

# BUDGET NARRATIVE

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## BUDGET NARRATIVE

### CERTIFICATION

I hereby certify that the accompanying summary and detailed statements are true and correct to the best of my knowledge and belief and that the accuracy of all numerical information has been verified.

Oregon Public Employees Retirement System

**AGENCY NAME**

11410 SW 68th Parkway, Tigard, Oregon 97223

**AGENCY ADDRESS**



**SIGNATURE**

Director

**TITLE**

Notice: Requests of those agencies headed by a board or commission must be approved by those bodies of official action and signed by the board or commission chairperson. The requests of other agencies must be approved and signed by the agency director or administrator.

## BUDGET NARRATIVE

### Legislative action

#### Public Employees Retirement System

45900

Agency Contact: Greg Gabriel  
Date Submitted: 09/30/2025  
CFO Analyst: Ben DeYoung

Session/Eboard	Month (Eboard only)	Year	Bill Number	Short description of action taken
Regular session		2023	HB 5033	2023-25 agency main budget bill
Regular session		2023	SB 5506	2023-25 agency budget adjustment
Regular session		2024	SB 5701	2023-25 budget adjustment, COLA
Regular session		2024	HB 4045	2023-25 budget adjustment
Regular session		2025	HB 5534	2025-27 agency main budget bill
Regular session		2025	SB 5006	2025-27 end of session bill
Regular session		2025	HB 2728	2025-27 member's overtime bill

# BUDGET NARRATIVE

## **Public Employees Retirement System**

### **Agency summary**

The Public Employees Retirement System (PERS) administers a range of retirement programs on behalf of more than 900 public employers throughout the state of Oregon. These programs are provided to all state agencies, universities and community colleges, all public school districts, and almost all cities, counties, and other local government units.

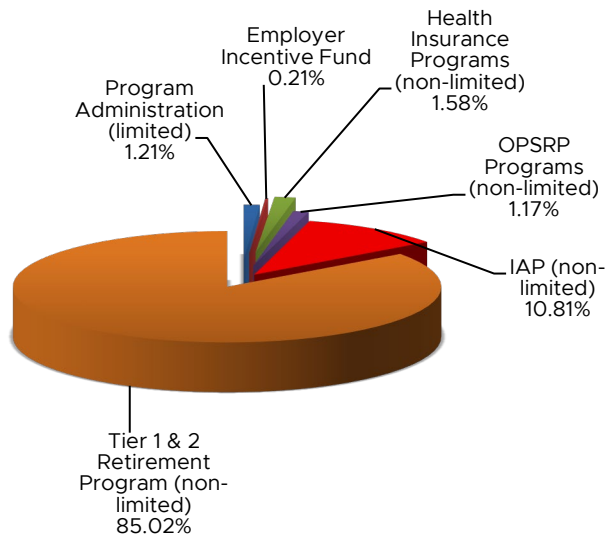
The agency administers the Tier One and Tier Two Retirement Programs, Oregon Public Service Retirement Plan Pension Program (OPSRP), Individual Account Program (IAP), Judge Member Retirement Program, Oregon Savings Growth Plan (OSGP) — a deferred compensation program, Public Employee Benefit Equalization Fund (PEBEF), Social Security Administration Program (SSAP), and PERS Retiree Health Insurance Program (PHIP).

# BUDGET NARRATIVE

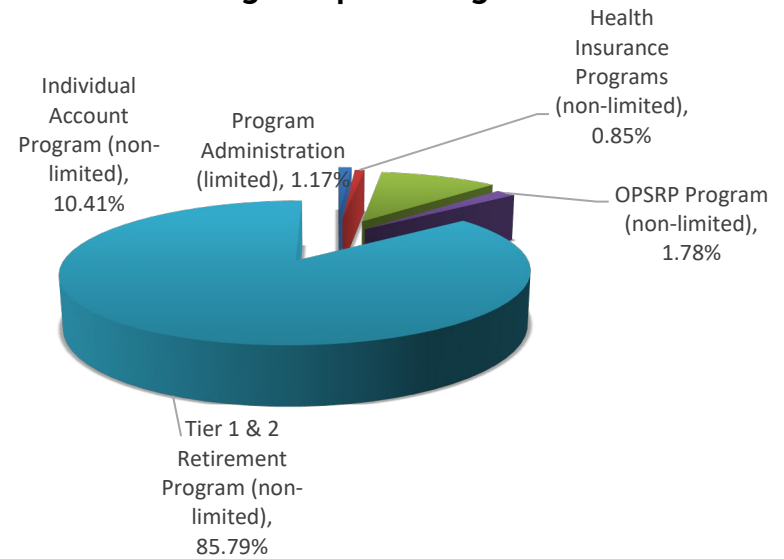
## Budget summary graphics

### PERS expenditures by activity

**Agency summary  
2023-25 Leg. Approved Budget**

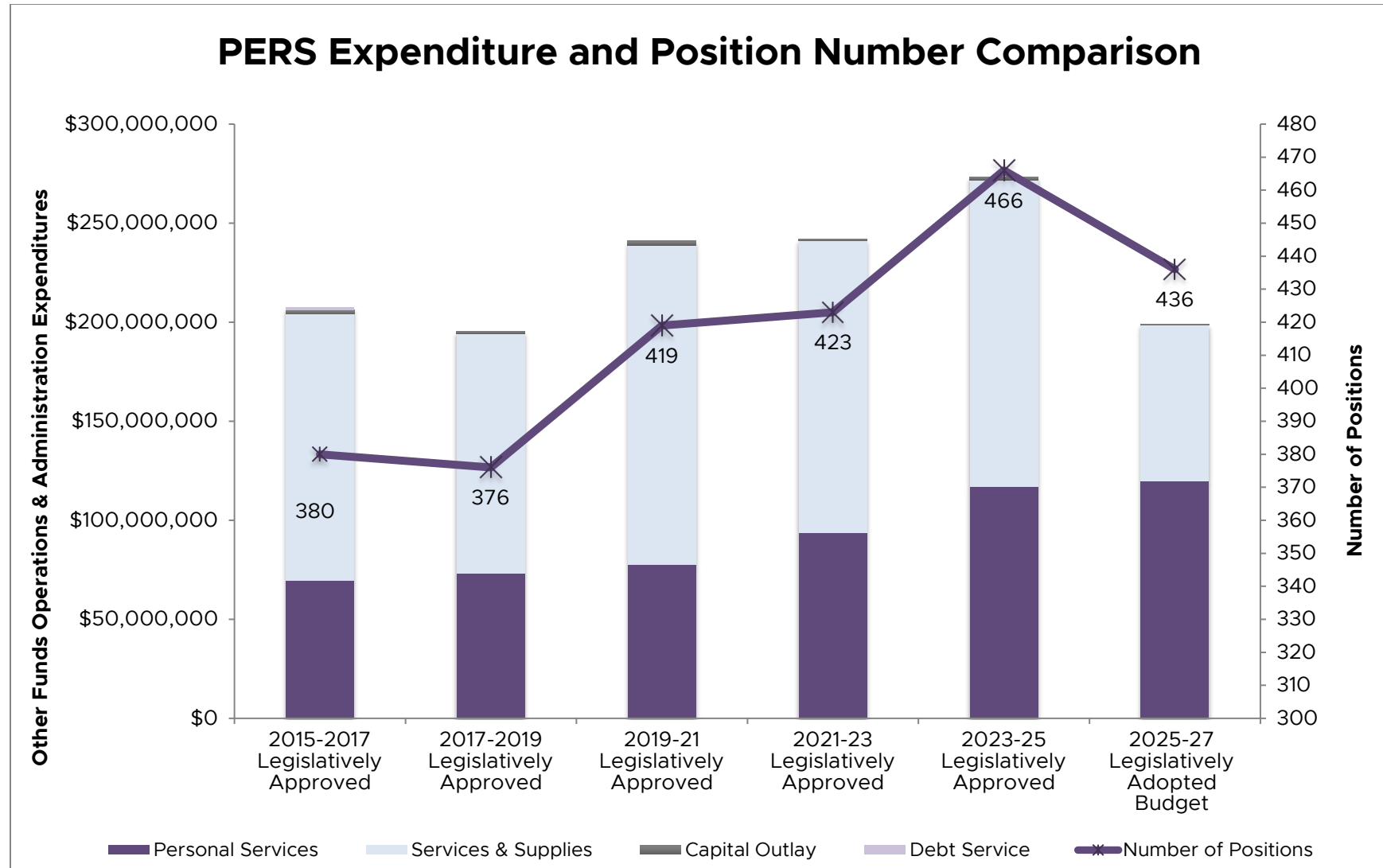


**Agency Summary  
2025-27 Leg. Adopted Budget**



## BUDGET NARRATIVE

### PERS expenditure and position-number comparison



## BUDGET NARRATIVE

The following table shows the agency's budget as a percentage of the historical and projected PERS Fund balance over the time periods shown (also known as a "basis point" comparison):

E = Estimated

### PERS budget/PERF comparison

Biennium	Legislatively approved limited budget	Fiscal year ended June 30	Limited budget	PERF balance	% Operating	
<b>2015-2017</b>	\$108,240,199	2016	54,120,100	71,331,639,411		0.0759%
		2017	54,120,100	77,044,798,841		0.0702%
<b>2017-2019</b>	\$101,657,012	2018	50,828,506	81,098,072,149		0.0627%
		2019	50,828,506	81,451,520,000		0.0624%
<b>2019-2021</b>	\$145,475,503	2020	72,737,752	77,257,271,000		0.0942%
		2021	72,737,752	93,708,071,000		0.0776%
<b>2021-2023</b>	\$154,361,372	2022	77,180,686	97,029,266,020		0.0795%
		2023	77,180,686	97,280,442,579		0.0793%
<b>2023-2025</b>	\$177,462,596	2024	88,731,298	99,895,420,760		0.0888%
		2025	88,731,298	103,786,320,000		0.0845%
<b>2025-2027</b>	\$180,147,744	2026	90,073,872	103,770,230,860	E	0.0868%
		2027	90,073,872	103,770,230,860	E	0.0868%



# BUDGET NARRATIVE

## Mission statement and statutory authority

### **PERS 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.*

### **Shared vision**

Honoring your public service through secure retirement benefits.

### **Core values**

**Service-focus** — We work together to meet the needs of others with dependability, professionalism, and respect.

**Accountability** — We take ownership for our decisions, actions, and outcomes.

**Integrity** — We inspire trust through transparency and ethical, sound judgment.

### **Core operating principles**

**Professional** — We are responsive, respectful, and sensitive to the needs of our members, employers, and staff.

**Accurate** — We ensure data integrity and provide consistent, dependable information and benefits.

**Judicious** — We use sound judgement and prudent, principled decision-making in upholding our fiduciary responsibility.

**Information Security** — We are constantly vigilant to safeguard confidential information.

The Public Employees Retirement System (PERS) was created by the Oregon Legislative Assembly in 1945 and commenced operation on July 1, 1946.

Statutory references for the agency are:

- Tier One and Tier Two Member Retirement Programs
  - ORS Chapters 237 and 238
- Oregon Public Service Retirement Program (OPSRP)
  - ORS Chapter 238A
- Individual Account Program (IAP)
  - ORS 238A.300 to 238A.475
- Judge Member Retirement Program
  - ORS 238.500 to 238.585
- Public Employee Benefit Equalization Fund
  - ORS 238.485 to 238.492
- Retiree Health Insurance Program
  - ORS 238.410 to 238.420
- Deferred Compensation Program
  - ORS 243.401 to 243.507
- Social Security Administration Program

ORS 237.410 to 237.515 Oregon Administrative Rules (Chapter 459) govern the implementation of PERS' statutory responsibilities. ORS 238.630 sets out the PERS Board statutory duties.

# BUDGET NARRATIVE

## Agency two-year plan

### PERS' strategic outcomes, processes, and measures

PERS underwent a comprehensive, data-driven strategic-planning effort that culminated in the [PERS 2023–2028 Strategic Plan](#). The strategic planning process developed a clear road map and supports alignment on enterprise-level priorities and initiatives that guide budget development and resource allocation. The plan dovetails with the PERS outcome-based management system that drives improvements to daily operations and work processes. The system provides a framework to engage employees in personal and organizational planning that directly aligns with the agency's mission, vision, core values, and operating principles. We continue to integrate problem-solving and decision-making tools that depend on active engagement from staff that have the most direct connection with members, employers, and stakeholders. Achieving the goals outlined in the 2023-28 strategic plan depends on successful execution of identified objectives, which requires regular monitoring of progress and alignment of priorities during plan implementation. The agency's current strategic and operational planning functions are used to prioritize and allocate resources for each strategy as implementation plans are executed. Objectives will be accomplished with a variety of approaches, including problem solving, project management, and integration into core business practices. Specific performance metrics are identified for tracking progress on the plan's objectives.

PERS executives have reviewed our 2023-28 strategic plan and have found it to be in alignment with Governor Kotek's Agency Expectations letter: [https://www.oregon.gov/das/Docs/Oregon\\_Agency\\_Expectations\\_Governor\\_Letter.pdf](https://www.oregon.gov/das/Docs/Oregon_Agency_Expectations_Governor_Letter.pdf). Based on quarterly reports from the Department of Administrative Services (DAS) Strategic Initiatives and Enterprise Accountability office, PERS is in compliance with these expectations.

What follows are summaries of the six major areas of the agency's plan with corresponding goals and objectives. This agency request budget and associated packages reflect the resources needed in each focus area.

### Organizational management and development

#### Focus area: Workforce development

Goal — Develop and support a diverse workforce that satisfies employees' essential needs to achieve their full potential.

- Objective 1 — Through intentional acts of inclusion, define and implement leadership practices that are consistent with strategic priorities.
- Objective 2 — Document and implement employee development plans that help employees achieve their professional goals.

#### Focus area: Organizational communication

Goal — Foster and enhance transparency and relevancy in messaging to improve employee engagement with internal communications and promote an informed workforce.

- Objective 1 — Continue to implement an internal communications strategy that engages and meets the needs of a diverse workforce.

#### Focus area: PERS Outcome-Based Management System (POBMS)

Goal — Complete POBMS integration throughout the agency.

- Objective 1 — Fully develop team scorecards to measure performance and drive strategic, tactical, and operational decisions.
- Objective 2 — Normalize POBMS and project-management organizational methods.

# BUDGET NARRATIVE

## Member services and communications

Focus area: Member relations

Goal — Engage members throughout their careers so they are better prepared for retirement.

- Objective 1 — Develop member journeys with relevant accessible resources for different life and career stages.
- Objective 2 — Brand PERS as their retirement education and planning resource.

Focus area: Omni-channel service delivery

Goal — Improve members' satisfaction with PERS.

- Objective 1 — Enhance and modernize account accessibility and capabilities for members to self-serve.
- Objective 2 — Launch new education tools and resources valuable to the member journey from hire to retire.

## Data consistency

Focus area: Data analytics

Goal — Use data analytics to enhance operational efficiency, process management, reporting, and insight.

- Objective 1 — Improve employer-reporting validations to minimize manual review and corrections to data.
- Objective 2 — Use technology, including data validations where appropriate, to reduce manual processes.

Focus area: Data integrity

Goal — Resolve legacy data issues.

- Objective 1 — Identify legacy data issues and prioritize cleanup efforts to improve data quality.
- Objective 2 — Minimize need to change data after receipt from employers.

Focus area: Data utilization

Goal — Use data and analytics to help drive and support agency decisions.

- Objective 1 — Become an insight-driven organization.
- Objective 2 — Provide staff a data-reporting structure that allows the user to derive and customize data reports.

## Information technology

Focus area: ORION-system modernization

Goal — Improve information technology (IT) efficiency and responsiveness to business operational changes.

- Objective 1 — Re-architect core applications in ORION as independent, discrete business services.
- Objective 2 — Architect, plan, and design the PERS backup data center services for disaster recovery (DR) to support business continuity.

Focus area: IT workforce development

Goal — Improve workforce environment and prepare for and attract the next generation of technical talent.

- Objective 1 — Transform Information Services Division (ISD) working environment to encourage collaboration and innovation.

## **BUDGET NARRATIVE**

### **Financial management**

Focus area: Technology upgrades and system integration

Goal — Enhance and improve productivity, reduce manual processes, and accurately and quickly respond to legislative and stakeholder needs.

- Objective 1 — Increase efficiency, improve communication, and reduce manual work.
- Objective 2 — Standardize financial data organization and reduce manual reconciliation between systems to improve accuracy and responsiveness to legislative and stakeholder needs.
- Objective 3 — Evaluate and implement electronic-filing and paperless processes to effectively and promptly respond to inquiries and effectively process transactions.

Focus area: Financial-management resource development

Goal — Ensure PERS has the appropriate staff resource and skill level to perform the financial accounting, reporting, budgeting, analysis, and forecasting required to be compliant and deliver exceptional service to our stakeholders.

- Objective 1 — Ensure financial operations has the appropriate staffing to provide timely and accurate service to all stakeholders.

### **Risk management**

Focus area: Risk management

Goal — Establish an enterprise risk-management program within the Security and Risk Section.

- Secure legislative support and funding to stand up an enterprise risk-management program that meets industry standards.
- Establish and implement an enterprise risk-management program throughout the agency.

Goal — Enhance the practices and controls of the information-security program.

- Objective 1 — Strengthen the agency's information-security program in alignment with enterprise and industry best practices.
- Objective 2 — Strengthen member and employer identity and access management practices and controls.
- Objective 3 — Develop and implement a privacy initiative for members.

Goal — Enhance practices and controls of the Continuity Management Program.

- Objective 1 — Design and implement resilient systems and controls to support the agency's mission.
- Objective 2 — Mature the Continuity Management Program to include additional agency processes.

## **BUDGET NARRATIVE**

### **Racial-equity impact statement**

Holistically, the PERS vision statement places an emphasis on the members of the PERS-administered benefit plans by: “honoring your public service through secure retirement benefits.” Currently, there are over 405,000 Oregonians that have a relationship with PERS, close to 10% of the state’s population. We support over 900 PERS-participating employers across all 36 counties in the state.

These relationships extend not only during a member’s public-sector career — when they participate in one of the pre-retirement benefit plans offered by PERS — but also through their retirement as they receive retirement benefits, including post-retirement health insurance plans. Our benefits support those who spend their careers putting their physical and mental health at risk on a daily basis, such as police officers, 911 telecommunicators, firefighters, teachers, Oregon State Hospital workers, and many more.

PERS impacts Oregon’s racial and ethnic equity in two ways: externally through the retirement benefits we administer and internally through our recruitment, hiring, and promotion policies.

Our 2023 annual economic-impact study showed that in calendar year 2022 PERS paid \$4.6 billion in benefits to Oregonians. This led to a total increase in Oregon economic output of \$4.89 billion, which is then estimated to support 30,818 jobs within Oregon. (See <https://www.oregon.gov/pers/Documents/General-Information/PERS-by-the-Numbers.pdf> for more detail, including a per-county impact.)

Oregon does not ask PERS members or retirees to report their race or ethnicity. However, we can report on the impact PERS benefits make in attracting and keeping employees in roles that directly serve and benefit all racial and ethnic groups at all socio-economic levels — namely teachers, police officers, and firefighters.

Compared with private sector careers, public service careers generally do not pay as well, but they make up for it in the benefits they provide: excellent health insurance, early retirement for some careers, and a lifelong pension, which is not common in the private sector. Benefit plans are important attraction and retention tools for participating public-sector employers.

While PERS is considered beneficial by a significant number of Oregonians, it has also been posited that the cost of PERS benefits act as an impediment to public-sector entities who pay employer contributions to PERS, currently close to \$2.5 billion per fiscal year. The dollars earmarked for PERS contributions cannot be used to pay for increased education and social programs that may directly benefit those most disadvantaged within Oregon.

While these perceptions persist, in fact, PERS benefit payments provide the primary intended impact of providing retirement income to PERS retirees and beneficiaries whose income then secondarily impacts the overall state economy and job market.

Additionally, as a state agency, PERS provides a stable, inclusive work environment for our approximately 440 staff. PERS took some of the impacts of COVID and used them as an opportunity to rethink its workforce with an eye to increasing the diversity of its staff from both a geographical and demographic perspective. Prior to COVID, PERS was aware that, given the location of our headquarters and lack of efficient public transportation, potential employees from underserved and underrepresented communities who did not have access to their own vehicles faced challenges in commuting to work.

PERS shifted its approach to allow both current and future employees to work within a remote/hybrid work environment. In 2024, approximately 80% of the PERS workforce works 100% remotely, with 10% working three days or fewer in the office, and 10% more

## **BUDGET NARRATIVE**

than three days in the office. This has led not only to staff being able to work throughout the state but also, as evidenced by our increased pools of potential employees, to the potential for a more diverse workforce than was the case pre-COVID.

PERS recognizes there is still work to be done to both attract and retain a more diverse workforce, beginning with reviewing and adjusting our overall approach to recruiting, interview protocols, onboarding, and regular interactions between staff and their supervisors. PERS is also looking at how to best leverage internship programs and our ongoing succession-planning efforts to both attract and retain a more diverse workforce.

Internally, PERS has established a DEI committee that has scheduled quarterly interactions with PERS executives. Our Human Resources (HR) manager attends our executive-leadership team meetings and provides regular updates on DEI-related issues in both their role as HR manager and chair of the DEI committee. We also leverage our Labor Management Committee to provide insights and recommendations on DEI-related issues.

PERS has conducted annual employee-engagement surveys since 2019, and each executive member reviews both the overall results and the employee comments that help to inform our deliberations on DEI and other related human-resource issues.

While PERS has an engaged executive team and DEI committee, we recognize that dedicated resources are required to build and maintain our DEI efforts. To that end, PERS has requested an additional FTE in our 2025–27 Agency Request Budget whose primary purpose will be to provide the capacity and focus required to make significant progress toward our DEI goals. This includes leveraging what we have learned during the past four years of DEI initiatives.

This will enable PERS management to take the results of the employee-engagement survey into account when building business plans and training managers and supervisors. Employee-engagement results and trends show that regular one-on-one interactions between supervisors and their staff increase employee engagement, which not only leads to better business results, but also increases inclusion.

With respect to our plan members and participating employers, PERS conducts two yearly surveys that allow these core stakeholder groups to provide commentary on the services we provide. However, comments are limited to English-language members only, as PERS currently does not have the ability to inform, interact, and transact readily with members whose first language is not English.

While our PERS Modernization Program will be identifying opportunities to better support members so they can engage with PERS at the time of their choosing using the service channel of their choosing, of equal importance, the program will also ensure service channels are accessible to those with disabilities and those who need access to languages other than English. To further inform PERS about the needs of our stakeholders, we also engage in quarterly meetings with the PERS Employer Advisory Group and ad hoc meetings with the PERS coalition, a group of union representatives that cover the vast majority of PERS members. PERS staff also have regular interactions with state legislators and their staff on PERS-related issues.

# BUDGET NARRATIVE

## **2023–2028 information technology strategic plan (ITSP)**

In today's fast-moving technological environment, a strong IT strategy is a key enabler of business success. To help ensure the ongoing success of PERS, the agency, PERS' Information Services Division presents this plan to guide the agency's information-technology strategy for the next five years.

The IT strategic plan focuses on PERS' information technology future within the framework of the agency's mission, vision, goals, and related projects. This plan maps to PERS' business strategy, as outlined in the [PERS 2023–2028 Strategic Plan](#), follows the PERS Outcome-Based Management System (POBMS) framework, and outlines how ISD is supporting the agency's new modernization program.

At the same time, this is a living document that is intended to adapt to changes in the PERS landscape caused by legislative modifications, court rulings, and advancing technology.

## **About PERS' Information Services Division**

Information Services Division (ISD) is the information-technology arm of Oregon PERS. It has five sections: Technical Operations, DevOps, Admin Support/Enterprise Architecture, Business Systems Analysis, and Enterprise Applications.

ISD provides all the information-technology services and support for PERS staff and external audiences.

## **Services for PERS staff**

- jClarety pension administration system.
- ORION-pension-management system.
- Reporting tools (e.g., Microsoft PowerBI, data warehouse).
- Email.
- Productivity software (e.g., Microsoft Office, Microsoft Teams, Adobe Creative Suite).
- Computers, docking stations, and monitors for onsite and remote work.
- Telephones and telephony systems.
- Support:
  - Help desk.
  - Application support.
  - Network and infrastructure support.
  - Database support.
  - Data and system backup.
  - System security.
  - Nightly batch support.

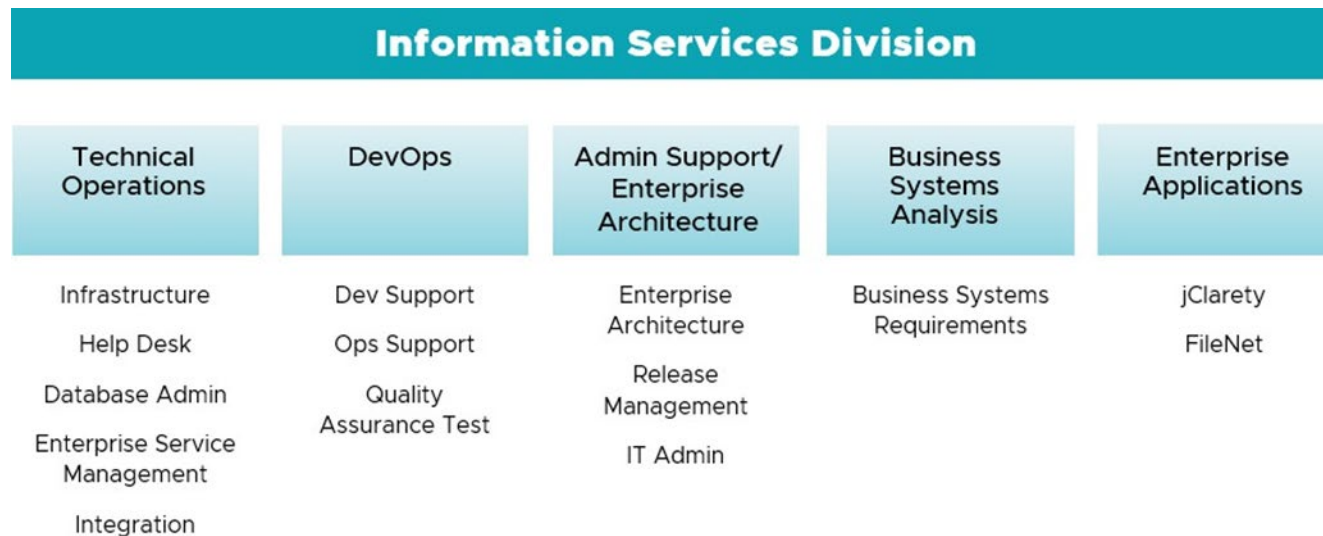
Services for external audiences:

- Member call center.
- Online Member Services (OMS) web portal for members.
- Employer Data Exchange (EDX) web portal for employers (includes a production environment and a testing environment).
- Third-party administrator (TPA) interface (third-party business partners).

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## Staff

Information Services Division encompasses five sections. Total staff is about 69 people, plus up to a dozen contractors depending on phases of projects.



## Internal tools

- IT service management (ITSM): Ivanti (aka "Compass")
- Collaboration: JIRA, Microsoft Teams
- Software-configuration management: Subversion (SVN)
- DevOps framework: Jenkins
- Automated-testing framework: Qmetry, TestComplete by SmartBear.

## Project prioritization and tracking

Many agency-level projects require direct or indirect IT support. IT-related projects are prioritized and placed on the IT priority list where they are further prioritized against all other IT-related projects. The list includes projects that are currently being executed and those that are planned. ISD uses various weighting factors to calculate an overall priority score for each project between 1 (low priority) and 5 (high priority). Weighting factors include:

- Agency priority.
- Division priority.
- Section priority.



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- Business value.
- Ease of implementation.
- Effort (initial time estimate).

*Note:* For PERS enterprise-wide programs and projects, including maintenance and enhancement (M&E), the prioritization and tracking are the responsibility of the Project Management Office (PMO) in the Central Administration Division. Nevertheless, these enterprise-wide programs and projects are also included in the IT road map. For details about project prioritization and tracking, read Appendix A.

### Project tracing

It is important for ISD to have traceability between strategic plans and IT projects. This traceability goes two ways:

- From the agency and IT strategic plans downward to the IT project level. This answers the question: “What IT projects are we doing to support the agency strategic plan and execute the IT strategic plan?”
- From the IT project level upward to the agency strategic plan. This answers the question: “Why are we doing this IT project?”

ISD also tracks what each project is driven by. This identifies the source driving the need for the IT project. Driven-by sources include:

- External mandate — Includes statewide directives and strategies, statutory and legislative changes, and court decisions.
- PERS Strategic Plan — Needs defined by the agency-level strategic plan.
- PERS Modernization Plan — Initiatives defined in the agency-wide modernization road map and plan.
- IT Strategic Plan — IT support for agency-level needs; used to define actions in this ITSP.
- IT foundational — Needs that are part of ISD maintaining IT support for ongoing PERS operations, such as replacing or upgrading hardware and software and maintaining systems and networks.
- Portfolio Steering Committee (PSC) prioritization — Prioritization of agency-level projects.
- Oregon Retirement Information Online Network (ORION) Steering Committee (OSC) prioritization — Prioritization of and tracking of maintenance and enhancement needs for ORION, the agency’s primary pension management system.

### PERS IT current state

#### Pension administration system (PAS)

PERS’ core enterprise application — In industry terms, the pension administration system (PAS) we use to process employer contributions, maintain member demographics and work history, and calculate benefits — is called jClarety.

jClarety was first implemented in 2003 to administer a significant plan change (mandated by House Bill 2020), which introduced a third program, or “tier,” to PERS called Oregon Public Service Retirement Plan (OPSRP). Soon after this was implemented, the agency embarked on the Retirement Information Management System (RIMS) Conversion Project to convert the Tier One and Tier Two programs from the mainframe to jClarety so that all the programs were housed in one single PAS.

Since then, PERS IT has made numerous maintenance updates and enhancements to jClarety. Most updates result from program changes mandated by legislation or court rulings.

However, jClarety has never been updated to improve member services or enhance the retirement experience; it has also never been updated to resolve technical debt issues that have occurred since the RIMS Conversion Project.

Today, the agency continues to maintain and enhance jClarety while also planning significant improvements. These improvements will modernize the PAS to enable omni-channel capabilities, automate processes, reduce manual offline tools, and protect member data as driven by the agency’s five-year strategic plan.

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## Oregon Retirement Information Online Network (ORION)

jClarety is the nucleus of PERS' larger overall system architecture called the Oregon Retirement Information Online Network (ORION). ORION encompasses applications, systems, databases, and tools, many of which integrate or provide support as input or output of jClarety. These systems include the record and workflow management system called FileNet (both input and output of jClarety), Central Data Warehouse (output of jClarety), call center services (both input and output of jClarety), numerous offline tools to validate and calculate benefits (output of jClarety), and now applications being built on Microsoft Power Platform and in Azure.

## PERS Data Center

During the RIMS Conversion Project, it was necessary to maintain two parallel systems to minimize disruption to the business. One system was the legacy mainframe that was operating under the General Government Computing Center (now called Data Center Services (DCS)), while the newly converted system was operating locally at the PERS data center in Tigard, Oregon. In 2020, a project called Production Data Center Migration was initiated to move the PERS data center in Tigard to the co-location facility at DCS in Salem, Oregon.

Today, due to the urgent need for resiliency and disaster recovery, there is an effort to migrate the servers from co-location to managed host within DCS.

## PERS IT future state

By 2028, ORION's core applications will be rearchitected as independent, discrete business services. This will provide greater system security, flexibility, and growth.

ISD will have a robust backup-and-disaster-recovery plan to ensure business continuity in an emergency.

Our division will have a transformed working environment that encourages collaboration and innovation, attracts new talent, and retains current talent.

## IT key needs

To see this future state of IT, ISD will have a team of highly skilled people, enhanced IT processes, and technology that enables automation.

<b>People</b>	Sufficient people resources with appropriate IT competencies and expertise.  Supporting agency and operational needs requires additional IT people resources and expertise to augment PERS ISD staff.
<b>Processes</b>	New and/or modified IT processes to meet new and/or modified technical needs. New and/or enhanced IT development or operational processes may be required. Some may be manual (at least in the short term) and others automated.
<b>Technology</b>	Appropriate IT infrastructure and solutions to support automated processes.  Particularly for PERS modernization, we may need to provide short-term solutions initially to meet implementation deadlines, then provide more efficient long-term and automated solutions for ongoing operations.

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For automated processes and some manual processes, appropriate supporting infrastructure and technology solutions must be evaluated and selected. It is a goal in PERS modernization to “automate processes and calculations, where possible, to improve efficiency and reduce risk.”

### Staying on track

The IT world is constantly changing. There are nearly daily opportunities to evaluate new products and improved technologies that could enhance ISD services. These opportunities may come with new requirements to support those new capabilities, which may present new risks to manage.

To avoid losing track of our goals or allowing them to become irrelevant, ISD must regularly review the ITSP and ensure we are on track. We must judge new and relevant opportunities in the technology marketplace to determine if they will help us or hinder us in reaching our goals. There may even be innovations that cause us to alter the goals themselves or add new goals that are higher priority than those we currently pursue.

### ISD drivers

Multiple internal and external entities provide direction and influence on PERS IT.

### Internal drivers, direction, and guidance



### ISD mission

The Information Systems Division is responsible for providing IT services at PERS. ISD has defined its mission as: “To enable the satisfaction of PERS members, we deliver quality services to agency stakeholders by providing accurate information and superior products that support decision-making and daily operational needs.”

# BUDGET NARRATIVE

## ISD vision

To transform the PERS member experience through innovative systems and services.

## ISD team values

### 1. Professionalism

- Model the behaviors that promote and maintain a professional workplace.
- Respect our team members, invite diverse perspectives, and maintain a positive attitude.
- Be solution-oriented, bring an agency perspective, and work toward common goals. Make decisions that align with our core values and strategic priorities.
- Show up, come prepared, and fully engage in team discussions.

### 2. Open and honest communication

- Commit to open and honest communication within the team and the division.
- Contribute to ensuring a safe environment in which we are able to be vulnerable, share problems, and ask for help.
- Actively listen to understand each other's perspectives.
- Proactively keep each other informed and seek to ensure mutual understanding. Speak with one voice regarding team decisions.

### 3. Accountability

- Take ownership of our individual responsibilities, decisions, and actions.
- Be accountable for our individual behaviors and reactions. Commit to being aware of our biases and blind spots and stay open to others' perspectives and needs.
- Set clear and reasonable expectations and provide timely follow-through on our agreements and decisions.
- Be willing to admit our mistakes.
- Give and receive constructive feedback, assuming positive intent. Commit to finding mutually agreeable solutions.

### 4. Supportiveness

- Put the needs of the team and our common goals ahead of individual interests.
- Look out for one another's interests and consider the impact of our decisions and actions on others.

## **BUDGET NARRATIVE**

- Support and trust each other's professional judgment and competency. Support and commit to decisions made by the team.
- Ask for and offer help in support of one another's interests and needs. Support our individual and collective learning and growth.

### **POBMS**

The PERS Outcome-Based Management System (POBMS) is an approach that enables PERS to monitor agency operations over time, identify areas that require attention and analyze further to identify underlying root causes and potential corrective actions. This comprehensive approach enables PERS to identify gaps in business capabilities required to meet changing customer needs. POBMS defines outcome measures, and each project identifies the measures we expect will be improved by the project. For more information on how ISD supports POBMS, visit Appendix B.

### **PERS modernization**

The PERS Modernization Program describes the changes to people, processes, and technologies that PERS intends to embark on through the 2029-31 biennium. This plan describes the PERS Modernization Program road map of specific projects and enabling work that will modernize business functions and capabilities within PERS, as well as the steps PERS will take to establish organizational agility to ensure operational effectiveness and efficiency. Refer to the section "PERS Modernization Program" on page 20 of this plan for more information on the modernization goals and benefits.

### **PERS operational needs**

While carrying out this strategic plan, ISD will continue to meet the day-to-day needs of the agency. ISD is committed to providing resources, information, and tools that are accurate, efficient, and effective, while maintaining the ability to customize support provided for each business area within PERS.

## BUDGET NARRATIVE

### External drivers, direction, and guidance



### Enterprise Information Services (EIS) strategic framework

The 2023–2026 Enterprise Information Services (EIS) strategic framework sets forth a new operating model that provides for an expanded mission, vision, and values. Five specific objectives represent a set of outcomes with corresponding goals that reflect the “desired state.” Each goal is supported by key metrics aimed at providing baseline data for measuring and improving future performance. Refer to Appendix B for details on this alignment.

#### External mandates

External mandates that affect PERS include legislative actions, statutory changes, and court decisions. These can significantly affect what PERS must do.

#### Evolving technology

The IT world is constantly evolving. There are nearly daily opportunities to evaluate new products and improved technologies that could enhance ISD services. These opportunities may come with new requirements and risks.

## BUDGET NARRATIVE

### IT strategic plan

#### Components of the plan

The IT strategic plan links to the agency's 2023–2028 strategic plan. The components of the IT strategic plan are in support of the overall agency's strategies, goals, and objectives.

These components are hierarchical, meaning each item is broken down into more detail as you move down the list.

Component	Definition	Key questions it answers
<b>Mission</b>	A statement of the core purpose of the organization.	What is our purpose? Who are our customers?
<b>Customer needs</b>	Customer needs that require our organization's services.	What do our customers need from us?
<b>Priorities</b>	Services that are needed to meet the highest-priority customer needs.	What services do we need most urgently to meet the highest-priority customer needs?
<b>Strategies</b>	Courses of action directed at achieving an intended set of goals.	What do we need to do to meet or exceed our goals? What is the vision of the intended targets or outcomes?
<b>Focus areas</b>	Highest-priority service concepts grouped by business/operations functional area responsible for those services.	To what business/operations functional areas do the highest-priority services belong?

#### ITSP focus areas

The 2023–2028 PERS Strategic Plan defines six agency-level strategic priorities required for PERS to fulfill its mission and meet the needs of members, employers, and retirees. These six strategic priorities, along with how IT will support each focus area, are summarized below.

# BUDGET NARRATIVE

## Strategy 1: Organization management and development

### Focus area 1: Workforce development

IT will provide business solutions to PERS HR to develop training plans and the recording and monitoring of the employee development plans. Most of these capabilities are already available in Workday, but IT will provide supplemental solutions as necessary.

### Focus area 2: Organizational communication

IT will provide business solutions to enhance organizational communications to improve employee engagement, including the use of electronic surveys, intranet, and online videos.

### Focus area 3: PERS Outcome Based Management System (POBMS)

IT will provide business solutions to support POBMS, including leveraging Microsoft's cloud-based PowerBI reporting capabilities.

IT will provide business solutions to support enterprise portfolio management, including leveraging Microsoft's cloud-based Project Web Access (PWA).

## Strategy 2: Member services and communications

### Focus area 1: Member engagement

IT will provide business solutions to enhance member engagement, such as journey maps, member surveys, and IT support for the annual PERS Retirement Expo.

### Focus area 2: Omni-channel service delivery

IT will provide business solutions to enhance and secure Online Member Services (OMS) through the support of the PERS Modernization Program.

## Strategy 3: Data consistency

### Focus area 1: Data analytics

IT will provide business solutions to improve data validation in Employer Data Exchange (EDX) and provide technology to reduce manual processing through the support of the PERS Modernization Program.

### Focus area 2: Data integrity

IT will provide business solutions to identify and clean up data issues and provide the capability to lock member data through the support of the PERS Modernization Program.

### Focus area 3: Data utilization

IT will provide business solutions to utilize data and analytics to help drive and support agency decisions through the support of the PERS Modernization Program.

## Strategy 4: Information technology

### Focus area 1: ORION-system modernization

IT will provide technology solutions to modernize critical areas of ORION through the support of the PERS Modernization Program. This also includes:

- Resolving missing functionality in ORION.



## BUDGET NARRATIVE

- Correcting operational issues in jClarety.
- Establishing a “cloud-first” strategy using Hybrid Cloud.
- Designing a versatile digital business platform.
- Completing a disaster-recovery, warm-site initiative in collaboration with the state data center.

### **Focus area 2: IT workforce development**

IT will implement a digital strategy for attracting and retaining talent; develop an effective, open-space, collaborative, and innovative working environment; and provide next-generation training platforms to meet the demands of digital business optimization.

IT continues to reduce its dependencies on contractors since the budget approval in 2023-25 of key FTE resources. However, some core components of the PERS Modernization Program will rely on system integrators to implement certain business solutions (e.g., client relationship management (CRM)).

### **Strategy 5: Financial management**

#### **Focus area 1: Technology upgrades and system integration**

IT will provide business solutions to improve productivity and reduce manual work through the support of the PERS Modernization Program.

IT will also provide support to upgrade the current version of Financial Edge to a cloud-based solution.

#### **Focus area 2: Financial management resource development**

IT will provide business solutions to improve financial accounting and reporting through the support of the PERS Modernization Program.

### **Strategy 6: Risk management**

#### **Focus area 1: Risk-management program**

IT will provide business solutions to implement a cloud-based enterprise risk management (ERM) program.

#### **Focus area 2: Information security program**

IT will provide business solutions and resources to implement security controls in ORION and in the cloud.

#### **Focus area 3: Member privacy**

IT will provide business solutions to support member privacy as determined by the PERS Information Security and Risk office.

### **PERS Modernization Program**

ISD will play a crucial role in the success of PERS Modernization Program, much like we did in the Senate Bill (SB) 1049 Program (learn more about SB 1049 on the [PERS website](#)).

Starting with strategy, then architecture and design, project initiation, implementation, and finally deployment and ongoing support, ISD is poised to support the program in achieving its goals and benefits.

## BUDGET NARRATIVE

### Program goals



**TRANSFORM BUSINESS PROCESSES** — Provide a digital self-service experience for both members and employers



**AUTOMATE PROCESSES AND CALCULATIONS** — Automate processes and calculations, where possible, to improve efficiency and reduce risk



**ENGAGE MEMBERS IN THEIR RETIREMENT PLANNING AND EDUCATION**



**INTEGRATE LINES OF SERVICE** — Incorporate all benefit plans and functionality into one integrated system, including online services, for a seamless experience for members, employers and staff






**CREATE AN ADAPTABLE ENVIRONMENT** — Build system on a platform which can be modified, in an efficient and cost-effective manner to reflect future needs and legislative changes



**PROTECT MEMBER DATA** — Ensure the confidentiality, integrity, availability and privacy of member and employer data are protected.

## BUDGET NARRATIVE

### Modernization program benefits

Increases 	Reduces 	Improves 
<p>Satisfaction with PERS services</p> <p>PERS staff engagement</p> <p>Staff technical skills</p> <p>Sustainable partnerships, platforms, and applications</p>	<p>Annual escalations received</p> <p>Manual calculations and processes</p> <p>Retirement application processing time</p> <p>Annual pension-administration costs per member</p> <p>Data and identity fraud risks</p>	<p>Data accuracy</p> <p>Confidence in PERS technologies, applications, tools, and data</p> <p>Majority of service offerings available in integrated system</p>

## BUDGET NARRATIVE

### The IT roadmap

ISD's IT road map shows in-process IT projects, including the PERS Modernization Program. The chart offers a visual representation of the projects and programs on which ISD is working from 2023 to 2028. Note: New legislation and other mandates may occur over the duration of this plan, and the IT roadmap will be updated as necessary.

Program/project name	2023		2024		2025		2026		2027		2028	
	JAN - JUN	JUL - DEC	JAN - JUN	JUL - DEC	JAN - JUN	JUL - DEC	JAN - JUN	JUL - DEC	JAN - JUN	JUL - DEC	JAN - JUN	JUL - DEC
Workforce Development	Ongoing											
SB 1049 Implementation	7/1/2019 – 6/30/2025											
SOS Audit Remediation	3/15/2022 – 6/30/2025											
jClarety Technical Stack Upgrade	6/1/2022 – 6/30/2025											
PERS Modernization Program	7/1/2023 – 6/30/2031											
Enterprise Management System (EMS)	7/1/2023 – 3/8/2024											
Member Identification Access Management (MIAM)	7/1/2023 – 6/30/2025											
Information Technology Service Management (ITSM) Audit Remediation	7/1/2023 – 6/30/2025											
IT Asset Management		11/1/2023 – 12/31/2024										
Infrastructure Refresh Project		11/4/2023 – 12/31/2024										
Outage Remediation		12/1/2023 – 3/29/2024										
Financial Edge Upgrade			1/3/2024 – 12/31/2024									
Azure Governance			1/22/2024 – 12/31/2024									

## **BUDGET NARRATIVE**

### **Major information technology projects**

Much of the work and communication with and throughout PERS is electronic in nature. Employers report data electronically. Members are educated and informed about their benefits electronically (through the PERS website and emails) and may conduct their benefit administration tasks (e.g., sending information change requests) electronically. PERS databases hold copious volumes of employment history and associated information about members through and after public employment, stretching back the better part of a century. PERS staff uses this data and a variety of tools to calculate benefit estimates, generate payments, and track more than 415,493 active and inactive members or benefit recipients.

The 2003 PERS reforms drove development of the current technology systems and databases. Since that time, further operational and process efficiencies have been developed based on existing technology. But technology has evolved, and member and employer interactions are becoming more web- (and mobile-) based. To keep pace with these changes, PERS must have an agile technology platform responsive to its business expectations, a key goal in our 2023-28 strategic plan.

PERS has evolved into a process-driven organization through implementation of its outcome-based management system (which began development in 2012). We judge the success of agency work and make decisions about changes based on processes and their outcomes, which provides a rational, data driven approach to agency priorities and resource allocation.

### **Modernization plan**

PERS needs to modernize, enhance, and sustain our communication and technological foundation to better align with the needs of our members as we strive to engage them in their career-long retirement planning. To implement industry best practices in line with member expectations, we need to establish a technology platform that is flexible, secure, and aligned with today's service-driven technology standards. Modernization will improve information technology efficiency, responsiveness to business operational changes, and resolve functionality and technical debt deficiencies that affect system administration, performance, maintainability, and sustainability, as well as increase overall productivity.

Recent changes to the plans PERS administer continue to add complexity to ORION, specifically SB 1049 from the 2019 legislative session (IAP Redirect, IAP Member Choice, Work After Retirement, Salary Limits, and Employer Programs). Implementing these significant changes to an already aging and quickly depreciating system, and on an architecture that is not conducive to change, adds more technical debt and further burden on maintaining ORION, which directly affects our ability to provide adequate services to our members and employers.

Additionally, HB 4045 from the 2023 legislative session brings additional complexity to the OPSRP benefit structure, beginning with a change to police and fire members' retirement age effective January 1, 2025, as well as the creation of the Hazardous Position classification effective January 1, 2030. Given work on SB 1049 implementation efforts noted above that will finish by June 30, 2025, PERS will have to administer the police and fire retirement-age change on a manual basis for calendar year 2025 before an automated solution can be implemented. Additionally, it is anticipated that it will take 24-30 months to implement the Hazardous Positions classification within the OPSRP benefit structure. This timeline is predicated on PERS having made sufficient progress on modernizing our core pension administration system, ORION, as part of our PERS modernization program.

## **BUDGET NARRATIVE**

### **Agency programs**

PERS and its associated programs have a significant impact on Oregon's economy. In 2024, Oregon PERS paid approximately \$6.9 billion in benefits to retired members or their benefit recipients. The specific programs administered by PERS are described below.

### **Tier One and Tier Two programs**

The Tier One and Tier Two programs are statutorily created public employee retirement benefit programs. Their administration is funded with Other Fund revenues that provide retirement, death, and disability benefits for more than 52,000 non-retired members and more than 152,000 retired members and beneficiaries. Active Tier One and Tier Two membership will decline over time as the programs have been closed to new members since 2004. However, as these members mature into retirement eligibility, agency workloads for the programs will increase over the next decade. As of June 30, 2024, more than 19,000 (about 9%) of active and inactive Tier One and Tier Two members were eligible to retire by virtue of age or years of service. PERS paid approximately \$6 billion in benefit payments in fiscal 2024 in this program alone.

The Tier One and Tier Two programs services include:

- Maintaining demographic and employment data throughout a member's career that will form the basis for benefit eligibility and calculations, tracking account balances and earnings crediting for member contributions to the regular and variable accounts, and generating annual member account statements.
- Providing information to members regarding retirement, disability, and death benefits; providing benefit estimates and explaining benefit payment options for members and beneficiaries.
- Calculating and paying withdrawal, retirement, death, and disability benefits.

### **Oregon Public Service Retirement Plan (OPSRP)**

The Oregon Public Service Retirement Plan (OPSRP) was created by the Legislative Assembly in 2003. Financed with Other Funds, it provides a pension benefit for OPSRP members and a defined contribution individual account for all PERS members with service after January 1, 2004. Employees hired by PERS-participating employers in qualifying positions on or after August 29, 2003, participate in the OPSRP Pension Program. As of June 30, 2024, the OPSRP Pension Program had more than 212,552 active and inactive members, which is more than 48% of the current total active and inactive PERS member population. PERS made approximately \$94.9 million in benefit payments during fiscal 2024.

### **OPSRP Pension Program**

The OPSRP Pension Program is solely funded by employer contributions and associated earnings. Employees who started work with a participating public employer in a qualifying position on or after August 29, 2003, participate in the OPSRP Pension Program. An employee becomes fully vested into the program upon working five consecutive years in a qualifying position. Members' retirement benefits are calculated with a formula using their final average salary, length of service, and type of service (general vs. police/fire).

### **Individual Account Program (IAP)**

All PERS members active since 2004 participate in the Individual Account Program (IAP). Under 2003 PERS reform, employee contributions from Tier One, Tier Two, and OPSRP members were directed into this separate IAP account effective January 1, 2004. As of June 30, 2024, there were 328,994 active IAP accounts. The IAP requires members in qualifying positions to contribute six percent of their salary into the IAP, which is invested as part of the Oregon Public Employees Retirement Fund (OPERF) under the oversight of the Oregon Investment Council (OIC). The total IAP balances as of June 30, 2024, was approximately \$14 billion.

## BUDGET NARRATIVE

At retirement, PERS members can choose to receive their IAP account balance in a lump-sum payment or in installments over a 5-, 10-, 15-, or 20-year period, or over the member's anticipated life span. Currently, a third-party administrator provides record-keeping services for the program. Member contributions and earnings on those contributions fund the administrative costs related to the IAP. Under the IAP, there is no guarantee of investment return or balance at retirement. Members make contributions that are invested and subject to market fluctuation. Approximately \$686 million in IAP benefit payments were issued during FY 2024.

Until January 2018, IAP assets were invested identically for every participant, independent of age or individual retirement horizon. That approach did not comport with industry best practice, which uses age as a proxy for risk tolerance and suggests investors' portfolios become increasingly conservative as retirement approaches. The Oregon Investment Council chose an automatic risk-adjusting framework for the IAP, known as a target-date fund (TDF). In this framework, younger workers gain more exposure to higher risk growth investments, such as stocks, while older workers increasingly give up that growth exposure in exchange for lower account-balance volatility as they near and enter retirement. In all, 10 target-date funds were established.

Senate Bill 1049 instituted Member Choice for IAP participants beginning January 2021. Annually, PERS will inform members of an "optional investment choice window" in which they can choose a target-date fund for their IAP investment different from the default fund based on their birth year. This allows members to invest their IAP balance in a fund that is more reflective of their risk tolerance than the default based on their age. For changes taking effect January 1, 2023, there were 459 members who chose to be invested in an IAP target-date fund different than their default age tranche. For changes taking effect January 1, 2024, there were 507 members.

### **Judge Member Retirement Program**

PERS administers a separate retirement program for all judges of the Oregon Circuit Courts, Court of Appeals, and Supreme Court. This formula-based benefit has a different contribution and payment structure than the Tier One and Tier Two programs. All judges, as employees of the state of Oregon, have seven percent of their salary contributed to an account to fund a benefit payable for the judge's life starting no earlier than age 60. The benefit is capped at 75 percent of the judge's final average salary.

### **Retiree Health Insurance Programs**

PERS serves as a group sponsor, providing health insurance services to 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 based on quality of care and cost containment. PERS uses a third-party administrator to provide insurance services directly to members. The PERS Health Insurance Program is comprised of three statutorily mandated programs.

#### Retirement Health Insurance Account (RHIA)

This program 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. Approximately 39,325 retirees receive this subsidy, which totals approximately \$30.5 million annually.

#### Retiree Health Insurance Premium Account (RHIPA)

This program subsidizes the cost of insurance premiums in PERS-sponsored health insurance plans for those who retired directly from state agency 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, is based on the number of years the retired member was employed in state service. PERS issues more than \$3.5 million in premium subsidies annually to 420 retirees (average \$284 per member per month.)

#### Standard Retiree Health Insurance Account (SRHIA)

SRHIA covers all administrative services related to the PERS Health Insurance Program that are not specific to RHIA and RHIPA. This program encompasses such health insurance-related administrative activities as premium transfers of approximately \$33 million per year, third-party administration agreements, and consultant services. Member fees and earnings on dollars held by SRHIA fund this activity.

## **BUDGET NARRATIVE**

### **Benefit Equalization Fund (BEF)**

The Legislature created the Benefit Equalization Fund (BEF) in 1997, as permitted by the Internal Revenue Service (IRS), to allow a full payment of PERS retirement benefits to recipients whose benefits would otherwise be capped by Internal Revenue Code (IRC) Section 415, which limits contributions and benefits in a tax-qualified plan. The BEF pays the amount of PERS benefits earned by these few members above the IRS limits (around 70 benefit recipients each year.) The BEF began paying members affected by IRC 415 in 1998 and issues approximately \$1.5 million in benefits per year. Benefit changes for new retirees related to PERS reforms, combined with periodic adjustments to the IRC 415 cap, will slow the growth of, and eventually shrink, the BEF. Fees are assessed to employers with members paid from the BEF to fund those benefits.

### **Social Security Administration (SSA)**

PERS has the statutorily mandated responsibility to administer federal Social Security Administration (SSA) programs to over 1,100 Oregon public employers for more than 313,000 employees. The scope of that responsibility involves facilitating employer education, assisting with SSA coverage referendums, and other ancillary duties. Annual fees assessed to participating employers fund the state's SSA service.

### **Deferred Compensation Program — Oregon Savings Growth Plan (OSGP)**

The Oregon Savings Growth Plan (OSGP) is a deferred compensation program administered by PERS that provides the opportunity for public employees to voluntarily save additional funds to supplement their retirement benefits. This plan is available to all state employees and those school districts and local government employers that choose to offer this plan.

This plan allows participants to save additional funds for retirement while reducing their current taxable income. The program currently serves over 32,735 current and former state agency, school district, and local government employees. Plan assets were valued at approximately \$3.2 billion as of June 2024.

A third-party administrator provides OSGP record-keeping and account-management services. Investment alternatives are selected with assistance of Oregon State Treasury staff, with oversight from the Oregon Investment Council (OIC). PERS manages contracts with the third-party administrator, provides plan enrollment and educational support, monitors participant satisfaction, and provides customer support outside of the third-party administrator. Member contributions and related earnings fund OSGP administration.

In 1997, the Legislative Assembly authorized PERS to extend deferred compensation services to local government employees in addition to state employee participants. PERS provides information about the program to local government employers and coordinates enrollment and plan administration. Employers work directly with OSGP staff to resolve administrative issues, but they send contributions and contribution reports directly to the third-party administrator. As of June 30, 2024, there are 375 local government employers in OSGP.



## **BUDGET NARRATIVE**

### **Environmental factors**

The primary environmental factors affecting PERS can be summarized in three specific issue areas:

- Increase in awareness and urgency to resolve how public employers will be able to pay their increasing employer contribution rates.
- Complex and evolving service-delivery expectations to meet customer needs and uphold our responsibility to efficiently administer the retirement programs.
- Program administration complexities resulting from systemic plan dynamics like serial plan changes, litigation, and niche-plan customization.

These combined factors present unique challenges that PERS continues to address by stabilizing and improving operations, resolving accumulated workloads, and permanently implementing changes resulting from legislation and other plan amendments.

