

# OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

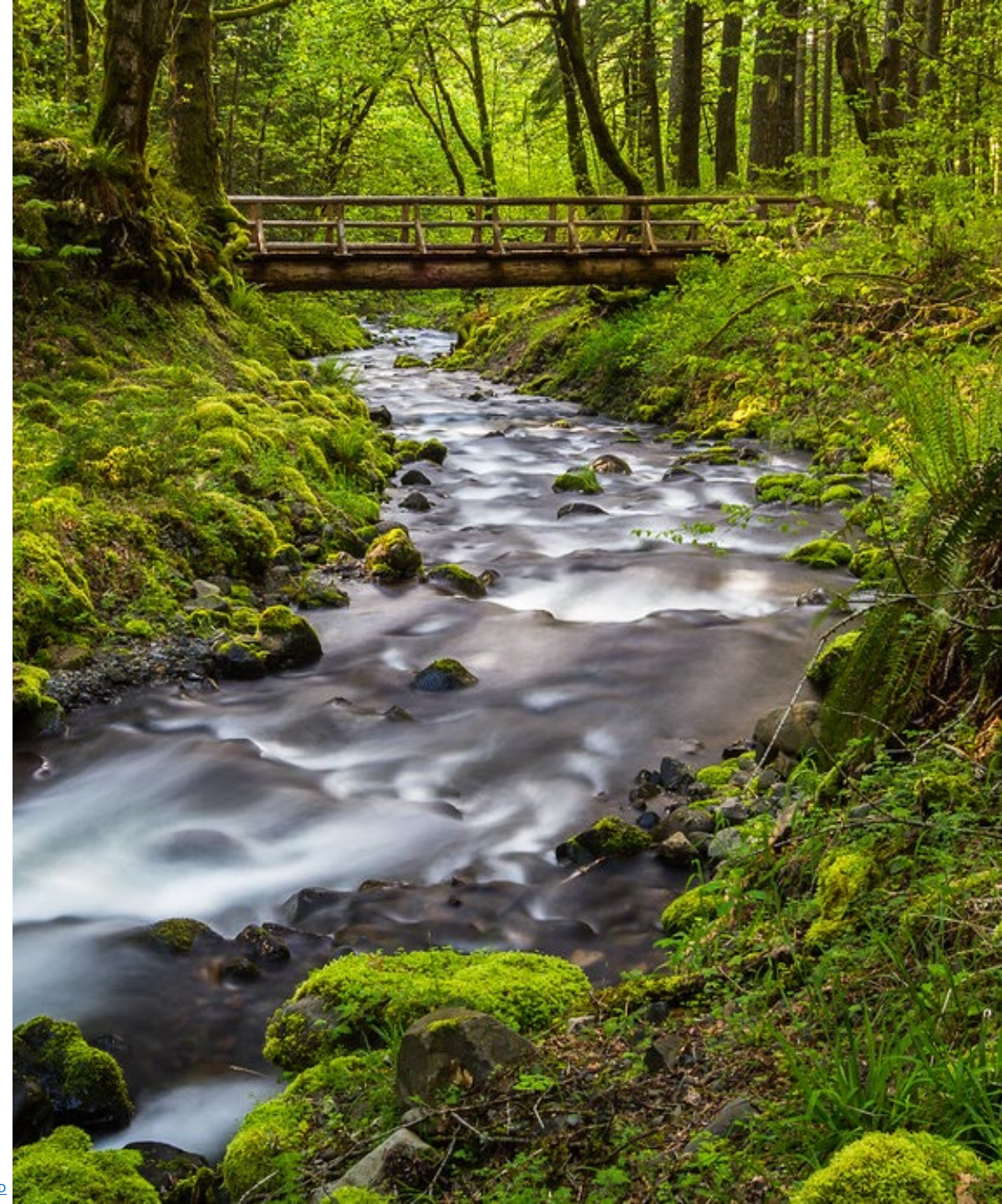


## **2025-27 Budget Presentation**

Joint Committee on  
Ways and Means  
Subcommittee on  
General Government  
February 19, 2025

Kevin Olineck  
Director

Richard Horsford  
Chief Financial Officer



# Agency presentation schedule

## Day One

### System overview

- Overview and partnerships
- Governance and interdependencies
- Benefits and funding
- Funded status and liabilities
- System-wide rates and projections
  - Principles, rate collar, rate calculation, side accounts, projections
- Appendix and additional resources

## Day Three

### Detailed Budget Overview

- Detailed breakdown of policy option packages
- Statewide policy packages for PERS
- Summary of 2025-2027 policy option packages
- 2025-27 proposed technology projects
- Supervisory span of control
- Performance and outcome measures
- 2023-25 long-term vacancies
- Other Funds' ending balances
- Agency cost containing measures
- 10% budget reduction options
- Additional agency budget information
- Appendix and additional resources

## Day Two

### Agency overview

- System and agency funding
- Summary of programs and services
- Organizational structure and divisional budgets
- Major budget drivers 2025-2027
- Budget risks and environmental factors
- Agency changes past six years
- Agency program changes and service delivery 2023-2025
- Recent changes to agency budget and management
- Key legislation 2025 session
- Appendix and additional resources

## Day Four

### Statutory Reporting

- Preliminary earnings crediting report for calendar year 2024
- Senate Bill 1566 (2018) reports:
  - General status update
  - School district unfunded liability fund update
  - Employer incentive fund update
  - Unfunded Actuarial Liability Resolution Program update

# Detailed policy option packages (POP) 2025-27

## Package 101: House Bill 4045

PERS requests \$2,728,198 Other Funds limitation for the implementation of House Bill (HB) 4045 (2024): Oregon Public Service Retirement Plan (OPSRP) Police and Fire Retirement Age Change Phase II.

- Personal services \$ 508,698
- Services and supplies \$ 2,219,500
- Capital outlay \$ 0
  
- Package total \$ 2,728,198

House Bill 4045, which was passed in the 2024 regular session, directed PERS to, among other things, lower the Oregon Public Service Retirement Plan Police and Fire retirement age from 60 to 55 for members with less than 25 years of service. With an effective date of January 1, 2025, PERS implemented a temporary manual solution to meet that deadline and is requesting 3 positions plus professional services contracts to implement and maintain an integrated solution.

Position #	Position	Status	Position	Full-time equivalent (FTE)
2544525	C0104 OFFICE SPECIALIST 2	PF*	1	1.00
2544526	C0104 OFFICE SPECIALIST 2	PF	1	1.00
2544527	C0842 RETIREMENT COUNSELOR 2	PF	1	1.00
<b>Total</b>			<b>3</b>	<b>3.00</b>

\* PF: Permanent Full-time

# Detailed policy option packages 2025-27

## Package 102: Managed services

PERS requests \$262,918 Other Funds limitation to add one Information Technology Supervisor 2 in the Information Service Division.

- Personal services \$ 251,355
- Services and supplies \$ 11,563
- Capital outlay \$ 0
  
- Package total \$ 262,918

Department of Administrative Services' (DAS) Data Center Services (DCS) provides managed services where they host other state agency's information technology (IT) infrastructure and remove the need for individual agencies to refresh, manage, and maintain data-center hardware and related support.

DCS extended an offer to PERS to be one of the first agencies to take advantage of their new warm-site capability as part of their business-continuity pilot, with the move to managed services as a prerequisite. Managed services would provide cost savings over time, enhanced disaster recovery, a better IT support model, and align PERS with the state's IT strategic plan.

Position #	Position	Status	Position	(FTE)
2710201	X7886 INFORMATION TECHNOLOGY SUPERVISOR 2	PF*	1	0.88
<b>Total</b>			<b>1</b>	<b>0.88</b>

\* PF: Permanent Full-time

# Detailed policy option packages 2025-27

## Package 103: Senate Bill 1049 resources

PERS requests \$1,980,449 Other Funds limitation for the Core Retirement System Administration (CRSA).

- Personal services                 \$1,921,949
- Services and supplies:         \$   58,500
- Capital outlay                     \$         0
  
- Package total                     \$1,980,449

Senate Bill (SB) 1049 Program Implementation will be concluding in June 2025.

PERS is requesting three full-time, permanent positions (PF) for system support and six full-time limited-duration positions (LD) for the Employee Pension Stability Account (EPSA) clean-up in the Operations Division. Over the course of this last year as projects have concluded, PERS has determined that three of the SB 1049 limited-duration positions need to be continued permanently due to sustained workloads, enhanced IT systems, increased complexity, and required support. An additional 6 positions are needed on a limited duration basis to manage data backlogs created during implementation.

Position #	Position	Status	Position	(FTE)
2510117	C0841 RETIREMENT COUNSELOR 1	LF	1	1.00
2510120	C0841 RETIREMENT COUNSELOR 1	LF	1	1.00
2510121	C0841 RETIREMENT COUNSELOR 1	LF	1	1.00
2510122	C0841 RETIREMENT COUNSELOR 1	LF	1	1.00
2510123	C0842 RETIREMENT COUNSELOR 2	LF	1	1.00
2510124	C0842 RETIREMENT COUNSELOR 2	LF	1	1.00
2510203	C1484 INFO SYSTEMS SPECIALIST 4	PF	1	1.00
2510204	C1487 INFO SYSTEMS SPECIALIST 7	PF	1	1.00
2510205	C1487 INFO SYSTEMS SPECIALIST 7	PF	1	1.00
<b>Total</b>			<b>9</b>	<b>9.00</b>

# Detailed policy option packages 2025-27

## Package 104: PERS Modernization Program

PERS requests a \$33,990,020 Other Funds limitation in the PERS Modernization Program.

• Personal services	\$ 7,717,145
• Services and supplies	\$ 26,272,875
• <u>Capital outlay</u>	<u>\$ 0</u>
• Package total	\$33,990,020

The PERS Modernization Program is a multi-biennia initiative comprised of a variety of projects focused on transforming the core pension administration and supporting systems and eliminating the current need for, and reliance on, off-line tools and workarounds.

Over the course of the 2025–2027 biennium, the PERS Modernization Program will support future state visioning and planning efforts for several projects and supporting workstreams.

Staff resources required for the future state visioning efforts will primarily be program-level dedicated roles such as product owners, associate product owners, business analysts, and project managers. Other resources will be coordinated with other PERS teams such as architects, process mappers, and area subject matter experts.

Over the last 2 biennia PERS has received other funds limitations totaling \$14.2 million that have been expended on planning and implementation for the Modernization effort.

