
2,001 - 2,500	11,866	8.01%	5,001 - 5,500	4,616	7.27%
2,501 - 3,000	9,890	8.15%	5,501 - 6,000	3,335	5.75%
Subtotal	90,062		Subtotal	36,278	
% of total	67.05%		% of total	27.01%	46.36%

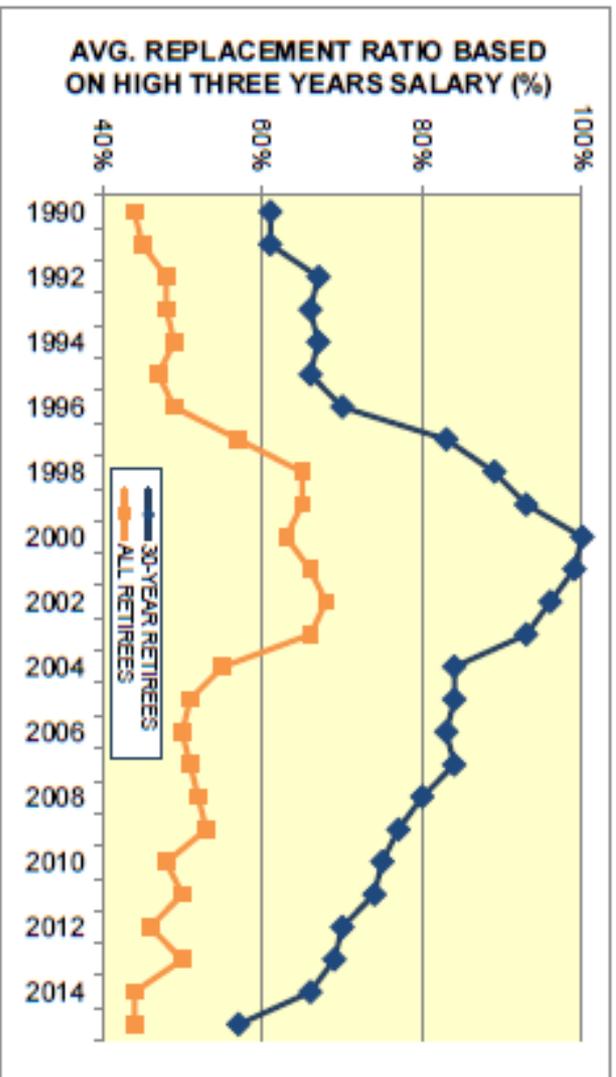
Monthly Benefit (\$)	Number of Retirees	Percent of Benefits Paid	Monthly Benefit (\$)	Number of Retirees	Percent of Benefits Paid
6,001 - 6,500	2,435	4.56%	9,001 - 10,000	413	1.17%
6,501 - 7,000	1,680	3.40%	10,001 - 11,000	245	0.77%
7,001 - 7,500	1,111	2.42%	11,001 - 12,000	128	0.44%
7,501 - 8,000	816	1.90%	12,001 - 13,000	61	0.23%
8,001 - 8,500	524	1.30%	13,001 - 14,000	44	0.18%
8,501 - 9,000	423	1.11%	14,001 and up	103	0.55%
Subtotal	6,989		Subtotal	994	
% of total	5.20%	14.69%	% of total	0.74%	3.34%

• Average annual benefit: \$29,720

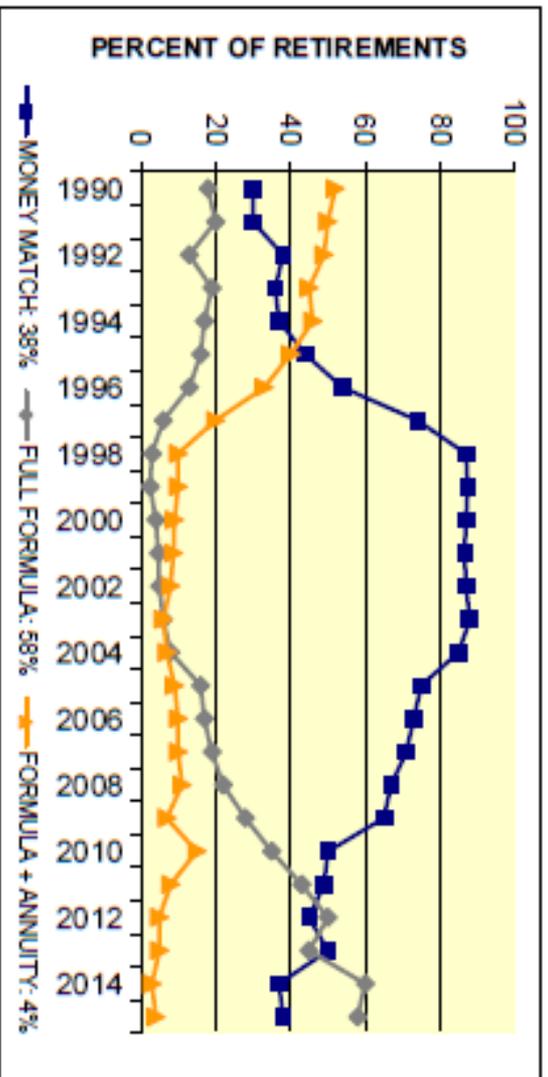
• Median annual benefit: \$23,493

## 2. System Benefits (continued)

Tier One/Tier Two replacement ratio trends (data from PERS' Replacement Ratio Study)



Tier One/Tier Two retirement calculation method trends



Retired members with hours reported working in a PERS-covered position in 2015 by employer group

Hours	State	Local Govt	K-12	Total
< 200	417	1,195	2,627	4,239
200 - 400	281	581	1,320	2,182
401 - 600	272	455	963	1,690
601 - 800	175	320	700	1,195
801 - 1039	294	387	722	1,403
> 1039	145	291	232	668
<b>Total</b>	<b>1,584</b>	<b>3,229</b>	<b>6,564</b>	<b>11,377</b>

## 2. System Benefits (continued)

### Tier One/Tier Two benefit payment options selected in calendar year 2015

Option (definitions below)	Quantity	Percent
1	1,478	25.26
Refund Annuity	399	6.82
15-Year Certain	261	4.46
2	1,135	19.40
2A	1,362	23.28
3	163	2.79
3A	338	5.78
Lump Sum 1	76	1.30
Lump Sum 2	44	0.75
Lump Sum 2A	84	1.44
Lump Sum 3	5	0.09
Lump Sum 3A	13	0.22
Total Lump Sum	395	6.75
AS refund	98	1.68
<b>Total</b>	<b>5,854</b>	<b>100%</b>

**Option 1 (non-refund):** This option is paid for the member's lifetime. No benefit of any kind is paid to anyone after the member dies.

**Refund Annuity Option:** This option is paid for the member's lifetime. When the member dies, the designated beneficiary receives a lump-sum refund of any amount remaining in the member's account, if any.

**15-Year Certain Option:** This option is paid for the member's lifetime. If the member dies before receiving 180 monthly payments (15 years), the beneficiary is entitled to receive the remainder of the 180 monthly payments. Once the member has received at least 180 payments, no benefit is payable to the beneficiary.

**Survivorship Options (Option 2, Option 2A, Option 3, and Option 3A):** Under any of the survivorship options, the member may name only one beneficiary who must be a living person. The monthly benefit payment is paid to the member until his/her death, and then paid to the beneficiary if then living (under Options 2 and 2A, at the same base amount as the member; under Option 3 and 3A, at ½ the base amount of the member).

**Lump-Sum Options (Lump-Sum Option 1, Lump-Sum Option 2, Lump-Sum Option 2A, Lump-Sum Option 3, and Lump-Sum Option 3A):** These options provide a lump-sum payment of the member's account balance plus a lifetime monthly pension from the employer's contributions. The lifetime monthly pension options are the same as those for the non-refund and survivorship options described above.

**Total Lump-Sum:** The balance of the member's account and a matching amount funded by employers' contributions are paid out in total; there is no ongoing monthly benefit.

**AS refund:** a one-time payment based on an actuarial calculation if the Option 1 benefit is less than \$200 per month.

### Average IAP account balances and distributions to retired members, withdrawals, and deceased

Year	Total IAP Account Balance After Earnings Crediting (\$M)	# of Members	Average IAP Account Balance (\$)	# of Distributions
2004	423.4	162,119	2,611	2
2005	928.9	181,055	5,130	4,131
2006	1,396.8	197,491	7,072	6,557
2007	2,120.5	210,133	10,091	6,705
2008	1,851.2	218,192	8,484	8,624
2009	2,742.8	231,256	11,847	7,727
2010	3,536.9	236,265	14,970	8,695
2011	3,939.7	238,062	16,549	11,479
2012	4,855.1	240,637	20,176	14,728
2013	5,127.3	242,516	21,142	14,994
2014	6,001.1	245,768	24,821	15,118
2015	6,906.1	255,896	26,988	15,644

## 2. System Benefits (continued)

### History of Key PERs Benefit Enhancements, Caps, and Reductions by Year

Year	Category	Action	Affected Members
1945	Administrative	The Public Employees Retirement System is signed into law and begins business July 1, 1946, as a money match retirement plan	All
<b>1947</b>	Retirement Age/Vesting	Requirement for employees to serve a six-month waiting period before becoming PERs members begins By law, the PERs plan is terminated and immediately reopened the next day, allowing public employers to provide Social Security coverage	All
1953	Administrative	Legislature passes a bill that allows PERs to invest up to 10% of the retirement fund in common stock, creates the Oregon Investment Council, and establishes a defined benefit formula for employer-funded retirement benefits (formula plus annuity) Participation in variable account program begins	All
1969	Investment Risk Allocation	Implemented ad hoc COLA increase (12% to 25% benefit increase)	Existing retirees
1972	Cost-of-Living Adjustment	Initiated an annual COLA with a 1.5% cap	All retirees
1972	Cost-of-Living Adjustment	Increased Formula Plus Annuity pension factors (General Service: .67 to 1.00; Police & Fire: 0.92 to 1.35)	Tier One
1973	Benefit Calculation Formula	Annual COLA cap raised from 15% to 2%	All retirees
<b>1973</b>	Cost-of-Living Adjustment	Capped COLA at actual inflation rate or 2%, whichever is less	All retirees
1973	Final Average Salary	Added accrued sick leave to retirement benefit calculation for participating employers	Tier One/Two
1974	Cost of Living Adjustment	Implemented ad hoc increase (0% to 25% benefit increase)	Existing retirees
1975	Investment Risk Allocation	Initiated member account assumed rate guarantee	Tier One
1975	Investment Risk Allocation	Increased assumed earnings rate from 5.5% to 7%	Tier One
1975	Investment Risk Allocation	Credited member regular accounts with more than the assumed earnings rate*	Tier One
<b>1976</b>	Investment Risk Allocation	Gain Loss Reserve established to "self-fund" assumed earnings rate crediting	Tier One
1979	Administrative	Employers allowed to "pick up" member 6% contribution	All
1979	Investment Risk Allocation	Increased assumed earnings rate from 7% to 7.5%	Tier One
1981	Benefit Calculation Formula	Added Full Formula benefit calculation method	All
1981	Benefit Calculation Formula	Consolidated member contributions from 1% to 7% salary based sliding scale to universal 6%	All
<b>1981</b>	Benefit Calculation Formula	Eliminated Formula Plus Annuity benefit calculation method	Tier One
1981	Cost-of-Living Adjustment	Implemented ad hoc COLA increase (4% to 11.4% benefit increase)	Existing retirees
1985	Cost-of-Living Adjustment	Implemented ad hoc COLA increase (3% to 7.28% benefit increase)	Existing retirees
1985	Benefit Calculation Formula	Added benefit option to allow lump-sum payment of member account	All
1987	Benefit Calculation Formula	Members allowed to purchase six-month waiting period	All
1987	Benefit Calculation Formula	New retirement benefit payout options added	All
1989	Cost-of-Living Adjustment	Implemented ad hoc COLA increase (0% to 25% benefit increase)	Existing retirees
1989	Investment Risk Allocation	Increased assumed earnings rate from 7.5% to 8%	Tier One
1989	Retiree Health Benefits	Established Medicare and state employee pre-Medicare insurance premium subsidies	Tier One/Two
<b>1989</b>	Retiree Health Benefits	Capped Medicare premium subsidy at \$60 per month	Tier One/Two
1989	Retirement Age/Vesting	Added "30 years of service" retirement regardless of age	Tier One/Two
<b>1991</b>	Benefit Calculation Formula	Imposed state income tax on PERs benefits	All
1991	Benefit Calculation Formula	Established service time based state income tax offset benefit of between 1% to 4% (SB 656)	Tier One
1993	Administrative	Divorced spouses entitled to separate account from member's	All

CONTINUED ON FOLLOWING PAGE

\*Tier One regular accounts were credited with earnings in excess of the assumed rate in the following years: 1975, 1976, 1979, 1980, 1982, 1983, 1985, 1986, 1988, 1989, 1991, 1993, 1995, 1996, 1997, 1998, and 1999. In all other years subsequent to 1975, these accounts were credited at the effective assumed rate.