### **Aging of PERS membership and participants**

Membership demographics indicate that the demand for PERS services will continue to increase. The average number of retirements is projected to steadily climb to over 8,500 per year by 2026, from an average of about 7,500 per year for the past five biennia. In 2003, retirements spiked to over 12,000 due to benefit changes brought on by legislative reforms. In 2013, PERS experienced more than 9,600 retirements — a spike driven partly by legislative reforms. As of June 30, 2024, almost 70,000 members (17% of all active and inactive members) were currently eligible to retire based on age or years of service.

Member retirements impact all agency activities and services. As more members approach retirement, requests for benefit estimates and retirement information increase. When a member chooses to retire, that triggers a process of data compilation and verification, in partnership with employers, to support the benefit calculation and resulting notice of entitlement, which establishes the member benefit. In addition to calculating and processing the pension benefit, members also retire out of the IAP, which requires additional explanation of options, benefits, and processing. The volume of retirement requests and complexity of member-account history, combined with legislative changes, drives PERS services and operational demands.

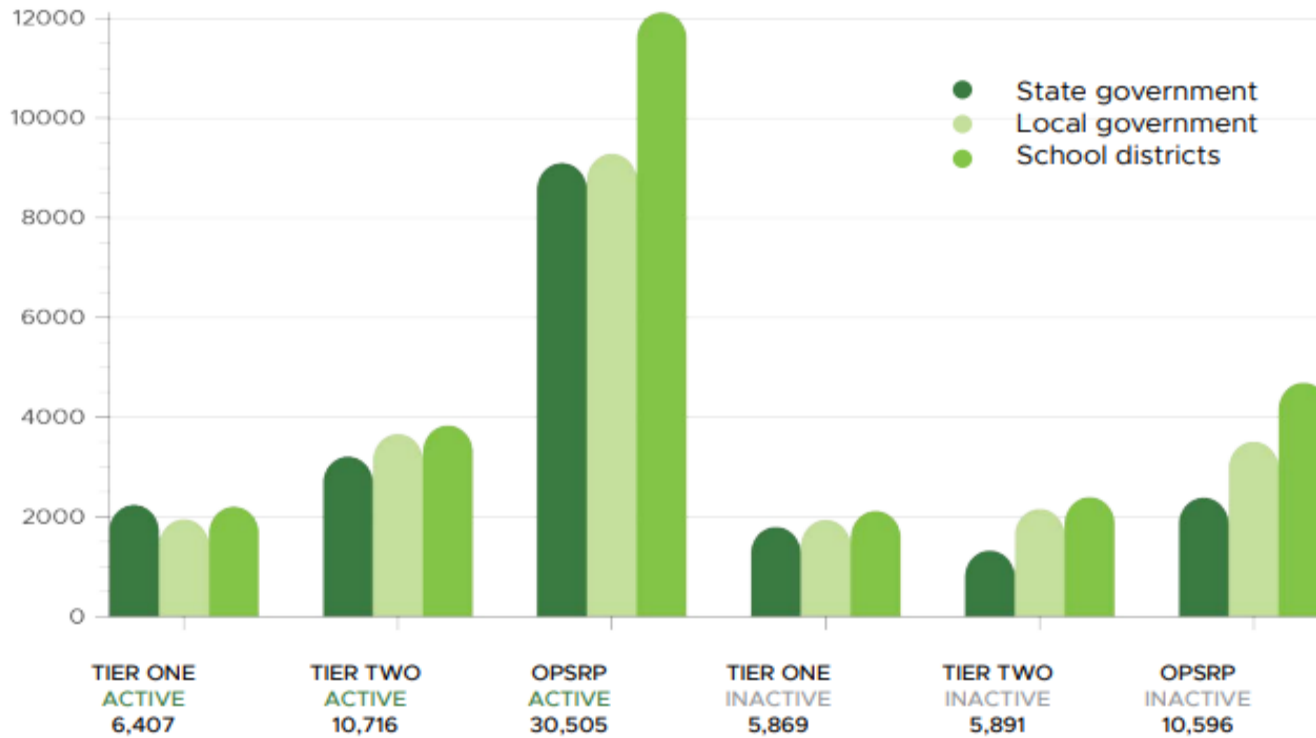
Many retiring members choose to participate in the PERS Health Insurance Program. Their applications require a determination of eligibility, explanation of benefits, and deduction of premium for coverage. This program of four staff and partnership with a third-party administrator is at times challenged in communicating the expense and variety of health-care-coverage options available to retirees.

In addition to retiring members leaving public service, PERS accepts demographic data and establishes account information for new public employees. Finally, retired members are living longer, so PERS is experiencing an increased volume in the pension roll (number of retirees and beneficiaries receiving benefits), the complexity of cost-of-living-adjustment (COLA) calculations, especially after the *Moro* ruling in 2015, changes to tax withholding and reporting, and changes to demographic data, including addresses and bank routing information.

## BUDGET NARRATIVE

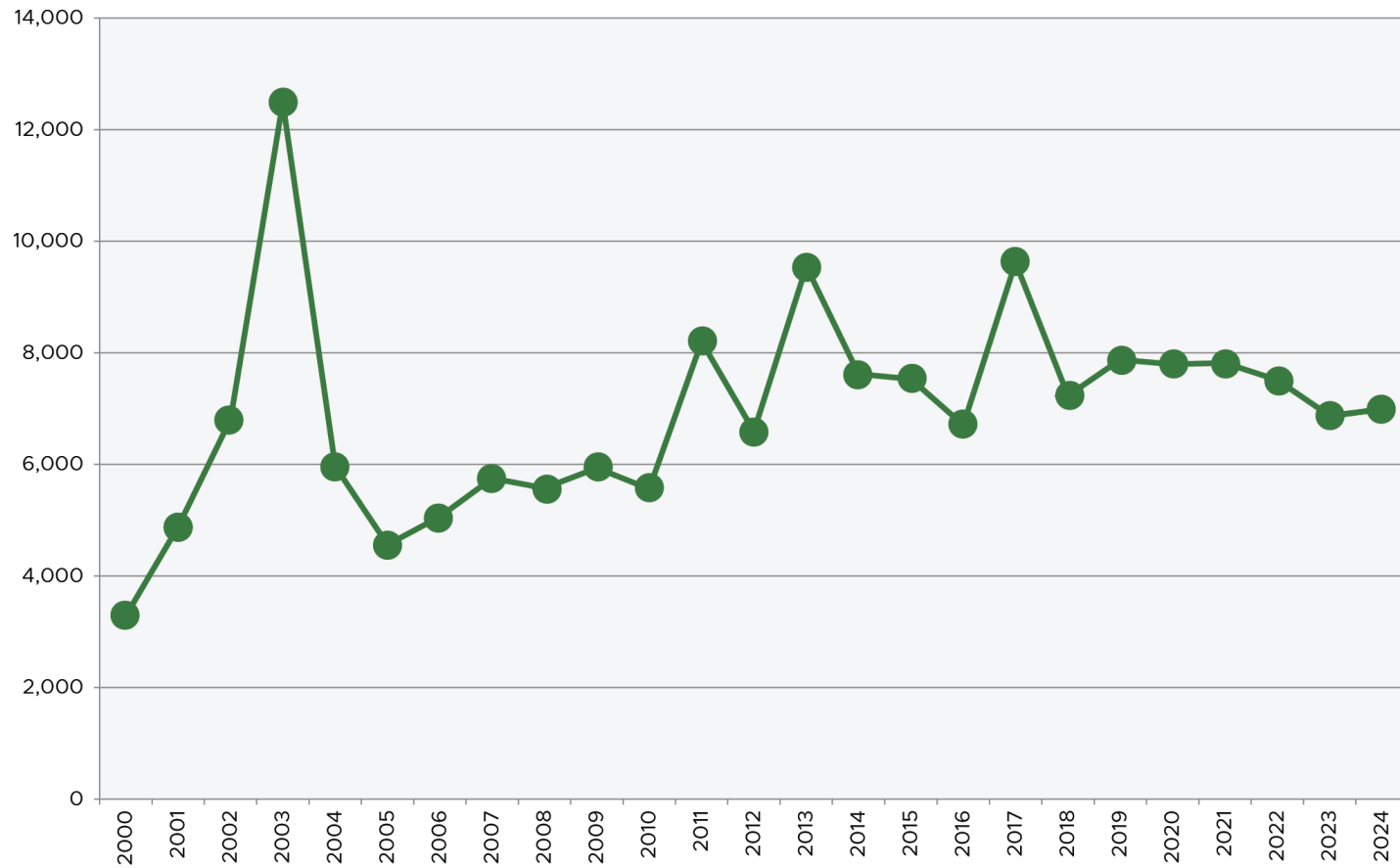
### MEMBERS ELIGIBLE TO RETIRE (AS OF JUNE 30, 2024)

69,984 MEMBERS ELIGIBLE TO RETIRE BY AGE OR SERVICE



## BUDGET NARRATIVE

### RETIREMENTS BY CALENDAR YEAR (TIER ONE, TIER TWO, OPSRP)



## BUDGET NARRATIVE

### Complex and evolving plan structures

From 1945 to 2024, the Legislature has approved more than 75 PERS plan changes that have impacted different aspects of the plan, including retiree benefit structures, eligibility, option selection, and health-care premiums. Statutes and administrative rules that govern administration of the system have become increasingly complex over almost 75 years of the program. In 2003, the Legislature made broad changes to PERS by establishing the OPSRP Pension Program, and IAP Program for all members regardless of tier. The changes mandated in 2003 had a major effect on PERS programs and benefit structures and created multiple special implementation projects, technology, and otherwise. At that time, PERS found administration of the plans and infrastructure of the system inadequate to meet reasonable service-delivery expectations of stakeholders. The intricacy and volume of changes to PERS statutes since 2003 has also led to litigation from employers and members, increased the volume of contested cases, and caused delays in providing some basic services to members.

After the 2003 reforms, the 2005 legislative session brought minor plan changes and refinements, but the 2007 legislative session saw challenges and opportunities for improved services, as some elements of the 2003 reforms were modified and further refined. During the 2009 and 2010 legislative sessions, changes continued as legislation created the data verification process and allowed purchases using pre-tax funds. In 2011, a key change prohibited PERS from paying a tax-remedy increase if a person is not a resident of Oregon or not subject to Oregon personal income tax for those eligible members who retire on or after January 1, 2012.

A reduced cost-of-living-adjustment (COLA) structure was approved by the Legislature in 2013, as was the addition of a temporary, annual supplementary payment and elimination of all tax-remedy payments for retirees who do not pay Oregon income taxes because they do not live in Oregon. At the end of April 2015, the Oregon Supreme Court ruled in the *Moro* decision that most of the 2013 reforms were unconstitutional, requiring the agency to implement a repayment and recalculation project for more than 120,000 benefit recipients. Most payments and reconciliations will be complete by the end of the 2021-2023 biennium.

During the 2018 session, the Legislature focused PERS' reform effort on creating several employer rate relief programs. In response to recommendations from the Governor's Unfunded Actuarial Liability (UAL) Task Force, the Employer Incentive Fund (EIF) was established to allow participating employers to receive some matching funds if they make a qualifying lump-sum payment. Legislation also created a new side account for school district rate relief that will be capitalized by a variety of revenue streams. Finally, the UAL Resolution Program (UALRP) will be in place for employers participating in the EIF program to acquire ways they may plan to make additional lump-sum payments in the future.

Senate Bill 1049 was approved by the 2019 Oregon Legislative Assembly. SB1049 is comprehensive legislation intended to address the increasing cost of funding PERS, reduce system UAL obligations, and provide relief to escalating contribution rate increases for public employers. These goals will be accomplished through changes to member benefits, existing employer rate reduction programs, and re-amortization of the Tier One and Tier Two UAL.

Different provisions of the measure required the agency to develop short- and long-term plans to adjust the existing technology infrastructure for the retirement system that supports more than 900 public employers and 405,000 members and their beneficiaries. SB 1049 was established as a program of five related projects. The five component projects of the SB 1049 Implementation Program are:

**Member Redirect:** Effective July 1, 2020, this section of the bill redirects a portion of member contributions to a new Employee Pension Stability Account (EPSA) when the funded status of the plan is below 90% and the member's monthly salary is more than \$2,500. HB 2906 in the 2021 session changed the monthly salary threshold to \$3,333 per month (indexed to the consumer price index (CPI) each January 1).

## BUDGET NARRATIVE

**Member Choice:** Effective January 1, 2021, this section of the bill allows members to elect a target-date fund (TDF) other than the default TDF based on their year of birth. PERS provides members the opportunity to make elections once a year in September, with the change taking effect the following January.

**Work After Retirement:** Effective January 1, 2020, this section of the bill allows retirees to work unlimited hours for PERS-participating employers in calendar years 2020-2024. It also requires employers to pay employer contributions on retirees' salary during that period. The rate that PERS will charge the employer will be the same as if the retiree remained an active member.

**Salary Limits:** Effective January 1, 2020, this section of the bill limits the amount of subject salary for all program members to \$195,000 for calendar year 2020. This amount will be indexed annually for inflation based on the CPI. The first adjustment for inflation will occur on January 1, 2021. This is a limit on salary for all plan purposes, including contributions and final average salary, not a salary cap.

**Employer Programs:** Effective July 1, 2019, these Employer Programs-related sections of the bill clarify and expand the requirements for the Employer Incentive Fund, appropriate \$100 million from the General Fund to the Employer Incentive Fund (EIF), direct net proceeds from Oregon Lottery sports betting to the Employer Incentive Fund, allow participating public employers who make larger than \$10 million deposits to side accounts to determine when they wish to have these funds included in their employer rate assessment, and require all public employers to participate in the UALRP.

In the 2020 special sessions, \$35.3 million of General Fund moneys were removed from the original \$100 million appropriation. However, in the 2022 session, \$17.3 million of General Fund and \$17.5 million in Other Funds expenditure limitation were put back into the EIF to fund employers who had been on the 2019 EIF waiting list but were not able to get matching funds due to \$35.3 million being removed from the original appropriation. During the 2022 regular session, the Legislature apportioned an additional \$17,250,000 in General Fund dollars to the EIF. The Legislature's intent is for PERS to use existing EIF funds of \$19,500,000 (from sports-betting proceeds) and these new funds to offer matches to all EIF waitlisted employers and clear the EIF waitlist. PERS provided matching funds to all employers on the waitlist who made their full deposit by March 31, 2023. (As of December 31, 2022, PERS has distributed \$30,118,738 from the EIF to match 21 employers on the waitlist. Approved EIF matches totaling \$6,317,842 were distributed to the final 20 employers on the list in 2023. A total match amount of \$96,421,899 was distributed to 110 participating employers located in 26 counties between 2019 and 2023.

In the 2024 legislative session, the Legislature approved HB 4045. Also known as the "Public Safety Workforce Stabilization Act," it makes the following three changes to the PERS program:

- Adds elected district attorneys, as well as forensic scientists and evidence technicians at the Oregon State Police, to the definition of "police officer" for PERS purposes, giving these positions Police and Firefighter (P&F) benefits under PERS. This provision is effective for service performed on or after January 1, 2025.
- Lowers the normal retirement age for Oregon Public Service Retirement Plan (OPSRP) P&F members with less than 25 years of service credit from age 60 to age 55. For P&F members with 25 years or more of service credit, their retirement age will remain the same at age 53. This provision is effective for retirement dates on or after January 1, 2025.
- Creates a new member classification for OPSRP members, in addition to General Service and Police and Firefighter. The new classification will be called "Hazardous Position." The Legislature will determine which job positions within PERS qualify for the Hazardous Position classification based on requirements laid out in the statute: "(7)(a) 'Hazardous position' means a position that does not meet the definition of a qualified public safety employee under section 72(t)(10)(B) of the Internal Revenue Code, but that: (A) Requires the person holding the position to work with or manage emergency or traumatic events in the regular

## **BUDGET NARRATIVE**

course of work; or (B) Carries a high risk of physical harm.” HB 4045 also adds two groups of employees whose jobs fit within the Hazardous Position classification: Oregon State Hospital employees who have direct contact with patients and 911 telecommunicators as defined in Oregon Revised Statutes (ORS) 181A.355. More positions can be added to the new classification by the Legislature in future sessions. HB 4045 also includes the following rules:

- Hazardous Position members’ normal retirement age will be age 60, or age 58 with 25 years of service. Their early retirement age will remain 55 (the same as General Service members). Pension-benefit calculations for Hazardous Position members also will use a 1.8% multiplier (the same as P&F members).
- This portion of the bill is operative on January 1, 2030, which means that any members in a hazardous position will not be able to retire as a member of the Hazardous Position classification until January 1, 2030, at the earliest, and will receive hazardous position service credit from January 1, 2030, onward.

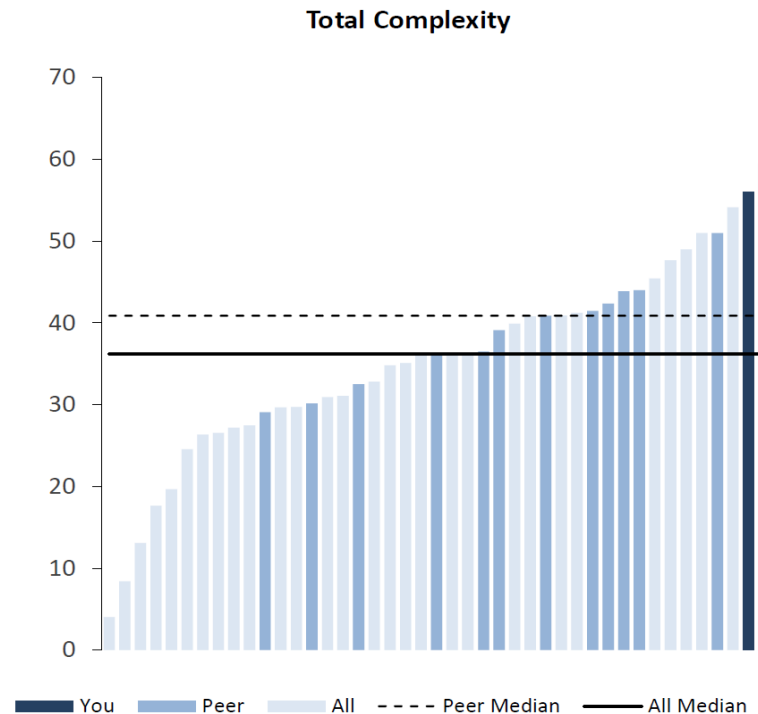
Federal law and regulation changes, along with court decisions, shape and refine the agency priorities and directives, requiring increased flexibility from PERS at the administrative level and throughout its business processes and systems.

## BUDGET NARRATIVE

### Program administration complexities

With its legislatively approved staffing and budget resources, PERS provides a variety of retirement services to over 405,000 members and benefit recipients and 900 public employers. The agency is heavily dependent on the use of various information technology systems and uses third-party administrators for elements of the Retiree Health Insurance, the Individual Account, and Deferred Compensation Programs. Frequent revisions to the Tier One, Tier Two, and OPSRP programs complicate plan administration and frustrate member expectations. Additionally, PERS now administers an age-based target-date fund investment model for IAP funds, which requires custom technology solutions to report earnings on member accounts, provide new reporting for business operations, and support modification of files for use by the third-party administrator. The inability to keep pace with these changes across the plans, given the constraints in implementing technology changes or evolving staff organizational models, limits the agency's ability to achieve a core value of service to members.

PERS belongs to an international benchmarking service that benchmarks over 69 pension plans from across the world. When comparing the relative complexity of these systems, PERS is currently the second most complex pension administration system. The overall complexity scores further increased for PERS because of the complexities associated with implementing the different elements of SB 1049. The accrued complexity is reflected in the accrued technical debt within the PERS ORION administrative system, which needs to be addressed in upcoming biennium.



## **BUDGET NARRATIVE**

### **Criteria for 2025-2027 budget development**

PERS has evolved towards becoming an aligned, outcome-driven agency. The fundamentals map that was developed outlines the agency mission, shared vision, core values, and operating principles. The agency's core work is measured according to six key goals, and those goals are achieved through performance improvement across various outcome and process measures.

When PERS completed its design of the PERS Outcome-Based Management System (POBMS), the next phase in our development was to address whether the organizational structure best supported the system. By creating the POBMS, we instituted cultural norms in how this agency would function. The agency's organizational structure needed to align with those norms so that further refinement and continued support for POBMS could be facilitated.

Aligning the agency's organizational structure by the processes through which we administer our trusts and other services fosters innovation and simplicity. Establishing clear lines of responsibility communicates to everyone a defined pathway to enhancing our service to members and employers and accountability to stakeholders and each other. As a result, outcomes on key goals will improve as the focus is sharper on where and how we can better deploy our efforts to fulfill our mission and vision.

Using foundational elements of the management system, the agency's planning for the next biennium was based on a strategy to use the budget process to improve agency performance in targeted areas. The proposed policy option packages and organizational structure for the 2025–27 biennium are connected to tactical, incremental strategies to maintain or improve performance of our business objectives.

### **Modernization**

As PERS emerged from its 75th year as an agency, we recognized that we must re-imagine how we evolve and deploy our business capabilities via our people, processes, and technologies. This evolution is necessary to meet our member and employer needs into the future. Members and employers have a desire for more personalized and updated service delivery such that they can be informed, interact, and transact with PERS at the time of their choosing using the channel of their choosing. This re-imagining of our service-delivery model will be accomplished, in alignment with our strategic plan, via an overarching modernization program that, ultimately, ensures that we are meeting those future stakeholder needs in the most effective and efficient means to do so.

The PERS Modernization Program was formally approved to begin in the 2023-25 biennium, including setting up a staffing plan and beginning work on various projects and program workstreams. More information is detailed below.



# **BUDGET NARRATIVE**

## **Initiatives and accomplishments**

### ***Package 101 — SB 1049 Implementation***

This allocation provided for the complete implementation of the SB 1049 legislation mandated by the Legislature in 2019. It will build upon the large amount of SB 1049 Implementation Program work already completed and enable the agency to realize the fully intended impact of this legislation.

#### ***Status***

PERS completed all implementation efforts associated with SB 1049 at the end of the 2023-25 biennium.

### ***Package 102 — SB 1049 Staffing***

Throughout the SB 1049 project, PERS has relied on limited-duration positions, requesting, and receiving approval for 35 limited-duration positions in the 2021-2023 biennium. These positions were requested to either work directly on the project, backfill positions on the project, or to cover the expected increased workloads. PERS has determined that some of the SB 1049 limited-duration positions need to be continued permanently due to sustained workloads, enhanced IT systems, increased complexity, and required staff support. PERS requested permanent funding for nine full-time positions due to increased and sustained workloads and IT system support that resulted from SB 1049 changes to the PERS system.

#### ***Status***

PERS was provided with six limited-duration staff to continue to support ongoing SB 1049 implementation efforts. PERS completed all implementation efforts associated with SB 1049 by the end of the 2023-25 biennium; however, there is a requirement for additional permanent resources to support the increased workload as a result of SB 1049.

### ***Package 103 — Modernization***

This allocation was a one-time increase of a \$9,573,073 expenditure limitation, which includes establishing 16 limited-duration positions (14.41 full-time equivalent (FTE)) and \$6,344,970 in associated services and supplies to continue planning for the ORION modernization, which is the agency's core retirement-system application. The Joint Committee on Information Management and Technology recommended conditional approval of the request to the Joint Committee on Ways and Means, General Government Subcommittee. The request includes the following major cost components: (1) hybrid integration platform (\$400,000), (2) client relationship management (\$1,255,000), (3) development and operations (\$1,102,000), (4) telephony (\$210,000), (5) independent quality management services (\$950,000), (6) architecture (\$950,000), and (7) data and analytics (\$1,300,000).

#### ***Status***

PERS has made significant progress in initial planning for the components noted above.

### ***Package 105 — IT Hardware and Subscriptions***

This was a one-time package increase of \$1,964,000 Other Funds expenditure limitation, which included \$1,068,000 for information technology software budgeted under Service and Supplies and \$896,000 for hardware budgeted under capital outlay.

## **BUDGET NARRATIVE**

### ***Package 106 — PHIP Administration***

This allocation was used to fund a portion of the professional service consulting contract to assist in the administration of the PERS Health Insurance Program (PHIP).

### ***Package 107 — Maintain Service Levels***

This allocation was used to fund five permanent full-time positions within the Information Services Division, while removing a corresponding amount in professional services. This moves services currently performed by contractors to state employees to manage the existing Oregon Retirement Information Online Network/JClarety legacy pension system.

### ***Package 108 — Retirement Workload***

This allocation was used to fund a Retirement Counselor 2 within the Members Services Section in the Team One Follow Up team to assist with member call escalations and to manage sensitive/complex cases.

### ***Package 109 — Qualifying/Non-Qualifying***

This package funded a one-time increase of Other Funds expenditure limitation, which includes one limited-duration, full-time Retirement Counselor 1 position (1.00 FTE) and two limited-duration, full-time Retirement Counselor 2 positions (2.00 FTE). The positions will be utilized to reconcile qualifying/non-qualifying employment eligibility issues. This work is a continuation from the 2021–23 biennium efforts to address qualifying/non-qualifying employment eligibility issues. The agency will continue to undertake a more proactive approach to verifying the accuracy of membership data based on eligibility laws and requirements and each member's unique employment data. This review process is primarily manual. This effort would facilitate early resolution of qualifying/non-qualifying-employment eligibility issues for PERS membership.

### ***Package 110 — Position Reclassifications***

This allocation allowed for four positions to be upwardly reclassified within the Operations Division.

### ***Package 111 — Increase Agency Support Service***

This allocation was for one permanent full-time Office Specialist 2 position to support the Procurement, Facilities, and Logistics Section with the mail, distribution, and printing workloads, as well as general administrative duties.

## **BUDGET NARRATIVE**

### **Performance measures**

#### ***2024 Annual Performance Progress Report***

With the combined resources of the agency budget and policy option packages approved, PERS made significant progress on the objectives set forth in the key performance measures, as well as in the area of business process improvements as measured through the PERS outcome-based management system. Indicators of that progress are discussed below.

#### **Timely and accurate payment of PERS benefits**

The key performance measure is to provide 80% of initial retirement payments within 45 days of the member's effective retirement date. During fiscal year (FY) 2024, PERS issued 60% of its pension benefit inceptions within 45 days of the member's effective retirement date, which was a slight decrease from the 61% performance rate in FY2023..

#### **High-quality customer service**

For the 2024 member survey, 88% of members rated PERS' overall service as good or excellent. Members rated PERS highest in timeliness of service, ability to provide services accurately, and knowledge and expertise (89%), and lowest in availability of information (82%).

In the FY 2024 employer survey, the results also reflected similar ratings in every category. Employers rated PERS between 75% and 84% "good" or "excellent," with 82% of employers rating PERS overall service as "excellent" or "good." Employers rated PERS highest in helpfulness (87%) and lowest in availability of information (75%).

#### **Optimize effectiveness and efficiency**

PERS' member to staff ratio decreased to 986:1 in FY2024, down from 1,006:1 in FY2023. The staffing for FY24 increased by 20.73 FTE over FY23 levels, while the membership total increased by 2.8%. Due to a large legislative implementation project for SB 1049, PERS added 46 FTE between FY2020 and FY2023, and more than 20 in FY2024 due to the commencement of its modernization project. Because of the large staffing increase over the last few years, the resulting Member to Staff ratio has dropped below targeted levels this year.

PERS is observed to be the second most complex system among nearly 70 other domestic and international public retirement systems identified in the CEM Benchmarking, Inc. Benchmarking Analysis each year. 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.

**Please see the full 2024 Annual Performance Progress Report in the Special Reports Section of this document for more information.**

# BUDGET NARRATIVE

## Program prioritization for 2025-27

### PROGRAM PRIORITIZATION FOR 2025-27

#### Public Employees Retirement System

2025-2027 Biennium Agency Number: 45900

PERS-All Programs

#### Program/Division Priorities for 2025-2027 Biennium

1	2	3	4	5	6	7	10	11	14	15	16	18	19	20	22
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program- Activity Code	OF	NL-OF	TOTAL FUNDS	Pos.	FTE	Included as Reductio n Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Comments on Proposed Changes to CSL included in Agency Request	
Agcy	Prgm/ Div														
1	1	PERS	CH 238	Tier One and Tier Two Programs	KPM #1, 2, 3, 4, 6, 7 & 8	4	13,232,423,752	\$ 13,232,423,752			N	C	Article 1	No Changes to CSL -	
1	1	PERS	OPSRP-IAP	Individual Account Program	KPM #1, 2, 3, 4, 6, 7 & 8	4	1,598,253,521	\$ 1,598,253,521			N	C	Article 1	No Changes to CSL -	
1	1	PERS	OPSRP-DB	Pension Program	KPM #1, 2, 3, 4, 6, 7 & 8	4	274,466,760	\$ 274,466,760			N	C	Article 1	No Changes to CSL -	
			OPSRP-IAP	Third Party Administration	KPM #1, 2, 3, 4, 6, 7 & 8	4	6,589,365	\$ 6,589,365			N	S	ORS 238 A	No Changes to CSL -	
			Admin	Central Administration	KPM #1, 2, 3, 4, 6, 7 & 8	4	24,958,389	\$ 24,958,389	69	68.76	Y	S	ORS 237,238, & 238A	Policy Pkg 107,109, 111	
			FSD	Financial Services Division	KPM #1, 2, 3, 4, 6, 7 & 8	4	28,575,489	\$ 28,575,489	35	34.88	Y	S	ORS 237,238, & 238A	Policy Pkg 113	
			ISD	Information Services Division	KPM #1, 2, 3, 4, 6, 7 & 8	4	33,009,405	\$ 33,009,405	70	69.88	Y	S	ORS 237,238, & 238A	Policy Pkg. 102, 105, 112	
			OD	Operations Division	KPM #1, 2, 3, 4, 6, 7 & 8	4	58,892,739	\$ 58,892,739	208	207.51	Y	S	ORS 237,238, & 238A	Policy Pkg 101,106	
			CARD	Compliance, Audit and Risk Division	KPM #1, 2, 3, 4, 6, 7 & 8	4	15,124,749	\$ 15,124,749	29	28.14	Y	S	ORS 237,238, & 238A	Policy Pkg 105,108,110	
							160,560,771	\$ 15,111,733,398	411	409.17					

#### 19. Legal Requirement Code

- C Constitutional
- D Debt Service
- FM Federal - Mandatory
- FO Federal - Optional (once you choose to participate, certain requirements exist)
- S Statutory

Within each Program/Division area, prioritize each Budget Program Unit (Activities) by detail budget level in ORBITS

#### Document criteria used to prioritize activities:

PERS administers a single integrated system of retirement, disability and death benefits for employees of public employers throughout Oregon. Business processes, service delivery and support functions for the Retirement, Disability and Death Program are integrated across the divisions (detailed cross references) of the agency. Oregon courts have established that members have a contract right to these benefit programs and, as such, those rights cannot be impaired by law, in accordance with the Oregon Constitution's Article 1. The Retirement, Disability and Death Program is the agency's top priority.

This program frees public employers from the administrative burden of administering individual retirement plans. Economy of scale savings produced. Single plan across the state provides mobility for trained public servants. Provides the Oregon Legislature with the ability to influence public pension policy on a statewide basis.

ORS 237, 238, 238A To ensure the PERS retirement plan remains in compliance with federally mandated pension plan standards, ORS 238.630(3)(g) directs the PERS Board, "Shall adopt rules and take all actions necessary to maintain qualification of the Public Employees Retirement System and the Public Employees Retirement Fund as a qualified governmental retirement plan and trust under the Internal Revenue Code and under regulations adopted pursuant to the Internal Revenue Code. Rules under this paragraph may impose limits on contributions to the system, limits on benefits payable from the system and other limitations or procedures required or imposed under federal law or regulation for the purpose of qualification of the Public Employees Retirement System and Public Employees Retirement Fund under the Internal Revenue Code as a governmental plan and trust."

# BUDGET NARRATIVE

## PROGRAM PRIORITIZATION FOR 2025-27

<b>Public Employees Retirement System</b>	
<b>2025-2027 Biennium</b>	<b>Agency Number: 45900</b>
<i>PERS Retiree Health Insurance Program</i>	

Program/Division Priorities for 2025-2027 Biennium																		
1	2	3	4	5	6	7	10	11	14	15	16	17	18	19	20	22		
Priority (ranked with highest priority first)	Agenc y Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program- Activity Code	OF	NL-OF	TOTAL FUNDS	Pos.	FTE	New or Enhance d Program (Y/N)	Included as Reductio n Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Comments on Proposed Changes to CSL included in Agency Request			
Agcy	Prgm/ Div																	
2	2	PERS	RHIA	Retirement Health Insurance Account	KPM # 2, 3, 6 & 8	4	60,799,438	\$ 60,799,438				N	S	ORS 238.420	No Changes to CSL -			
2	2	PERS	RHIPA	Retirement Health Insurance Premium Account	KPM # 2, 3, 6 & 8	4	5,006,366	\$ 5,006,366				N	S	ORS 238.415	No Changes to CSL -			
2	2	PERS	SRHIA	Standard Retiree Health Insurance Account	KPM # 2, 3, 6 & 8	4	142,111,496	\$ 142,111,496				N	S	ORS 238.410	No Changes to CSL -			
			Admin	Third Party Administration	KPM # 2, 3, 6 & 8	4	9,085,476	\$ 9,085,476				N	S	ORS 237,238, & 238A	No Changes to CSL -			
			OD	Operations Division	KPM # 2, 3, 6 & 8	4	1,411,212	\$ 1,411,212	4	4.00		Y	S	ORS 237,238, & 238A	No Changes to CSL -			
								\$ -										
								\$ -										
							1,411,212	217,002,776	\$ 218,413,988	4	4.00							

Within each Program/Division area, prioritize each Budget Program Unit (Activities) by detail budget level in ORBITS

### Document criteria used to prioritize activities:

The PERS Retiree Health Insurance Programs provide health care insurance protection to eligible members. A Medicare health insurance supplement is also provided. Business processes, service delivery and support functions for the Retiree Health Insurance Program are integrated across the divisions (detailed cross references) of the agency. The Health Insurance Program is the agency's second priority.

This program frees public employers from the administrative burden of administering individual retirement plans with specialized health insurance rules. Economy of scale savings produced. Single plan across the state provides mobility for trained public servants. Provides the Oregon Legislature with the ability to influence public employee health insurance policy on a statewide basis.

ORS 238.410, 415, 420 To ensure the Health Insurance plan remains in compliance with federally mandated pension plan standards ORS 238.630(3)(g) directs the PERS Board, "Shall adopt rules and take all actions necessary to maintain qualification of the Public Employees Retirement System and the Public Employees Retirement Fund as a qualified governmental retirement plan and trust under the Internal Revenue Code and under regulations adopted pursuant to the Internal Revenue Code. Rules under this paragraph may impose limits on contributions to the system, limits on benefits payable from the system and other limitations or procedures required or imposed under federal law or regulation for the purpose of qualification of the Public

### 19. Legal Requirement Code

- C Constitutional
- D Debt Service
- FM Federal - Mandatory
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- S Statutory

## BUDGET NARRATIVE

## PROGRAM PRIORITIZATION FOR 2025-27

Public Employees Retirement System																
2025-2027 Biennium					Agency Number: 45900											
Deferred Compensation Program					Program/Division Priorities for 2025-2027 Biennium											
1	2	3	4	5	6	7	10	14	15	16	18	19	20	22		
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program-Activity Code	OF	TOTAL FUNDS	Pos.	FTE	Included as Reduction Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Comments on Proposed Changes to CSL included in Agency Request			
Agency	Program/Div															
3		PERS	OSGP	Deferred Compensation Program - Oregon Savings Growth Plan (OSGP)	KPM # 2, 3, 5, 6 & 8	4	\$ -				S	ORS 243.401-243.507	ORS 243.472 - See explanation below			
			OD	Operations Division	KPM # 2, 3, 5, 6 & 8	4	0	\$ -	7	7.00	Y	ORS 243.401-243.507	No Changes to CSL -			
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Within each Program/Division area, prioritize each Budget Program Unit (Activities)  
by detail budget level in ORBITS

**Document criteria used to prioritize activities:**

ORS 243.401 - 243.507 The Deferred Compensation Program provides an IRS approved plan for deferral of compensation payable to participants and deferral of income taxes on that compensation. This program is fully funded by the Deferred Compensation Fund. Fund dollars come solely from participant contributions. Administrative costs outside the Deferred Compensation Section are recovered from the fund. The Deferred Compensation Program is the agency's third budget priority.

PERS annually processes \$124.3 million in deferred compensation benefits and \$155.7 million in deferred compensation contributions. Statute directs the plan to be run for benefit of members with as low of fees as possible. A supplemental retirement plan, providing this service through PERS assists members in better planning for their financial needs in retirement.

A total of 30,250 members and their dependents directly benefit from this program. A total of 98,001 State and Local employees indirectly benefit from the availability of this program. In addition to the State of Oregon, 286 local government employers also benefit by having PERS provide this supplemental plan for the benefit of their employees, removing the administrative burden from the employer while providing additional retirement services to the employer's staff.

ORS 243.472 Deferred compensation benefit payments, and amounts payable as refunds, shall not for any purpose be deemed expenses of the board and shall not be included in its biennial departmental budget.

**19. Legal Requirement Code**

- C Constitutional  
D Debt Service  
FM Federal - Mandatory  
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S Statutory

## BUDGET NARRATIVE

## PROGRAM PRIORITIZATION FOR 2025-27

Public Employees Retirement System																						
2025-2027 Biennium										Agency Number: 45900												
Social Security Coverage Program																						
Program/Division Priorities for 2025-2027 Biennium																						
1	2	3	4	5	6	7	10	13	14	15	16	17	18	19	20	22						
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpos e Program- Activity Code	OF	NL- FF	TOTAL FUNDS	Pos.	FTE	New or Enhance d Program (Y/N)	Included as Reductio n Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Comments on Proposed Changes to CSL included in Agency Request							
Agcy	Prgm/ Div																					
4	4	PERS	OD	Operations Division	KPM # 2, 3, 6 & 8	4	0	\$ -	1	1.00	N	Y	FM	Fed Reg Title 20, 404.1204	No Changes to CSL -							
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Within each Program/Division area, prioritize each Budget Program Unit (Activities)  
by detail budget level in ORBITS

**Document criteria used to prioritize activities:**

**Federal Regulations, Title 20, 404.1204** The Social Security Coverage Program is a federally mandated program to assist public employers who wish to voluntarily join the Social Security Old Age and Survivorship Program. The State is required to maintain a single point of contact for the federal program. PERS is the established state level contact. The program is the agency's fourth budget priority.

**ORS 237.412** This program allows public employers to deal with a local state representative providing a direct channel for information to the federal program administrators. PERS staff allow public employers better opportunity to resolve reporting issues before escalating to federal intervention.

A total of approximately 1,000 public employers are directly benefited by having a venue for making a voluntary election into the Social Security Old Age and Survivorship program, while also having a direct local venue for program clarification.

NOTE: This program is solely funded by an administrative charge to participating employers.

19. Legal Requirement Code

- C Constitutional  
D Debt Service  
FM Federal - Mandatory  
FO Federal - Optional (once you choose to participate, certain requirements exist)  
S Statutory

## BUDGET NARRATIVE

## PROGRAM PRIORITIZATION FOR 2025-27

<b>Public Employees Retirement System</b>	
<b>2025-2027 Biennium</b>	<b>Agency Number: 45900</b>

Program/Division Priorities for 2025-2027 Biennium																
1	2	3	4	5	6	7	10	11	14	15	16	18	19	20	22	
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials		Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program- Activity Code	OF	NL-OF	TOTAL FUNDS	Pos.	FTE	Included as Reduction Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Comments on Proposed Changes to CSL included in Agency Request	
Agcy	Prgm/ Div															
1	1	PERS		All Programs	KPM #1, 2, 3, 4, 6, 7 & 8	4	160,560,771	15,111,733,398	\$ 15,272,294,169	411	409.17	Y	C	Article 1	Policy Pkg. 101-111	
2	2	PERS		PERS Retiree Health Insurance Program	KPM # 2, 3, 6 & 8	4	1,411,212	217,002,776	\$ 218,413,988	4	4.00	Y	S	ORS 238.410, 415, & 420	No Changes to CSL -	
3	3	PERS	OSGP	Deferred Compensation Program	KPM # 2, 3, 5, 6 & 8	4	0		\$ -	7	7.00	Y	S	ORS 243.401 - 243.507	No Changes to CSL -	
4	4	PERS		Social Security Coverage Program	KPM # 2, 3, 6 & 8	4	0		\$ -	1	1.00	Y	FM	Fed Reg Title 20, 404.1204	No Changes to CSL -	
									\$ -						No Changes to CSL -	
									\$ -							
									\$ -							
							161,971,983	15,328,736,174	\$ 15,490,708,157	423	421.17					

## 19. Legal Requirement Code

- C Constitutional  
D Debt Service  
FM Federal - Mandatory  
FO Federal - Optional (once you choose to participate, certain requirements exist)  
S Statutory

Prioritize each program activity for the Agency as a whole

**Document criteria used to prioritize activities:**

See criteria discussion at the Program/Activity priorities level.



## BUDGET NARRATIVE

### 10% reduction options (ORS 291.216)

1. Reduce facilities rental and maintenance	Eliminates or reduces the use of buildings outside of the headquarters building and associated maintenance.	\$712,274 Other Funds	Eliminates rented facilities and consolidates work into one location.
2. Reduce Attorney General fees	Limits legal sufficiency review to contracts over \$150,000 (per OAR 137-045-0030 requirements) and decreases litigation support.	\$450,580 Other Funds	Decreased legal sufficiency review and DOJ litigation support will increase risk to the agency. Staff will provide policy direction and contract services without complete resolution of legal issues, or in a less timely manner, resulting in reduced customer service (KPM #6) and making achievement of KPM #8 (meeting 100% of Board Best Practice criteria) less likely.
3. Reduce IT contracting budget and professional services	Reduces IT contracting budget and professional services for agency projects.	\$605,825 Other Funds	Decreases the agency's timeliness and efficiency in implementing IT modifications, such as in response to legislative changes or process improvements, increasing Total Benefit Admin. Costs (KPM #2) and hindering achievement of KPM #8 — Board Best Practices.
4. Reduce IT systems and equipment upgrades	Reduces system modifications/upgrades; scheduled replacement of IT hardware, software, and ancillary equipment.	\$1,002,626 Other Funds	Increases risk of failed network and desktop equipment and service delays, hindering the agency's ability to achieve KPM #6 — Customer Service.
5. Reduce outside professional services contracts	Reduces contracting budget and professional services for agency projects.	\$1,156,140 Other Funds	Decreases the agency's timeliness and efficiency in implementing modifications such as response to legislative changes or process improvements, increasing Total Benefit Admin. Costs (KPM #2), and hindering achievement of KPM #8 — Board Best Practices.

## BUDGET NARRATIVE

6. Reduce other services related to collections	Reduces contract costs associated with collecting receivables.	\$237,426 Other Funds	Decreases contract costs and banking fees associated with receivables, reducing revenue.
7. Reduce office supplies (S&S)	Reduces office-supplies support to all divisions and sections.	\$974,090 Other Funds	Challenges the agency's ability to meet customers' and business-lines' needs, hindering the agency's ability to achieve KPM #6 — Customer Service.
8. Reduce expert witness and independent medical exam (IME) support	Reduces professional services expert witness and IME contract budget for disability claim review/determination.	\$15,650 Other Funds	Forces agency to be more reliant on member's medical evaluations instead of independent reviews, leading to increased potential for fraud or abuse. Inconsistent with KPM #8 — Board Best Practices.
9. Reduce training and travel agency-wide	Eliminates training and travel programs.	\$684,960 Other Funds	Reduces consistent and up-to-date training, increasing the risk of inconsistent or inaccurate agency processes. Impedes progress on KPM #8 — Board Best Practices.
10. Reduce the use of employee overtime and all other pay differentials	Eliminates the use of any overtime or pay differentials to accomplish related-work programs within or above set pay ranges.	\$1,162,307 Other Funds	Increases time needed for work completion and response time to the agency's customers and business lines, hindering the agency's ability to achieve KPM #6 — Customer Service.
11. Reduce IT expenditure property	Eliminates the laptop and computer renewal every four years for each employee and increase the waiting time.	\$360,620 Other Funds	Increased risk occurs when employees use slower machines, potentially leading to longer task-completion times.
	5% Reductions		
12. Reduce public affairs specialist	Eliminates one position responsible for communication and production. (1 position–1.00 FTE)	\$384,187 Other Funds	Increases time needed to complete work, response time to customers, hindering progress on KPM #8 — Board Best Practices.

## BUDGET NARRATIVE

13. Eliminate Director office support	Eliminates one position providing executive support to Director's Office. (1 position–1.00 FTE)	\$227,328 Other Funds	Increases time needed for work completion and response time to the agency's customers and business lines, hindering the agency's ability to achieve KPM #6 — Customer Service.
14. Eliminate Fiscal Services Division executive support	Eliminates one position providing executive support to chief financial officer, Fiscal Services Division managers and staff. (1 position–1.00 FTE)	\$242,942 Other Funds	Increases time needed for work completion and response time to the agency's customers and business lines, hindering the agency's ability to achieve KPM #6 — Customer Service.
15. Reduce Fiscal Services Division program support	Eliminates one accounting position supporting general ledger transactions, journal entries for jClarety activity, and reconciliation of employer and member accounts. (1 position–1.00 FTE)	\$312,464 Other Funds	Increases time needed to complete work, response time to customers, and file audit risks, hindering progress on KPM #8 — Board Best Practices.
16. Reduce tax accounting program support	Eliminates one tax accounting position supporting transaction for tax and journal entries for jClarety activity. (1 position–1.00 FTE)	\$265,775 Other Funds	Reduces tax-processing capabilities, hindering progress on KPM #8 — Board Best Practices.
17. Reduce benefit-process support	Eliminates one Operation and Analysis 2 position supporting benefit process and analysis. (1 Position–1.00 FTE)	\$312,464 Other Funds	Increase workload on other OPA2 or OPA1. Increases risk of application support and development, KPM #7 — Timely Benefit Estimates.

## BUDGET NARRATIVE

18. Reduce benefit-process support	Eliminates one Retirement Counselor 1 position and one administrative support position. (2 positions–2.00 FTE)	\$405,330 Other Funds	Reduce benefit support and add more workload to other employee in the section, KPM #7 — Timely Benefit Estimates.
19. Reduce IAP calculation staff	Eliminates two positions supporting IAP processing. (2 positions–2.00 FTE)	\$454,965 Other Funds	Increases risk of application support and development. Hinders the agency's ability to achieve KPM #1 - Timely Retirement Payments, KPM #6 — Customer Service, and KPM #7 — Timely Benefit Estimates.
20. Reduce call-agent support	Eliminates one position call agent. (1 positions–1.00 FTE)	\$236,003 Other Funds	Increase wait time for call center. KPM #6 — Customer Service.
21. Reduce technical support for DevOps	Eliminates one high-level position of strategics planning. (1 position–1.00 FTE)	\$377,124 Other Funds	Increases time needed for data processing and customer response time, hindering the agency's ability to achieve KPM #1 — Timely Retirement Payments, KPM #6 — Customer Service, and KPM #7 — Timely Benefit Estimates.
22. Reduce technical support BSA staff	Eliminates one position providing technical support for ESC. (1 position–1.00 FTE)	\$265,775 Other Funds	Increases time needed for work completion and response time to the agency's customers and business lines, hindering the agency's ability to achieve KPM #6 — Customer Service.

## BUDGET NARRATIVE

23. Reduce legislative coordinator support and activities	Eliminates one position responsible for legislative coordination regarding program updates, changes in regulations, and new rules. (1 position-1.00 FTE)	\$368,200 Other Funds	Eliminates FTE used to support agency-wide legislative coordination and communication. Position functions would be spread among agency staff or directed to another agency, increasing benefit administration costs counter to KPM #2 – Total Benefit Admin. Costs, and hindering the agency's ability to achieve KPM #6 – Customer Service.
24. Reduce Retirement Counselor business operation support- MS	Eliminates 2 RC1 positions responsible for business operation support. (2 positions-2.00 FTE)	\$636,967 Other Funds	Increase workload on RC2s and increase response time to the Agency's customers and business lines, hindering the Agency's ability to achieve KPM #1 - Timely Retirement Payments, and KPM #6 - Customer Service.
25. Eliminate Deferred Compensation Program support in Salem	Eliminates 2 program support positions, closes Salem office, and reassigns staff to Tigard office. (2 positions – 2.00 FTE)	\$548,467 Other Funds	Increases time needed to complete work and response time to the Agency's customers, risks limiting the Deferred Compensation Program's growth, and eliminates local presence and direct customer service in Salem. Impedes efforts to achieve KPM #5 - Increase participation to 38%, as well as hindering progress on KPM #6 - Customer Service.
26. Reduce employer support- ESC	Eliminates 1 office specialist position supporting Business Operations supervisor. (1 position – 1.00 FTE)	\$195,664 Other Funds	Increases time needed to complete work, response time to customers, and file audit risks, hindering progress on KPM #8 - Board Best Practices.
27. Reduce employer support- DIG	Eliminates 1 office specialist position supporting Business Operations supervisor. (1 position – 1.00 FTE)	\$170,104 Other Funds	Increases time needed to complete work, response time to customers and contract file audit risks, hindering progress on KPM #8 – Board Best Practices.

## BUDGET NARRATIVE

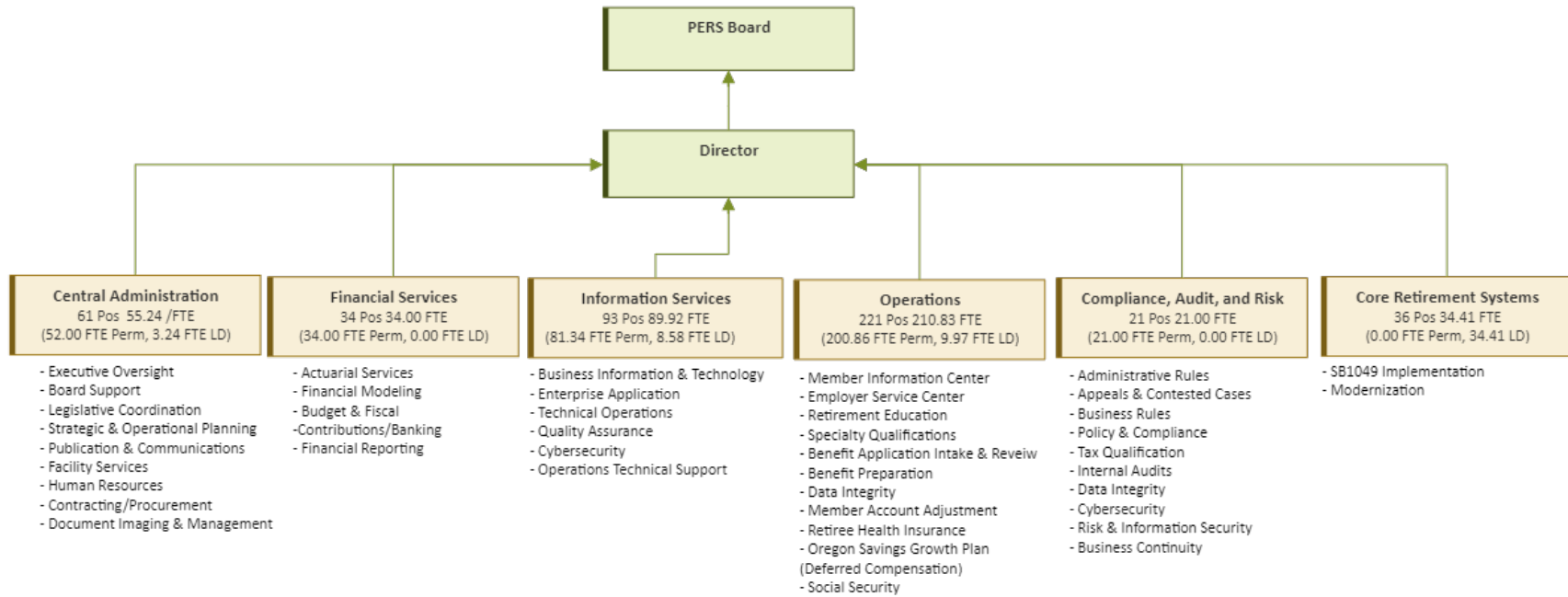
28. Reduce Operation & Policy Analyst PMO office support	Eliminates 1 OPA3 position review business operations issues support. (1 positions – 1.00 FTE)	\$368,200 Other Funds	Increases time needed for work completion and response time to the Agency's customers and business lines, hindering the Agency's ability to achieve KPM #6 - Customer Service.
29. Reduce benefit administrative program support	Eliminates 1 position supporting benefit estimates. (2 positions – 2.00 FTE)	\$195,664 Other Funds	Increases time needed for work completion and response time to the Agency's customers and business lines, hindering the Agency's ability to achieve KPM #6 - Customer Service.
30. Reduce IT Staff support	Eliminates 1 ISS8 position providing technical support. (1 position – 1.00 FTE)	\$424,711 Other Funds	Increases time needed for work completion and response time to the Agency's customers and business lines, hindering the Agency's ability to achieve KPM #8 - Board Best Practices.
31. Reduce IT application and software engineering Program support	Eliminates 2 positions IT application and engineering program support. (2 positions – 2.00 FTE)	\$754,248 Other Funds	Eliminates resources used to improve agency quality and accountability prevents efforts to reduce agency costs in support of KPM #2 - Total Benefit Admin. Costs and conform to KPM #8 - Board Best Practices.
32. Reduce compliance coordination program support	Eliminates 1 position providing compliance coordination program support. (1 position – 1.00 FTE)	\$245,421 Other Funds	Increases time needed to complete work, response time to customers, and file audit risks, hindering progress on KPM #8 - Board Best Practices.
Totals	29 Positions (29.00 FTE)	\$15,080,489 Other Funds	

7.42% of 391 CSL positions      10.00% of \$150,788,952 CSL

# BUDGET NARRATIVE

## 2023–25 Organization Chart

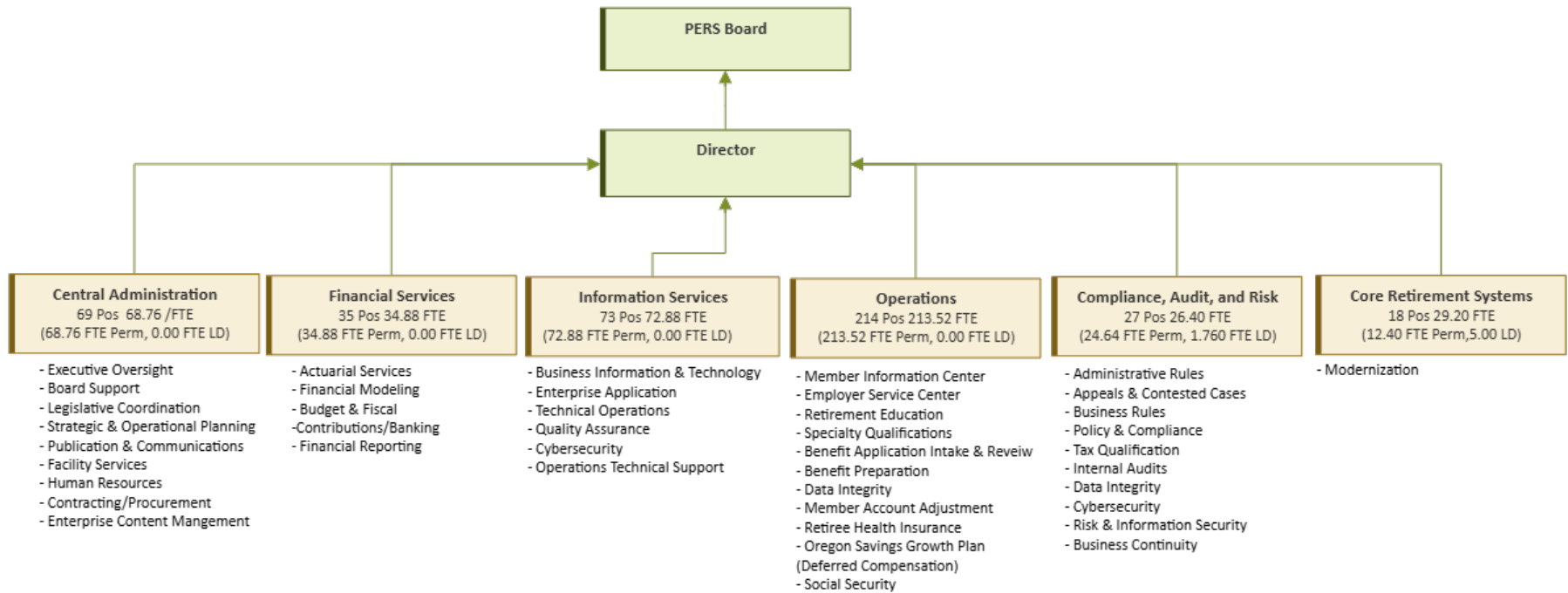
Public Employees Retirement System  
2023-25 Legislatively Approved Budget  
466 Positions  
445.40 FTE



# BUDGET NARRATIVE

## 2025–27 Organization Chart

Public Employees Retirement System  
2025-27 Leg. Adopted Budget  
436 Positions  
433.48 FTE





# BUDGET NARRATIVE

## Revenues

### Revenue forecast discussion

PERS provides administrative support to several programs and related retirement activities. Every program account and activity has dedicated revenue sources authorized by statute. Revenue streams for several of the programs and activities are combined for revenue-projection purposes because the revenue sources are similar. Revenues for the Public Employees Retirement Fund (PERF) (ORS 238), Oregon Public Service Retirement Plan (OPSRP) (ORS 238A), Benefit Equalization Fund (BEF) (ORS 238.485), Retirement Health Insurance Account (RHIA) (ORS 238.420), and Retirement Health Insurance Premium Account (RHIPA) (ORS 238.415) are combined. The Deferred Compensation Program (State) (ORS 243) and the Standard Retiree Health Insurance Account (SRHIA) (ORS 238.410(7)) have different funding sources and are discussed separately.