# Detailed policy option packages 2025-27

## Package 104: Modernization Program continued

Position #	Position	Status	Position	(FTE)
2510342	C2512 ELECTRONIC PUB DESIGN SPEC 3	Limited duration	1	1.00
2510347	C0864 PUBLIC AFFAIR SPECIALIST 2	Limited duration	1	1.00
2510331	Z7010 PRINCIPAL EXECUTIVE/MANAGER F	Limited duration	1	1.00
2510349	X0872 OPERATIONS & POLICY ANALYST 3	Limited duration	1	1.00
2510333	C0856 PROJECT MANAGER 3	Limited duration	1	1.00
2510334	C0438 PROCUREMENT & CONTRACT SPEC 3	Limited duration	1	1.00
2510335	C0855 PROJECT MANAGER 2	Limited duration	1	1.00
2510336	C0855 PROJECT MANAGER 2	Limited duration	1	1.00
2510337	C0108 ADMINISTRATIVE SPECIALIST 2	Limited duration	1	1.00
2510350	X0872 OPERATIONS & POLICY ANALYST 3	Limited duration	1	1.00
2510339	C0871 OPERATIONS & POLICY ANALYST 2	Limited duration	1	1.00
2510340	C0871 OPERATIONS & POLICY ANALYST 2	Limited duration	1	1.00
2510348	X1320 HUMAN RESOURCE ANALYST 1	Limited duration	1	1.00
2510351	X0872 OPERATIONS & POLICY ANALYST 3	Limited duration	1	1.00
2510345	C0871 OPERATIONS & POLICY ANALYST 2	Limited duration	1	1.00
2510346	C0871 OPERATIONS & POLICY ANALYST 2	Limited duration	1	0.88
2710402	X0872 OPERATIONS & POLICY ANALYST 3	Limited duration	1	0.88
2710403	X0872 OPERATIONS & POLICY ANALYST 3	Limited duration	1	0.88
2710404	C1488 INFO SYSTEMS SPECIALIST 8	Limited duration	1	0.88
2710405	C0871 OPERATIONS & POLICY ANALYST 2	Limited duration	1	0.88
2710408	C1488 INFO SYSTEMS SPECIALIST 8	Limited duration	1	0.88
2710406	X0873 OPERATIONS & POLICY ANALYST 4	Limited duration	1	0.88
2710407	X0872 OPERATIONS & POLICY ANALYST 3	Limited duration	1	0.88
2710409	C1118 RESEARCH ANALYST 4	Limited duration	1	0.88
2710410	C0438 PROCUREMENT & CONTRACT SPEC 3	Limited duration	1	0.88
2710411	C1487 INFO SYSTEMS SPECIALIST 7	Limited duration	1	0.88
2710412	C1487 INFO SYSTEMS SPECIALIST 7	Limited duration	1	0.88
2710413	C1487 INFO SYSTEMS SPECIALIST 7	Limited duration	1	0.88
2710414	C0870 OPERATIONS & POLICY ANALYST 1	Limited duration	1	0.88
2710415	C0870 OPERATIONS & POLICY ANALYST 1	Limited duration	1	0.88
<b>Total</b>			<b>30</b>	<b>28.20</b>

# Detailed policy option packages 2025-27

## Package 105: Information Services Division dues and subscriptions

PERS requests \$2,374,280 Other Funds limitation in the Information Services Division (ISD) to fund the increased cost of ongoing IT software renewals such as Azure, Microsoft 365 licensing, COVID remote response and reconstitution, increase in Microsoft support plan, increase in Articulate 360 software and renewal, Zerto, and firewall support renewals.

• Personal services	\$	0
• Services and supplies	\$	2,374,280
• Capital outlay	\$	<u>0</u>
• Package total	\$	2,374,280

For the 2023-25 biennium, PERS received \$2.0 million budget for these items designated as one-time funding. This funding will also remediate the forecasted negative variance (2025–27 and forward) for the Technical Operations Section needs due to rising cost of licensing, service renewals, and product costs to sustain operations.



# Detailed policy option packages 2025-27

## Package 106: Operations staffing

PERS requests \$773,646 Other Funds limitation in the Operations Division to add an additional four positions. One Business Operations Manager 3, one Office Assistant 1, and two Office Specialist 2 positions. This package also requests the reclass of one Retirement Counselor 1 position to Retirement Counselor 2.

- Personal services                      \$725,020
- Services and supplies                \$ 48,626
- Capital outlay                         \$        0
  
- Package total                            \$773,646

The cumulative growth in size, scope, and complexity of the programs and processes administered within the Operations Division has created challenges with both managing existing workload while also supporting enterprise and agency efforts such as the PERS Modernization Program. This is reflected not only in the need to add an additional senior manager within the division, but also to add additional frontline staff and reclassify one position to allow for more flexibility in addressing workload.

Position #	Position	Status	Position	(FTE)
2710719	X1322 HUMAN RESOURCE ANALYST 3	Permanent	1	0.88
2710616	C0104 OFFICE SPECIALIST 2	Permanent	1	0.88
2710617	C0101 OFFICE ASSISTANT 1	Permanent	1	0.88
2710618	X7083 BUSINESS OPERATIONS MANAGER 3	Permanent	1	0.88
<b>Total</b>			<b>4</b>	<b>2.64</b>

# Detailed policy option packages 2025-27

## Package 107: Human Resources staffing

PERS requests \$252,760 Other Funds limitation in the Central Administration Division to hire a Human Resource Analyst 3.

- Personal services \$241,197
- Services and supplies \$ 11,563
- Capital outlay \$ 0
  
- Package total \$252,760

Human Resources (HR) demand has increased beyond the current capacity of one HRA3. Given that there are approximately fifty (or 12%) of PERS staff that are currently eligible to retire immediately and an additional fifty (or 12%) of PERS staff that can retire within the next five years, it is imperative that our HR capacity meet the increasing HR needs both now and into the future. This resource will also be responsible for continuing to enhance and maintain our Diversity, Equity, and Inclusion Plan, our Affirmative Action Plan, our Succession Plan, and other HR-related items as required under PERS' Governor's Expectations.

Position #	Position	Status	Position	(FTE)
2710719	X1322 HUMAN RESOURCE ANALYST 3	Permanent	1	0.88
	<b>Total</b>		<b>1</b>	<b>0.88</b>

# Detailed policy option packages 2025-27

## Package 108: Risk management

PERS requests \$1,430,836 Other Funds limitation in Compliance, Audit, and Risk Division for the budgetary extension of the two permanent positions, training, subscription and consulting costs dedicated to the risk management program. One Info Systems Specialist will enhance our information security program, while the Operations & Policy Analyst will lead the Enterprise Risk Management Program.

- Personal services                      \$ 468,585
- Services and supplies                \$ 962,251
- Capital outlay                         \$            0
  
- Package total                            \$1,430,836

The purpose of this policy option package is to enhance the capabilities of the agency by implementing an enterprise risk management (ERM) program, which ties together strategy and business plans using formal risk management methodologies as one of the key decision-making criteria. This includes not only the more obvious risks that need to be mitigated, such as business continuity, disaster recovery, and information security, but also operational risks that may jeopardize the agency’s mission, such as the ability to attract and retain qualified personnel. Establishment of an ERM program has been requested in the form of formal motions by both the PERS Audit and Risk Committee as well as the PERS Board, external consultants who have reviewed both our Continuity Management Program and Information Security Program, as well as our external auditor.

Position #	Position	Status	Position	(FTE)
2710821	C1485 INFO SYSTEMS SPECIALIST 5	Limited Duration	1	0.88
2710820	X0872 OPERATIONS & POLICY ANALYST 3	Limited Duration	1	0.88
<b>Total</b>			<b>2</b>	<b>1.76</b>

# Detailed policy option packages 2025-27

## Package 109: Enterprise Content Management Supervisor

PERS requests \$193,741 Other Funds limitation in the Central Administration Division to hire one Office Manager 2 to manage the logistics and facilities section of thirteen staff.

- Personal services                      \$182,178
- Services and supplies                \$ 11,563
- Capital outlay                        \$        0
  
- Package total                            \$193,741

PERS received budget approval to transfer the Enterprise Content Management (ECM) Team from within the Information Services Division to the Central Administration Division Central Business Support Section (formally Procurement, Facilities, and Logistics) in the February 2024 session. This move better aligned processes performed by ECM with teams within Central Business Support, and their classification and workload complements existing mailroom activities. The request involved moving thirteen staff and was budget neutral; however, the move did not include a supervisor. The Logistics and Facilities team is both large and diverse enough that we have determined a supervisor is needed to provide proper oversight.

Position #	Position	Status	Position	(FTE)
2710922	X0806 OFFICE MANAGER 2	Permanent	1	0.88
<b>Total</b>			<b>1</b>	<b>0.88</b>

# Detailed policy option packages 2025-27

## Package 110: Policy and Compliance staffing

PERS requests \$1,046,908 Other Funds limitation in the Compliance, Audit, and Risk Division for permanent funding for five full-time positions due to increased and sustained workloads: one Compliance and Regulatory Supervisor 2, one Compliance Specialist 2, one Administrative Specialist, and two Operations and Policy Analyst 1.

- Personal services                      \$ 992,595
- Services and supplies                \$ 54,313
- Capital outlay                         \$            0
  
- Package total                            \$1,046,908

The Policy Analysis and Compliance Section (PACS) has experienced challenges with workload over the past several years. With new legislation, an increasing member base, and ongoing policy changes PACS has struggled to manage member appeals and disputes in a timely manner, causing an ever-growing backlog and long processing times. This policy option package will address the resource deficiencies that have built up in PACS over the years and will help right-size the section to address current backlogs, avoid future backlogs, and more pro-actively address member issues.

Position #	Position	Status	Position	(FTE)
2711023	C0108 ADMINISTRATIVE SPECIALIST 2	Permanent	1	0.88
2711024	C5247 COMPLIANCE SPECIALIST 2	Permanent	1	0.88
2711025	C0870 OPERATIONS & POLICY ANALYST 1	Permanent	1	0.88
2711026	C0870 OPERATIONS & POLICY ANALYST 1	Permanent	1	0.88
2711027	X7146 COMPLIANCE AND REGULATORY SUPERVISOR 2	Permanent	1	0.88
<b>Total</b>			<b>5</b>	<b>4.40</b>

# Detailed policy option packages 2025-27

## Package 111: Communications staffing

This package increases Other Funds expenditure limitation by \$500,519 for in the Central Administration Division by adding two permanent Electronic Publication Design Specialist 3 positions and reclassifying one Electronic Publication Design Specialist 1 to an Electronic Publication Design Specialist 2.

- Personal services                      \$430,519
- Services and supplies                \$ 70,000
- Capital outlay                         \$        0
  
- Package total                            \$500,519

PERS' Communications Section is committed to providing reliable and robust support to the agency and its myriad stakeholders and, consequently, is seeking additional funding to make two staff members permanent, reclassify one position, and increase the section training and development budget. These changes will support the maintenance and further development of the agency's most critical communications channels and resources, as well as help enhance organizational effectiveness and enable an informed workforce.

Position #	Position	Status	FTE
2510202	C2512 ELECTRONIC PUB DESIGN SPEC 3	Permanent	1.00
2510210	C2512 ELECTRONIC PUB DESIGN SPEC 3	Permanent	1.00

# Detailed policy option packages 2025-27

## Package 112: Information Services Division reclasses

PERS requests \$60,536 Other Funds to reclassify two Information Services Specialist 4 positions to Information Services Specialist 6 positions and one Information Services Specialist 5 position to an Information Specialist 6.

• Personal services	\$60,536
• Services and supplies	\$ 0
• <u>Capital outlay</u>	<u>\$ 0</u>
• Package total	\$60,536

### Purpose

The IT environment at PERS is undergoing significant transformation due to several factors that affect the way IT services are delivered and managed. These factors require IT staff to maintain the legacy systems while both acquiring and applying new competencies in areas such as cloud computing, service-oriented architecture development, cybersecurity, data analytics, and DevOps automation. The increasing complexity of the system and breadth of knowledge required to maintain functionality, on-premise and in the cloud, require a more advanced skill set and the ability to add duties beyond the scope of current classifications.

# Detailed policy option packages 2025-27

## Package 113: Actuarial Analyst

PERS requests \$188,672 Other Funds limitation for the Financial Services Division to add one Operations and Policy Analyst 1 position.

- Personal services \$177,984
- Services and supplies \$ 10,688
- Capital outlay \$ 0
  
- Package total \$188,672

The Actuarial Activities Section is at a crossroads. Recent legislative changes have increased strain on personnel and identified key persons at risk to complete key functions. We have opportunities to collect and analyze member and employer data to better advise internal and external stakeholders; however, current staff do not have the bandwidth to take on additional tasks. In addition, many analytical tasks that could be completed in an efficient, cost-effective way are outsourced to the consulting actuaries due to the lack of staff to take on the work.

