

**PUBLIC EMPLOYEES RETIREMENT SYSTEM, OREGON**

**Annual Performance Progress Report (APPR) for Fiscal Year (2007-2008)**

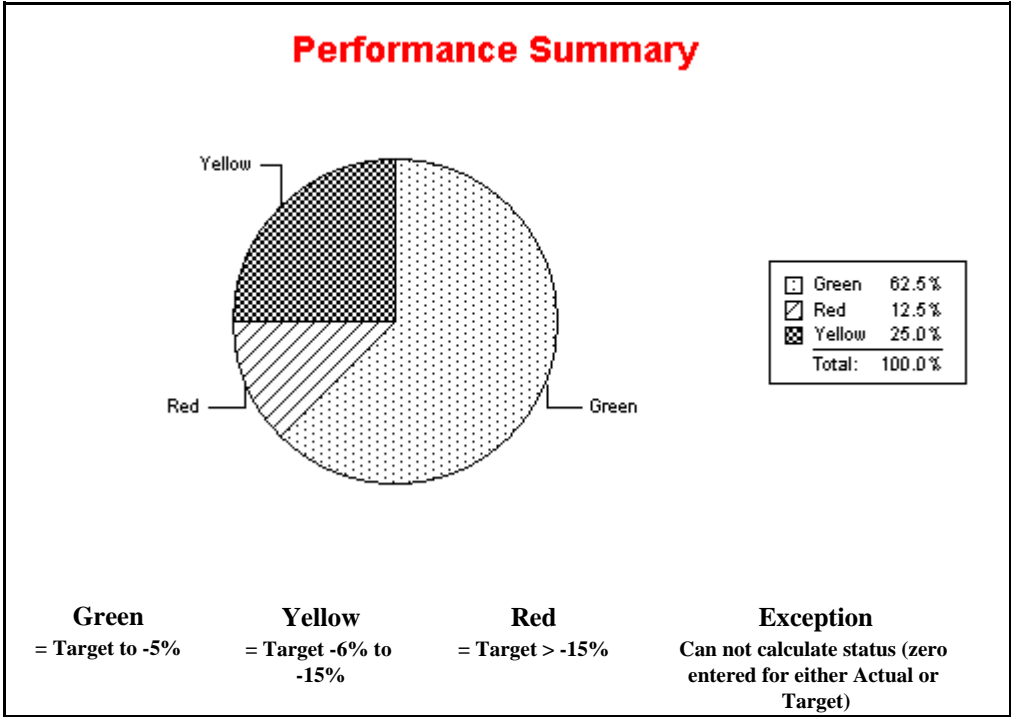
**Proposed KPM's for Biennium (2009-2011)**

Original Submission Date: 2008

2007-2008 KPM #	2007-2008 Approved Key Performance Measures (KPMs)
1	TIMELY RETIREMENT PAYMENTS: Percent of initial service retirements paid within 45 days from retirement date.
2	TOTAL BENEFIT ADMIN COSTS: Total benefit administration costs per member.
3	STAFF TO MEMBER RATIO: Ratio of FTE staff to members.
4	AVERAGE DOLLARS DEFERRED: Average monthly deferral per state employee deferred compensation participant
5	LEVEL OF PARTICIPATION: Percent of state employees participating in the deferred compensation program.
6	CUSTOMER SERVICE- Percent of member customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.
7	TIMELY BENEFIT ESTIMATES: Percent of benefit estimates processed within 30 days.
8	BOARD OF DIRECTORS BEST PRACTICES: Percent of total best practices criteria met by the PERS board.

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	<b>Title:</b>  <b>Rationale:</b>

<b>PUBLIC EMPLOYEES RETIREMENT SYSTEM, OREGON</b>		<b>I. EXECUTIVE SUMMARY</b>	
<b>Agency Mission:</b> We are a well-respected organization that serves its members by enabling informed retirement and health benefit decisions and delivering retirement and health benefits effectively and efficiently.			
<b>Contact:</b> Matthew Rickard, Budget Analyst		<b>Contact Phone:</b> 503-603-7576	
<b>Alternate:</b> Kyle Knoll, Budget Officer		<b>Alternate Phone:</b> 503-603-7568	



**1. SCOPE OF REPORT**

The Public Employees Retirement System (PERS) provides a full range of retirement services to public employers and public employees throughout the state of Oregon. These services are provided to approximately 870 state and local government entities across the state. The agency administers the Tier One and Tier Two Retirement programs (ORS Ch. 238), the judge’s retirement program, the Oregon Public Service Retirement Plan (or OPSRP, ORS Ch. 238A) Pension Program, the Individual Account Program (IAP), the Oregon Savings Growth Plan (a deferred compensation program), the Public Employee Benefit Equalization Fund (BEF), the Social Security Administration program, and the Retiree Health Insurance program. With the Debt Service program, PERS also administers the financing of two projects that were funded by Certificates of Participation.

PERS programs addressed by these measures: the Tier One-Tier Two and judge's programs, the Oregon Public Service Retirement Plan (OPSRP) Pension Program, the Individual Account Program (IAP), and the Benefit Equalization Fund (BEF) (KPMs #1-3 and 6-8 address these programs together), and the Oregon Siblings Growth Plan's deferred compensation program (KPMs #4-5 address this program)

PERS programs not addressed by these measures: Retiree Health Insurance program, the Social Security Administration program and Debt Service.

## **2. THE OREGON CONTEXT**

The program operations of PERS have a significant impact on Oregon's economy. PERS provides retirement services to roughly 10 percent of Oregon's population, and the agency distributes \$3 billion in benefits annually to Oregonians that served in the public sector. This large and widespread distribution of benefit payments (over \$250 million each month) has a direct impact on the Oregon economy.

The Tier One-Tier Two, judge's, OPSRP and IAP programs provide retirement services to approximately 215,000 non-retired members and 115,000 retirees and beneficiaries (including FY08 lump sum retirees and withdrawal recipients). The Retiree Health Insurance program serves as a group sponsor, providing health insurance services to approximately 50,000 retirees and dependents. With approximately 10 percent of Oregonians directly affected (and many more who are family members of those directly affected), the importance of delivering high-quality, cost-efficient services is evident.

## **3. PERFORMANCE SUMMARY**

All eight KPMs – Timely Retirement Payments (page 4), Total Benefit Admin Costs (page 6), Member to Staff Ratio (page 8), Average Dollars Deferred (page 11), Level of Participation (page 13), Customer Service (page 15), Timely Benefit Estimates (page 17), and Board Best Practices (page 19) - are making progress. The initial report was filed with the Agency Request Budget in August 2008, although at that point there was not yet data available for several of the KPMs. This updated version includes all final FY08 data and is being filed in preparation for inclusion with the Governor's Recommended Budget.

