

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



Joint Committee on
Ways and Means

Subcommittee on
Capital Construction
March 1, 2019

Kevin Olineck
Director



PERS: Session 3

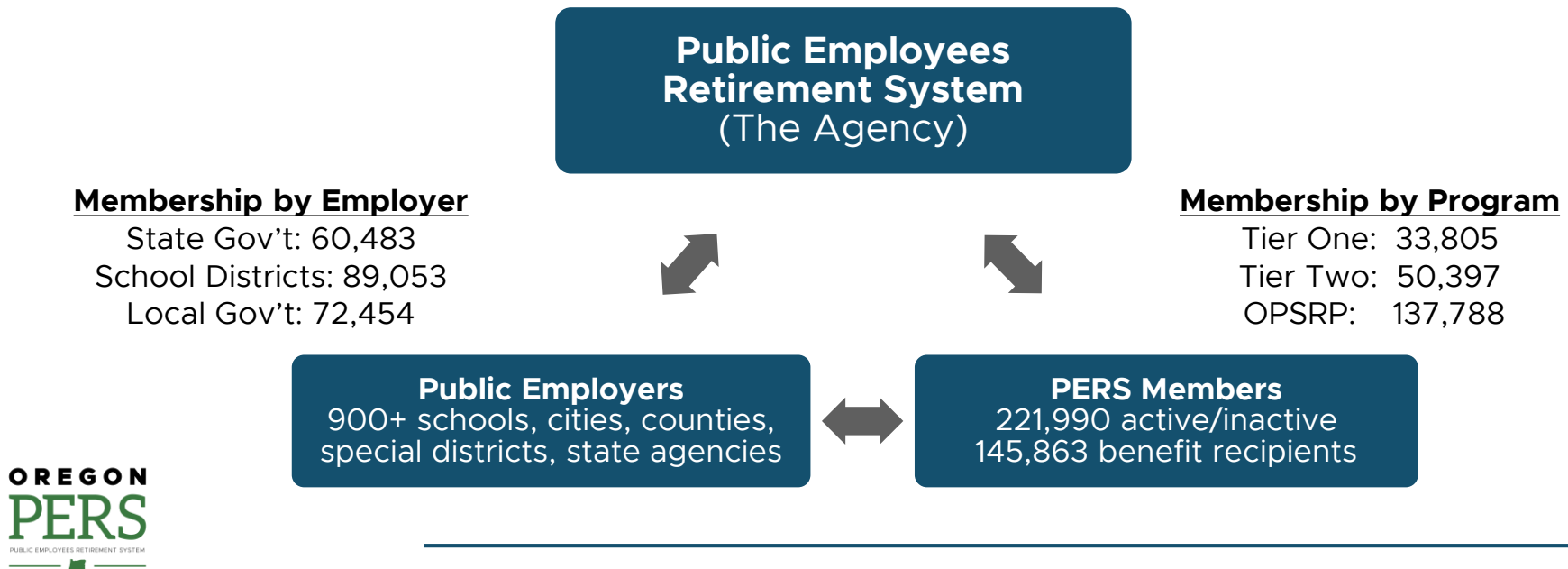
Expenses



PERS: System Refresher

The Oregon Legislative Assembly is the “Plan Sponsor” for the Oregon Public Employees Retirement System. The legislature determines the benefit structure for participating public employees. Those benefits have been modified over time, generally with benefit enhancements through 1995, but then reducing benefits since, including the creation of the Tier Two program for employees starting in 1996 and then the Oregon Public Service Retirement Program (OPSRP) for employees that started after August 28, 2003.

The legislature established PERS, the agency, to administer the retirement system in partnership with more than 900 public employers, including school districts, special districts, cities, counties, community colleges, universities, and state agencies. PERS collects records and maintains relationships with over 367,000 current and former public employees or their beneficiaries.