Position #	Position	Status	Position	(FTE)
2711328	C0870 OPERATIONS & POLICY ANALYST 1	Permanent	1	0.88
<b>Total</b>			<b>1</b>	<b>0.88</b>



# Summary of statewide policy packages for PERS

Package (pkg.)	Package description	Adjustment amount
Pkg. 090 Analyst adjustment	Increased Lottery Fund Expenditure limitation to match the November 2024 Oregon Education Association revenue forecast of lottery sports betting proceeds to support PERS Employer Incentive Fund program.	\$16,384,091
Pkg. 092 Attorney General adjustment	Reduces Attorney General rate by 7.47%.	(\$140,666)
Pkg. 093 Statewide adjustment DAS charge	Adjustments to state government charges and DAS pricelist charges for services.	(\$1,280,329)
<b>PERS total</b>		<b>\$14,963,096</b>

# Summary of policy option packages 2025-27

## **Package 101: HB 4045 \$2,728,198 FTE 3.00**

House Bill 4045, which was passed in the 2024 regular session, directed PERS to, among other things, lower the Oregon Public Service Retirement Plan Police and Fire retirement age from 60 to 55 for members with fewer than 25 years of service. This allows for the full automation of this change.

## **Package 102: Managed services \$262,918 FTE 0.88**

This sets out the increased budget requirements and strategy to support PERS locations, staff, and systems in support of managing the benefit plans PERS administers.

## **Package 103: SB 1049 resources \$1,980,449 FTE 9.00**

PERS is requesting three full-time, permanent positions for system support and six full-time limited-duration positions for the EPSA clean-up in the Operations Division. Over the course of this last year as projects have concluded, PERS has determined that some of the SB 1049 limited-duration positions need to be continued permanently due to sustained workloads, enhanced IT systems, increased complexity, and required support.

# Summary of policy option packages 2025-27 (continued)

## **Package 104: Modernization \$33,990,020 FTE 29.02**

The PERS Modernization Program is a multi-biennia initiative comprised of a variety of projects focused on transforming the core pension administration and supporting systems and eliminating the current need for and reliance on off-line tools and workarounds.

## **Package 105: ISD dues and subscriptions \$2,374,280 FTE 0.00**

This request provides the increase cost of ongoing IT software renewals such as Azure, Microsoft 365 licensing, COVID remote response and reconstitution, increase in Microsoft support plan, increase in Articulate 360 software and renewal, Zerto, and firewall support renewals.

## **Package 106: Operation staffing \$773,646 FTE 3.52**

This request provides funds for the Operations Division to add an additional four positions: one Business Operations Manager 3, one Office Assistant 1, and two Office Specialist 2 positions. This package also requests the reclassification of one Retirement Counselor 1 position to Retirement Counselor 2.

## **Package 107: Human Resources staffing \$252,760 FTE 0.88**

This request provides funds for Central Administration Division to hire a Human Resource Analyst 3.

# Summary of policy option packages 2025-27 (continued)

## **Package 108: Risk management \$1,430,836 FTE 1.76**

This request provides limitation in the Compliance, Audit and Risk Division for the budgetary extension of the two permanent positions, training, subscription, and consulting costs dedicated to the developing our enterprise risk management program.

## **Package 109: Enterprise Content Management Supervisor \$193,741 FTE 0.88**

This request provides limitation in the Central Administration Division to hire one Office Manager 2 to manage the logistics and facilities section of thirteen staff.

## **Package 110: Policy and Compliance staffing \$1,046,908 FTE 4.40**

This request provides limitation in the Compliance, Audit, and Risk Division for permanent funding for five full-time positions due to increased and sustained workloads: one Compliance and Regulatory Supervisor 2, one Compliance Specialist 2, one Administrative Specialist, and two Operations and Policy Analyst 1.

## **Package 111: Communications staffing \$500,519 FTE 2.00**

This package increases Other Funds expenditure limitation in the Central Administration Division by adding two permanent Electronic Publication Design Specialist 3 positions and the reclassification of an Electronic Publication Design Specialist 1 to an Electronic Publication Design Specialist 2.

# Summary of policy option packages 2025-27 (continued)

**Package 112: Information Services Division reclasses \$60,536 FTE 0.00**

This package request provides limitation to reclass two Information Services Specialist 4 positions to Information Services Specialist 6 positions and one Information Services Specialist 5 position to an Information Specialist 6.

**Package 113: Actuarial Analyst \$188,672 FTE 0.88**

This is a request to increase Other Funds limitation for the Financial Services Division to add one Operations and Policy Analyst 1 position.

# 2025-27 Proposed technology project(s)

## **HB 4045 (2024) Implementation Project (POP 101)**

House Bill 4045, which was passed in the 2024 regular session, directed PERS to, among other things, lower the Oregon Public Service Retirement Plan Police and Fire retirement age from 60 to 55 for members with fewer than 25 years of service.

This package provides for the development and implementation of automated processes that reflect the age change within benefit payment processes.

# 2025-27 Proposed technology project(s)

## Modernization plan (POP 104)

PERS needs to modernize, enhance, and sustain our communication and technological foundation to better align with the needs of our members as we strive to engage them in their career-long retirement planning.

To implement industry best practices in line with member expectations, we need to establish a technology platform that is flexible, secure, and aligned with today's service-driven technology standards.

Modernization will improve information technology efficiency and responsiveness to business operation changes. It will also resolve functionality and technical debt deficiencies that affect system administration, performance, maintainability, and sustainability as well as increase overall productivity.

Recent changes to the plans PERS administers continue to add complexity to the Oregon Retirement Information Online Network (ORION). Specifically, SB 1049 from the 2019 legislative session, including Individual Account Program (IAP) Member Redirect, IAP Member Choice, Work After Retirement, Salary Limit, and Employer Programs.

Implementing these significant changes to an already aging and quickly deprecating system, and on an architecture that is not conducive to change, adds more technical debt and further burden on maintaining ORION, which directly affects our ability to provide adequate services to our members and employers.

# Supervisory span of control report



## PROPOSED SUPERVISORY SPAN OF CONTROL REPORT

In accordance with the requirements of ORS 291.227, the Public Employees Retirement System (PERS) presents this report to the Joint Ways and Means Committee regarding the agency's proposed maximum supervisory ratio for the 2025-27 biennium.

**PERS is proposing to change the supervisory span of control from its current 1:11 ratio down to a 1:10 ratio as we have requested an additional five supervisory staff to assist in having a more equitable workload amongst our supervisory staff.**

PERS currently has 80% of staff who are employed on a 100% remote work basis. PERS currently has 10% of staff who are employed on a hybrid basis (in the office two days or less per week). PERS currently has 10% of staff who work in the office three days or more per week. This move to a predominantly remote and hybrid work environment has meant that supervisors spend more time scheduling regular check ins with their staff than was the case when all staff were in the office.

Additionally, there is an additional workload on supervisors from the Governor's Expectations that supervisory staff have quarterly Performance Accountability and Feedback (PAF) sessions with all their staff. In prior biennia, PERS was more reliant on the use of "team leads" to assist supervisors in their duties, however, team leads are not responsible for conducting PAF sessions.

PERS currently utilizes outdated information technology and relies on numerous manual processes to complete their work. This adds an additional burden on supervisors to ensure that their staff are not only trained on these manual processes, but also more time is spent in the review and approval of work completed.

We also continue to see rising transaction volumes, particularly within our Operations Division but also across all divisions, which requires further supervisory attention to manage.

PERS has 50 or 12% of staff who are currently eligible to retire today, with a further 50 or 12% of staff who can retire over the next five years. PERS has built out a succession plan, however, it is dependent on having PERS leadership, managers, and supervisors participate in training for succession opportunities, where appropriate, and assist in building out training for their staff.



# Aligning the agency for success

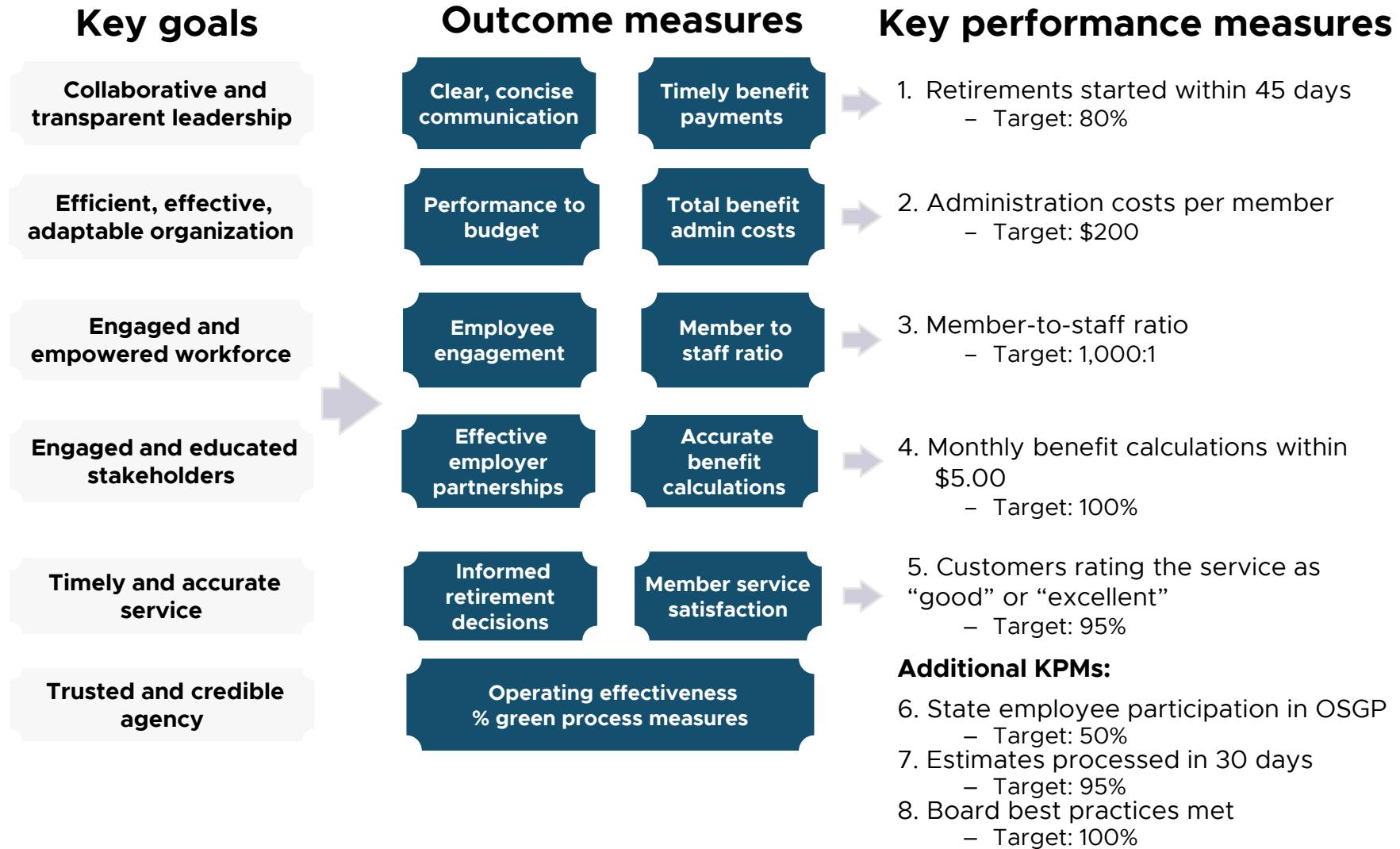
- The agency aligns the strategic plan with an outcome-based management system and key performance measures (KPM).
- Continue refining PERS Outcome-Based Management System (POBMS).
  - 72 internal processes and outcome-based measures.
- Agency reviews and reports POBMS quarterly.
  - Measures are shared semi-annually with the PERS Board.
- Meet eight legislatively mandated key performance measures.
- PERS participates in CEM Benchmarking, which is an international pension administration peer benchmarking group.

