

# **PUBLIC EMPLOYEES RETIREMENT BOARD**

## **CONFERENCE CALL MEETING**

**This meeting is open to the public; interested parties may hear this meeting in the PERS Boardroom.**

<b>Friday January 7, 2005 1:00 pm</b>	<b><i>PERS Headquarters Boardroom 11410 SW 68th Parkway Tigard</i></b>
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<b><i>Item</i></b>	<b>MEETING AGENDA</b>	<b><i>Presenter</i></b>
1.)	HB2020 Update – Business Management Plan	CLEARY / BACON
2.)	Board Legislation Positions – Decision Matrix	DELANEY
3.)	Executive Session – Litigation Update	LEGAL COUNSEL
4.)	PAMCORP Fidelity Bond Claim Settlement	LEGAL COUNSEL

**The executive session portion of this meeting is being convened pursuant to**

**ORS 40.225; 192.660(2) (f) & (h)**

**Mike Pittman, *Chair* • Brenda Rocklin, *Vice-Chair*  
James Dalton • Tom Grimsley • Eva Kripalani  
Paul Cleary, *Executive Director***

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# Oregon

Theodore R. Kulongoski, Governor

MEETING 01-07-05

DATE

AGENDA 1.

ITEM

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January 3, 2005

TO: Members of the PERS Board

FROM: Paul R. Cleary, PERS Executive Director  
Marsha Bacon, Customer Service Division Administrator

SUBJECT: HB2020 Update – Business Management Plan for Wage and Contribution Reports

Throughout calendar year 2004, PERS staff has been working with public employers to ensure the correct reporting and posting of member wage and contribution reports. Proper posting of those records ensures that member contributions are timely credited to the new Individual Account Program (IAP), and provides the basis for a clean and timely year end closing of PERS contribution records, commonly known as the “annuals” reconciliation.

The Board has noted the steady but slow progress being tracked in the *Employer Production Report Status* – the percentage of employers who have successfully reported and posted all records submitted having risen from 62% to 79% during the last quarter of 2004, with a change from 76% to 79% in just the past week. At its December 10 meeting, the Board asked staff to produce a business management plan to resolve the employer reporting issues that are hindering the correct posting of submitted reports.

## CURRENT STATUS

To create a business management plan we first need to determine current reporting status. The following preliminary and un-audited metrics are for calendar year 2004, based on the end of December *Employer Production Report Status*:

- How many reports remain not posted for 2004: 496
- How many reports are partially posted (85-99%): 2,044
- How many member contributions remain unposted: \$5,795,350
- How many reports have been fully posted at 100% 9,444
- How many member contributions have been posted: \$368,465,626

## GOAL

PERS has set a goal of 98% of all employer reports successfully reporting and posting on a monthly basis. Fifty year's experience with PERS employer reporting tells us that achieving that goal will always be challenged by such reporting problems as ineligible employees, transposed numbers, and calculation errors. However, it is still an appropriate goal to strive for, particularly in all areas that PERS can control or influence.

## KEY DATES

January 13, 2005	Production deployment of additional system functionality (Release 2.1.1)
February 7, 2005	Production deployment of additional system functionality (Release 2.2)
March 7, 2005	Production deployment of additional system functionality (Release 2.3)
March 10, 2005	Closure of 2004 annual reconciliation
April 11, 2005	Production deployment of additional system functionality (Release 2.4)
May 1, 2005	Mailing of Member Statements

STAFFING

Many member demographic and contribution records that have suspended due to some error require intensive manual manipulation by PERS staff. On December 27, 2004, nine temporary employees were added to the Membership/Employer Relations (MERS) staff to focus on cleaning records necessary for the annual’s process.

*Budget Implications:* These temporary staff positions were approved and funded as part of PERS’ 03 - 05 biennial budget for year-end reconciliation activities.