PERS expects adequate revenues for all programs and activities during the 2025–27 biennium.

### Source of funds

Revenue sources include investment earnings, contributions, and fees from employers and public employees (members). Primary revenue sources for SRHIA are investment earnings and insurance premiums from retirees or a spouse or dependent of a deceased retired member. PERS derives revenues to fund administrative activities for the Deferred Compensation Program primarily through a participant fee. All revenue is Other Funds, and no matching funds are required. Revenue below are actuals for fiscal 2024.

Category	Amount received	Percentage of Revenue
Charges for agency services	\$3,531,871	.04%
Investment income	\$6,290,672,200	63.13%
PERS contributions	\$3,633,869,530	36.47%
Insurance premiums	\$28,814,035	.29%
Other revenue	\$7,713,285	.07%
<b>Total Fiscal 2024</b>	<b>\$9,964,060,921</b>	<b>100%</b>

### Defined benefit and post-employment health-care revenue

Oregon PERS has two defined benefit pension programs (Chapter 238, also known as Tier One/Tier Two and Oregon Public Service Retirement Program (OPSRP), and two post-employment health-care programs (Retiree Health Insurance Account (RHIA) and Retiree Health Insurance Premium Account (RHIPA)). All members serving in active public employment since January 1, 2004, also participate in the Individual Account Program (IAP). Revenues for these programs, which currently make up 97% of PERS' revenues, are to be used solely for the benefit of the PERS members as described in ORS 238.660 (2) and ORS 238A.025.

## **BUDGET NARRATIVE**

### **Investment earnings**

Historically, investment earnings have provided the largest single source of system revenues. If investment earnings less administrative expenses are below the assumed earnings rate at the end of the calendar year, the contribution accounts of those who established membership in the system before January 1, 1996, and alternate payees of those members, will be credited the assumed rate and the difference made up from the Tier One Rate Guarantee Reserve. Any earnings in excess of the assumed earnings rate shall first be deposited in that reserve until the reserve is fully funded with amounts determined by the PERS Board based on advice from the PERS' actuary. Both earnings and losses are distributed to members' accounts that have variable annuity accounts (ORS 238.260) and/or Tier Two members' regular accounts for those who became members, and their alternate payees, on or after January 1, 1996. The board may draw out of interest and investment income an amount to remain in the Fund and constitute one or more reserve accounts (ORS 238.670). Each member's Individual Account, as described in ORS 238A.350, is adjusted annually in accordance with rules adopted by the board to reflect any net earnings or losses less administrative costs of maintaining the program. Investment earnings, after adjustment for administrative costs, are also credited to the OPSRP and Chapter 238 employer and retiree (Benefits In Force) reserves.

### **Employee/employer contributions**

Beginning January 1, 2004, all employee (or member) contributions, except for contributions by judge members, were prospectively placed in the OPSRP Individual Account Program (IAP). Employee contributions prior to January 1, 2004, were credited to members' accounts as directed by ORS 238.250 and 238.260. The employee contribution rate for PERS is six percent of PERS-covered salary (Judge Members rate is seven percent).

Employer contributions are credited to the individual employer's accounts or to the account of the pool in which the employer participates. A portion of employer Chapter 238 Program contributions is credited to the RHIA and RHIPA post-employment health-care programs in accordance with ORS 238.415 and ORS 238.420. Employer contribution rates effective July 2023 are based on the December 31, 2021 actuarial valuation. Final employer contribution rates effective July 2025 will be based on the December 31, 2023 actuarial valuation and will be reviewed for adoption at the October 24, 2024 board meeting. Effective July 1, 2020, SB 1049 (2019) redirected a portion of member IAP contributions to a new Employee Pension Stability Account (EPSA) when the funded status of the plan is below 90% and the member's monthly salary is more than \$2,500. HB 2906 in the 2021 session changed the monthly salary threshold to \$3,333 per month (indexed to CPI each January 1).

## BUDGET NARRATIVE

Employer rates, as a percent of PERS-covered salary, effective July 1, 2023, and 2025 are:

<b>PERS Chapter 238 Program</b>	<b>7/1/2023</b>	<b>7/1/2025</b>
State Agencies	21.22%	25.98%
State and Local Government Rate Pool	20.83%	23.01%
School Districts Pool	15.41%	20.14%
Political Subdivisions (non-pooled)	25.95%	28.68%
Judiciary	29.01%	33.71%
<b>OPSRP Chapter 238A Program</b>		
General Service Pool (all employers)	10.93%	12.51%
Police and Fire Pool (all employers)	15.72%	17.78%

\*The rates listed are gross employer rates except for State Agencies. Certain schools, community colleges, and political subdivisions have made Unfunded Actuarial Liability (UAL) lump-sum payments. Their contribution rates have been reduced and are lower than the rates shown above. The rates shown above for State Agencies do include the reduction from the state's UAL lump-sum payment. Rates shown for the State and Local Government Rate Pool and non-pooled Political Subdivisions are the average rate for those groups.

### **Benefit Equalization Fund (BEF) and Social Security Program**

The revenues for the administration of the Benefit Equalization Fund (BEF) and the Social Security Program are derived from fees assessed to those employers receiving services from these programs. Administrative fees are reviewed and adjusted annually based on expected numbers of participating employers and projected administrative expenses. Currently, the employers of the Benefit Equalization Fund are charged \$330 per month per participant (retirees receiving benefits in excess of IRS limits) and a one-time initial setup fee of \$900 per participant. Employers of the Social Security Program are charged an annual administration fee of \$0.92 per employee or \$15 minimum, whichever is higher.

### **Standard Retiree Health Insurance Account revenue**

Revenues for the Standard Retiree Health Insurance Account (SRHIA) are received from plan participants and used by the board only to pay the cost of health insurance coverage and to pay the administrative costs incurred by the board in administering health insurance coverage for eligible persons as defined in 238.410(b). ORS 238.410 established SRHIA as a public entity risk pool. SRHIA is both a risk-sharing and insurance-purchasing pool. The board contracts for health insurance on behalf of retired members. Members and their dependents are eligible for PERS health-care coverage if the member is receiving a retirement allowance or benefit under the system and meets all other eligibility criteria. A surviving spouse or dependent of a PERS retiree is eligible to participate if he or she was covered under the health plan at the time of the retiree's death.

## **BUDGET NARRATIVE**

The PERS' Retiree Health Insurance Program contracts with a variety of medical health insurance carriers and two dental plan carriers for both Medicare and non-Medicare plans. Rates vary depending on the plan option selected by the participants. PERS has contracted with various carriers on an insurance-purchasing basis and remits premiums collected from participating members to the carriers. PERS contracts with Delta Dental of Oregon on a Minimum Premium Funding arrangement (risk-sharing plan). Stop-loss and other administrative fees are included in the total premium remitted to Delta Dental of Oregon, all other contracted health plans are conventionally funded.

### **Deferred Compensation Program**

PERS may assess a charge to the participants not to exceed 2 percent on amounts deferred, both contributions and investment earnings, to cover costs incurred for administering the program. The annual participant fee is currently 0.085% percent (.00085) of participant assets held in the trust. All administrative revenue is Other Funds, and no matching funds are required.

ORS 243.411 requires that all earnings of the Deferred Compensation Fund must be credited to the fund, and monies in the fund may be used solely for the purposes of implementing and administering the Deferred Compensation Program.

### **Basis for 2025–27 revenue estimates**

Projected investment income is based on taking into consideration several factors: capital markets modeling, prolonged periods of economic growth, and the actuarial-assumed future earnings rate of 6.90 percent annually. Using trend analysis of employer and employee contributions, and separately analyzing employer prepayments funding the unfunded actuarial liability (UAL), PERS projected future total contributions based on a systemwide rate average. PERS separated the 6 percent employee contribution into the OPSRP Individual Account Program (IAP) from these total projected contributions beginning January 2004. An 8 percent turnover rate, one of PERS' actuarial assumptions, was used to project the number of participants establishing membership in the system on or after August 29, 2003. Projections for future growth in the three health insurance accounts (SRHIA, RHIA, and RHIPA) were also based on using trend analysis.

## BUDGET NARRATIVE

### Public Employees Retirement System revenues by source

Public Employees Retirement System revenues by source (\$ in millions)				
Fiscal year	Member contributions and insurance premiums	Employer contributions *	Net investment income or (loss) and other income	Total
2005	458.3	855.5	5,756.7	7,070.5
2006	512.8	824.3	7,083.3	8,420.4
2007	542.2	640.9	10,939.7	12,122.8
2008	581.4	792.7	(2,869.3)	(1,495.2)
2009	619.8	680.5	(13,509.9)	(12,209.6)
2010	646.5	457.1	7,705.7	8,809.3
2011	699.3	447.7	11,715.6	12,862.6
2012	719.4	879.9	455.3	2,054.6
2013	723.0	884.9	7,621.2	9,229.2
2014	741.0	969.6	10,921.1	12,631.7
2015	769.2	1,183.8	2,657.3	4,610.3
2016	749.3	1,032.9	494.9	2,277.1
2017	747.4	1,083.9	8,668.0	10,499.3
2018	772.7	1,451.4	7,074.2	9,298.3
2019	742.4	1,783.8	4,615.7	7,141.9
2020	751.8	2,316.6	1,176.9	4,245.3
2021	769.1	2,176.1	21,741.7	24,686.9
2022	985.9	4,040.9	209.9	5,236.6
2023	1,074.5	2,403.9	3,730.6	7,209.0
2024	1,137.2	2,525.5	6,290.7	9,953.4

\* Employer contributions include employer prepayments of unfunded liabilities.

Source of information: Oregon Public Employees Retirement System, an agency of the state of Oregon, *Annual Comprehensive Financial Report* for the Fiscal Year Ended June 30, 2024.

## **BUDGET NARRATIVE**

### **Other charges for services**

ORS 237.420 allows PERS to set a rate to cover the costs of administering the Social Security Program. That rate is currently 0.92 cents per employee per year or \$15, whichever is higher. A total of \$466,832 Other Funds Limited is projected for the 2025–27 biennium.

Employers are invoiced a fee consisting of a \$900 initial set-up charge and a \$330 monthly ongoing administrative fee per participant to fund the administrative costs of the Benefit Equalization Fund (BEF). A total of \$805,742 Other Funds Limited is projected for the 2023-25 biennium.

ORS 238.465(9) charges both the member and the alternate payee an administrative expense in an amount not more than \$1,300 in total for related costs of obtaining data or making calculations that are necessary by a court-ordered divorce judgment, order, or agreement. PERS estimates a total of \$500,000 Other Funds Limited and \$793,657 Other Funds Non-Limited in the 2025–27 biennium.

ORS 238.610 allows the PERS Board, by rule, to establish procedures for recovering administrative costs from members for services provided in estimating retirement benefit amounts and processing payments if the board determines that the services requested by an individual member result in extraordinary costs to the system. Effective January 1, 2004, PERS established a new charge to the member of \$60 per additional estimate to cover administrative costs of providing members additional retirement benefit estimates after the two allowed at no cost. PERS estimates a total of \$1,000 Other Funds Limited in benefit estimate service charges in the 2025–25 biennium.

PERS collects fees for various other services provided. PERS estimates a total of \$4,976 Other Funds Limited in the 2025–2027 biennium based on historical trend analysis.

Projected revenue for the Deferred Compensation Program in the 2025–27 biennium is based on historical data. The participant fee will remain the same, and the amount collected is not anticipated to vary significantly from historical patterns. The Local Government Deferred Compensation (ORS 243.474-243.478) and State Deferred Compensation Programs are projected as a single amount, although the revenue sources associated with the Local Government Deferred Compensation Program is insignificant as compared to the State Deferred Compensation Program. The total projected revenue is \$4,741,171 in the 2025–27 biennium.

### **Other revenue**

ORS 238.705 allows PERS to charge employers that are delinquent in remitting contributions one percent per month on the total amount of contributions due. Employers that are delinquent in providing annual reports, or supplying annual employee information, are charged a penalty of the lesser of \$2,000 or 1 percent of the total annual contributions for each month they are late. PERS has temporarily shut off the penalty charges when PERS discovered an error in the jClarety program.

Other revenue also consists of prior period reductions of expense, surplus sales, MICR errors, total of checks that have been outstanding for over two years and are no longer negotiable, prior-period adjustments and other revenue. PERS projects revenue from these sources of \$25,555 Other Funds Limited in the 2025–27 biennium.

PERS estimates a total of \$7,352,781 Other Funds Non-Limited in insurance premium revenue during the 2025–27 biennium. The revenue activity that was previously reported as member contributions is now reported as insurance premium revenue, which is classified as Other Charges for Services at the budget account level.

## BUDGET NARRATIVE

Source	Fund	ORBITS Revenue Acct	2021-23 Actual	2023-25 Legislatively Adopted	2023-25* Estimated	2025-2027		
						Agency Request	Governor's Budget	Legislatively Adopted
<b>Limited Other Funds:</b>								
Charges for services	Limited Other	Charges for services	2,140,895	6,196,020	5,668,078	6,203,474	6,203,474	6,203,474
Interest and investment earnings	Limited Other	Interest income	36,763	41,508	234,302	29,150	29,150	29,150
Other	Limited Other	Other revenues	97,873	50,000	26,699	25,555	329,368	50,000
<b>Non-limited Other Funds:</b>								
Charges for services	Non-limited Other	Charges for services	54,708,930	83,106,530	56,804,042	56,812,158	56,812,158	56,812,158
Interest and investment earnings	Non-limited Other	Interest income	8,173,199,674	9,649,269,440	9,443,039,040	10,390,566,964	10,392,566,964	10,392,566,964
Donations and contributions	Non-limited Other	Retirement system contribution	8,173,199,675	6,136,283,319	7,125,087,330	7,983,875,761	7,983,785,762	7,983,875,762
Other	Non-limited Other	Other revenues	327,015,525	67,853,750	11,025	0	0	0

2023-2025

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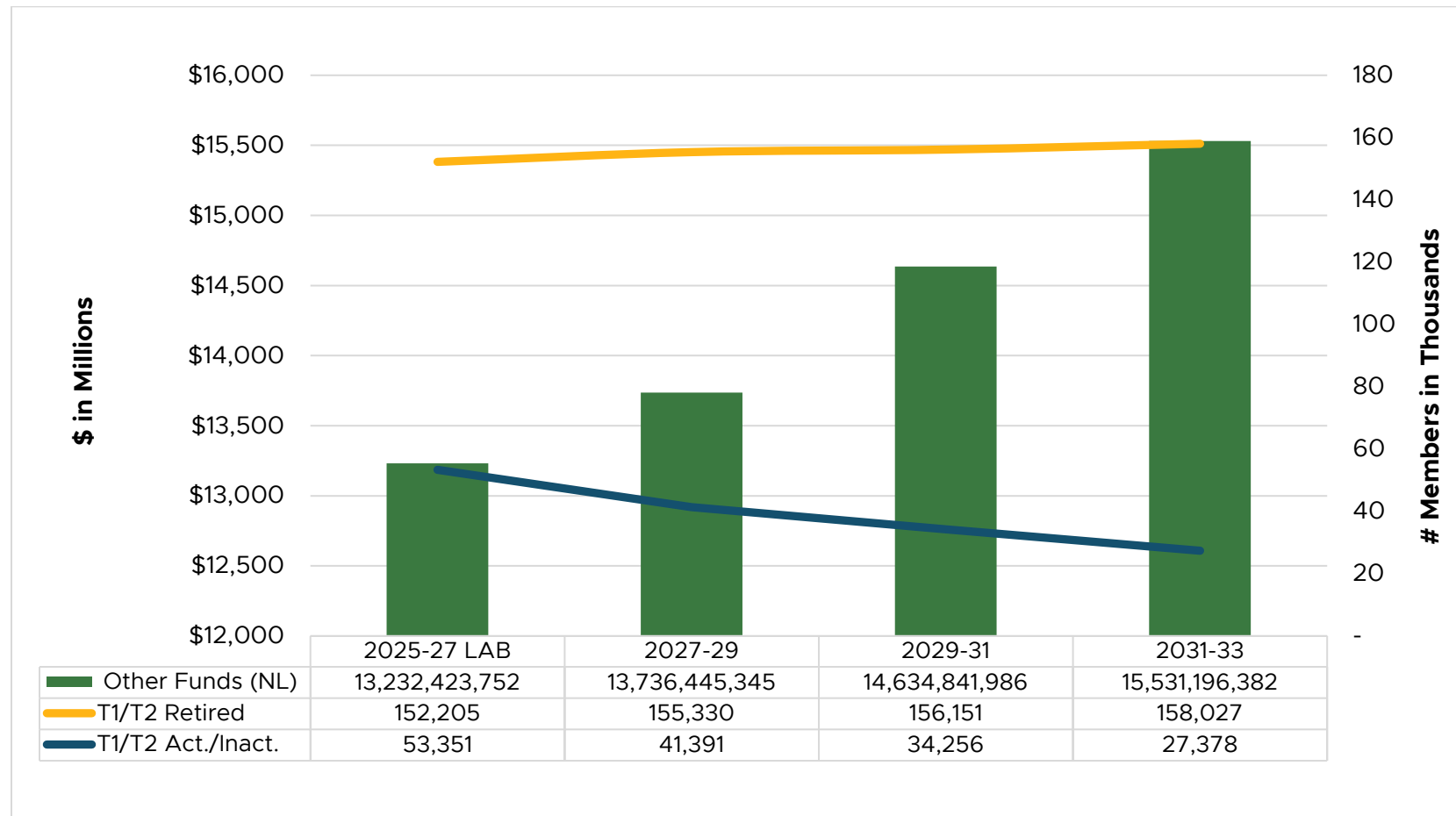
\* All 2023-25 estimated revenue amounts were calculated using audited 2025 fiscal-year.

**Program units**

## BUDGET NARRATIVE

### Tier One and Tier Two Program executive summary

Primary outcome area: Improving government  
 Secondary outcome area: (None)  
 Program contact: Kevin Olineck, 503.603.7695



### Executive summary



## BUDGET NARRATIVE

The Tier One and Tier Two Program represents administration of active and inactive member accounts and benefit payments to retired members of these legacy plans, defined in ORS Chapter 238, that are now closed to new members. Benefit payments include retirement allowances, account withdrawals, death and disability benefits, and health insurance premium pass-through and subsidy account disbursements. Administration of the programs includes receiving contributions on behalf of active Tier One and Tier Two members, providing information and services to members, and processing retirements of Tier One and Tier Two members. All such funds are held in trust for the exclusive benefit of the plans' members. These plans were closed to new members as of December 31, 1995, for Tier One and August 28, 2003, for Tier Two.

### **Program funding request**

PERS requests \$13,232,423,752 Non-limited Other Funds expenditure authority in 2025–27 for the anticipated Tier One and Tier Two Program benefit payments. Estimated Non-limited Other Funds needed for anticipated benefit payments through 2033 are:

<i>Biennium</i>	<i>Estimated benefit payments</i>
2025–27	\$13,323,423,752
2027–29	\$13,736,445,345
2029–31	\$14,634,841,986
2031–33	\$15,531,196,382

**Performance achievement:** Requested Non-limited Other Funds support the agency mission to administer public employee benefit trusts to pay the right person the right benefit at the right time. Performance achievement is measured through legislatively mandated key performance measures, quarterly reporting of internal core operating and supporting business process measures, and monthly reporting of member transaction volumes and processing timeliness.

### **Program description**

The Tier One and Tier Two Program administers public employee benefit trusts for approximately 55,000 active and inactive (non-retired) members and approximately 152,000 retired members. Tier One membership was closed to new public employees hired on or after January 1, 1996, and Tier Two was closed to new public employees hired on or after August 28, 2003. New public employees now join the Oregon Public Service Retirement Plan (OPSRP), a separate program. Benefits paid through the Tier One and Tier Two trusts include account withdrawal, retirement benefits, and death and disability benefits to members, their beneficiaries, or alternate payees.

Even though membership in Tier One and Tier Two is closed to new employees, administration of and workload associated with benefit payments will increase over the next decade as these members age into retirement. As of June 30, 2023, more than 30,000 Tier One and Tier Two members are eligible to retire based on age or years of service.

Since OPSRP was created in August 2003, membership in the program has grown to over 48% of the total active and inactive population of PERS. From a cost perspective, however, that shift only affects the “normal cost” of benefits: the incremental cost each year of new benefits accrued by active members. PERS costs are rising not because of this normal-cost factor, but rather because of the unfunded actuarial liability (UAL) that initially emerged when the PERS Fund lost 27% of its value during the 2008 recession. The impact of that loss, as reflected in the system valuation as of December 31, 2023, is a UAL of \$29.4 billion (excluding pre-paid employer contributions deposited inside accounts).

The cost shift to OPSRP will not be fully realized until membership and associated liabilities with of the Tier One and Tier Two Program are reduced more significantly and membership and associated liabilities of the OPSRP program becomes predominant. That tipping point is decades away. PERS was created in March 1945, and Tier One members joined the program until 1996. Tier Two members

## **BUDGET NARRATIVE**

joined the program from 1996 to 2003. The life cycle of closed programs like Tier One and Tier Two extend another 50 years after their closures, as late entrants complete their full career and receive their retirement benefit for years after retirement. Consequently, Tier One member benefit payments (funded through this program) are not expected to peak until closer to the 2027–29 biennium. Even after that peak, the decline will be gradual.

This program is funded through public employee benefit trusts that are subject to federal and state laws and rules governing tax-qualified government retirement plans. One fundamental provision of those trusts is that the contributions (both from employers and members) and their associated investment earnings can only be used for the exclusive benefit of those members to fund their benefit payments. Consequently, the funds expended through this program can only be used to support the services and benefits provided within the program.

### **Program justification**

This program is still a major defined benefit component of the public employee retirement plan, which covers all state agencies, schools, and over 90% of eligible local government employees.

Benefits from the program are delivered through the lowest-cost administrative structure. The fundamental advantages of a multi-employer defined benefit plan are institutional investment of the fund, which enhances returns to members and reduces investment expenses; risk-sharing pools, which spread the impact of actuarial experience over a broad base; benefit portability, which allows members to transfer among participating employers without impacting benefit accruals; and unified administration, which enhances professionalism and improves economies of scale. These advantages allow member and employer contributions into the system to provide the maximum positive economic impact to local economies when retiree benefits are spent in local communities.

A 2024 economic impact study of PERS shows that in 2023 the \$4.74 billion in annual benefit payments to Oregonians multiplied to \$5.44 billion in economic value when the financial impact of dollars spent in local communities is considered. The benefit payments sustain an estimated 32,898 Oregon jobs and add approximately \$1.57 billion in wages. Additionally, Oregon collected an estimated \$301 million in income taxes on PERS retiree benefits in 2023.

### **Program performance**

## BUDGET NARRATIVE

Fiscal year	Total active/inactive members	Total retired members	Tier One/Tier Two Program expenditures (non-limited)	Fund balance
2015	101,209	134,004	\$3,979,388,084	\$64,923,626,094
2016	96,988	135,775	\$4,247,029,515	\$62,082,059,102
2017	85,912	141,884	\$4,405,790,663	\$66,371,703,247
2018	84,202	145,863	\$4,694,345,457	\$69,327,500,445
2019	78,043	143,744	\$4,819,792,761	\$70,203,720,619
2020	71,681	153,622	\$5,116,869,822	\$68,319,296,993
2021	65,914	148,189	\$5,308,155,980	\$84,158,144,898
2022	60,176	150,096	\$5,541,804,682	\$83,769,522,854
2023	55,146	163,537	\$5,746,458,300	\$83,487,618,066
2024	53,351	152,205	\$5,986,059,260	\$85,099,473,550

The table above shows the distribution of PERS Tier One and Tier Two membership as *active/inactive members* (those members either currently in PERS-covered employment or who have left public employment but are still entitled to a benefit) and *retired members* (those having elected to receive their benefit). As more members of the population move into receiving benefits, the *Program expenditures* show the growth in the number and amount of Tier One/Tier Two benefit payments distributed. Even with this growth, the agency's overall administrative *costs per member* have been historically lower in the last several years as operational efficiencies, including the development and deployment of new technology systems, have enabled PERS to increase distributions (and the related member services) while decreasing the incremental administrative costs.

### **Enabling legislation/program authorization**

The program is governed by the following Oregon Revised Statutes and Administrative Rules:

- The Tier One and Tier Two plans are authorized by Oregon Revised Statutes (ORS) 237.600 to 237.980, 238.005 to 238.492, and 238.600 to 238.750.
- Oregon Administrative Rules Chapter 459.

The benefits provided under the program are protected by provisions in the U.S. and Oregon Constitutions regarding contracts. Courts have construed these benefits as public contracts with the members, which can only be altered under very limited circumstances.

### **Funding streams**

## BUDGET NARRATIVE

This program is funded entirely from member and employer contributions and the return on investment of those contributions, which are held in the Public Employee Retirement Fund (PERF). In accordance with ORS 238.660(2), funds in the PERF can only be used for the exclusive benefit of the members. ORS 238.661 further provides that monies in the PERF are continuously appropriated to the PERS Board for the purpose of implementing plan requirements. Expenditures under this program are categorized for state budget purposes as Other Funds–Non-limited.

### **Significant proposed program changes from 2023–2025**

Requested Non-limited–Other Funds represent an increase of \$1,569,099,091 above the 2023–25 budget of \$11,662,157,523 and reflect the Agency’s 2025–27 anticipated benefit payment requirements for Tier One and Tier Two benefit recipients.

### **Tier One and Tier Two programs**

#### **Budget overview**

The Tier One and Tier Two programs include employer and member contributions, and investment earnings related to Tier One and Tier Two members and employer accounts and reflect the retirement payments made to Tier One and Tier Two retirees and beneficiaries. As of January 1, 2004, all member contributions have been directed to the Individual Account Program (IAP).

This program unit is entirely made up of Other Funds–Non-limited.

#### **Base budget adjustments**

Changes have been made to both revenues and expenditures to reflect updated projections. The non-limited adjustment reflects an anticipated increase in the number of retirements when compared to the 2019–21 biennium.

Tier One and Tier Two Non-limited Other Funds	2021–23 Actual Expenditures	2023–25 Legislatively Approved Budget	2025–27 Legislatively Adopted Budget
Professional services			
Agency program-related Supplies & Services	8,603,811	1,008,687	1,167,138
Distribution to individuals	11,048,630,084	11,661,148,836	13,231,256,614
Total expenditures	11,057,233,895	11,662,157,523	13,232,423,752

## BUDGET NARRATIVE

### *Detail of lottery funds, other funds, and federal funds revenue*

Source	Fund	ORBITS Revenue Acct	2021-23 Actuals	2023-25 Legislatively Approved	2023-25* Estimated revenue	2025-27		
						Agency Request	Governor's Budget	Legislatively Adopted
<b>Non-limited Other Funds:</b>								
Charges for services	Non-limited Other	Charges for services	1,793	6,710	3,207	2,608	2,608	2,608
Interest and investment earnings	Non-limited Other	Interest income	8,177,394,400	11,884,394,400	7,105,976,637	7,693,648,975	7,693,648,975	7,693,648,975
Donations and contributions	Non-limited Other	Retirement system contribution	4,581,957,736	5,326,591,289	2,910,460,924	3,376,137,893	3,376,137,893	3,376,137,893
Other	Non-limited Other	Other revenues	284,427,736					

2023-25

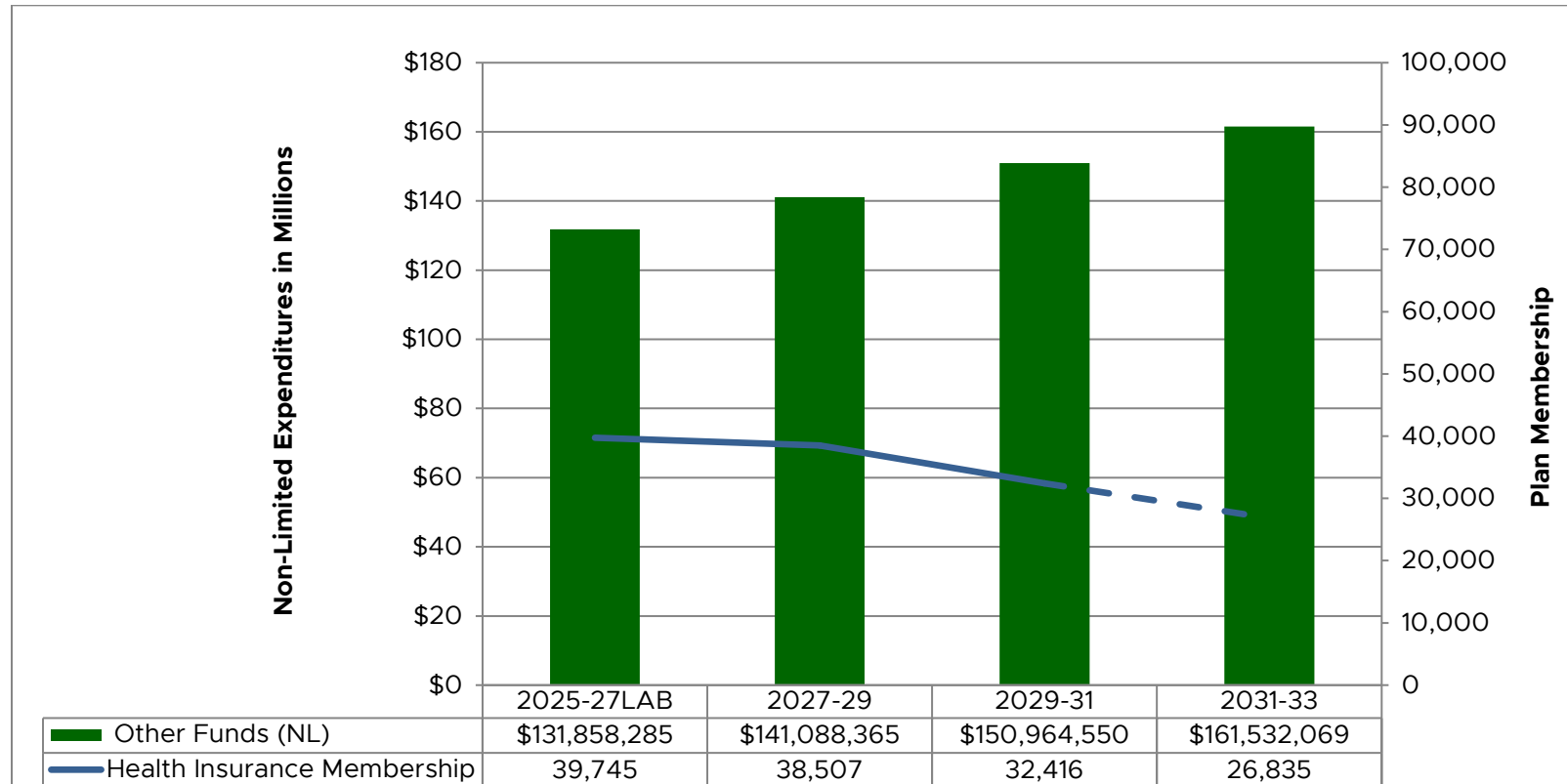
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\* All 2023-25 estimated revenue amounts were calculated using audited 2025 fiscal-year.

## BUDGET NARRATIVE

### Retirement health insurance programs executive summary

Primary outcome area: Improving government  
 Secondary outcome area: (None)  
 Program contact: Kevin Olineck, 503-603-7695



# BUDGET NARRATIVE

## **Executive summary**

The PERS Health Insurance Program (PHIP) offers health insurance coverage for all eligible Oregon PERS retirees and their eligible spouses and dependents. The program covers about 50,103 health-plan members. PHIP provides PERS retirees with benefits that provide high quality, comprehensive coverage at the most cost-effective rates possible that will also meet retirees' benefit needs. Core values of the program include maintaining the stability of premiums, coverage, and carriers.

## **Program funding request**

PERS requests \$131,858,285 Non-Limited–Other Funds expenditure authority in 2025–27 for the anticipated health insurance program expenditures. Estimated Non-Limited–Other Funds needed for anticipated benefit payments through 2033 are:

<i>Biennium</i>	<i>Estimated benefit payments</i>
2025–27	\$131,858,285
2027–29	\$141,088,365
2029–31	\$150,964,550
2031–33	\$161,532,069

**Performance achievement:** Requested Other Funds–Non-limited support the program mission and purpose to provide comprehensive medical and dental insurance plan options to PERS retirees who qualify for the program at the most cost-effective rates possible that will also meet retirees' benefit needs. Performance achievement is measured through the stability of carriers for the benefit of the program and the stability of health-care benefits for the benefit of the program.

## **Program description**

PERS has been a plan sponsor of retiree health plans since the late 1950s. At the time, PERS offered a simple hospital indemnity plan, which paid a hospitalized patient about \$15 per day. During the next 20 years, the benefits were improved, and a basic plan was added to cover out-of-hospital expenses. Cost of the plans were fully paid by participants when health plans were added. In the early 1970s, PERS added a Medicare supplement plan.

From its inception until July 1988, PERS plans were fully paid by participants; there was no contribution from PERS. At that time, legislation was implemented to provide a subsidy payment from PERS toward a Medicare supplement for PERS Tier One and Tier Two retirees who retired with eight or more years of service and enrolled in a PERS-sponsored plan. This subsidy is called the Retirement Health Insurance Account (RHIA) and is funded by all PERS employers. In 1991, the Legislature approved a subsidy for Tier One and Tier Two state retirees under age 65. That subsidy, implemented in 1993, is the Retiree Health Insurance Premium Account (RHIPA) and is funded by the state of Oregon only.

The RHIA subsidy is a \$60 contribution that is available to Medicare-entitled (enrolled in Medicare Parts A and B) retirees that are receiving either a PERS service or disability retirement allowance and have had either eight or more years of qualifying service time or are receiving a PERS disability retirement allowance computed as if they had eight or more years of service.

The RHIPA subsidy is a contribution available to non-Medicare retirees who retire from a state agency, that are receiving either a PERS service or disability retirement allowance and have had either eight or more years of qualifying service time or are receiving a PERS disability retirement allowance computed as if they had eight or more years of service. A retiree who is eligible for Medicare is no longer eligible for RHIPA and must move to a Medicare plan.

## BUDGET NARRATIVE

### Program justification

Despite inflationary trends and the pressures associated with lower Centers for Medicare and Medicaid Services (CMS) medical reimbursements and higher health-care-reform taxes and fees, for the 2024 plan renewal, PHIP was able to provide PERS retirees with participating carriers and plans that provide balance between costs and benefits. This was achieved through a thoughtful approach, scrutinized and analyzed to provide the least impact possible to members while maintaining program stability and accountability.

### Program performance

<b>Fiscal year</b>	<b>SRHIA members</b>	<b>RHIA members</b>	<b>RHIPA members</b>	<b>Annual expenditures total</b>	<b>Fund balance (all programs)</b>
2015	59,803	44,880	1,274	\$286,009,877	\$486,457,542
2016	59,983	45,060	1,238	\$254,516,317	\$499,291,853
2017	59,664	44,967	1,177	\$190,806,541	\$591,331,805
2018	59,190	44,890	1,066	\$197,768,756	\$684,486,989
2019	58,113	44,368	842	\$132,951,222	\$765,258,459
2020	57,401	43,827	794	\$60,715,407	\$763,997,275
2021	56,101	42,948	836	\$65,465,476	\$931,114,091
2022	51,708	41,718	607	\$71,551,556	\$907,505,013
2023	50,103	40,703	529	\$68,532,417	\$909,475,206
2024	48,323	39,325	450	\$67,932,812	\$924,641,561

PHIP is a voluntary insurance plan where an eligible member pays their own premiums (less the small subsidies from RHIA and RHIP if eligible) for the plan of their choice. In addition to health-plan premiums, PERS retirees also cover the cost of program administration; the premium rates that members pay are inclusive of these costs. We are fortunate to partner with insurers that have been able to maximize funding available from the CMS as well as meeting key targets in quality ratings. As has historically been the case, the PHIP insurers also continue to manage the highest-need participants to maximize benefits and care delivered while minimizing expenditures.

Stability has been possible because of the PERS Board's approach, maintaining dependable health-plan vendors and the long-term relationships that have benefited PHIP enrollees. This is achieved through a thoughtful approach facilitating a balance between cost and benefit.



## **BUDGET NARRATIVE**

### **Enabling legislation/program authorization**

The program is governed by the following Oregon Revised Statutes and Administrative Rules:

- PHIP is authorized by ORS 238.410 to 238.420.
  - SRHIA — Standard Retiree Health Insurance Account authorized under ORS 238.410.
  - RHIPA — Retiree Health Insurance Premium Account authorized under ORS 238.415.
  - RHIA — Retirement Health Insurance Account authorized under ORS 238.420.
- Oregon Administrative Rules Chapter 459.

The statutorily provided financial benefits provided under the program are protected by provisions in the U.S. and Oregon Constitutions regarding contracts. Courts have construed these financial benefits as public contracts with the members, which can only be altered under very limited circumstances.

ORS 238.410(7) further provides: Pursuant to section 401(h) of the Internal Revenue Code, the Standard RHIA is established within the PERF separate and distinct from the General Fund. All payments made by eligible persons for health insurance coverage provided under this section shall be held in the account. Interest earned by the account shall be credited to the account. All monies in the account are continuously appropriated to the PERS Board and may be used by the board only to pay the cost of health insurance coverage under this section and to pay the administrative cost incurred by the board under this section. Expenditures under this program are categorized for state budget purposes as Other Funds–Non-limited.

### **Funding streams**

The revenue for the SRHIA program, over \$30 million per year, comes from member-paid insurance premiums, with additional revenues provided from federal sources like the CMS and resulting investment returns.

The RHIA and RHIPA programs are funded from employer contributions and the return on investment of those contributions, which are held in the PERF.

### **Significant proposed program changes from 2023–25**

Requested Other Funds–Non-limited represent a decrease of \$85,400,402 from the 2023–25 budget of \$217,258,687 and reflects the agency's 2025–27 anticipated premium payment requirements for eligible Tier One, Tier Two, and OPSRP benefit recipients.

## BUDGET NARRATIVE

### Retirement health insurance programs

#### Budget overview

The PERS Health Insurance Program (PHIP) offers health insurance coverage for all eligible Oregon PERS retirees, their eligible spouses, and dependents. The program currently covers about 51,000 health-plan members. The RHIA provides for a \$60 health insurance subsidy for eligible retired members who are Medicare eligible, and the Retiree Health Insurance Premium Account (RHIPA) provides for an insurance premium subsidy for eligible non-Medicare retirees who retire from a state agency. OPSRP members are not eligible for receiving subsidies.

Employer contributions and investment earnings fund the subsidies above. PHIP is a voluntary insurance plan where an eligible Tier One or Tier Two member pays most, if not all, of their own premiums for the plan of their choice. OPSRP members pay all their own premiums. In addition to health-plan premiums, PERS retirees also cover the cost of program administration. The premium rates that members pay are inclusive of these costs.

This program unit is made up entirely of Other Funds–Non-limited.

#### Base budget adjustments

Changes have been made to both revenues and expenditures to reflect updated projections. The contracted services expenditure for the administration of health-care programs has been updated based on the projected number of participants and inflation. The estimates column was calculated using unaudited fiscal 2024 actuals through March.

Retirement health insurance programs Non-Limited–Other Funds	2021–23 Actual Expenditures	2023–25 Legislatively Approved Budget	2023–25 Estimates	2025–27 Legislatively Adopted Budget
Professional services — Health insurance administration	8,090,189	89,171,000	9,661,712	11,185,476
Distribution to non-gov units premium payments	124,290,585	128,087,585	125,803,459	120,672,809
Total expenditures	132,492,364	217,258,687	132,845,780	131,858,285

## BUDGET NARRATIVE

### *Detail of lottery funds, other funds, and federal funds revenue*

Source	Fund	ORBITS Revenue Acct	2021-23 Actuals	2023-25 Legislatively Approved	2023-25* Estimated Revenue	2025-27		
						Agency Request	Governor's Budget	Legislatively Adopted
<b>Non-limited Other Funds:</b>								
Charges for services	Non-limited Other	Charges for services	54,614,475	65,147,533	56,694,618	56,702,974	56,702,974	56,702,974
Interest and investment earnings	Non-limited Other	Interest income	98,311,270	120,472,125	80,955,669	96,067,145	96,067,145	96,067,145
Donations and contributions	Non-limited Other	Retirement system contribution	21,964,748	38,356,127	24,546,731	23,833,619	23,833,619	23,833,619
Other	Non-limited Other	Other revenues	14,965,290	0	11,025	0	0	0

2023-25

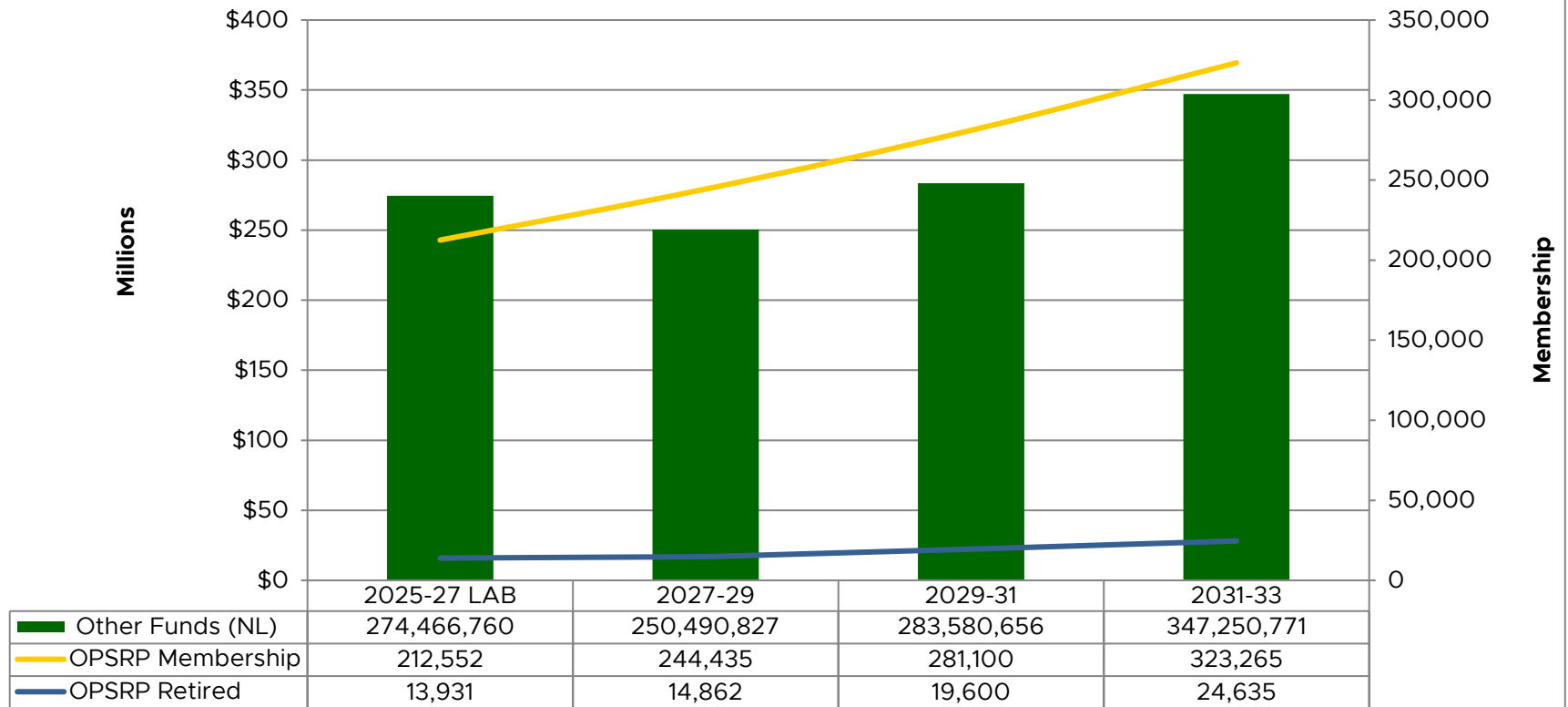
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\*All 2023-25 estimated revenue amounts were calculated using audited 2025 fiscal-year. .

## BUDGET NARRATIVE

### Oregon Public Service Retirement Pension Program executive summary

Primary outcome area: Improving government  
 Secondary outcome area: (None)  
 Program contact: Kevin Olineck, 503-603-7695



# BUDGET NARRATIVE

## **Executive summary**

The Oregon Public Service Retirement Plan (OPSRP) program serves public employees who began public employment after August 28, 2003. OPSRP is a hybrid retirement plan, designed to provide a reduced benefit compared to the Tier One and Tier Two retirement plans. The hybrid plan has two components: the OPSRP Pension Program, funded by employer contributions, and the Individual Account Program (IAP), funded by member contributions.

## **Program funding request**

PERS requests \$274,466,760 Non-limited–Other Funds expenditure authority in 2025–27 for anticipated OPSRP benefit payments. Estimated Non-limited–Other Funds needed for anticipated benefit payments through 2033 are:

<i>Biennium</i>	<i>Estimated payments</i>
2025–27	\$274,466,760
2027–29	\$250,490,827
2029–31	\$283,580,656
2031–33	\$347,250,771

## **Performance achievement:**

Requested Non-limited–Other Funds support the agency mission to administer the public employee benefit trusts to pay the right person the right benefit at the right time. Performance achievement is measured through legislatively mandated key performance measures, quarterly reporting of internal core operating and supporting business process measures, and monthly reporting of member transaction volumes and processing timeliness.

## **Program description**

The two components of OPSRP were established as part of the 2003 PERS reform package to reduce the retirement benefit costs for public employees who began public service after creation of the program. All PERS-participating employers were required to enroll any new qualifying employees in the OPSRP Pension Program and Individual Account Program after that date. PERS administers the benefit trusts associated with these programs on behalf of those participating employers.

The OPSRP Pension Program is a defined benefit program that provides a retirement benefit based on a formula: (years of service) x (final average salary) x (statutory multiplier). OPSRP provides a lower benefit than Tier One and Tier Two by reducing the statutory multiplier (1.5% for General Service employment, 1.8% for police officers and firefighters) and increasing the normal retirement age (age 65 for General Service employees, age 60 for police officers and firefighters). HB 4045, passed by the Legislature in 2024, lowers the normal retirement age for OPSRP Police and Fire members with less than 25 years of service credit from age 60 to age 55. For P&F members with 25 years or more of service credit, their retirement age will remain the same at age 53. This provision is effective for retirement dates on or after January 1, 2025.

The types of benefits paid through the OPSRP Pension Program include withdrawal, retirement, death, and disability benefits. This program now has over 186,000 active and inactive members. Costs for the OPSRP Pension Program are paid solely through employer contributions and their related investment earnings. All PERS employers participate in a single OPSRP employer pool, so costs are distributed across all employers based on their proportional share of subject salary that they pay the members in the program. Because this program provides a lower level of benefits, its “normal” cost is less than that for Tier One and Tier Two programs, whose formula-based benefits are calculated with higher statutory multipliers.

## BUDGET NARRATIVE

OPSRP is funded through public employee benefit trusts that are subject to federal and state laws and rules governing tax-qualified government retirement plans. One fundamental provision of those trusts is that the contributions (both from employers and members) and their associated investment earnings can only be used for the exclusive benefit of those members to fund their benefit payments. Consequently, the funds expended through this program can only be used to support the services and benefits provided within the program.

### **Program justification**

The OPSRP Pension Program is a major component of the public employee retirement plan, which covers all state agencies, schools, and over 90% of eligible local government employees. PERS administers this program for eligible public employees and their employers. This combined administration allows investment in operational efficiencies (such as web-based reporting, customer service, and benefit processing) that would not be feasible if individual agencies provided their own benefit plans.

Benefits from the program are delivered through the lowest-cost administrative structure. The fundamental advantages of a multi-employer defined benefit plan are institutional investment of the fund, which enhances returns to members and reduces investment expenses; risk sharing pools, which spread the impact of actuarial experience over a broad base; benefit portability, which allows members to transfer among participating employers without impacting benefit accruals; and unified administration, which enhances professionalism and improves economies of scale. These advantages allow member and employer contributions into the system to provide the maximum positive economic impact to local economies when retiree benefits are spent in local communities.

### **Program performance**

<b>Fiscal year</b>	<b>Total OPSRP pension members</b>	<b>Total retired OPSRP pension members</b>	<b>Total OPSRP program expenditures</b>	<b>Fund balance (in billions)</b>
2015	131,515	2,294	\$16,924,865	\$2,256,143,351
2016	148,775	2,874	\$21,382,026	\$2,689,147,489
2017	156,782	4,116	\$27,332,350	\$3,517,299,896
2018	141,882	4,454	\$35,304,018	\$4,578,716,832
2019	152,712	5,642	\$45,572,801	\$5,569,134,357
2020	160,466	6,570	\$56,765,555	\$6,536,885,139
2021	162,568	7,877	\$68,595,915	\$9,272,901,346
2022	182,808	10,230	\$88,927,141	\$10,455,748,211
2023	198,649	11,959	\$108,115,956	\$11,796,780,025
2024	212,552	13,931	\$132,183,458	\$13,841,700,329

## **BUDGET NARRATIVE**

The table above shows how quickly the change in the workforce has populated this lower-cost pension program in a relatively short time. A significant percentage of Oregon's active public employee workforce has been employed under this new retirement plan with lower, more predictable costs. Additionally, the table shows the exponential growth in expenditures and retirements processed related to the OPSRP Pension Program as part of 2003 PERS reform.

### **Enabling legislation/program authorization**

The program is governed by the following Oregon Revised Statutes and Administrative Rules:

- OPSRP is authorized by ORS 238A.005 thru 238A.250, and 238A.450 thru 238A.475.
- Oregon Administrative Rules Chapter 459.

The benefits provided under the program are protected by provisions in the U.S. and Oregon Constitutions regarding contracts. Courts have construed these benefits as public contracts with the members. Unlike the Tier One and Tier Two programs, the Legislature expressly reserved the right to alter the provisions of the OPSRP program for services performed after the effective date of any such change (ORS 238A.470).

### **Funding streams**

This program is funded entirely from employer contributions and the return on investment of those contributions, which are held in the PERF. In accordance with ORS 238.660(2), incorporated into the OPSRP program by ORS 238A.050(2), funds in the PERF can only be expended for the exclusive benefit of the members. ORS 238.661 (also incorporated by ORS 238A.050(2)) further provides that monies in the PERF are continuously appropriated to the PERS Board for the purpose of implementing plan requirements. Expenditures under this program are categorized for state budget purposes as Other Funds–Non-limited.

### **Significant proposed program changes from 2023–25**

Requested Non-limited–Other Funds represent an increase of \$113,592,116 over the 2023–25 budget of \$160,874,644 and reflect the agency's 2025–27 anticipated benefit payment requirements for OPSRP benefit recipients.

## BUDGET NARRATIVE

### Oregon Public Service Retirement Plan Pension Program

#### Budget overview

The 2003 Legislature created the Oregon Public Service Retirement Plan (OPSRP) via passage of House Bill 2020 (2003). OPSRP is a hybrid retirement program with two components: the pension program and the Individual Account Program (IAP). The OPSRP Pension Program is funded solely by employer contributions and investment earnings. Generally, the program is designed to provide a benefit that approximates 45 percent of a member's final average salary for a 30-year public service career (General Services).

Employers participating in PERS as of August 28, 2003, must participate in OPSRP. If an employer had a class of employees not participating in PERS as of August 28, 2003, it need not offer OPSRP membership to those employees. As of June 30, 2023, there were approximately 186,000 members in the OPSRP Pension Program.

This program unit is made up entirely of Other Funds–Non-limited.

#### Base budget adjustments

Changes have been made to both revenues and expenditures to reflect updated projections based on trend analysis and using moving four-year averages. The 2023–25 expenditure estimates column were calculated using unaudited fiscal year 2023 actuals through March.

Oregon Public Service Retirement Pension Non-limited–Other Funds	2021–23 Actual Expenditures	2023–25 Legislatively Approved Budget	2023–25 Estimated Expenditures	2025–27 Legislatively Adopted Budget
Agency program-related S and S–write-off of uncollectable receivables				
Distribution to individuals	175,244,943	160,874,644	264,097,871	274,466,760
Total expenditures	175,244,943	160,874,644	264,097,871	274,466,760



## BUDGET NARRATIVE

### *Detail of lottery funds, other funds, and federal funds revenue*

Source	Fund	ORBITS Revenue Acct	2021-23 Actual	2023-25 Legislatively Adopted	2023-25 Estimated Revenue*	2025-27		
						Agency Request	Governor's Budget	Legislatively Adopted
<b>Other Funds-Non-limited Funds:</b>								
Charges for services--alt payee admin fee	Other Funds-Non-limited	Charges for services	7,586	4,489	13,456	5,316	5,316	5,316
Interest and investment earnings	Other Funds-Non-limited	Interest income	1,258,976,681	1,458,723,053	1,080,275,735	1,225,738,266	1,225,738,266	1,225,738,266
Donations and contributions	Other Funds-Non-limited	Retirement system contribution	2,259,274,797	2,511,362,049	1,442,378,316	3,110,547,314	3,110,547,314	3,110,547,314
Other	Other Funds-Non-limited	Other revenues	16,095,173					

2023-25

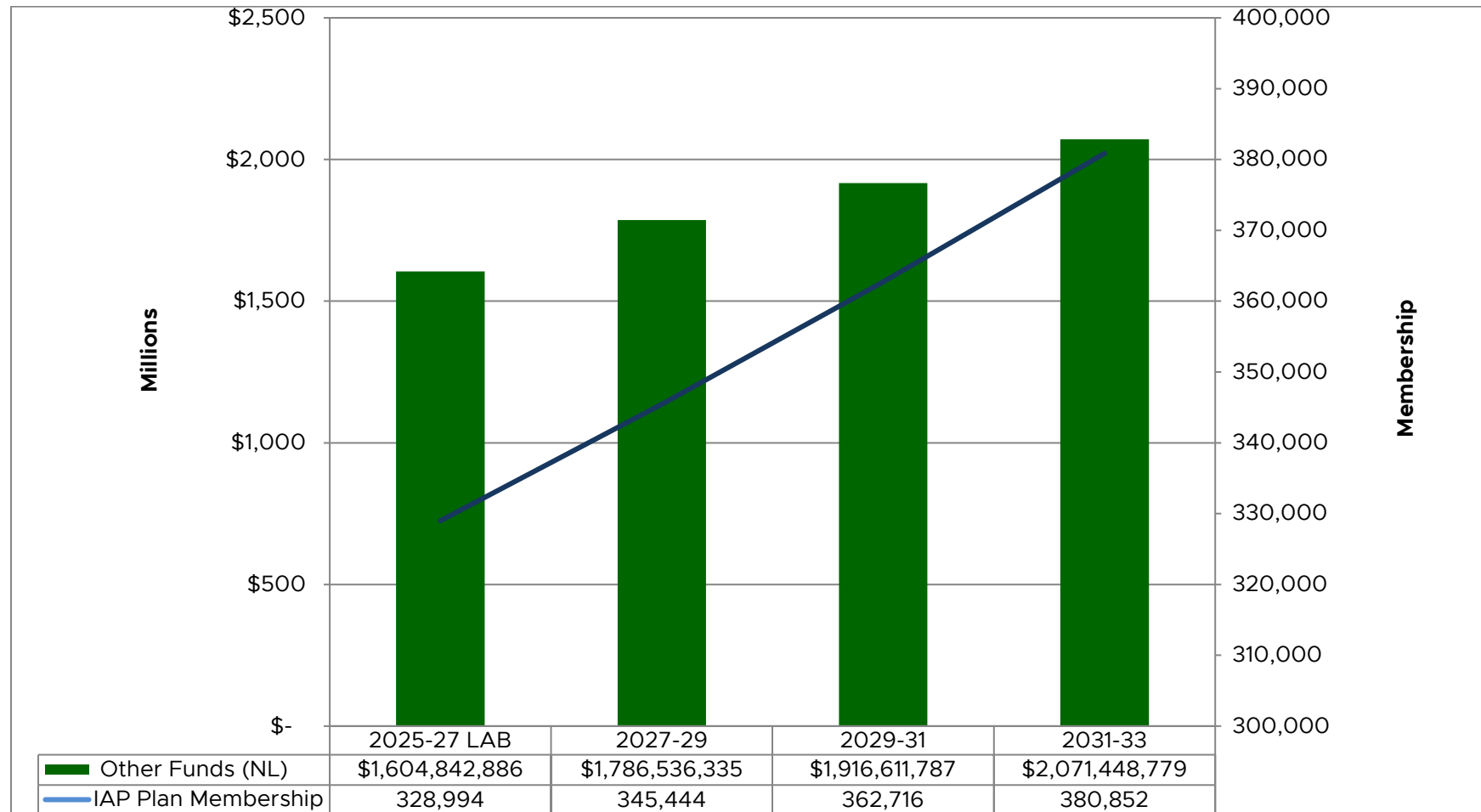
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\* All 2023-25 estimated revenue amounts were calculated using audited 2025 fiscal-year.