# Key performance measures and summary of progress

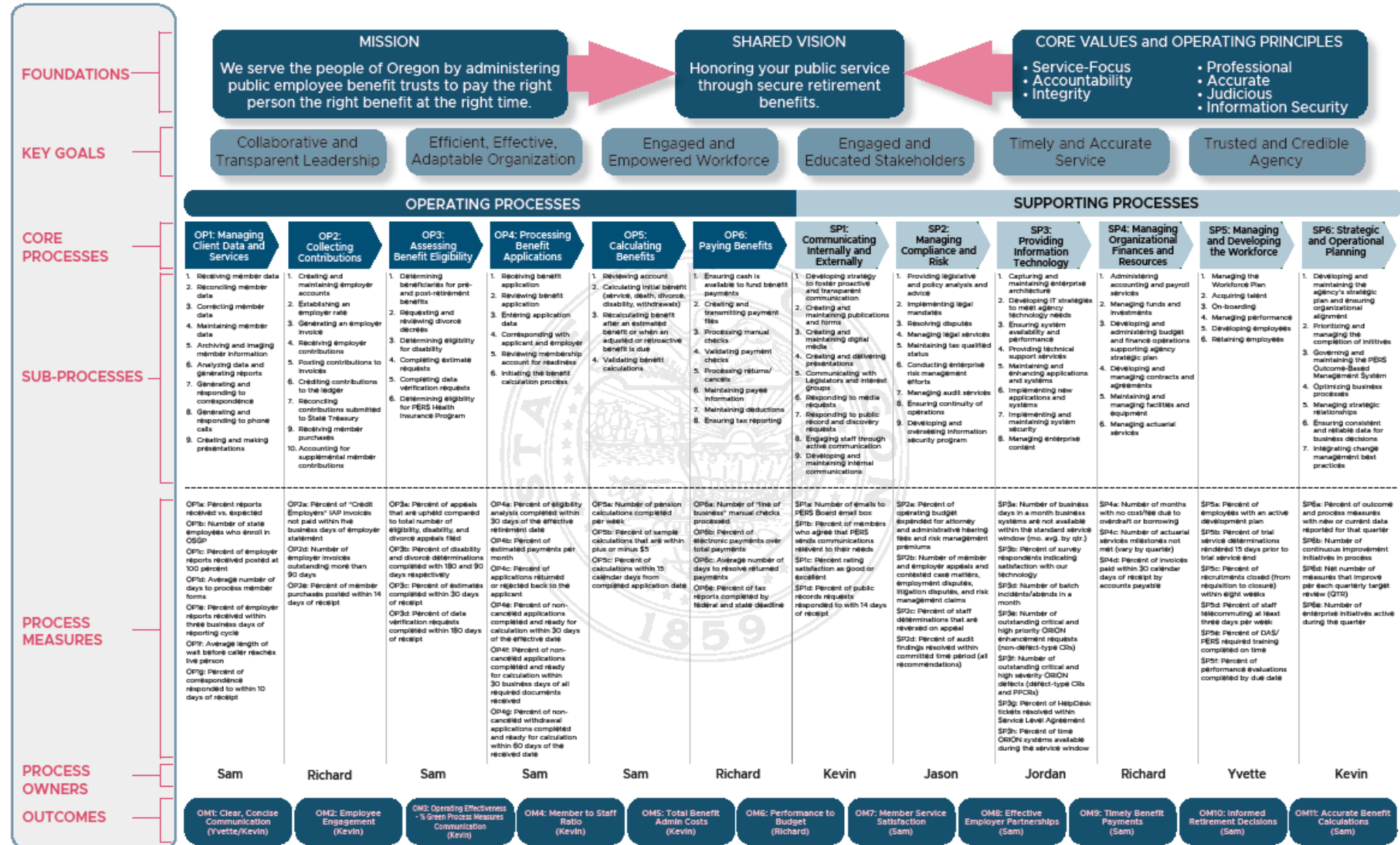
Key performance measure	Metric	Last reported result	Target 2023	Target 2024
1. Timely retirement payments.	Percent of initial service retirements paid within 45 days of retirement date.	60%	80%	80%
2. Total benefits administration cost.	Total benefit administration cost per member.	\$215	\$165	\$200*
3. Member to staff ratio.	Ratio of members to staff.	986:1	1055:1	1000:1
4. Accurate benefit calculations.	Percent of service retirement monthly benefits accurately calculated to within \$5 per month.	99%	100%	100%
5. Level of participation.	Percent of state employees participating in the deferred compensation program, Oregon Savings Growth Plan (OSGP).	46%	50%	50%
6. Customer service.	Percent of member customers rating their satisfaction with the agency's customer service as good or excellent on overall customer service, timeliness, accuracy, helpfulness, expertise, and availability of information.	87%	95%	95%*
7. Timely benefit estimates.	Percent of benefit estimates processed within 30 days of request.	97%	95%	95%
8. Board of Directors' best practices.	Percent of total best practices criteria met by the PERS Board.	100%	100%	100%

**\*As part of the budgetary process, PERS has requested for Fiscal Year (FY) 2026 and 2027, the cost-per-member target be changed to \$225. Additionally, PERS has requested that, for FY 2026 and 2027, the customer-service target be reduced from 95% to 90%.**

# Performance and outcome measures

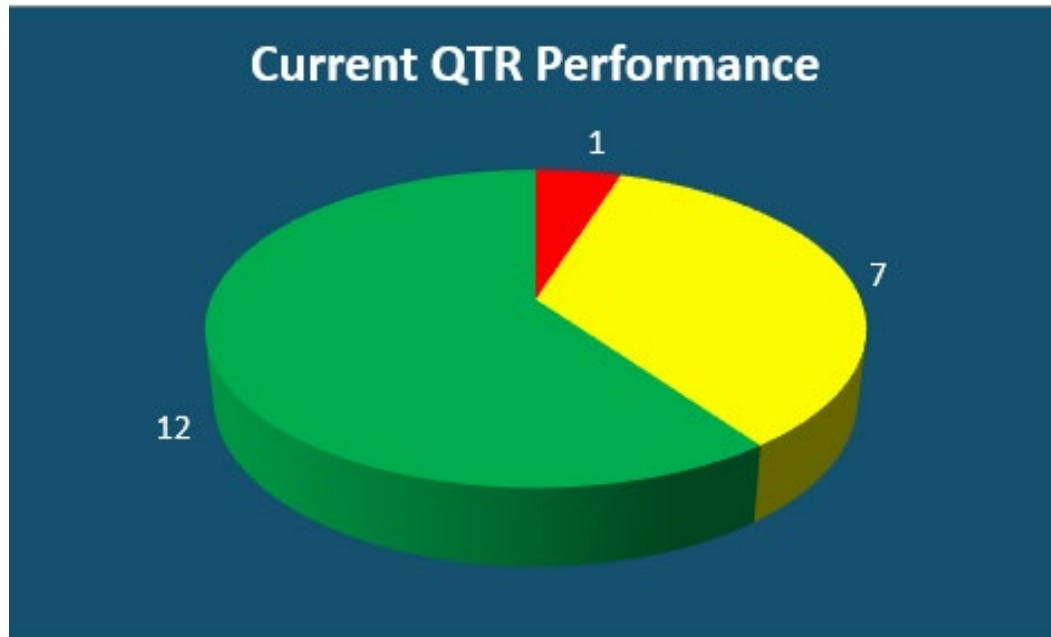


# PERS Outcome-Based Management System (POBMS)



# PERS Outcome-Based Management System (POBMS)

- POBMS fosters accountability and transparency.
- Targeted Quarterly Target Review (QTR) 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.

