

**SB 5534 A BUDGET REPORT and MEASURE SUMMARY**

**Carrier:** Rep. Smith G

**Joint Committee On Ways and Means**

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**Action Date:** 06/06/25

**Action:** Do Pass the A-Eng bill.

**House Vote**

**Yeas:** 10 - Bowman, Breese-Iverson, Evans, Gomberg, Levy E, Owens, Ruiz, Sanchez, Smith G, Valderrama

**Nays:** 1 - Cate

**Exc:** 1 - Drazan

**Senate Vote**

**Yeas:** 10 - Bonham, Broadman, Campos, Frederick, Girod, Lieber, McLane, President Wagner, Smith DB, Sollman

**Exc:** 2 - Anderson, Manning Jr

**Prepared By:** Ben DeYoung, Department of Administrative Services

**Reviewed By:** John Borden, Legislative Fiscal Office

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**Public Employees Retirement System**

**2025-27**

**2023-25**

## **Budget Summary\***

	2023-25 Legislatively Approved Budget <sup>(1)</sup>	2025-27 Current Service Level	2025-27 Committee Recommendation	Committee Change from 2023-25 Leg. Approved	
				\$ Change	% Change
Lottery Funds	\$ 28,527,388	\$ 28,527,388	\$ 41,287,102	\$ 12,759,714	44.7%
Other Funds Limited	\$ 177,462,596	\$ 150,788,954	\$ 178,846,582	\$ 1,383,986	0.8%
Other Funds Nonlimited	\$ 13,523,120,517	\$ 15,243,591,683	\$ 15,243,591,683	\$ 1,720,471,166	12.7%
Total	\$ 13,729,110,501	\$ 15,422,908,025	\$ 15,463,725,367	\$ 1,734,614,866	12.6%

## **Position Summary**

Authorized Positions	466	391	433	(33)
Full-time Equivalent (FTE) positions	445.40	391.00	430.84	(14.56)

<sup>(1)</sup> Includes adjustments through January 2025

\* Excludes Capital Construction expenditures

## **Summary of Revenue Changes**

The benefit trusts administered by the Public Employees Retirement System (PERS) are funded primarily through a combination of earnings generated on the investment of trust assets by the Oregon Investment Council (OIC) and from employer and employee contributions. PERS projects \$10.6 billion in investment earnings and \$8.2 billion in retirement system contributions for all benefit programs in the 2025-27 biennium. For purposes of assessing system-funded status, the PERS Board currently assumes the OIC will earn net returns of 6.9% per year. The five-year average return totals 7.7% as of December 31, 2024, and in 2024, the Oregon Public Employees Retirement Fund earned 5.5%. If earnings on the fund fall short of the assumed rate of return, employer rates increase to make up the difference to preserve the funded status of the system. Overall, for the calendar year 2024, after all credits are applied, the reserve balance is \$99.2 billion, which includes a \$50 million contingency reserve.

The employer and employee contributions budgeted for the PERS trusts are established through employer rates used to fund the Tier 1/Tier 2, Oregon Public Service Retirement Program (OPSRP), and PERS Health Insurance Programs (PHIP) benefits. Employer payroll rates for 2025-27 were adopted by the PERS Board in September 2024. Systemwide, the rates adopted by the Board increased collared net pension rates from 21.2% of payroll for Tier 1/Tier 2 in 2023-25 to 25.3% of payroll in 2025-27 and increased net collared rates from 16.9% of payroll for OPSRP General Service in 2023-25 to 21.3% of payroll in 2025-27. Employer rates do not include costs for the Individual Account Program (IAP) or debt

service costs for pension obligation bonds. Rates vary by employer based on multiple factors, including their employee demographics, their pre-funding of any liability via side accounts, or their participation in a rate pool.

IAP is the defined contribution component of the PERS retirement plan. As of January 1, 2004, all Tier 1/Tier 2 and OPSRP member contributions have been directed to the IAP. IAP is funded entirely from member contributions and the returns on investment are held in the Oregon Public Employee Retirement Fund. IAP accounts are invested in the Oregon Public Employees Benefit Fund, as well as a series of Target Date Fund tranches, which adjust the assets and riskiness of each member's IAP based on their age. OIC automatically selects the Target Date Fund tranche for members, but members may select a different fund once per year. The overall final IAP earnings for calendar year 2024 are at 6.3% after deducting IAP expenses, leaving a final reserve balance of \$13.8 billion.