## BUDGET NARRATIVE

### Individual Account Program executive summary

Primary outcome area: Improving government  
 Secondary outcome area: (None)  
 Program contact: Kevin Olineck, 503-603-7695



# BUDGET NARRATIVE

## **Executive summary**

The Individual Account Program (IAP) consists of two components: members in the Oregon Public Service Retirement Plan (OPSRP) Pension Program, which serves employees who began their public service after August 28, 2003, and members in Tier One and Tier Two programs. Tier One and Tier Two member contributions made on or after January 1, 2004, have also been deposited in the IAP.

## **Program funding request**

PERS requests \$1,604,842,886 Non-limited–Other Funds expenditure authority in 2025–27 for anticipated IAP benefit payments. Estimated Non-limited–Other Funds needed for anticipated benefit payments through 2033 are:

<i>Biennium</i>	<i>Estimated payments</i>
2025–27	\$1,604,842,886
2027–29	\$1,786,536,335
2029–31	\$1,916,611,787
2031–33	\$2,071,448,779

## **Performance achievement:**

Requested Other Funds–Non-limited support the agency mission to administer the public employee benefit trusts to pay the right person the right benefit at the right time. Performance achievement is measured through legislatively mandated key performance measures, quarterly reporting of internal core operating and supporting business process measures, and monthly reporting of member transaction volumes and processing timeliness.

## **Program description**

The IAP program was established as part of the 2003 PERS reform package to reduce the retirement benefit costs for public employees who began public service after creation of the program. All PERS-participating employers were required to enroll any new qualifying employees in the OPSRP and Individual Account Program after that date. PERS administers the benefit trusts associated with these programs on behalf of those participating employers. As of January 1, 2004, all Tier One and Tier Two member contributions have also been directed to the IAP.

The IAP is funded by members contributing 6% of their salary (either through a pre-tax payroll deduction or through an employer “pick-up”). These contributions are invested on members’ behalf as part of the overall PERS Fund, and investment earnings or losses are credited to their accounts. Unlike Tier One member regular accounts, IAP accounts do not have a guaranteed minimum earnings rate.

The IAP is an account-based benefit that is paid in a lump sum upon withdrawal, or in several optional forms of payments at retirement, including a single lump sum or periodic installments at a different frequency over various durations. In the 2003 PERS reform legislation, all active Tier One and Tier Two members had their contributions diverted to new IAP accounts instead of their regular or variable accounts to restrict the growth in their benefit amounts. Consequently, the IAP now has the largest number of members of all PERS retirement programs. IAP costs are paid wholly out of earnings on member contributions. When earnings are insufficient to pay those costs, member account balances are reduced to recover those costs.

Until January 2018, IAP assets were invested identically for every participant, independent of age or individual retirement horizon. That approach did not comport with industry best practice, which uses age as a proxy for risk tolerance and suggests investors’ portfolios become increasingly conservative as retirement approaches. The Oregon Investment Council (OIC) chose an automatic risk-adjusting

## **BUDGET NARRATIVE**

framework for the IAP, known as a target-date fund (TDF). In this framework, younger workers gain more exposure to higher-risk growth investments, such as stocks, while older workers increasingly give up that growth exposure in exchange for lower account-balance volatility as they near and enter retirement. In, all 10 target-date funds were established.

Senate Bill 1049 instituted Member Choice for IAP participants, beginning January 2021. Annually, PERS will inform members of an “optional investment choice window” in which they can choose a target-date fund for their IAP investments different from the default fund based on their birth year. This allows members to choose to invest their IAP balance in a fund that is more reflective of their risk tolerance than the default based on their age. For changes taking effect January 1, 2023, there were 459 members who chose to be invested in an IAP target-date fund different than their default age tranche. For changes taking effect January 1, 2024, there were 507 members.

This program is funded through public employee benefit trusts that are subject to federal and state laws and rules governing tax-qualified government retirement plans. One fundamental provision of those trusts is that the contributions (both from employers and members) and their associated investment earnings can only be used for the exclusive benefit of those members. Consequently, the funds expended through this program can only be used to support the services and benefits provided within the program.

### **Program justification**

The IAP is a major component of the public employee retirement plan, which covers all state agencies, schools, and over 90% of eligible local government employees. PERS administers this program for eligible public employees and their employers. This combined administration allows investment in operational efficiencies (such as web-based reporting, customer service, and benefit processing) that would not be feasible if individual agencies provided their own benefit plans.

Benefits from the program are delivered through the lowest-cost administrative structure. The fundamental advantages of a multi-employer defined benefit plan are institutional investment of the fund, which enhances returns to members and reduces investment expenses; risk sharing pools, which spread the impact of actuarial experience over a broad base; benefit portability, which allows members to transfer among participating employers without impacting benefit accruals; and unified administration, which enhances professionalism and improves economies of scale. These advantages allow member and employer contributions into the system to provide the maximum positive economic impact to local economies when retiree benefits are spent in local communities.

## BUDGET NARRATIVE

### Program performance

Fiscal year	Total IAP membership	Total retired IAP members	Total IAP expenditures	Total IAP fund balance
2015	251,417	5,018	\$327,544,351	\$6,969,939,788
2016	260,164	5,810	\$373,027,099	\$7,239,871,924
2017	262,832	6,833	\$426,600,112	\$8,366,909,935
2018	269,812	7,375	\$559,176,111	\$9,292,531,398
2019	275,716	7,710	\$503,027,830	\$9,911,994,999
2020	285,293	8,210	\$623,430,876	\$10,242,385,753
2021	294,234	8,427	\$590,727,685	\$12,791,008,510
2022	311,849	13,868	\$756,871,116	\$12,445,685,673
2023	325,482	12,776	\$676,017,670	\$12,974,876,072
2024	328,994	13,337	\$686,019,560	\$13,963,133,779

The table shows how combining the legacy Tier One and Tier Two members into the IAP program created a large base to support that program's associated administrative costs. Total IAP membership reflects how this element of member benefits, where the member bears the entire risk of investment losses, is an increasingly significant aspect of the total retirement benefit package. IAP retirements processed shows how adding two new benefit programs (OPSRP Pension Program and IAP) as part of 2003 PERS reform has generated a significant number of additional retirement transactions in a short period of time, as all members now are retiring with both a pension benefit and an IAP benefit. The same holds true for withdrawals of members who have worked after the January 1, 2004 effective date of the IAP.

### Enabling legislation/program authorization

The following Oregon Revised Statutes and Administrative Rules govern the program:

- IAP is authorized by ORS 238A.300 thru 238A.435.
- Oregon Administrative Rules Chapter 459.

The benefits provided under the program are protected by provisions in the U.S. and Oregon Constitutions regarding contracts. Courts have construed these benefits as public contracts with the members. Unlike the Tier One and Tier Two Program, the Legislature

## **BUDGET NARRATIVE**

expressly reserved the right to alter the provisions of the OPSRP Pension Program, including the IAP, for services performed after the effective date of any such change (ORS 238A.470).

### **Funding streams**

This program is funded entirely from member contributions and the return on investment of those contributions, which are held in the Public Employee Retirement Fund (PERF). In accordance with ORS 238.660(2), incorporated into the OPSRP Pension Program by ORS 238A.050(2), funds in the PERF can only be expended for the exclusive benefit of the members. ORS 238.661 (also incorporated by ORS 238A.050(2)) further provides that monies in the PERF are continuously appropriated to the PERS Board for the purpose of implementing plan requirements. Expenditures under this program are categorized for state budget purposes as Other Funds–Non-limited.

### **Significant proposed program changes from 2023-25**

Requested Other Funds–Non-limited represent an increase of \$122,013,223 above the 2023–25 budget of \$1,482,829,663 and reflects the agency’s 2025–27 anticipated benefit payments or withdrawals for IAP benefit recipients.

### **Individual Account Program**

#### **Budget overview**

The 2003 Legislature created the OPSRP via passage of House Bill 2020 (2003). OPSRP is a hybrid retirement program with two components: the pension program and the IAP. The OPSRP Pension Program is funded solely by employer contributions and investment earnings. The IAP has no guaranteed payment or return. Members make contributions; employers may or may not make additional contributions. When a member retires, they receive the contributions plus any accrued earnings (or losses). The IAP requires PERS members to contribute an amount equal to six percent of salary to an IAP account. At retirement, members will receive the balance of this account, including accrued earnings while the account is active, either as a lump sum or in installments over a specified period of their choice.

Beginning January 1, 2004, Tier One and Tier Two Program member contributions also go into the IAP. Tier One and Tier Two members retain their existing PERS accounts, but member contributions after that date are deposited in the member’s IAP, not into the member’s Tier One or Tier Two account.

This program includes OPSRP, Tier One, and Tier Two member contributions into the IAP, and account withdrawals and distributions to Tier One, Tier Two, and OPSRP members. The program also outlines the fund transfer from plan assets to the operations program unit to pay for program administrative activities.

This program unit is made up entirely of Other Funds–Non-limited.

## BUDGET NARRATIVE

### *Detail of lottery funds, other funds, and federal funds revenue*

		ORBITS	2021-23	2023-25	2023-25	2025-27		
Source	Fund	Revenue Acct	Actual	Legislatively Adopted	Estimated Revenue*	Agency Request	Governor's Budget	Legislatively Adopted
<b>Non-limited-Other Funds:</b>								
Charges for services	Non-limited Other	Charges for services	85,075	101,722	130,197	101,260	101,260	101,260
Interest and investment earnings	Non-limited Other	Interest income	1,450,266,899	1,580,683,902	1,175,830,999	1,375,112,578	1,375,112,578	1,375,112,578
Donations and contributions	Non-limited Other	Retirement system contribution	1,310,002,366	1,367,760,965	1,442,378,316	1,473,356,936	1,473,356,936	1,478,356,936
Other	Non-limited Other	Other revenues	11,527,326					

2023-25

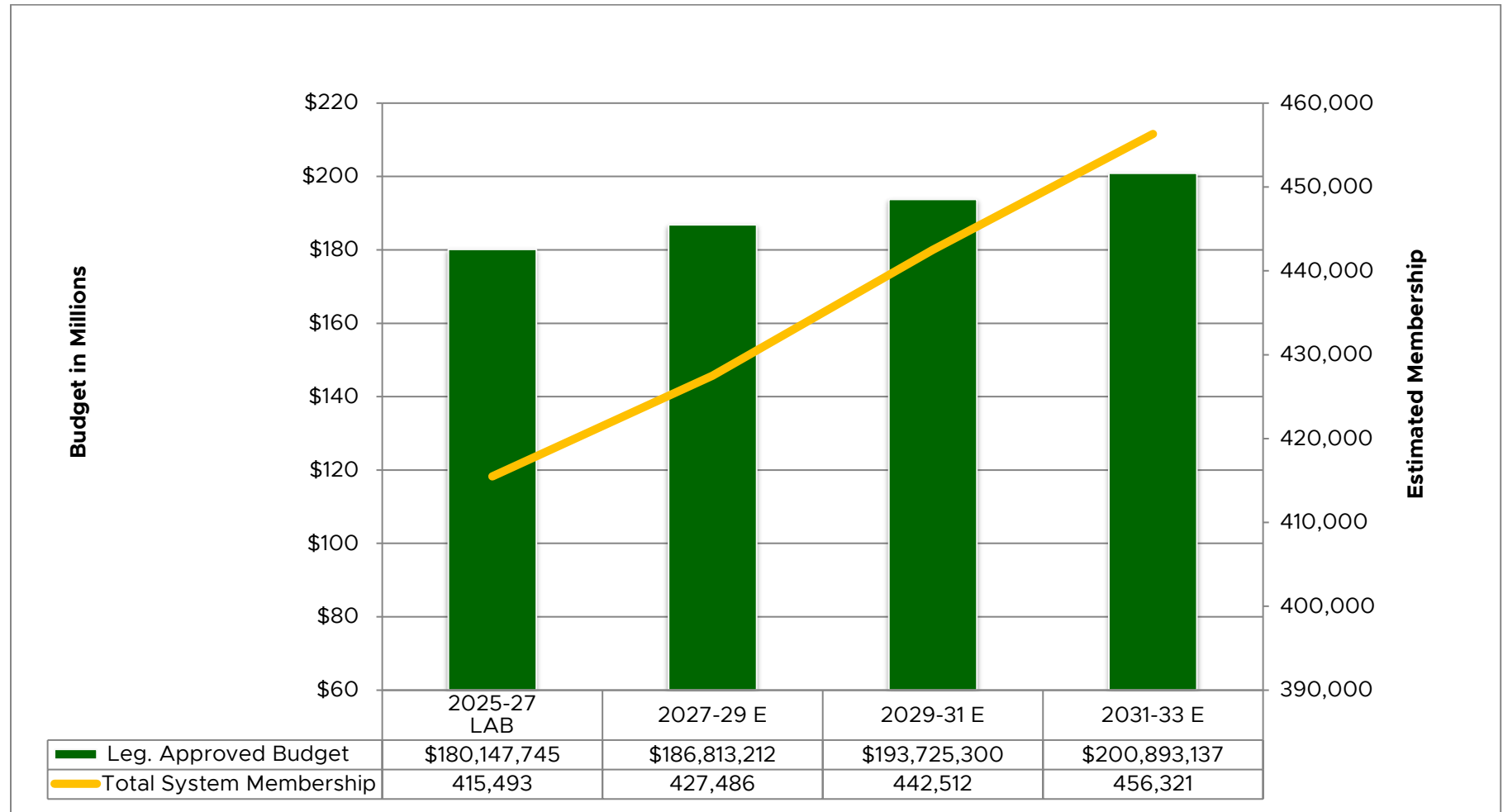
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\* All 2023-25 estimated revenue amounts were calculated using audited 202 fiscal-year.

## BUDGET NARRATIVE

### Operations executive summary

Primary outcome area: Improving government  
 Secondary outcome area: (None)  
 Program contact: Kevin Olineck, 503-603-7695





## BUDGET NARRATIVE

### **Executive summary**

The operations program reflects the costs of the Public Employees Retirement System's administration of public employee benefit trusts that provide benefit services to employees of over 900 public employers throughout Oregon. Those services include retirement, disability, and death benefits, as well as a deferred compensation program and a retiree health insurance program. PERS also administers the state's obligations under the federal Social Security program. Centralizing these benefit administration services through PERS produces economies of scale that reduce costs, enhance customer service, and support process efficiencies. The operations program does not include debt service.

### **Program funding request**

PERS received \$180,147,744 Limited-Other Funds in 2025-27 for the agency's operating budget. Based on DAS/BAM-issued inflation assumptions and an on-going modernization program, the estimated Limited-Other Funds needed for PERS' operating budget through 2033 are:

<i>Biennium</i>	<i>Estimated Expenditures</i>
2025-27	\$180,147,745
2027-29	\$186,813,212
2029-31	\$193,725,300
2031-33	\$200,893,137

### **Performance achievement:**

Requested Limited-Other Funds support the agency's mission to administer public employee benefit trusts that pay the right person the right benefit at the right time. Performance achievement is measured through legislatively mandated key performance measures and quarterly reporting of internal core operating and supporting business process measures.

### **Program description**

The operations program budget provides the Other Fund financial resources for PERS to administer public employee benefit trusts that provide services for over 900 public employers in Oregon, serving over 415,493 members (Tier One, Tier Two, OPSRP, and IAP) and their beneficiaries or alternate payees. The budget also supports administration of a tax-qualified deferred compensation plan (the Oregon Savings Growth Plan) and several retiree health insurance premium trusts. PERS also fulfills the state's role in administering the federal Social Security program with local government employers.

The budget in the operations program reflects only a fraction of the agency's total expenditures. In fact, PERS services the largest payroll in the state, processing more than \$5.7 billion in benefit payments every year (the equivalent of some one-third of the total public employment payroll in Oregon). Using those benefit payments as a measure of the impact PERS has on Oregon's citizens and economy, this agency clearly constitutes one of the major components of the government sector in all of Oregon.

The drive toward efficiency and service improvement has resulted in the number of staff remaining stable even though budget limitation has increased due to consistent legislative changes to the program. The improvements in agency operations were achieved through restructuring processes and leveraging new technologies such as the agency's Oregon Retirement Information On-line Network (ORION). These improvements have allowed PERS to administer the significant programs added in the 2003 PERS reforms (OPSRP Pension Program and IAP) and more recently SB 1049. Just as importantly, service metrics, as measured by the agency's key

## **BUDGET NARRATIVE**

performance measures, have generally improved over this same time, even as the agency has integrated new programs over a relatively flat and stable staffing plan.

Demands for the agency's services will continue to grow for the next several biennia as an ever-greater percentage of the public workforce passes into retirement age. The agency's approved 2025–27 budget is predicated on processing about 7,500–8,000 retirements per year. That average will increase markedly over the next several biennia. There are already some 66,000 PERS members currently eligible to retire, with more members becoming eligible every year. PERS' strategic imperative is to enhance efficiencies and improve processes to handle this rapidly increasing benefit administration workload, rather than increase headcount to maintain service levels.

Supporting the focus on process improvements and service enhancements, however, requires a new paradigm in the agency's structure and management systems. The 2025–27 Legislatively Adopted Budget is predicated on a fundamental framework that defines the agency's core operating and supporting processes. Through those processes, PERS delivers member services with a highly efficient, automated payment system. That level of process efficiency and technology leveraging often obscures the agency's operational scope. The metrics show that PERS is responsible for timely, accurate, and proficient distribution of 70% of the Other Funds expenditures in Oregon. Easily one in three Oregonians has some connection to a PERS member, reflecting the agency's widespread impact within this state. But the agency's position classifications are still viewed through a prism of the number of FTE in the agency, not by the statewide impact or total value of the services our operations budget provides. This perception constrains the level of professional skills we are able to attract and retain to further develop our operations and manage our staff as financial services professionals.

### **Program justification**

This program combines the administration of defined benefit retirement plans and other benefit trusts for all state agencies and schools, as well as over 90% of local government employees. PERS administers these programs to provide assistance and service to all these public employers and employees. This combined administration allows investment in operational efficiencies (such as web-based employer reporting, customer service, and benefit processing) that would not be economically feasible for individual agencies.

As a combined benefit plan administrator, these public employers' benefit plans are provided within the lowest-cost framework. The fundamental advantages of a multi-employer defined benefit plan are institutional fund investment, which enhances return and reduces investment expenses; risk sharing pools, which spread actuarial experience costs over a broader base; benefit portability, which allows members to transfer among participating employers without impacting benefit accruals; and unified administration, which allows for enhanced professionalism and economies of scale. These advantages allow member and employer contributions to provide the maximum positive economic impact to state and local economies when the benefits are spent by recipients in their community.

## BUDGET NARRATIVE

### Program performance

<b>Fiscal year</b>	<b>Total members served</b>	<b>Annual admin. Cost per member</b>	<b>Percent initial service retirements paid in 45 days</b>	<b>Member satisfaction rating — overall</b>
2015	369,022	133	74%	92%
2016	367,412	150	60%	92%
2017	368,694	155	79%	89%
2018	367,853	145	65%	91%
2019	374,499	144	77%	87%
2020	378,829	172	62%	89%
2021	384,982	190	45%	87%
2022	393,080	190	45%	87%
2023	405,373	214	61%	87%
2024	415,493	215	60%	88%

### Enabling legislation/program authorization

Enabling legislation for PERS operations (administrative costs) are:

- Oregon Revised Statute (ORS) 237.500; 238.490, and 610; and 243.470
- Oregon Administrative Rules Chapter 459

Notably, the governing authority for the PERS system is vested in a five-member board appointed by the Governor and confirmed by the Senate under ORS 238.630. The PERS Board is charged with employing a director and creating such other positions as it deems necessary for sound and economical administration of the system.

### Funding streams

ORS 238.610 directs that the administrative operations expenses for PERS are 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. PERS' annual operations expenses, when measured as a percent of the \$98 billion PERS Fund (as of December 31, 2023), represent less than eight basis points (0.08%). Any earnings not used to support agency operations must be otherwise expended solely for the exclusive benefit of PERS members.

## **BUDGET NARRATIVE**

### **Significant proposed program changes from 2023–25**

Requested Limited–Other Funds reflect an increase of \$2,685,148 above the 2023–25 operating budget of \$177,462,596 and will continue to enable the agency to maintain current service delivery levels while enhancing performance measurement in the areas of process improvement and technology and financial management.

### **Operations**

#### **Budget overview**

As previously stated, PERS administers several retirement-related programs for more than 900 public employers in Oregon, including all state agencies, all public school districts, and most local government entities. The five-member Public Employee Retirement Board (PERB) provides governance administrative oversight for all PERS programs.

PERS operations employ a common pyramid-style organizational structure. The agency is functionally separated into five divisions to reduce overlap and clearly designate responsibilities. Within the divisions, sections exist that focus upon specific activities in agency and program support. The major areas of activity are employer reporting, customer service, retirement benefits, withdrawals, death benefits, disability benefits, sponsorship of group health insurance plans, deferred compensation (Oregon Savings Growth Plan (OSGP)), and Social Security coverage.

PERS orders its divisions as follows: Central Administration, Financial Services Division (FSD), Information Services Division (ISD), Operations Division (OD), Compliance, Audit and Risk Division (CARD), and the Core Retirement Systems Applications Division (CRSA).

## BUDGET NARRATIVE

### Base budget adjustments

The 2025–27 base budget decreased by \$4,437,549 Other Funds due to salary adjustments, with a majority of the decreases coming from the removal of one time funding in the Core Retirement System Application division related to the Modernization program. The base budget was not adjusted for estimated costs of merit increases or cost-of-living adjustments.

Division	Base Budget	Essential Packages	Current Service Level	Policy Packages	Legislatively Adopted Budget
Central Administration	\$24,236,770	(\$236,793)	23,999,976	\$402,069	\$24,402,045
Financial Services	\$24,390,092	\$3,980,165	\$28,370,257	\$(1,259,852)	\$27,110,405
Information Services	\$33,348,954	(\$2,297,672)	\$31,051,282	\$5,034,424	\$36,085,706
Operations	\$56,292,562	(\$883,552)	\$55,409,011	\$2,419,572	\$57,828,584
Compliance, Audit, and Risk	\$11,674,519	\$283,907	\$11,958,426	\$1,204,099	\$13,162,525
Core Retirement	\$23,082,148	(\$23,082,148)	\$0	\$21,558,480	\$21,558,480
Employer Resolution Program	2	0	0	\$(1)	1
Totals	\$173,025,047	(\$22,236,093)	\$150,788,954	\$45,783,483	\$180,147,745

## BUDGET NARRATIVE

### *Detail of lottery funds, other funds, and federal funds revenue*

Source	Fund	ORBITS Revenue Acct	2021-23 Actual	2023-25 Legislatively Approved	2023-25 Estimated Revenue*	2025-27		
						Agency Request	Governor's Budget	Legislatively Adopted
<b>Operations Other Funds:</b>								
Charges for services — admin fees	Limited- Other Funds	Charges for services	6,146,108	6,237,528	5,668,078	6,203,474	6,203,474	6,203,474
Interest earnings	Limited- Other Funds	Interest income	1,792,557	29,150	17,574	29,150	29,150	29,150
Other	Limited- Other Funds	Other revenues	78,568	50,000	26,699	50,000	50,000	50,000

2023-25

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\* All 2023-25 estimated revenue amounts were calculated using audited 2025 fiscal-year.

## BUDGET NARRATIVE

### Essential packages

#### Package 010 Non-PICS Personal Services/Vacancy Factor

##### Package description

This package contains a total decrease of (\$2,752,722) Other Funds. The decrease is due primarily to the net reduction of (\$2,510,141) in vacancy savings and (\$282,008) decrease in other payroll expenses. This package includes standard inflation of 4.2 percent on personal service expenses such as temporary employees, overtime, shift and other differentials for a net increase of \$39,427. The following table shows the net decreases in limitation by division.

SCR	Division title	Amount
500-01	Central Administration	(481,711)
500-03	Financial Services Division	(249,324)
500-04	Information Services Division	(649,899)
500-08	Operations Division	(1,193,976)
500-09	Compliance, Audit, and Risk Division	(177,812)
	<b>Total</b>	<b>(\$2,752,722)</b>

## BUDGET NARRATIVE

### Package 022 Phase-out Program and One-time Costs

#### Package description

Total reductions of (\$25,132,951) in Limited-Other Funds include scheduled one-time costs and phase-outs for projects approved during the last legislative session. The detail of the total reductions are as follows:

Package by SCR	Total phase-out	Central Administration	Information Services	Operations Division	Core Retirement System Applications
		500-01	500-04	500-08	900-00
Pkg. 101 SB1049	(16,724,581)				(16,724,581)
Pkg. 103 Modernization	(6,357,567)				(6,357,567)
Pkg. 102 SB1049 Perm Workload	(65,478)	(14,375)	(44,032)	(7,071)	
Pkg. 105 IT Hardware & Subscriptions	(1,964,000)		(1,964,000)		
Pkg. 109 Qualifying/Non-Qualifying Project	(21,325)			(21,325)	
<b>Total one-time costs and phase-outs</b>	<b>(25,132,951)</b>	(14,375)	(2,008,032)	(28,396)	(23,082,148)



## BUDGET NARRATIVE

### Package 031 Standard Inflation

#### Package description

The total cost of goods and services increases by \$5,649,580 Other Funds. The Department of Administrative Services (DAS) Price List of Goods and Services and the biennial standard inflation factor of 4.2 percent are the basis for calculating cost increases in services, supplies, and capital outlay. State government service charges were increased by \$4,235,280 primarily due to an increase in the Enterprise Information Services (EIS) assessment for technology services.

The DAS price list includes assessment charges by DAS and the Secretary of State as well as costs for central services and other selected items. Treasury charges are based on a user-fee price list and are part of state government service charges.

- The annual audit of PERS' *Annual Comprehensive Financial Report* (ACFR) is performed by an outside firm with oversight by the Secretary of State Audits Division. The total cost in the current biennium was split between the oversight cost budgeted in state government service charges and the annual audit of the ACFR budgeted in professional services. The Secretary of State Audits Division estimated a total cost of \$4,071,560 for both services, and this amount is budgeted in state government service Charges in 2025–27. The additional cost of auditing PERS' compliance with the two new pension accounting and financial reporting in accordance with generally accepted accounting principles (GAAP) is included in this amount.

The following is a summary showing the total increase (decrease) by division:

SCR	Division title	Amount
500-01	Central Administration	259,292
500-03	Financial Services Division	4,229,489
500-04	Information Services Division	360,259
500-08	Operations Division	338,821
500-09	Compliance, Audit and Risk Division	461,719
	<b>Total</b>	<b>\$5,649,580</b>

## BUDGET NARRATIVE

### Package 060 Technical Adjustments

#### Package description

This package moves funds between accounts in one appropriation to properly re-align expenditures in specific budget categories and protected services and supplies accounts. A total of \$700,000 moved between the following categories:

- 4150—Employee Training (\$100,000)
- 4175—Office Expenses (\$100,000)
- 4250—Data Processing (\$400,000)
- 5600—Data Processing Hardware (\$100,000)
- 4200—Telecommunication \$100,000
- 4400—Dues and Subscriptions \$600,000.

This was a net-zero budget impact on the appropriation.

SCR	Division title	Account descriptions	Amount moved
500-04	Information Services Division	Employee training	(100,000)
500-04	Information Services Division	Office expense	(100,000)
500-04	Information Services Division	Telecommunication	100,000
500-04	Information Services Division	Data processing	(400,000)
500-04	Information Services Division	Dues and subscriptions	600,000
500-04	Information Services Division	Data processing — Hardware	(100,000)
<b>Total</b>			<b>\$0</b>

## BUDGET NARRATIVE

### Policy Packages

#### Package 101 HB 4045

##### Package description

PERS requests \$7,036,629 Other Funds limitation for the implementation of HB 4045 (2024) (OPSRP Police & Fire Retirement Age Change Phase II).

• Personal services	\$ 762,129
• Services and supplies	\$ 6,274,500
• <u>Capital outlay</u>	<u>\$ 0</u>
• Package total	\$ 7,036,629

##### Purpose:

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

This element of HB 4045 is effective January 1, 2025. Changes to the plans that PERS administers add complexity to the Oregon Retirement Information Online Network (ORION) system, a system comprised of integrated component systems and diverse applications that support the PERS mission and the agency's business users within the PERS enterprise computing and communications network. Action to implement HB 4045 includes meeting implementation needs, training, procedure and form updates, system enhancements, and desktop application changes.

##### Proposed solution:

Given the tight deadline in the mandated effective date of the OPSRP P&F retirement age change, the following phased solutions were identified as part of PERS' business analysis reviews:

Phase one: PERS received \$2.04M in funding and 8.71 full-time equivalent staff in the 2023-25 biennium and used these allocations to develop a manual workaround process for OPSRP P&F normal retirement age applications, disability retirements, estimates, and delayed unit applications to enable PERS to administer this change effective January 1, 2025.

Phase two: PERS is requesting an additional \$7.0M, including 3.88 full-time equivalent staff in the 2025-27 biennium to finalize the implementation of a permanent solution, which will include integrating this age change into our automated processes. PERS will continue development and implement system functionality within ORION that will remove the manual processes developed from phase one and create fully automated system functionality necessary to implement the mandated requirements of HB 4045 OPSRP P&F Age Change.

##### Assumptions:

- A manual workaround was created, effective January 1, 2025, working with SMEs from affected business units until automated functionality can be developed and deployed.

## BUDGET NARRATIVE

- There will not be any additional legislative changes to this part of statute while PERS is engaged in working to update its system.
- Funding for Phase One and part of Phase Two of this project will be provided through HB 4045.
- The Project will, through the agency's request budget, request additional 2025-27 budgetary approval for funding for Phase Two to continue to develop the technical updates to ORION.
- Project prioritization will reflect the high-priority nature of this project, and staff resources will be made available.

### Constraints:

- Multiple high-priority projects competing for staff resources.
- Tight deadline for development of phase-One manual process.
- Resources are not yet fully allocated to the project and may not be appropriately backfilled in production.
- Limited technical resource bandwidth will most likely require contracted developers for phase two.
- Contracted developers may not be familiar with ORION programming.
- ORION-system architecture.

The manual workaround for Phase One can be completed by January 1, 2025. Initial development work for the automated solution will begin in early 2025 and is estimated to take approximately 11 months to complete.

This is a mandated legislative change; consequently, PERS must implement this solution to enable the agency to administer the benefits as set out in legislation.

It is important to note that there are elements of HB 4045 that take effect January 1, 2030, which will need to be implemented. This will be a significant multi-year project. Initial planning efforts will begin in the latter part of the 2025–27 biennium. These changes are also dependent on the PERS Modernization Program enabling the requisite system changes to enable the implementation of the new Hazardous Positions classification.

### Staffing impact:

PERS has identified the need to have the following four (4) staff continue through the 2025–27 biennium as part of Phase Two:

Position #	Position	Status	FTE
2544525	C0104 OFFICE SPECIALIST 2	LF	1.00
2544526	C0104 OFFICE SPECIALIST 2	LF	1.00
2544527	C0842 RETIREMENT COUNSELOR 2	LF	1.00
2744501	C0856 PROJECT MANAGER 3	PF	0.88

## **BUDGET NARRATIVE**

### **2025–27 fiscal impact:**

The anticipated impact to 2025–27 is estimated to be approximately \$762,129 for Personal and Services and \$6,274,500 for Services and Supplies. This is a one-time funding request.

### **Quantifying results**

- OPSRP P&F member data becomes more accurate in real time as it relates to administrative, employer, and financial and actuarial reporting and statements.
- Eliminates inefficient manual processes as it relates to OPSRP P&F lowering retirement age data review and correcting.
- Contributes directly to the PERS Strategic Plan in the form of helping address the data reliability strategic initiative.
- Contributes directly to the PERS Mission to pay the right person the right benefit at the right time.
- Reinforces that PERS is ever committed to the operating principle of “Accurate: We ensure data integrity and provide consistent, dependable information and benefits.”
- KPM #1, Timely Retirement Payment  
Percent of initial service retirements paid within 45 days from retirement date.
- KPM #2, Total Benefit Administration Costs  
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #6, Customer Service, milestone:  
Maintain 80% or higher good or excellent responses for annual customer satisfaction through the 2023–25 biennium.

### **Consequences of failure to act**

The consequence of not implementing Phase Two would mean that PERS would have to continue to administer the change to the OPSRP P&F benefits in a manual manner. This not only impacts administrative practices but, more importantly, would lead to inaccurate reporting not only at the administrative level but would also lead to inaccurate financial statements and actuarial valuations (including inaccurate assumptions related to OPSRS P&F participants and related costs).

### **Revenue source:**

Revenues to fund administrative expenditure are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

## BUDGET NARRATIVE

### Package 102 Managed Services

#### Package description

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

• Personal services	\$ 251,355
• Services and supplies	\$ 11,563
• <u>Capital outlay</u>	<u>\$0</u>
• Package total	\$ 262,918

#### Purpose

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

Data Center Services (DCS), a state agency, provides Managed Services where they host other state agency's IT infrastructure and remove the need for individual agencies to refresh, manage, and maintain data-center hardware and related support. DCS has extended an offering to PERS to be one of the first agencies to take advantage of their new warm-site capability as part of their business-continuity pilot. Managed Services would provide cost savings over time, enhanced disaster recovery, a better IT support model, and align PERS with the state's IT strategic plan.

#### Proposed solution:

PERS will leverage the state's warm-site capability for disaster recovery and decommission the current data center located in the DCS co-location state data center (SDC). To better support the new IT model, create a full-time permanent IT Supervisor 2 (ITS2) position to be added to TOS to supervise the Help Desk team.

PERS proposes using the \$600k positive variance left over from the terminated Backup Data Center Project and expected positive variance from not renewing some licensing at the end of this biennium. PERS will need \$248,000 for the one permanent FTE position. PERS is estimating DCS costs to start in January 2025 and total up to six months of charges.

There is a legislative mandate for PERS to implement disaster recovery via a backup data center with warm-site capability. A secretary-of-state (SOS) audit finding for PERS regarding lack of disaster recovery remains unresolved until PERS has the backup data center built and deployed. After third-party analysis from Gartner, it was determined that, over the long term, it is less costly for PERS to use DCS Managed Services and their new resilient site with warm-site capability rather than own and maintain two data centers and all infrastructure related to disaster recovery.

#### Without this change:

- PERS will spend more money over the next 10 years managing and refreshing their own hardware versus moving to DCS Managed Services.

## **BUDGET NARRATIVE**

- The support model to have both infrastructure on premises and in the cloud causes complexity and increases support volume, and the PERS Help Desk will not be able to sustain acceptable service-level agreements (SLAs).
- PERS will be out of compliance with the legislative mandate.
- PERS will have an open audit item from SOS.
- PERS will not be following the state's direction to leverage state-offered central services.

### **The benefits of this change are:**

- Compliance with the state's direction for centralized services, the legislative mandate, and remediation of the SOS audit findings.
- Cost savings.
- PERS resources can be focused on supporting other initiatives, such as modernization and other legislative-mandated pension system changes.
- PERS maintains control over SLAs and technology direction.

### **Key assumptions:**

- DCS Managed Services will have warm-site capability for PERS to utilize.
- Published 2025–27 pricing for DCS Managed Services will not change.
- DCS will have the resources available to migrate PERS into the SDC.

### **Alignment with mission, strategic plan, KPIs.**

- Satisfies legislative mandate to leverage the state-offered central services.
- Satisfies with the SOS audit finding.
- Provides cost savings for the agency and the state.
- Aligns with the state's IT strategic plan.

### **Time frame for implementation**

- Migration to DCS Managed Services: August 2024–December 2025.
- DR warm-site implementation: January 2026–December 2026; DCS has informed PERS this could be earlier than initial estimates.

### **Data or independent sources that justify the solution and/or funds requested.**

- Gartner independently conducted a total cost-of-ownership assessment comparing PERS data center and DR vs DCS Managed Services.
- The analysis included DCS Managed Services cost estimates as compared to PERS costs to manage and maintain their data center and disaster recovery site.

## BUDGET NARRATIVE

### Quantifying results

Hiring a Help Desk supervisor will enable PERS to manage a support model that supports having both infrastructure on premises and in the cloud. This added complexity and increased support volume can be managed with the oversight of a supervisor for PERS Help Desk staff and will enable the management of acceptable service level agreements (SLAs) with DCS.

- KPM #2, Total Benefit Administration Costs  
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #6, Customer Service, milestone:  
Maintain 100% or higher good or excellent responses for annual customer satisfaction.

### Consequences of failure to act

PERS would continue to experience gaps in their current IT support model, encounter resource constraints because of more complex architecture and IT system management and continue to pay rising costs for hardware and support contracts over the course of the system lifecycle. This may incur additional delays for non-compliance with the state's strategic goals and plans.

### Staffing and budgetary Impacts

Position #	Position	Status	FTE
2710201	X7886 INFORMATION TECHNOLOGY SUPERVISOR 2	PF	0.88

### 2025–27 Fiscal impact:

The anticipated impact to 2025–27 is estimated to be approximately \$251,355 for personal and services and \$11,563 services and supplies.

### Revenue source:

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.



## BUDGET NARRATIVE

### Package 103 SB 1049 Resources

#### Package description

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

- |                          |             |
|--------------------------|-------------|
| • Personal services      | \$1,921,949 |
| • Services and supplies: | \$58,500    |
| • <u>Capital outlay</u>  | <u>\$0</u>  |
| • Total request          | \$1,980,449 |

#### Purpose

Senate Bill (SB) 1049 Program Implementation will be concluding in June 2025. SB 1049 was approved by the 2019 Oregon Legislative Assembly on May 30 and signed by the Governor on June 11, 2019. SB 1049 is comprehensive legislation intended to address the increasing cost of funding Oregon's Public Employees Retirement System (PERS), reduce system Unfunded Actuarial Liability (UAL) obligations, and provide relief to escalating contribution rate increases for public employers. These goals were accomplished through changes to member benefits, existing employer rate-reduction programs, and re-amortization of the Tier One and Tier Two Unfunded Actuarial Liability (UAL). As a solution to implementing some of the statutory mandates, PERS implemented new software and accounts to manage the requirements of SB 1049. Continued support is needed for both new technology systems implemented and to complete the Employee Pension Stability Account (EPSA) clean-up of retiree accounts.

#### Proposed solution (how achieved)

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

- One ISS 4 position for desktop support
- One ISS 7 position for DevOps engineering
- One ISS 7 position for jClarety software engineer

The system and workload impact due to SB 1049 include:

- Extensive modifications to jClarety, PERS' pension administration system and other ORION systems and applications. These include increasing complexities with multiple accounts per member, complex benefit-calculations side-account changes due to the Employer Incentive Fund and work-after-retirement contributions, and all associated accounting and financial reporting requirements.
- Creation and on-going maintenance of the new EPSA account.

## BUDGET NARRATIVE

- Creation and on-going maintenance of the new Employer Reporting Projection Tool, developed outside of ORION, built out as a cloud-based application.
- Creation and maintenance of multiple tools and reports.

Limited-duration staff will address backlogs of work that arose while PERS was implementing automated solutions for the EPSA accounts. Specifically:

- Four Retirement Counselor 1 positions
- Two Retirement Counselor 2 positions

The EPSA is a new member account and applies to all members who are active on or after the effective date of July 1, 2020. As of June 30, 2020, the Member Redirect effort accomplished its short-term goals of adding an EPSA account for each eligible active member and the ability to record and transmit accurate contributions to the member's account with our third-party administrator, Voya. As PERS has been adding functionality that integrates the SB 1049 requirements into the full range of pension benefit processing (withdrawals, retirement benefits, death benefits, and associated adjustments), staff have been adding any manually calculated EPSA benefits to the system. As of July 2024, approximately 224 EPSA adjustments have been completed, but there are still 1,252 account corrections remaining, including 810 pre-retirement death accounts that require adjustment.

This solution aligns with the PERS mission, PERS IT strategic plan, key performance measures, and the PERS Strategic Plan, to provide our members and employers with the systems, support, and the communications they need to understand and act on the benefits that PERS provides and ultimately pay the right person the right benefit at the right time.

Key assumptions that this request is based on are that positions will remain filled and any new efforts that impact agency resources are adequately tracked and planned for.

### Staffing impact:

Position #	Position	Status	FTE
2510117	C0841 RETIREMENT COUNSELOR 1	LF	1.00
2510120	C0841 RETIREMENT COUNSELOR 1	LF	1.00
2710319	C0841 RETIREMENT COUNSELOR 1	LF	1.00
2510122	C0841 RETIREMENT COUNSELOR 1	LF	1.00
2510123	C0842 RETIREMENT COUNSELOR 2	LF	1.00
2510124	C0842 RETIREMENT COUNSELOR 2	LF	1.00
2510203	C1484 INFO SYSTEMS SPECIALIST 4	PF	1.00
2510204	C1487 INFO SYSTEMS SPECIALIST 7	PF	1.00
2510205	C1487 INFO SYSTEMS SPECIALIST 7	PF	1.00

## **BUDGET NARRATIVE**

### **2025–27 fiscal impact**

- The anticipated impact to 2025–27 is estimated to be approximately \$1,921,949 in personal services and \$58,500 in services and supplies.

### **Quantifying results**

- Retaining these requested IT resources permanently will not only enable PERS to continue to maintain and support the systems that were implemented, but also continue to improve efficiencies on the software development lifecycle, as seen over the past two years of system releases.
- For the EPSA adjustments, all accounts will be adjusted by July 2027.
- KPM #2, Total Benefit Administration Costs.  
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #4 Accurate Benefit Calculations.  
Maintain 98% or higher of retirement monthly benefit accurately calculated within \$5 per month.
- KPM #6, Customer Service, milestone.  
Maintain 80% or higher good or excellent responses for annual customer satisfaction survey throughout 2023-25 biennium.

### **Consequences of failure to act**

The consequences of failure to act are:

- Limiting support and volume of software releases.
- Building bench strength within the team to sustain and enhance operations and development for jClarety will be hampered.
- Pension accounts will not reflect accurate EPSA adjustments.

### **Revenue source:**

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

# BUDGET NARRATIVE

## Package 104 Modernization

### Package description

PERS requests a \$7,833,071 Other Funds limitation in the Modernization Program.

• Personal services	\$3,820,071
• Services and supplies	\$4,013,000
• <u>Capital outlay</u>	<u>\$0</u>
• Total cost	\$7,833,071

### Purpose

The PERS Modernization Program (the “Program”) is a multi-biennia initiative comprised of a variety of projects focused on transforming the core pension administration and supporting systems and eliminating the current need for and reliance on off-line tools and workarounds. Through this transformation, opportunities to improve business processes will be realized, and PERS will be in a better position to deliver the agency’s mission to “pay the right person, the right benefit, at the right time.”

### Proposed solution

Modernization is critical to the agency’s ability to provide enhanced services to our members and employers and to support future legislative or policy changes to the plans quickly and efficiently. An ever-changing landscape of public pension administration, along with workplace and workforce changes as result of changes in technology, policy or political directives requires a flexible and resilient enterprise architecture. Current risks to core agency functions will continue to increase, including the continuation of structural limitations on the agency’s ability to provide excellent customer service to its members and employers due to its lack of a system based on modern architectural standards, including basic interactive capabilities within its communications platform.

### Alignment with the PERS 2023–2028 strategic plan

Modernization is strongly featured in the goals of the latest PERS strategic plan, and the strategic plan is closely tied to the desired benefits to be delivered by the Modernization Program. Key areas, which are directly related to anticipated benefits of PERS Modernization Program are:

- Member services and communications
  - Focus area: Member engagement
  - Focus area: Omni-channel service delivery
- Data consistency
  - Focus area: Data analytics
  - Focus area: Data integrity
  - Focus area: Data utilization
- Information technology
  - Focus area: ORION-system modernization

## BUDGET NARRATIVE

Focus area: IT workforce development  
Financial management  
Focus area: Technology upgrades and system integration

PERS received \$800,000 for pre-planning the program in the agency's 2021–23 LAB. PERS received an additional Other Funds expenditure limitation of \$3,797,797 through June 30, 2023. These allocations enabled PERS to conduct pre-planning work and hire key program staff in support of preparing a request to begin the first phase of the program in the 2023–25 biennium. PERS policy option package (POP) 103 in HB 5033 provided approximately \$9.6 million for 2023–25 modernization activities.

Activities in 2023–25 include:

- iQMS contracting and initial risk assessment.
- Establishment of five program workstreams.
- Telephony modernization project.
- Data-cleaning implementation project.
- Hybrid integration platform (HIP) implementation project\*.
- Consulting work for key program processes and decisions.
  - Enterprise architecture.
  - Third-party assessment of jClarety system (pension administration system).
  - Business-process mapping.
  - Planning for client relationship management (CRM)\*.
  - Planning for DevOps pipeline\*.

(\* Items are planned and not yet contracted or initiated as of Agency Request Budget drafting.)

### Key assumptions:

- EIS stage-gate processes and approvals will be required for component projects and will be completed timely.
- Procurement processes and approvals will be completed timely.
- The budget is sufficient for all required activities.
- SB 1049 implementation program projects and activities will be completed by 6/30/25 and operational.
- No new major mandates from the state Legislature will be passed that impact the operations of the agency.

### Constraints:

- Mandated delivery timeline of House Bill 4045 (HB 4045) constricts flexibility of future program roadmap.
- The budget is sufficient for all required activities.
- Competing initiatives within PERS impacting key resources.

An initial critical PERS Modernization Program assumption, ***no new major mandates from the state Legislature will be passed that impact the operations of the agency***, has now become a constraint. Legislation passed by the 2024 Oregon Legislature will impact the previously developed overall PERS Modernization Program Roadmap. The 2024 legislation, HB 4045, directs PERS to create a new “Hazardous Position” classification of service. The mandated effective date of the Hazardous Position classification is January 1, 2030. Without the pension administration system modernization and capability improvements planned to be delivered by the PERS

## **BUDGET NARRATIVE**

Modernization Program, PERS will be unable to deliver the necessary technical changes to the current classification structure to meet the mandated delivery date for HB 4045.

### **Program approach**

Over the course of the 2025–2027 biennium, the PERS Modernization Program will support future state visioning and planning efforts for several projects and supporting workstreams. This time will also be spent preparing and training teams to thrive in the coming cultural changes to adopt an agile approach to project/product delivery. The shift to an agile delivery model is necessary to manage the constraint introduced by the passage of HB 4045 and deliver modern pension administration system functionality in a maximum velocity timeline to support the mandated deadlines of HB 4045 implementation.

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

Program administration needs will continue from the previous biennium program strategy and administration, contract administration and management, benefits management, and support of program governance bodies and external oversight requirements.

Intended activities/projects for 2025–2027:

- Develop an agile approach to project/product delivery.
- Client Relationship Management (CRM) Project planning and initiation.
- Pension administration system future state visioning and planning for:
  - jClarety
  - Business rules engine
  - Online Member Services

# BUDGET NARRATIVE

## PERS Modernization Program Roadmap

2021-2023		2023-2025		2025-2027		2027-2029		2029-2031			
2022	2023	2024	2025	2026	2027	2028	2029	2030	2031		
Initiation/Definition		Modernization Program Delivery (includes OCM & Communications)							Program Closure		
		Enterprise Architecture & Process Mapping Support Workstream									
		Data & Analytics Workstream									
		Development & Operations Workstream									
		Security Workstream									
		Telephony Project			Training Workstream						
		HIP Project									
				Future State Visioning		Client Relationship Management (CRM)					
						Future State Visioning		Online Member Services Modernization			
						Future State Visioning		Pension Admin System Modernization			
								Future State Visioning		IAP Modernization	
								Future State Visioning		Employer Data Modernization	
								Stabilization			

## BUDGET NARRATIVE

### Staffing impact:

Position #	Position	Status	FTE
2510331	X7082 BUSINESS OPERATIONS ADMINISTRATOR 1	Permanent	1.00
2510349	X0872 OPERATIONS & POLICY ANALYST 3	Permanent	1.00
2510333	C0856 PROJECT MANAGER 3	Permanent	1.00
2510334	C0438 PROCUREMENT & CONTRACT SPEC 3	Permanent	1.00
2510335	C0855 PROJECT MANAGER 2	Permanent	1.00
2510336	C0855 PROJECT MANAGER 2	Permanent	1.00
2510339	C0871 OPERATIONS & POLICY ANALYST 2	Limited duration	1.00
2510340	C0871 OPERATIONS & POLICY ANALYST 2	Limited duration	1.00
2710402	X0872 OPERATIONS & POLICY ANALYST 3	Permanent	0.88
2710404	C1488 INFO SYSTEMS SPECIALIST 8	Permanent	0.88
2710408	C1488 INFO SYSTEMS SPECIALIST 8	Permanent	0.88
2710416	X0863 PROGRAM ANALYST 4	Permanent	0.88
2710417	C0856 PROJECT MANAGER 3	Permanent	1.00
2710418	C0856 PROJECT MANAGER 3	Permanent	1.00



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### 2025–27 fiscal impact:

The anticipated impact to 2025–27 is estimated to be approximately \$3,820,071 in personal services and \$4,013,000 in services and supplies.

### Quantifying results

Benefit	Measurement
Reduced manual processes	Reduced total number of documented manual processes, which are eliminated through new technology, process improvement, or are no longer necessary to be performed or become obsolete.
Increased satisfaction with PERS services	PERS services are improved in areas such as timeliness, streamlined processes, and system accuracy. Stakeholders report higher satisfaction with the services PERS offers. Primary stakeholders are members and employers. Legislators and their staff and the PERS Board are also stakeholders. (Review outstanding audit measures and outputs of surveys.) PERS services include external and internal services.
Increased member engagement capabilities	Increased communication channels and improved member data will allow for member outreach and marketing campaigns to engage them earlier and throughout their public employment. More opportunities for member online self-service will increase member satisfaction.
Prevention of data and identity fraud	Enhanced InfoSec capabilities reduce overall identity fraud risk.
Reduced system complexity	Incorporation of missing pension functionality into a single portal or system will lead to higher member and staff satisfaction and streamline staff work. Business capabilities are integrated to streamline work.
Increased confidence in PERS tools and technologies	Modern interfaces and a variety of channels available for staff, members, and employers to work with PERS. Survey results indicate higher confidence ratings. Reduction in offline tool and duplicative verification processes shows trust in results. Reduction in requests to correct data from members and employers. Member adoption rate for OMS tools increases on a year-over-year basis once implemented.
Increased staff engagement	Streamlined work processes and tools and increase of channels available provide more opportunities for thoughtful communication. Staff are satisfied with the services they receive from other departments and divisions within PERS. Staff indicate in surveys that they are more engaged and enabled at work.
Increased data utilization	Consistent, clean data will improve data accuracy and timeliness. Accessibility to data is clear, and data is available when needed without lags in preparation. Improve use of data for proactive decision making. Enable tools and policies to gain data insights.
Reduction of costs for technology maintenance and enhancements	Enhanced and new systems will provide more stable environment, reducing overall volume and complexity of maintenance and the cost and time required to implement enhancements.
Increased technical skills of PERS staff	Staff are trained to work with current technologies. Groups and individuals are trained, and some receive professional certifications in specialized areas.
Reduction in risk ratings by internal and external auditors	Defined risk ratings are reduced with reduced manual processes, system complexity, and increased self-service options for members.
Reduction of system downtime	Enhanced and new systems will be more reliable, and time required to address maintenance will be reduced.

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- KPM #2, Total Benefit Administration Costs  
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #6, Customer Service, milestone:  
Maintain 80% or higher good or excellent responses in the annual customer satisfaction survey throughout the 2023–25 biennium.

### Consequences of failure to act

Some of the consequences facing PERS if modernization does not occur are illustrated in answering the following question:

What happens if we do not modernize our pension administration system?

- We continue to support our outdated pension administration system, which represents a large portion of the IT budget.
- We continue to offer sub-standard services to our members, employers, and stakeholders. We will continue to incrementally increase our risk profile as time goes by and system capabilities continue to degrade.
- We continue to add staff to maintain current service levels and add workarounds of processes and/or tools.
- We are unable to address both changing member and employer expectations, resulting in deterioration in both the member and employer experience and trust with our stakeholders. This will impact achieving our mission as an agency.
- We continue to have inefficiencies and related costs due to numerous manual workarounds. We will continue to lag in capabilities compared to our peers, while limiting our opportunities to achieve excellence as a public-sector pension provider.
- We continue to lag in what our online systems can offer both our members and employers as compared to our peers.

Impacts from avoiding modernization — Failing to modernize can lead to a host of negative impacts. Unless the problem is addressed, these outcomes are likely to increase in severity:

- **Increasing costs** — Many agencies continue to rely on aging and obsolete infrastructure, systems, and business applications. Along with high costs due to significant duplication, redundant solutions and increased manual efforts, agencies face further budgetary and resource constraints due to excessive maintenance and enhancement (M&E) and technology costs. Older systems will become increasingly difficult to manage and maintain due to an aging workforce and loss of institutional knowledge, attrition challenges, increasing lack of resources with the requisite skills in legacy technologies, continuing technology obsolescence, and ever-increasing demands to deliver new mission capabilities more rapidly and cost effectively.
- **Security and privacy concerns** — Cybercrime is one of the most worrying trends in technology, both for the amount of damage that can be done per incident and the number of incidents. Unfortunately, the age of public-sector technology and the sheer number of obsolete systems, coupled with inconsistent upgrades and patches, represent a huge vulnerability to state government. Government needs to be proactive in preparing for and preventing cyberattacks, both to protect mission operations and because it makes good financial sense to do so.
- **Lack of access to advanced technologies** — Currently, many public-sector agencies lack the ability to leverage their own data to support decision making. Today, organizations must deal with vast amounts of information, often obtained from numerous sources and distributed across multiple non-integrated platforms and repositories. The information is not currently accessible in an integrated fashion that would enable informed decision-making needs. Furthermore, the information (structured and unstructured) is often not consistent in a way that allows agencies to identify trends by doing predictive analysis, data visualization, statistical analysis, or patterns and correlations. Large volumes of data also require automated mechanisms for

## **BUDGET NARRATIVE**

preparation, transformation, refinement, and management. Thus, effectively implementing technical innovations such as analytics and AI at scale are simply still out of reach across much of the government.