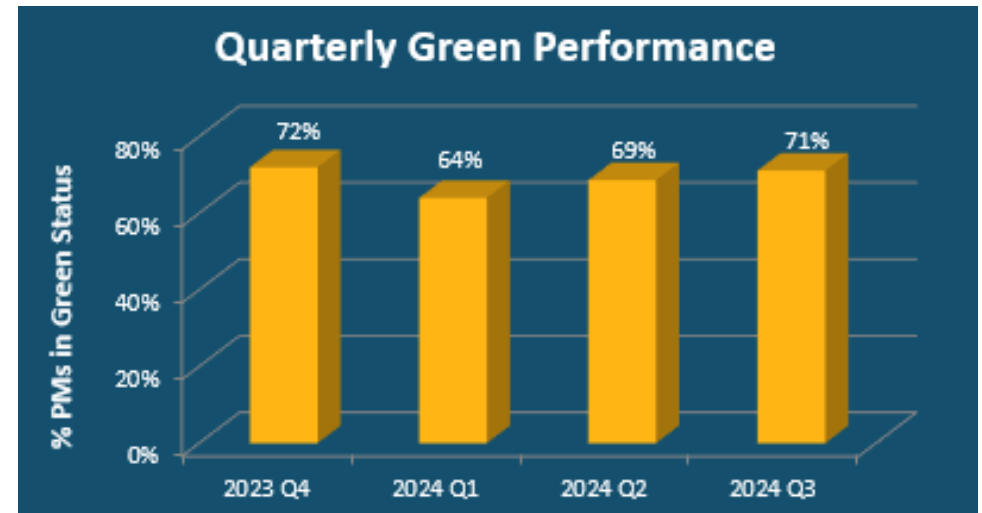


# PERS Outcome-Based Management System (POBMS)



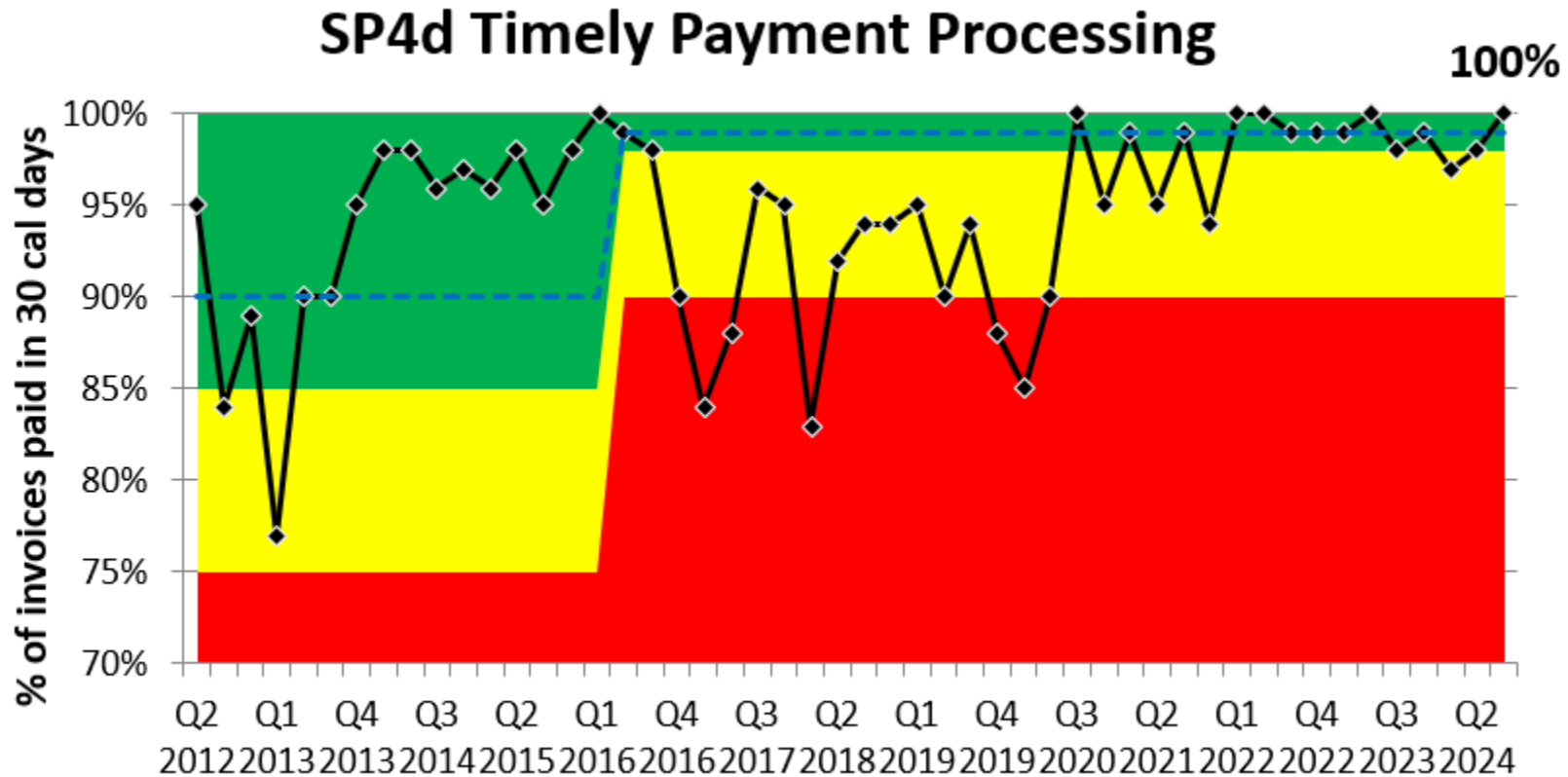
Outcome  
measure  
trends

Performance  
measure  
trends



# PERS Outcome-Based Management System (POBMS)

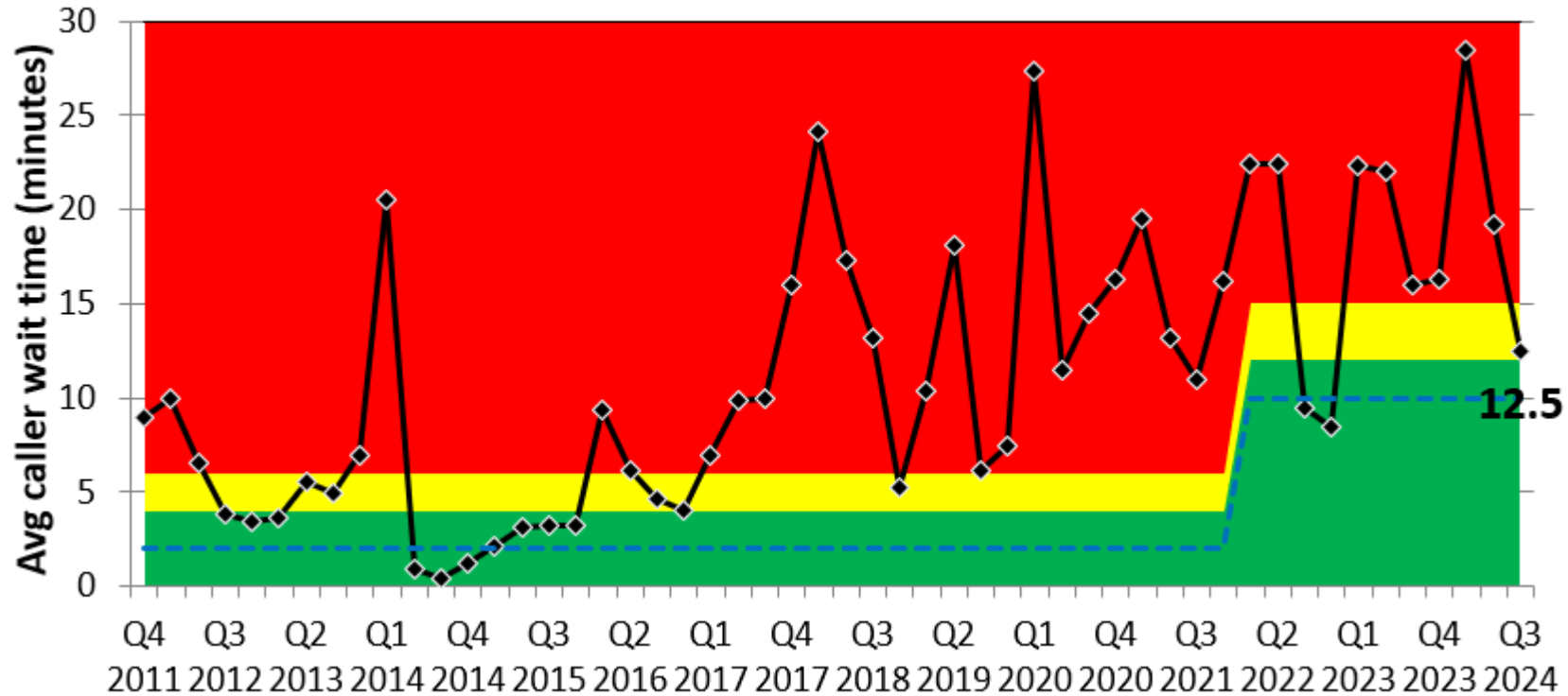
Red measures drive priorities.



# PERS Outcome-Based Management System (POBMS)

Red measures drive priorities.

## OP1f Call Wait Time





# 2023-25 Long-term vacancies

Division	Positions	FTE	Type	Vacant months (7-11)	Vacant months (12+)
Central Administration	8900214	1.00	PF*	1	
Central Administration	9100110	1.00	PF	1	
Financial Services	0137560	1.00	PF	1	
Information Services	0508403	1.00	PF	1	1
Information Services	0911403	1.00	PF	1	1
Information Services	8700105	1.00	PF	1	
Operations	1110201	1.00	PF	1	
Operations	0110504	1.00	PF	1	
<b>Total</b>		<b>8.00</b>		<b>8</b>	<b>2</b>

\* PF: Permanent Full-time

# Other Funds ending balances

Treasury Fund #/Name	2023-25 Ending Balance		2025-27 Ending Balance		Comments
	In LAB	Revised	In CSL	Revised	
Public Employees Retirement Fund. 4091/4791/7651	79,093,302,038	69,002,857,648	67,824,338,578	66,799,079,013	Balances more closely reflect actual fund balances and investment returns.
Retiree Health Insurance Trust Fund 5171	773,856,561	738,107,467	770,001,637	751,827,414	Strong investment returns combined with employer contributions continues to outpace benefit payments. Results in increasing fund balance. No change to forecast.
Retiree Health Insurance Premium Account Trust Fund 6111	116,477,672	96,778,799	137,152,202	103,663,551	Co-mingled funds with PERS trust fund. Employer contributions increase as more members qualify for RHIPA combined with solid investment returns. No change to forecast.
Standard Retiree Health Insurance Account Trust Fund 8921	93,477,520	98,386,130	96,301,897	92,276,409	Ending balance forecasts are based on member participation rates and forecasted administrative costs. Updated contract reduces administrative expense and estimated claim expense increasing expected ending balance.
OPSRP Pension Account Trust Fund 1971	14,370,420,116	15,654,439,949	19,656,716,730	19,798,339,159	Plan is funded by employer contributions and investment earnings for employees hired after 08/29/2003. Increased contribution payments and low eligibility for retirement payments results in continued increases in ending balance.
OPSRP IAP Account Trust Fund 1961	13,877,042,933	14,588,611,455	15,260,035,845	16,225,045,315	The IAP is an individual account-based program under the PERS tax-qualified governmental plan. Employers contribute 6% of salary on member's behalf.

# Other Funds ending balances (continued)

Treasury Fund #/Name	2023-25 Ending Balance		2025-27 Ending Balance		Comments
	In LAB	Revised	In CSL	Revised	
Employer Incentive Fund-OF	0	38,711,479	16,384,091	0	Fund provides up to a 25% match to employers who fund a side account to reduce UAL. Lottery Funds provide matching dollars.
School Districts Unfunded Liability Fund	0	91,865,850	1	0	SDULF is a pooled side account intended to provide rate relief to school districts. Funded by interest on unclaimed property.
Public Employees Retirement Fund. 4091/4791/7651					Except for timing of accrued cost allocation transfers, the balance in the limitation should be zero.
Deferred Compensation Fund 7661	2,210,672	1,009,268	908,586	476,143	Fees are based on fluctuating member participation. The decrease is based on current trends and an increase in cost allocation percentages to the fund.
Public Employees Retirement Fund. 4091/4791/7651					Except for timing of accrued cost allocation transfers, the balance in the limitation should be zero.
Public Employee Benefit Equalization Fund 7652	637,830	618,163	915,981	1,254,658	Less than anticipated cash receipts and timing of cost allocation adjusted the forecasted ending balance. Fee increase will be discussed, setup fee is currently \$450 with \$900 one time setup fee.
Social Security Revolving Account 1088	120,934	153,276	329,182	557,292	Administrative fees are reviewed and adjusted based on expected number of participating employers and projected administrative expenses. The increase is based on an admin fee that was increased to \$0.92 from \$.70 per employee and the minimum of \$15 if less than 20 employees.

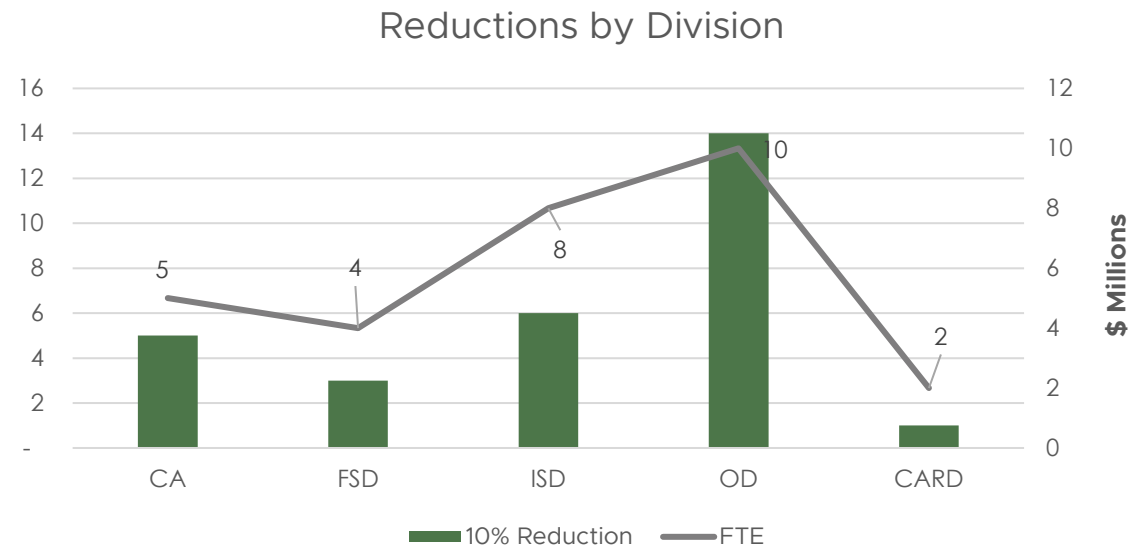
# Agency changes cost-containing measures

## 2025-27 Planned cost-containing measures

- Continue to build out Enterprise Portfolio Management capabilities to better utilize resources and provide better identification and resource planning for future projects.
- PERS Modernization Program sets technology modernization roadmap and begins planning transformation to modern platforms and business practices over multiple biennia.
- Includes business process management reviews to ensure processes are reviewed and improved upon prior to any implementation efforts.
- Includes move, where appropriate, to cloud-based platforms.
- Request for proposal complete for a new third-party administrator for PERS Health Insurance Program, which will provide higher level of service within similar cost structure in 2025-27 biennium.
- Conducted pilot to more readily identify members who are deceased so that we can stop payments timely, with less chance of having to recover overpayments. Will be procuring a service in 2025-27.
- Refine remote workforce model, which contains costs in longer-term.