## **4. CHALLENGES**

There are several key challenges facing the PERS retirement programs. An aging membership, including 28% of PERS non-retired members who are eligible to retire, increases demands for near-retirement services including the call center, benefit estimates, group presentations, and the website. Likewise, the number of retired members and beneficiaries who require regular contact and services continues to grow. There is increased workload resulting from two additional retirement programs added with PERS reform. PERS now administers four major retirement programs, maintains at least two accounts for each member with a combined annual statement, calculates and pays at least two retirement benefits or two withdrawal

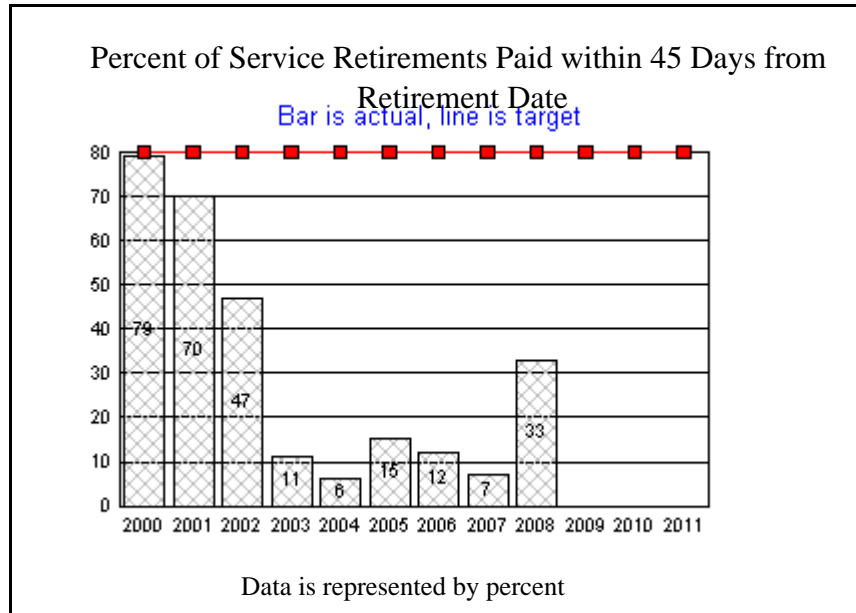
benefits and issues at least two 1099-R statements for each retiree. PERS must continue to operate with an outdated information technology system (RIMS) until its IT conversion project has been completed, which has limited the agency's service levels while causing workload backlogs, additional work-arounds, and inefficient utilization of agency resources. Adding to these challenges is the substantial amount of work necessary to comply with the Strunk and Eugene Oregon Supreme Court rulings that affected some 190,000 active and inactive member accounts, and approximately 55,000 retired, withdrawn, or otherwise impacted benefit recipients. While PERS service and efficiency levels have been dramatically impacted, the agency is prioritizing staffing and resource allocations to ensure that the deterioration has been halted and a foundation for rapid improvements is set in place.

One challenge impacting the OSGP's deferred compensation program is the large number of soon-to-retain baby boomers. The large number of upcoming retirements will have an impact on the participation level as many withdraw or roll their accounts to other institutions. This will also impact the average deferral levels, as younger and lower-paid employees replace those retiring from the workforce, who both participated and deferred at higher levels in the later stages of their careers. Despite these challenges, OSGP is taking steps to keep eligible employees and participants educated about the importance and advantages of participating in this supplemental retirement savings program.

## **5. RESOURCES AND EFFICIENCY**

For 2008, PERS expended an estimated \$46.7 million in administrative and special project expenditures, and an estimated \$3.1 billion in total expenditures (this includes benefit payments). Efficiency measures include KPM #2 - Total Benefit Administration Costs per Member, and KPM #3 - Member to Staff Ratio. The performance in these measures reflects that PERS is currently undertaking a multitude of special projects and operations (e.g. the Strunk/Eugene project and RIMS Conversion Project) while simultaneously administering a rapidly changing and increasing core program workload. Some of this performance inefficiency will be resolved as completion of the RIMS Conversion Project shifts the agency from staff intensive processes to more efficient automated processes and frees up staff to handle higher level work and increasing workloads. With the completion of the Strunk/Eugene project, various limited duration positions will also be eliminated, reducing cost and staffing levels.

<b>KPM #1</b>	TIMELY RETIREMENT PAYMENTS: Percent of initial service retirements paid within 45 days from retirement date.	1995
<b>Goal</b>	To deliver retirement benefits effectively and efficiently.	
<b>Oregon Context</b>	Oregon Benchmark #59: Independent Seniors. Encourage member independence and financial well-being into retirement.	
<b>Data Source</b>	Benefit Payments Division (BPD) statistics.	
<b>Owner</b>	BPD Administrator Brian Harrington, 503-431-8259	



**1. OUR STRATEGY**

This KPM was involved in PERS’ internal audit of KPMs. As a result of the audit, the data collection methodology for this measure has been refined to make the data collection more efficient and accurate.

PERS' main priority is delivering benefits to members in an accurate and timely manner. While statute requires PERS to issue the first benefit payment within 92 days from retirement date, PERS' goal is to provide even quicker service to reduce potential cash flow interruption for the retiree.

## 2. ABOUT THE TARGETS

The target of 80% was set many years ago when the vast majority of retirement calculations were system generated on a "money match" basis. While many factors caused performance to drop significantly over the previous five years, the goal is still to provide the first benefit payment as quickly and accurately as possible. And progress is currently being made to reach that goal.

## 3. HOW WE ARE DOING

During 2008, PERS issued 33% of its benefit inceptions within 45 days of the retirement date, up significantly from 7% in 2007. This breaks the trend of lower performance over the previous five years, and shows that PERS is making progress towards its targeted goal of 80%. While performance remained above 70% in the years prior to 2002, it hovered between 6% and 15% in the years from 2003 through 2007, after PERS reform created two new programs (OPSRP and IAP), added a "look-back" calculation requirement, and made other revisions to the Tier One-Tier Two program and related employer reporting while also triggering a record number of retirements.

## 4. HOW WE COMPARE

When compared to other retirement system peers, PERS lags behind in this area of service. According to CEM Benchmarking, Inc. (a benefit administration benchmarking firm), other retirement systems in PERS' peer group were able to pay 85% of benefit inceptions within one month of the final pay check date in 2007. While this is significantly higher than PERS' performance, it is important to note that other systems have different statutory requirements and many have fewer program options than PERS. Moreover, systems in PERS' peer group issue 78% of their initial benefit payments based on estimates (making corrections and finalizing the benefit later on), rather than issuing finalized benefit payments as PERS strives to produce (PERS only issued 1.6% of initial payments based on estimates in 2008).

## 5. FACTORS AFFECTING RESULTS

In 2008, PERS tested a new strategy to help improve the timeliness of making the initial service retirement benefit payments. The strategy involved a focused prioritization of applications based on this 45 day goal, and following up on missing forms from members and employers in 15-day intervals instead of every 30 days. Another aspect of the new strategy involved a data extraction tool that assisted in tracking the progress of initiating the

retirement benefits. A third element involved improved communication between divisions at PERS that has improved the member eligibility determination process. This strategy is one of the primary reasons for the marked improvement in 2008 over previous years.

Factors that can negatively impact the timeliness of retirement processing include delays in receiving correct final data from employers, delaying the application of eligibility standards and complete reporting requirements until retirement, and resolving errors in members' submitted retirement applications. Employers have 30 days following an employee's retirement to send the final data to PERS. With this KPM measuring the standard of retirements processed in 45 days, this leaves a narrow window of time between the employer's timeframe and that of this measure. Membership data and benefit eligibility have historically not been determined until the time of a benefit payment, so the member's employment record must be reviewed, verified, and resolved within this span of time. Also, in the past, retirement applications have sometimes been confusing for members to complete, resulting in errors that lengthen the retirement processing duration. Lastly, members can submit their applications retroactively to the first of the month, so in many cases the timeliness is reduced because the member's retirement date "clock" could start up to 30 days before the application was actually received for processing.