Key:	Benefit enhancement	Benefit cap or reduction
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## 2. System Benefits (continued)

### History of Key PERS Benefit Enhancements, Caps, and Reductions by Year (continued)

Year	Category	Action	Affected
1995	Benefit Calculation/Formula	Established state income tax offset benefit for pre-1991 service time (HB 3349)	Tier One
1995	Benefit Calculation/Formula	Eliminated tax remedy for anyone hired after July 14, 1995	All new hires
1996	Final Average Salary	Excluded lump-sum vacation payouts from final average salary	Tier Two
1996	Investment Risk Allocation	Eliminated guaranteed return on regular accounts for new members	Tier Two
1996	Retirement Age Vesting	Increased normal retirement age for new members from 58 to 60 (General Service)	Tier Two
1997	Administrative	Married members must provide proof of spousal consent for retirement option choice	All
1997	Administrative	Reemployed retirees can work up to 1,040 hours for a PERS-covered employer without loss of benefits (up from 600 hours)	All
1997	Benefit Calculation/Formula	Out-of-state teaching service and some military purchases allowed	All
1999	Benefit Calculation/Formula	Locked in existing actuarial equivalency factor tables	Tier One
2000	Investment Risk Allocation	Eliminated Last Known Rate member account crediting guarantee	Tier One
2003	Benefit Calculation/Formula	Decreased Full Formula benefit pension factor (General Service: 1.67 to 1.50; Police & Fire 2.00 to 1.80)	OPSRP
2003	Benefit Calculation/Formula	Eliminated Money March benefit calculation method	OPSRP
2003	Benefit Calculation/Formula	Redirected member contributions to freeze Money March benefit levels	Prospective MM retirees
2003	Benefit Calculation/Formula	Required regularly updated mortality assumptions and actuarial factors	All
2003	Cost-of-Living Adjustment	Pro-rated first year COLA	OPSRP
2003	Cost-of-Living Adjustment	Eliminated COLA bank carryover	OPSRP
2003	Final Average Salary	Eliminated lump-sum vacation payouts from subject salary	OPSRP
2003	Final Average Salary	Eliminated accumulated sick leave from final average salary	OPSRP
2003	Investment Risk Allocation	Required members to self-fund guaranteed return on member accounts	Tier One
2003	Investment Risk Allocation	Subjected all future member contributions made on or after January 1, 2004 to actual earnings and losses with no guarantee	All
2003	Retiree Health Benefits	Eliminated post-retirement health insurance premium subsidies	OPSRP
2003	Retirement Age Vesting	Increased normal retirement age from 60 to 65 (General Service) 55 to 60 (Police & Fire)	OPSRP
2003	Retirement Age Vesting	Increased vesting from 5 years or age 50 to 5 years or age 65 (General Service) or age 60 (Police & Fire)	OPSRP
2005	Benefit Calculation/Formula	Adjusted member accounts and benefit payments to recapture 1999 earnings overcrediting	Tier One
2009	Retiree Health Benefits	Allowed OPSRP members to participate in PERS retiree health insurance pools without premium subsidy	OPSRP
2011	Benefit Calculation/Formula	Eliminated HB 3349 tax remedy for prospective retirees who move out of state on or after January 1, 2012	Tier One
2013	Cost-of-Living Adjustment	1.5% in 2013; COLA in 2014 and beyond is 1.25% on the first \$60,000 of an annual benefit; 0.15% on amounts above \$60,000	All
2013	Supplementary Payments	Annual supplementary payments of 0.25% to all benefit recipients (up to \$150) through 2019. Second annual supplementary payment of 0.25% through 2019 if benefit is \$20,000 or less annually	Retirees
2013	Benefit Calculation/Formula	Eliminated any tax remedy for retirees who do not pay income taxes in Oregon because they are not residents of Oregon	Tier One
2015	Supplementary Payments	Supplementary Payments invalidated by Oregon Supreme Court	Tier One
2015	Cost-of-Living Adjustment	Annual COLA of up to 2% restored for service time accrued before October 1, 2013. COLA for service time after that date uses a lower rate. Service time accrued in both periods is "blended."	

Key: Benefit enhancement Benefit cap or reduction

## 2. System Benefits (continued)

### PERS Retiree Health Insurance Program information

The Oregon PERS Health Insurance Program offers optional medical, dental, and long-term care insurance plans to eligible Tier One/Tier Two retirees, their spouses, and dependents. Upon retirement, these insurance options become a choice available to all PERS retirees. While primarily serving our Medicare-eligible (age 65 and over) population, the PERS Health Insurance Program also offers insurance coverage options for those not yet Medicare eligible.

There are two statutory trust funds administered by PERS as part of the Health Insurance Program that provide premium subsidies for eligible Tier One and Tier Two retirees or surviving spouses. These trusts are known as the Retirement Health Insurance Account (RHIA), serving all qualifying PERS Medicare-eligible retirees, and the Retiree Health Insurance Premium Account (RHIPA), serving qualifying state government pre-Medicare retirees. Both trusts are funded from employer contributions on an actuarial basis.

#### Program Enrollment (as of December 2015)

Medical Plans (four plans offered)	Totals	Medicare	Non-Medicare
Covered lives	59,803	57,192	2,611
Retirees (or surviving spouses)	48,452	46,843	1,609
Spouses/Dependents		10,349	1,002
Average age of enrolled retirees	74	75	57
Dental Plans (two plans offered)	36,990		
Long-Term Care Plan	2,094		

#### Statutory Health Insurance Premium Subsidies

Retirees receiving RHIA (trust fund held by PERS*)	44,880
Retirees receiving RHIPA (trust fund held by PERS**)	1,274
RHIA monthly payment total	\$2,692,800
RHIPA monthly payment total	\$ 376,793

Employer rates (effective July 1, 2015):

RHIA: 0.53%; RHIPA (state government only): 0.44%

Unfunded actuarial liabilities (as of December 31, 2015): \$46 million (RHIA); \$57 million (RHIPA)

\* The RHIA subsidy is \$60 per month for Medicare-eligible retirees.

\*\* The RHIPA subsidy is for state government pre-Medicare retirees only and varies depending on the employee's years of state service, from \$163.70 (8 years) to \$323.40 (30+ years) per month for Plan Year 2015.

### 3. System Funding Level and Status

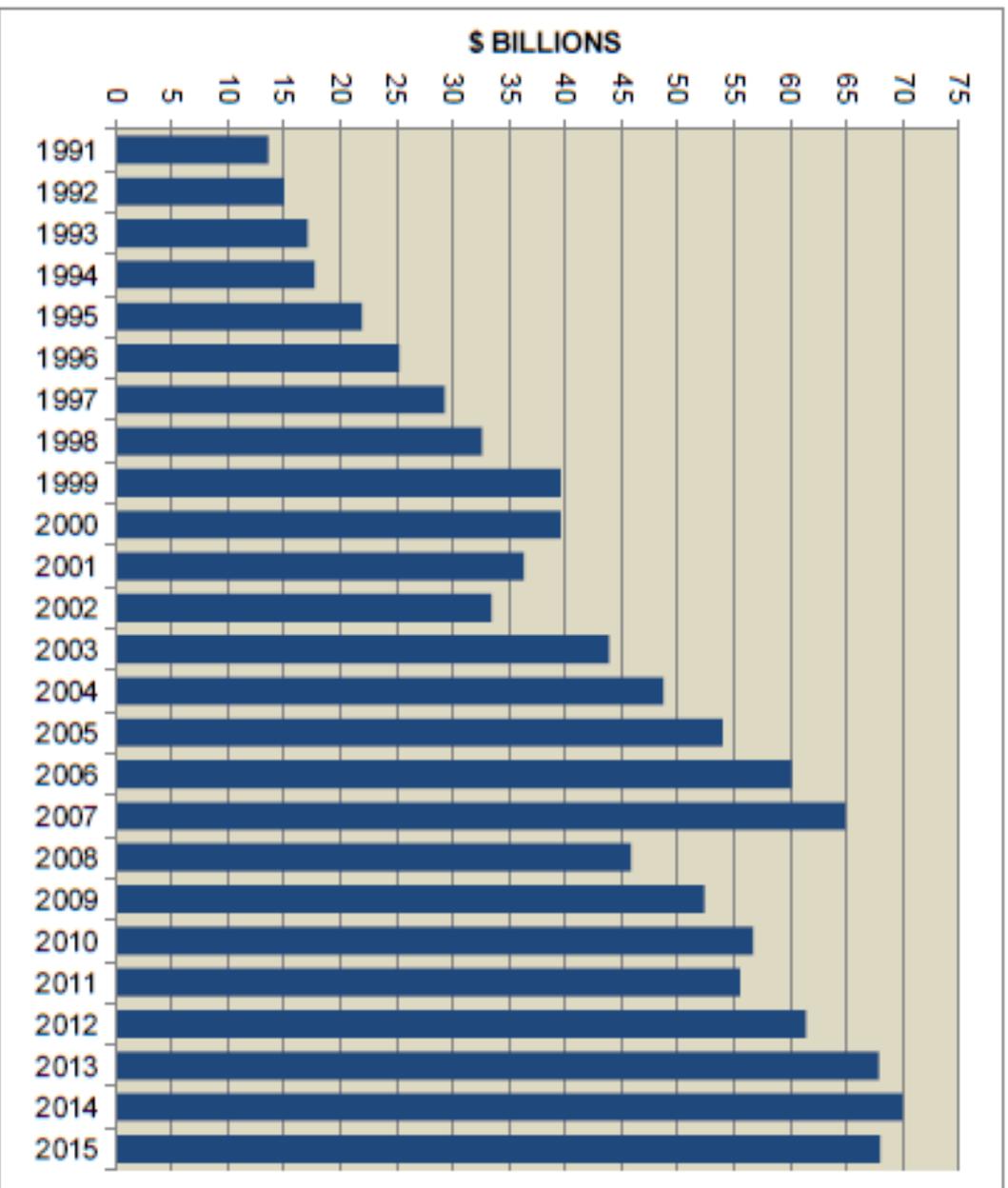
#### Funded status as of December 31, 2015

The Oregon Public Employees Retirement Fund (OPERF) is invested under the oversight and direction of the Oregon Investment Council with staff support from the Investment Division of Oregon State Treasury.

As of December 31, 2015, PERs was 71% funded (not including employer side accounts). Side accounts hold deposits from PERs employers of pension obligation bond proceeds and other advance lump-sum payments that are amortized to offset that employer's contribution.

As of December 31, 2015, the unfunded actuarial liability (UAL) (not including side accounts) was \$21.8 billion. The UAL fluctuates based on various factors including investment returns, Board reserving policies, statutory plan design changes, and litigation outcomes.

#### PERs fund value (calendar years ending December 31)



### 3. System Funding Level and Status (continued)

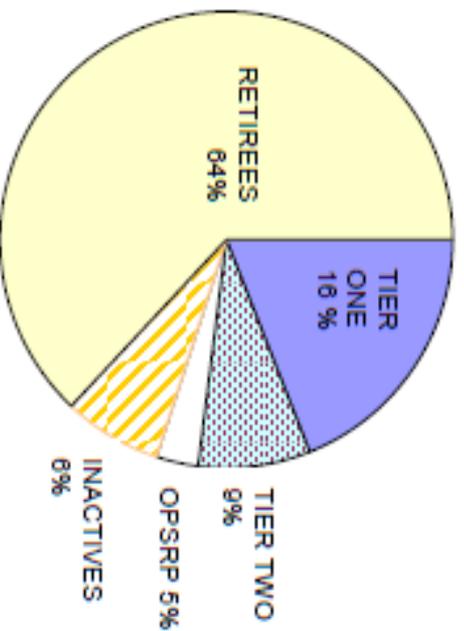
#### Unfunded actuarial liability history and funded ratio<sup>1</sup>

Valuation <sup>2</sup> Date	With Side Accounts <sup>3</sup> (starting in 2002)		Without Side Accounts	
	UAL (\$M)	Funded Ratio (%)	UAL (\$M)	Funded Ratio (%)
2000	1,545	96.4	1,545	96.4
2001	-2,031	105.4	-2,031	105.4
2002	3,204	92.0	3,983	89.9
2003	1,751	96.1	6,227	86.0
2004	2,122	95.6	7,678	84.0
2005	-1,751	104.0	4,919	91.0
2006	-5,019	109.7	2,229	95.7
2007	-6,120	111.5	1,538	97.1
2008	10,998	80.0	16,133	70.4
2009	8,108	86.0	13,598	76.0
2010 <sup>4</sup>	7,700	87.0	13,300	78.0
2011	11,030	82.0	16,255	73.0
2012 <sup>5</sup>	5,600	91.0	11,100	82.0
2013	2,600	96.0	8,500	86.0
2014 <sup>6</sup>	12,100	84.0	18,000	76.0
2015	16,200	79.0	21,800	71.0

- Includes RHIA/RHIPA.
- 2000-2003 UALs were calculated using actuarial value of assets (AVA) based on year-to-year changes in asset values smoothed over four-year periods. All other UALs since 1997 were calculated using an AVA based on fair market value.
- The official PERS valuation UAL and funded ratio are based on accepted actuarial standards and methodologies. These methodologies are subject to review and revision every two years. A negative UAL amount represents a surplus.
- 2010 and after includes the OPSRP Pension Program, 2000-2009 reflects only Tier One/Tier Two.
- Includes liability reductions from Senate Bills 822 & 861 and new Board-adopted actuarial assumptions and methods from the 2012 Experience Study.
- Includes the *Moro* decision and new Board-adopted actuarial assumptions and methods from the 2014 Experience Study.