### **Revenue source:**

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

## BUDGET NARRATIVE

### Package 105 ISD Dues and Subscriptions

#### Package description

PERS requests \$1,639,000 Other Funds limitation in the Information Services Division to fund the increase cost of on-going IT software renewals such as Azure, Microsoft 365 licensing, COVID remote response and reconstitution, increase in Microsoft support plan, increase in Articulate 360 software and renewal, Zerto, and firewall support renewals.

• Personal services	\$ 0
• Services and supplies	\$ 1,639,000
• Capital outlay	\$ 0
• Total cost	\$ 1,639,000

#### Purpose

Remediate the forecasted negative variance (2025–27 and forward) for the Technical Operations Section (TOS) needs due to rising cost of licensing, service renewals, and product costs to sustain operations.

#### Proposed solution (how achieved)

PERS is requesting an increase to the NOB in the amount of \$1,639,000 for the 2025–27 biennium, which becomes part of the ongoing current service-level budget. Budget analysis and forecasting revealed that as of the 2025–27 budget cycle, TOS will encounter a negative variance in perpetuity if remediation actions aren't taken to increase the NOB. Based on analysis, costs continue to remain or rise for software services, licensing, and products and should be incorporated into the current service-level budget and not reflected as one-time costs.

With the appropriate funding, the strategic plan for technology solutions is executed as expected. PERS' mission is to administrate the public employee pension system and benefit trusts to pay the right person the right benefit at the right time. The increased budget requirements and strategy to support PERS locations, staff, and systems supports managing the state pension to achieve this mission.

#### Staffing impact

- None

#### 2025–27 fiscal impact

The anticipated impact to 2025–27 is estimated to be approximately \$1,639,000 in services and supplies.

#### Quantifying results

Several modern requirements for security and changes in IT technology have added costs to the maintenance of ORION. If increased NOB is not approved, it will have a significant impact on ORION operations and meeting the fiduciary responsibilities of the agency to administrate the PERS pension plans.

- KPM #2, Total Benefit Administration Costs

## **BUDGET NARRATIVE**

Reduce administrative costs while maintaining high levels of service to members and employers.

- KPM #6, Customer Service, milestone:  
Maintain 80% or higher good or excellent responses in the annual customer satisfaction survey throughout the 2023–25 biennium.

### **Revenue source**

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

## BUDGET NARRATIVE

### Package 106 Operations Staffing

#### Package description

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

• Personal services	\$725,020
• Services and supplies	\$48,626
• Capital outlay	\$0
<hr/>	
• Total cost	\$773,646

#### Purpose:

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

#### Proposed solution:

Due to the number of programs, sections, and projects in the Operations Division, the chief operating officer has limited time to focus on strategic planning, tactical implementation, succession planning, employee engagement, directing and overseeing programs, coaching, and mentoring. Creating a deputy chief operating officer will provide improved support for daily administration of programs and capacity to support enterprise, agency, and division goals.

The proposal to reclassify a Retirement Counselor 1 to a Retirement Counselor 2 position would give the Data Analysis and Reconstruction Team (DART) greater flexibility with workload assignments and bolster knowledge through enhanced responsibilities via a higher position classification. DART has established team and individual metrics and be able to measure and report out on the specific production the individual in this position is able to produce. Those numbers would demonstrate very clearly the benefits that come from this reclassification.

Regarding the Intake and Review Team, for the intake of member forms and requests, PERS continues to add controls to help mitigate potential fraud. Process complications, additional plans to administer legislative changes, federal and state tax form updates, and additional steps required to mitigate growing attempts at identifying fraud have resulted in insufficient staffing to consistently process all application material and supplemental documentation in a timely manner. Additional tasks require a higher level of knowledge and problem solving, and a higher classification position within the unit will also be ideal to address the complicated, ever-increasing workload. The primary business need is staffing to address keeping up with current workload and addressing increasing backlogs.

## BUDGET NARRATIVE

### Staffing impact

Position #	Position	Status	FTE
2710615	C0104 OFFICE SPECIALIST 2	Permanent	0.88
2710616	C0104 OFFICE SPECIALIST 2	Permanent	0.88
2710617	C0101 OFFICE ASSISTANT 1	Permanent	0.88
2710618	X7083 BUSINESS OPERATIONS MANAGER 3	Permanent	0.88

### 2025–27 fiscal impact

The anticipated impact to 2025–27 is estimated to be approximately \$725,020 in personal services and \$48,626 in services and supplies.

### Quantifying results

Benefits of having a deputy chief operating officer include:

- Improved strategic plan support.
- Improved modernization efforts support.
- Improved support on projects.
- Improved audit recommendation resolution timelines.
- Improved program/section management.
- Improved employee engagement.
- Improved enterprise and agency support of initiatives.
- Improved succession planning.
- Improved organizational change management.

The DART position will allow the division to address the workload needs due to current system limitations and increased manual work. Benefits include:

- An increase in available staff capable and allowed (due to position descriptions) to contribute via conducting peer reviews.
- Staff at the RC2 classification are expected to have more knowledge and experience as it relates to data analysis work. That additional knowledge can lead to improved processes and efficiencies.
- This reclassification would allow greater flexibility within the team to adjust how work is distributed amongst staff.

The staffing increase in the Intake and Review Team will allow PERS to maintain controls to reduce potential fraud and allow PERS to more consistently administer returned mail, which will improve communication to members and reduce calls. Benefits include:

- Improved member satisfaction.
- Reduced number of inquiries to the Member Information Center, improving their call rate.
- Improved core process, KPMs, key goals, outcome, and performance results.

## **BUDGET NARRATIVE**

- Improved capacity to process returned mail (including member annual statements, W2s, and 1099s of higher priority), address merge corrections, and print letters for Intake staff working from home.
- Reduced time needed to hire and train temporary staff.
- Reduced time needed to train temporary staff.
- Reduced overtime needed to address current workload.
- FTE will be allowed room for growth in one additional position of three positions (including one RC1-LD currently set to end November 30, 2023) with a higher classification than OS2s to promote into on the Intake team.
- Opportunities to better manage current (and future) production, returned mail, and printing duties.
- Standardization of processes and procedures that impact efficiency in functional areas like withdrawal, retirement, and member account maintenance.
- KPM #2, Total Benefit Administration Costs  
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #6, Customer Service, milestone:  
Maintain 80% or higher good or excellent responses in the annual customer satisfaction survey throughout the 2023–25 biennium.

### **Consequences of failure to act**

If the deputy chief operating officer position is not filled, there will be continued challenges with governance, oversight of programs, and supporting enterprise and agency goals.

If the other positions identified are not improved, there will be increased backlogs, decreased service levels, and decreased member satisfaction.

### **Revenue source**

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.



## BUDGET NARRATIVE

### Package 107 Human Resources Staffing

#### Package description

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

• Personal services	\$241,197
• Services and supplies	\$11,563
• Capital outlay	\$0
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• Total cost	\$252,760

#### Purpose:

The Human Resource (HR) section is comprised of four classifications (excluding the Training Team). These Human Resource Analyst (HRA) classifications are HRA, HRA1, HRA2, and HRA3. The higher the classification (i.e., HRA3), the more complex, intensive, and time consuming the work.

The challenge is that the HR demand has increased and is beyond the current capacity of one (1), HRA3. Most, if not all, capacity gaps are addressed by the HR manager, including the training of HRA2 staff. These gaps are prioritized and have created prioritization conflicts and/or a lack of progress on equally important work (i.e., DEI initiatives, succession planning, intern program evolution, training content, etc.).

Given that there are approximately fifty (or 12%) of PERS staff that are currently eligible to retire immediately and an additional fifty (or 12%) of PERS staff that can retire within the next five years, it is imperative that our HR capacity meet the increasing HR needs both now and into the future.

#### Proposed solution:

PERS is requesting an additional permanent full-time HRA3 to resolve this issue. By filling this position, we will create depth within the department and maximize HR efficiencies. This position will allow escalated work initiatives and fulfillment requirements to be performed by those in the appropriate classification to address the workload, particularly the HRA3 positions.

With the increased focus on state agencies to comply with the Governor's expectations, the workload has increased in the HR area. As the HR manager turned their attention to those expectation deliverables, other work within the section has suffered, and several staff are in work-out-of-class positions to maintain the core functions of the section that support the agency and HR key initiatives. This additional position will allow continued efforts on these deliverables as well as PERS strategic initiatives such as the DEI and succession plans and management development.

Key assumptions that this request is based on are that workloads will remain at this level and no decreases in HR staffing will occur.

## BUDGET NARRATIVE

### Staffing impact

Position #	Position	Status	FTE
2710719	X1322 HUMAN RESOURCE ANALYST 3	Permanent	0.88

### 2025–27 fiscal impact

The anticipated impact to 2025–27 is estimated to be approximately \$241,197 in personal services and \$11,563 in services and supplies.

### Quantifying results

Over the next biennium, PERS should see improvements in reducing HR backlogs and more timely completion of core duties. DEI goals, succession planning, and other strategic efforts can also be measured through the review of milestones as every milestone will be a defined completion date.

- KPM #2, Total Benefit Administration Costs  
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #6, Customer Service, milestone:  
Maintain 80% or higher good or excellent responses in the annual customer satisfaction survey throughout the 2023–25 biennium.

### Consequences of failure to act

Failure to act may increase the potential for burnout of the HR manager due to above-average working hours, poor reflection of HR practices resulting in loss of trust, and an increase in grievances and barriers in workforce cultural progression. Additionally, there will be limited progress made on key initiatives such as DEI, succession planning, and management training.

### Revenue source

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

## BUDGET NARRATIVE

### Package 109 Enterprise Content Management Supervisor

#### Package description

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

• Personal services	\$182,178
• Services and supplies	\$11,563
• Capital outlay	\$0
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• Total cost	\$193,741

#### Purpose

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

#### Proposed solution

A permanent supervisor will resolve a long-term work out of class situation and ensure that this team is appropriately and successfully managed within Logistics and Facilities Support.

The Central Business Support section is comprised of two groups — Procurement, and Logistics and Facilities Support (LFS). LFS maintains buildings and property for PERS headquarters and leased facilities and provides centralized support services for incoming and outgoing mail and deliveries, shuttle services between buildings, surplus property, fleet vehicles, security services, recycling, shredding, and large-volume copy jobs. ECM exists within Logistics and Facilities and is responsible for digitizing incoming physical documents as well as migrating legacy filmed images to electronic formats in support of business users. This activity also provides research functions that support internal and external agency needs.

The diversity and scope of the work between these two teams determined the need for an additional supervisor. This request is based on key assumptions such as workload remaining fairly consistent, and that no additional organizational changes are needed. This request also supports the PERS mission of “pay the right person the right benefit at the right time” as the work in ECM is critical to initiate benefit applications as forms are imaged and enter workflows for processing.

## BUDGET NARRATIVE

### Staffing impact

Position #	Position	Status	FTE
2710922	X0806 OFFICE MANAGER 2	Permanent	0.88

### 2025–27 fiscal impact

The anticipated impact to 2025–27 is estimated to be approximately \$182,178 in personal services and \$11,563 services and supplies.

### Quantifying results

Due to the critical nature of this team, PERS has a temporary solution in place with an employee in a work-out-of-class as a supervisor. If this request is granted, work will continue as expected, and no backlogs will occur.

- KPM #2, Total Benefit Administration Costs  
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #6, Customer Service, milestone:  
Maintain 80% or higher good or excellent responses in the annual customer satisfaction survey throughout the 2023-25 biennium.

### Consequences of failure to act

Since ECM supports such a critical process for the agency, if the team is not managed well, any process that relies on imaged documents may be delayed, which can also increase the number of phone calls PERS receives, and members may be harmed.

### Revenue source

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

## BUDGET NARRATIVE

### Package 110 Policy and Compliance Staffing

#### Package description

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

• Personal services	\$992,595
• Services and supplies	\$54,313
• Capital outlay	\$0
<hr/>	
• Total cost	\$1,046,908

#### Purpose

The Policy Analysis and Compliance Section (PACS) has experienced challenges with workload over the past several years. Implementing new legislative requirements over the years increased member appeals. Additionally, the COVID pandemic years triggered a major uptick in disability claims that resulted in contested cases and increased the challenges with obtaining the necessary documentation from medical professionals. PACS has also taken on additional work in the area of disputes, which used to be handled by the Operations Division. This policy option package will address the resource deficiencies that have built up in PACS over the years and will help right-size the section in order to address current backlogs, avoid future backlogs, and address member issues timelier.

#### Proposed solution

Creating a Compliance and Regulatory Supervisor 2 will provide improved support for daily administration of appeals and contested cases. Currently, the Policy Analysis and Compliance Section manager is called upon for higher-level policy work, litigation, and more complicated member escalations. This results in less timely review of appeals and contested cases. Adding this supervisor position will eliminate the need for two long-standing lead worker assignments.

Adding a CS2 and a AS1 will further help the Appeals and Contested Cases team, which has experienced backlogs for the past several years as an increase in appeals was especially prevalent during the pandemic. It will further enhance the team by promoting succession planning.

Adding two OPA1 positions will help the agency by handling non-complex disputes, conduct required Internal Revenue Code compliance testing timelier, and to begin processing data verification disputes. Under the Centers of Excellence reorganization conducted by the agency beginning in 2019, PACS should be handling all disputes; however, data verification disputes are still handled by Operations Division. They have not transferred to PACS due to workload issues. These positions will also work on a policy repository project, which is designed to be a knowledge-based management solution that PACS has been lacking. Finally, these positions will also serve as backups in areas that require temporary assistance such as business rules writing, handling risk management claims, and public records officer duties.

## BUDGET NARRATIVE

### Staffing impact

Position #	Position	Status	FTE
2711027	C0108 ADMINISTRATIVE SPECIALIST 2	Permanent	0.88
2711024	C5247 COMPLIANCE SPECIALIST 2	Permanent	0.88
2711025	C0870 OPERATIONS & POLICY ANALYST 1	Limited Duration	0.88
2711026	C0870 OPERATIONS & POLICY ANALYST 1	Limited Duration	0.88
2711023	X7146 COMPLIANCE AND REGULATORY SUPERVISOR 2	Permanent	0.88

### 2025–27 fiscal impact

- The anticipated impact to 2025–27 is estimated to be approximately \$992,595 in personal services and \$54,313 in services and supplies.

### Quantifying results

Enhancing resources in the Policy Analysis and Compliance Section will help support the agency's mission to serve the people of Oregon by administering public employee benefit trusts to pay the right person the right benefit at the right time. Member appeals and contested cases, particularly disability contested cases, will be processed more timely; staff will gain the experience necessary for natural career progression to the next level up in classification; PACS will be able to begin processing data verification disputes and do so timely; Internal Revenue Code (IRC 415) testing will be performed timely; uploading and coding of policy determinations and other resources will be performed at a quicker pace than currently anticipated; and PACS will be able to address influxes of work to avoid or mitigate future backlogs.

This policy option package specifically addresses the agency's core values and operating principles, particularly the principle to be professional, in which we are responsible, respectful, and sensitive to the needs of our members, employers, and staff.

- KPM #2, Total Benefit Administration Costs:  
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #6, Customer Service, milestone:  
Maintain 80% or higher good or excellent responses in the annual customer satisfaction survey throughout the 2023–25 biennium.

### Consequences of failure to act

Compliance and Regulatory Supervisor 2: Continued challenges with oversight of appeals and contested cases, resulting in continued backlogs, lack of responsiveness to members, and the need for continued lead-work duties for two positions in PACS.

Compliance Specialist 2 and Administrative Support 2: Increased backlogs, decreased service levels and decreased member satisfaction in the area of appeals and contested cases due to longer processing times. CS1's will not gain sufficient experience necessary to progress to a CS2 position. Inability to promote as easily from within will affect employee development and retention and will affect succession planning for this section.

## **BUDGET NARRATIVE**

Operational Policy Analyst 1s: Backlog in Internal Revenue Code compliance testing, unable to review data verification disputes, unable to dedicate resources to populating our knowledge-based management solution, and unable to fill backup roles when needed in areas such as business rules writing, handling risk management claims, and backing up the public records officer.

### **Revenue source**

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

## BUDGET NARRATIVE

### Package 111 Communications Staffing:

#### Package description

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

- |                         |            |
|-------------------------|------------|
| • Personal services     | \$430,519  |
| • Services and supplies | \$70,000   |
| • <u>Capital outlay</u> | <u>\$0</u> |
| • Total Cost            | \$500,519  |

#### Purpose

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

#### Proposed solution

Recognizing the continuing need to grow and improve the way that PERS communicates with its stakeholders — external and internal — the Communications Section requests permanent resources for agency support and development to address the areas where gaps in training or staffing (or both) have been identified. Specifically, the following resources are needed:

- Two permanent EPDS 3
- Reclassify one EPDS 1 to EPDS2
- Training and development \$70,000

Since PERS has no permanent, qualified individuals to continue project efforts to develop and then maintain our internal website or to maintain our external website, a decision was made to request these resources. In accordance with best practices and the agency strategic plan, PERS endeavors to create and maintain an informed workforce, while at the same time bolstering our external communications and information sharing in order to be transparent and informative to our external stakeholders in alignment with state operating principles. As our external website is our primary tool for updating and informing our stakeholders, including during incidents that cause disruption or changes, and our internal site is a key tool in our continuity of operations program, it is critical for effective communications and processes that PERS has skilled staff whose responsibilities are keeping these platforms in good working order as well as updated timely when the need arises.

Given the nature of current and future website and intranet development and maintenance lifts, we now seek to reclassify our two-web-developer (EPDS 3) roles from limited-duration (LD) to permanent. Continuing to ensure our evolving agency and stakeholder needs are being met, PERS is also requesting the reclassification of one EPDS 1 design specialist position into an EPDS 2 role in order



## BUDGET NARRATIVE

to be more efficient and effective in creating and curating a wide range of multimedia content, including website graphics, photography, publication design, templates, animations, recordings, and other communications collateral.

Within the current training allowances, insufficient funds are allocated for the training of the Communications Section staff, due to the specialized nature of their roles (technical and professional), and partly because of the fact that one training or development opportunity per year does not support the educational and development needs of a robust and well-prepared workforce. The amount currently included in section budgeting doesn't easily allow for more than one opportunity per year

These permanent staffing and training resources will allow the Communications Section to improve its ability to support long-term needs and projects by providing the personnel needed, making the current personnel more skilled and efficient, and enabling the teams to produce a higher caliber of deliverables, which directly benefits both our external and internal stakeholders.

### Staffing impact

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

### Quantifying results

There are tangible aspects of a more skilled and better resourced section, which can be measured in the increased number of deliverables Communications will be able to provide within and exceeding the expectations of our service levels. In calendar year 2023, according to data taken from Compass, our agency's agile project management tool, the Communications Section staff have documented the fulfillment of 1,468 support requests, comprised of 3,994 individual tasks, as part of requests that come up from agency staff to help support their work. These figures do not include regular, cyclical support to annual and biennial agency efforts. Also not included in the Compass data is the routine work that the section does as part of its day-to-day responsibilities or the project efforts that were undertaken as part of the website redevelopment project that the section spearheaded and delivered.

Since the Communications Section was created, it has progressively improved offerings for all key stakeholders and won numerous awards for digital offerings such as a redesigned Employer newsletter, the PERS website, PERS' annual digital expo event, and the agency's newly launched internal newsletter.

These improvements were possible because of the positions we are asking to be made permanent and reclassified. By ensuring that the Communications Section has the resources needed to support all of these myriad undertakings, as well as the ability to continue to grow staff capabilities to keep pace with workload and evolving expectations, the section will be able to increase its number and areas of support while also maintaining excellent customer service, accurate and relevant information, and high-quality materials for staff, members, and participating employers, thus achieving its strategic goals and aligning with the agency's core values.

- KPM #2, Total Benefit Administration Costs:  
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #6, Customer Service, milestone:  
Maintain 80% or higher good or excellent responses in the annual customer satisfaction survey throughout the 2023–25 biennium.

## **BUDGET NARRATIVE**

### **Consequences of failure to act**

The consequences of failing to act in securing permanent, reliable staff resources, as well as the capability to ensure that staff are able to remain up to date in their field and skills, will lead to inconsistent support of the agency's main stakeholders—its employees, members, and participating employers.

Specifically, website content and functionality could become outdated without proper and skilled maintenance, and site issues may remain unsolved. Additionally, our websites have been redeveloped to promote best practices in engagement for all users, but that requires specific design and organizational elements, which sometimes are impacted by blanket updates made at the state level or product level; in order to ensure that we are prepared to address any of these impacts, and return functionality as quickly as possible, we needed dedicated staff to work on maintenance and development, and they must have the skills to do so. Relatedly, if we are not able to reclassify our current EPDS 1 position, we will lose the capabilities needed to develop engaging, clear, and accessible content for our stakeholders, which will mean that we are not able to meet our strategic goals or support our core values. As details about the pension system continue to become more complex, visuals and infographics and user experiences need to evolve concurrently, and not being able to retain staff with the right level of ability in creating this collateral may impede stakeholder understanding and will stymie the agency's ability to create effective resources.

Finally, the lack of training to enable the staff in the Communications Section to remain nimble and up to date on best practices and applicable software, design, multimedia, and communications skills will also have the same negative impacts as already mentioned, as these skills are all critical in creating and maintaining the various means by which the agency conveys information and support our stakeholders.

### **Revenue source**

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

## BUDGET NARRATIVE

### Package 112 Information Services Division Re-classes:

#### Package description

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

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

#### Purpose

The IT environment at PERS is undergoing significant transformation due to several factors that affect the way IT services are delivered and managed. These factors require IT staff to maintain the legacy systems while both acquiring and applying new competencies in areas such as cloud computing, service oriented architecture (SOA) development, cybersecurity, data analytics, and DevOps automation. Current challenges include:

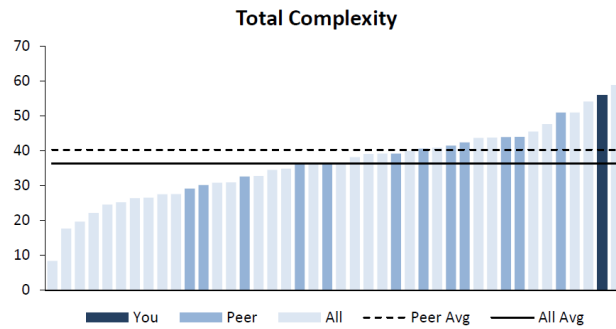
- SB1049 pension reform changes added system and architecture complexity to an already overly complex system architecture.
- Developing Azure cloud-technology architecture skills while retaining skills to maintain on-prem infrastructure are necessary with the adoption of a “cloud first” philosophy.
- Complex security compliance.
- PERS modernization.
- HB 4045 was passed in 2024, adding additional rules and complexity to the PERS systems that support OPSRP members (currently 80% of active and inactive members).

# BUDGET NARRATIVE

Functional complexity is depicted as follows from CEM Benchmarking:

Your complexity score was above the peer average.

Your total complexity score was 56. This was above the peer median of 41.



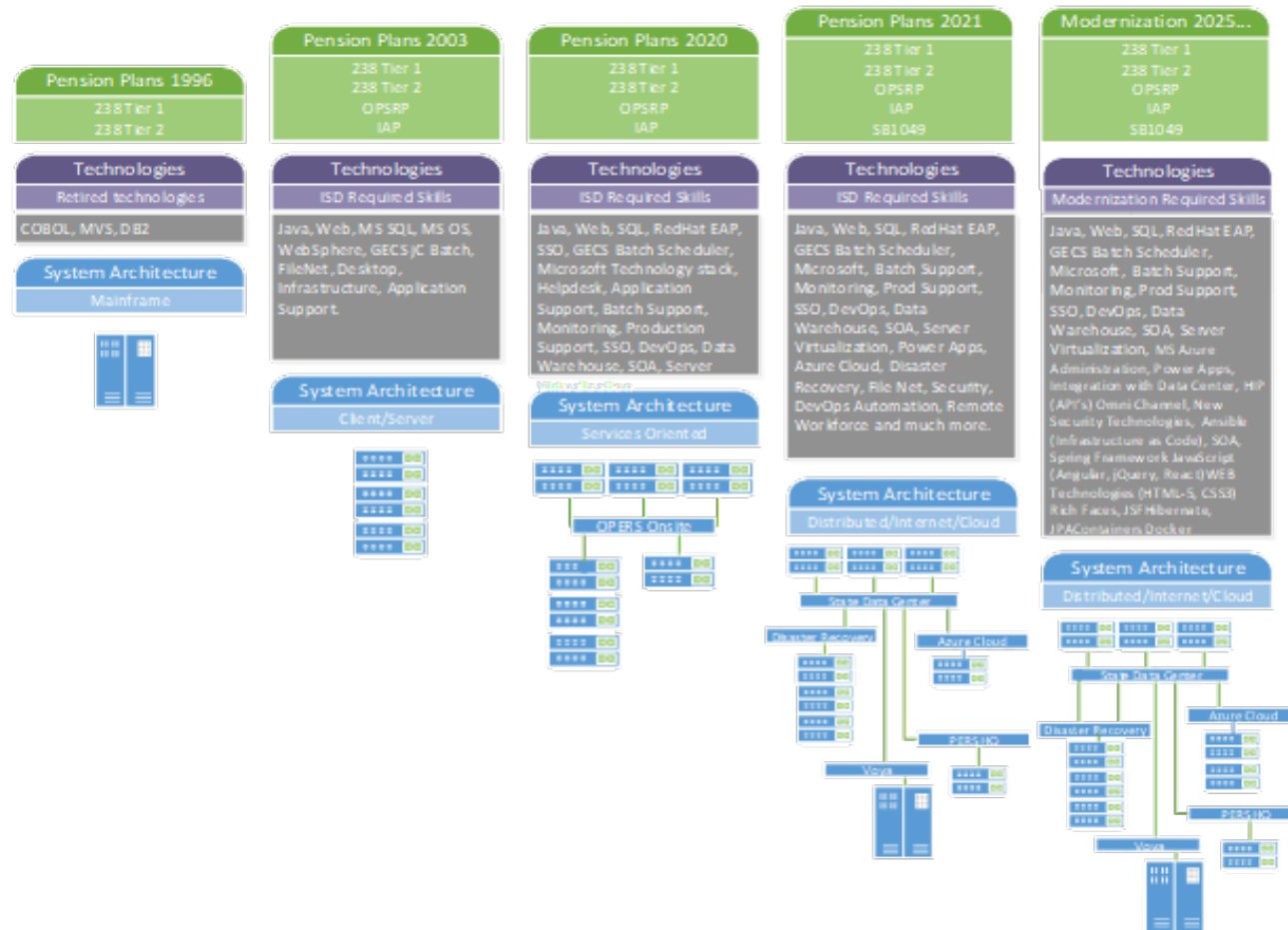
Your total complexity score is the weighted average of your complexity scores by the cause. The causes of complexity are summarized in the table below:

Complexity Scores by Cause		Complexity Score		
Cause	Weight	You	Peer Avg	All Avg*
A Pension Payment Options	15.0%	46	37	38
B Customization Choices	20.0%	26	15	13
C Multiple Plan Types and Overlays	13.0%	75	31	25
D Multiple Benefit Formula	16.0%	70	52	47
E External Reciprocity	3.0%	0	33	23
F COLA Rules	4.0%	57	32	28
G Contribution Rates	3.0%	64	41	35
H Variable Compensation	4.0%	100	79	76
I Service Credit Rules	3.0%	48	42	40
J Divorce Rules	3.0%	100	57	64
K Purchase Rules	6.0%	70	62	58
L Refund Rules	4.0%	24	49	40
M Disability Rules	6.0%	83	66	54
Weighted Average	100.0%	56	40	36

\* This section excludes the Dutch funds as they complete a different benchmarking survey.

# BUDGET NARRATIVE

Technical complexity has evolved as follows:



## Proposed solution

Enable PERS to recruit and retain competent IT professionals that are essential for developing and supporting the changing and challenging IT environment at Oregon PERS.

For the Enterprise Applications Section (EAS), a reclassification of two ISS4 Data Application Analyst positions to ISS6 Software Application Developers. For the Development Operations Section (DOS), request permanent funding for the Software Release Engineer position 01241064.

## BUDGET NARRATIVE

The increasing complexity of the system and breadth of knowledge required to maintain functionality, on-prem and in the cloud, require a more advanced skill set and the ability to add duties beyond the scope of current classifications.

Work volume and complexity will, at a minimum, remain the same or increase. These proposed re-classifications are in alignment with work and skills needed and/or being performed. This also satisfies an audit finding that IT business-developed applications (by ISS4's) do not follow the same rigor and security requirements as other IT efforts. Considering this, the breadth of the role expands beyond the bounds of the data application analyst classification. This change will align with the Governor's expectations for good governance, agency strategic planning, and customer service.

### Staffing and budgetary impacts

- Re-classes two ISS4 positions to ISS6           \$41,387
- Re-classes one ISS5 position to ISS6           \$14,152

### Quantifying results

Ability to assign work from all IT intake sources, thereby positively affecting the service levels for pending work and reducing the number of deferred items.

Responsiveness and expected SLAs can be maintained by DOS by funding a permanent SW release engineer.

- KPM #2, Total Benefit Administration Costs:  
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #6, Customer Service, milestone:  
Maintain 80% or higher good or excellent responses in the annual customer satisfaction survey throughout the 2023–25 biennium.

### Consequences of failure to act

- ISS4 position descriptions limit scope in which the developers can work, resulting in further system change-request backlogs.
- ISS4 data application analysts will not be able to attain new training and skills outside the scope of their position description for current and future maintenance of the ever-increasing complexity of the PERS systems.
- No additional positive impact can be realized for the POBMS SP3 KPI (Providing Information Technology).

### Revenue source

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.

## BUDGET NARRATIVE

### Package 113 Actuarial Analyst:

#### Package description

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

• Personal services	\$177,984
• Services and supplies	\$10,688
• Capital outlay	\$0
<hr/>	
• Total cost	\$188,672

#### Purpose

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

#### Proposed solution

This proposal is to add one OPA1 Actuarial Data Specialist position to the Actuarial Activities Section and is based on an evaluation of current tasks, workload bottlenecks, and overall actuarial team goals. The bulk of the work for this position would be centered around routine data collection tasks currently performed by existing higher-level staff. Most immediately, this additional resource will create a manageable workload during key “crunch” times such as the month of April where over 200 working hours are currently dedicated to collecting and validating data for the annual actuarial valuation. This in turn would free up bandwidth for existing staff to focus more exclusively on complex analytical tasks that are currently unable to be completed or outsourced to the consulting actuaries. By relieving higher-level staff of these routine tasks, this also creates the opportunity to explore additional value-added tasks providing relevant analysis to both internal and external stakeholders or to take on legislative mandates without impact to ongoing work.

This addition will also complete the transition of the section from the original top-heavy group with two OPA 3 staff and an embedded manager to a more stable structure with one OPA 1, one OPA 2, one OPA 3, and a manager. This structure will provide greater flexibility to schedule absences, reduce key person risk and risk of burnout, while allowing the manager to perform more supervisory functions as well as perform more professionally demanding analyses. It will also create clearer career progression for incoming staff and thus facilitate development and succession planning.

## BUDGET NARRATIVE

### Staffing and budgetary impacts

Position #	Position	Status	FTE
2711328	C0870 OPERATIONS & POLICY ANALYST 1	Permanent	0.88

### Quantifying results

The outcomes of this addition can be expected to be recognized in reduced excess overtime worked during major deadlines such as annual actuarial valuation cycles, reduced fees paid for special work orders to the actuarial consultant, and increased ability to tackle unexpected tasks. These benefits can be expected to be realized in the first year while accruing additional value over time.

- KPM #2, Total Benefit Administration Costs  
Reduce administrative costs while maintaining high levels of service to members and employers.
- KPM #6, Customer Service, milestone:  
Maintain 80% or higher good or excellent responses in the annual customer satisfaction survey throughout the 2023–25 biennium.

### Consequences of failure to act

If this position is not approved, Actuarial Activities staff will continue to experience unmanageable workload during peak periods, increasingly rely on consulting actuaries, and be unable to take on new tasks or requests in a timely manner. The section will continue to risk losing key staff to burnout due to the small nature of the section.

### Revenue source

Revenues to fund administrative expenditures are obtained from the various PERS programs and activities in accordance with Oregon Revised Statute and applicable administrative rules.



## BUDGET NARRATIVE

### Package 801 LFO Analyst Adjustments

#### Package Description

This package makes the following modifications to Lottery Funds revenue and expenditure limitation for the EIF Program: 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.

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.

This package also 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 money 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.

Further reductions in Other Funds for the Central Administration Division are for unneeded expenditure limitation for facilities rental.

Additionally, this package increases Other Funds expenditure limitation by \$6,688,780 for one-time funding of a Legacy Stabilization and Technology Readiness initiative which is related to the Modernization Program:

- \$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
- \$318,500 in contingency funding.

SCR	Division title	Amount
200-01	Employer incentive Fund-Lottery fund	\$12,759,714
200-01	Employer incentive Fund- Other fund	\$(1)

This package also increases other funds expenditure limitation by \$6,288,780 as follows:

SCR	Division title	Amount
500-01	Central Administration	(400,000)
900-08	Legacy Stabilization and Technology	6,688,780
Total		\$6,288,780

## BUDGET NARRATIVE

### Package 810 Statewide Adjustment

#### Package description

Statewide adjustments impact agency budgets based on changes to the cost of debt service on existing outstanding bonds, Department of Administrative Services rates and service charges, Attorney General rates, and costs for supporting the Government Ethics Commission and Public Records Advocate. This package increases Other Fund expenditures by \$801,177.

SCR	Division title	Amount
500-01	Central Administration	(144,951)
500-03	Financial Services Division	(1,448,524)
500-04	Information Services Division	2,253,496
500-08	Operations Division	(16,035)
500-09	Compliance, Audit and Risk Division	157,191
	Total	\$801,177

## BUDGET NARRATIVE

### Package 812 Policy Bill

#### Package description

House Bill 2728 provides \$499,986 Other Funds expenditure limitation for the Public Employees Retirement System (PERS) for the 2025-27 biennium for costs related to hiring three new positions for implementation of the bill.

The Subcommittee recommended \$499,986 for three full-time, limited duration Retirement Counselor 1 positions (2.63 FTE) with associated services and supplies to address the additional workload and increased processing times associated with this measure. The long-term necessity for these three positions may need to be re-evaluated once an automated solution is put into place.

SCR	Division title	FTE	Amount
500-08	Operations Division	2.63	\$499,986
	Total	2.63	\$499,986

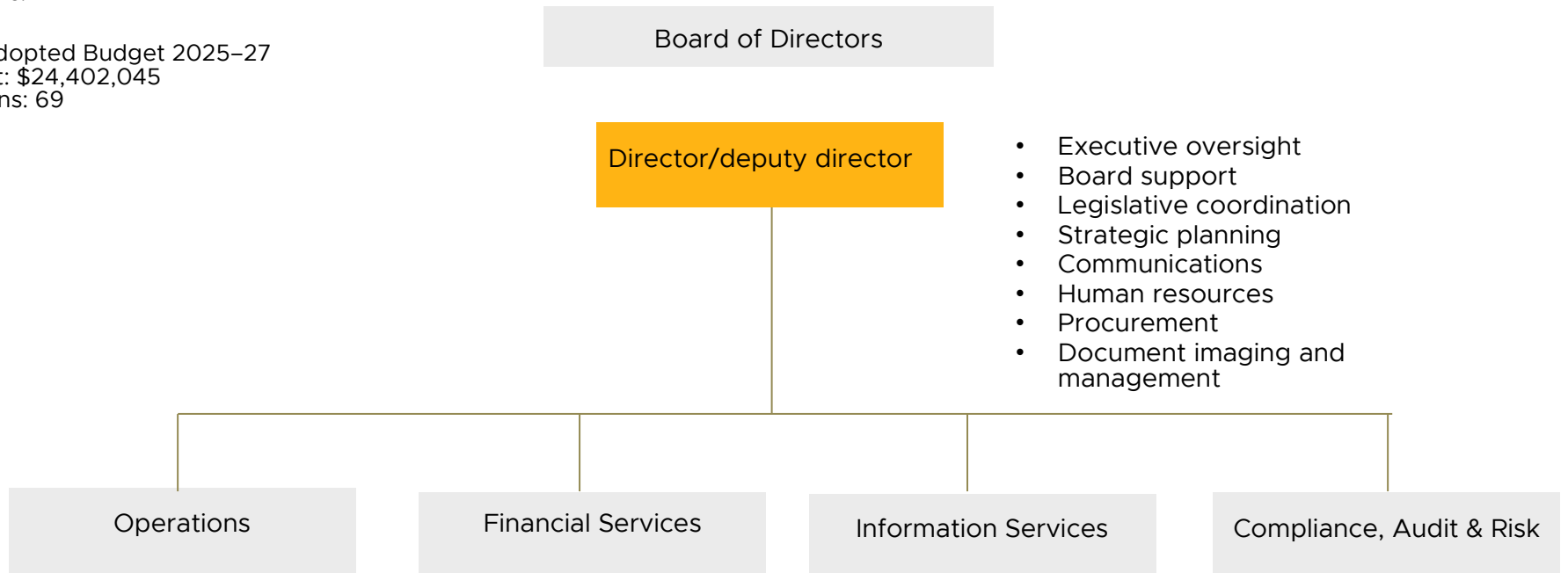
## BUDGET NARRATIVE

### Central Administration

Program contact: Kevin Olineck, 503-603-7695

Leg. Approved Budget 2023–25:  
Budget: \$23,750,198  
Positions: 74

Leg. Adopted Budget 2025–27  
Budget: \$24,402,045  
Positions: 69



## BUDGET NARRATIVE

### Central Administration Division sections

The division works in partnership with the Legislature, Legislative Fiscal Office, Department of Administrative Services, the Governor's Office, and PERS' member and employer groups to carry out the agency's mission through education and collaboration.

Director's Office	Communications	Strategic and Operational Planning	Central Business Support	Human Resources
4/4.00 FTE	10/10.00 FTE	22/22.00 FTE	23/22.88 FTE	10/9.88 FTE
Executive leadership  Board support services  Executive assistant  Legislative support	External strategy and Implementation  Internal dissemination and awareness  Print and digital media  Agency brand standards  Communications oversight and support  Change management support	Enterprise program and project management  Business process improvement  Central data management  Organizational change management  Electronic Pub. Design Specialist	Contracts and procurements  Contract administration  Lease management  Mail and forms services  Facilities maintenance  Courier/fleet services  Records management services (electronic and physical media)  Imaging	Organizational development and training  Employee relations  Compensation and classification  Recruitment  Benefits  OFLA/FMLA/ADA/Paid Leave Oregon  Human Resource Analyst

# BUDGET NARRATIVE

## Executive Summary — Central Administration

### Program overview

Central Administration, in conjunction with the PERS Board, provides leadership and support services necessary to achieve the agency's key goals in support of the mission, vision, and core values and operating principles. The division consists of the following sections:

- Director's Office

The Director's Office leads the overall development and administration of all agency programs, personnel, budgets, and planning and projects to ensure efficient and effective delivery of member benefits and employer services, advancement of the agency mission, compliance with state legislative mandates and federal regulatory requirements, and achievement of PERS Board policies and strategic plan.

- Communications

The Communications section supports the agency by meeting both the internal and external communications needs for the agency and works to create strategies and processes to inform multiple audiences about the benefits of PERS, supports the agency in its communications and production needs, supports internal, organizational change management communications, and takes a leading enterprise role in developing and guiding a comprehensive communications and publications program for the agency.

- Human Resources

The Human Resources section interprets the collective bargaining agreement and regulations for our agency and administers the programs of Human Resources. This includes providing technical guidance on related state and federal statutes, internal policies and rules, establishing and enforcing policies, supporting agency program planning, and maintaining positive and productive labor-management relations.

- Central Business Support:

Central Business Support is comprised of procurement, logistics, and facilities and combines two separate units providing essential services to support PERS operations.

The procurement unit is responsible for the agency's contracting, purchasing, and contract administration functions. Activities include development of agreements for numerous types of services and goods, solicitations for vendor selection, market research, risk and cost analyses, and leases for agency offices. Procurement is responsible for the high-level oversight and administration of all agency agreements and contracts for the purpose of ensuring compliance with terms, conditions, laws, and fulfillment of obligations and deliverables by contractors. Procurement also provides multiple procurement-oriented trainings to agency management and advises leadership on acquisition matters.

The logistics and facilities unit is responsible for the agency's mail, forms fulfillment, receiving and distribution, courier and agency fleet services, headquarters building and equipment maintenance, oversight of leased facilities maintenance, and emergency and safety incident response. Activities include processing mail containing highly sensitive information inbound from and outbound to PERS members and retirees, printing and mailing many different retirement program information packets, processing checks sent to the agency, monitoring and maintaining physical plant equipment and systems operations, receiving and distribution of all goods, coordinating office environment and safety-related incident responses, coordinating and/or performing staff workstation changes, coordinating plant service contractors, and many other tasks. This unit also includes Enterprise Content Management (ECM), which contributes to the agency's information governance development and compliance functions and collaborates with the records officer to provide records management services as required by ORS 192 and OAR 166. ECM is responsible for digitizing incoming physical documents as well as migrating legacy filmed images to electronic formats in support of business users. This

## **BUDGET NARRATIVE**

activity also provides research functions that support internal and external agency needs.

- Strategic and Operational Planning

The Strategic and Operational Planning section includes three main teams: project management, business process improvement, and central data management. This section is charged with increasing agency effectiveness, process improvement, organizational change management, improving overall organizational capability, providing visibility, improving data reliability, and fostering success in the execution of the agency's strategic plan and initiatives.

### **Program funding request**

#### **POP 107- Human Resources**

PERS is requesting an additional permanent full-time Human Resource Analyst 3 (HRA3). By filling this position, we will create depth within the department and maximize HR efficiencies. This position will allow escalated work initiatives and fulfillment requirements to be performed by those in the appropriate classification to address the workload, particularly the HRA3 positions.

#### **POP 109 — Procurement, Facilities and Logistics**

PERS received budget approval to transfer the Enterprise Content Management (ECM) team within the Information Services Division to the Central Administration Division Central Business Support section (formally Procurement, Facilities and Logistics) in the February 2024 session. The request involved moving 13 staff and was budget neutral; however, the move did not include a supervisor.

#### **Package 111 — Communications staffing**

PERS has no permanent, qualified individuals to continue project efforts to develop and then maintain our internal website or to maintain our external website; a decision was made to request these resources. In accordance with best practices and the agency strategic plan, PERS endeavors to create and maintain an informed workforce while at the same time bolstering our external communications and information sharing

### **Program justification and link to long-term outcomes**

The Central Administration Division takes an enterprise view of agency performance via the PERS Outcome-Based Management System. Below are examples of the measures that are tracked quarterly and how they are reported to the PERS board.

Green — At or above acceptable levels

Yellow — Needs attention to advance into acceptable levels

Red — Problem area; manager reports on corrective action plan

## BUDGET NARRATIVE

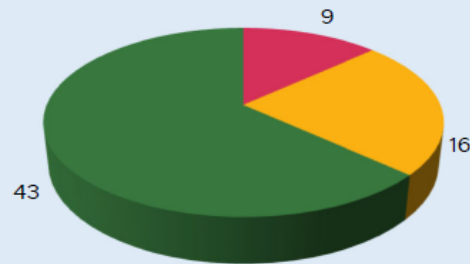


### OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

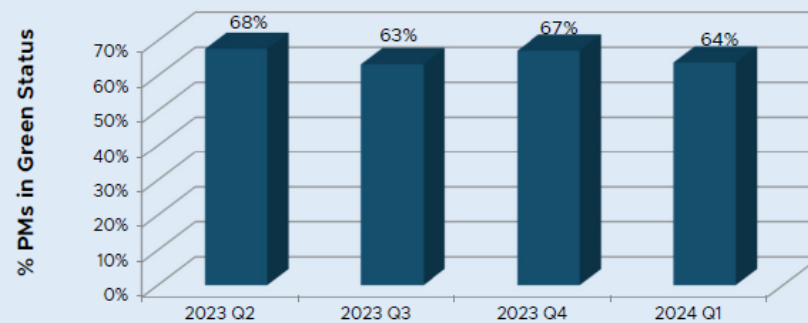
Outcome-Based Performance Review

2024-Q1 Overall Performance (Quarter ending March 2024)

#### Outcome and Process Measure Performance



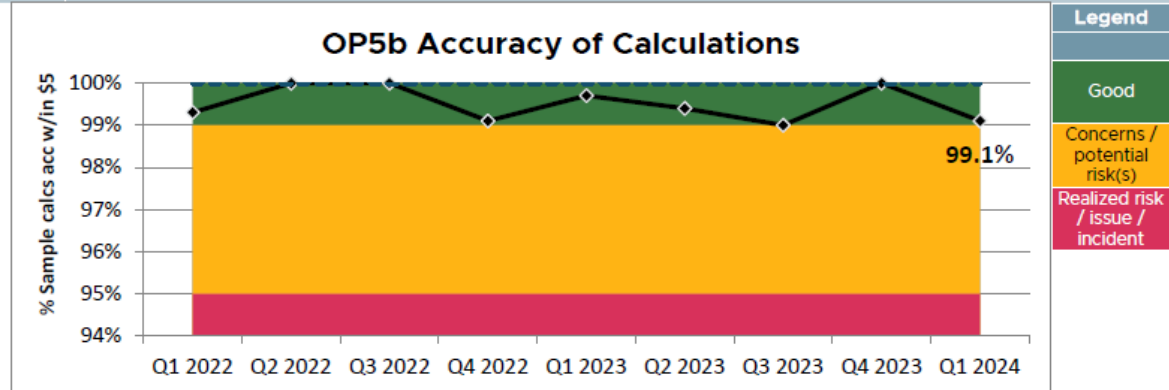
#### Quarterly Green Performance



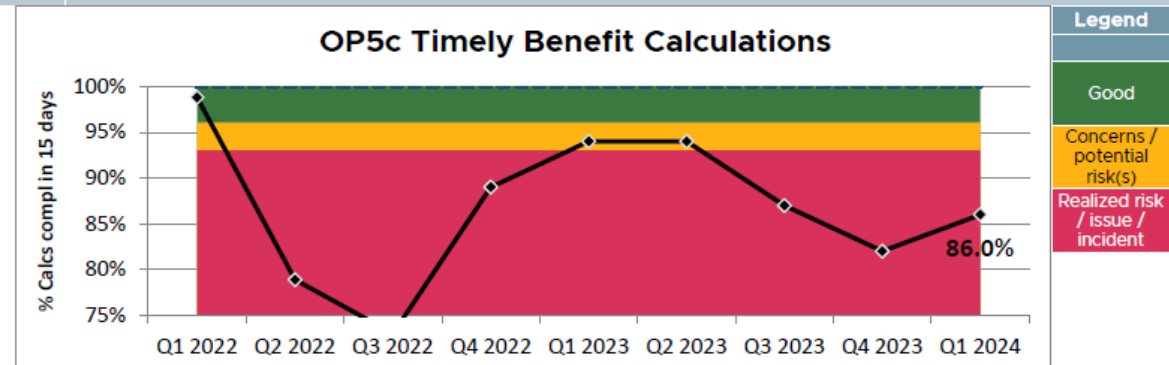


## BUDGET NARRATIVE

	Measure name	Measure calculation	Target	CY 2022	CY 2023				CY 2024
				Q4	Q1	Q2	Q3	Q4	Q1
OP5b	<b>Accuracy of calculations</b>	% of sample calculations that are accurate within plus or minus \$5	100%	99.1%	99.7%	99.4%	99.0%	100.0%	99.1%
Comment / Corrective Action:									



	Measure name	Measure calculation	Target	CY 2022	CY 2023				CY 2024
				Q4	Q1	Q2	Q3	Q4	Q1
OP5c	<b>Timely benefit calculations</b>	% of calculations completed within 15 calendar days from completed application date	100%	89.0%	94.0%	94.0%	84.0%	82.0%	86.0%
Comment / Corrective Action:		New OPAs on both inception teams and an increased pre-retirement death calculation volume. Trained 1 new counselor to calculate pre-retired death calculations and continued OPA training. As a result of these efforts, went from 80% in January to 92% in March.							

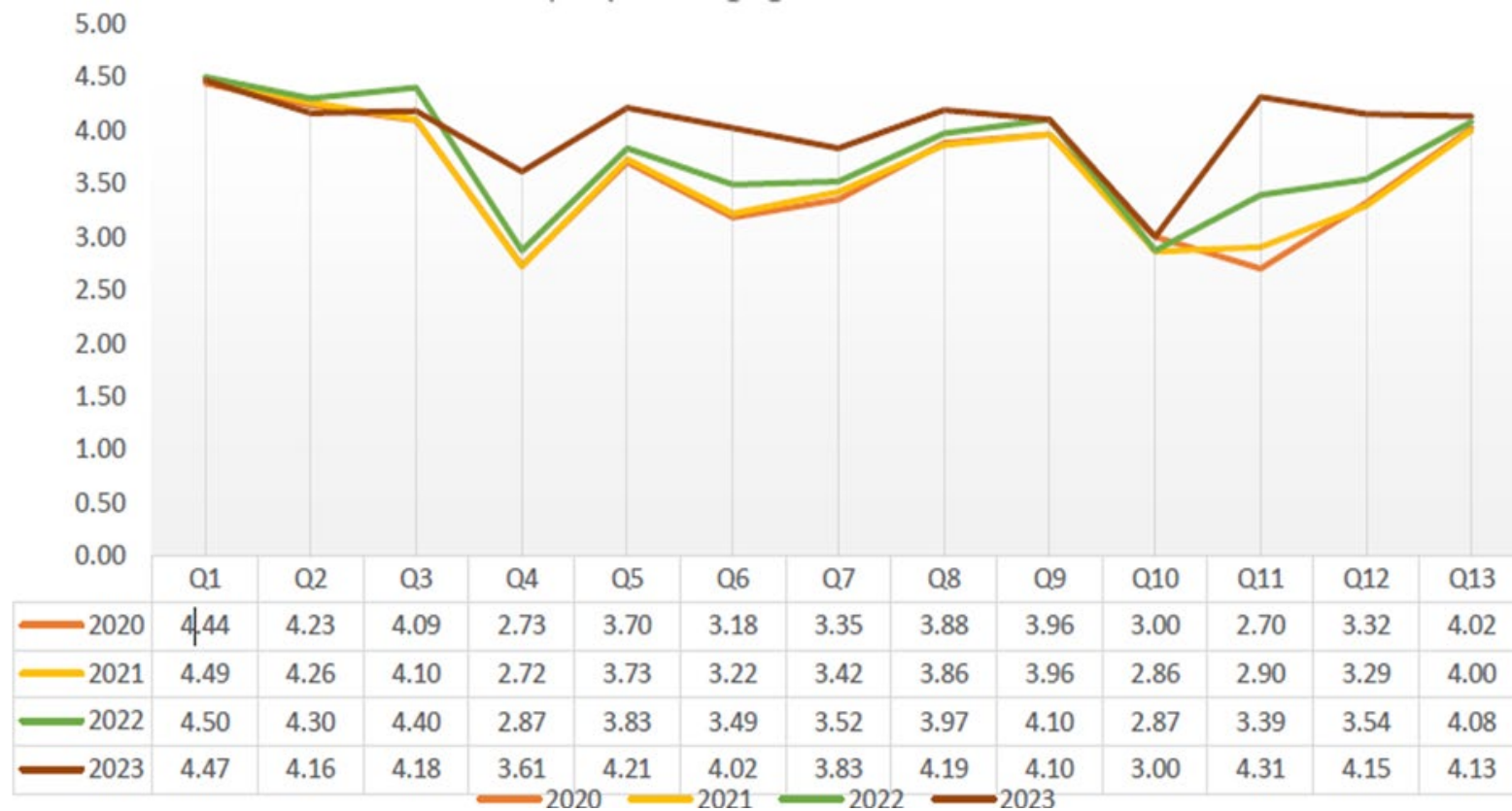


## BUDGET NARRATIVE

The Human Resources Section surveys and tracks employee-engagement trends, which allows the leadership team to focus on specific areas.

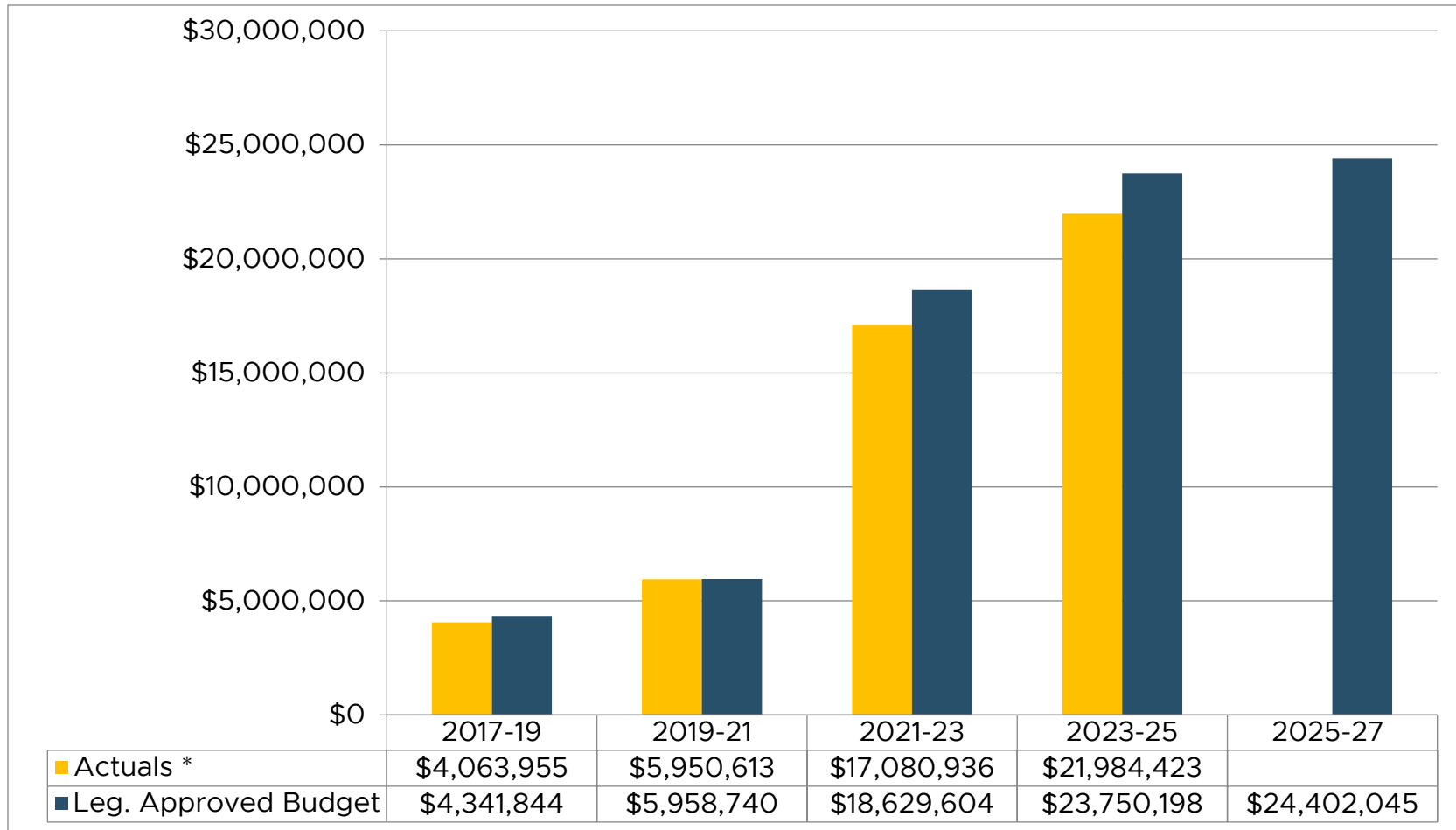
In 2023, the survey response rate was 84% and with increases in 10 of the 13 questions. The three questions with reduced scores did not have significant reductions in scoring.