PHIP is funded via a combination of employer rates, earnings on the PERS Fund, insurance premiums paid by beneficiaries and passed through to the insurers, and subsidy payments from the Centers for Medicare and Medicaid Services.

The Employer Resolution Program is funded by sports betting Lottery Funds.

PERS' operating budget is funded primarily by recovering its administrative costs from the benefit trusts the agency administers. PERS also has some limited charges for service for administering the Oregon Savings Growth Plan (OSGP) deferred compensation program, for side accounts established by PERS employers, and for Benefit Equalization Fund payments.

### **Summary of General Government Subcommittee Action**

PERS is responsible for administering retirement programs for public employees, including state, school, and local government workers. In 2024, PERS paid approximately \$6.8 billion annually in benefits to beneficiaries. In support of its mission, PERS manages the Tier 1/Tier 2 Retirement programs, OPSRP, IAP, two health insurance programs, Social Security Administration activities, and the OSGP deferred compensation program. One fundamental provision of those trusts is that the contributions from employers and members and their associated investment earnings must be used for the exclusive benefit of PERS members to fund their benefit payments.

The five-member Public Employees Retirement Board provides administrative oversight for all PERS programs. Board members are appointed by the Governor and confirmed by the Senate for three-year terms. The Board is made up of: three members with experience in business management, pension management or investing that are not members of PERS; one member who is an employee of the state in a management position or a person who holds an elective office in the governing body of a participating public employer other than the state; and one member who works for a PERS employer and is a member of a collective bargaining unit.

The Subcommittee recommended a total funds budget of \$15,463,725,367, which includes \$41,287,102 Lottery Funds, \$178,846,582 Other Funds expenditure limitation, \$15,243,591,683 Other Funds Nonlimited, and 433 positions (430.84 FTE). The total funds budget is a 12.6% increase from the 2023-25 legislatively approved budget and a 0.3% increase from the 2025-27 current service level.

### **Tier One and Tier Two Pension Programs**

More than 900 public employers participate in the retirement and health care plans administered by PERS. This includes all state agencies, all public-school districts, and the majority of local government entities – making PERS the provider of retirement programs for the vast majority of state and local government employees in Oregon. As of June 30, 2024, there were approximately 50,736 non-retired Tier 1 and Tier 2 members and approximately 152,000 retirees and beneficiaries receiving monthly retirement benefits. Tier 1 covers members hired before January 1, 1996, while Tier 2 covers members hired between January 1, 1996, and August 28, 2003. Public employees hired after August 28, 2003, are members of OPSRP. The Subcommittee recommended a budget of \$13,232,423,752 Other Funds Non-limited for the 2025-27 biennium for payments to beneficiaries.

### **Retirement Health Insurance Programs**

PERS serves as a group sponsor providing health insurance services to approximately 51,000 retired members and dependents. PERS works with insurance carriers to design benefit packages, determine specifications, solicit proposals, analyze carrier responses, and award contracts. The PERS Health Insurance Program is comprised of two health insurance programs and an account for costs associated with administrative services:

- Retirement Health Insurance Account (RHIA): provides a \$60 per month subsidy to help offset the cost of insurance premiums in PERS-sponsored health insurance plans for eligible retirees enrolled in Medicare Parts A and B. All PERS employers fund this subsidy through contributions of 0.06% of payroll. Approximately 39,000 retirees receive this subsidy, which totals approximately \$28.2 million annually.
- Retiree Health Insurance Premium Account (RHIPA): subsidizes the cost of insurance premiums in PERS-sponsored health insurance plans for those who retired directly from state of Oregon employment but are not yet Medicare eligible and are not enrolled in the state employee health insurance retiree plans sponsored by Public Employees Benefit Board. The subsidy, which is funded by the state of Oregon through its contribution rate at 0.39% of payroll, is based on the number of years the retired member was employed in state service. PERS pays almost \$2.5 million in premium subsidies annually, to just over 447 retirees. This subsidy is limited to Tier 1/Tier 2 PERS retirees with eight or more years of state service and to their surviving spouses.
- Standard Retiree Health Insurance Account (SRHIA): covers all administrative services related to the PERS Health Insurance Program not specific to RHIA and RHIPA. This program encompasses such health insurance-related administrative activities as premium transfers, third-party administrative agreements, and consultant services. The majority of the revenue for the SRHIA program, approximately \$30 million per year, comes from member paid insurance premiums with additional revenues from federal sources like the Centers for Medicare and Medicaid Services, and resulting investment returns. As of 2024, there were approximately 51,000 members in this program.