#### Actuarial accrued liabilities (as of December 31, 2015)

Approximately 70% of PERS' total accrued liability is for members who are no longer working in PERS-covered employment (retired and inactive members).



#### 4. System Revenue

Member and employer contributions and investment income for calendar years

Year	Member Contributions (\$M)	Employer Contributions (\$M)	Amortization of Employer Side Accounts (\$M)*	Total Employer (\$M)	Net Investment & Other Income (\$M)
1995	287	427	N/A	427	4,110
1996	296	463	N/A	463	4,358
1997	291	473	N/A	473	4,582
1998	318	488	N/A	488	3,978
1999	347	577	N/A	577	7,463
2000	359	654	N/A	654	143
2001	385	689	N/A	689	-2,708
2002	398	725	8	733	-3,460
2003	405	582	97	679	8,866
2004	371**	408	278	686	5,933
2005	434	504	357	861	6,179
2006	456	637	474	1,111	8,163
2007	468	633	466	1,099	5,808
2008	484	669	541	1,210	-17,235
2009	515	561	540	1,101	8,053
2010	502	435	558	993	6,444
2011	510	627	509	1,136	1,935
2012	513	915	443	1,358	7,859
2013	561	942	448	1,390	9,458
2014	524	994	472	1,466	4,819
2015	611	1,185	542	1,727	1,380

\* PERS' methodology to track amortization of side accounts began in 2002. Side accounts hold deposits by employers of pension obligation bond proceeds and other lump-sum payments that are amortized to offset that employer's PERS contributions.

\*\* Since January 1, 2004, member contributions have been placed in the Individual Account Program (IAP), instead of the legacy Tier One/Tier Two member accounts.

- Member contributions equal 6% of covered salary and now go to the IAP. 65% of all PERS-covered employers currently assume and pay or "pick up" the member contribution for more than 50% of their employees. These employers cover approximately 72% of all PERS employees.
- PERS Reform legislation led to a reduction in employer rates beginning in 2003. Also, starting in 2002, employers were given the option to deposit lump-sum payments into side accounts, reducing subsequent "new dollar" annual contributions for the employers that make such deposits.
- Employer contribution amounts are from the calendar year-end records. Data for calendar year 2004 and beyond includes employer contributions for OPSRP Pension Program, Tier One/Tier Two, and post-retirement health care (RHIA, RHIPA).

#### 4. System Revenue (continued)

PERs Fund investment earnings available for crediting and actual distributions to Tier One and Tier Two member regular, variable, and Individual Account Program (IAP) accounts

Year	Earnings (%)	Distributions (%)			IAP
		Tier One	Tier Two	Variable Account	
1970	5.09	5.09		7.47	
1971	6.27	6.27		9.47	
1972	7.46	7.46		13.87	
1973	0.00	0.00		-16.39	
1974	0.00	5.50		-18.16	
1975	9.19	7.50		18.94	
1976	10.38	7.75		18.58	
1977	4.79	7.00		-2.62	
1978	7.37	7.00		7.03	
1979	12.32	11.09		20.40	
1980	16.92	13.00		29.94	
1981	4.37	7.50		-2.25	
1982	15.31	11.50		22.39	
1983	18.37	13.00		23.12	
1984	7.33	7.50		4.00	
1985	21.38	15.00		27.99	
1986	22.70	18.37		18.98	
1987	9.00	7.50		4.54	
1988	16.86	13.50		18.62	
1989	19.74	14.50		26.84	
1990	-1.53	8.00		-7.84	
1991	22.45	15.00		35.05	
1992	6.94	8.00		10.54	
1993	15.04	12.00		12.65	
1994	2.16	8.00		-1.76	
1995	20.78	12.50		29.92	
1996	24.42	21.00	24.42	21.06	
1997	20.42	18.70	20.42	28.87	
1998	15.43	14.10	13.63	21.45	
1999	24.89	11.33*	21.97	28.83	
2000	0.63	8.00	0.54	-3.24	
2001	-7.17	8.00	-6.66	-11.19	
2002	-8.93	8.00	-8.93	-21.51	
2003	23.79	8.00	22.00	34.68	
2004	13.80	8.00	13.27	13.00	12.77
2005	13.04	8.00	18.31*	8.29	12.80
2006	15.57	8.00	15.45	15.61	14.98
2007	10.22	7.97***	9.47	1.75	9.46
2008	-27.18	8.00	-27.18	-43.71	-26.75
2009	19.12	8.00	19.12	35.57	18.47
2010	12.44	8.00	12.44	15.17	12.13
2011	2.21	8.00	2.21	-7.80	2.15
2012	14.29	8.00	14.68	18.43	14.09
2013	15.76	8.00	15.62	25.74	15.59
2014	7.29	7.75	7.24	4.29	7.05
2015	2.21	7.75	1.87	-1.61	1.85

\* The PERs Board originally credited these accounts at 20%. That allocation was later reduced to 11.33% to comply with subsequent court decisions and legislative findings.

\*\* Tier Two regular account crediting, based solely on earnings, was 13.74%. However, the PERs Board deployed \$9 million from the Capital Preservation Reserve and \$17 million from the Contingency Reserve that was added to Tier Two earnings. As a result, Tier Two was credited with a total of 18.31%. The dollars allocated from the reserves were originally withheld from Tier Two regular account earnings.

\*\*\* After crediting Tier One accounts with the assumed rate of 8%, member attorney fees in the *Strunk* case were deducted by order of the Oregon Supreme Court resulting in an effective crediting rate of 7.97%.

■ In determining plan funding, the actuary must project future earnings of the PERs Fund. This is called the "assumed earnings rate." Historical assumed earnings rates are:

- 5.0% for 1971 - 1974
- 7.0% for 1975 - 1978
- 7.5% for 1979 - 1988
- 8.0% for 1989 - 2013
- 7.75% for 2014-2015
- 7.5% beginning January 1, 2016.

■ Average earnings credited to IAP accounts from 2004 - 2015: 7.9%

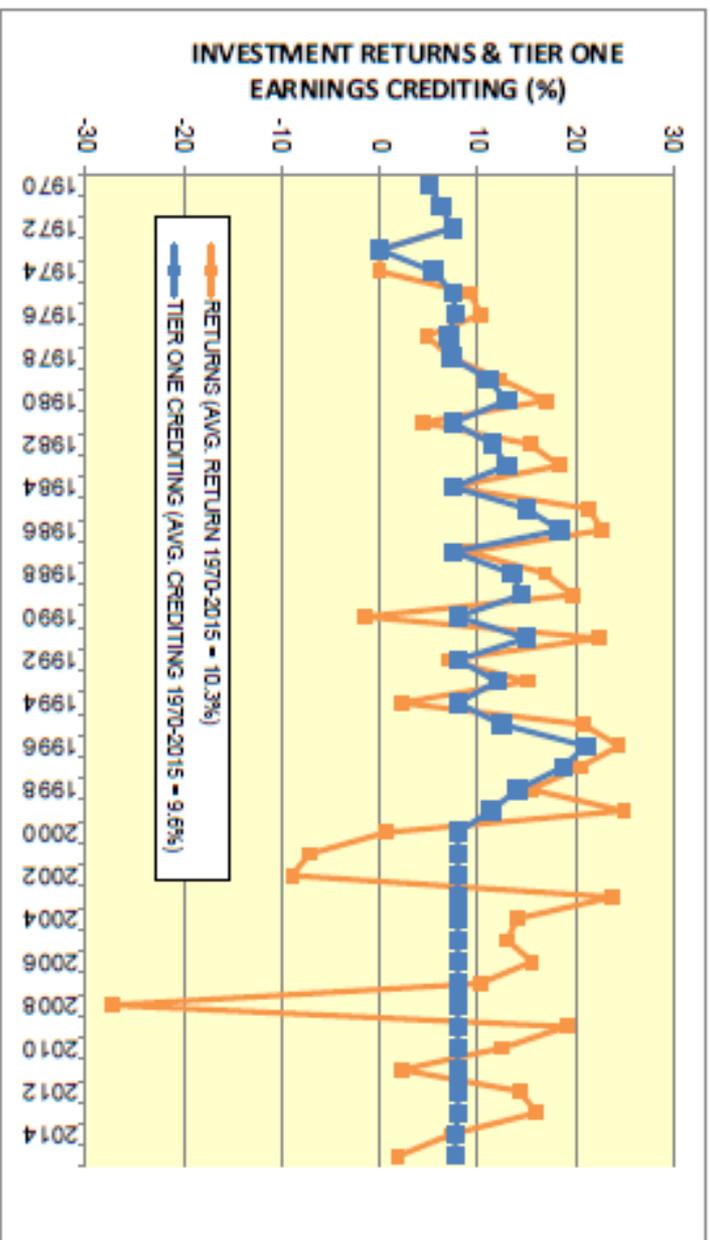
■ Average earnings credited to Tier Two accounts from 1996 – 2015: 9.5%

46-year averages (1970-2015)

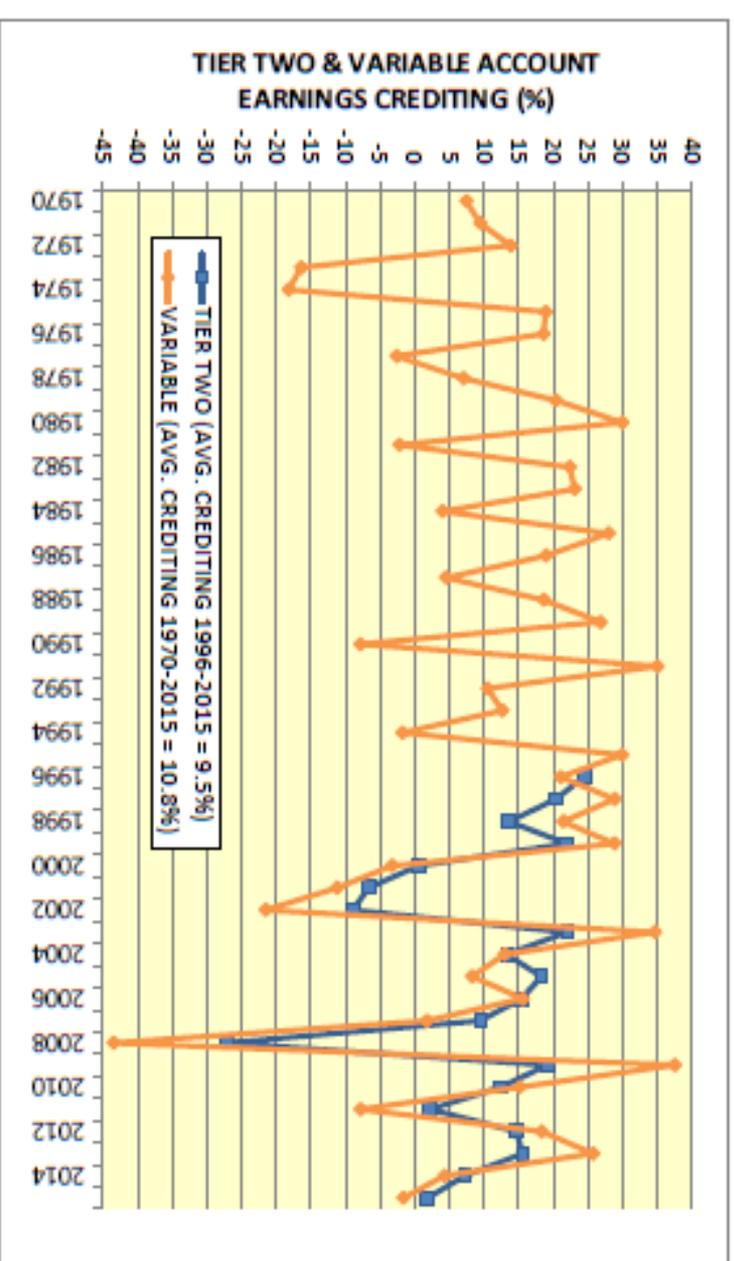
- Regular account earnings available for crediting: 10.3%
- Earnings credited to Tier One regular accounts: 9.6%
- Earnings credited to variable accounts: 10.8%.