- Q4 — “In the last seven days, have you received recognition or praise for doing good work” increased from 2.87 to 3.61.
- Q6 — “Is there someone at work who encourages your development” increased from 3.49 to 4.02.
- Q11 — “In the last six months has someone at work talked to you about your progress” increased from 3.39 to 4.31.



## BUDGET NARRATIVE

### Program budget performance



\*2023-25 actuals are estimated.

## **BUDGET NARRATIVE**

### **Enabling legislation/program authorization**

Enabling legislation for PERS operations (administrative costs) are:

- Oregon Revised Statutes (ORS) 237.500; 238.490, and 610; and 243.470.
- Oregon Administrative Rules Chapter 459.

Notably, the governing authority for the PERS system is vested in a five-member board appointed by the Governor and confirmed by the Senate under ORS 238.630. The PERS Board is charged with employing a director and creating such other positions as it deems necessary for sound and economical administration of the system.

### **Funding streams**

ORS 238.610 directs that the administrative operations expenses for PERS are 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. PERS' annual operations expenses, when measured as a percent of the \$99 billion PERS Fund, represent less than eight basis points (0.08%). Any earnings not used to support agency operations must be otherwise expended solely for the exclusive benefit of PERS members.

### **Significant proposed program changes from 2023–25**

Requested Limited Other Funds reflect an increase of \$651,847 above the 2023–25 operating budget of \$23,750,198 and will continue to enable the agency to maintain current service delivery levels while enhancing the performance measurements in the areas of process improvement and technology.

## BUDGET NARRATIVE

	Amount	FTE
Total 2023–25 LAB	23,750,198	74.00
	Amount	FTE
Base budget limited	24,236,770	65.00
Essential packages limited		-
Pkg. 010 Non-PICS Personal Services Vacancy Factor	(481,710)	
Pkg. 021 Phase In		
Pkg. 022 Phase Out Program and One Time Costs	(14,375)	
Pkg. 031 Standard Inflation	259,292	
Pkg. 032 Above Standard Inflation		
Subtotal essential packages	(236,793)	
Subtotal current service level	23,999,976	65.00
Policy Packages		
Pkg. 107 Central Admin-HR	252,760	.88
Pkg. 109 Central Admin-PFL	193,741	.88
Pkg. 111 Central Admin-Communications	500,519	2.00
Pkg. 801 LFO Analyst Adjustment	(400,00)	-
Pkg. 810 Statewide Adjustment	(144,981)	
Subtotal policy packages	402,069	3.76
<b>2025–27 Total Leg. Adopted Budget</b>	<b>24,402,045</b>	<b>68.76</b>

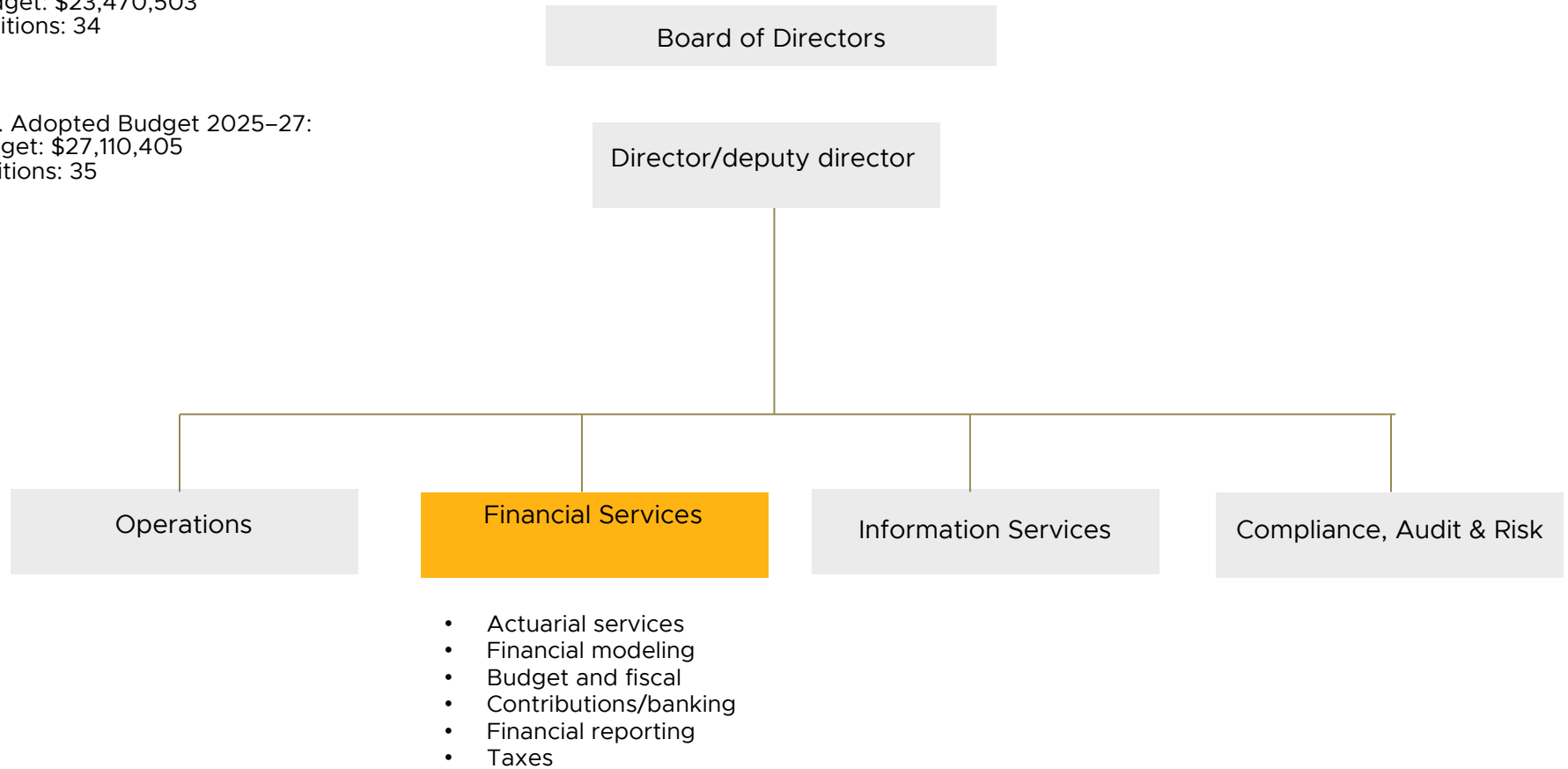
## BUDGET NARRATIVE

### Financial Services Division

Program contact: Richard Horsford, 503-270-0721

Leg. Approved Budget 2023–25:  
Budget: \$23,470,503  
Positions: 34

Leg. Adopted Budget 2025–27:  
Budget: \$27,110,405  
Positions: 35



## BUDGET NARRATIVE

### Financial Services Division sections

Admin	FRS	ACTS	AAS	BFAP
2/2.00 FTE	9/9.00 FTE	14/14.00 FTE	4/3.88 FTE	6/6.00 FTE
Executive leadership Support services Executive assistant	Responsible for actuarial outcomes and interpretation ACFR Earnings crediting computations Valuations Quarterly, calendar year-end, fiscal year-end, and biennial financial reporting and closing Pension fiscal impact Legislative impact	Accounts receivables Collections Taxes General accounting Management of negotiable instruments Accounting of deferred comp program	Actuarial liaison Program research Actuarial reporting	Budget management Payroll Accounts payable Fiscal impact(s) Biennial forecasting Monthly, quarterly, and annual budgetary statements

# BUDGET NARRATIVE

## **Executive Summary — Financial Services**

Financial Services Division (FSD) has a diverse and broad scope of responsibilities. FSD provides comprehensive financial services to the agency. This includes financial accounting, reporting, actuarial, and tax services for all PERS' trust and agency fund responsibilities, including the retirement fund, deferred compensation funds, benefit equalization fund, health Insurance, and Social Security programs.

The division is responsible for managing all the financial and human capital resources of the agency. Through FSD management, we disburse over \$6.6 billion annually in member and beneficiary benefits and receive \$3.5 billion in member and employer contributions that are invested in the PERS fund.

FSD business functions include preparation and reporting of the agency's biennial budget, coordination of actuarial services, fiscal analysis, accounts receivable, payroll, and accounts payable. There are a total of five program areas:

- Executive support services.
- Financial reporting.
- Accounting, cash and tax.
- Budget, fiscal analysis and payroll.
- Actuarial services.

## **Support Services**

Support Services provides technical management resources for FSD with a focus on divisional and agency initiatives. This team specializes in developing tactical plans for data analysis and system implementation and develops manual and automated processes for supporting divisional programs. Primary responsibilities include developing data validation and reconciliation processes and procedures and providing direction for divisional staff. This team is dedicated to ensuring that the system and data used to support the retirement system is accurate and timely. They develop or modify technical systems to support programs and conduct outreach with program managers and subject matter experts while interpreting IT program capabilities. Responsibilities include the identification of business needs and communication to internal stakeholders to identify program specifications, develop testing plans, perform user-acceptance testing, develop processes, and when applicable, develop policies and/or business rules.

## **Financial Reporting Services**

The Financial and Reporting Services (FRS) program area is responsible for highly complex accounting systems required to prepare financial reporting on both fiscal- and calendar-year basis. Responsibilities include but are not limited to preparing the *PERS Annual Comprehensive Financial Report* (ACFR) in compliance with generally accepted accounting principles (GAAP), Governmental Accounting Standards Board (GASB) pronouncements, and regulations within all existing state and federal laws. The program oversees financial reporting for pension trust, including results of investment activity, and is responsible for annual earnings distribution. With professional-level accounting staff in this program, responsibilities include the calculation of earnings-crediting factors as well as the preparation of financial statements and supporting work papers. FRS acts as the primary point of contact for the annual audit, ensuring that information is provided timely in a clear, transparent, and accurate manner.



# **BUDGET NARRATIVE**

## **Accounting and Cash Transactions Section**

The Accounting and Cash Transactions Section (ACTS) is responsible for the accounting and financial operations for the benefit equalization, Social Security Administration, deferred compensation, health insurance programs (RHIA, RHIPA and SHRIA), cash receipts, and accounts receivable programs. The section is responsible for the receipt, reconciliation, posting, and tracking of over \$1 billion in funds annually for the trusts and programs. Responsibilities include the processing and management of negotiable instruments such as check stock, wire transfers, and bank account authorizations, as well as the reconciliation between PERS and its TPA of the deferred compensation and health insurance programs. Other duties include the accounting and financial operations for the benefit equalization fund (BEF), Social Security Administration (SSA), and the Standard Retiree Health Insurance Account (SRHIA). The section is responsible for PERS' accounts receivable and collections programs and employs permanent high-level technical and professional staff in these finance-related positions. The program must ensure compliance with GAAP, all applicable state and federal regulations and laws, and maintain adequate financial internal controls to meet the internal financial reporting requirements of PERS.

## **Budget, Fiscal Analysis and Payroll**

The Budget, Fiscal Analysis and Payroll (BFAP) section is responsible for developing and executing the biennial budget for the agency; identifying and forecasting resources necessary to meet the operational needs of the agency; obtaining and managing quarterly budget allotments; conducting and reporting fiscal analysis, demographic information, and statistics for the various PERS retirement and other financially related operations; and serving as the agency's contact with the chief financial officer and the Legislative Office for budget-related actions and reporting, including fiscal impact analysis statements. This section is also responsible for maintaining the fixed-assets database and reporting in addition to conducting all the accounts-payable transactions for the agency. Payroll is responsible for PERS employee payroll administration and processing employee travel requests and expense reimbursements. BFAP is also responsible for submitting the agency's annual risk report to DAS/Risk Management.

## **Actuarial Activities**

Actuarial Activities is responsible for a broad array of actuarial calculations, analysis, and reporting related to the overall pension system and its participants. Work is highly technical and requires a high degree of statute, policy, and rule interpretation, as well as a fundamental understanding of actuarial outcomes. Work in this group requires an understanding of contract management and daily to weekly interactions with a consulting actuary firm and Oregon employers. Recent initiatives have centered on working with participating employers to increase understanding of actuarial valuations, contribution rates, and unfunded actuarial liabilities.

## **Program funding request**

### **POP 113 — Actuarial staff**

This proposal is to add one OPA1 Actuarial Data Specialist position in the Actuarial Activities Section and is based on an evaluation of current tasks, workload bottlenecks, and overall actuarial team goals. The bulk of the work for this position would be centered around routine data collection tasks currently performed by existing higher-level staff. Most immediately, this additional resource will create a manageable workload during key "crunch" times such as the month of April where over 200 working hours are currently dedicated to collecting and validating data for the annual actuarial valuation. This in turn would free up bandwidth for existing staff to focus more exclusively on complex analytical tasks that are either currently unable to be completed or are outsourced to the consulting actuaries. By relieving higher level staff of these routine tasks, this also creates the opportunity to explore additional value-added tasks providing relevant analysis to both internal and external stakeholders or to take on legislative mandates without impact to ongoing work.

# BUDGET NARRATIVE

## Program justification and link to long-term outcomes

### Certificate of Achievement



The Certificate of Achievement for Excellence in Financial Reporting is applicable for the year ended June 30, 2024. The system has received a Certificate of Achievement for the last 34 consecutive years.

### Public Pension Standards Award

The Public Pension Coordinating Council (PPCC) awarded the 2024 Public Pension Standards Award to PERS for its plan design and administration.

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

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

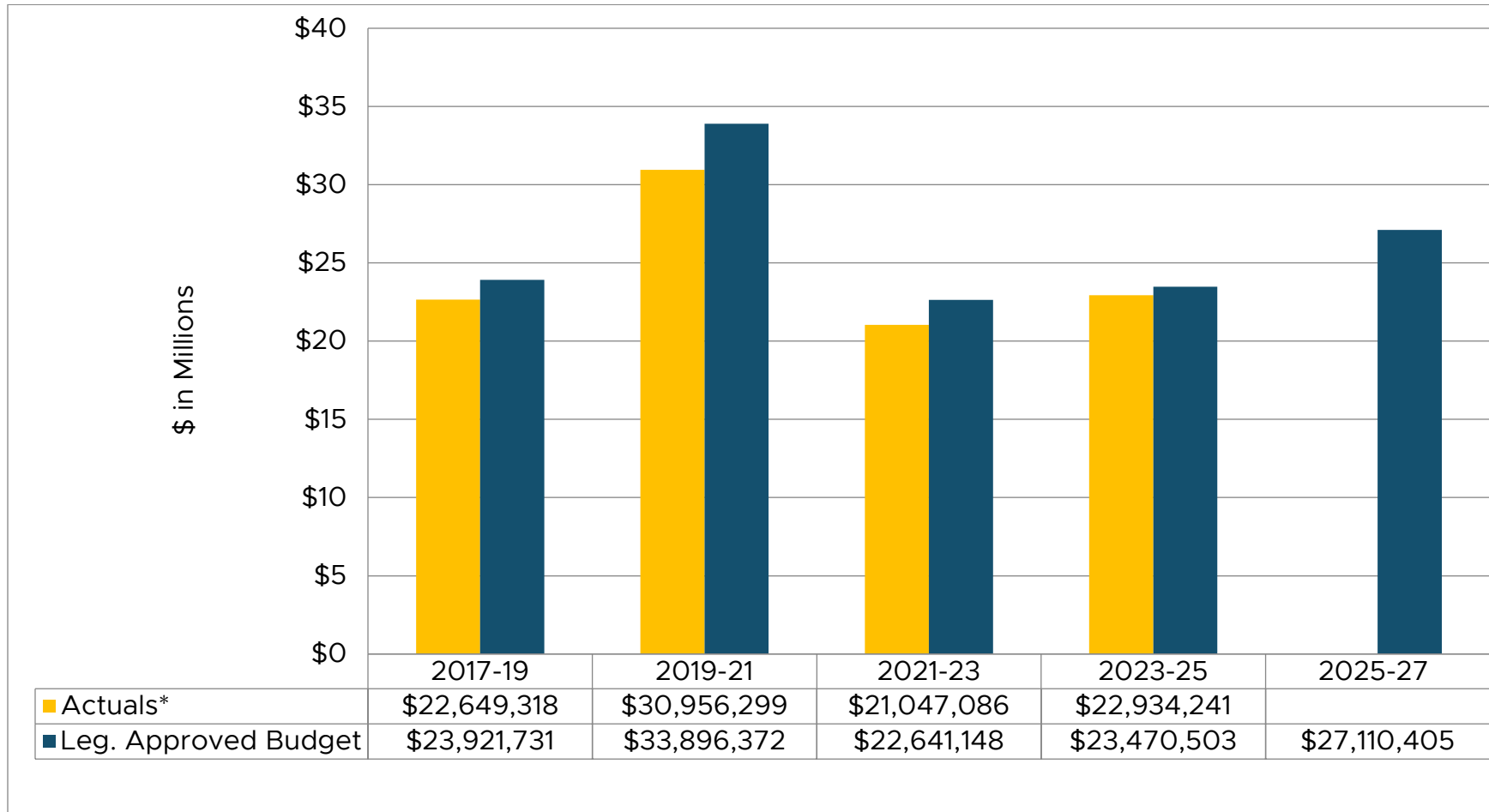
This is the 23<sup>rd</sup> year the PPCC has offered the award to public retirement systems and the 21<sup>st</sup> consecutive year PERS has applied for and received the award.

### Employer programs (SB 1049)

Actuarial activities played a pivotal role in the implementation of employer programs as directed through SB 1049. These programs include a series of learning guides and forecasting tools aimed at assisting employers in understanding and managing their pension liabilities and costs. Ongoing interactions with employers and related stakeholders continue to build system-wide skills to manage pension costs into the future.

## BUDGET NARRATIVE

### Budget performance



2023-25 actual is estimated.

## **BUDGET NARRATIVE**

### **Enabling legislation/program authorization**

Enabling legislation for PERS operations (administrative costs) are:

- Oregon Revised Statutes (ORS) 237.500, 238.490 and 610, and 243.470.
- Oregon Administrative Rules Chapter 459.

Notably, the governing authority for the PERS system is vested in a five-member board appointed by the Governor and confirmed by the Senate under ORS 238.630. The PERS Board is charged with employing a director and creating such other positions as it deems necessary for sound and economical administration of the system.

### **Funding streams**

ORS 238.610 directs that the administrative operations expenses for PERS are 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. PERS' annual operations expenses, when measured as a percent of the \$99 billion PERS Fund, represent less than eight basis points (0.08%). Any earnings not used to support agency operations must be otherwise expended solely for the exclusive benefit of PERS members.

### **Significant proposed program changes from 2023–25**

Requested Limited Other Funds reflect an increase of \$3,639,902 over the 2023–25 operating budget of \$23,470,503 and will continue to enable the agency to maintain current service delivery levels while enhancing performance measurement in the areas of process improvement and technology.

## BUDGET NARRATIVE

	Amount	FTE
Total 2023–25 LAB	23,470,503	34.00
	Amount	FTE
Base budget limited	24,390,092	34.00
Essential packages limited		-
Pkg. 010 Non-PICS Personal Services Vacancy Factor	(249,324)	
Pkg. 021 Phase In		
Pkg. 022 Phase Out Program and One Time Costs		
Pkg. 031 Standard Inflation	4,229,489	
Pkg. 032 Above Standard Inflation		
Subtotal essential packages	3,980,165	
Subtotal current service level	28,370,257	34.00
Policy Packages		
Pkg. 113 FSD-Actuarial Staff	188,672	.88
Pkg. 810 Statewide Adjustment	(1,448,524)	-
Subtotal policy packages	(1,259,852)	.88
<b>2025–27 Total Leg. Adopted Budget</b>	<b>27,110,405</b>	<b>34.88</b>

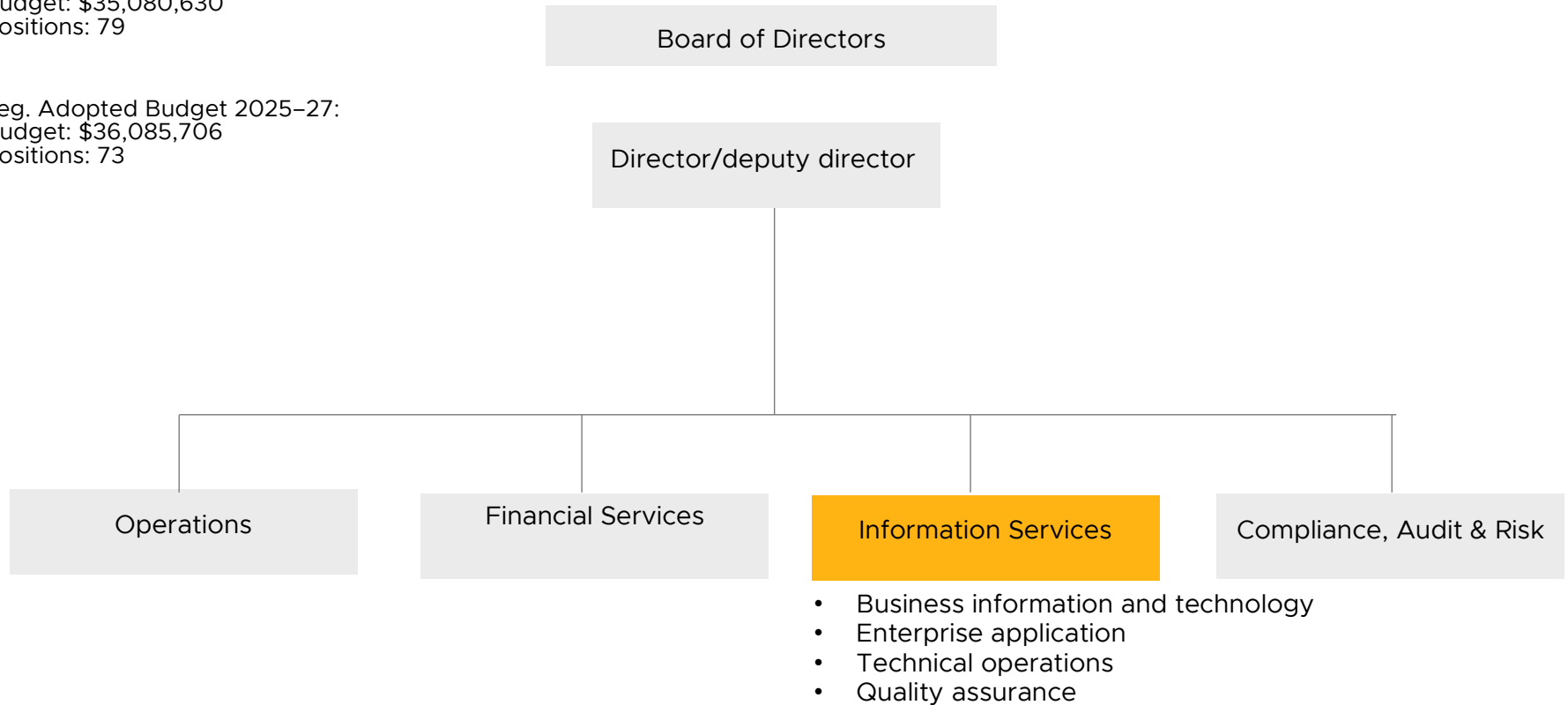
## BUDGET NARRATIVE

### Information Services Division

Program contact: Jordan Masanga, 503-603-7702

Leg. Approved Budget 2023–25:  
Budget: \$35,080,630  
Positions: 79

Leg. Adopted Budget 2025–27:  
Budget: \$36,085,706  
Positions: 73



## BUDGET NARRATIVE

### Information Services Division Sections

EAS	BSAS	TOS	DevOps	Administration
18/18.00 FTE	12/12.00 FTE	20/19.88 FTE	15/15.00 FTE	8/8.00 FTE
Software development life cycle (SDLC)  Application design  Systems analysis  Software development services  Database design  Quality assurance	Business system analysis  Clarify business requirements  Develop application software  Configure vendor solutions  Define business rules	Application support Infrastructure  Help desk/call center  Desktop support  Database administration  Information systems specialist	Software tool dev  Report generation  Development operations (DevOps)  System administration	IT project management  PERS Enterprise Architecture team  IT QA process  IT risk management  IT metrics  IT contracts administration  General division administrative support

# BUDGET NARRATIVE

## Executive summary — Information Services Division

### Program overview

Information Services Division (ISD) provides information technology (IT) services to support the infrastructure, systems, databases, and applications for staff at PERS. ISD consists of the Technical Operations Section (TOS), Business Systems Analysis (BSAS), Enterprise Application Section (EAS), Development Operations (DevOps), and Administrative Support (ISD Admin). ISD exists to support the agency's 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."

### Program description

**Technical Operations Section (TOS)** is the core foundational layer to the agency IT infrastructure. This section consists of five areas, each with a dedicated team.

- **Application Support** — The app support team exists to provide tier II application support and administer the middleware required for the agency's enterprise applications. Administration of this is inclusive of the items mentioned above in the unit organizational chart.
- **Database Administration** — The database administrators manage the systems on which the agency's data lives. The administration is a culmination of activities and responsibilities as mentioned in the unit organizational chart.
- **Help Desk** — The IT call center for the agency handles all ticket requests, tier I support and manages the flow of support from tier I to tier III. Additional duties are outlined in the unit organizational chart.
- **Desktop Support** — An extension of Help Desk providing in person tier II support. This area is also responsible for the IT Infrastructure Library (ITIL) framework and systems to provide IT services to the agency. Functions and responsibilities are outlined in the unit organizational chart.
- **Infrastructure** — Systems engineers and network engineers are responsible to design, implement, and maintain technology that meets all business needs. Considered tier III for all systems, this area provides the core foundation for all IT needs. Functions and responsibilities are outlined in the unit organizational chart.

**Enterprise Application Section (EAS)** provides the maintenance, enhancements, and software development life cycle (SDLC) process to support ORION to meet the agency needs. EAS has adopted the rational unified process (RUP) as a guideline to manage the wide variety of development activities to automate business processes using an iterative software development process framework.

EAS consists of business system analysts that work with the business to determine high-level requirements and scope of work and work closely with IT project managers (ITPM) to estimate effort, resources, and schedule, as well as priorities, for projects or large enterprise programs. This is usually done during the Inception phase. Next, the developers in EAS work with the business system analysts to develop detailed requirements, analyze solutions, and build prototypes as needed for the elaboration phase of the SDLC. The iterative portion of the SDLC comes during the elaboration and construction phases where the business system analysts and the developers would develop/unit-test components, integrate, test the functionality, and turn over the final solution. Finally, EAS turns over the final build to the QA Test Team and business stakeholders to start the QA acceptance process, which includes user acceptance testing. Once the release is signed-off by the project team, the solution is turned over to production for the release management process.

**Business Systems Analysis Section (BSAS)** focuses on business system requirements that specify how a business system supports/enables work activities in a business process and the user roles performing the work activities in a business process or in a decision-making role.

The business systems analyst works with operations business analysts to clarify business requirements in terms of an information technology (IT) solution to a business problem. An example of this would be developing application software or configuring a vendor



## BUDGET NARRATIVE

solution. The focus of the business systems analyst is working with subject matter experts to clearly define the business rules that the solution needs to support at a much finer level of granularity than a business analyst.

The business systems analyst works with system architects and software developers to help them understand the IT solution that needs to be created for a business problem.

**Development Operations Section (DevOps)** team is made up of people with skills in both development, operations, and quality assurance. Some team members focus on the software development process, while others will focus on quality and system operations (system administration). The members work together to provide stable management of system and software releases via DevOps processes known as continuous integration (code integration management), and continuous deployments and infrastructure automation (systems deployments and configuration management).

The DevOps team works closely with release management to support the development and operations teams to facilitate a culture of collaboration and shared responsibility that plans, organizes, builds, tests, releases quality code, and deploys system and software releases, which support agency operational requirements for IT solutions.

### Program funding request

#### **POP 102 — Migration to Managed Services**

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

Data Center Services (DCS), a state agency, provides managed services where they host other state agencies' IT infrastructure and remove the need for individual agencies to refresh, manage, and maintain data center hardware and related support. DCS has extended an offering to PERS to be one of the first agencies to take advantage of their new warm-site capability as part of their business continuity pilot. Managed Services would provide cost savings over time, enhanced disaster recovery, a better IT support model, and align PERS with the state's IT strategic plan.

PERS is requesting \$262,918 for an FTE IT Supervisor 2 position at the Help Desk to support multiple environments, including managed host and cloud services. Currently in 2023–25, there is a work-out-of-class employee filling this position.

#### **POP 103 – SB 1049 Permanent Positions**

Senate Bill (SB) 1049 program implementation will be concluding in June 2025. SB 1049 was approved by the 2019 Oregon Legislative Assembly on May 30 and signed by the Governor on June 11, 2019. As a solution to implementing some of the statutory mandates, PERS implemented new software and accounts to manage the requirements of SB 1049. Continued support is needed for both new technology systems implemented.

PERS is requesting three full-time permanent positions for system support:

- One ISS 4 position for desktop support
- One ISS 7 position for DevOps engineering
- One ISS 7 position for jClarety software engineer

## **BUDGET NARRATIVE**

### **POP 105 – IT Dues and Subscriptions**

Remediate the forecasted negative variance (2025/27 and forward) for the Technical Operations Section (TOS) needs due to rising costs of licensing, service renewals, and product costs to sustain operations.

PERS is requesting \$1,639,000 Other Funds limitation in the Information Services Division for increased vendor licensing, service, and product costs that are currently driving the ISD normal operating budget into a negative variance and in 2025–27 is forecasted to be negative in perpetuity.

### **POP 112 – ISD Reclasses**

The IT environment at PERS is undergoing significant transformation due to several factors that affect the way IT services are delivered and managed. These factors require IT staff to maintain the legacy systems while both acquiring and applying new competencies in areas such as cloud computing, service-oriented architecture (SOA) development, cybersecurity, data analytics and DevOps automation. Current challenges include:

- SB 1049 pension reform changes added system and architecture complexity to an already overly complex system architecture.
- Developing Azure cloud technology architecture skills while retaining skills to maintain on-prem infrastructure are necessary with the adoption of a “cloud-first” philosophy.
- Complex security compliance.
- PERS modernization.

PERS is requesting the reclassification of two ISS4 Data Application Analyst positions to ISS6 Software Application Developer, and permanent funding for the Software Release Engineer position, which is currently being filled as a work-out-of-class employee. These reclasses will allow ISD to support recent pension reforms (SB 1049 and HB 4045), emerging technologies such as Cloud computing, cybersecurity, and data and analytics.

### **Program justification and link to long-term outcomes**

ISD provides support necessary for the agency to provide services to its members and employers. It is necessary for ISD to link with the long-term outcomes of the agency by aligning the ISD program with the agency’s five-year strategic goals. PERS has a well-established and mature management methodology, the PERS Outcome-Based Management System (POBMS), which identifies fundamental core processes, each with a specific process owner and corresponding outcome and process measures. These measures are dependent on ISD services and support. As all state agencies, PERS has key process measures (KPMs) established and approved by the Legislature to monitor the quality and value of the specific services they deliver. Six of the eight total KPMs defined specifically for PERS are also dependent on ISD services and support.

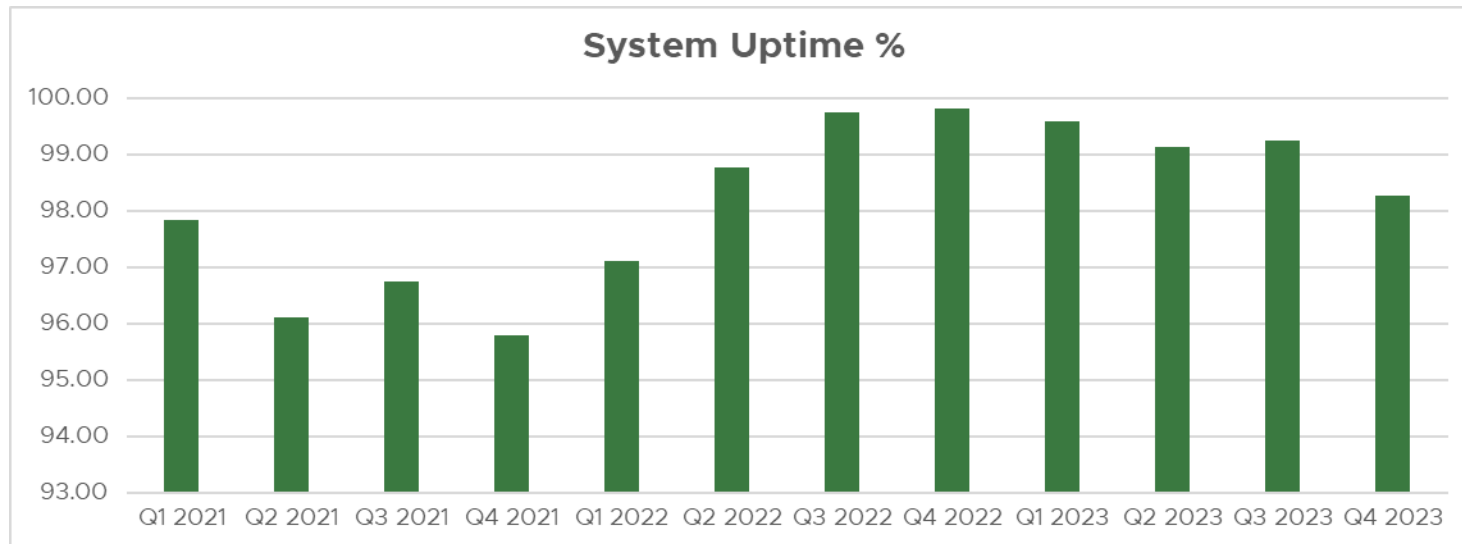
The following metrics indicate volume and performance in the Technical Operations Section (TOS):

TOS worked with all PERS divisions to create service-level agreements (SLA) and then applied those definitions in our service management application. Incident and service request tickets use these SLA definitions to help us track our performance in those areas:

- Number of site locations supported: 2
- Number of staff supported over last 5 years: 400+
- Average monthly task count per TOS team member for 2023: 46

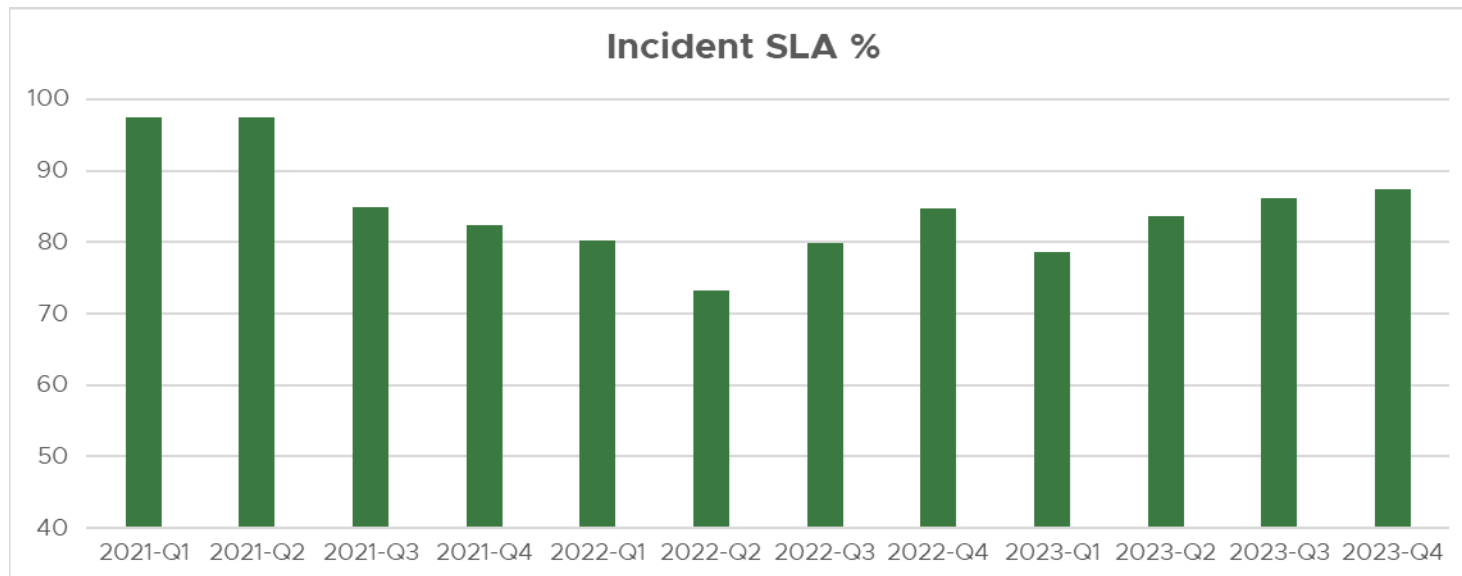
## BUDGET NARRATIVE

### Program performance



Incidents are unplanned interruptions or reductions in quality to an IT service. These metrics indicate the volume of incoming incidents and the amount the teams completed in those periods. A higher SLA compliance level indicates a better service level to the agency because issues are being resolved in a timely manner.

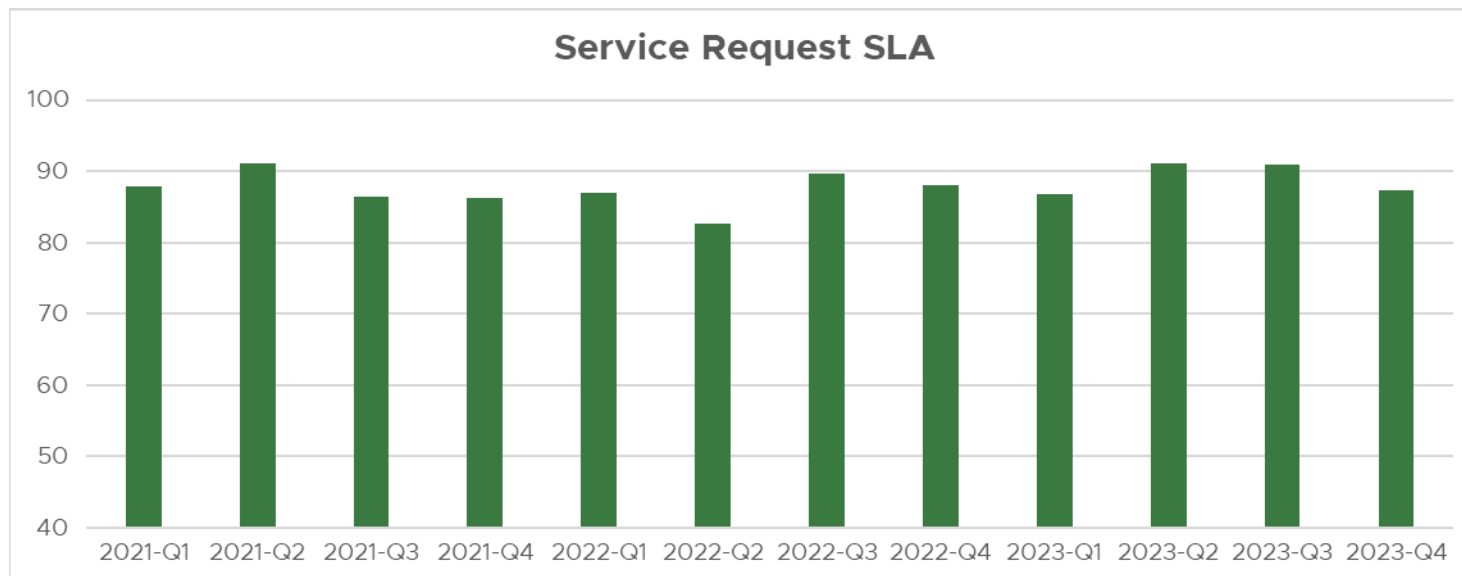
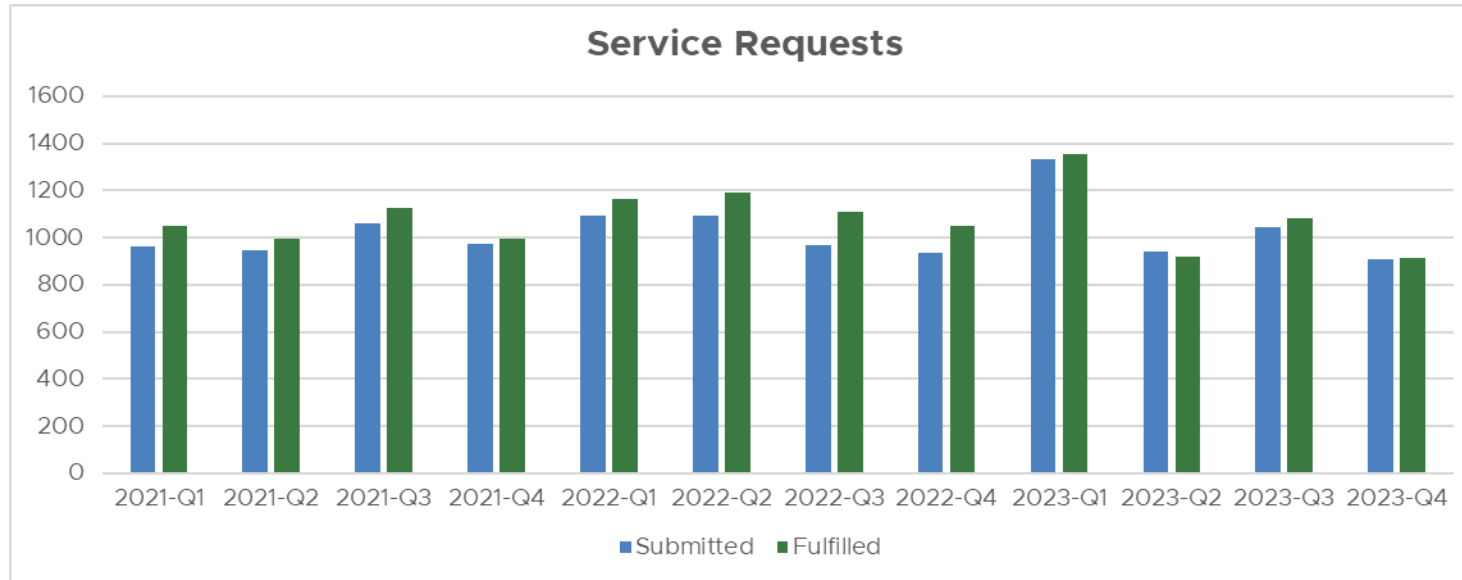
## BUDGET NARRATIVE



Service requests are a formal request from a user for something to be provided— for example, a request for a software application to be installed or access to systems. The volume metrics indicate the number of incoming requests and how many the teams fulfilled

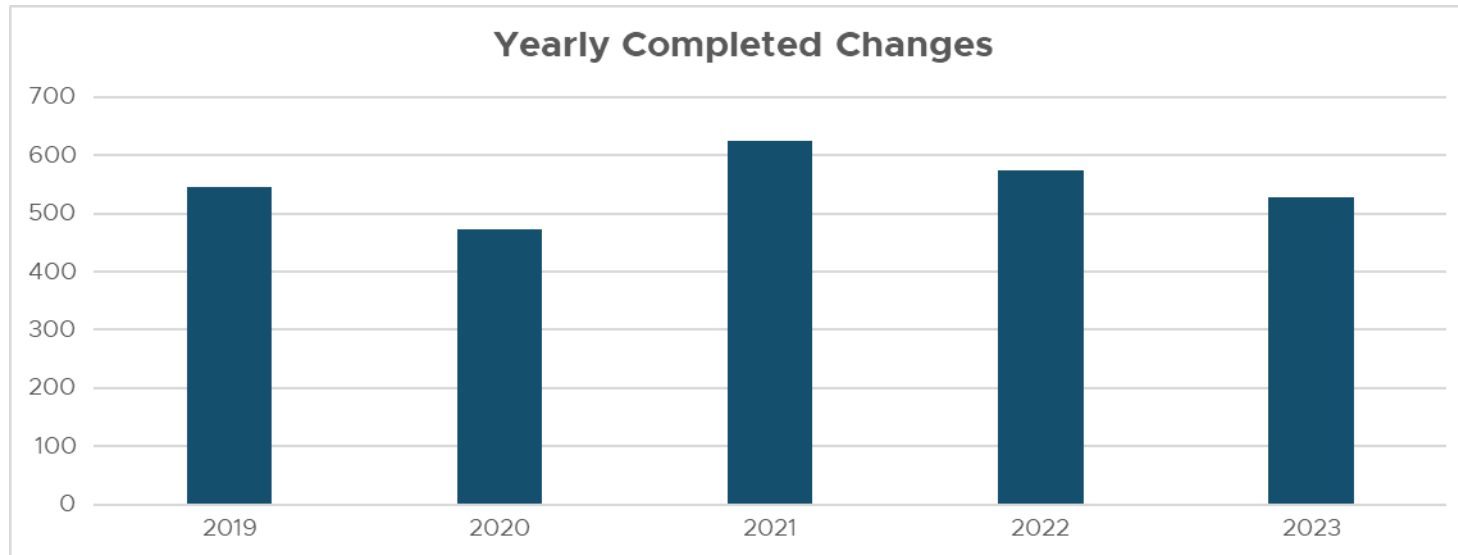
## BUDGET NARRATIVE

during that period. A higher SLA compliance rate indicates a better service level to the agency because requests are being fulfilled in a timely manner.



## BUDGET NARRATIVE

Change requests track when and where changes are implemented in the environment and require review and approval by the change advisory board (CAB). This metric indicates the volume of completed changes performed by ISD. Changes can be complex, requiring several hours to implement, or simple and deployed in minutes. The number of changes over a period impacts resource planning and staffing needs.



In addition to daily support tasks, TOS team members are assigned projects ranging from extra small (one week) to extra large (12+ months). The preceding graph shows the volume and status of TOS projects in the current biennium. When the project portfolio is large, particularly if projects are high priority or more complex, resources may need to be shifted away from daily support tasks, which can affect our overall SLA compliance. If support ticket and change volume is lower, project completion rates can rise because more resources are available for project work.

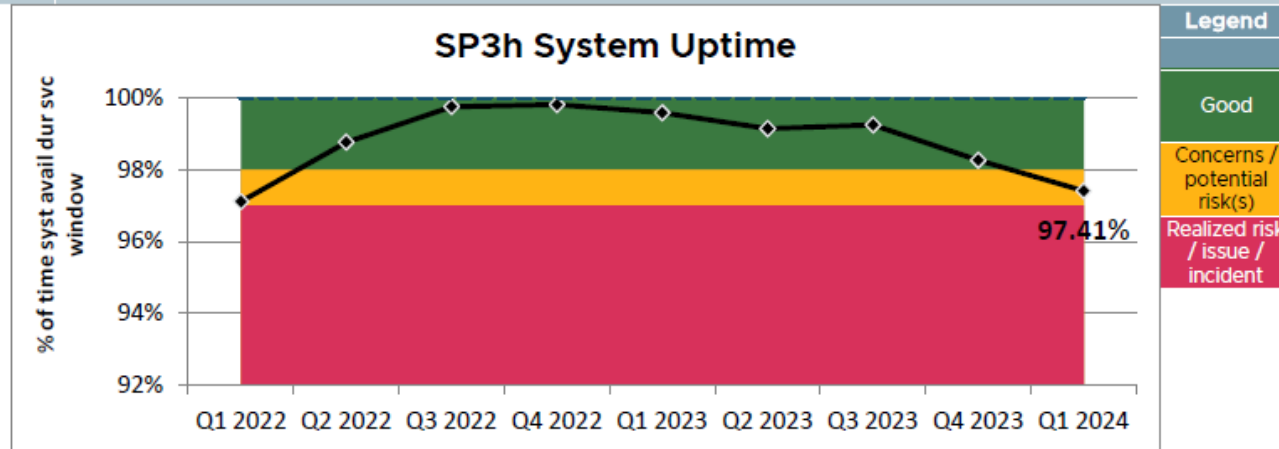
## BUDGET NARRATIVE

### Process measures:

PROCESS MEASURES: Leveraging Technology															
No.		Measure Name	Measure Calculation	RANGE			Target	Desired Perform. Trend	Data Collection Frequency	Data Source	Measure Owner	Last Status	Status	Trend	Corrective Action & Comments
				Red	Yellow	Green									
Cost [or Quantity]	SP3a	Service Interruptions	# of business days in a month business systems are not available within the standard service window (mo. avg. by qtr.)	>5	3-5	<3	0	↓	Quarterly	Compass	N. Marrello	1.7	2.7	-	8 total days 4: long batch runs 1: VPN/DNS issue 2: jClarety/OMS/EDX 1: Salem infrastructure (Vmware host)
Quality	SP3b	Technology Satisfaction	% of survey respondents indicating satisfaction with our technology	<60%	60-80	>80%	85%	↑	Semi-annual	Survey	J. Masanga	n/a	n/a	###	No data, Employee Satisfaction Survey not conducted - ON HOLD
	SP3c	ISBRA maturity ratings	# domains in ISBRA report meeting agency goal	<9	9-10	>10	14	↑	Annual	ISBRA Report	J. Stanley	n/a	n/a	###	
	SP3d	Batch incidents	# of batch incidents / abends in month (mo. avg by qtr.)	>10	10-6	<6	3	↓	Quarterly	Compass	N. Marrello	3.3	2.0	+	6 total: 3 - MTONLNUP: re-ran successfully 3 - SD201: Failed due to overrun,
	SP3e	ORION enhancement backlog count	Count of outstanding Medium or Higher Priority ORION Enhancement Requests (non-defect-type CRs)	>299	100-299	<100	50	↓	Quarterly	Compass	J. Duckering	119	132	-	During Q1: 17 added, 10 deployed
	SP3f	ORION defect backlog count	Count of outstanding Medium or Higher Priority ORION Defects (defect-type CRs and PPCRs)	>199	100-199	<100	0	↓	Quarterly	Compass	J. Duckering	36	37	-	5 added, 3 deployed
	SP3g	HelpDesk responsiveness	% of HelpDesk tickets resolved within the Service Level Agreement	<80%	80-90	>90%	95%	↑	Quarterly	Compass	N. Marrello	87.34%	87.72%	+	Service Request- 1082 closed , 116 breached (89.28%) Incident - 701 closed, 103 breached (85.31%)
	SP3h	System uptime	% of time ORION systems are available during the service window	<97%	97-98	>98%	100%	↑	Quarterly	Compass	N. Marrello	98.26%	97.41%	-	Long batch runs: 965 min. - 56.83% Salem Vmware outage: 611 min. - 35.98% VPN: 84 min - 4.94% jClarety: 38 min. - 2.23%

## BUDGET NARRATIVE

	Measure name	Measure calculation	Target	CY 2022	CY 2023					CY 2024
				Q4	Q1	Q2	Q3	Q4		Q1
SP3h	System uptime	% of time systems are available during the service window	100%	99.8%	99.6%	99.1%	99.2%	99.3%		97.4%
Comment / Corrective Action:		Long batch runs: 965 min. - 56.83%; Salem Vmware outage: 611 min. - 35.98% VPN: 84 min - 4.94%								



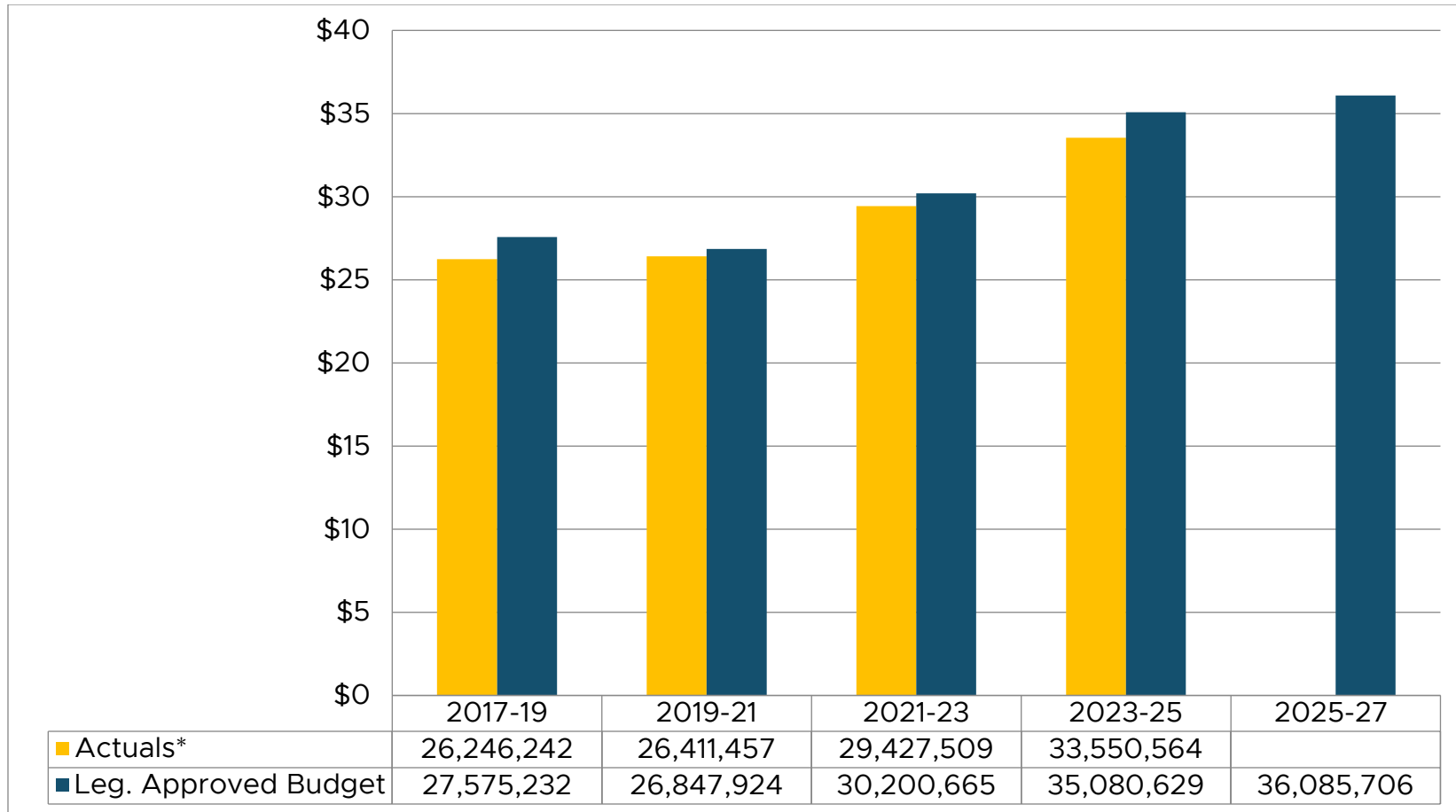
Process measures focus on key areas that contribute to a particular outcome metric. TOS owns the above two process measures.

- SP3g indicates the level of SLA compliance achieved by the TOS team for completing incident and service request tickets. Compliance above 90% shows positively on the agency's outcome measures.
- SP3h indicates how often the systems are available and functional. Factoring maintenance and scheduled outages, it is important to stay above 98% to minimize downtime for the agency. Any upward trend will show positively on the agency's outcome measures.



## BUDGET NARRATIVE

### Program budget performance



- 2023–25 actual is estimated.

## **BUDGET NARRATIVE**

### **Enabling legislation/program authorization**

Enabling legislation for PERS Operations (administrative costs) are:

- Oregon Revised Statute (ORS) 237.500; 238.490, and 610; and 243.470.
- Oregon Administrative Rules Chapter 459.

Notably, the governing authority for the PERS system is vested in a five-member board appointed by the Governor and confirmed by the Senate under ORS 238.630. The PERS Board is charged with employing a director and creating such other positions as it deems necessary for sound and economical administration of the system.

### **Funding streams**

ORS 238.610 directs that the administrative operations expenses for PERS are 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. PERS' annual operations expenses, when measured as a percent of the \$99 billion PERS Fund, represent less than 8 basis points (0.08%). Any earnings not used to support agency operations must be otherwise expended solely for the exclusive benefit of PERS members.