The RHIA and RHIPA programs are funded from employer contributions and the return on investment from those contributions, which are held in the Oregon Public Employee Retirement Fund. The Subcommittee recommended a budget of \$131,858,285 Other Funds Non-limited for the 2025-27 biennium for payments on behalf of program beneficiaries. This is a 39.3% decrease from the 2023-25 legislative approved budget and is attributed to a one-time adjustment made to reflect actual expenditures that have been lower than budgeted for the past several biennia.

### **Oregon Public Service Retirement Pension Program**

The OPSRP program serves public employees who began public employment after August 28, 2003. The OPSRP pension program is funded solely by employer contributions and investment earnings. The plan has a higher retirement age and less generous benefits than either the Tier 1 or Tier 2 programs. OPSRP now has approximately 195,000 non-retired members, more than the Tier 1 or Tier 2 plans combined, with just under 13,092 retirees and beneficiaries. This program accounts for employer contributions and retirement payments for the OPSRP plan. The Subcommittee recommended a budget of \$274,466,760 Other Funds Non-limited expenditure for payments to OPSRP beneficiaries.

### **Individual Account Program**

IAP is the defined contribution component of the PERS retirement plan. IAP has no guaranteed payment or return. The IAP program was established in 2003 and impacted individuals who began public service after the program creation. All PERS-participating employers were required to enroll all new qualifying employees.

Senate Bill 1049 (2019) created the Employee Pension Stability Account (EPSA). Upon retirement, EPSA will pay for part of the member's lifetime monthly pension benefit. EPSA rules became effective July 1, 2020. It applies to most PERS members, and the redirection of IAP contributions is only triggered when the PERS fund status is less than 90% and if an employee's gross pay in a month exceeds a monthly threshold. The monthly threshold is tied to the annual Consumer Price Index (all urban consumers, western region) and is updated in January of each year. The current threshold for 2025 is \$3,777 per month. The redirect is a portion of the 6% contributions: for Tier 1/Tier 2 it is 2.5%, and OPSRP is 0.75%. Moneys in an employee's EPSA are ineligible for the Money Match benefit. As of June 30, 2024, there were more than 312,000 active IAP accounts. Members are allowed to make additional voluntary contributions to offset the redirected amounts. The Subcommittee recommended a budget of \$1,604,842,886 Other Funds Non-limited for payments to IAP beneficiaries.

### **Employer Incentive Fund**

The Employer Incentive Fund (EIF) provides up to a 25% match to employers who fund a side account to reduce their PERS employer rates and bring additional assets into the PERS trusts. In 2025-27, the Employer Incentive Fund is funded with proceeds from sports betting Lottery Funds. The Subcommittee recommended a budget of \$41,287,102 Lottery Funds and \$1 Other Funds expenditure limitation.

The Subcommittee recommended the following package:

Package 801, LFO Analyst Adjustments. This package makes the following modifications to Lottery Funds (sports betting) revenue and expenditure limitation for the EIF Program:

1. Revenue changes include a beginning balance adjustment to account for the projected balance carried forward from the prior 2023-25 biennium and the addition of \$2.3 million in interest earnings that is projected to be earned during the 2025-27 biennium.
2. Lottery Funds were increased by \$12,759,714 to align projected expenditures with available revenues. Available revenues are sufficient to meet projected 25% state matching funds requirements for the 2025-27 biennium and no additional allocation of Lottery Funds is anticipated for the 2025-27 biennium.

### **School District Unfunded Liability Fund**

The School District Unfunded Liability Fund is a pooled side account proportionately distributed among school districts to reduce employer rates. The sources of revenue for the Fund have been from excess revenues from debt collection, capital gains, estate taxes, and interest on unclaimed property. The Fund has an estimated balance of \$166.5 million, as of January 28, 2025. The Subcommittee did not recommend any expenditure limitation.