# 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 29 positions and \$15,078,895 against the current service level of \$150,788,952 (10.0%).

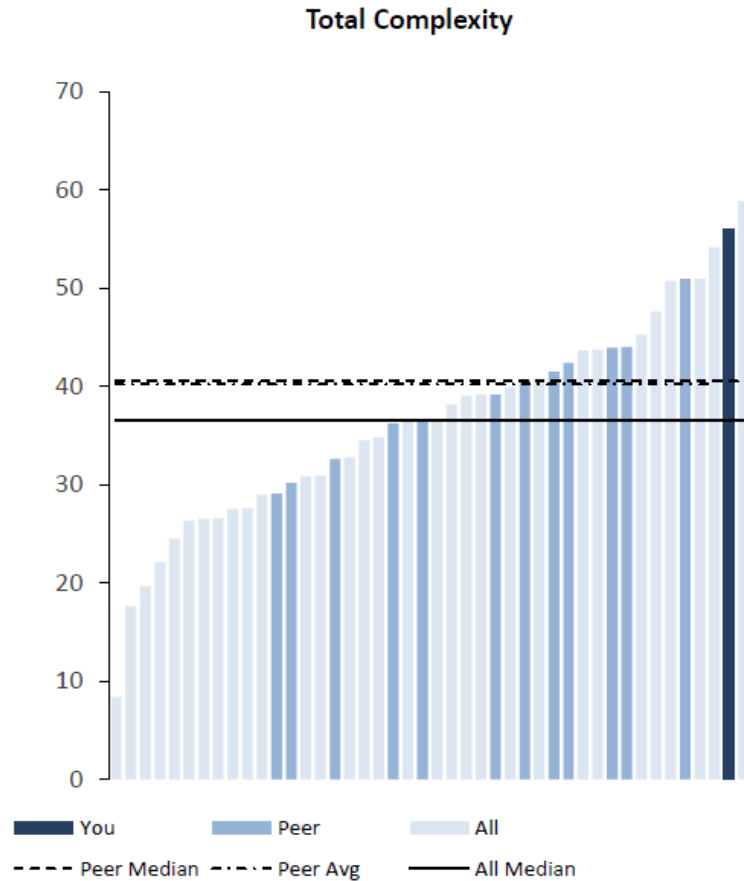


# Additional budget information

- CEM Benchmarking.
- Division performance.
- Governor's Expectations.
- Budget data.
- Historical budget information.

# CEM Benchmarking

## PERS' costs relative to peers



- Data as of FY 2023.
- Total pension administration cost was \$182 per active member and annuitant.
- This was \$52 above the peer average of \$130.
- Total pension administration cost was \$64 million. This excludes the fully attributed cost of administering healthcare, and optional and third-party administered benefits of \$16.6 million.

Data from CEM Benchmarking, Inc. for FY 2023.

# CEM Benchmarking

## Major cost drivers

How PERS compares to peers

Reason	You	Peer Avg	Impact \$ per active member and annuitant
1 More front office FTE per 10,000 members	5.6 FTE	3.7 FTE	\$22
2 Lower third party costs per member in the front office	\$3	\$8	-\$5
3 Lower costs per FTE			
Salaries and Benefits <sup>1</sup>	\$110,275	\$126,442	
Building and Utilities	\$3,266	\$14,747	
HR	\$3,170	\$5,544	
IT Desktop, Networks, Telecom	<u>\$14,184</u>	<u>\$19,495</u>	
Total	\$130,895	\$166,228	-\$21
4 Higher support costs per member <sup>2</sup>			
Governance and Financial Control	\$11	\$9	
Major Projects	\$39	\$11	
IT Strategy, Database, Applications	\$26	\$18	
IT Security	\$2	\$3	
Actuarial, Legal, Audit, Other	<u>\$34</u>	<u>\$15</u>	
Total	\$112	\$56	\$56
<b>Total</b>			<b>\$52</b>

1. 30% of your total salaries and benefits relates to benefits. This compares to a peer average of 30%.

2. To avoid double counting, governance and support costs are adjusted for differences in cost per FTE.

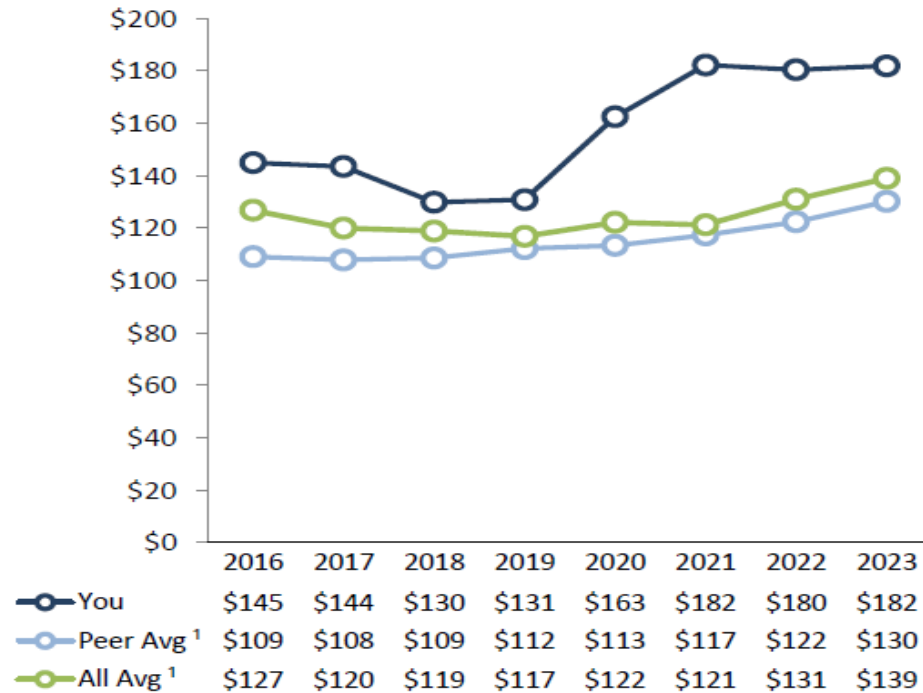
Data from CEM Benchmarking, Inc. for FY 2023.



# CEM Benchmarking

## Cost trends

Pension Administration Cost Per Active and Annuitant Trend



1. Trend analysis is based on systems that have provided 8 consecutive years of data (13 of your 13 peers and 34 of the 47 systems in the universe).

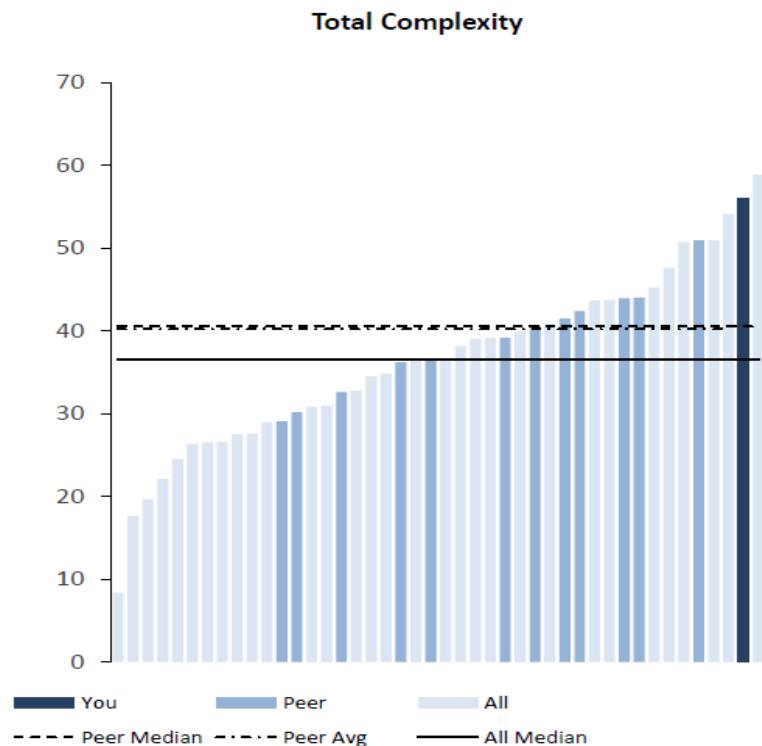
Between 2016 and 2023:

- Total pension administration cost per active member and annuitant increased by 3.3% per annum. During the same period, the average cost of your peers with eight consecutive years of data increased 2.0% per annum.
- Higher costs per member in FYE 2020 and 2021 were primarily due to your multi-year project to implement changes required by SB 1049.
- Investments made to evolve your outcome-based management system to improve operational performance and organizational alignment are also contributing factors to the increase in cost from FYE 2020 to FYE 2021.

# CEM Benchmarking

## PERS' total relative complexity

Back office costs and productivity are impacted by system complexity. Your total complexity score of 56 was above the peer average of 40.



Complexity Score by Cause		
Cause	You	Peer Avg
Pension Payment Options	46	37
Customization Choices	26	15
Multiple Plan Types and Overlays	75	31
Multiple Benefit Formula	70	52
External Reciprocity	0	33
COLA Rules	57	32
Contribution Rates	64	41
Variable Compensation	100	79
Service Credit Rules	48	42
Divorce Rules	100	57
Purchase Rules	70	62
Refund Rules	24	49
Disability Rules	83	66
<b>Total Complexity</b>	<b>56</b>	<b>40</b>

Your plan complexity:

- Negatively impacts service.
- Increases cost, particularly for major projects.
- Reduces front office productivity.

# Central Administration Division

## Performance information

### Performance information and SB 1049 project support

The Central Administration Division includes the Human Resources, Communications, Strategic and Operational Planning (SOP), and Central Business Support sections. These sections have staff supporting several functional areas of SB 1049.

<b>Staff dedicated to SB 1049</b>	2023	2024
Project Managers	1	1
Other SOP Support	9	7
Communications	5	5
Procurement	1	1

<b>Member engagement</b>	2023	2024
Member satisfaction	88%	88%
Active users,* website (members)	N/A	252,492
Active users, website (employers)	N/A	42,003
Views for animated videos (12)	24,900	25,500
GovDelivery subscribers	568,140	636,429

<b>Overall workloads</b>	2023	2024
Contracting and Purchase Orders (PO)	432	447
Dollar value of contracts and POs	\$21,090,449	\$11,783,023
Vacancies (at year end)	44	24
Recruitments (at year end)	108	110

\*Updated to reflect current Google Analytics measurement categories.

# Operations Division

## Performance information

Transaction	Calendar Year					
	2019	2020	2021	2022	2023	2024
Retirements*	15,479	14,592	14,447	16,470	13,111	13,608
Withdrawals	3,627	3,647	3,298	4,802	4,769	8,046
Eligibility reviews	14,729	14,691	16,063	14,845	14,003	14,334
Member and employer telephone calls (incoming)	195,178	195,854	189,791	190,203	215,479	203,741
Written benefit estimates**	9,573	10,465	9,783	9,212	9,063	9,994
Online benefit estimates***	52,793	46,079	57,356	56,875	64,291	70,835
Adjustments	6,289	6,529	6,816	12,800	8,605	8,464

\* Including IAP.