## 6. WHAT NEEDS TO BE DONE

This data is being used in support of plans and projects currently underway to update and replace PERS' outmoded IT system. Once the IT system upgrade has been fully implemented, many of PERS' benefit inception procedures will be converted to much more automated processes that don't need to integrate as much across desktop and database systems. This will help to speed up the service and return the performance to higher service levels.

Additionally, resources for a Retirement Application Assistance program were added to PERS' base budget in the 2007-09 Legislative Ways and Means process. This program, along with retirement application form improvements, will greatly help members complete the retirement forms fully and accurately, in turn helping to speed up the retirement processing timeframe.

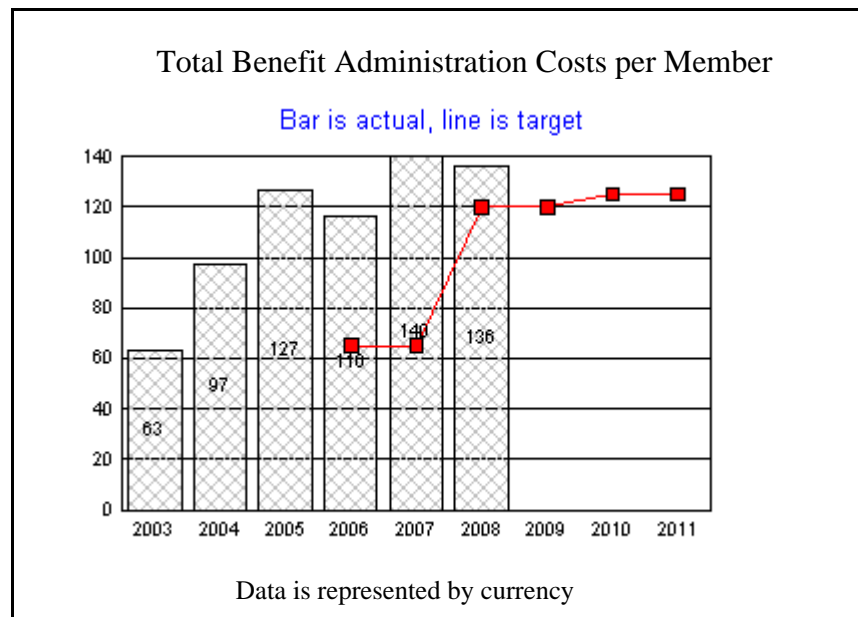
Also, additional staffing resources are being requested in the Agency Request Budget for 2009-11 to improve the member data and benefit eligibility determination process and help the benefit inception process run more efficiently and quickly. This will allow a continued process improvement approach to progress.

## 7. ABOUT THE DATA

This measure is based on data for the Oregon fiscal year period. While the integrity of this data has not been in question, previous wording of this KPM made analysis of the data confusing. A wording change was approved for 2007-09 to make the data much easier to communicate and

understand. The data collection process has been refined through the efforts of an internal audit. This will help keep the data reporting methodology consistent and accurate.

<b>KPM #2</b>	TOTAL BENEFIT ADMIN COSTS: Total benefit administration costs per member.	2006
<b>Goal</b>	Reduce administrative costs while maintaining high level of service to members and employers.	
<b>Oregon Context</b>	Oregon Benchmark #35: Public Management Quality and Benchmark #9c: Cost of Doing Business/ Taxes & Charges. Increase service cost-effectiveness to stakeholders.	
<b>Data Source</b>	Budget/personnel statistics, PERS CAFR, PERS retirement and refund statistics, report from CEM Benchmarking, Inc. comparing PERS to its peers.	
<b>Owner</b>	Fiscal Services Administrator Dave Tyler, 503-603-7709	



**1. OUR STRATEGY**

PERS strives to deliver high-quality, cost-effective service to members and employers. PERS is aware that administrative costs, funded through investment earnings, have an effect on employer rates and member account earnings crediting. The successful completion of the Strunk/Eugene

project and the Retirement Information Management System (RIMS) Conversion Project will help to reduce PERS' annual operating expenditures. As evidence of this, the Agency Request Budget for 2009-11 reflects a decrease from the 2007-09 Legislatively Adopted Budget, despite significant projected inflationary cost increases.

## 2. ABOUT THE TARGETS

The targets for the 2005-07 biennium were set based on the previous data format that included some confusing adjustments mirroring the cost comparison calculations used by a benefit administration comparison consultant, CEM Benchmarking, Inc. CEM makes these adjustments to compare retirement systems on an "equal" plane. Unfortunately, this renders the resulting measurement of PERS' adjusted costs much less relevant to stakeholders. To correct this, PERS implemented data changes with this KPM and the Staff to Member KPM. The data changes will allow PERS to present this KPM reporting the total PERS administrative costs as published in its Comprehensive Annual Financial Report (CAFR) per the total membership. The targets from 2008 and forward represent the new data structure, and all actual data have been updated to the new data structure. The targets for 2009-11 include an increase for inflation. The goal is to keep the costs at or below the targeted level.

## 3. HOW WE ARE DOING

For 2008, PERS' cost per member is \$136, down from \$140 in 2007. This is an improvement over the higher costs in 2007, and demonstrates improved progress towards the target. But it also continues the trend of a higher cost retirement system that is a result of administering multiple retirement programs and a number of special projects. The costs have been greater over the last four years as compared to lower levels in 2003 and 2004, which reflects 2003 legislation that added the administration of two more retirement programs in 2004 (bringing the total PERS retirement programs to four), and the addition of the Strunk/Eugene and RIMS Conversion projects in 2005. The long-range target is to keep overall costs per member from increasing, while operating in an environment of increasing workload per member and cost inflation.

## 4. HOW WE COMPARE

PERS uses the services of a third-party benchmarking firm (CEM Benchmarking, Inc.) to compare its costs, services, and performance to other public retirement systems. CEM Benchmarking makes various adjustments in calculating total cost figures to make comparisons amongst differing systems more realistic. For this reason, PERS will focus on how it compares to its peers on an individual activity level rather than the adjusted overall cost figure presented by CEM. Since the 2008 CEM Benchmarking Analysis has not yet been published, these comparisons are based on the 2007 analysis report.

For 2007, CEM Benchmarking, Inc. reported that while PERS' costs were higher than its peers for many activities, there were also a number of

activities where PERS' costs were lower than those of its peers. When compared to its peer median costs per member or employer served, PERS was more expensive for activities such as Pension Inceptions (\$374 vs. \$276), Benefit Estimates (\$90 vs. \$76), Employer Billing and Inspection (\$396 vs. \$186), Employer Data (\$22 vs. \$11), Services to Employers (\$3,574 vs. \$704), Refunds (\$281 vs. \$37), Disability (\$3,246 vs. \$1,414), Financial Admin/Oversight (\$12 vs. \$7), Rules Design and Interpretation (\$13 vs. \$4) and Major Projects (\$33 vs. \$8). On the other hand, PERS was less expensive per member/employer served than its peer median for activities like Paying Pensions (\$7 vs. \$14), Counseling, Member Contact and Mass Communication (\$78 vs. \$111), and Purchases (\$46 vs. \$233).