PERS: System Refresher

- The Oregon Public Employees Retirement System was created by the Oregon Legislative Assembly in 1945
- Operations commenced on July 1, 1946

Statutory References for the Agency	
Statute & Chapter	Program
ORS 237 & 238	Tier 1/Tier 2
ORS 238A	Oregon Public Service Retirement Program (OPSRP)
ORS 238A.300 to ORS 238A.457	Individual Account Program (IAP)
ORS 238.500 to 238.585	Judge Member Retirement Program
ORS 238.485 to 238.492	Public Employees Benefit Equalization Fund
ORS 243.410 to 238.420	Retiree Health Insurance Program
ORS 243.401 to 243.507	Deferred Compensation Program: Oregon Savings Growth Plan (OSGP)
ORS 237.414 and 237.470	Social Security Administration Program

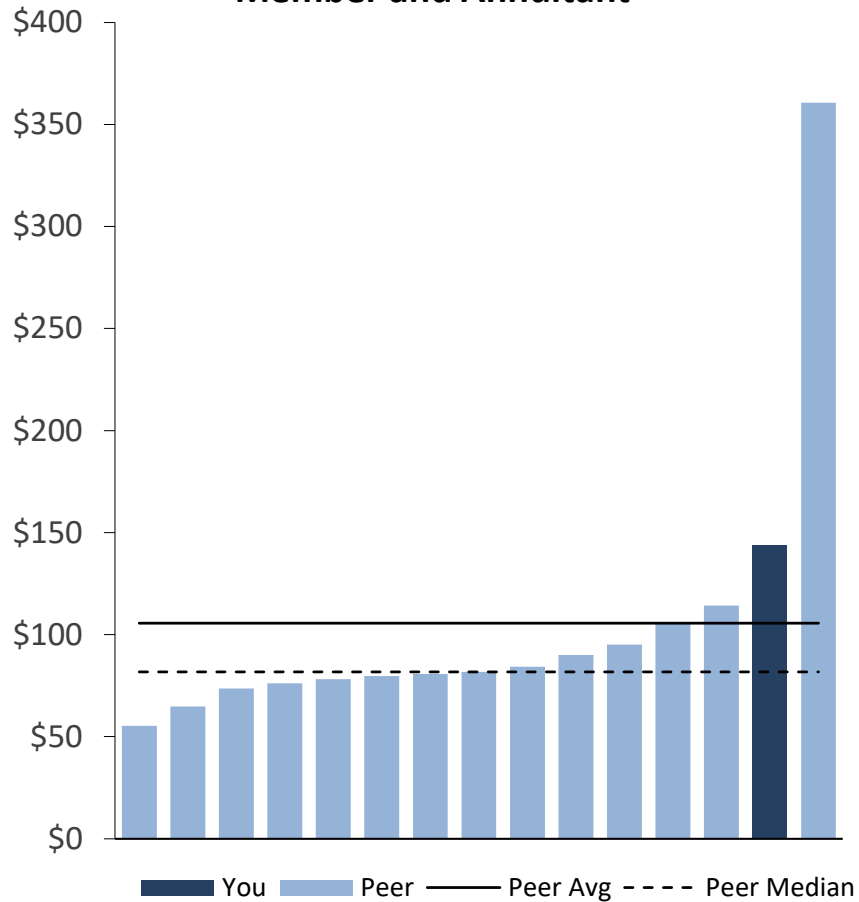
Oregon Administrative Rules (Ch. 459) govern the implementation of PERS' statutory responsibilities.

Understanding Expenses Using Benchmarking



CEM Benchmarking: PERS' Costs Relative to Peers

Pension Administration Cost Per Active Member and Annuitant



- Total pension administration cost was \$144 per active member and annuitant
- This was \$38 above the peer average of \$106
- Total pension administration cost was \$45.1 million. This excludes the fully-attributed cost of administering healthcare, and optional and third-party administered benefits of \$13.8 million
- Data as of FY 2017

CEM Benchmarking: Major Cost Drivers

How PERS Compares to Peers:

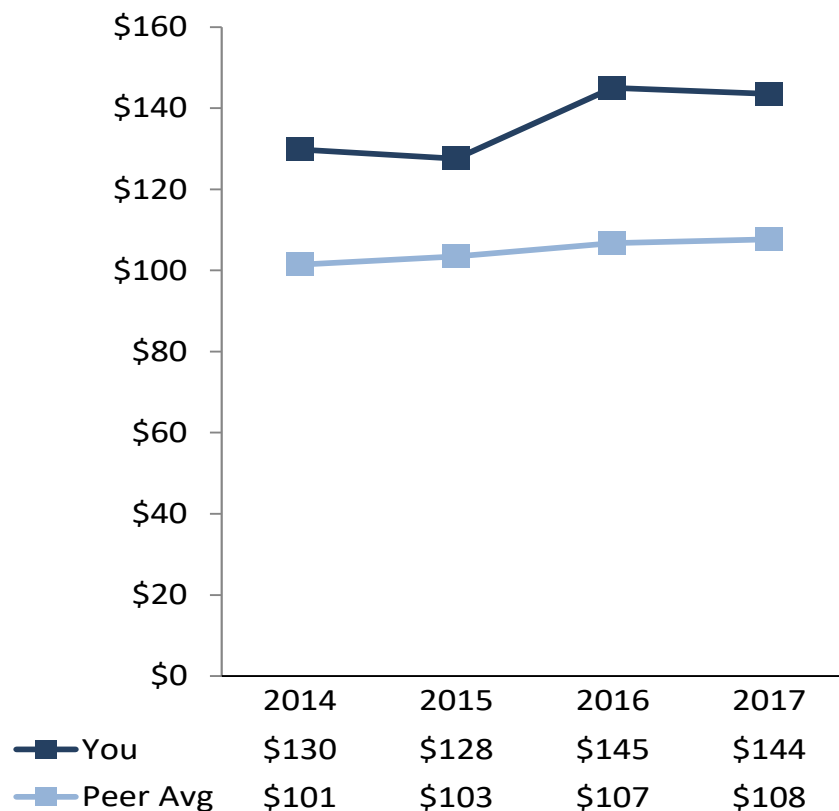
Reason	Impact
1. Economies of scale - minimal impact in this peer group	-\$0.35
2. Higher transactions per member (workloads) ⁽¹⁾	\$6.50
3. Lower transactions per FTE (productivity) ⁽¹⁾	\$18.31
4. Lower costs per FTE for: salaries and benefits, building and utilities, HR and IT desktop	-\$16.46
5. Lower third-party and other costs in front-office activities	-\$3.96
6. Paying more/-less for back-office activities:	
- Governance and Financial Control	\$2.33
- Major Projects	\$4.66
- IT Strategy, Database, Applications (excl. major projects)	\$7.96
- Actuarial, Legal, Audit, Other Support Services	\$19.02
Total	\$38.00