To relieve that staff of general separation record duties during the coming three-month period of record posting and annual reconciliation, the Customer Service Section has dedicated three existing staff who will take over these regular duties during the reconciliation process.

INFORMATION TECHNOLOGY

MERS staff has developed and provided a list of system change requests that would clear many suspended records. Some examples include:

Member Data	Adjust so that name punctuation does not suspend record.
Member Data	Allow for plan changes when break-in-service occurs.
Member Data	Allow for deletion of member record created by employer in error.
Member Data	Allow for change to member employment position.

Additionally, a series of planned system function expansions (the key date production deployments noted above) to allow for prompt processing of records currently suspended will be reviewed and prioritized, allowing those functions to be “turned on” earlier than planned in January, February and March, 2005.

To provide the resources necessary to undertake this acceleration of system function improvements, staff is coordinating the efforts of three related, ongoing activities:

- 1) RIMS programming modifications due to planned annuals processing;
- 2) HB2020/jClarety implementation; and
- 3) RIMS Conversion/jClarety implementation.

All of these activities share functional requirements as well as internal and external resources. With the recent Emergency Board approval of stage one of the RIMS

Conversion project, staff is taking the opportunity to analyze and integrate the design and development phases of the HB2020 and RIMS Conversion projects to better address business needs and optimize the use of agency resources. This analysis will be completed over the next three weeks and may result in rescheduling some of the deliverables contained in the HB2020/jClarety project so that nearer term needs can be addressed. This analysis will take into account the fact that all pension plans will be administered using jClarety within 44 months and will schedule functional releases and migration activities accordingly.

*Budget Implications:* There will be additional costs related to a temporary increase in Covansys support staff. However, it is anticipated that current agency-wide budget savings are sufficient to meet those expenses.

### PROCESSES

All pertinent processes are being reviewed for improved efficiencies. It is anticipated that a report will soon be ready for full-production that would indicate where jClarety and RIMS reported data are “out of sync.” This report would also provide staff with directions on how to clear the reporting error actually causing the problem. This report will replace a series of six other reports, providing all the necessary data in a single location. One of our most experienced employer data managers has been assigned to lead the team that will work this new report and data correction.

Beginning early January, Covansys staff will also provide additional training to employers and MERS staff in improved processes and proper use of system functionality.

*Budget Implications:* There are no immediate budget implications to improved processes. As noted in the previous section pertaining to Information Technology, it is anticipated that any additional Covansys support expenses can be covered by agency wide budget savings.

A draft business management plan has been separately provided for Board review and feedback. Staff will continue to refine the plan for full presentation and discussion at the Board’s January 25, 2005 meeting.



# Oregon

Theodore R. Kulongoski, Governor

**MEETING 01-07-05**

**DATE**

**AGENDA 2.**

**ITEM**

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December 29, 2004

TO: PERS Board

FROM: Steve Delaney, Legislative Coordinator

SUBJECT: Board Legislation Positions – Decision Matrix

## BACKGROUND

The 2005 session of the Oregon Legislature will begin January 10, 2005. With passage of HB 2020 this past session, the relationship of the PERS Board and the Oregon Legislature has been clarified. That act provides the PERS Board with the opportunity to assist the legislature in crafting legislation pertaining to public employee retirement benefits.

Several members of the PERS Board Legislative Advisory Committee have asked that the Board communicate in some manner how it will decide which bills it may choose to support, oppose, or remain neutral.

This document provides a decision matrix that, if adopted, describes the general parameters the Board would use in making a decision regarding bill positions for various topic areas.

## DECISION MATRIX

The decision matrix is intended to guide PERS staff in relating to interested parties the likelihood of the PERS Board taking a position on various legislative proposals. The decision matrix is only suggestive of likely Board positions, it is not binding upon the Board for any specific legislative proposal, and it is subject to revision based on further Board consideration.