#### 5. FACTORS AFFECTING RESULTS

Total administrative costs are down by \$1.7 million from 2007. Also, because the membership numbers have increased over 2007, the result is a decrease to the cost per member. Personal Services costs have increased as a result of the 2007-09 state employee COLA package and management compensation package. But these cost increases have been mitigated somewhat by other savings efforts. Because of some concerns earlier in the fiscal year that PERS would not receive budget limitation for the compensation packages, PERS put plans in place to cut spending. An internal hiring freeze was imposed in February and each division put together spending reduction plans in case there would be no budget increase for the compensation packages. While this made operations much more difficult during that time period, there was additional budget approved for a portion of the compensation packages at the June 2008 E-Board. This has allowed PERS to return to a more effective staffing and service level.

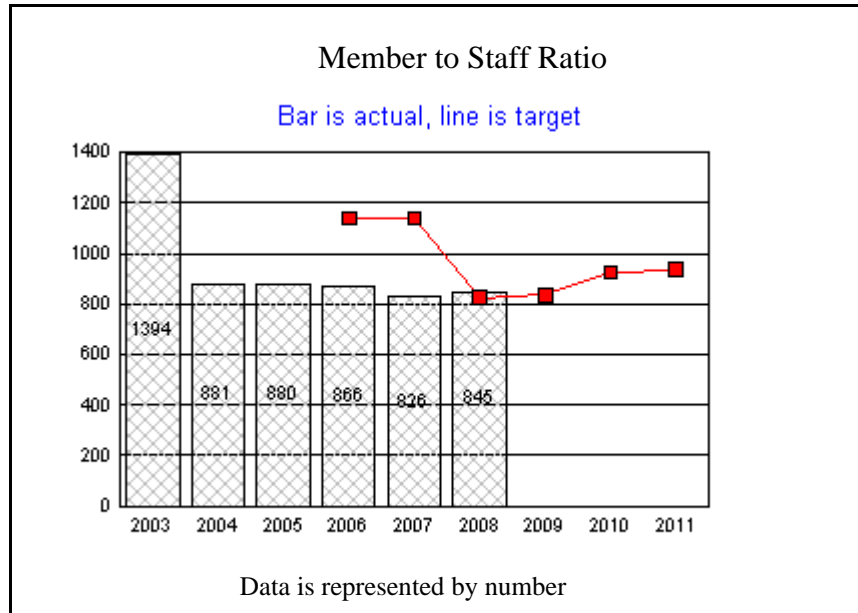
#### 6. WHAT NEEDS TO BE DONE

Retiree volume and workload will increase over the next five to ten years with the inevitable retirement of the large number of members who are already (or soon will be) eligible to retire. But PERS is committed to limit cost increases in proportion to the workload increase through process and organization efficiencies and improved IT system capabilities. With the current policy option packages included in the 2009-11 Agency Request Budget, PERS is positioning itself to be staffed, organized, and technologically supported to handle the projected increasing workload with greater efficiency. The goal is to mitigate potential significant cost increases with the IT system conversion, continuous process improvements, and staffing productivity gains and efficiencies.

#### 7. ABOUT THE DATA

This measure is based on data for the Oregon fiscal year period. The cost per member is calculated by dividing the total administrative expenses as reported in the PERS Comprehensive Annual Financial Report (CAFR) by the total membership including all active, inactive, and retired members (including current year lump sum and withdrawal recipients).

<b>KPM #3</b>	STAFF TO MEMBER RATIO: Ratio of FTE staff to members.	2006
<b>Goal</b>	Increase productivity of staff to improve service to members and retirees.	
<b>Oregon Context</b>	Oregon Benchmark #35: Public Management Quality. Increase efficiency of service to members.	
<b>Data Source</b>	Budget/personnel statistics, report from CEM Benchmarking, Inc. comparing PERS to its peers.	
<b>Owner</b>	Fiscal Services Administrator Dave Tyler, 503-603-7709	



**1. OUR STRATEGY**

PERS aims to deliver high-quality service in a cost-efficient manner. To accomplish this, PERS needs to keep staffing numbers reasonable while continuing to meet statutory obligations and without sacrificing service.

## 2. ABOUT THE TARGETS

As with KPM #2, the Member to Staff Ratio targets for the 2005-07 biennium were set based on the previous data format that has since been changed. The previous data methodology included some confusing adjustments mirroring the cost comparison calculations used by a benefit administration comparison consultant, CEM Benchmarking, Inc. But the adjustments made the data less meaningful to PERS stakeholders, and it cannot be tied to any published PERS documents. So PERS has implemented data changes with this KPM and the previous Cost per Member KPM. The data changes allow PERS to present this KPM using actual verifiable data from published documents and official personnel reports. The long-range goal is to gradually increase the number of members served per employee through technology enhancements and process improvements to be implemented over the next two biennia. As with the approved 2007-09 targets, the requested targets for 2009-11 are based on projected membership levels for that biennium, and the staffing included in the Agency Request Budget. The goal with this KPM is to be at or above the targeted ratio.

## 3. HOW WE ARE DOING

PERS' member to staff ratio increased to 845:1 in 2008, up from 826:1 in 2007. This continues the trend of lower staff to member ratios since 2003. Over the course of those five years, the ratio has remained in the 825-880 range, reflecting the two new retirement programs created under the 2003 PERS Reform, the associated workload increases, and the special projects ongoing throughout that period. But with the increase in members served per FTE staff in 2008, this performance measure is trending upward once again, and the 2008 target of 825 has been surpassed.

## 4. HOW WE COMPARE

Since PERS has discontinued using the adjusted staffing and membership criteria used by CEM Benchmarking, Inc., PERS will instead focus on how it compares to its peers on an individual benefit administration activity level. The 2008 CEM Benchmarking Analysis has not yet been published, so these comparisons are based on the 2007 analysis report.

For Fiscal Year 2007, CEM Benchmarking, Inc. reported that PERS is higher staffed (thus serving fewer members and employers per FTE staff) than many of its peers. However, while PERS serves fewer members or employers per FTE for many benefit administration activities, there are also activities that PERS serves more per FTE than its peers. When compared to its peer median, PERS served fewer members per single FTE for activities like Pension Inceptions (16 vs. 66), Written Estimates (1,257 vs. 1,559), Mass Communication (17,240 vs. 33,438), Refunds (395 vs. 2,723) and Disability (36 vs. 134). But PERS was able to serve more members per single FTE than its peer median for activities like Paying Pensions (18,254 vs. 12,001), Group Counseling and Member Contacts (14,344 vs. 12,828) and Purchases (2,595 vs. 542).

## 5. FACTORS AFFECTING RESULTS

One factor that is contributing to the increased membership per FTE from 2007 to 2008 is a slight reduction in FTE. At the end of fiscal year 2007, FTE was 400.5, while some staffing changes brought in with the 2007-09 biennium resulted in a reduced FTE count of 390.3 at the end of fiscal year 2008.

In considering the peer comparison results listed above, it should be noted that PERS was observed to be the second most complex system among 20 other similar sized public retirement systems identified in the CEM Benchmarking, Inc. Benchmarking Analysis for 2007. This complexity is driven by PERS' service to multiple classes of public employees, including part-time employees, the large number of retirement options, multiple retirement benefit calculations, and a number of other benefit add-ons. The complexity has made it difficult to provide enterprise-level, IT-based applications and solutions, particularly given the outmoded nature of the Retirement Information Management System (RIMS), which results in more staff being needed to provide basic services. Moreover, PERS is currently doing a substantial amount of "re-work" to comply with the Strunk and Eugene rulings that affected some 190,000 active and inactive member accounts, and approximately 55,000 retired, withdrawn, or otherwise impacted benefit recipients.