⁽¹⁾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 2017

CEM Benchmarking: Cost Trends

Trend in Total Pension Administration Costs

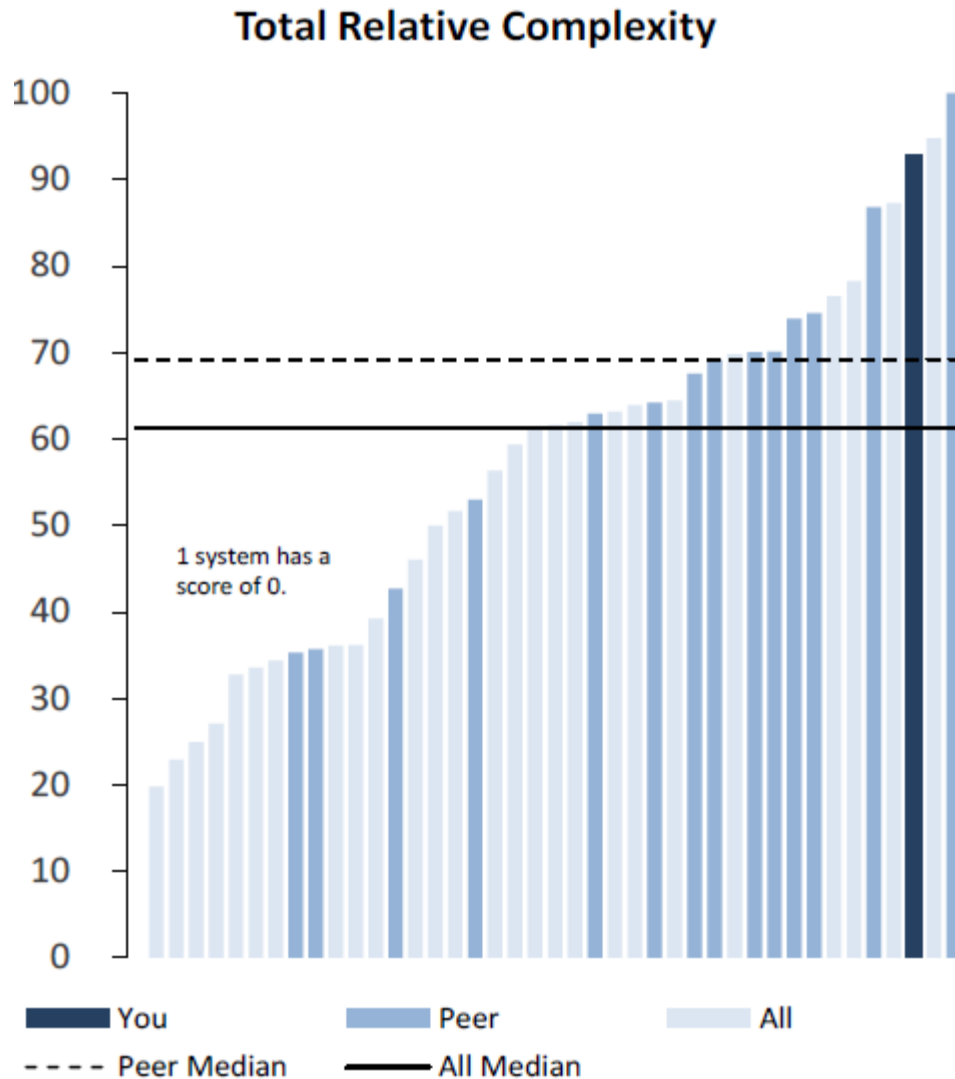


Between 2014 and 2017:

- Total pension administration cost per active member and annuitant increased by 3.4% per annum
- During this same period, the average cost of our peers with 4 years of consecutive data increased by 2.0% per annum

Trend analysis is based on systems that have provided 4 consecutive years of data (14 of your 15 peers).a

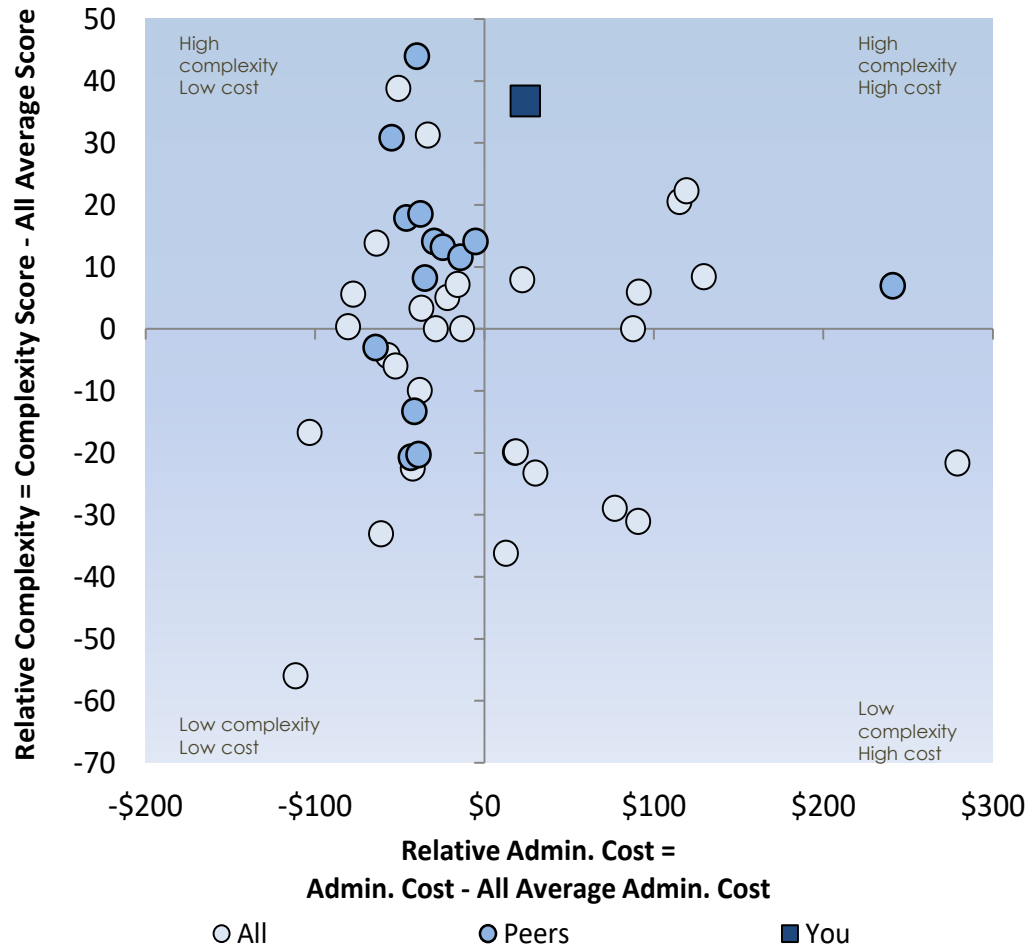
CEM Benchmarking: PERS' Total Relative Complexity