The Subcommittee recommended the following package:

Package 801, LFO Analyst Adjustments. This package reduces Other Funds expenditure limitation by \$1 for the School Districts Unfunded Liability Fund based on the enactment of Senate Bill 849 (2025). The bill permitted the moneys in the Fund to be applied against school district's individual 2025-27 employer contribution rates by no later than June 30, 2025, based on the balance in the Fund on February 28, 2025. PERS has moved the available funds as directed by Senate Bill 849 (2025).

### **Central Administration**

Central Administration, in conjunction with the PERS Board, provides the central direction, planning, and leadership for PERS. The Division consists of the director, deputy director, and senior policy advisor, as well as the Strategic and Operational Planning, Communications, Human Resources and Procurement, Facilities and Logistics sections. The Subcommittee recommended a total funds budget of \$24,546,996 Other Funds expenditure limitation and 69 positions (68.76 FTE), which includes the following packages.

The revenue to support the following recommended packages falls under ORS 238.610, which directs the administrative operations expenses for the agency to be 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.

Package 107, Human Resources. This package increases Other Funds expenditure limitation by \$252,760 and establishes one permanent, full-time Human Resources Analyst 3 position (0.88 FTE). This amount includes \$11,563 in associated services and supplies limitation, for the Human Resources Section for Diversity, Equity, and Inclusion initiatives, succession planning, intern program evolution, and training content.

Package 109, Procurement, Facilities & Logistics. This package increases Other Funds expenditure limitation by \$193,741 and establishes one permanent, full-time Office Manager 2 position (0.88 FTE) for the Logistics and Facilities Section. This amount includes \$11,563 in associated services and supplies.

Package 111, Communications. This package increases Other Funds expenditure limitation by \$500,519 and establishes two permanent, full-time positions (2.00 FTE). This amount includes \$70,000 in associated services and supplies. The package also reclassifies one existing Electronic Publication Design Specialist 1 to an electronic Publication Design Specialist 2 for the Communication Section.

Package 801, LFO Analyst Adjustments. This package reduces Other Funds expenditure limitation by \$400,000 for services and supplies (formerly Facilities Rental and Taxes line-item).

### **Financial Services Division**

The Financial Services Division provides comprehensive financial and administrative services to the agency. This includes financial accounting, reporting, and tax services for all PERS' trust and agency fund activities, including the Retirement Fund, Deferred Compensation funds, Benefit Equalization Fund, health insurance programs, and Social Security Program.

Annually, the Financial Services Division is responsible for the receipt, posting, and deposit of approximately \$3.5 billion in contributions and the disbursement of approximately \$6.8 billion in benefits. Other fiscal activities include preparation, maintenance, and reporting of the agency's biennial budget, coordination of actuarial services, fiscal analysis, accounts receivable, accounts payable, contracts, and procurement. The Subcommittee recommended a budget of \$28,558,929 Other Funds expenditure limitation and 35 positions (34.88 FTE). The Subcommittee recommended the following package:

Package 113, Actuarial Staff. This package increases Other Funds expenditure limitation by \$188,672 and establishes one permanent, full-time Operations and Policy Analyst 1 position (0.88 FTE), which includes \$10,688 in associated services and supplies. This funding will allow the Actuarial Services Section to perform lower level, routine data collection and validation.

The revenue to support this package falls under ORS 238.610, which directs the administrative operations expenses for the agency to be 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.

## Information Services Division

The Information Services Division develops and operates PERS' information systems, provides desktop support and training to PERS staff, and performs related activities including software development, database management, network support, and quality assurance. The Enterprise Content Management section provides imaging services, records management, and public records, and discovery responses to the agency. The Division ensures agency staff have the appropriate IT tools and services necessary to perform their duties and provide customer service to members, employers, and other stakeholders. The Subcommittee recommended a budget of \$33,832,210 Other Funds expenditure limitation and 73 positions (72.88 FTE), which includes the following packages.

The revenue to support the following recommended packages falls under ORS 238.610, which directs the administrative operations expenses for the agency to be 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.

Package 102, Managed Services. This package increases Other Funds expenditure limitation by \$262,918 and establishes one permanent full-time Information Supervisor 2 (Help Desk Supervisor) position (0.88 FTE), and this amount includes \$11,563 in associated services and supplies. This position will be added to Technology Operations Section to supervise the Help Desk team.