The 2003 PERS Reform legislation has contributed to increased staffing by adding two new retirement programs (OPSRP and IAP). PERS went from an agency of 273 positions in FY 01-03 to 420 positions in FY 03-05 when the reform legislation implementation began and many permanent and limited duration staff were added. PERS' Legislatively Approved Budget for 2007-09 includes staffing of 396 positions (390.3 FTE), a 6 percent decrease from the peak staffing that occurred during the 2003-05 biennium. The 2009-11 Agency Request Budget will continue the downward trend in staffing.

## 6. WHAT NEEDS TO BE DONE

Demographic research shows that in the next five-to-ten years, there will be a dramatically increasing number of members who qualify for retirement benefits. While the rising volume of retirements is an issue facing most public pension systems, PERS is also challenged by an outmoded IT system, which causes various work-arounds and higher staffing needs. This situation is expected to continue until the legacy IT system can be replaced and the operational demands of statutory changes, program expansions (OPSRP and IAP), and the Strunk and Eugene court rulings are accommodated.

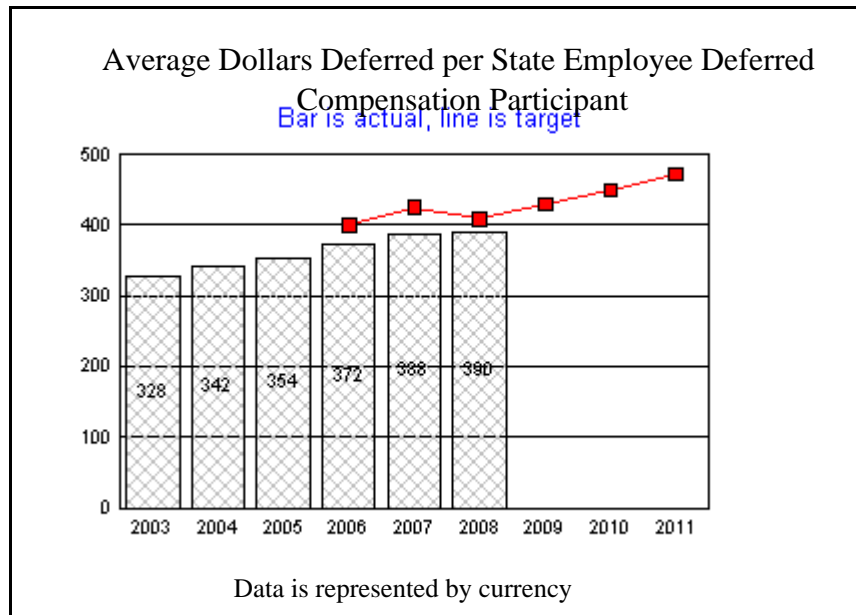
The completion of the Strunk/Eugene project will result in reduced staffing levels as various limited duration positions are eliminated. In the long term, projects like the RIMS Conversion project will also lead to a more automated-processes, reducing PERS' dependency on staff-intensive desktop applications and allowing the agency to handle increasing workloads with stabilized staffing. The Agency Request Budget for 2009-11

includes staffing of 361.55 FTE, a decrease of some 14 percent from PERS' peak staffing in the 03-05 biennium.

**7. ABOUT THE DATA**

This measure is based on data for the Oregon fiscal year period. The member per staff ratio is calculated by dividing the total membership including all active, inactive and retired members (including current year lump sum and withdrawal recipients) by total FTE staff per June PICS reports.

<b>KPM #4</b>	AVERAGE DOLLARS DEFERRED: Average monthly deferral per state employee deferred compensation participant	2006
<b>Goal</b>	Increase voluntary participation by members in Deferred Compensation Program	
<b>Oregon Context</b>	Encourage member independence and financial well-being into retirement. Has an effect on Oregon Benchmark #59: Independent Seniors.	
<b>Data Source</b>	Deferred Compensation records, along with reports from Oregon Savings Growth Plan (OSGP) Third party administrator, Citistreet	
<b>Owner</b>	Deferred Compensation Manager, Gay Lynn Bath, 503-378-3730 ext. 86425	



**1. OUR STRATEGY**

PERS' Deferred Compensation program, the Oregon Savings Growth Plan (OSGP), understands the financial demands on current and future retirees are increasing. And with rising health care costs and Social Security uncertainties, OSGP aims to provide Oregon public employees with

another option to help supplement their PERS benefits and help bridge the anticipated gap between retirees' financial needs and their PERS benefits. To remain a valued option for PERS members, OSGP's goal is to provide solid investment options through its third-party administrator and to educate participants about the importance of retirement preparation through increased deferrals.

## 2. ABOUT THE TARGETS

Targets for the 2005-07 biennium were set based on a data model that was inconsistent with the other Deferred Compensation KPM. PERS has implemented a data change with this measure (legislatively approved with 2007-09 KPMs) to factor in the average monthly deferrals of state employees only, in order for it to match the state employment-only measurement criteria for the Deferred Compensation participation KPM. The requested targets for 2009-11 are based on OSGP's goal to increase average monthly deferrals by 5% each year.

## 3. HOW WE ARE DOING

The average monthly deferral for OSGP participants has increased steadily since 2003. The performance has remained at or near the targeted 5% growth throughout much of this time period. But in 2008, the increase was less than 1%, up to \$390 from \$388 in 2007. This result is evidence of the recent economic downturn, which has impacted members' savings rates and financial ability to increase their deferrals.

## 4. HOW WE COMPARE

In 2007, The National Association of Government Defined Contribution Administrators (NAGDCA) conducted a survey of state plans that showed participating state employees deferred \$293 per month on average. Since OSGP participants are contributing more dollars on average than their industry peers, it demonstrates OSGP's relatively high perceived value to its members.

## 5. FACTORS AFFECTING RESULTS

Earlier this year, the US began experiencing an economic downturn, which has been felt across many industries and reflected in financial indicators and decreasing investment returns. Moreover, inflation in energy, healthcare, and other core consumer goods has reduced members' discretionary income and impacted the deferral averages. Because of cost increases in gas and other consumer needs, OSGP may see participants begin to decrease monthly deferrals during the downturn.

Another factor that could affect results over the next several years is the large number of potential retiring participants. There is a large number of participants who are either already eligible to retire or will become eligible during the next few years. These retiring participants are generally higher

paid than their younger replacements and are later in their careers, making them more likely to participate, so this could reduce both participation rates and the average deferrals for a period of time.