#### 4. System Revenue (continued)

Regular account earnings available for crediting and actual distributions to Tier One member regular accounts based on 2015 earnings



Actual distributions to Tier Two member regular accounts and to Tier One/Tier Two member variable accounts (invested in an equity-only portfolio) based on 2015 earnings



#### 4. System Revenue (continued)

2015 earnings crediting (\$ millions)

Reserve/Account	Balance Before Crediting	2015 Crediting	Reserves After Crediting	Crediting Rates
Contingency Reserve	\$588.6		\$588.6	N/A
Tier One Member Regular Accts	4,931.8	382.2	5,314.0	7.75%
Tier One Rate Guarantee Reserve	448.8	(281.4)	167.4	N/A
Benefits-In-Force (BIF) Reserve	21,917.8	410.8	22,328.6	1.87%
Tier Two Member Regular Accts	837.6	15.7	853.3	1.87%
Employer Reserves	23,075.3	432.2	23,507.5	1.87%
OPSRP Pension Program	2,344.9	42.8	2,387.7	1.87%
UAL Lump-Sum Payment Side Accts*	5,510.3	122.5	5,632.8	1.82%
IAP Accounts**	6,749.6	122.8	6,872.4	1.85%
<b>Total</b>	<b>\$66,407.7</b>	<b>\$1,247.7</b>	<b>\$67,652.4</b>	

\* Side account earnings rates for lump sums on deposit vary depending on when the deposit was made within the calendar year and are not affected by Board reserving or crediting decisions.

\*\* Informational only; not affected by Board reserving or crediting decisions.

**Contingency Reserve:** This reserve can be used for any purpose the Board determines is appropriate so long as the use of the funds furthers the trust's purpose. It is funded in years that investment income exceeds the assumed rate (currently 7.5 percent).

**Tier One Rate Guarantee Reserve:** This reserve is used to credit the assumed rate on Tier One member regular accounts in years when the fund earns below the assumed rate, and to hold excess earnings from the years when the fund earns more than the assumed rate (currently 7.5% percent).

**Benefits-In-Force Reserve:** This reserve is used to pay retired member's benefits and annuities. It is funded by earnings and fund transfers from member accounts and employer reserves associated with retirements processed during a calendar year.

**System-wide average employer contribution rates excluding retiree health insurance (RHIA/RHIPA)**

Valuation Year	Rate Effective Dates	Average Rate With Side Accounts (%)	Average Rate Without Side Accounts (%)	Annualized Salary (\$M)
1975	Various	11.21	11.21	1,014.5
1977	Various	11.87	11.87	1,226.8
1979	Various	10.97	10.97	1,488.0
1982	Various	10.13	10.13	2,062.1
1985	Various	10.87	10.87	2,428.3
1987	Various	11.30	11.30	2,764.7
1989	Various	9.74	9.74	3,199.4
1991	Various	9.19	9.19	3,887.5
1993	Various	9.15	9.15	4,466.8
1995	Various	9.42	9.42	4,848.1
1997	Various	11.40	11.40	5,161.6
1999	7/1/01 – 6/30/03	10.74	10.74	5,676.6
2001	7/1/03 – 6/30/05	10.64	10.64	6,256.5
2003*	7/1/05 – 6/30/07	14.47*	18.89*	6,248.5
2005**	7/1/07 – 6/30/09	8.22	15.01	6,792.0
2007	7/1/09 – 6/30/11	4.73	12.42	7,721.8
2009	7/1/11 – 6/30/13	10.8	16.3	8,512.0
2011***	7/1/13 – 6/30/15	10.8	16.5	8,600.0
2013	7/1/15 – 6/30/17	10.6	17.5	8,699.0

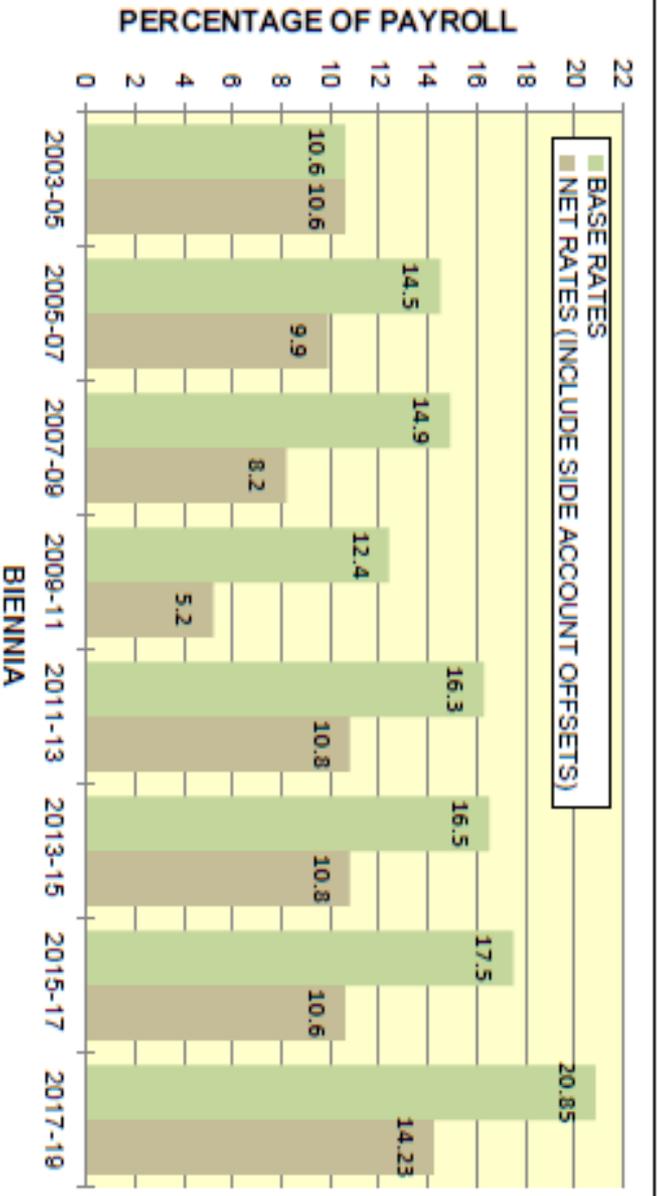
\* December 31, 2003 rates were phased-in. Accrual rate paid averaged 10.58% with employer side accounts and 15.10% without employer side accounts.

\*\* Includes weighted average rate for Tier One/Tier Two and OPSRP beginning in 2005.

\*\*\* Includes liability reduction and rate deferral from Senate Bill 822 (2013).

#### 4. System Revenue (continued)

System-wide average employer contribution rates as a percent of covered salary (net rates include side account offsets).



- EXCLUDES 6% MEMBER CONTRIBUTIONS AND PENSION OBLIGATION BOND DEBT SERVICE PAYMENTS
- INCLUDES TIER ONE, TIER TWO, AND OPSRP
- RATES FOR 2005-07 AND BEFORE ARE AS OF VALUATION DATE
- 2017-19 RATES REFLECT INVESTMENT RETURNS FOR 2014 AND 2015, THE MORO DECISION, ASSUMED RATE DECREASE FROM 7.75% TO 7.5%, UPDATED MORTALITY ASSUMPTIONS, EXPECTED INCREASE IN UAL IN 2014 AND 2015, AND ALL OTHER ASSUMPTION CHANGES AND ACTUARIAL EXPERIENCE
- DOES NOT INCLUDE RHIA/RHIPA

#### 2017-19 employer contribution rate increase projections

(\$ millions)	Projected 2015-17 Payroll*	(A) Projected 2015-17 Contribution	Projected 2017-19 Payroll*	(B) Projected 2017-19 Contribution**	(B) - (A) Projected Contribution Increase
State Agencies	\$5,620	\$575	\$6,020	\$835	\$225
School Districts	\$6,120	\$560	\$6,560	\$910	\$335
All Others	\$7,350	\$875	\$7,880	\$1,165	\$290
<b>Total</b>	<b>\$19,090</b>	<b>\$2,025</b>	<b>\$20,460</b>	<b>\$2,910</b>	<b>\$885</b>

\* Assumes payroll growth at 3.5% annually based on 12/31/2015 active member census, reflecting proportional payroll composition (Tier One/Tier Two vs. OPSRP) as of 12/31/2015.

\*\* Collared net rates are used to project 2017-19 employer contributions.

#### 4. System Revenue (continued)

##### Employer side accounts

When an employer makes a lump-sum payment to prepay part or all of its unfunded actuarial liability (UAL), the money is placed in a special account called a "side account." This account is attributed solely to the employer making the payment and is held separate from other employer reserves.

Most employers with side accounts issued pension obligation bonds (POBs) and provided the bond proceeds to PERS as a UAL lump-sum deposit to fund their side account. A few employers funded their side accounts with lump-sum payments from other sources, such as savings from internal operations.

Administrative costs for side accounts are limited by statute. PERS assesses \$2,500 per side account in the first year and \$1,000 annually thereafter, regardless of the size of the side account.

As of December 31, 2015, 146 employers have established side accounts. Of these, 35 employers have multiple side accounts: one city, one special district, two community colleges, and 31 school districts.

Employer Type	# W/Side Accounts
Independent Locals (not a member of a pool)	5
State Agencies (all including OUS)	1
Pooled Counties	8
Pooled Cities	9
Pooled Special Districts	8
Community Colleges	17
School Districts	98

As of December 31, 2015, side account assets totaled \$5.6 billion.

Employer Type	Balance (Millions)
Independent	\$90.1
State Agencies	\$1,898.2
Pooled Counties	\$62.2
Pooled Cities	\$49.0
Pooled Special Districts	\$89.7
Community Colleges	\$403.5
School Districts	\$3,041.6

Side accounts are generally amortized over the same time period as the employer's associated UAL, providing the employer with an offset of its employer rate. The goal is for the side account to provide rate relief to the employer until the associated UAL is paid off. Side accounts are re-amortized every two years, taking into consideration how much of the side account has been used and what earnings have been credited. The rate offset is then adjusted based on the re-amortization over the original period.

#### 4. System Revenue (continued)

##### Employer side accounts (continued)

Average Side Account Rate Offset 2005 -2019	Average Rate Offset (% of Payroll)
2005 - 2007	-4.54%
2007 - 2009	-6.71%
2009 - 2011	-7.20%
2011 - 2013	-5.11%
2013 - 2015	-5.26%
2015 - 2017	-6.38%
2017 - 2019	TBD

The State of Oregon issued \$2.1 billion in POBs in 2003 to fund a side account. As of December 31, 2015, the State's side account balance was \$1.9 billion and the principal balance on the State's POBs was \$1.8 billion.

Historical Side Account and POB Balances 2004 - 2015	Side Accts (\$ millions)	Outstanding POBs (\$ millions)
2004	\$5,556	\$5,516
2005	\$6,667	\$6,202
2006	\$7,248	\$6,164
2007	\$7,658	\$6,249
2008	\$5,135	\$6,187
2009	\$5,490	\$6,109
2010	\$5,579	\$5,999
2011	\$5,225	\$5,896
2012	\$5,518	\$5,814
2013	\$5,924	\$5,520
2014	\$5,877	\$5,519
2015	\$5,634	\$5,535

##### Side account earnings

Side accounts are invested in the PERs Fund and receive the Fund's actual earnings or losses. These earnings or losses are posted to side accounts at the end of each year.

Average Side Account Earnings 2006 to 2015	Average Earnings/Loss
2006	14.98%
2007	9.46%
2008	-26.75%
2009	18.47%
2010	12.13%
2011	2.15%
2012	14.09%
2013	15.59%
2014	7.39%
2015	1.82%

## 5. Economic Impact of PERS Monthly Benefit Payments in 2015

Oregon PERS monthly benefits contribute to Oregon's economy

Oregon PERS paid approximately \$3.9 billion in total monthly benefits in 2015, with \$3.5 billion to PERS benefit recipients living in Oregon. Funding of these benefits came primarily from investment earnings on contributions previously paid by members and public employers. These benefit recipients spent a significant portion of this money on goods and services in Oregon, which helped support local businesses. These businesses then purchased goods, in part, from other local vendors, further supporting Oregon's workforce and economy.