BILL TOPIC	BOARD POSITION
Administration of Plan - All aspects	The Board will take a position as appropriate with regard to proposed administrative changes; consideration will include the possible workload impact upon PERS staff.
Benefits - Adequacy, amount, size	The Board does not take a position with regard to appropriate benefit levels, which is a legislative prerogative. The Board will provide factual information regarding the impact of proposed bills on member benefits, employer rates, and system funding as part of its fiscal impact analysis.
Benefits - Plan Structure (i.e. vesting, benefit factor, FAS, payment options)	The Board will take a position as appropriate with regard to proposals to change plan structure. Specifically, while plan structure is a legislative prerogative, the Board will look to legislative intent and will determine if a proposal accomplishes the intent and if there are any administrative impacts, and will take a position accordingly.
Membership - PERS eligibility - Coverage status - Classification (i.e. P&F)	As membership issues affect benefits, the Board does not take a position with regard to membership issues, which is a legislative prerogative. The Board will provide factual information regarding the impact of proposed bills on membership rights, impact on member benefits, employer contribution rates and system funding as part of its fiscal impact analysis.
PERS Board - Authority - Functions	The PERS Board as trustee of the Public Employees Retirement System has fiduciary duties and will take a position as appropriate with regard to bill proposals impacting the PERS Board and its ability to fulfill those responsibilities.
PERS Board - Membership (i.e. number, representation)	The PERS Board does not take a position with regard to membership or representation on the PERS Board, which is a legislative prerogative.
PERS Fund - All aspects	The PERS Board as a trustee of the Public Employees Retirement Fund has fiduciary duties and will take a position as appropriate with regard to bill proposals impacting the PERS Fund.
Tax Qualification of Plan - All aspects	The PERS Board is required by Oregon Revised Statute (ORS 238.630(3)(g)) to maintain the tax qualification of the plan, and will take a position as appropriate with regard to bill proposals impacting the plan's tax qualification status. It is possible that a bill initially falling within the policy scope of a prior topical area above (such as <i>Benefits</i> ) may actually require a PERS Board position because of impact on the tax qualification status of the PERS plan.

## GUIDING PRINCIPLES

The PERS Board has outlined a number of principles to guide decision-making by the Board. In reviewing proposed legislation the Board will use the following guiding principles to assist them in determining the Board's position regarding individual bills:

- **TRUSTWORTHY.** We build trust internally and with all stakeholders.
- **TRANSPARENT.** Our work is transparent, direct and open (recognizing timing around litigation and personnel issues).
- **MEMBER-FOCUSED.** We care about our members. We assure that members receive their legitimate benefits. We seek to understand and meet member needs.
- **INCLUSIVE.** We uphold our stakeholders' right to provide input into decisions that affect them.
- **OBJECTIVE.** We administer the law objectively, not subject to political pressure or improper influence.
- **STRAIGHTFORWARD.** We strive for simplicity. We aim to make our benefits and services easy to understand, straightforward to administer, and efficient to implement.
- **ACCOUNTABLE.** We do what we say we'll do. We make and keep commitments.
- **DATA-PROTECTIVE.** We maintain and improve the integrity of member data through our processes, business rules, decision-making, and any quick fixes.
- **ALIGNED.** We're focused on our objectives. We keep strategy and resources aligned, and deliver results, even as priorities change.
- **CLEAR.** Our communications are clear, consistent and concise, and meet stakeholder needs.
- **COURAGEOUS.** We're willing to make hard decisions in order to implement our strategy and to deliver according to the charter of the organization.
- **COMPETITIVE.** We understand the financial implications of all our decisions and aim to operate competitively.
- **CAREFUL.** We anticipate and manage risks to support financial stability for members, employers and taxpayers.