Package 103, SB 1049 Permanent Positions. This package increases Other Funds expenditure limitation by \$818,474 and establishes three permanent, full-time positions (3.00 FTE) for system support for the Employee Pension Stability Account clean-up, the amount includes \$19,500 in associated services and supplies. The positions added include the following:

- One Information Support Specialist 4 position for desktop support;
- One Information Support Specialist 7 position for development and operations engineering; and
- One Information Support Specialist 7 position for jClarety software engineer.

Package 105, Dues and Subscriptions. This package increases Other Funds expenditure limitation by \$1,639,000 for services and supplies for licensing, service renewals, and product cost. The request is to fund the increased cost of ongoing information technology 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 112, ISD Re-classes. This package increases Other Funds expenditure limitation by \$60,536 in personal service costs for the reclassification of three positions. The package would reclassify upward two Information Services Specialist 4 positions to Information Services Specialist 6 positions and one Information Services Specialist 5 position to an Information Services Specialist 6.

## **Operations Division**

The Operations Division provides comprehensive retirement plan information and assistance to PERS members and employers for the Tier 1, Tier 2, OPSRP, and IAP programs. The Division is the primary point of contact for PERS members and employers through its call center and correspondence units. The Division provides member education through group presentations and assistance with retirement applications. The Division processes benefit applications, determines benefit eligibility, reviews disability applications, and calculates and adjusts benefit payments. The Division also includes the agency's Retiree Health Insurance, Oregon Savings Growth Plan, and Social Security programs. The Subcommittee recommended a budget of \$57,344,632 Other Funds expenditure limitation and 211 positions (210.52 FTE), which includes the following packages.

The revenue to support the following recommended packages falls under ORS 238.610, which directs the administrative operations expenses for the agency to be 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.

Package 103, SB 1049 Permanent Positions. This package increases Other Funds expenditure limitation by \$1,161,975 and authorizes the establishment of six full-time, limited duration positions (6.00 FTE) for the Employee Pension Stability Account clean-up in the Operations Division. This funding includes \$39,000 for position-related services and supplies costs. The positions added include four Retirement Counselor 1s (4.00 FTE) and two Retirement Counselor 2s (2.00 FTE).

Package 106, Operations CSL. This package increases Other Funds expenditure limitation by \$773,646 and authorizes the establishment of four permanent full-time positions (3.52 FTE) and includes \$48,626 in position-related associated services and supplies. The package also reclassifies one existing Retirement Counselor 1 position to a Retirement Counselor 2 on the Data Analysis and Reconstruction Team. The package adds two Office Specialist 2 positions (1.76 FTE), one Office Assistant 1 position (0.88 FTE), and one Business Operations Manager 3 (Deputy Program Director) position (0.88 FTE) to address increased workload in the Operations Division.

## **Compliance, Audit, and Risk Division**

The Compliance, Audit, and Risk Division provides risk management and compliance services for all agency programs, including cyber security, disaster recovery, and business continuity. The Division oversees and coordinates legal activities, assists in the identification and management of risks, and provides independent audit and consulting services to ensure legal and policy compliance, and manages Section 218 of the state Social Security Program. The Division ensures policies, business rules, and administrative rules comply with state and federal statutes and the PERS plans maintain their tax qualified status. The Subcommittee recommended a budget of \$13,005,334 Other Funds expenditure limitation and 27 positions (26.40 FTE), which includes the following package.

Package 110. PACS CSL. This package increases Other Funds expenditure limitation by \$1,046,908 and authorizes the establishment of three permanent, full-time positions (2.64 FTE) and two limited duration positions (1.76 FTE). This amount also includes \$54,313 in associated

services and supplies. This funding is for the Policy Analysis and Compliance Section for the daily administration of appeals and contested cases and to augment benefit appeals, contested cases, and disputes team. The package adds the following five positions:

- One permanent full-time position Administrative Specialist 2 position (0.88 FTE);
- One permanent full-time position Compliance Specialist 2 position (0.88 FTE);
- Two limited duration Operations and Policy Analyst 1 positions (1.76 FTE); and
- One permanent full-time Compliance and Regulatory Supervisor 2 position (0.88 FTE).

The revenue to support this package falls under ORS 238.610, which directs the administrative operations expenses for the agency to be 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.