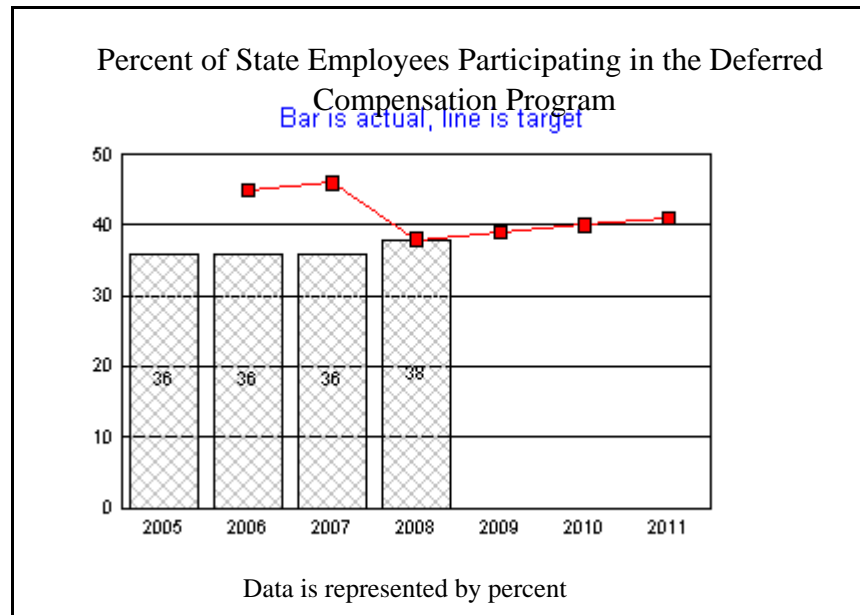
**6. WHAT NEEDS TO BE DONE**

As participants retire, OSGP will need to continue educating the remaining and new participants on the importance of retirement savings. OSGP has recently expanded its marketing approach in the form of plan information printed on the back of state employees' pay stubs to increase awareness about the program. The results have been positive as inquiries and participation have increased. OSGP also encourages participants to base their deferral on a percentage of pay rather than a fixed dollar amount. This way, their deferral will increase when they receive a pay increase.

**7. ABOUT THE DATA**

This measure is based on data for the Oregon fiscal year period. The data is provided by OSGP's third-party administrator, Citistreet, and is easily verifiable by looking at monthly deferral records. This measure is also undergoing a KPM audit. This measurement factors in deferrals from all state employee groups.

<b>KPM #5</b>	LEVEL OF PARTICIPATION: Percent of state employees participating in the deferred compensation program.	2006
<b>Goal</b>	Increase voluntary participation by state employee members in Deferred Compensation Program	
<b>Oregon Context</b>	Encourage member independence and financial well-being into retirement. Has an effect on Oregon Benchmark #59: Independent Seniors.	
<b>Data Source</b>	Deferred Compensation records, along with reports from Oregon Savings Growth Plan (OSGP) Third party administrator, Citistreet	
<b>Owner</b>	Deferred Compensation Manager, Gay Lynn Bath, 503-378-3730 ext. 86425.	



**1. OUR STRATEGY**

PERS' Deferred Compensation program, the Oregon Savings Growth Plan (OSGP), understands that the financial demands on current and future retirees are increasing. And with rising health care costs and Social Security uncertainties, OSGP aims to provide Oregon public employees with

another option to help supplement their PERS benefits and help bridge the gap between retirees' financial needs and their PERS benefits. To remain a valued option for PERS members, OSGP's goal is to provide solid investment options through its third-party administrator and to educate participants about the importance of retirement preparation through participation in this supplemental savings program.

## **2. ABOUT THE TARGETS**

Targets for the 2005-07 biennium were based on data containing an incorrect assumption that was not discovered until January 2007. To correct this, PERS has implemented a data change (legislatively approved for 2007-09) to factor in only the accounts of active state employees in calculating participants. The targets for 2009-11 are based on OSGP's goal to gradually increase the participation level by 1% annually.

## **3. HOW WE ARE DOING**

State government employee participation in OSGP has remained steady at 36% from fiscal years 2005 through 2007, but increased to 38% in 2008. The underlying data shows a 5.7% increase in the number of state participants from 2007 (13,849) to 2008 (14,643), but the overall number of state employees has also increased, and so the participation rate just increased to 38%.

## **4. HOW WE COMPARE**

The National Association of Government Defined Contribution Administrators (NAGDCA) conducts a periodic survey that measures participation in optional state and local government defined contribution plans. In its 2007 survey results, NAGDCA reported that among the responding state plans, 24% of the eligible employees participated in optional plans like OSGP. So at 38% participation among state employees, OSGP is performing well ahead of the national average participation rate for similar plans.

## **5. FACTORS AFFECTING RESULTS**

Because OSGP is voluntary for state employees, to have both a high rate of penetration and a high average monthly deferral rate reflects that the Deferred Compensation program is both well known and represents an important retirement savings tool for many state employees. Despite this, there are other factors that will affect (and possibly decrease) the ongoing participation rates. There are a large number of baby boomer generation employees who are eligible to retire in the near future. Many of these retirees will withdraw their OSGP accounts or roll them into other retirement accounts and the demographics of their replacements (normally younger and lower paid) will create a challenge for increasing participation rates and deferral amounts.

## **6. WHAT NEEDS TO BE DONE**

Data shows that participation does not often change drastically from year to year, and the participation rate remains difficult to control or impact. And when factoring in the effect that the many upcoming retirements will have on OSGP participation rates, it will be important for OSGP to educate and remind existing and new employees of the benefits of participating in the program. One tactic the OSGP has recently used is expanded marketing outreach in the form of plan information printed on the back of state employees' pay stubs to increase awareness about the program. This has resulted in increased interest in the program.

**7. ABOUT THE DATA**

This measure is based on data for the Oregon fiscal year period. The data is provided by OSGP's third-party administrator, Citistreet. Because the available records of certain participating employee groups (Higher Ed, miscellaneous small agencies and participating local government entities) are more difficult to verify, only Oregon State Payroll System (OSPS) employees are factored in this measure. OSPS records are easily verifiable and make for stable comparisons from year to year.

<b>KPM #6</b>	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.	2006
<b>Goal</b>	To improve customer satisfaction through effective and efficient delivery of retirement benefits.	
<b>Oregon Context</b>	#35: Public Management Quality - Citizen satisfaction with government services.	
<b>Data Source</b>	Agency-administered survey (Survey Monkey online tool was used, along with a hard copy provided in the retiree newsletter).	
<b>Owner</b>	Customer Services Division Administrator Yvette Elledge, 503-603-7685	



**1. OUR STRATEGY**

PERS is committed to providing high-quality, cost-effective customer service. The goal is to deliver effective and efficient service to PERS members, employers, and stakeholders.

The customer satisfaction surveys help to determine areas of strength and needed improvement. PERS management will make strategic decisions based on the results to place resources and effort where improvement is needed.

## 2. ABOUT THE TARGETS

The current and ongoing goal is to maintain 80% of customers rating their PERS service as good or excellent.

## 3. HOW WE ARE DOING

For the 2008 member survey, PERS scored in a fairly tight range between 89% and 92% across all categories, with 91% of member and retiree customers rating PERS overall service as “good” or “excellent.” These ratings are up from the 2007 results falling between 80% and 85%, and continue the upward trending performance since the initial survey in 2006. Member and retiree customers rated PERS highest in Timeliness and Helpfulness (92%), and lowest in Availability of Information (89%).

For the 2008 employer survey, the employers rated PERS between 55% and 70% “good” or “excellent,” with 58% of employers rating PERS overall service as Excellent or Good. The 2007 employer ratings are also up significantly from the 2006 scores, falling between 40% and 55%. Employers rated PERS highest in Helpfulness (70%) and lowest in Availability of Information (55%).

## 4. HOW WE COMPARE

PERS does use the services of a benchmarking consultant (CEM Benchmarking, Inc.), but customer satisfaction ratings is not one of the comparators.