\*\* Including Tier One and Tier Two, and OPSRP.

\*\*\*Previously this number tracked all online estimates. Now it only tracks online estimates in Calculated status on an annual basis.

# Financial Services Division

## Performance information

### Certificate of Achievement

The Certificate of Achievement for Excellence in Financial Reporting is applicable for the year ended June 30, 2024. The system has received a Certificate of Achievement for the last 33 consecutive years.

### Public Pension Standards Award

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

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

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

This is the 22nd year the PPCC has offered the award to public retirement systems and the 21st consecutive year PERS has applied for and received the award.



# Compliance, Audit, and Risk Division

## Performance information

### Internal Audit Section

The PERS Internal Audit Section issues reports on audit subjects that span the entire agency. These reports include recommendations for management to improve operations and are monitored until they are implemented.

The table below shows the number of reports and recommendations issued for the current year to date as well as the past five fiscal years.

Fiscal Year	#Reports Issued	# Recommendations
2024	10	30
2023	9	20
2022	6	8
2021	8	14
2020	7	65

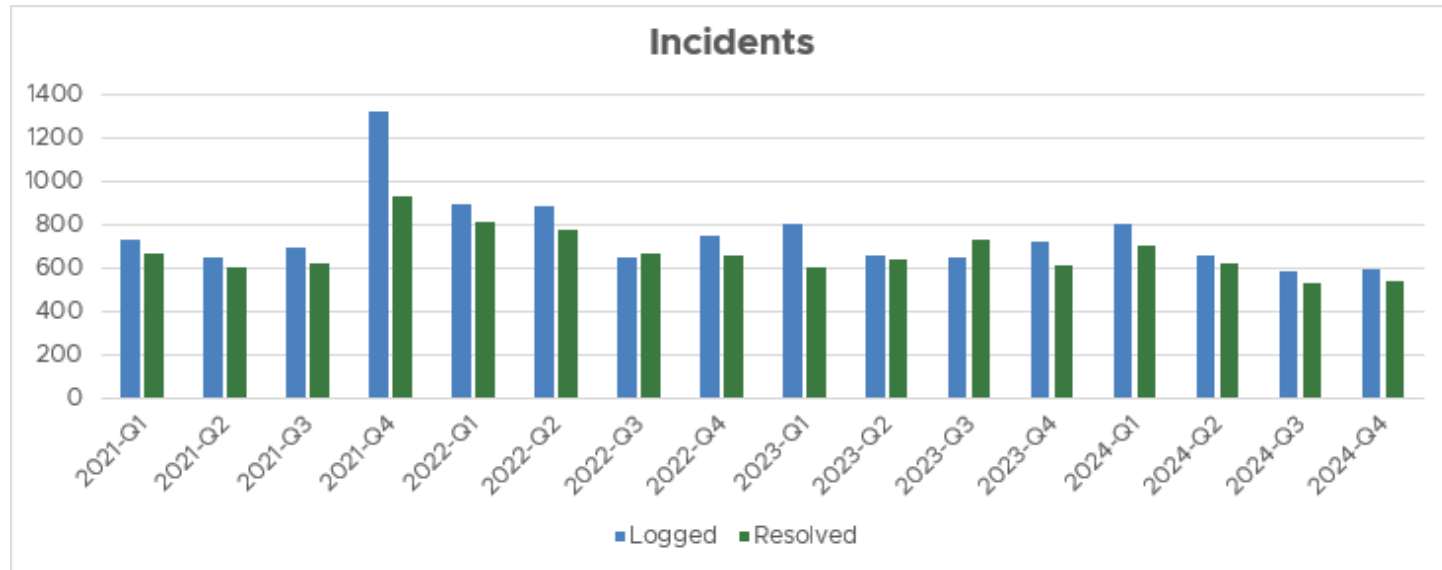
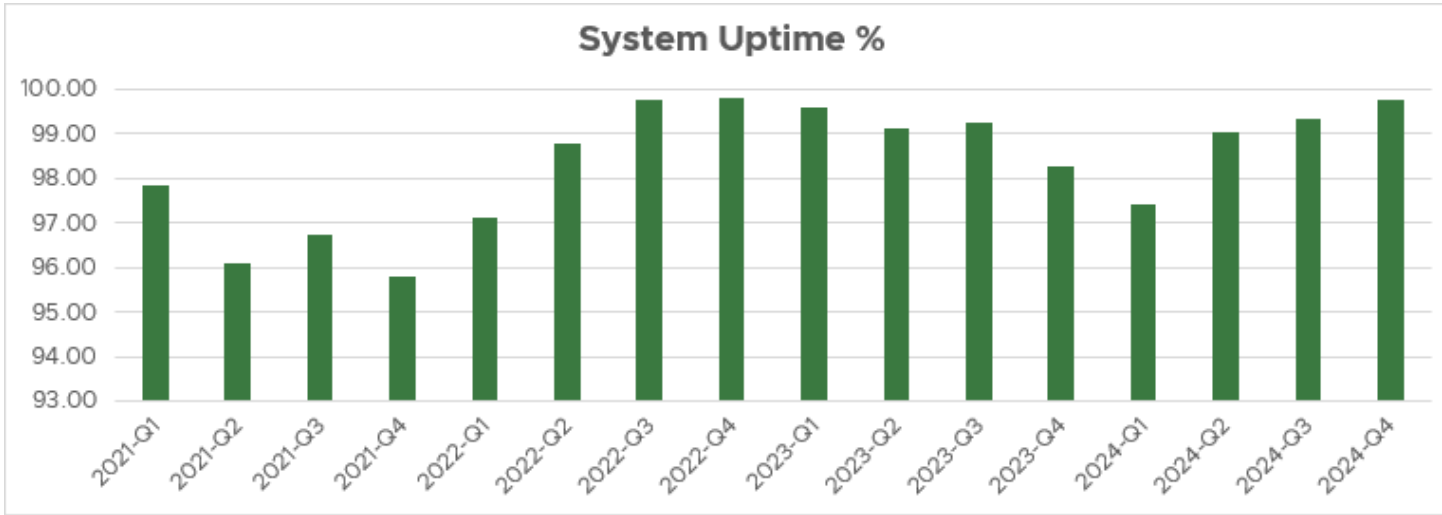
### Policy Analysis and Compliance Section

The Policy Analysis and Compliance Section administers the agency's appeals and contested cases. The following table shows the volume of appeals and contested cases filed.

Fiscal Year	# Appeals	# Contested Cases
2024	91	22
2023	106	39
2022	267	29
2021	186	33
2020	239	49

# Information Services Division

## Performance information



# Governor's Expectations

## As of December 31, 2024

Accountability measure	Agency actions due	Frequency	PERS status
DIRECTOR 360 REVIEWS	According to schedule and guidance outlined by Chief Human Resources Office (CHRO).	Every two years	Next review June 2025.
PERFORMANCE FEEDBACK FOR EMPLOYEES	Maintain 90% compliance.	Quarterly check-ins by all managers	December 30, 2024 Performance, accountability, and feedback (PAF) meetings – 99%.
MEASURING EMPLOYEE SATISFACTION	Complete survey by December 31, 2024, and submit scores to Department of Administrative Services (DAS) by February 1, 2025.	Annually	Survey conducted November 4-18, 2024.
STRATEGIC PLANNING	Agencies with existing strategic plans submitted a summary and uploaded their plan by December 31, 2023. Agencies starting new strategic plans will submit them by June 1, 2024.	Every three years	Submitted 2023. Strategic plan update submitted after the October 4, 2024 board meeting.
MANAGING IT PROCESSES	Agencies with 50 or more FTE will complete or update plan by December 31, 2024.	Annually, or as defined within the agency's IT Governance Policy	IT Strategic Plan approved by Enterprise Information Services April 2024.



# Governor's Expectations

## As of December 31, 2024

Accountability measure	Agency actions due	Frequency	PERS status
SUCCESSION PLANNING FOR THE WORKFORCE	Complete or update plan and submit to CHRO by December 31, 2024.	Annually	Succession plan submitted December 2024.
DIVERSITY, EQUITY AND INCLUSION (DEI) PLANS, INCLUDING AFFIRMATIVE ACTION PLAN (AAP)	DEI plans that are combined with agency strategic plans are due to be completed by June 1, 2024.	DEI update due 2026 (affirmative action plans updated annually)	DEI Action Plan submitted June 2024. AAP submitted July 2024.
AGENCY EMERGENCY PREPAREDNESS	Update initial plan in Veoci Software by September 30, 2024.	Update annually	Continuity Management Plan updated September 2024.
AGENCY HIRING PRACTICES	Meet target of 50 days to fill positions by June 1, 2023.	DAS CHRO will pull reports quarterly and send to agencies	Q3 2024 = 48 days Vacancy rate 8%
AUDIT ACCOUNTABILITY	Agencies report on audit recommendation status.	Biannually: May 31 and November 30	Submitted November 2024.
NEW EMPLOYEE ORIENTATION	Agencies must be able to demonstrate all employees are participating within 60 days of hire.	Ongoing	100% compliant.

# Governor's Expectations

## As of December 31, 2024

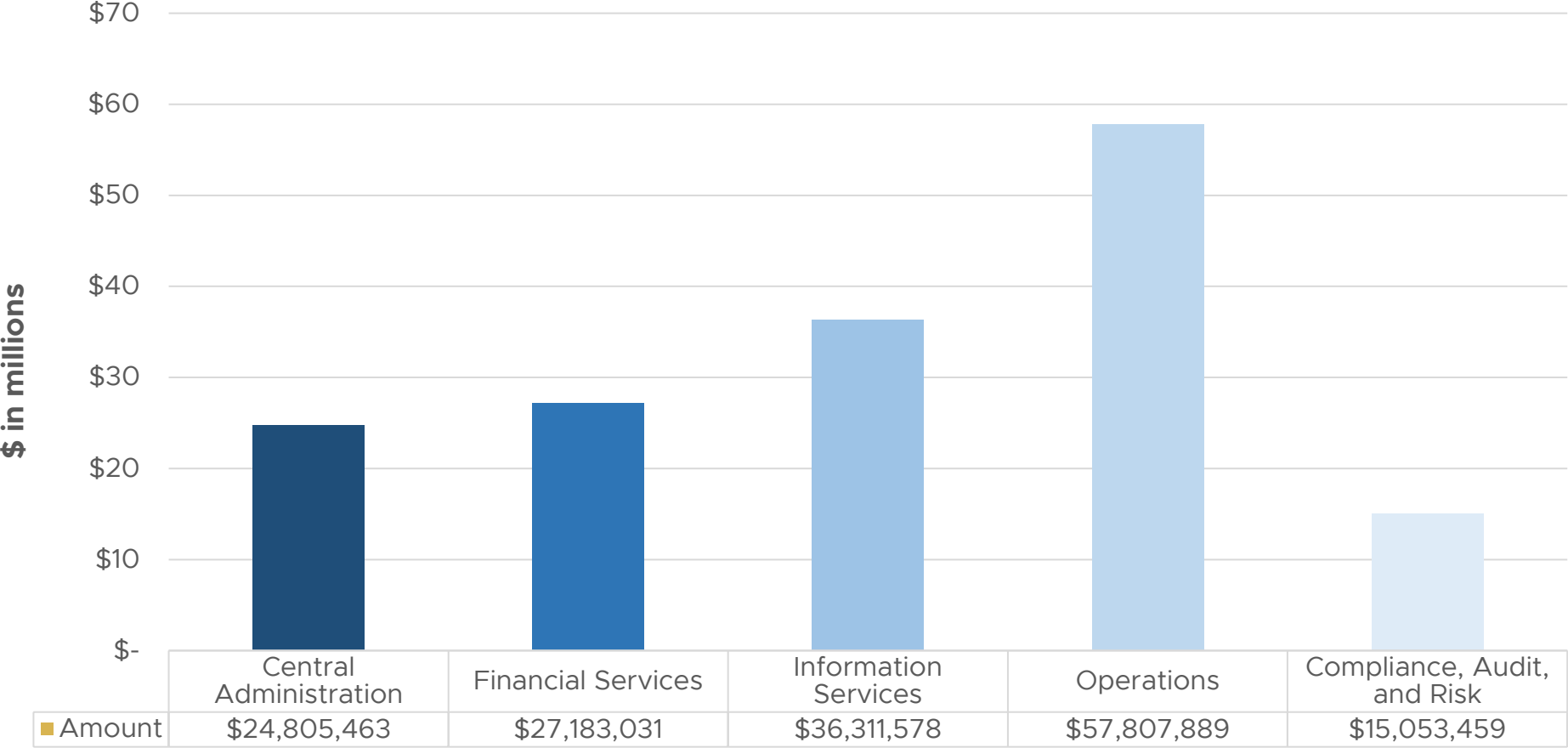
Accountability measure	Agency actions due	Frequency	PERS status
INTRODUCTORY MANAGER TRAINING	Agencies must ensure managers new to managing in state government complete training within four months.	Ongoing	100% compliant.
CUSTOMER SERVICE TRAINING	All new employees complete training.	Ongoing	100% compliant.
UPLIFT OREGON BENEFITS WORKSHOP	Agencies must incorporate Uplift into onboarding and ensure all new employees complete the workshop within 30 days of hire.	Ongoing	100% compliant.