### **Core Retirement Systems Applications Division**

The Core Retirement Systems Applications Division was established to budget for core information technology investments, which include the project-related positions and contracts related to PERS' implementation of Senate Bill 1049 (2019), HB 4045 (2024), and the continued planning efforts to modernize the Oregon Retirement Information Online Network (ORION). The Subcommittee recommended a budget of \$21,558,480 Other Funds expenditure limitation and 18 positions (17.40 FTE), which includes the following packages.

The revenue to support the following recommended packages falls under ORS 238.610, which directs the administrative operations expenses for the agency to be 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.

Package 101, HB 4045 Implementation. This package increases Other Funds expenditure limitation by \$7,036,629 for the implementation of House Bill 4045 (2024) and authorize the establishment of one permanent full-time position (0.88 FTE) and three limited duration positions (3.00 FTE) The package has the following three components:

1. One permanent, full-time Project Manager 3 position (0.88 FTE) for continuous and consistent program planning, coordination, and oversight. This also includes \$20,000 for related services and supplies. This position will supplement existing project management staff in the PERS Project Management Office to manage activities to support pension administration system changes within ORION that are needed to comply with requirements of the bill.
2. \$2.2 million in one-time funding for contractor services; \$500,000 for IQMS services; \$3,200,000 for planning and design work; and \$335,000 contingency funding to implement House Bill 4045 (2024) and, in particular, the OPSRP changes to select Police & Fire retirement pension benefits in ORION.

3. Three limited duration positions to support the implementation of House Bill 4045 (2024) and in particular the OPSRP changes to select Police & Fire retirement pension benefits. The positions include: one Retirement Counselor 2 (1.00 FTE) and two Office Specialist 2 (2.00 FTE).

The Subcommittee approved the following Budget Note related to HB 4045 Implementation:

**Budget Note:** The Public Employees Retirement System and the Department of Administrative Services - Enterprise Information Services (DAS-EIS) are directed to jointly report to the Interim Joint Committee on Ways and Means in January 2026, on the status of the agency's implementation of HB 4045 (2024).

**Package 104, Modernization.** This package increases Other Funds expenditure limitation by \$7,833,071 and authorizes the establishment of 14 positions (13.52 FTE) for the planning and implementation of a modernization program related to the PERS pension administration system, this amount includes \$4.0 million for associated services and supplies costs. The package has the following two components:

1. Core Retirement System Applications Program Office for project management and administration. This component creates Program execution capacity for the PERS Modernization Program Office and continues ongoing investments towards the modernization of the ORION pension administration system. This includes the following positions, as well as \$280,000 in associated services and supplies:
  - One permanent, full-time Business Operations Manager position (1.00 FTE);
  - Two permanent Information Systems Specialist 8 positions (1.76 FTE);
  - Two permanent Operations & Policy Analyst 3 positions (1.88 FTE);
  - Three permanent Project Manager 3 positions (3.00 FTE);
  - Two permanent Project Manager 2 positions (2.00 FTE);
  - One permanent Program Analyst 4 position (0.88 FTE);
  - One permanent Procurement and Contract Specialist 3 position (1.00 FTE), and
  - Two limited duration Operations & Policy Analyst 2 positions (2.00 FTE).
2. ORION Modernization Program Costs are for one-time funding of contract services and include the following components:
  - \$25,000 for Comprehensive Solutions and Total Cost of Ownership Analysis;
  - \$1 million for Independent Quality Management Services;
  - \$1.5 million for Telephony Technology Implementation;
  - \$530,000 for Member Identity and Access Management solution improvements;

- \$500,000 for Hybrid Integration Platform Architecture Design; and
- \$178,000 in contingency funding.

The Subcommittee approved the following Budget Note related to this project:

**Budget Note:** The Public Employees Retirement System and the Department of Administrative Services - Enterprise Information Services (DAS-EIS) are directed to jointly report to the Interim Joint Committee on Ways and Means in January 2026, on the progress being made towards modernizing the ORION pension administration system. The report is to include, but is not limited to, the following:

- (a) status report on the Program's Joint Legislative Fiscal Office and DAS-EIS Stage Gate endorsement(s);
- (b) results of the contracted Solutions Analysis Framework and the agency's recommended path forward for the Modernization Program;
- (c) Independent quality control reviews of the Modernization Program's solutions analysis and any associated business case update;
- (d) summaries of all updated foundational program documentation;
- (e) status of the implementation of 2025 legislative investments in the Modernization program, including the hiring of authorized positions and standing up the Core Retirement System Applications Program Office; and
- (f) any additional information related to the Modernization Program for which will assist the Legislature in understanding the agency's revised plan for the Modernization Program.