**Annual PERS monthly benefits generate \$3.9 billion in total economic value to Oregon**

The \$3.5 billion in annual benefit payments multiply to \$3.9 billion in total economic value to Oregon when the full financial impact of these dollars spent in local communities is considered (based upon economic multipliers provided by the U.S. Department of Commerce's Bureau of Economic Analysis).

The economic activity generated by PERS monthly benefit payments sustain an estimated 36,427 Oregon jobs, and add approximately \$1.17 billion in wages to Oregon's economy.

Additionally, the State of Oregon collected an estimated \$184 million in income taxes on PERS retiree monthly benefits (based on 2013 income tax estimates).

Investment income provided 73.4% of total PERS' revenues from 1970-2015, with member contributions providing 5.5% and employer contributions providing 21.1%.

Money for PERS benefit payments comes from three sources (1970-2015)





Oregon PERS benefit payments by state (2015 calendar year)

Total Oregon PERS Benefit Payments by State  
(1099-R data for the 2015 tax year)



## Pension System Terms

**Accrued liability:** The net present value of projected future benefits allocated to service already completed in accordance with the actuarial cost method.

**Actuarial asset value:** The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with a smoothing method.

**Actuarial assumptions:** Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disability, and retirement; rates of investment earnings and other relevant items. Actual experience will vary from assumption, and at times the variance will be substantial.

**Actuarial cost method:** A technique used by actuaries to allocate the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial liability (UAL). Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

**Base employer contribution rates:** Consists of the normal cost rate plus the UAL rate. This is paid by a combination of employer contributions and side account transfers. Base rates do not reflect the effects of side account rate offsets.

**Combined valuation payroll:** Projected payroll for the calendar year following the valuation date for Tier One, Tier Two, and OPSSRP active members. This payroll is used to calculate UAL rates.

**Funded ratio or funded status:** The actuarial value of assets expressed as a percentage of the accrued liability.

**Individual Account Program (IAP):** A defined contribution-like program that contains all member contributions (6% of covered payroll) made on or after January 1, 2004.

**Net employer contribution rates:** The rate funded by employer contributions, consisting of the base employer contribution rate minus the effect of side account rate offsets.

**Normal cost:** The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

**Oregon Public Service Retirement Plan (OPSSRP) Pension Program:** The program covering members hired on or after August 29, 2003.

**Rate collar:** A methodology that limits the maximum allowable period-to-period change in employer contribution rates. The width of the rate collar is determined by the current contribution rate and funded status.

**Side accounts:** Side accounts are established for employers who make supplemental payments (a lump-sum payment in excess of the required employer contribution). For State and Local Government Rate Pool (SLGRP) employers, this supplemental payment is first applied toward the employer's transition liability, if any, with the remainder going into a side account. Side accounts are treated as pre-paid contributions.

Employer contribution rates are first determined excluding side accounts (base employer contribution rate). Then, an amortized portion of the side account is used to offset the contribution otherwise required for each individual employer that has a side account (net employer contribution rate). While side accounts are excluded from valuation assets in determining contribution rates for pools and non-pooled employers, side accounts are included in valuation assets for financial reporting purposes such as the reporting of funded status.

**Total liability:** The net present value of all projected future benefits attributable to all anticipated service (past *and* future) for current active and inactive members.

**Tier One:** The pension program covering members hired before January 1, 1996.

**Tier Two:** The pension program covering members hired from January 1, 1996 through August 28, 2003.

**Unfunded actuarial liability (UAL):** The excess of the actuarial accrued liability over the actuarial value of assets. The UAL is amortized over a fixed period of time to determine the UAL rate component of employer contribution rates.

## Resources

Customer Service (Monday-Friday, 8:30 a.m. to 5 p.m.): 888-320-7377

PERS website: [www.Oregon.gov/pers](http://www.Oregon.gov/pers)

PERS Facts: [http://www.oregon.gov/PERS/docs/general\\_information/pers\\_facts.pdf](http://www.oregon.gov/PERS/docs/general_information/pers_facts.pdf)

Online Member Services (secure site for benefit estimates and more):

[https://onion.pers.state.or.us/SelfService/viewPage?component=/mhome.jsp&dialog\\_id=DState\\_44&mode=MBR](https://onion.pers.state.or.us/SelfService/viewPage?component=/mhome.jsp&dialog_id=DState_44&mode=MBR)

Actuarial/Financial information:

[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx)

PERS Board:

[http://www.oregon.gov/pers/Pages/section/board\\_information/board\\_information\\_index.aspx](http://www.oregon.gov/pers/Pages/section/board_information/board_information_index.aspx)

### Tier One/Tier Two

Ready to retire: <http://www.oregon.gov/pers/mem/pages/section/form/retire.aspx>

A-Z Quick Answers: [http://apps.pers.state.or.us/pers238/a-z\\_project\\_chapter\\_238.htm](http://apps.pers.state.or.us/pers238/a-z_project_chapter_238.htm)

Education sessions:

[http://www.oregon.gov/pers/mem/pages/section/education\\_sessions/2014index.aspx](http://www.oregon.gov/pers/mem/pages/section/education_sessions/2014index.aspx)

### OPSRP

Ready to retire: [http://www.oregon.gov/pers/mem/pages/section/form/OPSRP\\_retire.aspx](http://www.oregon.gov/pers/mem/pages/section/form/OPSRP_retire.aspx)

A-Z Quick Answers: [http://apps.pers.state.or.us/opsrp/a-z\\_project\\_chapter\\_238a.htm](http://apps.pers.state.or.us/opsrp/a-z_project_chapter_238a.htm)

Education sessions:

[http://www.oregon.gov/pers/mem/pages/section/education\\_sessions/early\\_career/2014\\_opsrp\\_ec\\_sessi ons.aspx](http://www.oregon.gov/pers/mem/pages/section/education_sessions/early_career/2014_opsrp_ec_sessi ons.aspx)

### Retired members

Online Member Services (secure site to change your address, see benefit payment information, and view/request 1099Rs):

[https://onion.pers.state.or.us/SelfService/viewPage?component=/mhome.jsp&dialog\\_id=DState\\_44&mode=MBR](https://onion.pers.state.or.us/SelfService/viewPage?component=/mhome.jsp&dialog_id=DState_44&mode=MBR)

A-Z Quick Answers (Tier One/Tier Two retirees): <http://apps.pers.state.or.us/238retirees/Default.htm>

A-Z Quick Answers (OPSRP retirees):

[http://apps.pers.state.or.us/opsrp/retirees/a-z\\_project\\_chapter\\_238a\\_retirees.htm](http://apps.pers.state.or.us/opsrp/retirees/a-z_project_chapter_238a_retirees.htm)

Working after retirement for a PERS-covered employer:

[http://www.oregon.gov/pers/RET/pages/section/work\\_after\\_retirement/work\\_after.aspx](http://www.oregon.gov/pers/RET/pages/section/work_after_retirement/work_after.aspx)

PERS Health Insurance Program:

[http://www.oregon.gov/pers/RET/Pages/section/health\\_insurance\\_program/hip\\_info.aspx](http://www.oregon.gov/pers/RET/Pages/section/health_insurance_program/hip_info.aspx)

# Appendix 2: Program Funding Proposals

# Appendix 2: Program Funding Proposals

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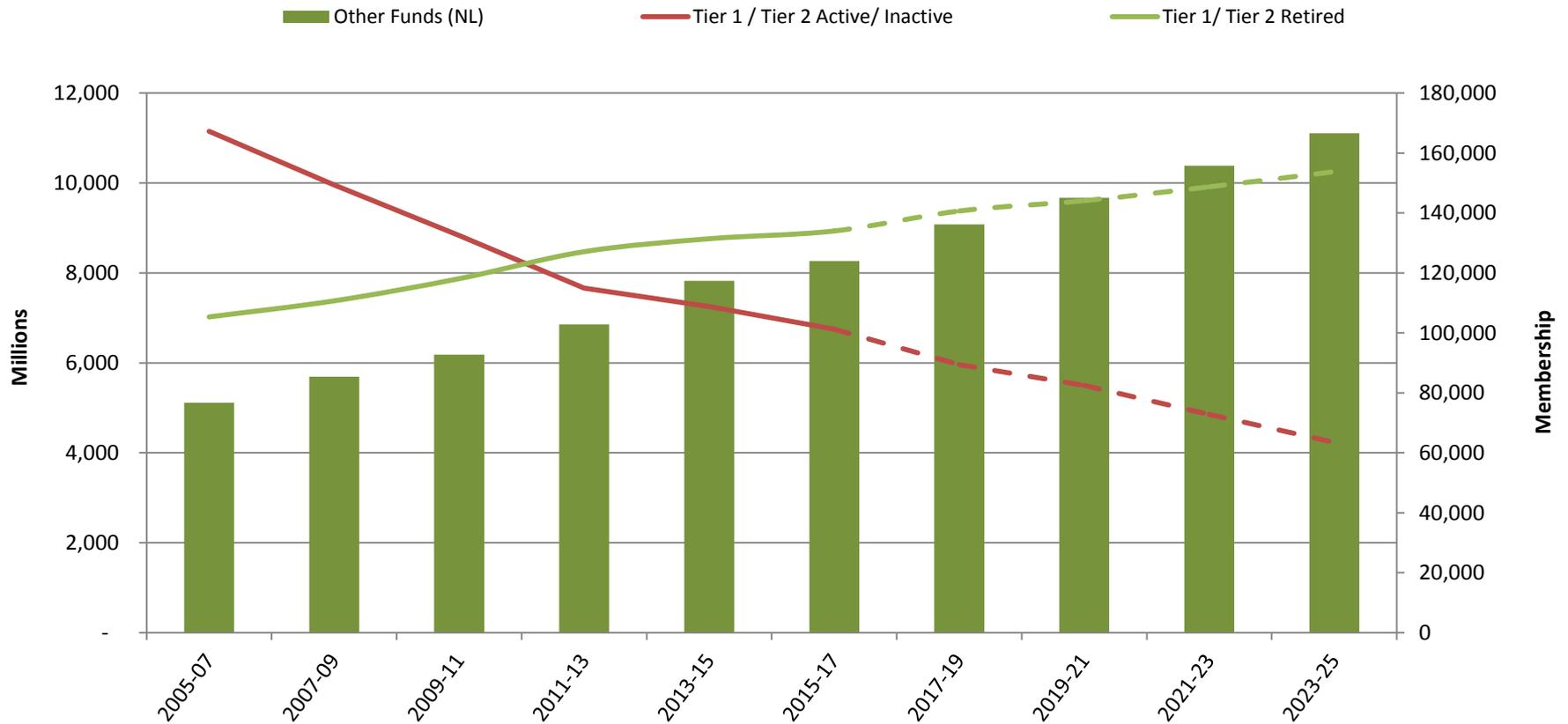
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# Tier One and Tier Two Program (Non-Limited Budget)

Primary Outcome Area: Improving Government

Secondary Outcome Area: (None)

Program Contact: Steve Rodeman, 503.603.7695



# Tier One and Tier Two Program (Non-Limited Budget) (continued)

## 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.

**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.

# Tier One and Tier Two Program (Non-Limited Budget) (continued)

## Program Description

The Tier One and Tier Two Program administers public employee benefit trusts for approximately 219,000 active and inactive (non-retired) members and approximately 135,000 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 workload associated with benefit payments will increase over the next decade as these members age into retirement. As of December 2016, more than 46,000 Tier One and Tier Two members are eligible to retire based on age or years of service.

# Tier One and Tier Two Program (Non-Limited Budget) (continued)

## Program Description (continued)

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 UAL increases). The December 31, 2015 System Valuation shows a UAL of \$16.2 billion (including pre-paid employer contributions deposited in side accounts) and \$21.8 billion without the pre-paid employer contributions.

The cost shift to OPSRP will not be fully realized until membership and associated liabilities with of the Tier One and Tier Two program is reduced more significantly and membership and associated liabilities of the OPSRP program becomes 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 extend 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 2030-32 biennium. Even after that peak, the decline will be gradual.

# Tier One and Tier Two Program (Non-Limited Budget) (continued)

## Program Description (continued)

PERS employer contribution rates will be 14.2 percent of payroll in the 2017-19 biennium when side account offsets are included and 20.8 percent without the side account offsets.

System wide, PERS employer contribution rates are increasing about 3.6 percent in the 2017-19 biennium. The increase would have been much higher but the PERS Board has a “rate collar” policy that dampens rates in any biennium. Because of the rate collar, employers will see increases of the same magnitude in the 2019-21 and 2021-23 bienniums.

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.