## OTHER BOARD LEGISLATIVE REQUIREMENTS

During the course of the 2003 session of the Oregon Legislature, three new responsibilities regarding PERS Board interaction with the Legislature were added to Oregon Revised Statute:

- (1) The PERS Board is now directed to assist the Oregon Legislature as a policy advisor, and may provide recommendations regarding PERS-related legislative proposals:  
ORS 238.660(9) “The board may review legislative proposals for changes in the benefits provided under this Chapter and ORS Chapter 238A and may make recommendations to committees of the Legislative Assembly on those proposed changes. In making recommendations under this subsection, the board acts as a policy advisor to the Legislative Assembly and not as a fiduciary. In making recommendations under this subsection on the Oregon Public Service Retirement Plan established by ORS Chapter 238A, the board shall seek to maintain the balance between benefits and costs, and the relative risk borne by employers and employees with respect to investment performance, reflected in ORS Chapter 238A as in effect on January 1, 2004.”
- (2) To assist the PERS Board in this task, the Board was directed to create a stakeholder advisory committee of employer and labor representatives to review and provide comment regarding PERS-related legislation:  
ORS 238.660(10) “The board shall appoint a committee to advise the board on legislative proposals for changes in the benefits provided under this Chapter and ORS Chapter 238A. The committee must have an equal number of members representing labor and management. No costs of reviewing legislative proposals and making recommendations under this subsection may be charged to the fund. Any member of the committee who is an active member of the system shall be released by the participating public employer who employs the member for the purpose of conducting the official business of the committee, and the wages or salary of the member may not be reduced by the employer during periods that the member is released from duty for the purpose of conducting the official business of the committee.”
- (3) When the Legislative Fiscal Office determines a legislative proposal would raise employer contribution rates by more than one-tenth of one percent, the PERS Board is to be notified, and the Board in turn is to notify all participating public employers:  
ORS 173.051 “The Legislative Fiscal Officer, with the aid of the Public Employees Retirement Board and public employers providing benefits under ORS Chapter 238A, shall prepare a fiscal impact statement on each measure introduced in the Legislative Assembly that would increase employer contributions under ORS Chapter 238A. If the Legislative Fiscal Officer determines that a proposed measure would result in an increase in the total liability for benefits under ORS

Chapter 238A that is in excess of one-tenth of one percent, the Legislative Fiscal Officer shall promptly notify the Public Employees Retirement Board. The board shall thereafter promptly give notice of the proposed measure, and the fiscal impact of the proposed measure as determined by the Legislative Fiscal Officer, to all public employers providing benefits under ORS Chapter 238A. [2003 c.733 §45b]”

ACTION ITEM

The Board may adopt the decision matrix as presented, or recommend modifications.



# Oregon

Theodore R. Kulongoski, Governor

**MEETING 01-07-05**

**DATE**

**AGENDA 4.**

**ITEM**

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December 29, 2004

**TO:** Members of the PERS Board

**FROM:** Steven Patrick Rodeman, Manager  
Policy, Planning, and Legislative Analysis Group

**SUBJECT:** PAMCORP Fidelity Bond Claim Settlement

The PERS Board has been asked to accept a partial settlement of the fidelity bond claim in the PAMCORP litigation. This litigation involves an investment transaction funded by Public Employees Retirement Fund dollars in the early 1990's. Separately, the Board has been provided a confidential attorney-client summary of the transaction and related actions.

The settlement and release agreement has also been separately provided to the Board. Fred Boss, the chief of the Department of Justice's Civil Enforcement Division, has forwarded this agreement to the Board recommending approval. Note that this agreement is only to settle the bond claims against the insurers that issued faithful performance bonds for the covered state employees. Separate litigation seeking to recover additional losses is proceeding, as stated in the confidential attorney-client summary.

The PERS Board has scheduled an executive session during the January 7, 2005 meeting where the agreement and related documents may be reviewed with legal counsel under ORS 192.660(2)(f) and (h). Should the Board decide to accept the settlement offer, that action is on the agenda for this meeting. Please let me know if you have any questions prior to the meeting, or feel free to contact Keith Kutler at the Department of Justice.