Package 801, LFO Analyst Adjustments. This package increases Other Funds expenditure limitation by \$6,688,780 for one-time funding of a Legacy Stabilization and Technology Readiness initiative which includes:

- \$3.7 million for a User Interface and User Experience design effort
- \$1.9 million to complete Foundational Architecture Documentation
- \$735,280 for Member Identity and Access Management solution subscription costs (originally budgeted under Package 105); and
- \$318,500 in contingency funding.

### **2023-25 Expenditure Actions**

The Subcommittee approved the following budget realignment for the ORION Modernization Project for the 2023-25 biennium, which shifting Other Funds between appropriations within the same budget structure:

- Decrease Other Funds expenditure limitation for client relationship management by \$300,000.
- Increase Other Funds expenditure limitation for an independent assessment of the replacement alternatives for the core pension administration system by \$300,000.

### **Summary of Performance Measure Action**

See attached Legislatively Adopted 2025-27 Key Performance Measures form.

## DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Public Employees Retirement System  
Ben DeYoung -- 503-931-6249

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE	
			LIMITED	NONLIMITED	LIMITED	NONLIMITED				
2023-25 Legislatively Approved Budget at Jan 2025 *	\$	-	\$ 28,527,388	\$ 177,462,596	\$ 13,523,120,517	\$	-	\$ 13,729,110,501	466	445.40
2025-27 Current Service Level (CSL)*	\$	-	\$ 28,527,388	\$ 150,788,954	\$ 15,243,591,683	\$	-	\$ 15,422,908,025	391	391.00
<u>SUBCOMMITTEE ADJUSTMENTS (from CSL)</u>										
<b>SCR 200-01 - Employer Incentive Fund</b>										
Package 801: LFO Analyst Adjustments										
Special Payments	\$	-	\$ 12,759,714	\$	-	\$	-	\$ 12,759,714		
<b>SCR 200-02 - School Districts Unfunded Liability Fund</b>										
Package 801: LFO Analyst Adjustments										
Special Payments	\$	-	\$	-	(1)	\$	-	\$	-	(1)
<b>SCR 500-01 - Central Administration</b>										
Package 107: Human Resources										
Personal Services	\$	-	\$	-	241,197	\$	-	\$	-	241,197
Services and Supplies	\$	-	\$	-	11,563	\$	-	\$	-	11,563
Package 109: Procurement, Facilities & Logistics										
Personal Services	\$	-	\$	-	182,178	\$	-	\$	-	182,178
Services and Supplies (Instate Travel)	\$	-	\$	-	11,563	\$	-	\$	-	11,563
Package 111: Communications										
Personal Services	\$	-	\$	-	430,519	\$	-	\$	-	430,519
Services and Supplies (Professional Services)	\$	-	\$	-	70,000	\$	-	\$	-	70,000
Package 801: LFO Analyst Adjustments										
Services and Supplies	\$	-	\$	-	(400,000)	\$	-	\$	-	(400,000)
<b>SCR 500-03 Financial Services Division</b>										
Package 113: Actuarial Staff										
Personal Services	\$	-	\$	-	177,984	\$	-	\$	-	177,984
Services and Supplies	\$	-	\$	-	10,688	\$	-	\$	-	10,688
<b>SCR 500-04 - Information Services Division</b>										
Package 102: Managed Services										
Personal Services	\$	-	\$	-	251,355	\$	-	\$	-	251,355
Services and Supplies	\$	-	\$	-	11,563	\$	-	\$	-	11,563
Package 103: SB 1049 Permanent Positions										
Personal Services	\$	-	\$	-	798,974	\$	-	\$	-	798,974
Services and Supplies	\$	-	\$	-	19,500	\$	-	\$	-	19,500