## 5. FACTORS AFFECTING RESULTS

PERS continues to keep customer service and member/employer satisfaction as a major focus in its agency strategies and staff efforts. In 2008, PERS made several organizational and staffing improvements to its call center, resulting in fewer abandoned calls and quicker solutions to member’s inquiries. There were staff dedicated full time to email and correspondence, which has resulted in much faster turn-around times. There was also a one-on-one retirement application assistance program added, which has resulted in an application error rate of less than 3% for applicants utilizing the program, compared to more than 10% for applications received from members who did not go through the program.

PERS also made several improvements to help bolster employer customer service in 2008. There were workshops/presentations with individual employers and groups beyond the usual outreach presentations, the creation of a new employer advocate program to assist new employers with the setup and data reporting process, and other employer outreach and training improvements.

**6. WHAT NEEDS TO BE DONE**

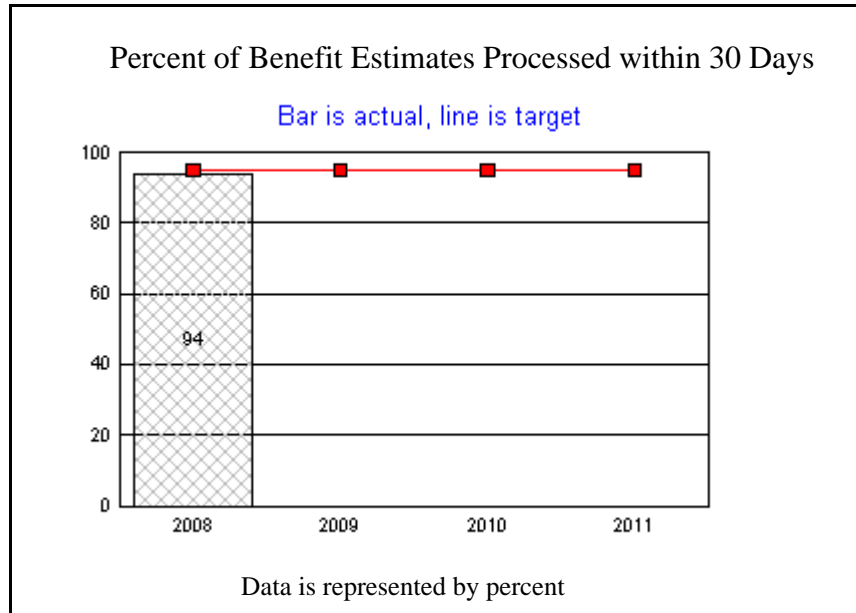
PERS needs to continue to maintain its high level of awareness and focus on customer service. Establishing and maintaining effective communication modes and techniques will also ensure that its members receive all available information. Employer outreach and hands-on assistance with the electronic reporting function is also helping to improve service and satisfaction with employers. These improvements demonstrate PERS' efforts to take a much more proactive approach to its member and employer customer service.

**7. ABOUT THE DATA**

The member satisfaction survey was conducted by PERS staff using the online SurveyMonkey.com tool and hard copy surveys included in the August newsletter mailed to retirees. The survey was open from August 1-31. The population can be classified as consumers, since members and retirees are end users of PERS services. For the sampling frame, PERS left the survey open to all members (active and inactive) and retirees. The survey was advertised in the Perspectives newsletter (a PERS newsletter sent to all members and retirees), which listed the web link to take part in the survey. The survey link was also posted on the PERS website for all members and retirees to view. Since PERS left the survey open to the full population of members and retirees, the sampling procedure could be considered a passive census. Out of approximately 330,000 members and retirees, PERS received 4,129 responses, a 1.3% survey participation rate. There was no weighting involved with the tabulation of results.

The employer survey was also conducted by PERS staff using the online SurveyMonkey.com tool. The survey was open from August 1 through 31. The employer population could be considered clients, and for the sampling frame, PERS left the survey open to all employers. The survey link was emailed to all employers, and posted on the employer portion of the PERS website. The sampling procedure would be considered a census. Out of approximately 870 employers, PERS received 185 responses, a 21% survey participation rate.

<b>KPM #7</b>	TIMELY BENEFIT ESTIMATES: Percent of benefit estimates processed within 30 days.	2008
<b>Goal</b>	To prepare and deliver benefit estimates effectively and efficiently.	
<b>Oregon Context</b>	Oregon Benchmark #59: Independent Seniors. Encourage member independence and financial well-being into retirement.	
<b>Data Source</b>	Customer Service Division (CSD) statistics	
<b>Owner</b>	Customer Services Division Administrator Yvette Elledge, 503-603-7685	



**1. OUR STRATEGY**

PERS understands that receiving timely and accurate benefit estimates is a crucial component of retirement planning. To make sure members have all available information they need to properly plan for retirement, PERS is focused on providing member benefit estimates within 30 days of a qualified request.

## 2. ABOUT THE TARGETS

This is a new KPM for the 2007-09 biennium. With no extensive trend line, the target of 95% was established for 2007-09. PERS continued goal is to deliver benefit estimates within 30 days at least 95% of the time, and this targeted level of service is continued through 2009-11.

## 3. HOW WE ARE DOING

Since this is a new KPM, 2008 is the first year of measurement. For 2008, PERS provided member benefit estimates within 30 days 94% of the time. This is just below the target of 95%. Although there were several months within the fiscal year when performance was up to 99% of estimates processed in 30 days, the overall average for the entire year was 94%.

## 4. HOW WE COMPARE

Using the services of a third-party benchmarking consultant (CEM Benchmarking, Inc.), PERS is able to compare its performance with that of its peers. According to CEM Benchmarking, Inc., the median rate for preparing benefit estimates was five days in 2007 (CEM's 2008 report is not yet published). By comparison, it took PERS an average of ten days to process benefit estimates. While PERS lags behind its peers in this measure, note that PERS must calculate the benefit using up to three different methods and then display 13 different benefit scenarios with each request, based on available payout and survivorship options. Most other systems have much simpler rule sets, and their benefit estimates often reflect a single calculation method and fewer payout or survivorship options.

## 5. FACTORS AFFECTING RESULTS

Because this is the first year for tracking the performance of this KPM, it is difficult to assess what factors might have affected the results. But PERS has employed several strategies this year to help speed this process, and this could have affected the results positively. In general, PERS has taken a much more proactive approach with the benefit estimate process. Initial estimate requests are examined early in the process for any questionable information, and the member is contacted immediately. PERS' aim is to respond to inquiries within 24 hours, but no later than five days. There is also a new process in place for estimates involving non-age eligible 30 year members. The process calls for an eligibility team to look at the request immediately to establish that the member is projected to have sufficient service time to retire based on their estimated retirement date.