# Tier One and Tier Two Program (Non-Limited Budget) (continued)

## Program Justification and Link to 10-Year Outcome

The Tier One and Tier Two Program aligns to the goals and strategies of the Improving Government area of 10-Year Outcome planning. 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 June 2016 Economic Impact Study of PERS shows that in 2015, the \$3.5 billion in annual benefit payments to Oregonians multiplied to \$3.9 billion in economic value when the financial impact of dollars spent in local communities is considered. The benefit payments sustain an estimated 36,427 Oregon jobs, and add approximately \$1.17 billion in wages. Additionally, Oregon collected an estimated \$184 million in income taxes on PERS retiree benefits in 2015.

# Tier One and Tier Two Program (Non-Limited Budget) (continued)

## Program Performance

<b>Fiscal Year</b>	<b>Total Active/Inactive Members</b>	<b>Total Retired Members</b>	<b>Tier One/Tier Two Program Expenditures (Non-Limited) (\$)</b>	<b>Annual Admin. Cost per Member (\$)</b>
2007	167,225	105,336	2,644,979,805	140
2008	158,663	107,643	2,844,860,121	136
2009	149,331	110,694	2,852,825,977	140
2010	142,071	113,349	2,962,604,243	121
2011	132,453	118,105	3,252,686,903	115
2012	125,502	121,455	3,350,039,210	124
2013	114,901	127,114	3,596,111,863	127
2014	108,000	131,417	3,880,707,568	130
2015	101,209	134,004	3,962,463,219	128
2016	96,988	135,775	4,204,638,115	150

The table above shows the distribution of PERS Tier One and Tier Two membership as “Active/Inactive Members” (those members either currently employed or who have left 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 past seven 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.

# Tier One and Tier Two Program (Non-Limited Budget) (continued)

## 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 Public Employee Retirement Fund (PERF). In accordance with ORS 238.660(2), funds in the PERF can only be used for the exclusive benefit of the members' trusts. ORS 238.661 further provides that moneys in the PERF are continuously appropriated to the Public Employees Retirement Board for the purpose of implementing plan requirements. Expenditures under this program are categorized for state budget purposes as Other Funds – Non-limited.

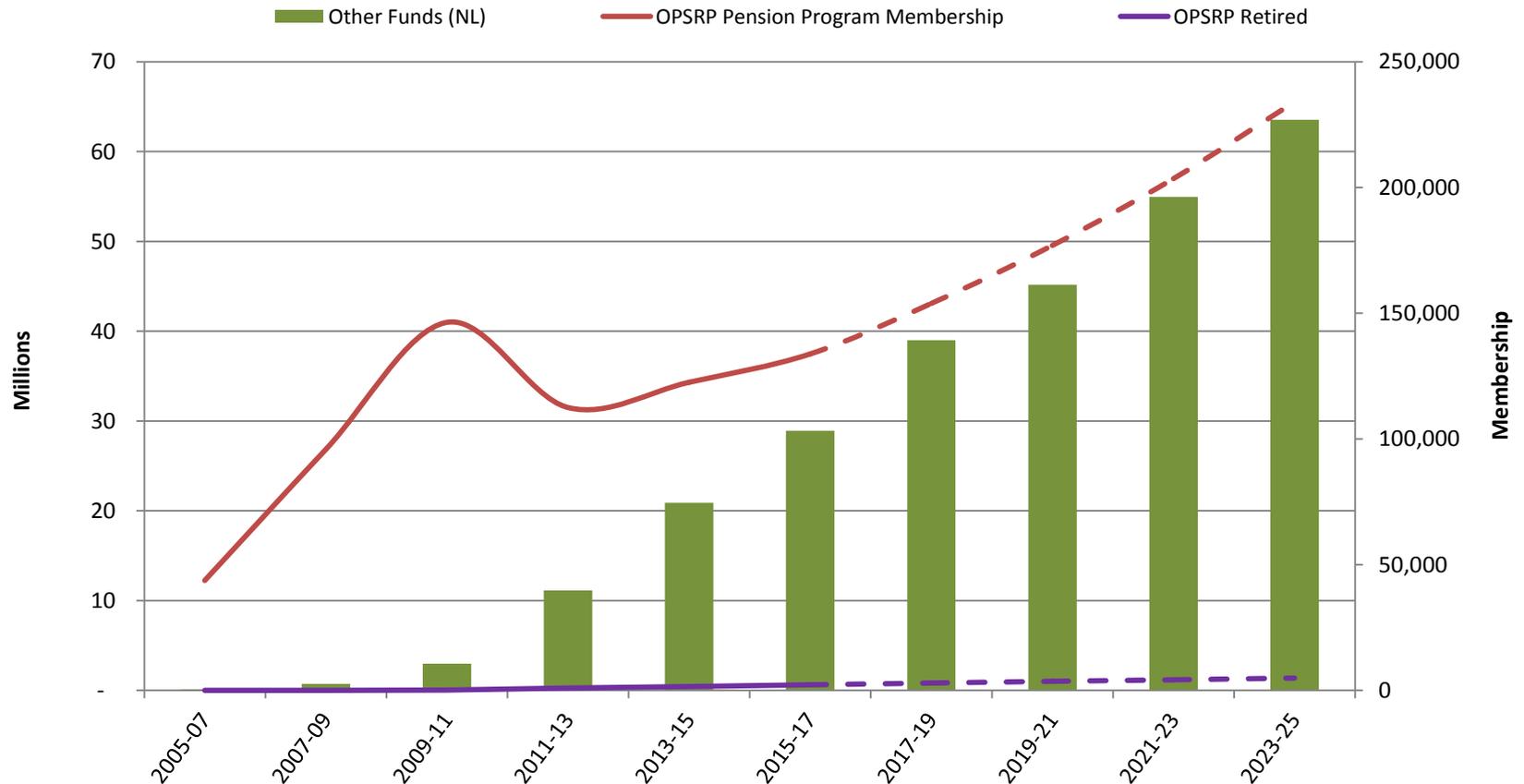
# Tier One and Tier Two Program (Non-Limited Budget) (continued)

## Significant Proposed Program Changes from 2015-17

Requested Non-Limited Other Funds represent an increase of \$820,052,138 above the 2015-17 budget of \$8,262,947,862 and reflect the Agency's 2017-19 anticipated benefit payment requirements for Tier One and Tier Two benefit recipients.

# Oregon Public Service Retirement Plan (Non-Limited Budget)

Primary Outcome Area: Improving Government  
 Secondary Outcome Area: (None)  
 Program Contact: Steve Rodeman, 503.603.7695



\*\*The decline in membership totals in the 11-13 biennium was due to a correction in reporting. Loss of Membership accounts had not be taken into consideration as this was not possible until 2009. These accounts were removed and membership count adjusted.

# Oregon Public Service Retirement Plan (Non-Limited Budget) (continued)

## **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.

**Performance Achievement:** Requested Non-Limited Other Funds support the agency mission to administer the public employee benefit trusts in order 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.

# Oregon Public Service Retirement Plan (Non-Limited Budget) (continued)

## 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 (August 29, 2003). All PERS-participating employers were required to enroll any new qualifying employees in the OPSRP Pension 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.) The OPSRP program provides a lower benefit than the Tier One and Tier Two programs by reducing the statutory Full Formula 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).

# Oregon Public Service Retirement Plan (Non-Limited Budget) (continued)

## Program Description (continued)

The types of benefits paid through the OPSRP Pension program include withdrawal, retirement, death, and disability benefits. This program now has over 123,000 non-retired members, more than either the Tier One or Tier Two programs. 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 members in the Tier One and Tier Two plans, 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.

# Oregon Public Service Retirement Plan (Non-Limited Budget) (continued)

## Program Justification and Link to 10-Year Plan Outcome

The OPSRP Pension program aligns to the goals and strategies in the Improving Government area of the 10-Year Plan Outcome planning. This 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.

# Oregon Public Service Retirement Plan (Non-Limited Budget) (continued)

## Program Performance

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 Program as part of 2003 PERS reform.

<b>Fiscal Year</b>	<b>Total OPSRP Pension Members</b>	<b>Total Retired OPSRP Pension Members</b>	<b>Total OPSRP Program Expenditures (\$)</b>	<b>Total OPSRP Retirements Processed</b>
2007	43,747	0	133,750	16
2008	54,383	0	741,540	50
2009	95,873	4	552,125	108
2010	152,503	30	944,082	192
2011	146,263	115	2,026,084	430
2012	142,954	582	5,121,994	641
2013	111,484	1,003	6,017,289	922
2014	121,006	1,533	9,333,980	778
2015	131,515	2,294	11,572,097	852
2016	148,775	2,874	17,611,036	933

# Oregon Public Service Retirement Plan (Non-Limited Budget) (continued)

## 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

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 program for services performed after the effective date of any such change (ORS 238A.470).

# Oregon Public Service Retirement Plan (Non-Limited Budget) (continued)

## Funding Streams

This program is funded entirely from employer contributions and the return on investment of those contributions, which are held in the Public Employee Retirement Fund (PERF). In accordance with ORS 238.660(2), incorporated into the OPSRP Program by ORS 238A.050(2), funds in the PERF can only be expended for the exclusive benefit of the trusts' members. ORS 238.661 (also incorporated by ORS 238A.050(2)) further provides that moneys in the PERF are continuously appropriated to the Public Employees Retirement 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 2015-17

Requested Non-Limited Other Funds represent an increase of \$10,073,136 over the 2015-17 budget of \$28,926,864 and reflect the Agency's 2017-19 anticipated benefit payment requirements for OPSRP benefit recipients.

# Individual Account Program (Non-Limited Budget)

Primary Outcome Area:

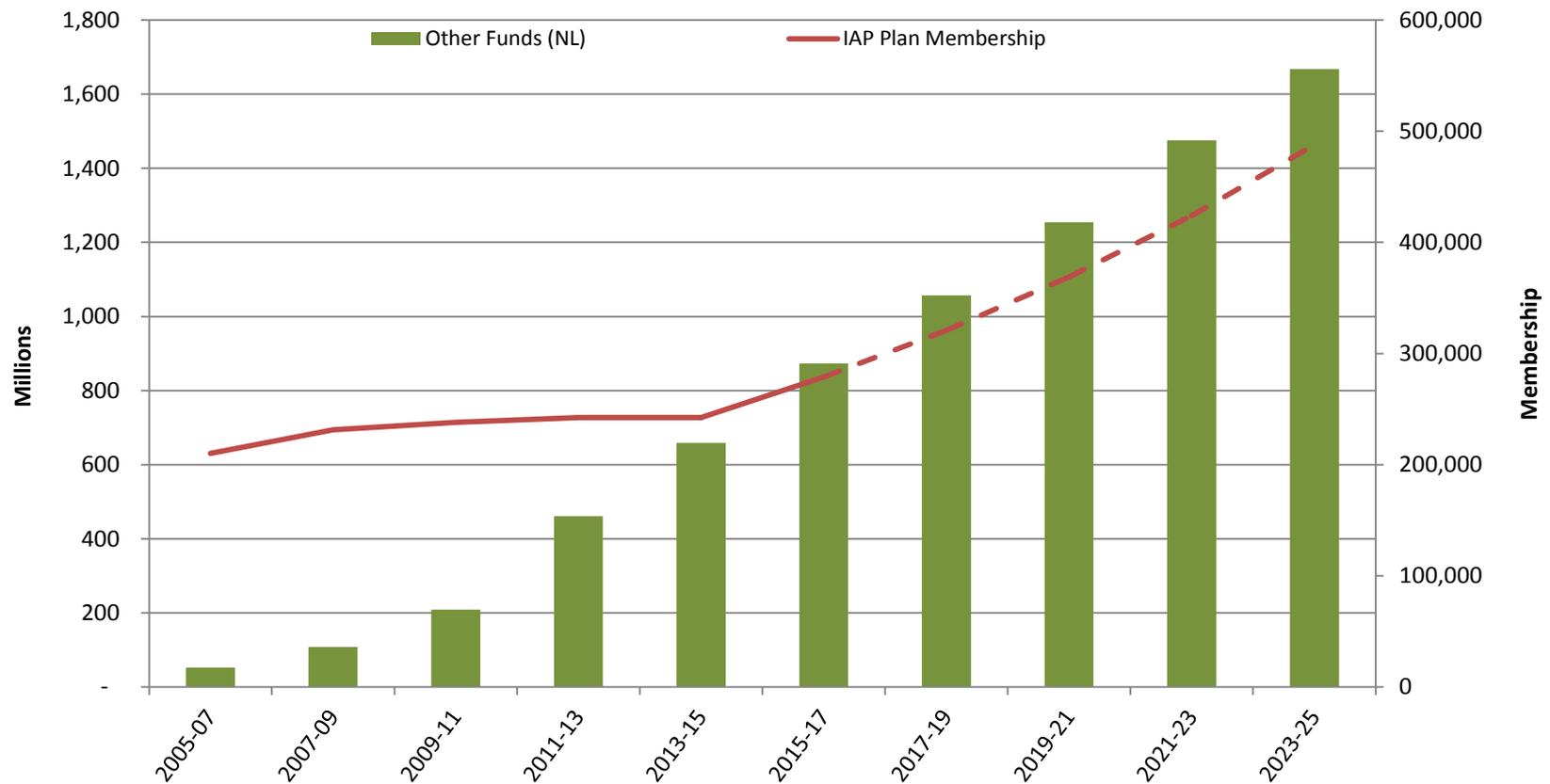
Improving Government

Secondary Outcome Area:

(None)

Program Contact:

Steve Rodeman, 503.603.7695



# Individual Account Program (Non-Limited Budget) (continued)

## Executive Summary

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

## Performance Achievement:

Requested Non-Limited Other Funds support the agency mission to administer the public employee benefit trusts in order 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.