### **Significant proposed program changes from 2023–25**

Requested Limited Other Funds reflect a decrease of \$1,005,077 compared to the 2023–25 operating budget of \$35,080,629 and will continue to enable the agency to maintain current service delivery levels while enhancing performance measurement in the areas of process improvement and technology.

## BUDGET NARRATIVE

	Amount	FTE
Total 2023–25 LAB	35,080,629	79.30
	Amount	FTE
Base budget limited	33,348,954	69.00
Essential packages limited		-
Pkg. 010 Non-PICS Personal Services Vacancy Factor	(649,899)	
Pkg. 021 Phase In		
Pkg. 022 Phase Out Program and One Time Costs	(2,008,032)	
Pkg. 031 Standard Inflation	360,259	
Pkg. 032 Above Standard Inflation	-	
Subtotal essential packages	(2,297,672)	
Subtotal current service level	31,051,282	69.00
Policy Packages		
Pkg. 102 Managed Services	262,918	.88
Pkg. 103 SB1049 Perm Position	818,474	3.00
Pkg. 105 ISD Dues and Subs	1,639,000	
Pkg. 112 ISD Reclassifications	60,536	
Pkg. 810 Statewide Adjustment	2,253,496	
Subtotal policy packages	5,034,424	.3.88
<b>2025–27 Total Leg. Adopted Budget</b>	<b>36,085,706</b>	<b>72.88</b>

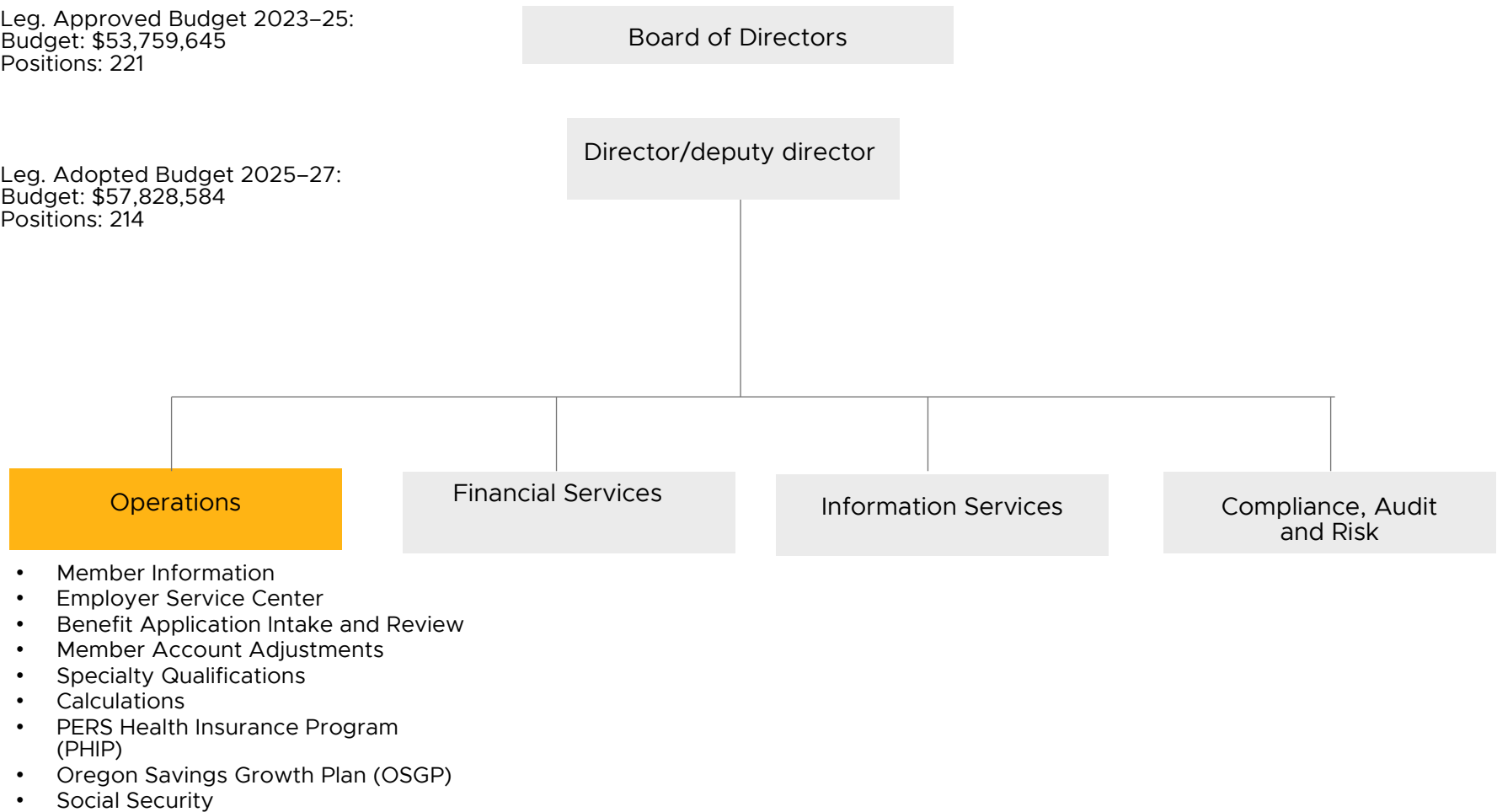
## BUDGET NARRATIVE

### Operations Division

Program contact: Sam Paris, 503-603-7654

Leg. Approved Budget 2023–25:  
Budget: \$53,759,645  
Positions: 221

Leg. Adopted Budget 2025–27:  
Budget: \$57,828,584  
Positions: 214



## BUDGET NARRATIVE

### Operations Division sections

Admin	Social Security	OSGP	PHIP	Member Services	Data Services	Benefit Preparation	Calculations
4/3.88 FTE	1/1.00 FTE	7/7.00 FTE	4/4.00 FTE	39/39.00 FTE	63/63.00 FTE	48/47.64 FTE	48/47.64 FTE
Executive leadership Program management Policy and procedure	Coordinate section 218 program of the Social Security program for all public employers of the state	Administer the state 457 Plan  Administer the Voya record-keeping contract	Financial reconciliation/disbursements  Reporting and data analysis  Member eligibility and education  Contract management	Call center Correspondence Service desk Education presentations RAAS	Employer reporting Employer point of service Employer maintenance Account adjustments Data verifications Resolve data migration errors	Forms processing Data review Disability eligibility Divorce decree review Beneficiary determination	Estimates Purchases Benefit inceptions Adjustments IAP disbursements

# BUDGET NARRATIVE

## Executive summary — Operations Division

### Program overview

The Oregon Public Employees Retirement System Operations Division exists to fulfill the mission of the agency, which is to “serve the people of Oregon by administering public employee benefit trusts to pay the right person the right benefit at the right time.” The division is responsible for ensuring that PERS members’ accounts are managed properly and benefits are calculated accurately and timely.

The Operations Division provides comprehensive retirement plan information and assistance to PERS members and employers for the Tier One, Tier Two, OPSRP, and IAP programs. The primary sections of the division include:

- **Member Services:** Responsibilities include being the primary point of service for PERS members through the call center, correspondence, and email. This section also provides member education through various methods such as group presentations and Retirement Application Assistance Sessions.
- **Data Services:** Responsibilities include being the primary point of contact for PERS employers, with a focus on ensuring employer data and contributions are submitted timely and accurately, employer education and reporting assistance, and compliance. This section also manages member data account reviews and adjustments and provides data verifications to members.
- **Benefit Preparation:** Responsibilities include intake and processing of all pre- and post-retirement forms and benefit applications, determining benefit eligibility, approving and denying disability applications, reviewing court orders for compliance, and determining beneficiaries for death benefits.
- **Calculations:** Responsibilities include initiating benefit estimates and processing purchases and calculating, maintaining, adjusting, and terminating all service retirement, disability, divorce, and death benefits for the Tier One, Tier Two, OPSRP, and IAP programs.
- **Oregon Savings Growth Plan (OSGP)** is a voluntary 457 deferred compensation plan available to all state employees of local governments that adopt the plan. OSGP provides comprehensive retirement savings and investment information, education, and counseling to all current and potential participants. Customer service is provided by telephone, correspondence, and group and individual sessions throughout the state. OSGP is responsible for developing, revising, maintaining, publishing, and disseminating information to all eligible participants through multi-channels such as the OSGP website, OSGP participant website, 24-hour automated information line, video conferencing, and the quarterly OSGP Plan Update. The program interacts with external stakeholders (i.e., Oregon State Treasury, consultants, members, and advisory committees) and others for the purpose of sharing information and discussing investment options.
- **PERS Health Insurance Program (PHIP)** is responsible for the administration of program health-plan benefits for Medicare, non-Medicare, and dental coverage to our PERS-eligible retirees. The responsibilities include all member services, contract services, and financial services necessary to provide health insurance to our members. This team is responsible for all development and management of program policies, rules, and service standards relating to eligibility, enrollment, and system administration of member coverage, including Medicare, non-Medicare, and dental coverage. The program develops, implements, and provides oversight to all health-plan contracts for PHIP and provides all financial reconciliation and the processing and disbursement of program funds. The team assures adherence to program rules by evaluating the quality of services and directing actions necessary to ensure compliance with established policies, objectives, program priorities, and applicable laws, rules, and regulations. PHIP provides services to members, including group presentations and member communications that address benefit questions, concerns, and providing other member services as needed.
- **State Social Security Program:** With the enactment of Section 218 to the federal Social Security Act in 1950, states could first exercise the option of providing Social Security coverage for state and local government employees. States choosing to participate in Social Security coverage were mandated by federal statute to establish and maintain a program to ensure compliance with federal standards and reporting. The Oregon Legislature determined that the program would be administered by PERS and would be funded by fees paid by employers rather than the PERS trust fund. This program is overseen by one FTE, the state Social Security coordinator, for all political subdivisions. This includes 1,086 entities (896 PERS-participating employers and 200 non-

## **BUDGET NARRATIVE**

PERS-participating employers) and represents over 317,000 employees. The coordinator serves as a liaison between federal, state, and local government employers to address coverage, taxation, and benefit issues as well as performing education and outreach.

### **Program funding request**

#### **POP 103 — Permanent Positions**

PERS requests \$1,161,975 Other Funds–Limited in the Operations Division to secure six limited-duration staff related to Senate Bill 1049 Program Implementation. PERS implemented new software and accounts to manage the requirements of SB 1049, and continued support is needed to complete the Employee Pension Stability Account (EPSA) clean-up of retiree accounts.

Limited-duration staff will address backlogs of work that arose while PERS was implementing automated solutions for the EPSA accounts. Specifically:

- Four Retirement Counselor 1 positions.
- Two Retirement Counselor 2 positions.

#### **POP 106 — Operations CSL**

PERS requests \$773,646 Other Funds limitation in the Operations Division for four additional positions, One Business Operations Manager 3, one Office Assistant 1, and two Office Specialist 2. This request to reclassify a Retirement Counselor 1 to a Retirement Counselor 2 position would give the Data Analysis and Reconstruction Team (DART) greater flexibility with workload assignments and bolster knowledge through enhanced responsibilities via a higher position classification. DART has established team and individual metrics. As such, DART would be able to measure and report out on the specific production the individual in this position is able to produce. Those numbers would demonstrate very clearly the benefits that come from this new addition.

#### **POP 812\_ HB2728**

House Bill 2728 provides \$499,986 Other Funds expenditure limitation for the Public Employees Retirement System (PERS) for the 2025-27 biennium for costs related to hiring three new positions to assist with implementation of the bill.

## BUDGET NARRATIVE

### **Program justification and link to long-term outcomes**

In addition to the direct tie to the agency mission, the Operations Division oversees two major focus areas of the PERS 2023–2028 strategic plan: member services and communications, and data consistency.

The business needs outlined in the member communications and self-service platform business case are directly aligned with key drivers of the PERS mission, strategic plan, key goals, and outcome measures.

The following transaction summary by calendar year illustrates some of the growing workloads in the Operations Division:

### **Member and employer customer service**

Year	Member Information Center telephone calls	Member Information Center emails	Employer Service Center	
			Telephone calls	Emails
2015	156,103	21,551	28,662	163,624
2016	177,856	20,300	22,562	89,862
2017	197,783	23,664	42,574	86,717
2018	160,668	22,064	21,070	104,730
2019	174,740	23,403	20,438	106,943
2020	180,941	23,302	14,913	143,259
2021	179,601	24,189	10,190	210,514
2022	187,135	27,057	9,399	176,156
2023	203,174	31,022	12,305	113,090
2024	194,458	15,523	8,283	111,883



## BUDGET NARRATIVE

### Retirement education

Year	Group presentation attendance	Retirement Application Assistance Sessions
2015	11,984	3,145
2016	12,553	2,957
2017	12,331	3,822
2018	12,689	3,452
2019	12,552	3,751
2020	3,228	3,069
2021	12,422	3,502
2022	14,896	3,812
2023	15,971	3,267
2024	14,721	4,017

### Employer reporting

Year	Number of employers reporting	Number of reports received	Number of member records received
2015	914	13,449	3,678,802
2016	908	13,580	3,714,644
2017	908	13,440	3,540,590
2018	909	13,523	3,638,044
2019	912	13,672	3,728,396
2020	913	13,514	3,525,524
2021	918	13,629	3,169,733
2022	904	13,578	3,716,719
2023	913	13,779	3,408,277

## BUDGET NARRATIVE

2024	918	13,979	3,111,850
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### Member transactions (selected)

Year	Pension retirements processed (Tier One/Tier Two/OPSRP)	IAP distributions processed	Withdrawals processed	Written benefit estimates processed	Pre/post-retirement death benefits processed	Divorce decrees reviewed	Disability applications processed
2015	7,529	7,529	4,808	11,434	3,966	1,357	243
2016	6,682	7,575	4,344	12,191	4,124	997	213
2017	8,742	8,693	3,883	11,018	1,184	1,125	227
2018	7,144	7,136	3,958	12,172	1,247	971	234
2019	7,511	7,968	3,627	9,573	1,312	899	190
2020	7,501	7,068	3,647	10,060	2,881	947	164
2021	7,455	6,992	3,298	9,783	2,554	847	155
2022	8,356	8,114	4,802	9,612	3,273	764	177
2023	7,159	5,952	4,769	9,063	2,541	770	137
2024	7,163	6,445	8,046	9,994	1,978	837	157

## BUDGET NARRATIVE

### Online resources

Year	Online Member Services (OMS) successful logins	OMS estimates created
2015	240,510	50,382
2016	279,186	52,039
2017	335,661	59,671
2018	360,124	54,248
2019	383,618	52,793
2020	361,545	46,079
2021	685,596	57,356
2022	961,380	63,411
2023	1,012,133	64,291

## BUDGET NARRATIVE

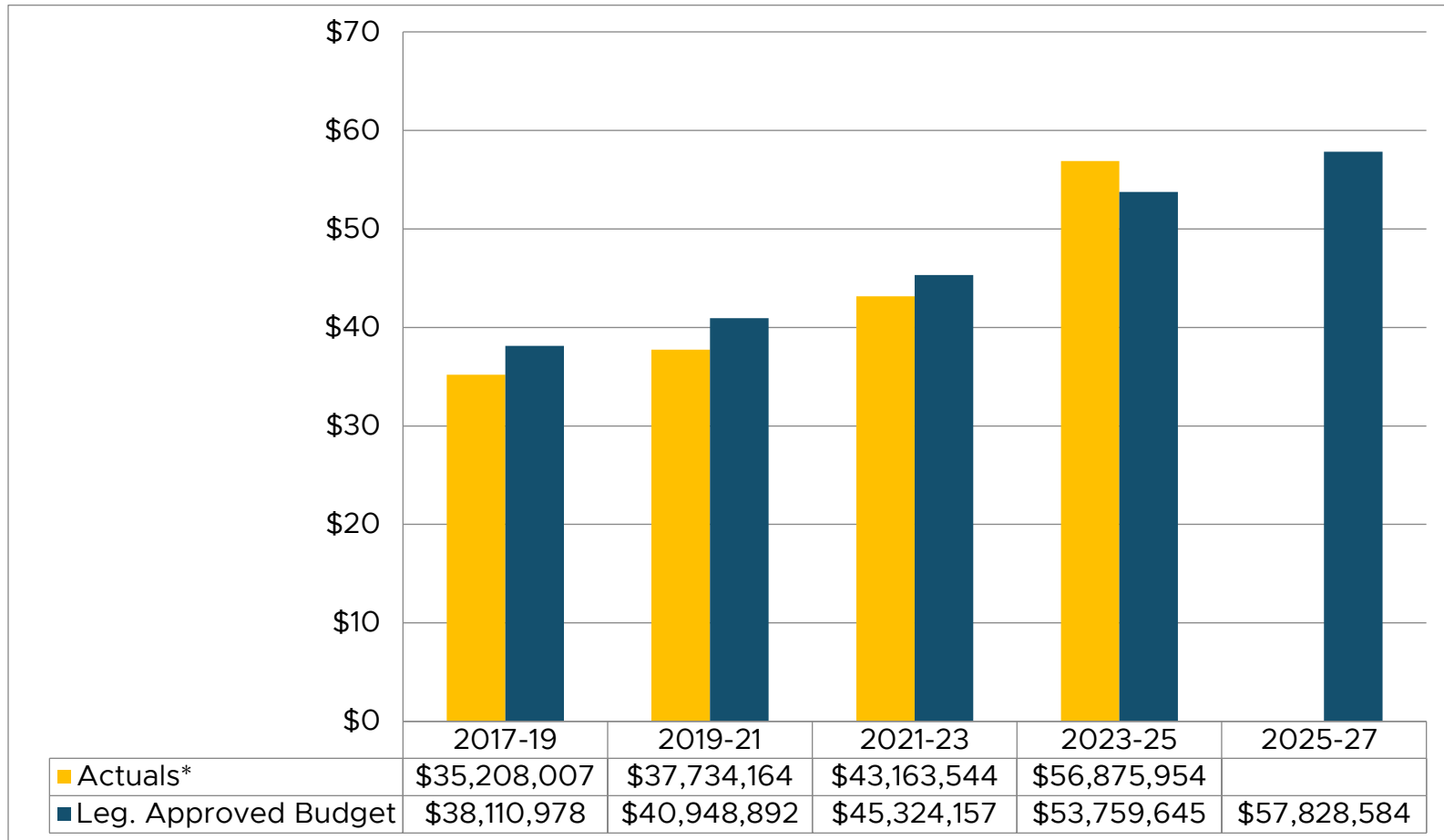
### State Social Security program

The state Social Security program acts as a liaison between federal, state, and local governments on issues relating the Section 218 of the Social Security Act. Referendums are processes initiated by the governing body of a public entity, which then allows eligible employees to vote on whether or not to obtain Social Security coverage..

Year	# referendums	# employer issues handled
2015	7	84
2016	3	84
2017	2	82
2018	1	87
2019	1	N/A
2020	0	124
2021	0	298
2022	0	N/A
2023	0	N/A
2024	2	7

## BUDGET NARRATIVE

### Program budget performance



- 2023–25 actual is estimated.

## **BUDGET NARRATIVE**

### **Enabling legislation/program authorization**

Enabling legislation for PERS operations (administrative costs) are:

- Oregon Revised Statute (ORS) 237.500; 238.490, and 610; and 243.470.
- Oregon Administrative Rules Chapter 459.

Notably, the governing authority for the PERS system is vested in a five-member board appointed by the Governor and confirmed by the Senate under ORS 238.630. The PERS Board is charged with employing a director and creating such other positions as it deems necessary for sound and economical administration of the system.

### **Funding streams**

ORS 238.610 directs that the administrative operations expenses for PERS are 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. PERS' annual operations expenses, when measured as a percent of the \$99 billion PERS Fund, represent less than 8 basis points (0.08%). Any earnings not used to support agency operations must be otherwise expended solely for the exclusive benefit of PERS members.

### **Significant proposed program changes from 2023–25**

Requested Limited Other Funds reflect an increase of \$4,068,939 above the 2023–25 operating budget of \$53,759,645 and will continue to enable the agency to maintain current service delivery levels while enhancing performance measurement in the areas of process improvement and technology.

## BUDGET NARRATIVE

<b>2023–25 Legislatively approved budget</b>	<b>Amount</b>	<b>FTE</b>
Operating budget, limited only	53,759,645	202.16
	Amount	FTE
Base budget limited	56,292,562	201.00
Essential packages limited		-
Pkg. 010 Non-PICS Personal Services Vacancy Factor	(1,193,977)	
Pkg. 021 Phase In	-	
Pkg. 022 Phase Out Program and One Time Costs	(28,396)	
Pkg. 031 Standard Inflation	338,821	
	-	
Subtotal essential packages	(883,551)	
Subtotal current service level	55,409,011	201.00
Policy Packages		
Pkg. 103 SB 1049 Perm Position	1,161,975	6.00
Pkg. 106 Operations Staffing	773,646	3.52
Pkg. 812 HB2728	499,986	2.63
Pkg. 810 Statewide Adjustment	(16,035)	
Subtotal policy packages	2,419,572	12.15
<b>2025–27 Total Leg. Adopted Budget</b>	<b>57,828,584</b>	<b>213.15</b>

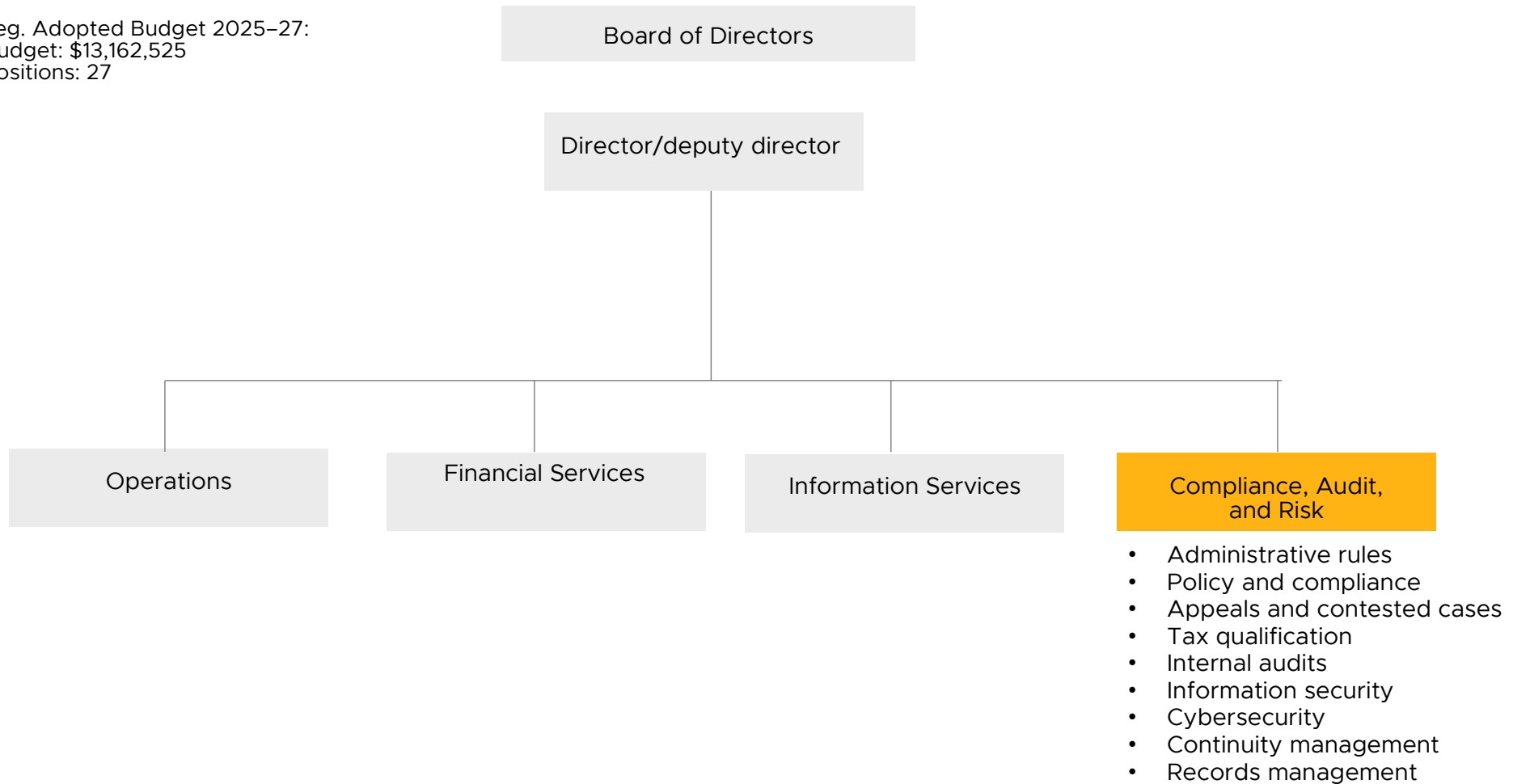
## BUDGET NARRATIVE

### Compliance, Audit, and Risk Division

Program contact: Jason Stanley, 503-603-7504

Leg. Approved Budget 2023–25:  
Budget: \$11,004,192  
Positions: 22

Leg. Adopted Budget 2025–27:  
Budget: \$13,162,525  
Positions: 27





## BUDGET NARRATIVE

### Compliance, Audit, and Risk Division sections

Administration	IAS	PACS	Security and Risk
2/2 FTE	3/3.00 FTE	18/17.38 FTE	4/4 FTE
Executive leadership Strategic guidance Records management Public records and discovery	Internal audits for agency  Provide independent assurance and consulting to improve agency operations	Facilitate administrative law function and provide policy guidance  Oversee disputes  Manage litigation and act as liaison with the Department of Justice	Provide guidance on best practices and controls  Manage programs for information security and continuity management

### Executive summary — Compliance, Audit, and Risk Division

The Compliance, Audit, and Risk Division (CARD) of PERS assists the agency in meeting its mission by providing a variety of risk management and compliance activities for all agency programs: Tier One/Two, OPSRP, Oregon Savings Growth Plan (OSGP), and the PERS Health Insurance Program (PHIP). The division oversees and coordinates legal activities, assists management in the identification and management of risks, provides independent audit and consulting services to ensure compliance with rules and identify operational inefficiencies, and oversees the agency's programs for information security and continuity management. The division would like to add a risk management program during the 2025–27 biennium if resources are approved. CARD is comprised of four sections:

- Administration.
- Internal Audit Section.
- Policy Analysis and Compliance Section.
- Security and Risk Section.

### Administration

The chief compliance, audit, and risk officer administers the division. This position serves on the agency's Executive Leadership Team and provides strategic guidance to the division and the agency. Additionally, Records Management moved from ISD to CARD during the 23–25 biennium. Records Management fulfills public records requests, responds to subpoenas, and manages record retention.

### Internal Audit Section (IAS)

PERS meets the criteria in Oregon Revised Statute 184.360 and Oregon Administrative Rule 125-700 that requires the establishment, maintenance, and support of an internal audit function. IAS provides independent, objective assurance and consulting services designed to add value and improve PERS' operations. IAS provides these services to all of the other divisions at PERS as well as other sections within CARD. IAS is able to maintain its independence by functionally reporting to the Audit and Risk Committee of the PERS Board.

## **BUDGET NARRATIVE**

### **Policy Analysis and Compliance Section (PACS)**

The Policy Analysis and Compliance Section (PACS) facilitates the administrative law function for and provides policy guidance to the agency, forming policies based on court rulings, legislative actions, and internal policy decisions. On the compliance side, PACS oversees disputes in the form of appeals and contested cases. On the policy analysis side, PACS ensures policies, business rules, and administrative rules are consistent with statute and federal requirements. This is vital to ensure the plan maintains its tax-qualified status, which if lost would cause significant tax consequences to the trust and its members. PACS also manages litigation and serves as a liaison with the Department of Justice.

### **Security and Risk Section (SRS)**

The Security and Risk Section (SRS) provides guidance to the agency's leadership and staff on the best practices and controls to help identify, control, mitigate, and monitor agency risk. The section has established programs for information security and continuity management, both of which meet industry standards. These programs continue to evolve and mature in coordination with Enterprise Information Services and the Governor's State Resilience Office. PERS is asking for additional staff and other resources in a policy option package to establish an enterprise risk management program.

### **Program funding requests**

#### **POP 110 — Policy Analysis and Compliance Section**

PERS requests \$1,046,908 Other Funds–Limited for five additional positions for the Policy Analysis and Compliance Section. The Policy Analysis and Compliance Section (PACS) has experienced challenges with workload over the past several years. Implementing new legislative requirements over the years has caused more member appeals. Additionally, the pandemic years show a major uptick in disability claims that resulted in contested cases and increased the challenges with obtaining the necessary documentation from medical professionals. PACS has also taken on additional work in the area of disputes, which used to be handled by the Operations Division. This policy option package will address the resource deficiencies that have built up in PACS over the years and will help right-size the section in order to address current backlogs, avoid future backlogs, and address member issues more timely. Request positions are as follow:

- Compliance and Regulatory Supervisor 2 (CRS2)
- Compliance Specialist 2 (CS2)
- Operations and Policy Analyst 1 (OPA1)
- Administrative Specialist 1 (AS1)

#### **Security and Risk Section:**

The Security and Risk Section has two requests for additional resources:

- 1) The Information Security Team only consists of one dedicated FTE. Based on our current resources, our ability to effectively monitor the cybersecurity aspects of the agency's information systems, data, and personnel is limited. Therefore, we would like to increase the size of the team by one additional FTE who would be assigned to support the agency's awareness and training program, monitor our information systems for anomalous behaviors, and administer our security tools. This will allow the current senior member of the team to focus on other aspects of security, which are currently not receiving the attention they require.
- 2) Creating an agency-wide Enterprise risk management program. PERS strives to ensure risk is considered in its decision-making processes; however, it does not currently employ a formal risk process. PERS is requesting one FTE to run the program as well as contracting resources to hire an expert to assist the agency in developing the program. Once a framework is established, it

## BUDGET NARRATIVE

will enable PERS to make strategic, tactical, and operational business decisions based on quantitative risk analysis. For example, we will be able to:

- Enable strategy through risk-informed decision making.
- Allocate resources to address risk exposures.
- Identify potential risks on the horizon and develop insights and response strategies to them.
- Challenge decisions to ensure alignment with the agency's risk appetite.

We will consider a number of ERM frameworks. Our goal will be to hire a consultant to help the agency develop and implement its ERM so whichever framework best aligns with the agency's mission will be selected.

### **Program justification and link to long-term outcomes**

#### **Internal Audit Section**

IAS issues reports on audit subjects that span the entire agency. These reports include recommendations for management to improve operations and are monitored until they are implemented. Recommendations are reported to the PERS Audit and Risk Committee and included in reports to the Governor, as audit accountability is one of her expectations for all state agencies. The table below shows the number of reports and recommendations issued for the past five fiscal years.

Fiscal year	# reports issued	# recommendations
2024	10	30
2023	9	20
2022	6	8
2021	8	14
2020	8	65

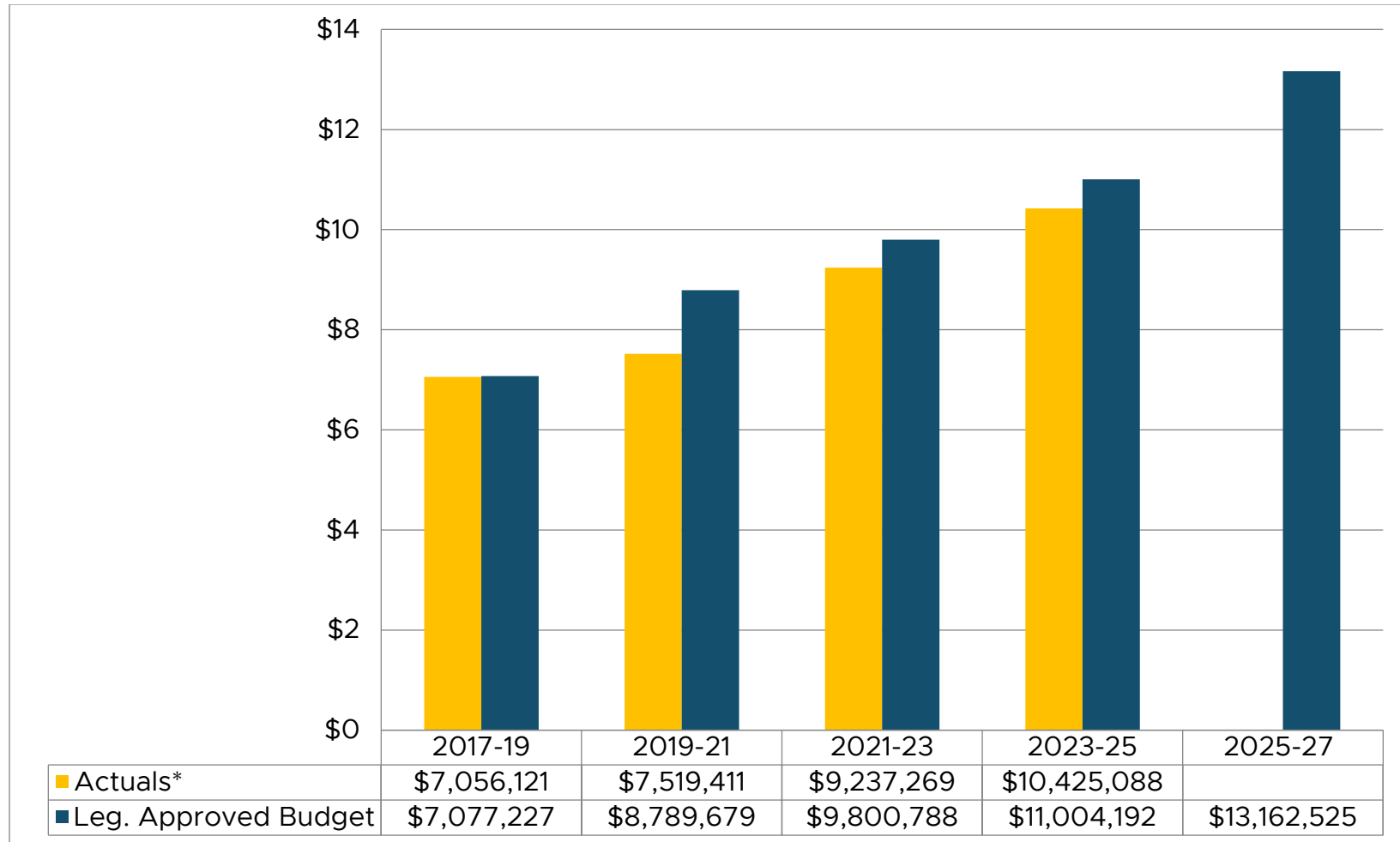
#### **Policy Analysis and Compliance Section**

PACS administers the agency's appeals and contested cases. The following table shows the volume of appeals and contested cases filed for the past six fiscal years.

Year	# appeals	# contested cases
2024	91	22
2023	106	39
2022	267	29
2021	186	33
2020	239	49
2019	149	35

## BUDGET NARRATIVE

### Program budget performance



- 2023–25 actual is estimated.

## **BUDGET NARRATIVE**

### **Enabling legislation/program authorization**

Enabling legislation for PERS operations (administrative costs) are:

- Oregon Revised Statute (ORS) 237.500; 238.490, and 610; and 243.470.
- Oregon Administrative Rules Chapter 459.

Notably, the governing authority for the PERS system is vested in a five-member board appointed by the Governor and confirmed by the Senate under ORS 238.630. The PERS Board is charged with employing a director and creating such other positions as it deems necessary for sound and economical administration of the system.

### **Funding streams**

ORS 238.610 directs that the administrative operations expenses for PERS are 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. PERS' annual operations expenses, when measured as a percent of the \$99 billion PERS Fund, represent less than 8 basis points (0.08%). Any earnings not used to support agency operations must be otherwise expended solely for the exclusive benefit of PERS members.

### **Significant proposed program changes from 2023–25**

Requested Limited Other Funds reflect an increase of \$2,158,333 above the 2023–25 operating budget of \$11,004,192 and will continue to enable the agency to maintain current service delivery levels while enhancing performance measurement in the areas of process improvement and technology.

## BUDGET NARRATIVE

<b>2023–25 Legislatively approved budget</b>	<b>Amount</b>	<b>FTE</b>
Operating budget, limited only	11,004,192	21.71
	Amount	FTE
Base budget limited	11,674,519	22.00
Essential packages limited		-
Pkg. 010 Non-PICS Personal Services Vacancy Factor	(177,811)	
Pkg. 021 Phase In	-	
Pkg. 022 Phase Out Program and One Time Costs		
Pkg. 031 Standard Inflation	461,719	
Pkg. 032 Above Standard Inflation	-	
Subtotal essential packages	283,908	
Subtotal current service level	11,958,426	22.00
Policy Packages		
Pkg. 110 PACS CSS	1,046,908	4.40
Pkg. 810 Statewide Adjustment	157,191	
Subtotal policy packages	1,204,099	4.40
<b>2025–27 Total Leg. Adopted Budget</b>	<b>13,162,525</b>	<b>26.40</b>

## **BUDGET NARRATIVE**

### **Facilities Maintenance and Management**

#### **Facilities Maintenance Discussion**

PERS headquarters building was built in 1996, and the Department of Administration Services Facilities Services has provided annual maintenance to building systems. No deferred maintenance was requested this biennium.

## BUDGET NARRATIVE

### Facilities maintenance summary report

Facility plan — Facility summary  
Report 107BF16a

2023–25 biennium

Agency name

PERS

Table A: Owned assets over \$1M CRV		FY 2024 DATA	
Total number of facilities over \$1M		1	
Current replacement value \$ (CRV)	1	\$46,922,586	Source 4
Total gross square feet (GSF)		60,220	
Office/administrative usable square feet (USF)	2	52,391	Estimate/actual 5
Occupants position count (PC)	3	Est. 280	Office/admin 6
			USF/PC 7
			or Agency measure

Table B: Owned facilities under \$1M CRV	
Number of facilities under \$1M	0
CRV 1	\$0
GSF	0



## BUDGET NARRATIVE

**Table C: Leased facilities**

Total rentable SF	8	25,375	<i>Estimate/actual</i> 5 <input type="text" value="100%"/> % USF/GSF <b>Office/admin</b> <b>USF/PC</b> 6 <input type="text" value="213.23"/>
Total 2025-27 biennial lease cost		\$598,850	
Additional 2025-27 costs for lease properties (O&M)	9	0	
Office/administrative usable square feet (USF)	2	25,375	
Occupants position count (PC)	3	Est. 119	

### Facilities operations and maintenance report

**Agency name**

Public Employees Retirement System

**Facilities operations and maintenance (O&M) budget excluding capital improvements and deferred maintenance**

Personal services (PS) operations and maintenance  
 Services and supplies (S&S) operations and maintenance  
 Utilities not included in PS and S&S above

**Total O&M**  
**O&M \$/SF**

**Total O&M SF**

1	2021-23 Actual	2023-25 LAB	2025-27 Budgeted	2027-29 Projected
	\$213,127	\$282,981	\$334,456	TBD
	\$582,254	\$1,394,602	\$3,092,659	TBD
	\$244,621	\$339,423	\$791,244	TBD
	\$1,040,002	\$2,017,006	\$2,037,395	TBD
	\$17.27	\$33.49	\$33.83	TBD

Include only the SF for which your agency provides O&M funding.

	General Fund	Lottery Fund	Other Funds	Federal Funds
O&M estimated fund split percentage %	2		100%	

## BUDGET NARRATIVE

Deferred maintenance funding In current budget model		2025-27 Biennium		Ongoing budgeted (non-POP)	Ongoing budgeted (non-POP)
Total short- and long-term deferred maintenance plan for facilities value over \$1M				2025-27 budgeted SB 1067 (2% CRV min.)	2027-29 projected SB 1067 (2% CRV min.)
	3	Current costs (2024)	Ten-year projection		
Priorities 1-3 — Currently, potentially, and not yet critical	4,5,6	\$105,695	\$109,298	\$732,862	TBD
Priority 4 — Seismic and natural hazard	7	\$0	\$0	\$0	\$0
Priority 5 — Modernization	8	\$0	TBD	TBD	TBD
Total priority need					
Facility condition index (priority 1-3 needs/CRV)	9	0.288%	0.298%	-1.712%	0.298%
Assets over \$1M CRV		\$36,643,138	Current replacement value reported to risk or calculated replacement value Reported from facility conditions assessment (FCA)		

# BUDGET NARRATIVE

## Special reports

## Information technology reports

<i>EITGC Project Prioritization   2023–25</i>			Project Example	SB 1049 Implementation Program	Orion CRM	Orion D&A
TOTAL PROJECT SCORE (0-100)			100	68	82	76
CRITERIA	WEIGHT	SCORING GUIDE				
Technology and Strategic Alignment	35%	WEIGHTED SUBTOTAL	35	17	29	29
<b>Alignment to Strategic Plans</b> <ul style="list-style-type: none"> <li>Does this investment adhere to the Governor's Strategic Plan (Action Plan: User Friendly, Reliable and Secure: Modernizing State Information Technology Systems and Oversight)</li> <li>Does this investment align with and support the vision, goals, and guiding principles outlined in the EIS Strategic Framework, Cloud Forward: A Framework for Embracing the Cloud in Oregon, Oregon's Data Strategy: Unlocking Oregon's Potential, and the Modernization Playbook?</li> <li>Does this investment align with and support the State of Oregon, Diversity, Equity, and Inclusion (DEI) Action Plan: A Roadmap to Racial Equity and Belonging, the sponsor's agency-specific Racial Equity Plan, and ethical use of data—investing in data justice and representation, visibility, and ethics to serve all Oregonians?</li> <li>Does this investment optimize service delivery to the public and/or internally by modernizing agency-specific and cross-agency systems?</li> <li>Does this investment align with and support the agency's IT and business strategic plans, including strategies for modernizing legacy systems?</li> <li>Does this investment fulfill a legislative mandate, enable compliance with current State or Federal law, or address specific audit findings?</li> </ul>			3	1	2	2
<b>Technology Best Practices and Priorities</b> <ul style="list-style-type: none"> <li>Does this investment align with and support the following enterprise information technology priorities? <ul style="list-style-type: none"> <li><b>Information Security</b>. Improving the security and resilience of the state's systems</li> <li><b>Modernization</b>. Optimizing service delivery through resilient, adaptive, secure, and customer-centered digital transformation</li> <li><b>A Better Oregon Through Better Data</b>. Leveraging data as a strategic asset—improving data analysis, data quality, information-sharing, decision-making, and ethical use.</li> <li><b>Cloud Forward</b>. Enabling Oregon to conduct 75% of its business via cloud-based services and infrastructure</li> </ul> </li> <li>Does this investment align with IT best practices (e.g., cloud-first, modular implementation, agile practices, configuration over customization, open systems, transparency and privacy by design,</li> </ul>			3	2	3	3

## BUDGET NARRATIVE

Business and People-Centered Approach	25%	WEIGHTED SUBTOTAL	25	14	19	14
<b>People-Centered Approach</b> <ul style="list-style-type: none"> <li>Does this investment put people first—the people who rely on essential services and those working to provide those services?</li> <li>Does this investment help to eradicate racial and other forms of disparities in state government?</li> <li>Does this investment improve equitable access to services, programs, and resources, or make the agency's overall service portfolio more accessible or usable for diverse populations?</li> <li>Does the agency intend to strengthen public involvement through transformational community engagement, access to information, and decision-making opportunities?</li> <li>Does this investment reduce or eliminate administrative burdens* that have created barriers to access or reinforced existing inequalities for historically underserved and underrepresented</li> </ul>		<b>3 - Fully Aligned</b> (all applicable criteria addressed)  <b>2 - Mostly Aligned</b> (most applicable criteria addressed)  <b>1 - Partially Aligned</b> (some applicable criteria addressed)  <b>0 - Not Aligned</b> (no or very few applicable criteria addressed)	3	1	2	1
<b>Business Process Transformation</b> <ul style="list-style-type: none"> <li>Does this investment contribute to business process improvement/transformation?</li> <li>Does this investment improve service delivery to customers, partners, or other stakeholders?</li> <li>Has the agency done public engagement, outreach, or an internal evaluation to identify which populations are most highly impacted (positively and negatively) by these business process changes (e.g., considering populations without home internet in creating a digital application process)?</li> <li>Have measurable business outcomes and benefits been established, including the return on investment if applicable?</li> </ul>		<b>3 - Fully Aligned</b> (all applicable criteria addressed)  <b>2 - Mostly Aligned</b> (most applicable criteria addressed)  <b>1 - Partially Aligned</b> (some applicable criteria addressed)  <b>0 - Not Aligned</b> (no or very few applicable criteria addressed)	3	2	3	2
<b>Investment Risk</b> <ul style="list-style-type: none"> <li>Would inaction impact systems or solutions that support critical business functions?</li> <li>Would inaction increase risk to continuity of services to customers, particularly vulnerable or underserved populations?</li> <li>Are there community impacts of not undertaking this project?</li> <li>Has the agency identified an inequity or imbalance in service provision that this initiative would resolve?</li> <li>Is there increased risk if investment is not addressed during this budget cycle (e.g., security, safety, legal, funding source, or any other related risk)?</li> <li>Does the investment address non-compliance of federal or state requirement, audit finding, or mandate?</li> <li>Does this investment address an identified and documented highly probable agency risk?</li> </ul>		<b>3 - Fully Aligned</b> (all applicable criteria addressed)  <b>2 - Mostly Aligned</b> (most applicable criteria addressed)  <b>1 - Partially Aligned</b> (some applicable criteria addressed)  <b>0 - Not Aligned</b> (no or very few applicable criteria addressed)	3	2	2	2

## BUDGET NARRATIVE

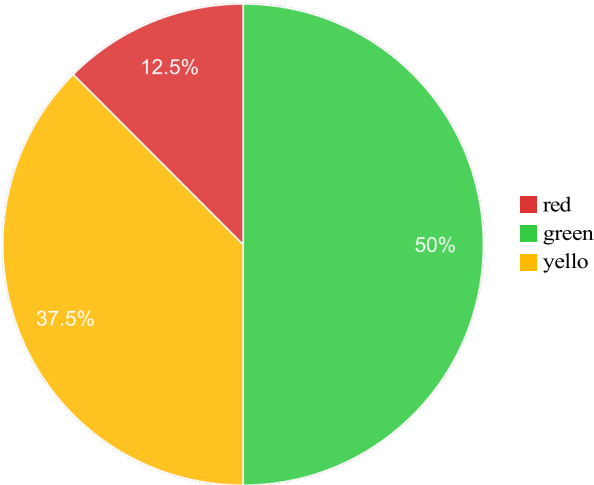
Agency Readiness and Solution Appropriateness	40%	WEIGHTED SUBTOTAL	40	37	33	33
<b>Organizational Change Management (OCM)</b> <ul style="list-style-type: none"> <li>Does the investment significantly impact operations throughout the organization?</li> <li>Does the agency have, or intend to acquire, OCM resources with the skillsets and experience for the size and complexity of the project?</li> <li>Does the agency plan to address and mitigate impact or adoption risks through a change management plan or intend to follow a formal OCM methodology?</li> <li>Has the agency identified community engagement or community involvement as a component of the change management process?</li> <li>Is external outreach or training planned to implement this change with constituents?</li> </ul>		<b>3 - Fully Aligned</b> (all applicable criteria addressed)  <b>2 - Mostly Aligned</b> (most applicable criteria addressed)  <b>1 - Partially Aligned</b> (some applicable criteria addressed)  <b>0 - Not Aligned</b> (no or very few applicable criteria addressed)	3	3	3	3
<b>Solution Scale and Approach</b> <ul style="list-style-type: none"> <li>Has the agency engaged customers, partners, and communities to understand and structure the business problem, benefits, and outcomes?</li> <li>Does the investment fully address the agency's business problem, benefits and outcomes?</li> <li>Is the solution of the appropriate size and scale?</li> <li>Does this investment adhere to principles in <i>EIS Cloud Forward</i> (p.4) or <i>Modernization Playbook</i> (p.6), etc.?</li> <li>Will the agency continue to engage customers and communities to inform design, approach, and usability of the solution?</li> </ul>		<b>3 - Fully Aligned</b> (all applicable criteria addressed)  <b>2 - Mostly Aligned</b> (most applicable criteria addressed)  <b>1 - Partially Aligned</b> (some applicable criteria addressed)  <b>0 - Not Aligned</b> (no or very few applicable criteria addressed)	3	2	2	2
<b>Capacity</b> <ul style="list-style-type: none"> <li>Has the agency considered skillsets and capacity requirements needed to effectively resource this initiative?</li> <li>Does the agency have resources with the necessary skillsets and knowledge, or can the agency acquire the resources?</li> <li>Will this investment impact the agency's ability to deliver on its core business functions?</li> <li>Has the agency considered capacity for various non-technical resources, including organizational change management, project management, business analysis, testing, communication and community engagement activities?</li> <li>Does the agency or project environment foster an inclusive workplace culture and promote</li> </ul>		<b>3 - Fully Aligned</b> (all applicable criteria addressed)  <b>2 - Mostly Aligned</b> (most applicable criteria addressed)  <b>1 - Partially Aligned</b> (some applicable criteria addressed)  <b>0 - Not Aligned</b> (no or very few applicable criteria addressed)	3	3	2	2
<b>Governance and Project Management Processes</b> <ul style="list-style-type: none"> <li>Does the agency have formal IT governance in place that will oversee this investment?</li> <li>Does the investment have executive sponsorship and steering committee in place?</li> <li>Does the agency employ adequate project governance structure and practices to oversee vendor/contract management, change control, quality control and quality assurance, and data management and usage?</li> <li>For projects that impact data or data systems, is there a data governance body or other body responsible for data management that is engaged in the process? Is there an agency data lead who is engaged as part of the project?</li> <li>Are agency DEI staff involved in the IT Governance and prioritization process?</li> <li>Does the agency intend to involve customer or partner representation on project forums (i.e. steering committees, advisory boards, etc.)?</li> <li>Has the agency established processes for community outreach, feedback, engagement, or advice in accordance with the Racial Equity Framework and DEI Action Plan?</li> <li>Does the agency have, or intend to acquire, project management resources with the skillsets and experience for the size and complexity of the project?</li> <li>Does the agency use mature project management practices (PMBOK)?</li> </ul>		<b>3 - Fully Aligned</b> (all applicable criteria addressed)  <b>2 - Mostly Aligned</b> (most applicable criteria addressed)  <b>1 - Partially Aligned</b> (some applicable criteria addressed)  <b>0 - Not Aligned</b> (no or very few applicable criteria addressed)	3	3	3	3

# BUDGET NARRATIVE

## Annual performance progress report (APPR)

Public Employees Retirement System  
Annual performance progress report (APPR)  
for fiscal year 2024

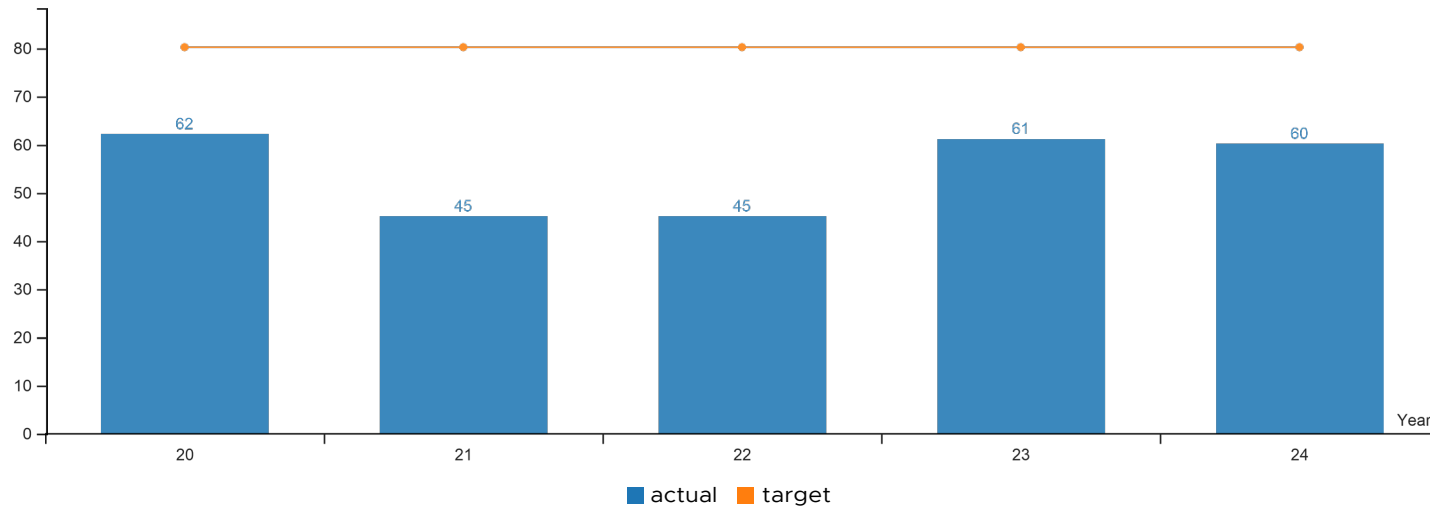
KPM #	Approved Key Performance Measures (KPMs)
1	TIMELY RETIREMENT PAYMENTS - Percent of initial service retirements paid within 45 days from retirement date.
2	TOTAL BENEFIT ADMIN COSTS - Total benefit administration costs per member.
3	MEMBER TO STAFF RATIO - Ratio of members to FTE staff.
4	ACCURATE BENEFIT CALCULATIONS - Percent of service retirement monthly benefits accurately calculated to within \$5 per month.
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.



Performance Summary	Green	Yellow	Red
Summary Stats:	= Target to -5% 50%	= Target -5% to -15% 37.50%	= Target > -15% 12.50%

## BUDGET NARRATIVE

KPM #1	TIMELY RETIREMENT PAYMENTS - Percent of initial service retirements paid within 45 days from retirement date.
	Data Collection Period: Jul 01 - Jun 30



Report Year	2020	2021	2022	2023	2024
<b>Percent of Service Retirements Paid within 45 Days from Retirement Date</b>					
Actual	62%	45%	45%	61%	60%
Target	80%	80%	80%	80%	80%

### How Are We Doing

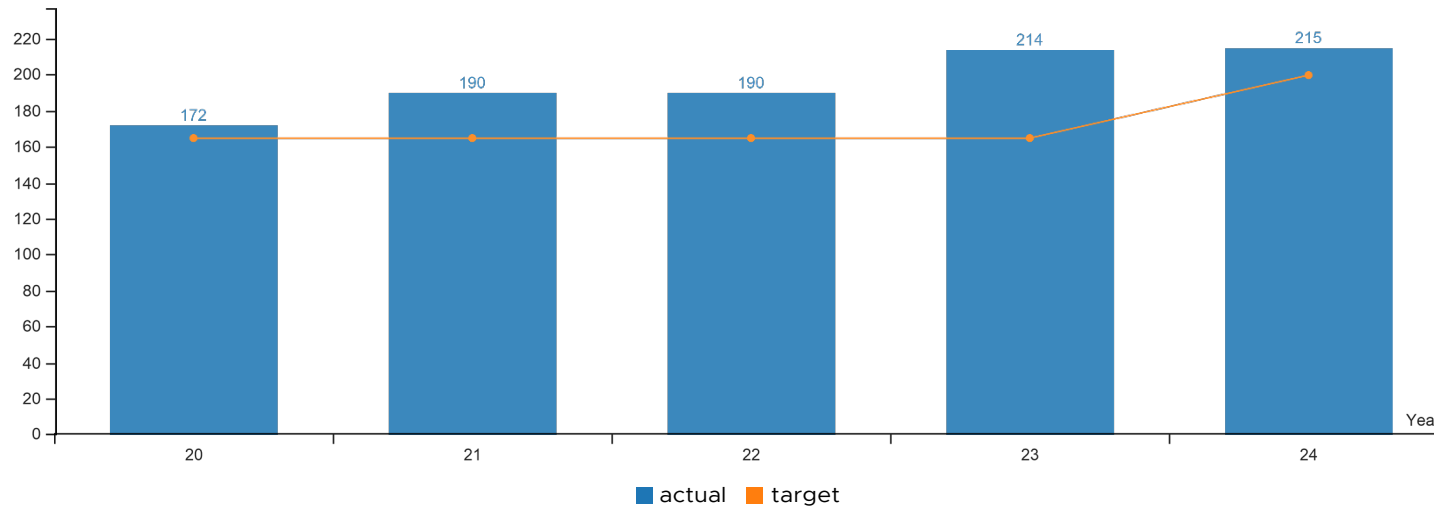
During FY2024, PERS issued 60% of its pension benefit inceptions within 45 days of the member's effective retirement date, which was a slight decrease from the 61% performance rate in FY2023.