# Agency limited operating budget and expenditures/biennium

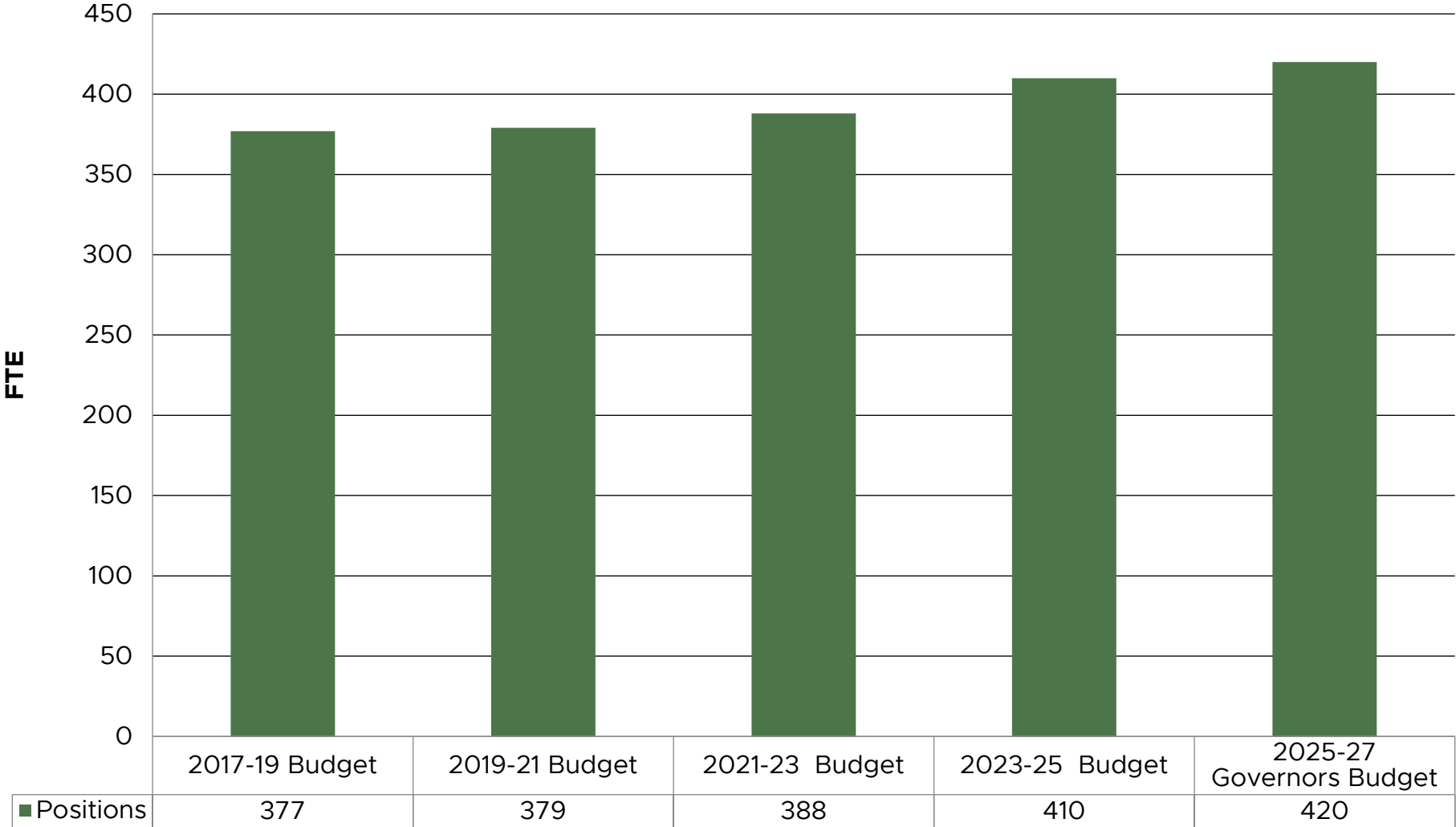


# Operating budget by division (excluding CRSA)

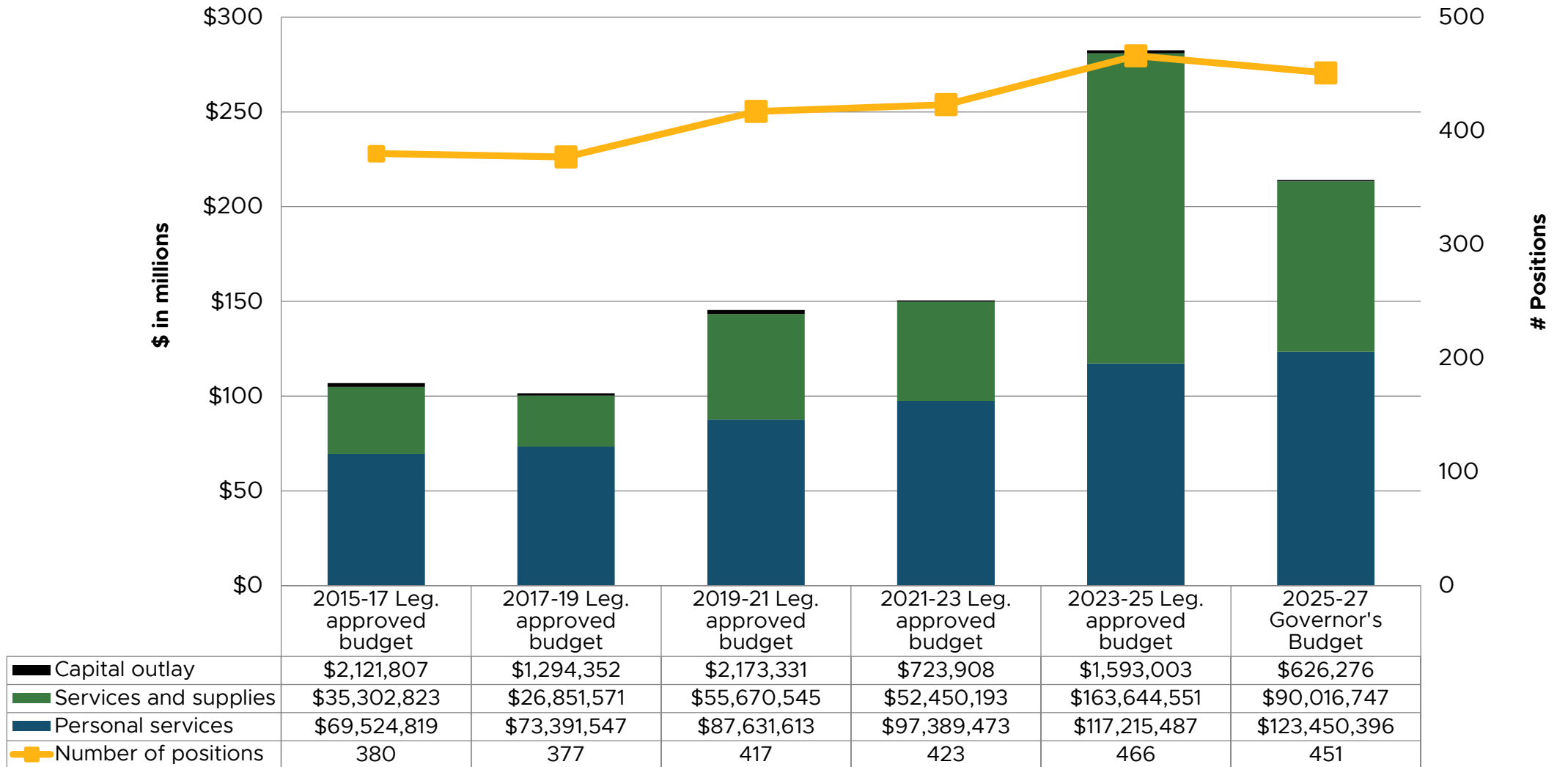
Agency 2025-27 Governor’s Budget: \$161,161,420



# Agency staffing (excluding CRSA)



# Expenditures and position count (including CRSA)



# Legislatively-approved budget historical comparison

	2017-19	2019-21	2021-23	2023-25	2025-27 GB
<b>Limited:</b>					
Other Funds: Personal services	73,391,547	87,631,628	97,389,473	117,215,487	123,450,396
Other Funds: Services and supplies	26,851,571	55,670,545	52,450,193	58,654,104	71,074,768
Other Funds: Capital outlay	1,294,352	2,173,331	723,908	1,593,003	626,276
Operating budget	<b>101,537,470</b>	<b>145,475,504</b>	<b>150,563,576</b>	<b>177,462,596</b>	<b>195,151,442</b>
Other Funds: Debt service					
<b>Total</b>	101,537,470	145,475,504	150,563,576	177,462,596	195,151,442
Permanent positions	371	379	385	391	412
Limited positions	6	38	38	75	39
Total positions	377	417	423	466	451
<b>Non-Limited:</b>					
Other Funds	10,994,171,000	12,493,087,721	12,886,613,593	13,523,120,517	15,243,591,683
Lottery Funds			19,461,706	28,527,388	44,911,479
General Funds		100,000,000	17,250,000	-	-
<b>Total</b>	11,095,708,470	12,593,087,721	12,906,075,299	13,551,647,905	15,288,503,162
<b>Total expenditures</b>	<b>11,095,708,470</b>	<b>12,738,563,225</b>	<b>13,073,888,875</b>	<b>13,729,110,501</b>	<b>15,483,654,604</b>
<b>% YOY Growth NL</b>		<b>14.81%</b>	<b>2.63%</b>	<b>5.01%</b>	<b>12.78%</b>
<b>% Limited Budget</b>	<b>0.92%</b>	<b>1.14%</b>	<b>1.15%</b>	<b>1.29%</b>	<b>1.26%</b>

# OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM



**Thank you.**

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