# Individual Account Program (Non-Limited Budget) (continued)

## 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 (August 29, 2003). All PERS-participating employers were required to enroll any new qualifying employees in the OPSRP Pension and IAP 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 percent 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 the legacy Tier One member regular accounts, IAP accounts do not have a guaranteed minimum earnings rate.

# Individual Account Program (Non-Limited Budget) (continued)

## Program Description (continued)

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 legacy 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.

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.

# Individual Account Program (Non-Limited Budget) (continued)

## Program Justification and Link to 10-Year Plan Outcome

The IAP aligns to the goals and strategies in the Improving Government area of the 10-Year Plan Outcome planning. This 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.

# Individual Account Program (Non-Limited Budget) (continued)

## Program Performance

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.

Policy Package 102 will complete the transfer to PERS of all aspects of the IAP administration by December 15, 2018, and eliminate over \$2.2 million in annual costs for an outside third-party administrator (TPA).

Fiscal Year	Total IAP Membership	Total Retired IAP Members	Total IAP Expenditures (\$)	Total IAP Retirements Processed
2007	210,133	N/A	36,379,230	3,087
2008	218,192	N/A	55,478,104	2,895
2009	231,256	N/A	49,534,423	2,488
2010	236,265	N/A	72,802,216	4,205
2011	238,062	N/A	133,970,603	8,545
2012	240,637	2,641	224,729,644	6,878
2013	240,697	3,308	241,326,511	9,249
2014	244,256	4,269	330,535,801	9,021
2015	251,417	5,018	319,978,740	7,375
2016	260,164	5,810	366,437,327	7,163

# Individual Account Program (Non-Limited Budget) (continued)

## 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 programs, the legislature expressly reserved the right to alter the provisions of the OPSRP program, including the IAP, for services performed after the effective date of any such change (ORS 238A.470).

# Individual Account Program (Non-Limited Budget) (continued)

## Funding Streams

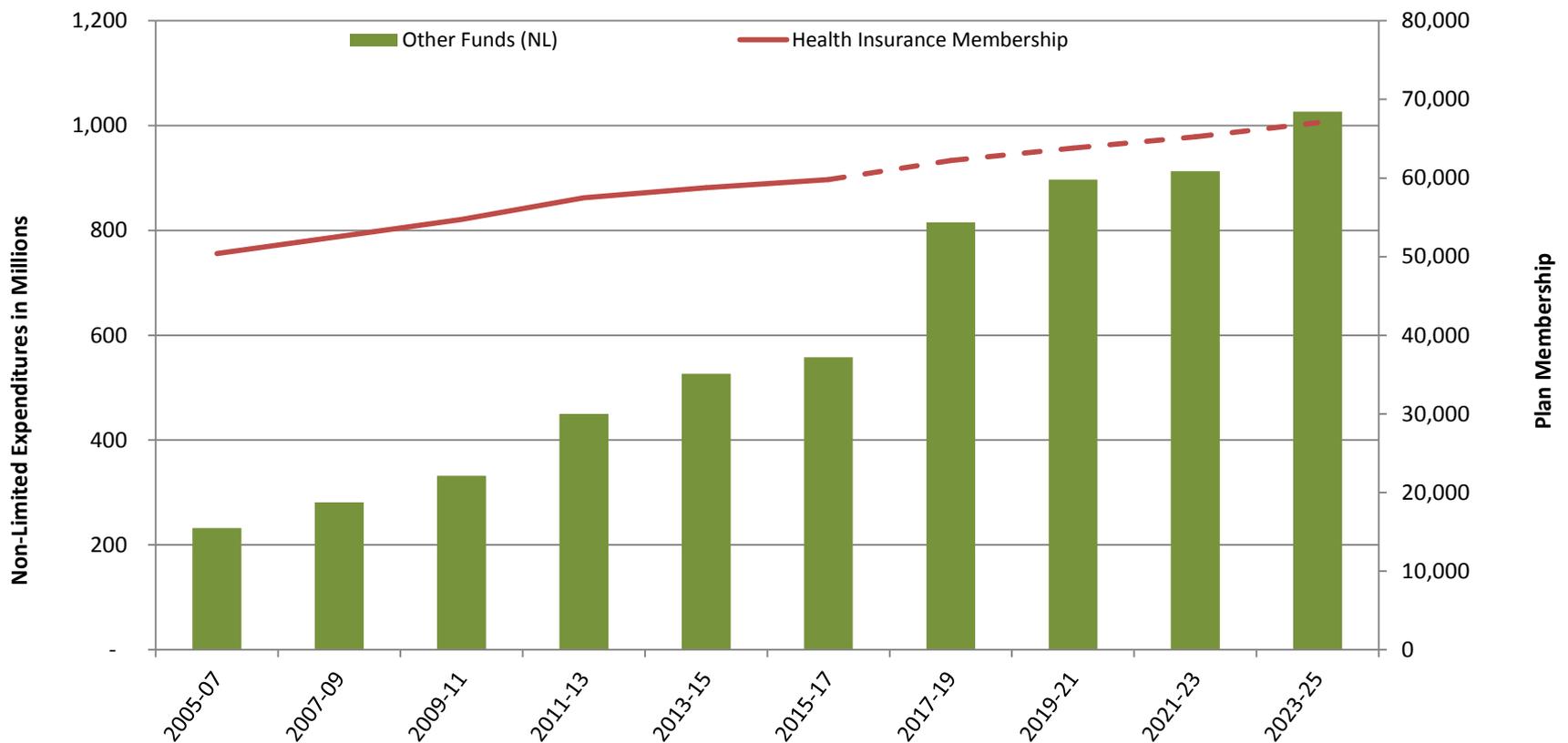
This program is funded entirely from member contributions and the return on investment of those contributions, which are held in the Public Employee Retirement Fund (PERF). In accordance with ORS 238.660(2), incorporated into the OPSRP Program by ORS 238A.050(2), funds in the PERF can only be expended for the exclusive benefit of the trusts' members. ORS 238.661 (also incorporated by ORS 238A.050(2)) further provides that moneys in the PERF are continuously appropriated to the Public Employees Retirement 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 2015-17

Requested Non-Limited Other Funds represent an increase of \$183,411,109 above the 2015-17 budget of \$873,488,891 and reflects the Agency's 2017-19 anticipated benefit payments or withdrawals for IAP benefit recipients.

# Retirement Health Insurance Programs (Non-Limited Budget)

Primary Outcome Area: Improving Government  
 Secondary Outcome Area: (None)  
 Program Contact: Steve Rodeman, 503.603.7695



# Retirement Health Insurance Programs (Non-Limited Budget) (continued)

## Executive Summary

The PERS Health Insurance Program (PHIP) offers health insurance coverage for all eligible Oregon PERS retirees, their eligible spouses and dependents. The program covers nearly 60,000 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.

## Performance Achievement:

Requested Non-Limited Other Funds support the program mission and purpose to provide comprehensive medical and dental insurance plan options and long-term care insurance 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.

# Retirement Health Insurance Programs (Non-Limited Budget) (continued)

## 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 which 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 was 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 assessment to all PERS employers. In 1991, the legislature approved a subsidy for Tier One and Tier Two state retirees under age 65. The subsidy, implemented in 1993 is the Retiree Health Insurance Premium Account (RHIPA) and is funded by an assessment to the state of Oregon employers only.

# Retirement Health Insurance Programs (Non-Limited Budget) (continued)

## **Program Description (continued)**

The RHIA subsidy is a \$60 contribution that is available to eligible 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 eligible non-Medicare retirees who retire from a state agency, ~~that~~ are receiving either a PERS service or disability retirement allowance and have had either eight or more years of qualifying service time or is receiving a PERS disability retirement allowance computed as if they had eight or more years of state service. A retiree who is eligible for Medicare is no longer eligible for RHIPA and must move to a Medicare plan.

## **Program Justification and Link to 10-Year Plan Outcome**

In spite of inflationary trends and the pressures associated with lower CMS medical reimbursements and higher healthcare and prescription drug costs and utilization, for the 2017 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.

# Retirement Health Insurance Programs (Non-Limited Budget) (continued)

## Program Performance

PHIP is a voluntary insurance plan where eligible members pay most, if not all, of their premiums for the plan they choose. 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 Centers for Medicare and Medicaid Services (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 as a result 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.

Fiscal Year	SRHIA Members	RHIA Members	RHIPA Members	Annual Expenditures Total (\$)
2008	51,363	38,676	704	139,174,917
2009	52,565	39,528	802	145,969,852
2010	53,256	39,917	911	158,425,042
2011	54,710	40,851	1126	173,378,577
2012	56,113	42,018	1149	216,601,828
2013	57,489	43,061	1251	232,638,530
2014	58,760	44,087	1264	240,446,560
2015	59,803	44,880	1,274	286,009,877
2016	59,983	45,060	1,238	254,516,317

# Retirement Health Insurance Programs (Non-Limited Budget) (continued)

## 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.

ORS 238.410(7) further provides: pursuant to section 401(h) of the Internal Revenue Code, the Standard Retiree Health Insurance Account is established within the Public Employees Retirement Fund, 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 Public Employee Retirement 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.

# Retirement Health Insurance Programs (Non-Limited Budget) (continued)

## Funding Streams

The majority of the revenue for the SRHIA program, about \$460 million per year, comes from member paid insurance premiums with additional revenues provided from federal sources like the Centers for Medicare and Medicaid Services (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 Public Employee Retirement Fund (PERF).

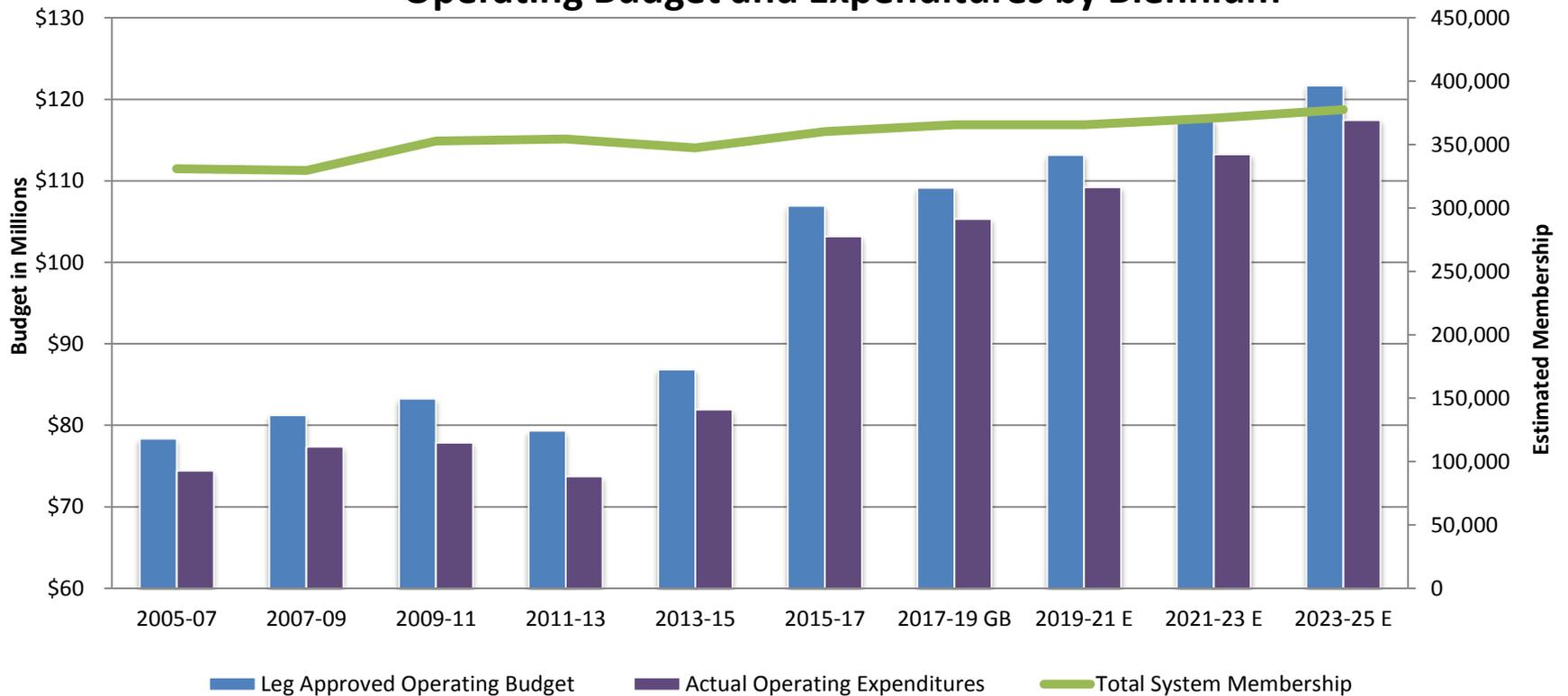
## Significant Proposed Program Changes from 2015-17

Requested Non-Limited Other Funds represent an increase of \$257,176,555 over the 2015-17 budget of \$558,094,445 and reflects the Agency's 2017-19 anticipated premium payment requirements for eligible Tier One, Tier Two and OPSRP benefit recipients.