Parameter	Averages	
	PERS	Peers
Pension payment options	56	46
Customization choices	30	24
Multiple plan types & overlays	100	49
Multiple benefit formulas	54	38
External reciprocity	0	31
COLA rules	61	34
Contribution rates	72	55
Variable compensation	100	81
Service credit rules	60	58
Divorce rules	100	60
Purchase rules	80	66
Refund rules	31	50
Disability rules	93	75
Translation	20	13
Defined contribution plan rules	100	60
Total relative complexity	93	67

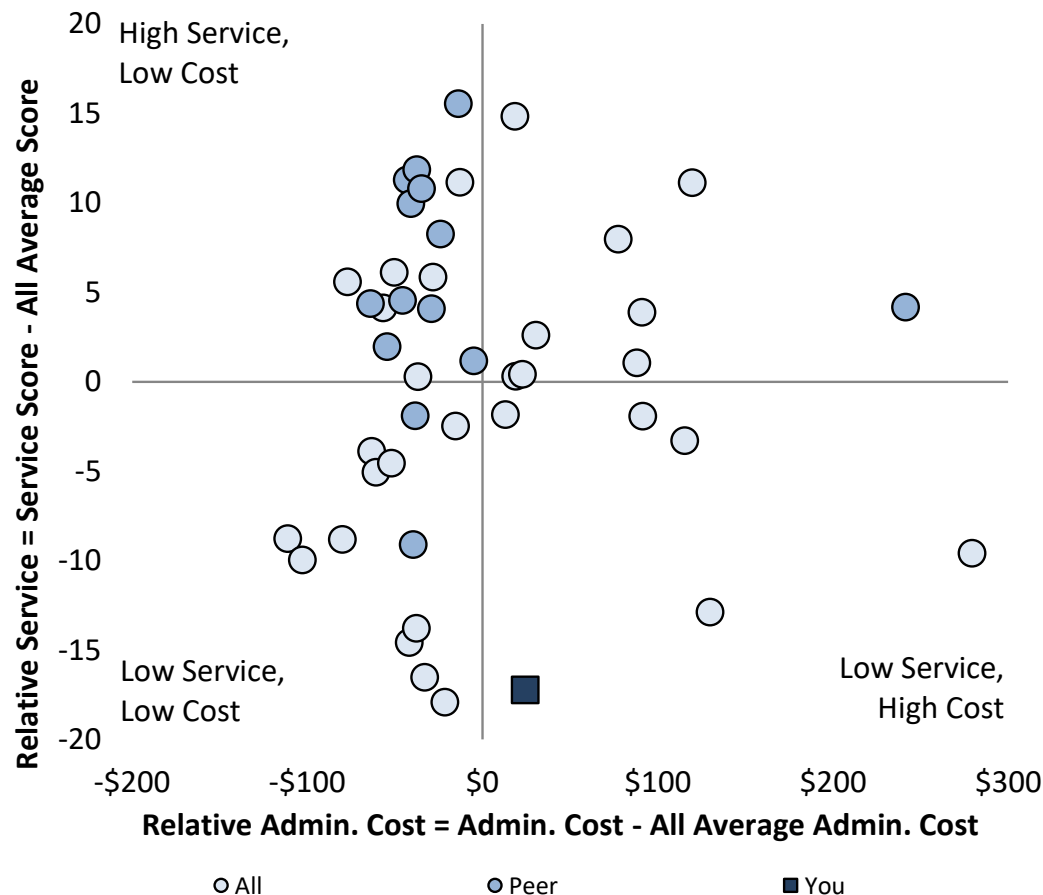
The relationship between complexity and pension administration cost in the CEM universe:

Relative Complexity versus Relative Cost



Relationship between service and pension administration cost

Relative Service versus Relative Cost



PERS: Additional Resources

Milliman December 31, 2017 System Valuation

- Annual actuarial report of the system assets and liabilities

<https://www.oregon.gov/pers/Documents/Financials/Actuarial/2018/Actuarial-Valuation.pdf>

Comprehensive Annual Financial Report (CAFR) – Fiscal Year End June 30, 2018

- Report of all funds over which the PERS Board exercises authority

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

PERS by the Numbers – Updated October 2018

- Summary of information about system demographics, benefits, funding, revenue, and history

<https://www.oregon.gov/pers/Documents/General-Information/PERS-by-the-Numbers.pdf>

PERS Agency Website

- PERS website

<https://www.oregon.gov/pers/Pages/index.aspx>

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



Thank You

Kevin Olineck
PERS Director
2019

www.oregon.gov/pers