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
Package 105: Dues and Subscriptions Services and Supplies	\$ -	\$ -	\$ 1,639,000	\$ -	\$ -	\$ -	1,639,000		
Package 112: ISD Re-classes Personal Services	\$ -	\$ -	\$ 60,536	\$ -	\$ -	\$ -	60,536	0	0.00
<b>SCR 500-08 - Operations Division</b>									
Package 103: SB 1049 Permanent Positions Personal Services	\$ -	\$ -	\$ 1,122,975	\$ -	\$ -	\$ -	1,122,975	6	6.00
Services and Supplies	\$ -	\$ -	\$ 39,000	\$ -	\$ -	\$ -	39,000		
Package 106: Operations CSL Personal Services	\$ -	\$ -	\$ 725,020	\$ -	\$ -	\$ -	725,020	4	3.52
Services and Supplies	\$ -	\$ -	\$ 48,626	\$ -	\$ -	\$ -	48,626		
<b>SCR 500-09 - Compliance, Audit and Risk Division</b>									
Package 110: PACS CSL Personal Services	\$ -	\$ -	\$ 992,595	\$ -	\$ -	\$ -	992,595	5	4.40
Services and Supplies	\$ -	\$ -	\$ 54,313	\$ -	\$ -	\$ -	54,313		
<b>SCR 900-00 Core Retirement System Applications</b>									
Package 101: HB 4045 Implementation Personal Services	\$ -	\$ -	\$ 762,129	\$ -	\$ -	\$ -	762,129	4	3.88
Services and Supplies	\$ -	\$ -	\$ 6,274,500	\$ -	\$ -	\$ -	6,274,500		
Package 104: Modernization Personal Services	\$ -	\$ -	\$ 3,820,071	\$ -	\$ -	\$ -	3,820,071	14	13.52
Services and Supplies	\$ -	\$ -	\$ 4,013,000	\$ -	\$ -	\$ -	4,013,000		
Package 801: LFO Analyst Adjustments Services and Supplies	\$ -	\$ -	\$ 6,688,780	\$ -	\$ -	\$ -	6,688,780		
TOTAL ADJUSTMENTS	\$ -	\$ 12,759,714	\$ 28,057,628	\$ -	\$ -	\$ -	40,817,342	42.00	39.84
SUBCOMMITTEE RECOMMENDATION *	\$ -	\$ 41,287,102	\$ 178,846,582	\$ 15,243,591,683	\$ -	\$ -	\$ 15,463,725,367	433	430.84
% Change from 2023-25 Leg Approved Budget	0.0%	44.7%	0.8%	12.7%	0.0%	0.0%	12.6%	(7.1%)	(3.3%)
% Change from 2025-27 Current Service Level	0.0%	44.7%	18.6%	0.0%	0.0%	0.0%	0.3%	10.7%	10.2%

# Legislatively Approved 2025 - 2027 Key Performance Measures

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**Agency:** Public Employees Retirement System

**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.

Legislatively Approved KPMs	Metrics	Agency Request	Last Reported Result	Target 2026	Target 2027
1. TIMELY RETIREMENT PAYMENTS - Percent of initial service retirements paid within 45 days from retirement date.		Approved	60%	80%	80%
2. TOTAL BENEFIT ADMIN COSTS - Total benefit administration costs per member.		Approved	\$215.00	\$225.00	\$225.00
3. MEMBER TO STAFF RATIO - Ratio of members to FTE staff.		Approved	986	1,000	1,000
4. ACCURATE BENEFIT CALCULATIONS - Percent of service retirement monthly benefits accurately calculated to within \$5 per month.		Approved	99%	100%	100%
5. LEVEL OF PARTICIPATION - Percent of state employees participating in the deferred compensation program.		Approved	46%	60%	60%
6. CUSTOMER SERVICE - Percent of member customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Helpfulness	Approved	88%	90%	90%
	Overall		88%	90%	90%
	Availability of Information		82%	90%	90%
	Timeliness		89%	92%	92%
	Accuracy		89%	92%	92%
	Expertise		89%	92%	92%
7. TIMELY BENEFIT ESTIMATES - Percent of benefit estimates processed within 30 days.		Approved	97%	100%	100%
8. BOARD OF DIRECTORS BEST PRACTICES - Percent of total best practices criteria met by the PERS board.		Approved	100%	100%	100%

**LFO Recommendation:**

The Legislative Fiscal Office recommends approval of the Public Employees Retirement System's 2025-27 Key Performance Measures and targets.

**SubCommittee Action:**

The Public Safety Subcommittee adopted the Legislative Fiscal Office recommendation on the Public Employees Retirement System's 2025-27 Key Performance Measures and targets.