## 6. WHAT NEEDS TO BE DONE

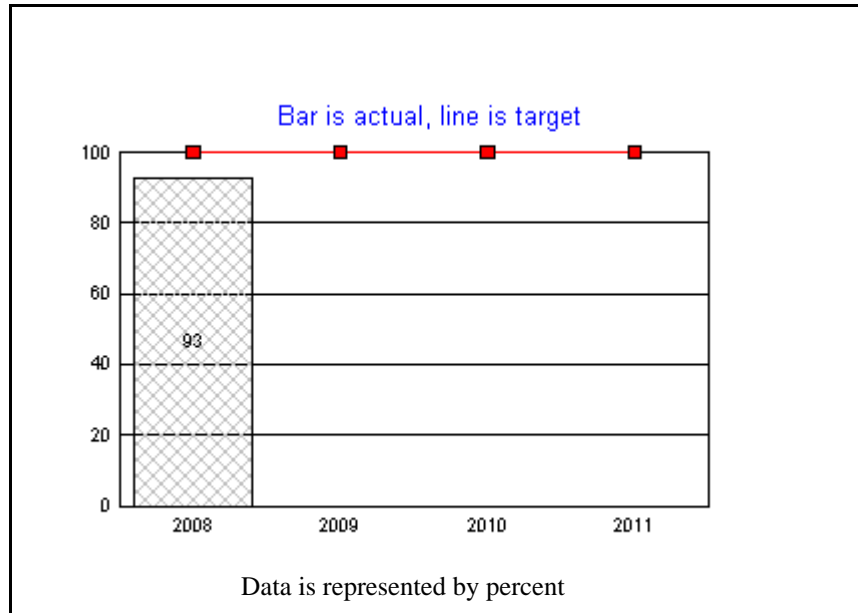
The performance data for 2008 shows PERS is very close to its goal of 95% of estimates processed in 30 days. So it will be important for PERS to

continue its proactive approach and continue the improved member communication related to the benefit estimate requests.

**7. ABOUT THE DATA**

This measure is based on data for the Oregon fiscal year period. The data is based on tracked performance statistics provided by the Customer Services Division at PERS.

<b>KPM #8</b>	BOARD OF DIRECTORS BEST PRACTICES: Percent of total best practices criteria met by the PERS board.	2004
<b>Goal</b>	To achieve best practices in governance of PERS	
<b>Oregon Context</b>	#35: Public Management Quality - Citizen satisfaction with government services.	
<b>Data Source</b>	Annual self-administered survey.	
<b>Owner</b>	Executive Director Paul Cleary, 503-603-7701	



**1. OUR STRATEGY**

The PERS Board is committed to working with the Executive Director and the Executive Management team to implement best practices in the governance of Agency operations. In this initial self-assessment, the Board considered the 15 DAS-assigned best practices criteria and added 3 additional criteria they felt would also be beneficial to consider. These additional criteria are not scored for purposes of this KPM.

## 2. ABOUT THE TARGETS

While there is no previous data upon which to base the targets, the PERS Board's goal is to meet 100% of the best practices criteria for this measure.

## 3. HOW WE ARE DOING

The PERS Board completed the self assessment survey process during September and reviewed the results at their September 19th public board meeting. For internal purposes, the Board assessed their performance in three categories: fully meets, meets but needs improvement, or does not meet. For KPM purposes, the Board concluded that the meets but needs improvement category would be rated as a "yes" for this KPM. In their deliberations, the Board concluded that they had satisfactorily met 14 of the 15 best practices criteria. Their performance in the criteria "Board members identify and attend appropriate training sessions" was rated as a "No".

## 4. HOW WE COMPARE

PERS does not have any comparable survey data to contrast with its peers, but once results from other boards and commissions are published, the PERS Board will be able to compare its result with that of its Oregon peers.

## 5. FACTORS AFFECTING RESULTS

The PERS Board recognizes the importance of maintaining a high level of awareness on customer service, improving communications with stakeholders, and increasing the Agency focus on cost effective and efficient operations. This emphasis will result in increased attention at the staff level on operational best practices, which takes on increasing importance in periods of economic downturn. The Board will remind Agency management of the importance of this best practices focus through their discussions at Board and Committee meetings.

## 6. WHAT NEEDS TO BE DONE

The PERS Board will take measures to improve their overall performance on these best practices criteria whenever possible. PERS staff can assist the Board in this endeavor by communicating and sharing training opportunities with the Board so they are able to be more knowledgeable in all applicable areas of governance and benefit administration. PERS staff will strive to provide timely and accurate reports so Board decisions are based on the most current information available. The Chair of the Board will work closely with the Executive Director to identify specific areas of improvement and possible courses of action to make those improvements. At the same time, the Board will continue their focus on the other 14

criteria and remains committed to a continuous improvement agenda of reviewing and implementing governance best practices.

**7. ABOUT THE DATA**

This measure is based on data for the Oregon fiscal year period. The PERS Board completed the annual self assessment in September for reporting in the Governor's Recommended Budget and the related updating of this report.

**Agency Mission:** We are a well-respected organization that serves its members by enabling informed retirement and health benefit decisions and delivering retirement and health benefits effectively and efficiently.

**Contact:** Matthew Rickard, Budget Analyst

**Contact Phone:** 503-603-7576

**Alternate:** Kyle Knoll, Budget Officer

**Alternate Phone:** 503-603-7568

**The following questions indicate how performance measures and data are used for management and accountability purposes.**

<p><b>1. INCLUSIVITY</b></p>	<p>* <b>Staff :</b> Staff: The 2007-09 approved KPMs were developed by PERS staff and executive management and reviewed by the PERS Board.</p> <p>* <b>Elected Officials:</b> Elected Officials: Elected officials have reviewed and approved the 2007-09 KPMs, as a part of the Ways and Means process and will be reviewing the 2009-11 targets (there are no KPM or data changes for 2009-11) reflected in this report.</p> <p>* <b>Stakeholders:</b> Stakeholders: Staff met with key management and stakeholders to determine how each measured success. The KPMs were then formed using strict selection criteria to ensure accuracy, longevity, and applicability to each program.</p> <p>* <b>Citizens:</b> Citizens: While citizens are not involved in the KPM formation process, the annual results are posted on the Oregon Progress Board and PERS websites for the general public to view.</p>
<p><b>2 MANAGING FOR RESULTS</b></p>	<p>The results are used to gauge PERS' progress versus previous performance, as well as its peers. The results are also used in the formation of business plans and in development of the agency's biennial budget. Two of the KPMs are new for 2007-09. There were several data changes approved with the 2007-09 Ways and Means process, and those changes have been used to update past data results, since these changes involved improvements and data corrections. The agency's six-year strategic plan and two-year tactical plan are also linked to the performance measures to guide longer-term management of the agency. One positive effect of analyzing the previous results involves the improved focus on customer service, and the resulting higher member and employer ratings last year.</p>

<p><b>3 STAFF TRAINING</b></p>	<p>In the KPM formulation process, meetings with managers and stakeholders have taken place to educate them on the KPM process, and to help them understand how the measures can be useful in program and agency management. Staff working directly with the KPMs also have attended Oregon Progress Board (OPB) trainings and participate in most of the OPB quarterly roundtables and informational meetings.</p>
<p><b>4 COMMUNICATING RESULTS</b></p>	<ul style="list-style-type: none"> <li>* <b>Staff :</b> Staff: Results are posted on PERS’ internal network, included along with sectional budget execution reports for managers, posted on the PERS website for general staff, and reviewed by the PERS Board.</li> <li>* <b>Elected Officials:</b> Elected Officials: Results are communicated through the Annual Performance Progress Report and as part of the agency’s biennial budget request.</li> <li>* <b>Stakeholders:</b> Stakeholders: Results are reported directly to the PERS Board and posted on the PERS website for other stakeholders.</li> <li>* <b>Citizens:</b> Citizens: The results are posted on the OPB website and the PERS website.</li> </ul>