# Operations Program (Limited Budget)

Primary Outcome Area: Improving Government  
 Secondary Outcome Area: (None)  
 Program Contact: Steve Rodeman, 503.603.7695

## Operating Budget and Expenditures by Biennium



# Operations Program (Limited Budget) (continued)

## Executive Summary

The Operations Program reflects the costs of the Public Employees Retirement System's (PERS) 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.

## Performance Achievement

Requested Non-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.

# Operations Program (Limited Budget) (continued)

## 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 350,000 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 in excess of \$3.9 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 improvements in agency operations were achieved through restructuring processes and leveraging new technologies, such as the agency's recently deployed Oregon Retirement Information On-line Network (ORION). These improvements have allowed PERS to administer the significant new programs added in the 2003 PERS reforms (OPSRP Pension and IAP) and make several structural changes to the agency's programs as directed by the legislature while overall staffing has decreased. 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 declining staff.

# Operations Program (Limited Budget) (continued)

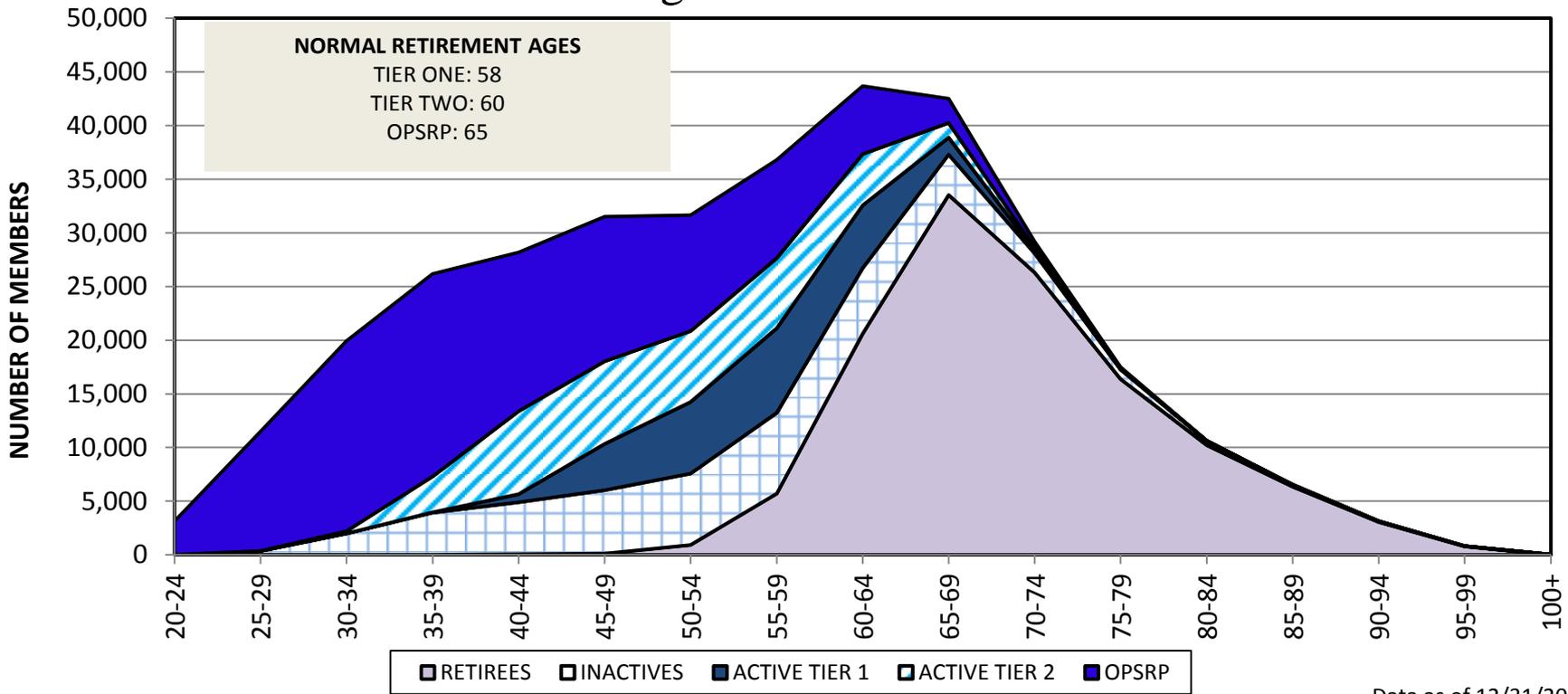
## Program Description (continued)

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 2015-17 budget is predicated on processing about 7,500-8,000 retirements per year. That average will increase markedly over the next several biennia. There are already nearly 70,000 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 head-count 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 2017-19 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.

# Operations Program (Limited Budget) (continued)

## Age Distribution



Data as of 12/31/2016

# Operations Program (Limited Budget)

## Program Justification and Link to 10-Year Plan Outcomes

The PERS Operations Program strongly aligns to the goals and strategies in the Improving Government area of the 10-Year Plan Outcome areas. Given the vital role that PERS plays in public employee recruitment and retention; the often critical nature of PERS death and disability and retiree health insurance benefits; the valued retirement security that PERS provides to long-term public servants; and the substantial economic impact of PERS benefit payments to communities throughout the state, it could be argued that PERS is indirectly linked to all of the 10-Year Plan Outcome areas.

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.

# Operations Program (Limited Budget) (continued)

## Program Performance

Fiscal Year	Total Members Served	Annual Admin. Cost per Member (\$)	% Initial Service Retirements Paid in 45 Days	Member Satisfaction Rating – Overall (%)
2007	330,900	140	7	83
2008	329,956	136	33	91
2009	329,611	140	56	93
2010	334,468	121	21	91
2011	352,826	115	40	94
2012	353,998	125	47	83
2013	354,502	127	55	88
2014	362,756	130	46	92
2015	369,022	128	74	92
2016	384,412	150	60	92

# Operations Program (Limited Budget) (continued)

## Enabling Legislation/Program Authorization

Enabling legislation for PERS Operations (administrative costs) are:

Oregon Revised Statute (ORS) 237.500; 238.490, & 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 \$70 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 2015-17

Requested Limited Other Funds reflect an increase of \$2,194,544 over the 2015-17 operating budget of \$106,949,449 and will enable the Agency to maintain current service delivery levels while enhancing performance measurement in the areas of process improvement and technology.

# **Appendix 3: Other Funds Ending Balances for the 2015-17 & 2017-19 Biennia**

# Appendix 3: Other Funds Ending Balances for the 2015-17 & 2017-19 Biennia

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# Other Funds Ending Balances

(a)	(b)	(c)	(d)	(e)	(f)		(g)		(h)	(i)
Other Fund Type	Program Area (SCR)	Treasury Fund #/Name	Category/Descri ption	Constitutional and/or Statutory reference	2015-17 Ending Balance		2017-19 Ending Balance		In CSL	Revised
					In LAB	Revised	In CSL	Revised		
Non-limited	010-01-00	Public Employees Retirement Fund. 4091/4791/7651	Trust Fund- Regular/Variabl e/BEF	ORS 238	64,869,245,824	63,005,200,308	73,771,485,881	63,118,757,308		
Non-limited	010-02-01	Retiree Health Insurance Trust Fund 5171	Trust Fund - RHIA	ORS 238.420	472,594,504	503,525,769	659,202,557	588,616,169		
Non-limited	010-02-02	Retiree Health Insurance Premium Account Trust Fund 6111	Trust Fund - RHIPA	ORS 238.415	5,798,099	18,313,375	9,175,885	24,828,375		
Non-limited	010-02-03	Standard Retiree Health Insurance Account Trust Fund 8921	Trust Fund - SRHIA	ORS 238.410	118,996,857	72,478,330	110,870,044	64,116,330		

# Other Funds Ending Balances (continued)

(a)	(b)	(c)	(d)	(e)	(f)		(g)		(h)	(i)
Other Fund Type	Program Area (SCR)	Treasury Fund #/Name	Category/Description	Constitutional and/or Statutory reference	2015-17 Ending Balance		2017-19 Ending Balance		In CSL	Revised
					In LAB	Revised	In CSL	Revised		
Non-limited	010-03-00	OPSRP Pension Account Trust Fund 1971	Trust Fund OPSRP Pension	ORS 238A	3,007,346,040	3,450,300,686	5,342,858,375	4,845,277,186		
Non-limited	010-04-00	OPSRP IAP Account Trust Fund 1961	Trust Fund OPSRP IAP	ORS 238A	8,666,351,405	8,295,304,666	9,649,330,045	9,510,877,666		
Limited	500-01-00	Social Security Revolving Account 1088	Operations - Social Security Administration Fund Limited	ORS 237.500	318,716	173,676	136,524	102,172		
Limited	500-02-00	Public Employee Benefit Equalization Fund 7652	Operations - BEF Administration Fund 7652 Limited	ORS 238.485- 492	143,320	123,683	123,967	21,250		

# Other Funds Ending Balances (continued)

(a)	(b)	(c)	(d)	(e)	(f)		(g)		(h)	(i)
Other Fund				Constitutional and/or	2015-17 Ending Balance		2017-19 Ending Balance			
Type	Program Area (SCR)	Treasury Fund #/Name	Category/Description	Statutory reference	In LAB	Revised	In CSL	Revised		
Limited	500-03-00	Deferred Compensation Fund 7661	Operations - Deferred Compensation Fund Administration Fund 7661	ORS 243.401-507	2,313,144	1,575,226	1,862,464	1,374,215		
					77,143,107,909	75,346,995,719	89,545,045,742	78,153,970,671		

# Other Funds Ending Balances (continued)

(a)	(d)	(i)
Other Fund Type	Category/Description	Comments
Non-limited	Trust Fund-Regular/Variable/BEF	Lower than expected investment income and increased benefit payments reduced 17-19 ending balance forecast. Balances more closely reflect actual fund balances and investment returns.
Non-limited	Trust Fund - RHIA	Reduced investment income forecast and decreased ending balance by 71.3M. No change to expenditure forecast
Non-limited	Trust Fund - RHIPA	Ending balance forecasts are based on member participation rates and forecasted administrative costs. The decrease of \$46.7M reflects Moda Advantage premiums no longer being part of payment revenue.
Non-limited	Trust Fund - SRHIA	Ending balance forecasts are based on member participation rates and forecasted administrative costs. The decrease of 52,406,044 reflects the increased costs of administration.
Non-limited	Trust Fund OPSRP Pension	Plan is funded by employer contributions and investment earnings for employees hired after 08/29/2003. Increased benefit payments and lower than expected investment earnings are responsible for the decrease of \$599M in the ending balance.
Non-limited	Trust Fund OPSRP IAP	
Limited	Operations - Social Security Administration Fund Limited	Administrative fees are reviewed and adjusted based on expected number of participating employers and projected administrative expenses. The \$34.4K decrease is based on less than anticipated cash receipts. Reduced cost allocation percentage to the fund.
Limited	Operations - BEF Administration Fund 7652 Limited	Less than anticipated cash receipts and timing of cost allocation adjusted the forecasted ending balance by 102.7K. Fee increase will be discussed.
Limited	Operations - Deferred Compensation Fund Administration Fund 7661	Fees are based on fluctuating member participation. The 489.2K decrease is based on current trends and an increase in cost allocation percentages to the fund.
Limited	Operations - Information Services Division	Except for timing of accrued cost allocation transfers, the balance in the limitation should be zero.
Limited	Operations - Customer Service Division	Except for timing of accrued cost allocation transfers, the balance in the limitation should be zero.
Limited	Operations - Policy Planning and Communications Division	Except for timing of accrued cost allocation transfers, the balance in the limitation should be zero.