### Factors Affecting Results

Performance was negatively impacted by PERS' efforts to implement a significant piece of legislation (SB 1049), a multi-year effort requiring additional staffing and functional reallocations of existing staff. During FY24, EPSA functionality rollouts delayed our efforts for accounts missing TPA dates. But there were also some efficiency gains which helped PERS hold a higher level of performance than the previous years prior to FY23. These efficiencies helped PERS prevent the deeper performance dips seen in FY21 and FY22.

## BUDGET NARRATIVE

KPM #2	TOTAL BENEFIT ADMIN COSTS - Total benefit administration costs per member.
	Data Collection Period: Jul 01 - Jun 30



Report Year	2020	2021	2022	2023	2024
Total Benefit Administration Costs per Member					
Actual	\$172.00	\$190.00	\$190.00	\$214.00	\$215.00
Target	\$165.00	\$165.00	\$165.00	\$165.00	\$200.00

### How Are We Doing

For FY2024, PERS' cost per member is \$215, a small increase over the \$214 in FY2023. In FY2024, PERS administrative costs increased by only 3% to \$94.3 million, from the \$91.4 million in FY2023. The overall membership increased by 2.8% again in FY2024 (same rate of increase as FY2023), to over 439,000 members, up from 427,000 in FY2023.

### Factors Affecting Results

FY2024 total administrative costs are up by \$2.9 million from FY2023. This represented a slight 3% increase. And with membership numbers increasing by only 2.8%, the resulting overall cost per member increased by only \$1.



## **BUDGET NARRATIVE**

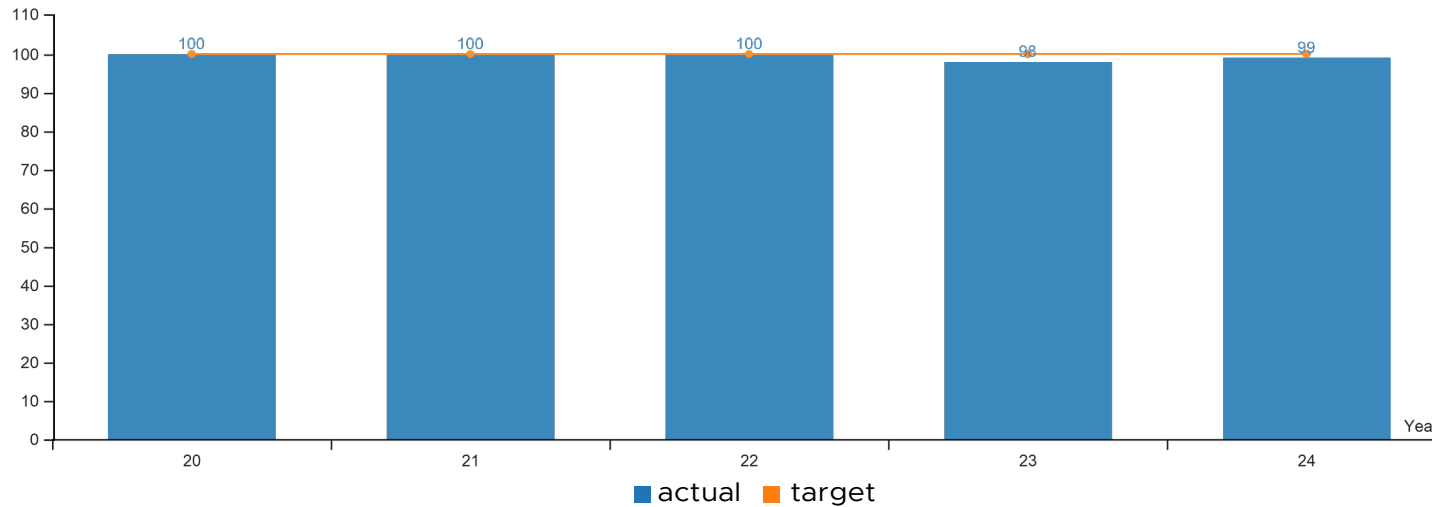
As described in the narrative for KPM #3, part of what drives PERS' administrative costs is the complexity of the multiple plans under Oregon PERS. This complexity makes it more difficult to automate some retirement functions that PERS administers, which increases the reliance on staff-intensive processes. This drives up the cost of administering PERS and thus adds to the cost per member measured here. But the main reasons behind the increased administrative expenses over the last couple years are increased project costs and data processing price

increases. This includes the continuation and upswing of SB 1049 implementation, and the increase in implementation efforts as part of the modernization project. These major projects have required PERS to hire staff and consultants and conduct extensive work on our programs and systems.

NOTE: Due to this complexity and rise in administrative expense, the agency would like to change the target for this KPM for FY2026 and FY2027. The requested target changes for FY2026 and FY2027 align with our expected level of administrative expense as reflected in the 2025-2027 Agency Requested Budget.

## BUDGET NARRATIVE

KPM #4	ACCURATE BENEFIT CALCULATIONS - Percent of service retirement monthly benefits accurately calculated to within \$5 per month.
	Data Collection Period: Jul 01 - Jun 30



Report Year	2020	2021	2022	2023	2024
Percent of service retirement monthly benefits accurately calculated within \$5 per month					
Actual	100%	100%	100%	98%	99%
Target	100%	100%	100%	100%	100%

### How Are We Doing

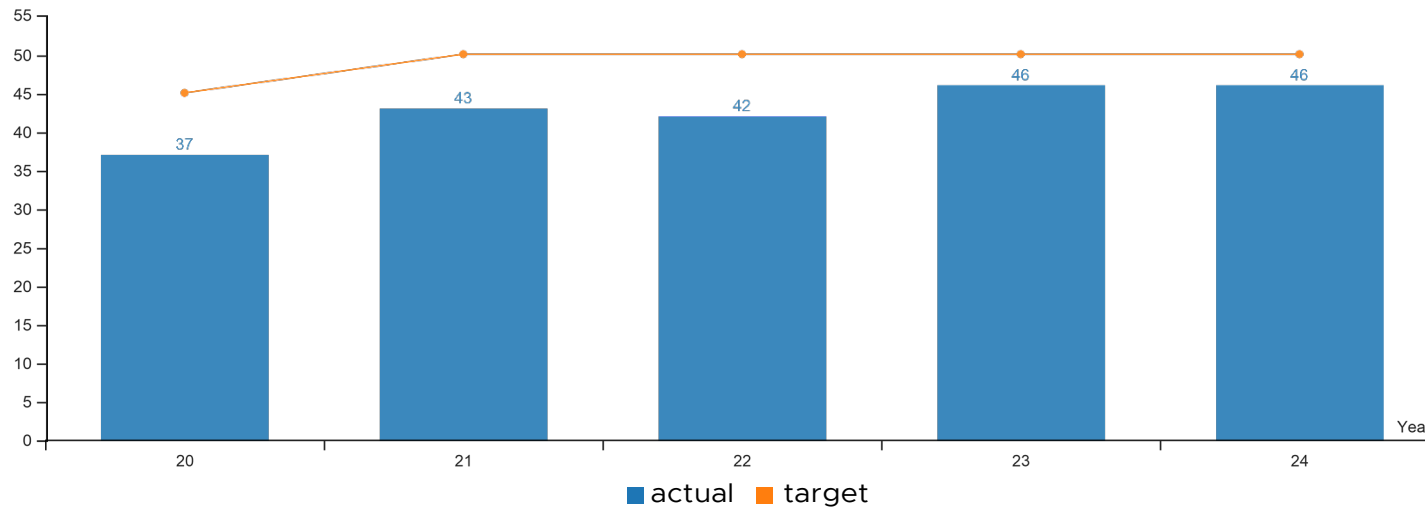
In FY2024, initial service retirement benefit calculations were accurate to within \$5 per month for 99% of the calculations included in the annual random sample audit. The performance this year was a slight improvement from the 98% rate achieved in FY2023. There were fourteen errors exceeding the \$5 threshold, for an error rate of 1% of the sample of 1,361 calculations.

### Factors Affecting Results

The PERS Calculations team has a high-level focus on preventing errors during the benefit calculation process. The team provides ongoing training and support to ensure that our benefit calculations are paid to members correctly the first time.

## BUDGET NARRATIVE

KPM #5	LEVEL OF PARTICIPATION - Percent of state employees participating in the deferred compensation program.
	Data Collection Period: Jul 01 - Jun 30



Report Year	2020	2021	2022	2023	2024
Percent of State Employees Participating in the Deferred Compensation Program					
Actual	37%	43%	42%	46%	46%
Target	45%	50%	50%	50%	50%

### How Are We Doing

State government employee participation in OSGP increased incrementally to 46.3% in FY2024, up slightly from 45.8% in FY2023 (both will round to 46% on the chart). Participating State employees increased by 5%, and the number of eligible state employees increased by 4%. Due to increased focus on gaining new enrollees, OSGP has been able to hold a high participation rate, among increasing numbers of eligible state employees.

### Factors Affecting Results

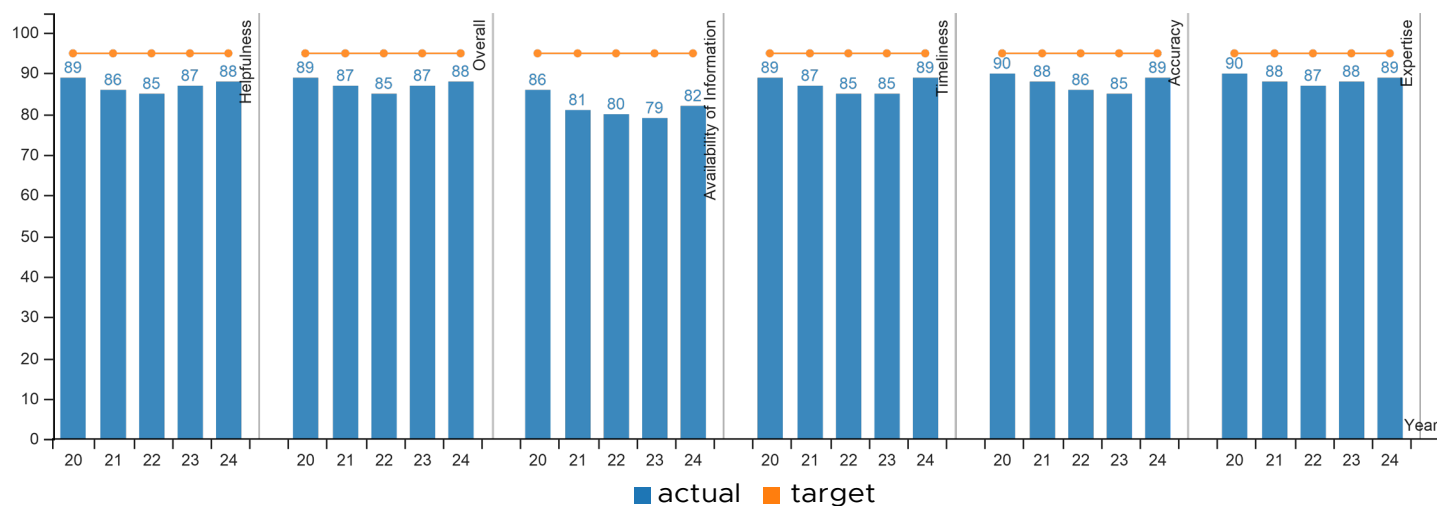
Because OSGP is voluntary for state employees, to have both a relatively high rate of penetration and increasing average monthly deferrals reflects that the Deferred Compensation program is both well-known and represents an important retirement savings tool for many state employees. Despite this, there are other factors that potentially limit the participation rates. There are a large number of 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. To help increase participation, OSGP has begun sponsoring an annual retirement expo each fall, which has resulted in increased enrollments. This expo has even been recognized by groups nationally that want to mirror these efforts. OSGP has also initiated an agency measure focused on

## **BUDGET NARRATIVE**

gaining higher numbers of new state employee enrollees each quarter. This goal will help to mitigate the numbers of active participants exiting to retirement.

## BUDGET NARRATIVE

KPM #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.
	Data Collection Period: Jul 01 - Jun 30



Report Year	2020	2021	2022	2023	2024
Helpfulness					
Actual	89%	86%	85%	87%	88%
Target	95%	95%	95%	95%	95%
Overall					
Actual	89%	87%	85%	87%	88%
Target	95%	95%	95%	95%	95%
Availability of Information					
Actual	86%	81%	80%	79%	82%
Target	95%	95%	95%	95%	95%
Timeliness					
Actual	89%	87%	85%	85%	89%
Target	95%	95%	95%	95%	95%
Accuracy					
Actual	90%	88%	86%	85%	89%
Target	95%	95%	95%	95%	95%
Expertise					
Actual	90%	88%	87%	88%	89%
Target	95%	95%	95%	95%	95%

## BUDGET NARRATIVE

### How Are We Doing

For the FY2024 member survey, PERS received similar ratings to FY2023 across most categories. There were slight improvements (less than 1%) in every category except Timeliness (0.3% lower than FY2023), and Availability of Information (0.8% lower than FY2023). Members rated PERS between 82% and 89% 'good' or 'excellent', with 88% of members rating PERS overall service as good or excellent. Members rated PERS highest in Timeliness, Accuracy and Expertise (89%) and lowest in Availability of Information (82%).

In the FY2024 employer survey, the results reflected lower ratings in all categories. Employers rated PERS between 76% and 84% 'good' or 'excellent,' with 82% of employers rating PERS overall service as excellent or good. Employers rated PERS highest in Helpfulness (84%) and lowest in Availability of Information (76%).

### Factors Affecting Results

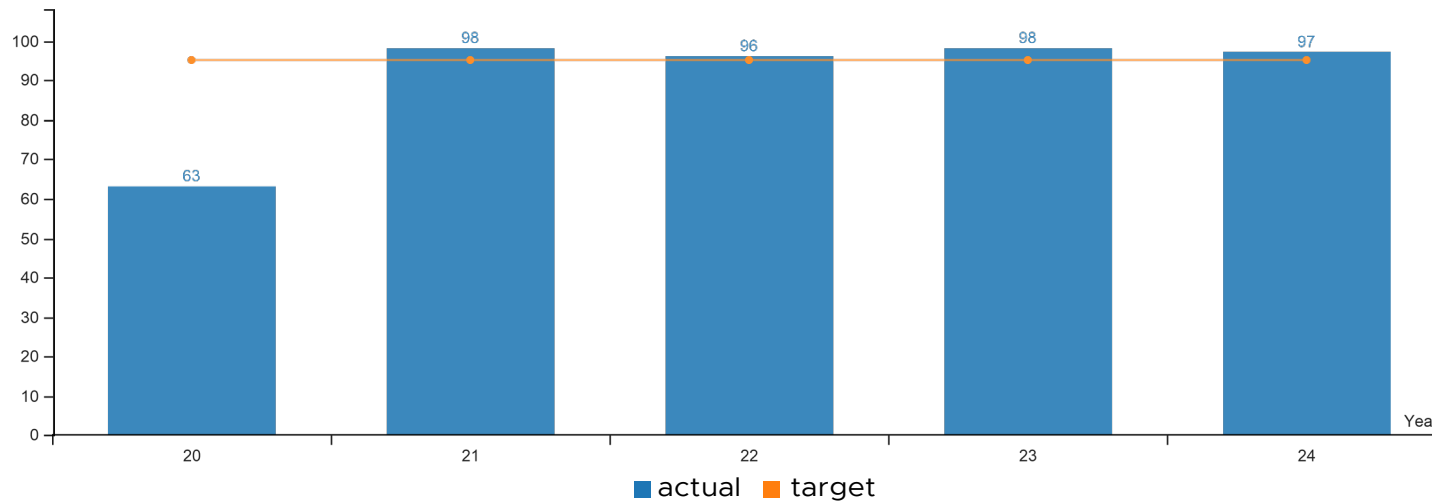
PERS continues to keep customer service and satisfaction as a major focus in its agency strategies and staff efforts. Areas of improvement that impacted the member ratings include improved member forms, instructions, procedures and communication, newly updated website, and improved electronic communications and member education. Concerns voiced by members include communication and education concerns, legislative and economic concerns, and concerns about long wait times with reaching reps in the phone center. Looking ahead, PERS will be looking to make some customer service gains through modernization improvements.

For the Employer service ratings, Concerns about technology, training and communication impacted reduced scores this year. Some of the concerns voiced by employers include challenges with employer reporting and a desire for updated features with our EDX reporting system, a desire for more training available and not knowing what training is available. Future endeavors aimed at improving service to employers include multiple trainings and webinars offered, and more employer guides and materials.

NOTE: We are requesting to change the targets for FY2026 and FY2027 from 95% to 90% for all components of this measure. Since the targets increased from 80% to 95% in 2012, PERS has not been able to achieve this score. In fact, we have not been able to reach a score of 90% for many years. When looking at the underlying comments regarding areas of dissatisfaction, members are looking for timelier service responses as well as more online tools. Unless and until PERS can modernize our systems and underlying processes, we do not feel that the current target of 95% is achievable. At the time we have substantively completed our modernization efforts, we would revisit this target.

## BUDGET NARRATIVE

KPM #7	TIMELY BENEFIT ESTIMATES - Percent of benefit estimates processed within 30 days.
	Data Collection Period: Jul 01 - Jun 30



Report Year	2020	2021	2022	2023	2024
Percent of Benefit Estimates Processed within 30 Days					
Actual	63%	98%	96%	98%	97%
Target	95%	95%	95%	95%	95%

### How Are We Doing

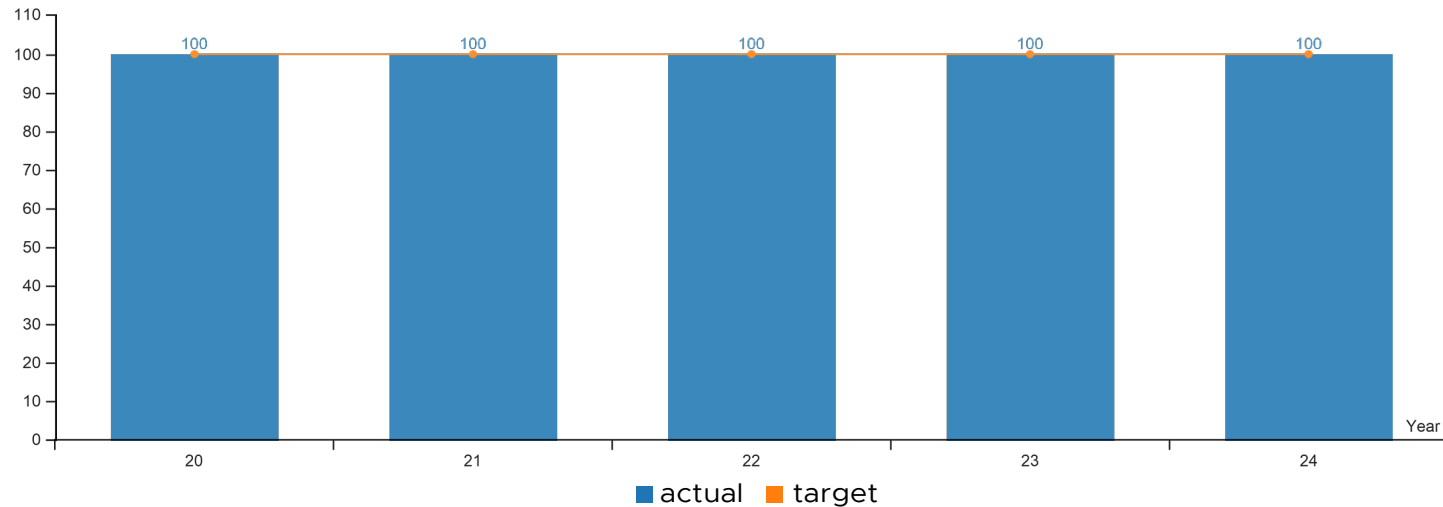
For FY2024, PERS provided member benefit estimates within 30 days 97% of the time. This is a decrease from the FY2023 performance of 98%. This year's 97% performance represents a continuation of higher performance over the last four years, when PERS bested the 95% targeted level of performance each year. This is remarkable considering some of the challenges faced over the last few years (SB 1049 implementation and modernization work).

### Factors Affecting Results

Despite the challenges posed by PERS' implementation efforts surrounding SB 1049 and the commencement of our modernization project, we were able to continue a very high level of performance for this measure. Both of these large projects are multi-year efforts that have involved hiring additional staff and resources, and moving some existing staff over to the projects. This has impacted staff available for other PERS functions, including preparing benefit estimates. But PERS was able to maintain an increased level of production for benefit estimates this year due to several key efforts: having a lead to accomplish the work efficiently, constant monitoring and regulation of incoming work, cross-training staff on different PERS plans, and collaboration with other teams to improve process and productivity.

## BUDGET NARRATIVE

KPM #8	BOARD OF DIRECTORS BEST PRACTICES - Percent of total best practices criteria met by the PERS board.
	Data Collection Period: Jul 01 - Jun 30



Report Year	2020	2021	2022	2023	2024
Metric Value					
Actual	100%	100%	100%	100%	100%
Target	100%	100%	100%	100%	100%

### How Are We Doing

The PERS Board completed the self-assessment survey process for the 2023-25 biennium using the online SurveyMonkey.com tool in July of 2024. Continuing the approach used in previous biennia, the Board assessed their 2023-25 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' and the 'meets' responses would be rated as a 'yes,' or favorable rating for this KPM. The results of the survey showed a majority favorable rating for each of the 15 criteria, and will reflect a 100% rating for this measure. There were four criteria that received one or two 'Meets but needs improvement' votes: The Board is appropriately involved in review of the agency's key communications, The Board is appropriately involved in policy-making activities, The agency's policy option packages are aligned with its mission and goals, and The Board appropriately accounts for resources. There was and will be discussion with the Board to shore up these areas that may need improvement.

### Factors Affecting Results



## BUDGET NARRATIVE

The PERS Board recognizes the importance of providing strategic guidance, budget and financial control, customer service emphasis, regular communications with stakeholders, and maintaining agency focus on cost effective and efficient operations. This emphasis has resulted in increased attention at the staff level on organizational structure and operational best practices, which takes on increasing importance in periods of economic stress. The Board and agency management will continue to support this best practices focus through their activities and discussions at Board and Audit Committee meetings. And in response to the current self-evaluation, more attention and effort will be placed on ensuring the PERS Board takes every step to review key communications, remain involved in policy decisions, and remain involved in budget and resource discussions.

## BUDGET NARRATIVE

### **Audit response report**

The following reports were completed and/or issued by the Secretary of State or the Joint Legislative Audit Committee in the 2021–23 biennium and thus far in the 2023–25 biennium:

### **2021–23 biennium**

Report # 2021–39: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2021 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2022–07: Audit of Pension Schedule of Employer Allocations and Pension Amounts by Employer for the Year Ended June 30, 2021 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2022–08: Audit of RHIPA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2021 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2022–09: Audit of RHIA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2021 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2022–34: Independent Actuarial Review of PERS December 31, 2021, Actuarial Valuation (Contract Audit)

This review was conducting pursuant to HB 4163, Section 11 (2018), which requires an independent review of PERS system actuaries every four years. While the reviewers did make some suggestions for improvement, the review found the actuarial work to be consistent with generally accepted actuarial standards and practices.

Report # 2022–36: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2022 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2023–05: Audit of Pension Schedule of Employer Allocations and Pension Amounts by Employer for the Year Ended June 30, 2022 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2023–06: Audit of RHIPA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2022 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2023–07: Audit of RHIA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2022 (Contract Audit)

No significant deficiencies or material weaknesses.

## BUDGET NARRATIVE

### **2023–25 biennium (to date)**

Report # 2023-38: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2023 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2024-08: Audit of Pension Schedule of Employer Allocations and Pension Amounts by Employer for the Year Ended June 30, 2023 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2024-09: Audit of RHIA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2023 (Contract Audit)

No significant deficiencies or material weaknesses.

Report # 2024-10: Audit of RHIPA Schedule of Employer Allocations and OPEB Amounts by Employer for the Year Ended June 30, 2023 (Contract Audit)

No significant deficiencies or material weaknesses.

# BUDGET NARRATIVE

## Supervisory span of control report



### HCM | Span of Control Counts by Company (Company or Supervisory Organization Selection)

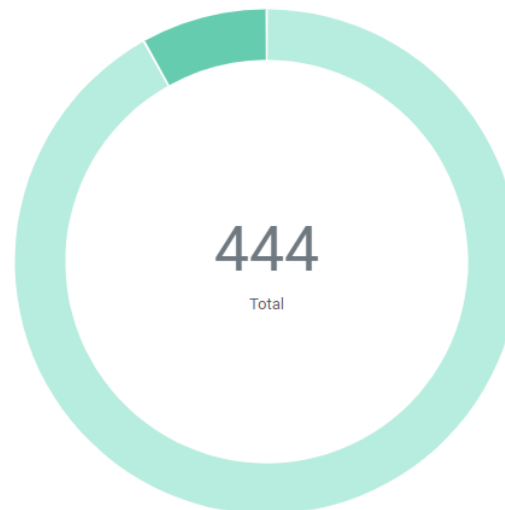
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Page 1 of 1

Effective as of Date and Time: 07/01/2024 12:00:00.000 AM

Company: Public Employees Retirement System

Include Subordinate Organizations: Yes

Company	Supervision Category	Filled	Vacant	Total
Public Employees Retirement System	Non-Supervisory	373	35	408
Public Employees Retirement System	Supervisory	33	4	37
Total		406	39	445



Public Employees Retirement System - Non-Supervisory Public Employees Retirement System - Supervisory

# BUDGET NARRATIVE

## Affirmative action report

### OVERVIEW

#### **Affirmative action**

The Public Employees Retirement System (PERS) recognizes the importance of fostering fairness, inclusion, and maintaining a workplace culture where everyone is treated with respect and dignity regardless of race, color, national origin, religion, sex, sexual orientation, gender identity, marital status, age, veteran status, disability, or status as a victim of domestic violence, harassment, sexual assault, or stalking.

The core of our humanity is a testament to our affinity with the Oregon Revised Statutes (ORS) 182.100, 243.305, 243.315, and 659A.012; direction from the Governor in Executive Order 17-11; the federal Title VII of the 1964 Civil Rights Act; and Section 503 of the Rehabilitation Act of 1973.

It is understood that racial inequities are not random and have been created over time. Because of this, we must be proactive to advance racial equity and increase success by integrating racial equity into routine decision making. The following plan further demonstrates our effort to promote and support equity and inclusion by illustrating measurable acts of purpose.

#### **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.

#### **Agency operational structure, mission, core values, and operating principles**

The Oregon Public Employees Retirement System (PERS) administers retirement benefits to about 95% of Oregon's public employees. The PERS agency has over 400 employees who support more than 188,000 active PERS members, 163,500+ retirees, and more than 890 participating agencies throughout Oregon.

The purpose of the PERS Affirmative Action Plan (AAP) is to outline our diversity, equity, and inclusion (DEI) goals for 2023 through 2025 and the actions we are taking to achieve them. It also shows the progress we have made over the last few years and the areas where we need to strive harder.

The goals outlined in this plan illustrate the significance of DEI and affirmative action to PERS. Our leadership team will ensure that every PERS manager and supervisor knows and understands the contents of this and commits to accomplishing its goals. All PERS employees will be offered training and self-learning opportunities to help them understand and appreciate the many benefits of a diverse workforce and an inclusive work culture.

Prioritizing diversity and inclusion dovetails with our core values of respect and service. By following this plan, we ensure that we will continue to fully support diversity, inclusion, nondiscrimination, and equal employment practices in our recruitment, hiring, development, and promotion of employees.

It is our intention that through our inclusive culture, remote work options, and increasing growth opportunities, PERS will become an employer of choice in Oregon.

## BUDGET NARRATIVE

### **Operational structure**

In the last five years, our agency has transformed operations to allow 80% of our workforce to work on a fully remote basis and 10% to work in a hybrid model. This shift has increased our recruitment candidate pool. In several recruitments, our pools exceeded 400 candidates. This effort has also led to one of the highest employee satisfaction ratings in all state government. Through the latest statewide Gallup employee engagement survey efforts, PERS was recognized in the top five among those with positive employee responses.

While these results are positive, we know we need to do more. Our agency has struggled with recruiting and retaining employees from underrepresented communities. With our mission in mind, we need our agency to reflect those we serve. In this way, we can align the needs of our members and employers firmly and intentionally.

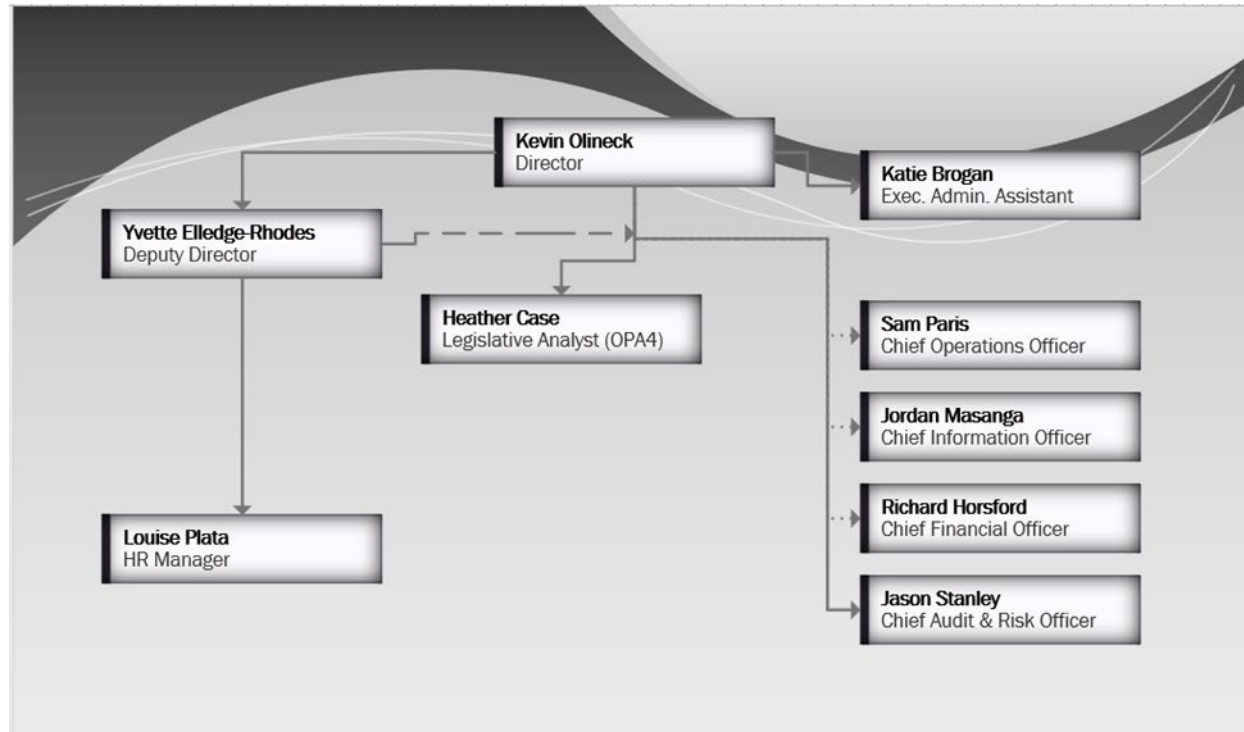
Agency Director:	Kevin Olineck
Governor's Policy Advisor:	Bob Livingston
Affirmative Action Representative:	Louise Plata, HR Manager
COBID Contracting Lead:	Mario Graham-Tutt

### **Plan resources, support, and accountability**

This plan was initiated by the Director and the HR manager with input from the Executive Leadership Team (i.e., division administrators) and the PERS DEI Committee members in conjunction with the work associated with the PERS DEI Plan. As set out in the PERS DEI Plan, division administrators will engage with their direct-report managers in their division to set DEI-specific goals for their section with respect to both recruitment and retention. There must be agreed-upon objectives and tactics to reach the agreed-upon goals.

# BUDGET NARRATIVE

## Agency organizational chart



## PERS 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.

## Core values and operating principles

Service focus.  
Accountability.  
Vigilance.

Accuracy.  
Integrity.

Professionalism.  
Judiciousness.

# BUDGET NARRATIVE

## Summary and analysis of protected classes and racial diversity

The following charts illustrate historical information as well as our progress toward our 2023–2025 goals. From 2021 to present, we have experienced a 1% decrease in white employees and a 1% increase in employees who identify as two or more races. We have seen increases in the number of Asian/Pacific Islander staff by 1.5% and in the racial diversity of managers or supervisors in two categories: Asian/Pacific Islander and Two or More Races.

We have jobs available that minimize or do not require commuting to work and are fully remote. Positions range from entry level to mid-level management. Because more than 80% of our positions are fully remote, it is prudent to examine our racial/ethnicity percentages in terms of the full population of Oregon rather than focusing on the Portland Metro area alone.

Per the 2023 United States Census Bureau, Oregon's population is 85.9% white. As shown in the next chart, the PERS employee population is 69.1% white, which shows progress in hiring ethnically diverse candidates from the Black/African American, Hispanic, and Asian/Pacific Islander communities, and those who identify with two or more races.

## 2023 PERS racial/ethnicity data

White	Black/ African American	Asian/ Pacific Islander	Hispanic Mexican	Eastern European	American Indian or Alaska Native	Two or more races
69.1%	3.5%	15.3%	3.0%	-	1.0%	4.7%

## 2023 Oregon census data

White	Black/ African American	Asian/ Pacific Islander	Hispanic Mexican	Eastern European	American Indian or Alaska Native	Two or more races
85.9%	2.3%	5.1%	14.4%	-	1.9%	4.3%

In 2024, we completed a review of our structure and determined that we will request, through the legislative budgetary process, to increase our number of supervisory/management positions. This will decrease our agency ratio from 11:1 to 10:1. The reasons for this change are as follows:

- Reduce the number of staff reporting to one manager/supervisor.
- Create a succession plan between mid-line managers and administrators.

Other changes that are in-progress and in alignment with our centers of excellence structure:

- Reorganize the Information Services Division (ISD), removing an administrative section and properly placing the section's staff into the Central Administration Division (CAD).
  - Allows the staff to align with divisional staff who perform similar work.
  - Opens opportunities for internal growth and career trajectory opportunities.



## BUDGET NARRATIVE

Through these challenging and changing times, we understand the importance of committing to action. This includes hiring and promoting from a diverse pool of candidates and increasing management accountability for hiring, motivating, collaborating, and supporting diverse employees through career trajectory goals. The following chart illustrates our progress toward these commitments.

### July 2021 and May 2024 views of agency demographics and racial/ethnicity

Group	Male*	Female*	White	Black/ African American	Asian/ Pacific Islander	Hispanic Mexican	Eastern European	American Indian or Alaska native	Two or more races	Non-disclosed
Board of directors 5/2024	3	2	2	0	1	1	0	0	0	0
7/2021	4	1	3	0	1	1	0	0	0	0
Execs 5/2024	5	1	5	0	1	0	0	0	0	0
7/2021	5	1	5	0	1	0	0	0	0	0
Managers 5/2024	17	16	23	1	2	1	0	0	4	2
7/2021	17	12	27	0	1	0	0	1	0	0
Employees 5/2024	132	229	250	13	58	10	0	4	15	11
7/2021	130	230	253	12	53	11	0	3	18	10
Total staff 5/2024	156	248	280	14	62	12	0	4	19	13
Percent	38.5%	61.2%	69.1%	3.5%	15.3%	3.0%	-	1.0%	4.7%	3.2%

\*Workday does not collect non-binary information.

When considering supervisory/management positions, we have furthered our engagement with staff as we have more staff considering leadership positions. We have more staff in the Asian and Two or More Races ethnicity groups moving into supervisory positions.

### **Agency staff by gender and race/ethnicity**

As noted below, our employee count increased since 2022 with additions to our Black/African American and Asian populations. We decreased in our Two or More Races category and had an increase in those who would not disclose their race/ethnicity.

## BUDGET NARRATIVE

### 5/2024 compared to 6/2022

	2024				2022			
Racial category	Female	Male	All	Percent	Female	Male	All	Percent
American Indian/Alaska Native	4	0	4	1.0%	3	0	3	1.1%
Asian	45	17	62	15.3%	45	14	59	15.0%
Black/African American	5	9	14	3.5%	4	8	12	3.0%
Hispanic or Latino	8	4	12	3.0%	9	6	15	3.8%
I do not wish to answer	7	6	13	3.2%	3	7	10	2.5%
Native Hawaiian/ Other Pacific Islander	-	-	-	-	1	0	1	0.3%
Two or more races	14	5	19	4.7%	15	6	21	5.3%
White	163	117	280	69.1%	163	109	272	69.0%
Totals	248	156	404	100.0%	243	150	393	100.0%

## BUDGET NARRATIVE

### Supervisor/management race/ethnicity

6/30/2022 compared to 5/01/2024

Racial category	2024	2024 %	2022	2022 %
American Indian/Alaska Native	-	-	1	3.0%
Asian	3	8.8%	2	6.0%
Black/African American	1	2.9%	1	3.0%
Hispanic or Latino	1	2.9%	1	3.0%
No answer provided	2	5.9%	0	0.0%
Two or more races	2	5.9%	-	-
White	25	73.5%	30	85.0%
Totals	34	100.0%	35	100.0%

### Veterans

We had a slight increase in hiring veterans.

Reporting as of 5/2024 compared to 9/2022

Veteran status	2024 %	2024	2022 %	2022
Not a veteran	95.6%	387	96.6%	424
Veteran	4.2%	17	3.4%	15
Total	100.0%	404	100.0%	439

## BUDGET NARRATIVE

### **Disabled employees**

We had a decrease in reported disabilities; however, we have seen an increase in Oregon Family Leave Act (OFLA)/Family and Medical Leave Act (FMLA) cases. We understand that some staff believe there is a stigma with disabilities, and they prefer not to report them. In addition, some staff have retired because of their disability or the disability of a loved one.

Reporting as of 5/2024 compared to 9/2022

Disability status	2024 %	2024	2022 %	2022
No reported disability	98.5%	399	97.7%	385
Reported disability	1.2%	5	2.3%	9
Total	100.0%	404	100.0%	394

### **Employee promotions by race and gender**

We have had an increase in promotions for women who report as being two or more races. We have had a 50% decline in promotions for Hispanic, Black, and African American staff. To motivate staff to seek and apply for promotional opportunities, we are opening more work-out-of-class opportunities that offer promotional trials. Managers speak to all qualified personnel about these opportunities, and this has yielded interest from our racially diverse staff.

5/2024 compared to 9/15/2022

Race/ethnicity	2024 female	2024 male	2024 promotion count	2022 female	2022 male	2022 promotion count
White	20	8	28	12	10	22
Asian	5	5	10	8	0	8
Black or African American	0	3	3	1	5	6
Hispanic/Latino	0	1	1	1	2	3
Two or more races	3	0	3	-	-	-
I do not wish to answer	0	2	2	0	1	1
Total	28	19	47	22	18	40

## BUDGET NARRATIVE

### 2021 through 5/2024 progress to goals

Goal description	Leadership evaluation
Increase racial diversity of our employee population by increasing our Hispanic, Black, and Native American employee count by 2%.	<p>Our Hispanic representation and overall numbers declined from 15 employees in 2022 to 12 employees in 2024. Our overall percentage declined from 3.8% to 3.0%.</p> <p>We had an increase in our Black/African American population from 12 employees (3.0%) to 14 employees (3.5%).</p> <p>We had an increase in our Native American employees by one, which increased our overall percent from 1.0% to 1.5%.</p> <p>We did not meet our goal.</p>
Increase the hiring of persons with disabilities by 1% annually.	<p>Our reported numbers of hiring individuals with a disability reduced from 2.3% to 1.2%.</p> <p>We did not meet our goal.</p>
Increase our hiring of veterans by 1% annually.	<p>We increased our hiring of veterans from 3.4% to 4.2%. Although a little shy of our goal, we are on the right track. Human Resources (HR) staff and managers are performing their responsibilities by applying veteran points correctly in the hiring process.</p> <p>We did not meet our goal.</p>
Employee satisfaction survey results indicate that PERS staff recognize the definition and actions of equity, inequity, and equity-driven initiatives by 70%.	<p>Through employee polling, we learned that a little over 80% of our staff understand the differences between equity and equality. Although more work in practicing equity-driven policies and actions is needed, our agency is moving in the right direction.</p> <p>We met our goal.</p>
Increase promotional opportunities by 1% for under-represented persons of color, veterans, and disabled employees.	<p>We increased our promotions of staff who identify as two or more races and in the Asian category; however, we have a decline in the Black and Hispanic representation areas.</p> <p>We did not meet our goal.</p>
As a result of survey and as a result an increase of education, increase staff recognition and implications of bias by 40%.	<p>We will either use our annual employee engagement survey or depend on the state's survey to measure staff awareness of DEI efforts and expectations.</p>

## BUDGET NARRATIVE

	We did not survey on the basis of bias. This effort will be scheduled in the next 12 months.
	We did not meet this goal.

### **2023–2025 agency diversity and inclusion statement**

PERS recognizes the importance of eliminating discrimination and disparities within the workplace. To advance a culture of change within our agency, and as recognition that we serve a diverse population of members and retirees, the PERS Community Committee was renamed the PERS Diversity, Equity and Inclusion (DEI) Committee.

The PERS DEI Committee has been appointed as an advisory body to the Executive Leadership Team. The work of the DEI Committee includes:

- Researching opportunities for leadership and staff training on DEI concepts.
- Collaborating with Agency Training on implementation strategies.
- Measuring our efforts in collaborating with and awarding contracts to minority-owned, women-owned, and LGBTQA-owned small businesses.
- Tracking agency progress on hiring a diverse workforce.
- Participating on hiring panels and/or observing hiring panels for the purpose of dismantling bias while aligning hiring initiatives with our goals.
- Collaborating with agency leadership on efforts to meet individual and agency goals.

In further recognition of advancing the work of DEI at PERS, the director and deputy director are in support of adding an additional position (FTE) within HR to assist the HR manager with this important body of work. With the Governor's and legislative budget approval for the 2025–27 biennium, the HR manager will be able to dedicate more time to leading the agency through culture change and other equally important initiatives.

### **Agency Affirmative Action Policy statement**

PERS takes responsibility for actions and measures that promote hiring and supporting a diverse workforce. This work includes:

- Initiating the launch of our first internship program.
- Implementing panel interview training.
- Hosting our first remote job fair.
- Leveraging the agency's current succession plan to create career development pathways for current employees.
- Creating knowledge retention and transfer processes for new employees.
- Continuing to share local and state programs that recognize community, cultural events, and other information representing Oregon's diversity.
- In support of the internship program, developing and implementing a mentorship training program that defines appropriate communication strategies that support new-to-work programs and ongoing education of staff.

## BUDGET NARRATIVE

- Sharing information with staff regarding opportunities to learn and adopt racial equity practices in the workplace. This work may include contracting with DEI providers to help provide support for this effort.

### Development and expectations

Leaders have participated in training and independent learning that have increased their awareness and knowledge of DEI history, racial inequities, hiring practices, bias, and the importance of change. To meet our DEI goals, we are moving from awareness and knowledge to expectations and implementation. The newly developed PERS DEI Plan, of which this document is a part, delineates supervisor, manager, and leadership expectations to achieve the goals outlined in this affirmative action plan and the DEI Plan as well. Minority businesses

Currently, PERS does not have any active contracts with Certification Office for Business Inclusion and Diversity (COBID) certified firms. Many of the high-dollar contract opportunities at PERS are for technology upgrades, software, programming, and specialty services specifically related to the administration of the Oregon Savings Growth Plan (administered by Voya) and PERS Health Insurance Program (administered by Segal Consulting and Benefit Help Solutions). Other contracts are developed under the state of Oregon contracts available to PERS, and contracts and purchases for general operating needs are awarded directly to suppliers who are on mandatory state price agreements. These are competitively bid through the Department of Administrative Services (DAS) Procurement Services group. Some suppliers are likely certified COBID suppliers, but that information is not tracked at the agency level. When there are opportunities/solicitations for new business to the open market, PERS procurement staff members take these additional steps: Search the Oregon Business Development Department's COBID vendor list for certified firms that could respond to the solicitation. Review and remove unnecessary restrictive requirements in solicitation documents that may discourage COBID bidders. Include language in the Request for Proposal that encourages suppliers to become certified and direct them to COBID information. The PERS Procurement staff have provided information to small, minority-owned, and women-owned businesses on becoming certified and encouraged them to participate in Oregon's program. However, some have chosen not to pursue certification. Procurement staff continue their efforts and are participating in the launch of the new Oregon Buys web-based eProcurement system <https://oregonbuys.gov/bsa/>.

### Complaint Options

Staff are encouraged to follow the processes set out in the training: *DAS – CHRO – 2024 Preventing Discrimination and Harassment* and the Discrimination and Harassment Free Workplace policy: <https://www.oregon.gov/das/Policies/50-010-01.pdf>.

### PERS AAP appendix

Agency documentation in support of the PERS Affirmative Action Plan

Agency documentation includes internal policies and procedures for implementation of Affirmative Action Plan goals for recruitment, retention, and development/advancement of staff.

# BUDGET NARRATIVE

## **State documentation**

### **State of Oregon Diversity, Equity, and Inclusion Action Plan (2021):**

[DEI Action Plan 2021.pdf \(oregon.gov\)](#)

- Executive Order No. 22-11.
- ADA and Reasonable Accommodation in Employment (statewide policy 50.020.10).
- Discrimination and Harassment Free Workplace (statewide policy 50.010.01).
- Employee Development and Implementation of Oregon Benchmarks for Workforce Development (state HR policy 50.045.01).
- Duties of Administrator (ORS 240.145).
- Rules Applicable to Management Services (ORS 240.250).
- Recruitment and Selection (statewide policy 40.010.02).
- Veterans Preference in Public Employment (ORS 408.230).
- Equal Opportunity and Affirmative Action Rule (105.040.0001).
- 2023-2025 Affirmative Action Plan Guidelines; Updated August 2022.

## **Federal documentation**

- Age Discrimination in Employment Act of 1967 (ADEA).
- Disability Discrimination Title I of the Americans with Disability Act of 1990.
- Genetic Information Discrimination Title II of the Genetic Information Nondiscrimination Act of 2008 (GINA).
- Equal Pay and Compensation Discrimination Equal Pay Act of 1963.
- Title VII of the Civil Rights Act of 1964:
  - National Origin Discrimination.
  - Discrimination.
  - Race/Color Discrimination.
  - Religious Discrimination.
  - Sex-Based Discrimination.
  - Sexual Harassment.
- Retaliation Title VII of Civil Agency Affirmative Action Policy.
- Executive Order 11246 (Office of Federal Contract Compliance Programs (OFCCP) regulations).

## **DEI Definitions**



## BUDGET NARRATIVE

All agencies	These are defined by agencies with 11 or more employees in executive branch agencies led by the Governor.
Attraction	Attracting people to apply for an open position or advancement opportunity. Examples of strategies are recruitment, engagement, the application process, position descriptions, and creating an applicant pool for consideration.
Diversity	A variety of identities, ethnicities, racial categories, gender, ages, and/or cultures within a group or organization. Measurable with quantitative metrics.
Engagement	How involved and interested employees are in helping their organization achieve its goals. Organizations can engage employees through leadership, affinity groups, workplace equity, inclusion, and communication.
Equity	Equity represents the use of policies, programs, practices, processes, and investments to eliminate institutional and structural racism and enable all people to attain their full potential.
Protected class	A shared characteristic that employers cannot use as a basis for employment decisions under the law. This report is concerned with these specific protected classes: gender, race and color, age, disability, and veterans' status in the state of Oregon's workforce.
Race	In this report, race means the sum of all racial categories except white.
Racial categories	A racial category is one of seven racial classifications: Asian, Alaska Native/American Indian, African American/Black, Hawaiian Native/Asian Pacific Islander, Hispanic (non-white), two or more races, white. Person (or people) of color represents someone who identifies as belonging to any racial category but white.
Retention	An organization's ability to prevent employees from wanting to seek employment elsewhere. Organizations can achieve retention through promotion, effective supervision, access to training, supportive management, additional growth opportunities, and mentorship.
Selection	The process of evaluating job candidates based on skills, competencies, and experiences to find the best person to fit the role. Selection strategies include setting minimum qualifications, using a fair interview process, using interview panels, using a scoring system, and panel decision-making.
Small agencies	Mostly boards and commissions with 10 or fewer full-time equivalent (FTE) employees. Affirmative action reporting requirements differ from those for larger agencies.
Workforce	The state workforce includes all full-time, limited-duration, academic, and temporary employees, plus seasonal in-season executive branch agencies under the Governor's leadership.
Workforce equity	The elimination of barriers to employment that stem from hiring-panel biases. This creates a workforce that is more representative of the general population and a workplace that is more inclusive of all kinds of people.

## BUDGET NARRATIVE

### Strategic plan measures

PROCESS MEASURES: Managing & Developing the Workforce															
No.		Measure Name	Measure Calculation	RANGE			Target	Desired Perform. Trend	Data Collection Frequency	Data Source	Measure Owner	Last Status	Status	Trend	Corrective Action & Comments
				Red	Yellow	Green									
Cost [or Quantity]	SP5a	Employee Check-ins	% of employees with a quarterly check-in	<90%	90-94	>95%	100%	⬆️	Quarterly	Workday	L. Plata	100%	99%	-	
	SP5b	Trial Service Determination	% of trial service determinations rendered 15 days prior to Trial Service end	<80%	80-90	>90%	95%	⬆️	Quarterly	Workday	L. Plata	100%	100%	=	There were no Trial Service removals this quarter
Quality	SP5c	Recruitment	Average number of days for recruitments (from requisition to offer)	>60	51-60	<= 50	50	⬇️	Quarterly	Workday	L. Plata	44	54	-	Continuing to strive to meet the Governor's goal
	SP5d	Telecommuting	% of staff telecommuting at least three days per week	<50%	50-70	>70%	80%	⬆️	Quarterly	Survey	L. Plata	86%	88%	+	
	SP5e	Quarterly Training Completed	% of DAS/PERS required training completed on time	<80%	80-90	>90%	95%	⬆️	Quarterly	Workday	L. Plata	99%	n/a	####	There was no required training this quarter

# BUDGET NARRATIVE

## Annual employee engagement results by division

### Q<sup>12</sup>® Item Results by Division

		Percentile range in Gallup database:					
		1 <sup>st</sup> –24 <sup>th</sup>	25 <sup>th</sup> –49 <sup>th</sup>	50 <sup>th</sup> –74 <sup>th</sup>	75 <sup>th</sup> –89 <sup>th</sup>	≥90 <sup>th</sup>	
		OVERALL	FSD	CAD	CARD	ISD	OD
	n Size	323	31	46	22	64	160
GRANDMEAN		4.02	4.28	4.01	4.00	3.88	4.03
	Q00 Overall Satisfaction	4.13	4.45	4.07	4.24	4.02	4.12
GROWTH	Q12 Learn & Grow	4.15	4.32	4.18	3.90	3.98	4.20
How do I grow?	Q11 Progress	4.31	4.53	4.47	4.43	4.00	4.32
	Q10 Best Friend	3.00	3.04	2.95	2.75	2.87	3.10
TEAMWORK	Q09 Quality	4.10	4.29	4.02	4.38	4.03	4.08
Do I belong?	Q08 Mission	4.19	4.48	3.98	4.14	4.05	4.26
	Q07 Opinions	3.83	4.16	3.78	4.23	3.52	3.84
	Q06 Development	4.02	4.32	4.20	3.95	3.84	3.99
INDIVIDUAL	Q05 Cares	4.21	4.35	4.30	4.27	4.11	4.18
What do I give?	Q04 Recognition	3.61	4.24	3.77	3.43	3.34	3.58
	Q03 Do Best	4.18	4.48	3.91	4.05	4.05	4.27
BASICS	Q02 Materials	4.16	4.48	4.20	4.05	4.27	4.06
What do I get?	Q01 Expectations	4.47	4.61	4.33	4.41	4.44	4.50

Note: Percentiles based on Workgroup Level\_Company Size - 100 to Less Than 1,000 Respondents.

# BUDGET NARRATIVE

## **PERS policies adopted**

PERS affirmative action strategies, actions, goals, and objectives are authorized through the authority as defined in state policies and the Governor's Executive Orders. The following policies are available to staff through our agency's intranet under Policies and Procedures.

### **Affirmative Action Policies and Executive Orders**

- ADA and Reasonable Accommodation Policy (Statewide Policy 50.020.10).
- Discrimination and Harassment Free Workplace - (Statewide Policy No. 50.010.01).
- Employee Development and Implementation of Oregon Benchmarks for Workforce Development (Statewide Policy 50.045.01).
- Veterans Preference in Employment (40-055-03).
- Equal Opportunity and Affirmative Action Rule (105-040-0001).
- Executive Order 17-11: Relating to Affirmative Action and Diversity and Inclusion.
- [http://www.oregon.gov/gov/policy/Documents/Federal\\_Affirmative\\_Action\\_TitleVII.pdf](http://www.oregon.gov/gov/policy/Documents/Federal_Affirmative_Action_TitleVII.pdf).
- Executive Order 22-11: Relating to Affirmative Action, Equal Employment Opportunity, Diversity, Equity, and Inclusion.

### **Complaint procedures**

PERS has a complaint process that begins with a concern initiated by a complainant. A complainant may reach out to Louise Plata or any HR manager, director, administrator, manager, DAS chief human resources officer (CHRO) representative, or any HR representative with concerns through a written formal complaint or through phone contact, email, or MS Teams discussion.

The formal process is defined through procedures posted on our intranet site and include Ms. Plata's contact information. All complaints will be processed expediently, and the goal is to complete that process within 30 days or sooner.

### **Roles for implementation of affirmative action plan**

The success of the affirmative action plan is dependent on the interaction, oversight, and active participation of the Executive Leadership Team, Human Resources, and the PERS DEI Team members and staff contribution.

PERS Executives have initiated mandated work required by management teams, and there is no hesitancy to continue mandated work as it applies to changes in recruitment and retention strategies and other affirmative action initiatives.

## BUDGET NARRATIVE

### Appendix: Definitions

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## BUDGET NARRATIVE

### Appendix: Governing policies

#### Oregon Revised Statutes (ORS)

ORS 182.100	The requirement for all appointive authorities for state boards, commissions, and advisory bodies shall implement this policy of affirmative action in their appointments, subject to the legal requirements for each appointment.
ORS 243.305	The policy defines affirmative action as fair and equal employment opportunities and advancement.
ORS 243.315	Directs and monitors affirmative action programs in all state agencies to implement the public policy.
ORS 659A	This statute prohibits unlawful discrimination in employment, public accommodations, and real property transactions; administrative and civil enforcement.
ORS 659A.012	Every state agency shall be required to include in the evaluation of all management personnel, the manager's or supervisor's effectiveness in achieving affirmative action objectives as a consideration of the manager's or supervisor's performance.
ORS 659A.015	Requires affirmative action reports to include information on awards of construction, service, and personal service contracts awarded to minority businesses.
Oregon Executive Order No. 16-09	Promotes diversity and inclusion opportunities for Oregon minority-owned, women-owned, service-disabled, veteran-owned, and emerging small businesses.
Oregon Executive Order No. 22-11	Affirms commitment to promote diversity, equity, and inclusion in the workplace and eliminate past and present discrimination, intended, or unintended.
Section 503 of the Rehabilitation Act of 1973	Prohibits federal contractors and subcontractors from discriminating in employment against individuals with disabilities and requires employers to take affirmative action to recruit, hire, promote, and retain these individuals.
Title VII of the 1964 Civil Rights Act	This federal law outlaw's discrimination based on race, color, religion, sex, or national origin. It prohibits unequal application of voter registration requirements and racial segregation in schools, employment, and public accommodations.